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TODAY'S HUMAN RESOURCE MANAGEMENT

LEARNING OBJECTIVES

After studying this chapter, you should be able to do the following:

- 1.1 Explain why all managers need to understand the basics of HRM.
- 1.2 Discuss how HRM helps meet management challenges to improve organizational revenues.
- 1.3 Describe the five critical dependent variables that managers must control to compete in a modern organization.
- 1.4 Summarize the four major HRM skill sets.
- 1.5 Describe the major areas of responsibility within the HRM discipline.
- 1.6 Identify the most common HRM certification programs and their parent organizations.
- 1.7 Explain the practitioner's model for HRM and how it applies to this book.
- 1.8 Discuss the issues and trends impacting HRM today.

SHRM HR Content

See Appendix: *SHRM 2022 Curriculum Guidebook* for the complete list.

- C. Employee and Labor Relations
 4. Attendance
 16. Employee engagement
 17. Employee involvement
 19. Employee retention
- D. Employment Law
 36. Professional liability
- E. Globalization
 7. Global business environment
 - a. Global labor markets
 - b. Global talent shortages
- F. HR Career Planning
 8. Ethical decision-making
 - f. Team leadership
- G. HR's Role in Organizations
 1. It is expected that faculty will discuss HR's role regarding each of the individual HR disciplines ...
- K. Organizational Development
 5. Improving organizational effectiveness
 6. Knowledge management
 10. Organizational effectiveness
 13. Ongoing performance and productivity initiatives
- N. Strategic HR
 1. Strategic management
 - g. Organizational effectiveness
 - h. Sustainability/corporate social responsibility
 2. HR strategies
 - a. Ethics
 - c. Internal consulting
 - g. The role of the chief human resource officer (CHRO)

WHY STUDY HUMAN RESOURCE MANAGEMENT (HRM)?

Believe it or not, our *human resources* (HR) drive organizational profitability and success to a great extent.¹ HR is also one of the most difficult managerial specialties to be in today. Maybe that is why it's one of the highest-paid managerial jobs in modern organizations. Most major organizations now have a Chief HR Officer (CHRO) or Chief People Officer (CPO) position in the C-suite. A research report from Sage Advice noted that “91% of HR leaders and 95% of C-suite execs say HR has the right skills to become heads of business.”² All of this reflects the growing complexity of the HR leader's job. Let's take a quick trip through the last few years at work to see why HR has become even more important.

What a Long Strange Trip It's Been

To paraphrase a song from the 1970s by the Grateful Dead, what a long, strange trip the decade of the 2020s has been, at least so far. Human resource management (HRM) is a profession that always changes rapidly. However, even HRM doesn't frequently see the turmoil we have recently. Laws change, regulations change, governments change, and companies continue to operate, but so far in the 2020s things have turned out to be quite different.

COVID-19 and Remote Work

We completed our last edition of this book, and HRM practitioners were going about their business at the beginning of 2020 as they *always* do, when word spread of a novel coronavirus (COVID-19) that was beginning to make people ill, and some were even dying from the virus. HRM had to respond to something that hadn't happened in a hundred years, and *everything* in people management changed. Companies were forced to close their physical workspaces and move most, if not all, of their employees to remote work—something that has never before occurred in history and something that HR had to figure out in a hurry. How do we manage recording hours? How do we ensure the work is getting done? How do we evaluate employees who we don't see? How do we (or *do* we) monitor remote workers? Do we have to lay off large numbers of people, or cut pay, or both?

In addition, HR had its hands full with a raft of emergency federal legislation on payroll assistance, emergency leave, workplace safety, unemployment requirements, and dozens of other requirements. In most cases, they were also the lead or co-lead in managing moving the company's work to *work-from-home* or other remote sites and had to manage the mental well-being of the survivors who were not laid off in many companies. In fact, this and other issues in 2020 drastically “elevated the role of HR chiefs in the C-suite.”³ The COVID-19 pandemic, though, was not going to be the only defining issue of 2020.

Broad Calls for New Racial and Social Justice Initiatives

In May of 2020, while the pandemic raged, **George Floyd** was tragically killed during an arrest attempt, surrounded by too many similar incidents within communities of color. The city's mayor said, “Being Black in America should not be a death sentence,”⁴ and other officials joined the chorus of voices saying that what happened was a symptom of an epidemic of a different sort, and *everything* in American culture changed as concern for social justice and true inclusion came to the forefront in virtually every organization.⁵ Shortly thereafter, street protests began in the middle of the already raging COVID-19 pandemic. Unlike previous protests, these drew much larger and more diverse crowds⁶ at least partly because of the video of the incident, where it appeared that Mr. Floyd was in distress, and the officer was uncaring or oblivious to it.

Among the outcomes of George Floyd's death was the beginnings of a reexamination of equity and inclusion, most often ordered by CEOs and carried out by HRM at work, *as well as in society*.⁷ HR



The COVID-19 pandemic has changed the way we work. More people are requesting to continue working remotely as restrictions ease.

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leaders started looking at the issue with more concern in part because sometimes-heated discussions about the incident started to appear in organizations where people with widely varying opinions still gathered, even if remotely via video screens. These discussions about race, along with other fairness and inclusion issues, would start many companies on a path to reevaluating their diversity, equity, and inclusion (DEI) practices.

The pandemic has also disproportionately affected the work lives of people in underrepresented communities. HR has a large role to play in bringing diverse organizational voices to the table to bring about social change and ensure equal access to resources for the workforce. **Michele Meyer-Shipp**, Chief Diversity and Inclusion Officer for **KPMG** stated, “It’s a critical time for organizations to proactively engage with employees and discuss these important issues—but it’s equally important to demonstrate that actions are being taken to drive real change.”⁸

Deeper Reflection on Equity and Inclusion for LGBTQ+ People in Society and at Work

The next defining issue that pushed companies to reevaluate how they manage their employees was a U.S. Supreme Court ruling on June 15, 2020, that interpreted the 1964 Civil Right Act’s prohibition of “discrimination based on sex” to include LGBTQ+ individuals. The ruling specifically noted, “An employer who fires an individual merely for being gay or transgender violates Title VII.”⁹ This was the first time there has been a definitive ruling by the high court on any form of LGBTQ+ rights in the workplace. In fact, in several cases, the Supreme Court had declined to hear such cases and had put off previous LGBTQ+ rulings by passing them back to lower federal courts. Nevertheless, something was different this time, and HR managers had to quickly adapt their organizational practices in many cases.

Other Major Developments

Stress and mental health: During COVID-19 lockdowns, stress and mental health issues became a national crisis with reports of about three-fourths of employees having moderate to very high stress levels and 57% saying the same about burnout, and *every* employee and manager was affected.¹⁰ We also had one of the most divisive presidential campaigns in the past hundred years causing what **NBC News** called “election stress disorder,”¹¹ and polite society, workplace civility, and therefore morale at work suffered, adding more stress to people’s lives. HR typically has the lead in worker health and safety programs, including stress management and mental health services, through their management of the organization’s employee assistance programs (EAPs) and employee wellness programs (EWPs).

Massive turnover and other job movements: As we entered 2021 and into 2022, we endured the *great resignation*, where monthly voluntary resignations went from around 2 million in late 2020 to greater than 4.5 million in late 2021 and early 2022.¹² The *great regret* followed, where about 80% of the 47 million people who had quit in 2021 felt they had made a mistake in leaving their previous jobs, and some 68% actually attempted to get those jobs back.¹³

Generational workforce shifts, record inflation, GenAI, and more politics: We now have, for the first time in modern history, fully five different generations in the workforce,¹⁴ and *every* group and most of the individuals in these groups respond differently to the work environment, inflation affected *everyone’s* paycheck and cost of living,¹⁵ generative AI that is going to affect *everyone’s* job,¹⁶ and as this is being written we are dealing with another divisive presidential election where *everyone* will be affected by significant changes in HR law no matter which candidate wins. And that’s only the tip of the iceberg. Does it surprise you that five HR roles are currently among the 25 fastest-growing jobs in the United States?¹⁷

Employee Engagement and Experience

Everyone has heard the term *job satisfaction* at some point. It is a common historical metric for analyzing employee intent to engage with the organization and can be an important aspect of **employee engagement**, but employee engagement is a much bigger term: It is a *combination of job satisfaction, ability, and a willingness to perform for the organization at a high level and over an extended period of time.*

A more recent concept has taken hold and is layered on top of employee engagement. **Employee experience** includes *employee engagement as well as the totality of other interactions between the individual and their workplace and whether those interactions are positive or negative overall*. It applies information that, through utilization of analytics and other technology, we use to continually adjust people practices. An IBM study¹⁸ noted that there are five core dimensions of employee experience:

Belonging—feeling part of a team, group, or organization

Purpose—understanding why one's work matters

Achievement—a sense of accomplishment

Happiness—the pleasant feeling arising in and around work

Vigor—presence of energy, enthusiasm, and excitement at work

They go on to say that leaders have to provide trust, supportive coworker relationships, meaningful work recognition, feedback and growth, empowerment and voice, and work–life balance. So, you can quickly see that this is a comprehensive set of factors that we would not be able to manage if it were not for current analytics capabilities.

Before you start thinking “Oh, this is just another new fad,” let's look at a company that has been around for more than 50 years and has been highly successful in improving corporate performance through employee engagement and great employee experiences.

Virgin Group, Sir **Richard Branson's** conglomerate, was founded in 1970 as a record producer and now has 39 companies under the brand.¹⁹ Their website quoted Sir Richard as saying, “We aspire to be human, brave and visionary in everything we do, and we believe that when people feel a genuine sense of belonging, they thrive.” Branson also said, “Train people well enough so they can leave, treat them well enough so they don't want to.”²⁰ These quotes and many others by Branson show his concept of employee engagement and experience, and his concept has worked for many years: He was worth about \$2.9 billion in 2024²¹ (even after the COVID-19 shutdowns cost his travel-oriented businesses a large fortune!) because of his success in maintaining employees who *want* to remain with the organization even through hard times.

Because human resources are generally our most valuable organizational resources, if the organization can manage them more successfully than competitors, if it can get employees involved in working toward the day-to-day success of the organization and feeling like they belong, and if it can get them to stay with the organization, then it has a much greater chance of being successful—with the term *successful* defined in this case as being more productive and more profitable than the competition.²² Managers are responsible for getting work done through their employees,²³ so if we get our employees fully committed and engaged, we increase employee trust and loyalty, and improve productivity.²⁴ **(SHRM C:16, C:17)**—*These SHRM Curriculum Guide items are listed at the beginning of each chapter. We will explain them in the section of this chapter titled “Resources for HRM Careers.”*

Student Engagement and Skill Development

Most of you who are picking up this book are asking, “Why am I taking an HR course? What's in it for me?” These are important questions,²⁵ and the answers to them should be based on evidence.²⁶ As we noted in this chapter's first sentence, the **human resources (HR)**—*the people within an organization*—are one of the primary means of creating a potential competitive advantage, and the way we manage people directly affects their work performance.²⁷ Today, people skills are almost always considered more important than technical skills.²⁸ So one quick answer to why you should take this course is that success in our professional and personal lives is about creating relationships.²⁹ So the better you can work with people, the more successful you will be in your personal and professional lives as an employee, line manager, or human resource manager.³⁰ And that's what this book is all about.

Organizations want their new hires to have the ability to apply knowledge and develop skills.³¹ Do you want college to prepare you for the world of work but question the relevance of your courses?³² This may be one of the few courses you take in which you can actually use what you learn during the course

to apply the concepts and develop human relations skills because we close the relevance gap that so many of you see between what you are taught in class and what you do at work.³³ The role of modern managers also continues to change, requiring today's organizational leaders to manage increasingly dynamic and complex environments.³⁴ Managers have a major effect on performance, and unfortunately, as you may know, there are lots of poor managers.³⁵

This brings us to the focus of this book; We designed it to be the most relevant how-to book written on managing others in organizations. As indicated by the subtitle—*Functions, Applications, and Skill Development*—this book uses a three-pronged approach, with these objectives:

1. To teach you the important functions and concepts of HRM
2. To develop your ability to apply HRM functions and concepts through critical thinking
3. To develop your HRM skills in your personal and professional lives

We offer some unique features to further each of the three objectives, as summarized in Table 1.1.

TABLE 1.1 ■ Features of This Book's Three-Pronged Approach

Features That Present HRM Functions and Important Concepts	Features to Apply the HRM Functions and Concepts That You Learn	Features That Foster Skill Development
Learning Objectives	Practitioner's Perspective	Self-Assessments
Key Terms	People and Organizational Examples	Ethical Dilemmas
Step-by-Step Behavior Models	Work Applications	Skill Builder Exercises
Chapter Summaries With Glossaries	Applying the Concepts	Communications Skills
	Cases	
	Videos (online only)	

This book will teach you how to get people engaged so you can get the results necessary to succeed against tough competitors in today's business environment. We will focus on HR management, but the principles apply to any manager. The bottom line is that if you learn these skills and apply them successfully in any manager role, you will get your employees engaged and improve productivity. That is what will get you noticed by senior management and allow you to move up quickly in the organization. So, let's get started!

WORK APPLICATION 1.1

How can this course help you in your personal and professional lives? What are your goals, or what do you want to get out of this course?

HRM PAST AND PRESENT

Management of human resources has probably changed more in the past 20 years than in the entire history of organized companies, but it has *definitely* changed more in the past 4 years than during any previous 4-year period. Along with all of the disruptions we have already reviewed, technological

change and the ability to analyze large data sets using analytics and artificial intelligence (AI) have disrupted every industry and the way every company does, or should do, things, from operations to marketing to HR. Let's do a quick introduction to human resources management (HRM), past and present, and because of the importance of technological change, we will also continue to explore the effects of technology in HRM as we look at strategy in Chapter 2 and in subsequent chapters throughout this book.

HRM in the Past

Back in the dark ages, around the mid-1970s—when there weren't even any computers available to most managers—being the HR manager (we usually called them personnel managers then) was considered to be a bit easier than other management jobs. HR managers were expected only to be paper pushers who could keep all of the personnel files straight. In this environment, most HR departments provided limited services to the organization—keeping track of job applicants, maintaining employee paperwork, and filing annual performance evaluations. In these past organizations, the HR department was considered to be a **cost center**,³⁶ *a division or department within the organization that brings in no revenue or profit for the organization*. It only costs money for the organization to run this function.

As you can easily see, we don't want many (or any) cost centers in an organization if we can help it. We need revenue centers instead. **Revenue centers** are *divisions or departments that generate monetary returns for the organization*. Where cost centers eat up available funds, revenue centers provide funds for the organization to operate in the future. HR departments are not able to generate revenue *directly* because of their tasking within the organization, but they *can* generate significant revenue and profit in an indirect fashion, and that is what we will discuss next.

Present View of HRM

The old workplace in which managers simply told employees what to do is gone. Today's organizations are likely using a team-based structure,³⁷ so you will most likely work in a team,³⁸ perform lots of quantitative analysis on business data, and share in decision-making and other management tasks—called participative management.³⁹ Modern organizations absolutely expect significantly greater productivity than occurred in their historical counterparts. In fact, the **Organization for Economic Cooperation and Development (OECD)** said, “**Productivity is expected to be the main driver of economic growth and well-being over the next 50 years, via investment in innovation and knowledge-based capital.**”⁴⁰ (**SHRM F:8-f**)

Productivity Centers

A **productivity center** is *a revenue center that enhances the profitability of the organization through enhancing the productivity of the people within the organization*. So, today's HR managers are no longer running an organizational cost center. Their function, along with that of all other managers within the organization, is to improve organizational revenues and profits—to be a profit center. But how does HR create revenue and profits for the organization? They do it by enhancing the productivity of the people within the organization.⁴¹ **Productivity** is *the amount of output that an organization gets per unit of input, with human input usually expressed in terms of units of time*. (**SHRM K:13**)

We must be more competitive in today's business environment if we are to survive for the long term. As managers, we have to do things that will improve the productivity of the people who work for us and our organization. But how can we become more productive? Productivity is the end result of two components that managers work to create and continually improve within the organization:

- **Effectiveness**—*a function of getting the job done whenever and however it must be done. It answers the question, “Did we do the right things?”*
- **Efficiency**—*a function of how many organizational resources we used in getting the job done. It answers the question, “Did we do things right?”*

Both of these are important, but most of the time, we are focused on efficiency.⁴² Our people allow us to be more efficient as an organization *if* they are used more successfully. This course is about how to make our people more efficient. (SHRM K:5, K:10; N:1-g)

Companies around the world take this need for efficiency seriously, and new ways of working using new technologies, along with attention to employee experience, are helping companies improve their efficiency. Chief Human Resource Officers (CHROs) are concerned about employee experience and productivity and especially about improving efficiency,⁴³ so companies have learned that they need some of their best managers in the CHRO role. MIT research noted that⁴⁴ businesses in the “top-quartile on employee experience,” which is HR-driven, achieve twice the innovation, double the customer satisfaction, and 25% greater profitability than organizations in the bottom quartile. In another productivity analysis, an Oxford University study also reported positive relationships between worker *well-being* (another HR-driven issue) and return on assets, profitability, and total firm value.⁴⁵

Recall that efficiency is a function of how many organizational resources we use up to get the job done. It doesn't matter what kind of resources we are talking about. We use up material, monetary, and facility resources doing our jobs. But do we use up *human* resources? Well, not literally, although we can burn them out and thus make them useless if we subject them to intolerable working conditions. But we do use up their time. This is the value that we gain from our people: their time. We physically use up monetary resources, facility resources, and material resources, but we use up the time available from our people.

HRM deals primarily with improving the efficiency of the people within our organization. If our people are inefficient over long periods of time, our organization will fail. If we don't use our people efficiently, we're ultimately going to be forced out of business by somebody who is better at using those resources than we are. So, the primary reason we're worried about HR management within an organization is to improve the efficiency of our human beings.

So how do we make people more efficient? We can't really *directly* affect the performance of individuals within the organization. We can't force employees to act in a certain way all of the time, and while we have the ability to punish them when they don't do what we need them to do, we don't have the ability to directly control all of their actions. So as managers for the organization, we have to do things that will have an indirect effect on our people's productivity—their efficiency and effectiveness. And we do have certain things within our control as managers that can cause our people to do the things we need them to do.

So, CHROs and other HR leaders who are outstanding practitioners of their craft *can* achieve twice the innovation, double the customer satisfaction, and 25% greater profitability, as we already noted. If you are interested in an HR career, you'll also be glad to know the number of jobs has also increased rapidly. In 2007, the median ratio of HR staff to workers was one HR staff member for every 100 workers. In a 2024 analysis, ADP said that the “sweet spot” for most employers is between 1.5 and 4.5 HR staff per 100 employees.⁴⁶ (SHRM N:2-g)

Technology's Major Effect on Efficiency

Senior managers have learned that one way to improve efficiency of their workers is through use of technology and especially through the use of people analytics and now generative AI (GenAI). Old ways of doing work have become too slow in almost all cases—with competitors constantly innovating processes and customers and employees demanding that we use technology tools to speed up both work and feedback on the work that is done.⁴⁷ Today's companies must be agile.⁴⁸ Using technology allows us to gather, analyze, and manage large amounts of data much more quickly than we have ever been able to do before. This, in turn, allows managers—including HR managers—to find commonalities in the data that can help them create new and more efficient processes as well as more engaged employees. One example will help show what we are talking about:

The *Financial Times* notes in an article that after Bank of America outfitted their employees in a call center with badges that monitored how they moved about the office, who they talked to, and for how long, the company “discovered that its more productive workers were those allowed to take their breaks together, in which they let off steam and shared tips about dealing with frustrated customers.

The bank took heed and switched to collective breaks, after which performance improved 23 percent and the amount of stress in workers' voices fell 19 percent.⁷⁴⁹

Analytics provide us with this type of information that we would not otherwise have the ability to research.

Continuing HRM Challenges

What continuing issues are today's corporate executives concerned with other than the ones covered at the beginning of the chapter? While CEO sentiment changes constantly, many of the top concerns in every survey or report include the issue of people and their performance. Here is a brief review of some concerns from a recent survey of CEOs and CHROs by the **Chief Executive** website and **SHRM**.⁵⁰

- Talent retention and upskilling strategy
- Talent availability and recruiting
- Making better people managers
- Unlocking human capital potential of the organization for innovation
- Strengthening the current and future leadership bench

Reviewing these recurring challenges, HRM has been reasonably good at identifying and meeting some of them, whereas others have gone without significant attention to date in most companies. Where we have still not done as well—at least in most organizations—is in business acumen, especially in quantitative areas dealing with metrics and people analytics. The ability to analyze large data sets allows HR managers to work toward overcoming another of their challenges: creating strategic agility.⁵¹ Although this is not an analytics text, we will continue to introduce you to some basic HR metrics as we go through this text so you have a working understanding of how they might be used in each functional area of HRM.

Labor Demographics

Demographic changes in the labor force will significantly affect companies over the next 20 years. We already noted the current *five generations* in the workforce. Businesses will also become far more diverse in terms of gender, ethnicity, sexuality, and religion, among other characteristics in the immediate future, with a focus on creating an inclusive environment with equal employment opportunity and acceptance for all employees.⁵² Aging of the workforce, skills shortages, integration of AI, and many other factors will affect the ability of HR to provide the organization with the right numbers and types of employees. Let's quickly review a few of these issues.

Your organization will look more culturally diverse over the foreseeable future. The global white population is decreasing as far as we can tell based on countries that perform periodic census counts. Population growth in the United States and many other countries is coming from other races and ethnicities.⁵³ The growth in these worker groups over the next 10-plus years will be substantial. The **U.S. Bureau of Labor Statistics (BLS)** expects Hispanics to be 21.9% of U.S. workers in 2032, up from 18.6% in 2022.⁵⁴ Black workers are expected to increase from about 12.9% in 2019 to about 13.4% of the workforce in 2032.⁵⁵ The BLS report also expects the number of women in the workforce to increase from 46.8% in 2022 to 47.3% in 2032, a hopeful note considering that women quit the workforce at much higher rates than men during the COVID-19 pandemic to take care of family members.

The lack of skilled workers is an ongoing, worldwide problem. According to the **U.S. Chamber of Commerce**, as of January 2024, “we are missing 1.7 million Americans from the workforce compared to February of 2020,” and there were 9.5 million job openings for only 6.5 million unemployed workers.⁵⁶ And that does not consider that the unemployed may not have the skill sets for the open positions. Workers hold more of the power post-pandemic, and are becoming more forceful in negotiating better compensation, career development, and recognition from the organization,⁵⁷ one reason why companies are so concerned with employee experience. In addition, according to the federal BLS, the *quit rate*—the percentage of U.S. workers who leave their jobs—averaged almost 2.5% *per month* over the past 5 years

and went to around 3% for several months in late 2022 and early 2023 compared to 2% per month since the bureau started keeping the statistic in 2001.⁵⁸ In addition, older baby boomers are retiring in large numbers, taking “decades—if not centuries—of cumulative knowledge and skills” with them.⁵⁹

Knowledge Workers and the Changing Work Environment

In the now-mature Information Age, and as we enter the Age of AI, we manage a different kind of worker. **Knowledge workers** are *workers who “use their head more than their hands” and who gather and interpret information to improve a product or process for their organizations*. Deloitte consulting company noted, “Knowledge management remains one of the top three issues affecting company success and has become even more essential with the COVID-19 pandemic’s scattering of staff among homes and work sites. However only nine per cent of business leaders feel ready to address it.”⁶⁰

Knowledge is a precious commodity in an organization. And, in most countries of the world, there is a continuous scarcity problem—too few knowledge workers and too many knowledge jobs open and waiting for them. The available number of skilled workers *in all areas* appears to be down even more than before the lockdown, and as noted earlier, 1.7 million workers in the United States alone are missing from the pre-pandemic workforce,⁶¹ many of those knowledge workers.

Each HR manager is going to continue competing with every other HR manager in the world for the available pool of knowledge workers. If the organization has a reputation as a difficult place to work, or being uncaring or has bad employee experience noted on Internet job sites, they will be unable to hire workers who have so many other opportunities. Only if the organization manages its human resources well and maintains a reasonable organizational reputation and working environment will it have any chance of filling most of the jobs that it has available. (SHRM E:7-a, E:7-b)

Another of the most critical issues HR managers face that is tied to these knowledge workers is the fact that technology is, more than ever, outpacing our ability to use it.⁶² Computers get faster, and analytics and AI tools get better, but the human beings who have to use them don’t. This gives us an opportunity—if the *people* in our organization can figure out ways to take advantage of the technology better and quicker than our competitors can, then we can create a sustainable competitive advantage. Notice that we didn’t say create *better technology*—that wouldn’t give us a sustainable advantage because our competitors could just copy the technology and improve it once we designed it. We must continually figure out ways to *use the technology* more successfully through hiring and training better and more capable knowledge workers—our *human* resources. According to Deloitte, the concept of human sustainability is important “because it is humans, more than physical assets, that truly drive business performance today.”⁶³ This ability within our people is the thing that creates a continuing advantage over competitors who either don’t have people with numerous and varied knowledge and skills or don’t have people who *are willing* to assist the organization because they are not engaged and not satisfied. (SHRM K:6)

WORK APPLICATION 1.2

Discuss some of the HRM challenges an organization is dealing with today, preferably one you work or have worked for.

UNDERSTANDING HR’S CRITICAL FACTORS

Although there are many factors in successfully managing the organization’s human resources, a few stand out as critical to organizational success. Let’s review these issues next.

Critical Dependent Variables

Management of people is necessarily different from managing money or other material resources because people have free will and can do things in any way they see fit. What are the primary things

that managers tell us they *must* control in order to compete in today's business environment but they can't *directly* manipulate because people have free will? These items are frequently called *dependent variables* because we can affect them only through *indirect* means. We don't have the ability to directly manipulate them. We have to control some other variable—called an *independent variable* because we can independently (directly) control it—to affect these items in any meaningful way.

Every time we survey managers in any industry or department about managing others, they bring up the following issues as being among the most important and most difficult dependent variables to manage.⁶⁴

1. *Productivity*—previously defined
2. *Employee engagement and experience*—previously defined
3. *Turnover*—permanent loss of workers from the organization. When people quit, it is considered voluntary turnover, whereas when people are fired, it is involuntary turnover.
4. *Absenteeism*—temporary absence of employees from the workplace
5. *Quiet quitting*—employees who are employed, and at work, but largely disconnected with their work due to a lack of engagement.

Note that each of these issues deals with people—not computers, not buildings, not finances but people! We have already introduced you to productivity, employee engagement, and employee experience, but what about the other items? Let's take a moment for a more detailed look at each of them.

Turnover is the *permanent loss of workers from the organization*. There is strong evidence that turnover can have important consequences for organizational productivity and performance, as well as competitive advantage,⁶⁵ and as we noted earlier, more than 47 million workers quit their jobs during the pandemic years. As we will discuss throughout the book, turnover is costly, so we want to minimize it whenever we can. (SHRM C:19)

How about absenteeism? **Absenteeism** is the *failure of an employee to report to the workplace as scheduled*. On an annual basis, the costs of absenteeism and the lack of employee engagement were estimated at around \$8.8 trillion worldwide in Gallup's State of the Global Workplace 2023 report, a whopping 440% increase over a 2018 report in *Forbes*.⁶⁶ **Quiet quitting** is the *issue of employees who are employed, and at work, but largely disconnected with their work due to a lack of engagement*.⁶⁷ It is a lack of employee willingness to take on any work that they do not have to do and a disinterest in the work that they do have to complete. (SHRM C:4)

Note that all of these issues are interrelated. Absenteeism is costly, is often due to a lack of employee engagement or bad employee experience, and leads to lower productivity. People tend to leave their jobs (turnover) when they aren't engaged with their work or, worse, stay in their jobs (quiet quitting) but not engage with their work, and finally, during the process of replacing them—and sometimes after—productivity goes down.

As managers, we always need to be doing things that will improve productivity and employee experience and that will reduce absenteeism and turnover. These items are critical. Everything in HRM revolves around these five things.

APPLYING THE CONCEPT 1.1: CRITICAL DEPENDENT HRM VARIABLES

Identify each statement by its variable.

- a. Productivity
- b. Employee engagement
- c. Turnover
- d. Absenteeism
- e. Quiet quitting

- _____ 1. I'm looking for another job and will leave here as soon as I can.
- _____ 2. Of course, I take all my sick days; if I don't, I'll lose them.
- _____ 3. I got tired of the poor management telling me what to do, so I left for a better job.
- _____ 4. Most of us don't really like management, so we only do enough work to stay out of any trouble with the boss and keep our jobs.
- _____ 5. I'm fed up with management continuing to lay off employees and expecting the rest of us to do their work to maintain production quotas.
- _____ 6. I'm a good worker. You aren't going to fire me; are you?
- _____ 7. I'm taking a vacation day today to go skiing.

The Importance of Strategically Managing HRM

Strategy and strategic planning look at our organization and environment—both today and in the expected future—and determine what we, as an organization, want to do to meet the requirements of that expected future. We work to predict what this future state will look like and then plan for that eventuality.

Today's HR management must be proactive in nature. Instead of waiting for someone to quit, then going out and finding a replacement, HR managers actively seek out talent for their organizations.⁶⁸ Good HR managers are also constantly looking at processes within the organization and, if there is something going wrong, figuring out how to assist the line management team in fixing the problem—whether it is a training problem, a motivation problem, or any other people-oriented problem. The function of HR has been redesigned to enhance the other (line) functions of the business.

Sustainable Competitive Advantage

Why has HRM been redesigned? To make our organizations more competitive and to create sustainable competitive advantages. This is the basis of *strategic HRM*.⁶⁹ Strategy and strategic planning deal with the concept of creating **sustainable competitive advantage**, *a capability that creates value for customers that rivals can't copy quickly or easily and that allows the organization to differentiate its products or services from those of competitors*.

Can we gain an advantage from our buildings, our physical facilities, or our equipment? Can we create machinery that our competitors can't create or imitate? Do we have access to computers that they don't have access to? Of course not—not in most cases anyway. It is rare today that we can create any real technological advantage over a significant period of time, even if our technology is proprietary. If we create a technological advantage in today's business environment, it's usually overcome—or at least closely matched—fairly quickly. So where within the organization can we create sustainable competitive advantage? In most cases, the only place we can consistently create advantage that our rivals can't quickly match is through the successful use of our human resources—getting them to be more productive and more engaged with the organization than are our rivals' human resources.⁷⁰ If we can create an organization where people have a positive work experience and where they are therefore more productive, less likely to leave, less likely to be absent, and more creative and innovative, then guess who wins? We win; you lose; you die. It's that simple.

The Influence of Social Media

The last factor we will discuss here is the use of social media as a major tool for the workplace. Almost everyone is familiar with social media in their personal life—Facebook, Instagram, Snapchat, and LinkedIn are only a few of the many social-media platforms. However, many of you probably don't recognize how much social-media platforms have changed the way work is done in the organization.⁷¹

Let's quickly review some of the common areas where social media is used. We will also discuss more about social media as we go through the remainder of the book.

Recruiting and Selection

The recruiting process in many companies has almost been taken over by social media. Recruiters (and AI-based chatbots!) scour social-media platforms like LinkedIn for talented individuals whose profile fits a job the recruiter is attempting to fill.⁷² On the other side of the process, many candidates use social media to check out the potential employer, connect with existing employees of the company, and review the company's social-media tools that they will have available if they choose to join its workforce.⁷³

Selection may be supported by Zoom interviews, where the candidate can personally interact with members of the company at little or no cost to either party. Other social-media sites, like Facebook and LinkedIn, along with Instagram or other apps, are frequently scoured (as long as the state or country where the selection is taking place allows such reviews) as part of the background checks done on candidates to help the company make a selection that fits with the organizational culture.⁷⁴ These checks are, again, of little or no cost to the company other than the time required to make them.

The Onboarding Process

Once the person is selected to join the organization, social media can again be used to assist in many steps needed to get the person up to speed and capable of contributing to the company. We can use social media to teach organizational culture; create an FAQ area to answer common questions from new employees; provide mentors or work buddies to support the new employee; and provide commonly required payroll, equal opportunity, safety, and other information that can be reviewed at any time.⁷⁵ We can create communities on the company intranet, or through Slack or other cooperative work apps, that can provide the new person with interaction with other employees all over the company. The use of social media to inform and enculturate new members of the organization is unlimited.

Training and Development

As you will see in Chapter 7, social learning is one of the primary ways that we learn new things. Social-media platforms can easily be used to provide training for current jobs or developmental information to employees.⁷⁶ Many employees today rate the ability to learn and develop their skills for future jobs as more important than pay. Here again, formal mentoring and development communities can help with training and development for the new employee.

Performance Management

Social-media apps can give companies the means for continuous feedback to their employees.⁷⁷ Many employees respond better to continuing feedback than to quarterly or annual formal appraisal sessions. Many social-media platforms can also provide permanent records of the good, bad, and ugly of each employee's work. This can be useful if we ultimately have to go through a disciplinary process. You can quickly see that social media is invading almost every area of HRM, so HR managers need a strong understanding of the uses and the dangers of social media. We will continue to point out areas where social media can be helpful or harmful as we go through the remainder of this book.

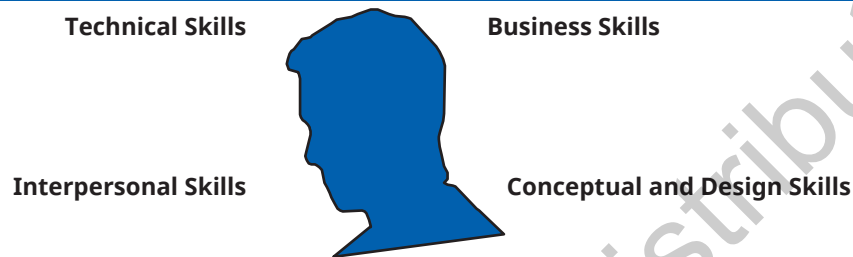
WORK APPLICATION 1.3

How would you rate the critical dependent variables (level of productivity, job satisfaction, turnover, absenteeism, and quiet quitting), strategic management (sustainability), and how social media is affecting an organization—preferably one you work or worked for?

HRM SKILLS

All managers require a mix of technical, interpersonal, conceptual and design, and business skills to successfully carry out their jobs (see Figure 1.1). HR managers are no different. The set of necessary HR skills is similar to the skills needed by other managers, but of course, it emphasizes people skills more than some other management positions do. Here are the four major skill sets.⁷⁸

FIGURE 1.1 ■ HRM Skills



Technical Skills

The first skill set an HR manager must develop to be successful—and the easiest one to develop—is technical skills.⁷⁹ **Technical skills** are *the ability to use methods and techniques to perform a task*. HR managers require many skills, including comprehensive knowledge of laws, rules, and regulations relating to HR; people analytics skills; interviewing and training skills; understanding of performance appraisal processes; and many others. We will cover many of these technical skills in the remaining chapters of this book.

Interpersonal Skills

The second major skill set is **interpersonal skills**, which comprise *the ability to understand, communicate, and work well with individuals and groups through developing effective relationships*. The resources you need to get the job done are made available through relationships with people both inside the organization (i.e., coworkers and supervisors) and outside the organization (i.e., customers, suppliers, and others).⁸⁰ Indeed's Career Guide noted that "people with strong interpersonal skills tend to build good relationships and can work well with others. They understand family, friends, coworkers and clients well. . . . People with interpersonal skills also tend to make good leaders because of their ability to communicate with and motivate those around them."⁸¹ HR managers must have strong interpersonal skills, including a willingness to be empathetic.⁸² **Empathy** is simply *being able to put yourself in another person's place—to understand not only what they are saying but they are communicating that information to you*. Empathy involves the ability to consider what the individual is feeling while remaining emotionally detached from the situation.

Conceptual and Design Skills

Conceptual and design skills help in decision-making, and leaders' decisions determine the success or failure of the organization. So organizations train their people to improve their decision-making skills.⁸³ **Conceptual and design skills** include *the ability to evaluate a situation, identify alternatives, select a reasonable alternative, and make a decision to implement a solution to a problem*. The conceptual part of this skill set is an ability to understand what is going on in our business processes—the ability to see the bigger picture concerning how our department or division and the overall organization operate. It also includes the ability to see if we are getting outside expected process parameters. In other words, are we doing things that we shouldn't be, or are we not successfully doing things that are necessary for maintaining a high level of productivity?

Design skills are the other part of the equation. This is the skill set that allows us to figure out novel or innovative solutions to problems that we have identified through the use of our conceptual skills. So one part of this skill set is identification of any problems that exist, and the second part is decision-making to solve problems and carrying out (leading) the solution. This skill set is a critical part of creating and maintaining the ability to lead in an organization.

Business Skills

Finally, like technical skills, business skills are easier to develop than human relations and conceptual and design skills. **Business skills** are *the analytical and quantitative skills—including in-depth knowledge of how the business works and its budgeting and strategic-planning processes—that are necessary for a manager to understand and contribute to the profitability of the organization*. HR professionals must have knowledge of the organization and its strategies as well as an understanding of the financial, technological, and other facets of the industry and the organization and be able to manipulate large amounts of data using data analytics programs and HR metrics. This skill set is what can turn the HR department into that productivity center we discussed earlier.

APPLYING THE CONCEPT 1.2: HRM SKILLS

Identify each activity as being one of the following types of HRM skills, and write the letter corresponding to each skill before the activity or activities describing it:

- a. Technical
- b. Human relations
- c. Conceptual and design
- d. Business

- ___ 8. The HR manager is working on the Internet.
- ___ 9. The HR manager is in a meeting making a presentation with statistical data.
- ___ 10. The HR manager is fixing a broken copy machine.
- ___ 11. The HR manager is working on the strategic planning process.
- ___ 12. The HR manager is working on determining why more employees have been coming to work late recently.
- ___ 13. The HR manager is filling out a complex government form.
- ___ 14. The HR manager is talking socially with a few of their staff members.
- ___ 15. The HR manager is praising a staff member for finishing a job analysis ahead of schedule.
- ___ 16. The HR manager is assigning projects to staff members.
- ___ 17. The HR manager is communicating with employees throughout the company via e-mail.

WORK APPLICATION 1.4

Give examples of how you and/or your present or past boss have used each of the four HRM skills.

HRM RESPONSIBILITIES

HRM is not just the purview of only the HR staff. Other managers must be competent in HRM practices as well. We are going to look next at HRM responsibilities within the organization.

Line Versus Staff Management

Line managers are *the individuals who build, manage, and maintain the people and organizational processes that create whatever it is the business sells*. Put simply, they are the people who control the actual operations of the organization. A line manager may have direct control over staff employees, but a staff manager would not generally have any direct control of line employees. Line managers' HRM responsibilities would generally include the following:

- HR Legal Issues—including work rules; employment, harassment, compensation, labor, and other federal and state laws.
- Labor Cost Controls—how to manage labor costs, both from an efficiency standpoint and from the standpoint of understanding state and federal laws that limit such cost controls.
- Leadership and Motivation of the Workforce—how to improve worker performance and productivity through the use of motivation techniques and tactics.
- Training and Development—when and how to train employees to meet immediate organizational goals as well as providing training for future opportunities within the firm.
- Appraisal and Promotion—responsibility for the appraisal process (whatever the company decides that process is), debriefing of those appraisals, and analysis of which individuals have the capability to move up into higher-level positions when they are needed.
- Safety and Security—knowing federal and state laws concerning occupational safety and health, procedures for securing the organization's workspaces and people from those who would want to harm them, and how to minimize hazards in the workspace.

HR managers, on the other hand, would generally be **staff managers**, *individuals who advise line managers in some field of expertise*. These managers, including accountants, lawyers, and HR staff, act basically as internal consultants for the company. So HR managers have staff authority to advise the operational managers concerning the HR disciplines. Let's look at their major responsibilities.

Major Responsibilities of HR Staff

There are many different HRM paths you can take over the course of your career.⁸⁴ Although there are many different jobs in the field, most fall into a few categories. Let's take a look at these disciplines or specialties. (SHRM N:2-c; G:1)

The Legal Environment: EEO and Diversity Management

Managing the HR legal environment has become probably the most critical issue in HRM. This is also quite likely the area that changes more than any other in HRM. Equal employment opportunity (EEO) and diversity specialists ensure compliance with equal opportunity laws and regulations. The recent de-emphasis on diversity, equity, and inclusion and organizational belonging have quickly become two of the most important items in this specialty, because there is strong evidence concerning fairness and belonging being directly related to productivity.⁸⁵ In addition, every court case dealing with the HR environment inside any organization has the potential to affect every organization. We discuss this discipline in Chapters 2 and 3.

Talent Acquisition

Talent acquisition includes all of the things we need to do to get people interested in working for our company—going through the recruiting process, selecting the best candidates who apply, and getting them settled into their new jobs. However, this area can literally make or break the organization in its ability to be productive.⁸⁶ If we attract and hire the right types of people with the right attitudes and skills, then the organization will have a good start at being successful. We discuss talent acquisition in Chapters 4, 5, and 6.

Training and Development

We train and develop our people for a variety of reasons, from teaching them their basic job to teaching them the things they will need in order to move up in the organization as people above them resign or retire. Here, HR has responsibility for the training processes within the organization as well as for the development of curricula and lesson plans and the delivery of training courses. You would also be involved with the development of talent within the company so employees are trained and ready to move into more senior positions as those positions become vacant. We discuss training and development primarily in Chapters 7, 8 and 9.

Employee Relations

This specialty covers a wide array of items such as coaching, counseling, and disciplining the workforce as needed. It also involves leadership and team-building efforts within the organization. We also measure and evaluate job satisfaction and employee engagement as part of employee relations. HR managers in this function keep up with the many and varied laws relating to employee relations, and this specialty also involves the management of employee communication. We discuss employee relations in Chapter 10.

Labor and Industrial Relations

The labor and industrial relations specialist works with the laws and regulations that control the organization's labor-related relationships with their workforce. HR managers who work in this area might be involved in union votes, negotiations for union agreements, collective bargaining, grievances, and other items that affect the union–management relationship within the organization. This area also includes all labor relations activities, even in nonunion businesses. We also discuss labor and industrial relations in Chapter 10.

Compensation and Benefits

The compensation and benefits specialist helps decide the total compensation package the organization will use to attract and retain the best mix of people with skills that are specifically suited to the organization. A manager will have to understand the federal and state laws dealing with compensation. You would also deal directly with all of the federal and state compensation laws to ensure compliance in organizational pay and benefits procedures. We discuss compensation in Chapter 11 and benefits in Chapter 12.

Safety and Security

In the safety and security discipline, you might work in the area of occupational safety and/or health to make sure we don't injure our people or cause them to become sick because of exposure to some substance they work with. This discipline also includes fields such as stress management and employee assistance programs, which help employees cope with the demands of their jobs on a daily basis. Obviously, in a workforce touched by a pandemic, stress management has taken on a much larger role. And finally, this function works to ensure employees are secure from physical harm inflicted by other workers, outsiders, or even acts of nature. We discuss safety and security in Chapter 13.

Ethics and Sustainability

In this specialty, you would bear responsibility for seeing to it that the organization acts in an ethical and socially responsible manner. You might work on codes of ethics and also make sure employees live by those codes, such as by maintaining ways in which employees can report violations of ethics (also known as *whistle-blowing*).

Sustainability is meeting the needs of today without sacrificing future generations' ability to meet their needs.⁸⁷ Some companies have historically done a relatively poor job of maintaining the environment in some countries in which they operated. We discuss ethics and sustainability in Chapter 14.

(SHRM N:1-j, N:2-a)



Training and development is one tool HR services can use to help retain the best talent.

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ETHICAL DILEMMA 1.1: WHAT WOULD YOU DO?

Let's discuss an example of ethics and social responsibility. A long-debated issue is (a) should a company focus on making a profit and doing so within the law, or (b) should a company go beyond the law to be ethical and socially responsible? For example, spending money on sustainability, making less pollution, when it doesn't make a profit for the company. Some experts state that (c) by being ethical and socially responsible, the firm will be more profitable, whereas others say that (d) one shouldn't consider profits—a company should be ethical and socially responsible simply because it is the right thing to do. **Apple's** cofounder **Steve Jobs** primarily believed in focusing on profits, whereas current CEO **Tim Cook** has changed policies to be more socially responsible by giving more resources to nonprofit organizations.

1. Do you agree with (a) focusing on profits or (b) going beyond to be ethical and socially responsible?
2. Do you agree with (c) being ethical and socially responsible if it is profitable or (d) that a company should be ethical simply because it is the right thing to do?
3. Review the HR disciplines, and describe how a company can be ethical and socially responsible in performing these functions.

People Analytics

People analytics is the specialty where we utilize computers and large databases to analyze patterns in our work environment. People analytics is becoming *table-stakes*, meaning HR managers must become competent in it to do their jobs. People analytics continue to show value in lowering the cost of managing people in the organization and will be a main driver in the quest for better overall employee engagement and experience. We will discuss different processes in analytics within several different chapters as it relates to that chapter's content.

We have gone through the disciplines quickly, but we will discuss each in much more detail as we continue through this text. For right now, just understand there are many different areas in which an HR manager can work as part of their organization. So it is pretty much guaranteed that you won't get bored in your role as an HR manager if you don't want to. Next, let's take a look at some of the professional organizations that are out there to help you get where you want to go in HRM.

Self-Assessment 1.1 HR Disciplines

Following are 27 HR activities that you could be involved in. Rate your interest in each specialty with a number (1–7) that represents your interest in the activity.

I'm not interested in doing this 1→2→3→4→5→6→7 I'm really interested in doing this

- _____ Working to make sure everyone in the firm is treated fairly
- _____ Working against discrimination and helping minorities get hired and promoted
- _____ Knowing the laws, helping the firm implement laws, and reporting how the firm complies with the HR laws
- _____ Working to get people to apply for jobs, such as writing advertisements and attending job fairs
- _____ Interviewing job candidates
- _____ Orienting new employees to the firm and their jobs
- _____ Teaching employees how to do their current jobs
- _____ Developing employees' general skills so they can progress in the firm
- _____ Designing curricula and lesson plans for others to teach employees
- _____ Coaching, counseling, and disciplining employees whose work quality is not up to standards
- _____ Working with teams and helping resolve conflicts

- _____ Working to understand and improve the level of job satisfaction throughout the firm
- _____ Working with union employees
- _____ Collective bargaining with unions
- _____ Solving employee complaints
- _____ Working to determine fair pay for different jobs, including investigating competitors' pay scales
- _____ Creating incentives to motivate and reward productive employees
- _____ Finding good benefits providers, such as lower-cost and higher-quality health insurance providers
- _____ Making sure that employees don't get hurt on the job
- _____ Working to keep employees healthy, such as developing diet and exercise programs
- _____ Ensuring the security of the facilities and employees, issuing IDs, and keeping employee records confidential
- _____ Ensuring that employees are ethical, such as developing and enforcing codes of ethics
- _____ Enforcing ethical standards, such as maintaining methods for employees to confidentially report ethics violations
- _____ Working to help the organization develop methods to improve efficiency while protecting our environment
- _____ Doing work on computers to help the organization
- _____ Working with data and using databases with people statistics
- _____ Analyzing data about people patterns and trends

Scoring and Interpreting Individual Discipline Results

Place your rating numbers (1–7) in the spaces that follow and total the three scores for each discipline. Then rank your totals from 1 to 8 to determine which disciplines interest you most:

Legal Environment: EEO and Diversity Management

1 _____

2 _____

3 _____

_____ Total (Rank this total: _____ [1–8])

Talent Acquisition

4 _____

5 _____

6 _____

_____ Total (Rank this total: _____ [1–8])

Training and Development

7 _____

8 _____

9 _____

_____ Total (Rank this total: _____ [1–8])

Employee Relations

10 _____

11 _____

12 _____

_____ Total (Rank this total: _____ [1–8])

Labor and Industrial Relations

13 _____

14 _____

15 _____
 _____ Total (Rank this total: _____ [1–8])

Compensation and Benefits

16 _____
 17 _____
 18 _____
 _____ Total (Rank this total: _____ [1–8])

Safety and Security

19 _____
 20 _____
 21 _____
 _____ Total (Rank this total: _____ [1–8])

Ethics and Sustainability

22 _____
 23 _____
 24 _____
 _____ Total (Rank this total: _____ [1–8])

People Analytics

25 _____
 26 _____
 27 _____
 _____ Total (Rank this total: _____ [1–8])

The higher your total in each discipline, the greater your interest in that area of HR at this point in time. Of course, your interest levels can change as you learn more about each discipline. You will also be doing self-assessments in all the other chapters that relate to these eight disciplines.

Scoring and Interpreting Total Discipline Results

Now add up your grand total interest score from all 24 activities) and write it here: _____
 Then compare it to the continuum that follows to gauge your overall level of interest in working in HR:

Low interest in HR → 27 → 50 → 75 → 100 → 125 → 150 → 175 → 189 → High interest in HR

The higher your score, the greater is your overall interest in HR, again at this time only.

You should realize that this self-assessment is designed only to show your current level of interest. It may not predict how much you will enjoy working in any HR discipline in the future. For example, if you get a job in an area where you gave yourself a low score today, you could end up finding it interesting. The self-assessments throughout this book are designed to give you a better understanding of your interest and aptitudes at the present time, and they are open to your interpretations. For example, some people tend to rate themselves much lower or higher than others even though they have the same level of interest—so don't be too concerned about your score. There are *no* correct answers or scores. Some people with lower scores may actually enjoy the course more than those with higher scores. The purpose of these self-assessments is to help you gain self-knowledge and get you thinking about how the topic of HRM relates to you.

So at this point, you should have a better idea of what the eight HR disciplines are and which areas are of more and less interest to you. But as you read the rest of this chapter and the others and learn more about each discipline, you may change your mind.

APPLYING THE CONCEPT 1.3: HRM DISCIPLINES

Identify each HRM discipline, and write the letter corresponding to it before the activity involving it.

- a. Legal Environment: EEO and Diversity Management
- b. Staffing
- c. Training and Development
- d. Employee Management
- e. Labor Relations
- f. Compensation and Benefits
- g. Safety and Security
- h. Ethics and Sustainability
- i. People Analytics

- ____ 18. The HR manager is running a statistical program to better understand why the company has a high turnover rate.
- ____ 19. The HR manager is writing an ad to recruit a job candidate.
- ____ 20. The HR manager is investigating an employee complaint of racial discrimination.
- ____ 21. The HR manager is taking a class in preparation for the exam to become certified as a Professional in Human Resources (PHR).
- ____ 22. The HR manager is working with an insurance company to try to keep the high cost of health insurance down.
- ____ 23. The HR manager is replacing the office copier with a more energy-efficient model.
- ____ 24. The HR manager is having a new software program installed to protect employee records from theft.
- ____ 25. The HR manager is working on the new collective bargaining contract with the Teamsters Union.
- ____ 26. The HR manager is looking for potential new employees at the LinkedIn website.
- ____ 27. The HR manager is filling out an accident report with a production worker who got hurt on the job.
- ____ 28. The HR manager is reviewing a report that compares its wages and salaries to other businesses in the area.
- ____ 29. The HR manager is giving priority to promoting a member of an underrepresented group to a management position.
- ____ 30. The HR manager is teaching the new employee how to use the HR software program.
- ____ 31. The HR manager is referring an employee to a marriage counselor.

WORK APPLICATION 1.5

Give brief examples of the HR disciplines performed by the HR department (or individuals responsible for HR) where you work or have worked.

RESOURCES FOR HRM CAREERS

If you are interested in HRM as a career, there are several professional associations and certification programs associated with HR management that will help you get into these jobs and advance more quickly in the future. We've listed some of them in this section, but there are others within specific HR disciplines that are not discussed here.

Society for Human Resource Management (SHRM)

The **Society for Human Resource Management (SHRM)** is the largest and most recognized of the HRM advocacy organizations in the United States. According to its website, “SHRM is the foremost expert, researcher, advocate, and thought leader on issues and innovations impacting today’s evolving workplaces. With nearly 340,000 members in 180 countries, SHRM touches the lives of more than 362 million workers and their families globally.”⁸⁸

What does SHRM do? Probably the biggest part of its work is dedicated to (a) advocacy for national HR laws and policies for organizations and (b) training and certification of HR professionals in a number of specialty areas. SHRM’s “body of applied skills and knowledge (BASK)”⁸⁹ based certification programs include the SHRM Certified Professional and Senior Certified Professional (SHRM-CP and SHRM-SCP).



Taking and passing the SHRM Assurance of Learning Exam is an important step on the path to becoming an HR manager.

©iStockphoto.com/GaudiLab

Anyone thinking about a career in HR should consider joining SHRM. Student memberships have always been and continue to be inexpensive, especially considering all that is available to members of the organization.

SHRM also provides a curriculum guide for colleges and universities that offer HRM degree programs. The guide identifies specific areas in which SHRM believes students should gain competence as HRM majors. Because SHRM is such a significant force in each of the HRM fields, we have decided to show you where required curriculum areas are covered within this text. In each chapter, you will see notes within the content when a *SHRM Guidebook* topic is discussed. These notes are alphanumerically keyed to the information in this book’s appendix of the *SHRM 2022 Curriculum Guidebook*. For example, if you see **(SHRM C:4)**, the item would be in the appendix under section “C,” item number “4.” You might want to pay special attention to these notes if you have plans to become an HR manager.

Other HR Organizations

In addition to SHRM, there are three organizations that have certification programs that are recognized in many countries around the world. The first one is the **Association for Talent Development (ATD)**, which you can find at <https://www.td.org>. As its name implies, “the Association for Talent Development is a professional membership organization supporting those who develop the knowledge and skills of employees around the world.”⁹⁰ Its major certification is the certified professional in talent development (CPTD). According to the ATD website, CPTD certification “is broad and measures a professional’s knowledge and skill application across the breadth of talent development capabilities.”⁹¹

The **Human Resource Certification Institute (HRCI)** is another organization that provides some of the most respected certifications for HR personnel anywhere in the world. The most significant HRCI certification programs are the aPHR, PHR, SPHR, and GPHR certifications.⁹² PHR stands for Professional in Human Resources, SPHR stands for Senior Professional in Human Resources, and GPHR is Global Professional in Human Resources. These certifications are recognized by organizations worldwide as verification of a high level of training.

The final major organization we want to mention is **WorldatWork**. Certifications from this organization include Certified Compensation Professional (CCP), Certified Benefits Professional (CBP), Global Remuneration Professional (GRP), Certified Sales Compensation Professional (CSCP), and Certified Executive Compensation Professional (CECP). As you can quickly see, WorldatWork mainly deals with compensation, benefits, and performance management programs.⁹³

Professional Liability

One of the more important things you need to understand if you are thinking about becoming an HR manager is the issue of professional (personal) liability for the actions you take on behalf of the organization. It is not a well-known fact that HR managers can be held *personally* liable for some of the actions they take as part of their job. For instance, three commonly cited federal laws—the Fair Labor Standards Act, the Occupational Safety and Health Act, and the Immigration Reform and Control Act (which we discuss in

more detail in later chapters) provide for individual civil and criminal liability in at least some cases.⁹⁴ This is one of the many reasons why if you plan to manage people, you want to understand all of the HRM concepts as well as possible. These are only three examples of potential professional liability that an HR manager can incur if they fail to take federal and state laws into account. There are many others, so you need to be aware of the potential for personal liability. And in some cases, you may even need to consider professional liability insurance—for instance, if you are an HRM consultant to outside organizations. (SHRMD:43)

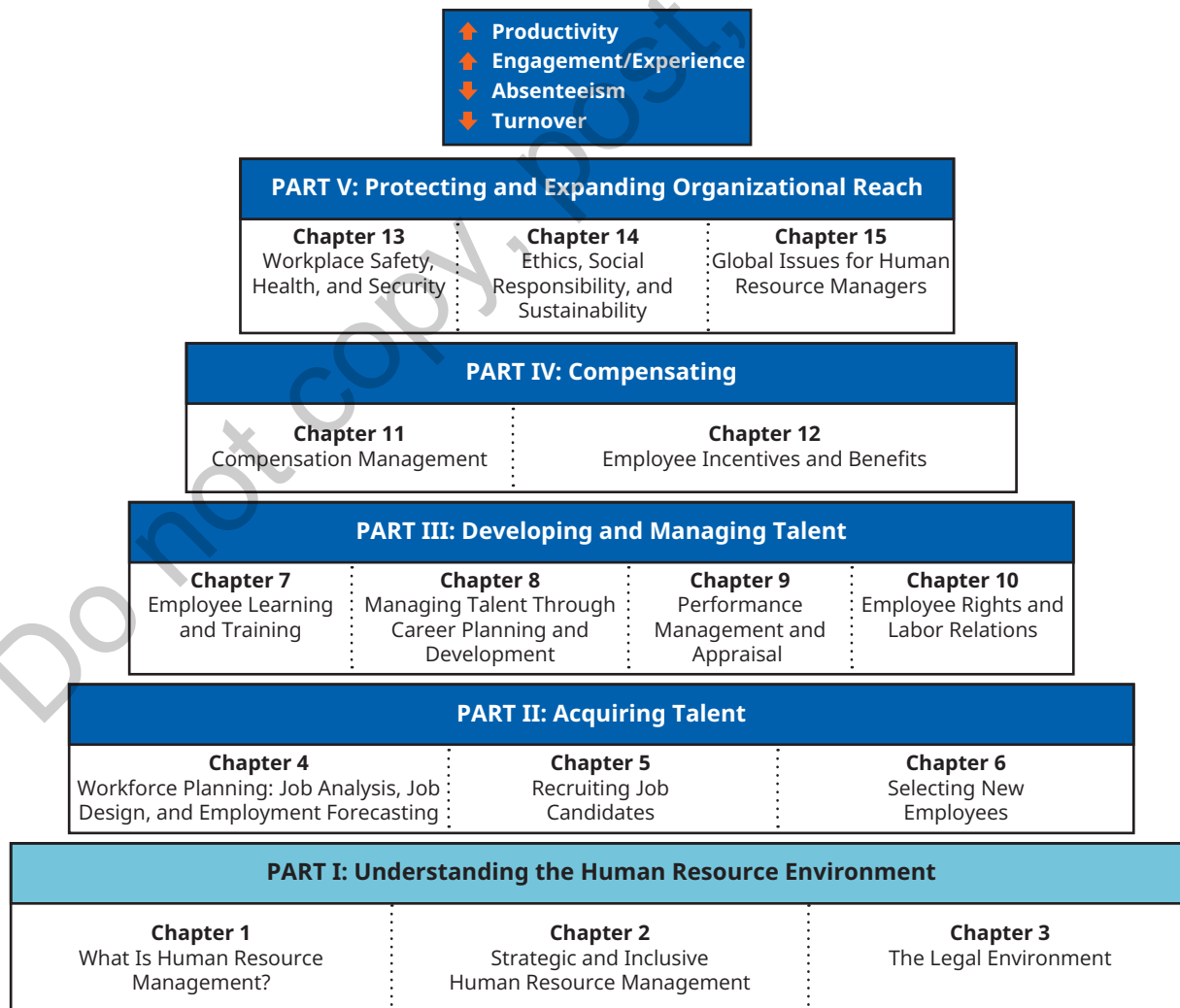
WORK APPLICATION 1.6

Are you interested in working in the HRM field? Explain why or why not. If so, will you prepare for SHRM certification?

PRACTITIONER'S MODEL FOR HRM

We have given you a (very) brief history of HRM and what it does for the organization. Now we need to start talking about some of the detailed information you will need to know in order to be a successful manager for your organization. How will we do that? We are going to work through what you need to know using a practitioner's model, shown in Figure 1.2, which is the foundation for this book.

FIGURE 1.2 ■ The Practitioner's Model for HRM



The Model

The practitioner's model is designed to show you how each of the areas within HRM interacts within the larger organization and which items you must deal with before you can go on to successfully work on the next section—kind of like building a foundation before you build a house. Let's discuss the details of each section of the model separately.

Part I: The Human Resource Management Environment

You have already begun Section I, where we discuss the modern form of HRM, including the necessity of having strategy-driven HRM that provides us with a diverse, equitable, and inclusive work environment as well as a strong understanding of the basic HR legal environment. Strategic use of *all* of our people resources is the basis for everything else that an HR manager will do, so it is the foundation of our diagram. These are the things that are most critical to the organization's basic stability and success today because, if we don't get them right, we will probably not be around long enough as an organization to be successful in the sections resting on this one.

Part II: Talent Acquisition and Placement

Now that we have a stable organization with some form of direction, we look at getting the right people into the right jobs—again, paying attention to creating an inclusive work environment for everyone. We first look at identifying the jobs that will need to be filled and then work through how to recruit the right numbers and types of people to fill those jobs. Finally, we find out what our options are concerning methods to select the best of the job candidates we have recruited. Recruiting and selecting the right people, and putting them into the right job, helps us create an organization that is sustainable for the long term.

Part III: Developing and Managing

In the third section, we learn how to manage our people once they have been hired. We have to train people to do jobs, and we have to develop them so they can fill higher-level positions as we need people to step up into those positions. We have to manage the performance of our people through an evaluation process of some type, and sometimes have to coach, counsel, and/or discipline them as well, so we need to learn how to do those things. Finally, we have to address the role of employee and labor relations in creating the right type of workplace where people feel they belong.

Part IV: Compensating

The fourth section will cover the compensation and benefits packages that will keep our people satisfied (or at least not dissatisfied). Both direct compensation, in the form of base pay and incentives, and indirect pay, in the form of worker benefits, provide us with some level of control over what our employees decide to do for the organization. Section IV shows us how to reward and maintain our workforce because they are so critical to our ongoing success.

Part V: Protecting Workers and Expanding Organizational Reach

The last section's topics include managing worker safety and health and providing direction to organizational members concerning ethical and socially responsible actions. We then wind up with globalization issues involved in working in multiple countries and cultures. Each of these topics helps us expand our reach within the communities we serve by showing that we expect to be good corporate citizens whether it is in small-town America or as a global corporation with reach into a hundred countries. Companies that do not pay attention to these issues will become the last choice for today's savvy knowledge workers and will ultimately struggle for success in this world of instant bad press.

WORK APPLICATION 1.7

Which topics and chapters are the most interesting to you, and why?

TRENDS AND ISSUES IN HRM

In each chapter of this text, we briefly discuss important trends and issues in HRM today. These trends and issues cover areas such as the use of technology in HRM, global HRM, ethical issues in HR, and diversity and equal opportunity. For this chapter, we have chosen the issue of how HR has had to reconfigure post-pandemic.

Reconfiguring Everything HRM

HR was already in the process of being modernized based on the revolution in people analytics before the COVID-19 pandemic showed up. However, as we got deep into the pandemic, HR had to rethink *everything*. Literally in many cases almost overnight, HR had to become immediately responsive to emerging employee needs, which required a new agility in the field. We had to figure out how to manage the move to nearly all remote work while at the same time paying attention to employee health, wellness, stress levels, maintaining some kind of engagement, and thinking about the *reasonably* new concern of employee experience. We had to figure out how to build work environments in employee living rooms or bedrooms or kitchen counters and whether or not to directly monitor remote workers and, if so, how that would be done without being too intrusive, if possible.

Additionally, we had to work with the C-suite to attempt to find solutions to nonwork issues that were nonetheless affecting our employees' work, such as child care, isolation, and grief when loved ones were lost. People had to be retrained (remotely) to do jobs differently in many cases, learning to collaborate without sitting in the same room. In all of this, we were tasked with maintaining good relations with employees, managing the company culture, and determining what new benefits needed to be provided and which old ones needed to be dropped. We discuss most of these issues in more detail throughout the text, along with significant changes in diversity management and creating an environment where everyone not only feels included but feels they *belong*.

Now that the COVID-19 lockdowns are in the past, we have to help the CEO figure out who to bring back to the office, when we bring them back, and how often that is required in order to maintain the collaboration that is absolutely critical in today's workplace. And, there is significant pushback from many employees who want to continue to work on a completely remote basis, which may not be possible in many companies. That's all—it's pretty easy to be an HR manager!

CHAPTER SUMMARY

LO 1.1 Explain why all managers need to understand the basics of HRM.

In a modern organization, HR is one of the primary means of creating a competitive advantage for the organization because the ways we manage people directly affects their engagement with their work and their performance, and this actually drives organizational profit. HRM provides all managers with tools to improve employee experience.

HR has also typically been the lead department in response to COVID-19 lockdown requirements, discussions on racial and social justice, LGBTQ+ issues in the workplace, stress and mental health responses post-COVID, and a significant number of other organizational issues in the past 3–5 years.

LO 1.2 Discuss how HRM helps meet management challenges to improve organizational revenues.

Today's HR department acts as a productivity center rather than a cost center, enhancing the profitability of the company by improving employee productivity. HRM practices primarily help improve organizational efficiency. Employees become more efficient if they are used correctly, which means managers don't use up their time (the valuable resource we get from employees) in an inefficient manner. MIT research noted that businesses in the "top-quartile on employee experience" achieve twice the innovation, double the customer satisfaction, and 25% greater profitability than organizations in the

bottom quartile, and Oxford university research added: There is a positive relationships between worker “well-being” and return on assets, profitability, and total firm value.

LO 1.3 Describe the five critical dependent variables that managers must control to compete in a modern organization.

The critical variables are productivity, employee engagement and experience, turnover, absenteeism, and quiet quitting.

Productivity is the amount of output that an organization gets per unit of input with human input usually expressed in terms of units of time.

Employee engagement and experience is a combination of job satisfaction, ability, and a willingness to perform for the organization at a high level and over an extended period of time, and employee experience includes employee engagement as well as the totality of other interactions between the individual and their workplace and whether those interactions are positive or negative overall.

Turnover is permanent loss of workers from the organization. When people quit, it is considered voluntary turnover, whereas when people are fired, it is involuntary turnover.

Absenteeism is temporary absence of employees from the workplace.

Quiet quitting is where employees are at work but largely disconnected with their work due to a lack of engagement.

LO 1.4 Summarize the four major HRM skill sets.

The HRM skill sets are technical skills, interpersonal skills, conceptual and design skills, and business skills. *Technical skills* include the ability to use specialized knowledge, methods, and techniques to perform a task. *Interpersonal skills* provide the ability to understand, communicate, and work well with individuals and groups through developing effective relationships. *Conceptual and design skills* are the ability to evaluate a situation, identify alternatives, select an alternative, and implement a solution to the problem. Finally, *business skills* are analytical and quantitative skills, including the in-depth knowledge of how the business works and of its budgeting and strategic planning processes.

LO 1.5 Describe the major areas of responsibility within the HRM discipline.

The legal environment: EEO and diversity management. This discipline deals with equal opportunity laws and regulations as well as management of a diverse workforce.

Talent acquisition. This discipline manages the processes involved in job analysis, recruiting, and selection into the organization.

Training and development. This discipline has responsibility for the training processes within the organization, for developing curricula and lesson plans, and for delivery of training courses. It is also involved with development of talent within the company to provide a group of employees who will be able to move into more senior positions that become vacant.

Employee relations. This area involves the coaching, counseling, and discipline processes along with employee communication and stress management. It is also typically responsible for the management of job satisfaction and employee engagement.

Labor and industrial relations. This discipline works with the laws and regulations that control the organization’s relationships with its workforce. It also works with any union–management contracts, including but not limited to union votes, grievances, contract negotiations, and bargaining with union representatives.

Compensation and benefits. This discipline works with pay of various types and with benefits packages, all of which are designed to attract and keep the right mix of employees in the organization. It also deals directly with all of the federal and state compensation laws to ensure compliance.

Safety and security. This discipline works to ensure the environment on the job is safe for all workers so that on-the-job injuries and illnesses are minimized to the greatest extent

possible. It also involves managing the organization's planning for securing the workforce, both from being harmed by other people and from natural disasters such as earthquakes or tornados.

Ethics and sustainability. This discipline bears responsibility for seeing to it that the organization acts in an ethical and socially responsible manner to minimize harm to the environment and its stakeholders. It involves managing the sustainability efforts in the organization to minimize the depletion of worldwide resources caused by the organization carrying out its processes.

People analytics. This is the use of computers and large databases to analyze patterns in our work environment. People analytics help organizations understand their workforce through the interpretation of information gathered about employee attributes, behavior, and performance.

LO 1.6 Identify the most common HRM certification programs and their parent organizations.

The primary certifications are carried out by SHRM, ATD, HRCI, and WorldatWork. SHRM's competency-based certification programs include the SHRM-CP and SHRM-SCP). ATD training and development has the CPTD certification. HRCI maintains certification programs for PHR, SPHR, and a GPHR. Finally, certifications from WorldatWork include CCP, CBP, GRP, and others.

LO 1.7 Explain the practitioner's model for HRM and how it applies to this book.

The practitioner's model shows the relationships between each of the functions and disciplines within HRM.

On the first level are the items that are absolutely critical to the organization if it is going to continue to operate (and stay within federal and state laws while doing so) and be stable and successful for a significant period of time.

The second level encompasses those things that are required to identify the kinds of jobs that must be filled and then recruit and select the right types of people for those jobs so the company can maximize productivity over the long term. These items will allow the organization to get its work done successfully over long periods of time.

In the third tier, we concern ourselves with management of the human resources that we selected in the second level. We have to get them training to do their jobs and allow them to perform those jobs for a period of time as well as help them develop their skills so they can move up over time. We then have to appraise their performance and, if necessary, correct behaviors that are not allowing them to reach their maximum potential. As this is occurring, we need to ensure that we maintain overall positive relationships with our employees so they remain engaged and productive.

In the fourth tier, we want to make sure we reward our workforce reasonably through fair and reasonable compensation and planning to minimize unnecessary turnover and dissatisfaction.

In the last tier, we provide for employee safety and health. We also turn our attention to organizational ethics and the issues surrounding global business operations because these issues will allow us to protect and sustain our workforce and continue to thrive.

LO 1.8 Discuss the issues and trends impacting HRM today.

The pandemic threw a curve ball that impacted the field of HRM significantly. Everything had to be reconfigured due to a series of circumstances. Shifting to a remote workforce presented new challenges and opportunities to businesses of all kinds. It required new strategies to address issues of employee health, wellness, stress, and engagement. It also required negotiation skills when a large segment of the workforce did not want to, or actually refused to, come back to work in the office after the COVID-19 period concluded.

KEY TERMS

Absenteeism	Line managers
Business skills	Productivity
Conceptual and design skills	Productivity center
Cost center	Quiet quitting
Effectiveness	Revenue centers
Efficiency	Society for Human Resource Management (SHRM)
Empathy	Staff managers
Employee engagement	Sustainable competitive advantage
Employee experience	Technical skills
Human resources (HR)	Turnover
Interpersonal skills	
Knowledge workers	

KEY TERMS REVIEW

Complete each of the following statements using one of this chapter's key terms.

- _____ includes employee engagement as well as the totality of other interactions between the individual and their workplace and whether those interactions are positive or negative overall.
- _____ is a combination of job satisfaction, ability, and a willingness to perform for the organization at a high level and over an extended period of time.
- _____ are the people within an organization.
- _____ is a division or department within an organization that brings in no revenue or profit—in other words it costs money for the organization to run this function.
- _____ are divisions or departments that generate monetary returns for the organization.
- _____ is a revenue center that enhances profitability of the organization through enhancing the productivity of the people within the organization.
- _____ is the amount of output that an organization gets per unit of input with human input usually expressed in terms of units of time.
- _____ is a function of getting the job done whenever and however it must be done. It answers the question, "Did we do the right things?"
- _____ is a function of how many organizational resources used in getting the job done; it answers the question "Did we do things right?"
- _____ are workers who "use their head more than their hands" to gather and interpret information to improve a product or process for their organizations.
- _____ is the permanent loss of workers from the organization.
- _____ is the failure of an employee to report to the workplace as scheduled.
- _____ is the issue of employees who are employed, and at work, but largely disconnected with their work due to a lack of engagement.
- _____ is a capability that creates value for customers that rivals can't copy quickly or easily and that allows the organization to differentiate its products or services from those of competitors.
- _____ include the ability to use methods and techniques to perform a task.

16. _____ are the ability to understand, communicate, and work well with individuals and groups through developing effective relationships.
17. _____ is being able to put yourself in another person's place—to understand not only what they are saying but why they are communicating that information to you.
18. _____ are made up of the ability to evaluate a situation, identify alternatives, select an alternative, and make a decision to implement a solution to a problem.
19. _____ are the analytical and quantitative skills, including in-depth knowledge of how the business works and its budgeting and strategic planning processes that are necessary for a manager to understand and contribute to the profitability of their organization.
20. _____ are the individuals who create, manage, and maintain the people and organizational processes that create whatever it is that a business sells.
21. _____ are the individuals that advise line management of the firm in their area of expertise.
22. _____ is the largest and most recognized of the HRM advocacy organizations in the United States.

COMMUNICATION SKILLS

The following critical-thinking questions can be used for class discussion and/or for written assignments to develop communication skills. Be sure to give complete explanations for all answers.

1. Why is it important for all business majors to take this course in HRM?
2. Is employee engagement and a positive employee experience possible in an age when people tend to have little loyalty to their employers and vice versa? How would you work to improve employee experience as a manager?
3. Do you plan to be an engaged student and develop your people skills?
4. Can HRM be a productivity center and create revenue for the organization? If so, how?
5. Do you agree with the statement "Effectively utilizing the human resources within the organization is one of the few ways to create a competitive advantage in a modern business"? Why or why not?
6. If you were the HR manager for your organization, what would you do to increase the number of applicants who apply for knowledge worker positions in your organization? Assume you can't pay them more.
7. With the advancement of AI, will the need for knowledge workers increase or decrease?
8. Should organizations try to improve diversity in their workforce?
9. Identify some things that could be done by a manager to increase productivity and employee engagement and decrease absenteeism and turnover. Make a list for each item.
10. What role should social media play in HR management?
11. Some say that for managers, hard skills (technical and business skills) are more important than soft skills (human relations and conceptual and design skills). What do you think, and why?
12. Are you interested in becoming an HR manager? Why or why not?
13. Are line or staff managers more important to the organization?
14. Which HR discipline is the most challenging today?
15. Are external certification programs (in all jobs) becoming more important? Why?

CASE 1.1 STRATON INDUSTRIES SHOWS WHY EVEN SMALL BUSINESSES NEED HR

Straton Industries is a Connecticut-based manufacturer of molds, tools, dies, and stampings. As a machine shop, they help other companies with their custom manufacturing needs. Founded in 1961, the firm has built its reputation by providing superb customer service and ensuring that everything they do is of the highest quality. It's difficult to find an industry that Straton Industries has not served—aerospace, electronics, energy, military, medical, and much more. With fewer than 100 employees, providing this high level of service shows that small companies can effectively thrive in the machining industry.(1)

However, small companies are notorious for not having an HR department. This is a role that is common in large, diversified companies with hundreds, if not thousands, of employees. Entire departments may have 20 or more individuals dedicated to the HR function. But with a small business, it is typically the owner or one of the vice presidents who take on the HR duties. This means they are often not trained and do not have the expertise to properly manage staffing, training, employee relations, compensation, benefits, safety, and more. Fortunately, the president of Straton Industries, David Cremin, recognized the need for a person to be dedicated to the HR role in his company.(2)

By hiring Donna Toth to manage the growing company's HR needs, it gave Cremin time to focus on managing the business. Cremin knew HR was important, but overseeing every aspect of the firm meant that HR concerns were usually farther down on his list of things to do each day. Cremin was primarily focused on the growth of the company—ensuring that sales were increasing and that the firm was garnering new customers.

But turnover started to become an issue when some employees started leaving the company. “We missed the cues,” he said, referring to the departure of several employees.(3) Toth was hired when Cremin realized too many employees were quitting the company because they were dissatisfied with their employment situation. A person dedicated to the HR function of the firm was needed.

Toth hit the ground running by bringing Straton Industries' HR functions up to date.

She started with simple steps, such as writing job descriptions and facilitating improved communication. Then, she worked on staffing and team building. With these actions, Toth impacted the internal operations of the company immediately. According to Cremin, “You think of it as just ‘people stuff,’ as something soft and optional you can take care of in between other things.”(4) Fortunately, Cremin realized that HR was more than just “people stuff”; HR is the key to the success of a business.

Primarily, Toth is focused on three aspects of HR that are important to Straton Industries. Daily, she is ensuring the firm is hiring the right people, retaining those individuals, and ensuring the firm is complying with all federal and state HR laws. Of course, she is also managing all the other HR functions in the company, but by dedicating efforts to these three areas, Cremin can return his attention to growing the company and garnering new clients.

What is his advice for small companies that don't have an HR professional on staff? “Try it part time,” he says. Having an individual focused on human resources issues even part time is better than none at all.(5)

Questions

1. Why should businesses—no matter how small—have someone dedicated to the HR function?
2. Think of two ways a small business could justify hiring an HR professional.
3. How effective would Straton Industries be without Donna Toth as their HR professional? What potential concerns might develop?
4. As Straton Industries grows, should an additional HR professional be hired to help Donna Toth? And if so, what should that new person focus on?

Sources

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4. Ibid.
5. Ibid.

Case written by Dr. Steven Austin Stovall, Southeast Missouri State University.

CASE 1.2 RETURN TO THE OFFICE: REMOTE WORK MEETS ITS CHALLENGE

The remote work of the COVID-19 pandemic cleared out business offices in the United States as workers moved from on-site offices to home kitchen tables and living rooms. As the pandemic waned, many of those workers questioned whether they needed to come back to the office. Some employees argued that they could do their jobs as well or better from their remote offices and that daily commutes and child-care needs made returning to the office too difficult.⁽¹⁾ Organizations were unsure about it, too. Having employees work remotely allowed organizations to save money on office space and offer employees the perk of flexibility.⁽²⁾ However, there also were good reasons for bringing employees back, such as the camaraderie and information sharing that occurs when workers are in the same location.

A new acronym, RTO, for return to office, was created. Some organizations called for a complete RTO. Others created hybrid systems where workers continued to work remotely part time and from the office part time. Still others allowed workers to continue to work remotely all the time. The calls for different versions of RTO changed frequently for some workers as organizations struggled to find the right balance in their RTO policies.⁽³⁾

"We're running water through pipes that haven't had water run through them in a long time. So where are there going to be leaks?" asked software organization DocuSign's Chief People Officer Jennifer Christie. "The best way for us to understand how this will impact our culture and productivity, and collaboration is to just start doing it."⁽⁴⁾

To bring employees back to the office, some organizations offered perks, such as when Salesforce, the cloud-based customer relationship management platform, gave a \$10 charitable donation per day for 10 days on behalf of each employee who came into the office. Other organizations offered warnings, such as when **Google**, the Internet-related products and services organization, announced that employee badge records would be examined for unexplained lengthy absences from the office and the information would be included in performance reviews.⁽⁵⁾

At online retailer and technology provider **Amazon**, the requirement that employees return to the office 3 days a week (with exceptions for those who had previous remote work arrangements or other duties) was met with employee protests. Employees carried signs with slogans like "Amazon Strive Harder" and "Short-Term Thinking = Lost Trust." Despite the protests, Amazon continued with the 3-day mandate. Then, 15 months later, the organization called for those employees to be back in the office 5 days a week.

In a memo to employees, Chief Executive Officer Andy Jassy said, "We've observed that it's easier for our teammates to learn, model, practice, and strengthen our culture; collaborating, brainstorming, and inventing are simpler and more effective; teaching and learning from one another are more seamless; and, teams tend to be better connected to one another."⁽⁶⁾

SHRM, the largest organization for HR professionals in the world, provides the following recommendations for making RTO policies effective:⁽⁷⁾

Communicate why the RTO change is being made: Employees want to know that the organization has a reason. For example, at apparel brand **Adore Me**, the organization explained the business reasons behind the RTO policy. It also provided reasons that benefited the employees. “When we explained why it was especially important for young people who benefit from face-to-face mentoring and for women who have been disproportionately impacted by the pandemic, the reasons resonated with them,” said Chief Legal and Administrative Officer Charlotte Morgan.(8)

Ask employees to co-create the policy that allows for employees to do their best: At the nonprofit financial services organization **Thrivent**, an RTO team worked with employees to create a classification system of different work methods from fully remote to fully in office and a tool kit of best practices for each.(9)

Help employees make connections to one another: Because one of the main benefits of having employees in the office is the collaboration that takes place, organizations should make it easy for employees to connect with one another. For example, at HR technology company **HiBob**, the organization provides lunch to all employees on Wednesdays when everyone is in the office. Topics of lunch conversation do not have to be work related. The time together gives people the opportunity to get to know one another.(10)

Help employees with some of the common problems of RTO: To help employees with the time and expense of the commute to the office, some organizations have chosen to help pay for mass transit or ride-sharing transportation. Some organizations are offering employee parking and personal vehicle maintenance to ease the stress. Still others are opening satellite offices closer to where employees live to reduce the length of the commute.(11) When it comes to childcare, organizations are listening to what each employee needs and trying to find solutions.(12) At some organizations, one of those solutions is to allow employees to bring their children to work when needed.(13)

Questions

1. Of the four critical dependent variables that managers must control, which apply to the RTO issue?
2. How do RTO policies support the importance the chapter places on relationship building and engagement?
3. Which of the major challenges of HR managers are addressed by the case?
4. Which of the line manager's six HR management responsibilities are addressed by the case?

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11. Ibid.
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SKILL BUILDER 1.1 GETTING TO KNOW YOU

Objectives

1. To get acquainted with some of your classmates
2. To gain a better understanding of what the course covers
3. To get to know more about your instructor

Skills

The primary skills developed through this exercise are as follows:

1. *HR management skills*—Interpersonal skills
2. *SHRM 2022 Curriculum Guidebook*—C: Employee and Labor Relations

Procedure 1 (5–8 minutes)

Break into groups of five or six, preferably with people you do not know. Have each member tell the group their name and two or three significant things about themselves. Then have all group members ask each other questions to get to know each other better.

Procedure 2 (4–8 minutes)

Can everyone in the group address every other person by name? If not, have each member repeat their name. Then each person in the group should repeat the names of all the group members until each person knows everyone's first name.

Application

What can you do to improve your ability to remember people's names?

Procedure 3 (5–10 minutes)

Elect a spokesperson for your group. Look over the following categories, and decide on some specific questions you would like your spokesperson to ask the instructor from one or more of the categories. The spokesperson will not identify who asked the questions. You do not have to have questions for each area.

- *Course expectations.* What do you expect to cover or hope to learn from this course?
- *Doubts or concerns.* Is there anything about the course that you don't understand?
- *Questions about the instructor.* List questions you'd like to ask the instructor to get to know them better.

Procedure 4 (10–20 minutes)

Each spokesperson asks the instructor one question at a time until all questions have been answered. Spokespeople should skip questions already asked by other groups.

Apply It

What did I learn from this experience? How will I use this knowledge in the future?

SKILL BUILDER 1.2 COMPARING HR MANAGEMENT SKILLS AND HR RESPONSIBILITIES

Objective

To better understand the importance of good HR management skills and implementing HR responsibilities effectively

Skills

The primary skills developed through this exercise are as follows:

1. *HR management skills*—Conceptual and design
2. *SHRM 2022 Curriculum Guidebook*—C: Employee and Labor Relations

Compare Your Supervisors' HR Management Skills and HR Responsibilities Effectiveness

Recall the best supervisor or boss you ever worked for and the worst one you ever worked for (preferably line managers, not HR managers). Compare these two people by writing brief notes in Table 1.2 about each person's HR management skills and HR responsibilities.

Skills and Responsibilities	Best Supervisor or Boss	Worst Supervisor or Boss
Technical		
Interpersonal		
Conceptual and Design		
Business Skills		
Legal Considerations		
Talent Acquisition		
Training and Development		
Employee and Labor Relations		
Safety and Security		
Ethics		

Based on your own experiences with a good boss and a poor one, what do you believe are the key differences between good and poor managers?

Apply It

What did I learn from this exercise? How will I use this knowledge in the future?



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2

STRATEGIC AND INCLUSIVE HUMAN RESOURCE MANAGEMENT

LEARNING OBJECTIVES

After studying this chapter, you should be able to do the following:

- 2.1 Identify and explain the major components of the external environment.
- 2.2 Discuss how visions and missions combine to help define the organization's strategy.
- 2.3 Explain the three major generic strategies.
- 2.4 Discuss the role of HR in developing organizational strategy, structure, and culture.
- 2.5 Explain the differences among diversity, inclusion, and belonging.
- 2.6 Identify some of the tools available to companies to successfully manage diversity, equity, and inclusion, and briefly discuss some of the major challenges.
- 2.7 Identify areas of HRM where data analytics and other HR technologies can have an effect on organizational success.
- 2.8 Describe human capital management systems (HCMs), and identify two major metrics that help HR make decisions.
- 2.9 Discuss the role of technology in creating and maintaining great employee experience and how strategic management of HR technology assists in that process.

SHRM HR Content

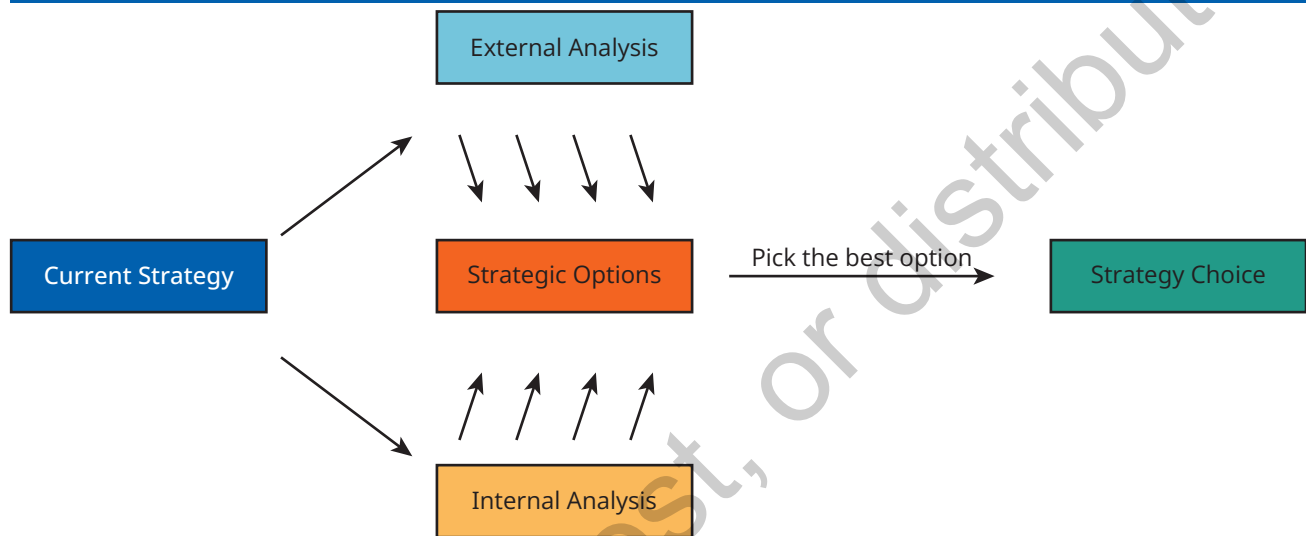
See Appendix: *SHRM 2022 Curriculum Guidebook* for the complete list.

- A. Change Management
 7. Culture
- C. Employee and Labor Relations
 29. Managing/creating a positive organizational culture
- H. Human Resource Information Systems (HRIS) HRMS
 3. Issues to consider when selecting HRIS software
 4. Selecting an HR information system
 5. Using HR data for enterprise management
- J. Metrics and Measurement of HR
 5. Economic value added
 8. Return on investment (ROI)
- K. Organizational Development
 15. Social networking
- N. Strategic HR
 1. Strategic management
 - a. Competitive advantage
 - b. Competitive strategy
 - c. Enhancing firm competitiveness
 - f. Mission and vision
 - h. Strategy implementation
 - i. Strategy formulation
 2. HR strategies
 - d. Linking HR strategy to organizational strategy
 - e. Measuring HR effectiveness
 - f. The role of the chief human resource officer (CHRO)
 - g. Trends and forecasting in HR

AN INTRODUCTION TO STRATEGIC PLANNING: THE ORGANIZATION AND ITS ENVIRONMENT

The concepts of strategy and strategic planning were introduced briefly in Chapter 1. As indicated there, **strategic planning** is the process of looking at our organization and its environment—both today and in the expected future—and determining what our organization decides to do to meet the requirements of that expected future¹ (see Figure 2.1). In this chapter, we focus on the organization's internal and external environment, and why that environment matters to HR leaders.

FIGURE 2.1 ■ Strategic Choice



HR Management's Role in Strategic Planning

The role of HRM has expanded over the years. Organizations today realize the importance of managing our *human* resources as diligently as managing our physical and financial resources. That is why more than 60% of HRM top executives report directly to the president or CEO.² HRM also develops its own strategic plans to align HR practices with the business strategy³ because organizations that hire and retain motivated and productive people gain a long-lasting competitive advantage.⁴ According to **LinkedIn Mentor**, “68% of CEOs believe that CHROs should play a key role in shaping corporate strategy,” and they “expect CHROs to leverage people analytics to drive evidence-based decision making.”⁵ Therefore, we need to increase our efforts in HRM education to create strategic HR leaders. **(SHRM N:1-c, N:2-g)**

Before we get into the details of strategic planning, complete Self-Assessment 2.1 to determine your level of planning.

Self-Assessment 2.1: Level of Planning

Write a number from 1 to 5 before each statement to indicate how well each statement describes your behavior.

- 5 = Describes me
- 4 = Somewhat describes me
- 3 = Neutral
- 2 = Barely describes me
- 1 = Does not describe me

- ____ 1. Whenever I start a project of any kind, I have a specific end result in mind.
- ____ 2. When setting objectives, I state only the end result to be accomplished; I don't specify how the result will be accomplished.

- ____ 3. I have specific and measurable objectives; for example, I know the specific grade I want to earn in this course.
- ____ 4. I set objectives that are difficult but achievable.
- ____ 5. I set deadlines when I have something I need to accomplish, and I meet those deadlines.
- ____ 6. I have a long-term goal (what I will be doing in 3–5 years) and short-term objectives that will get me there.
- ____ 7. I have written objectives stating what I want to accomplish.
- ____ 8. I know my strengths and weaknesses, am aware of threats, and seek opportunities.
- ____ 9. I analyze a problem and consider alternative actions rather than immediately jumping in with a solution.
- ____ 10. I spend most of my day doing what I plan to do rather than dealing with emergencies and trying to get organized.
- ____ 11. I use a calendar, appointment book, or some form of to-do list.
- ____ 12. I ask others for advice.
- ____ 13. I follow appropriate policies, procedures, and rules.
- ____ 14. I develop contingency plans in case my plans do not work out as I expect them to.
- ____ 15. I implement my plans and determine if I have met my objectives.

Add the numbers you assigned to the statements to see where you fall on the continuum that follows.

Planner → 75 → 65 → 55 → 45 → 35 → 25 → 15 → Nonplanner

Don't be too disappointed if your score isn't as high as you would like. All of these items are characteristics of effective planning. Review the items that did not describe you, and consider making an effort to implement those characteristics of planning.

The External Environment

The process of analyzing the environment and building a coherent strategy is more critical today than it has ever been.⁶ This is because in most worldwide industries today, we have far more competition and capacity than ever before, making it more difficult to create the sustainable competitive advantage that we need in order to survive over the long term.⁷

Analyzing the external environment helps us identify the competition along with a series of influences that originate outside the organization and that the company cannot control. Each of these forces acts on the firm and requires it to change and adapt, usually in the form of strategic responses to these environmental changes.⁸ The successful companies are the ones that keep changing. It is also important to have good relationships with external stakeholders because they provide access to resources.⁹ The nine major forces originating in the external environment are shown in Figure 2.2; here is an explanation of each.

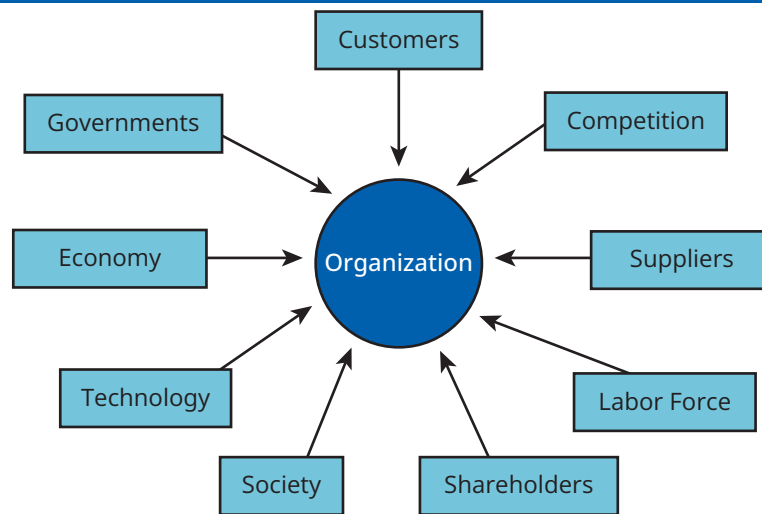
Customers. Customers have a major effect on the organization's performance through their purchase of goods and/or services. Therefore, companies must continually improve products and services to create value for their customers. **Amazon** is successful because it focuses on customer value.¹⁰

Competition. Businesses must compete for customers. Each firm's performance is affected by the actions of its *competitors*. **Apple**, **Samsung**, and **Huawei** continue to compete with improved smartphones.¹¹

Suppliers. Organizations buy resources from suppliers. Therefore, partnerships with *suppliers* affect firm performance.¹² **Ford** buys auto parts from suppliers to make its cars, and your local Ford dealership is supplied with cars from Ford.

Labor force. Companies recruit new employees from the available labor force in the external environment. Unfortunately, that available labor force is not growing at the rate it has in past years.¹³ This may predict continuing difficulty in finding capable knowledge workers.¹⁴

FIGURE 2.2 ■ The External Environment



Shareholders. The owners of a corporation, known as shareholders, influence management to focus on profits. They vote for the directors of the corporation, who hire and fire top management, such as **Uber**, when it forced CEO **Travis Kalanick** to resign.¹⁵ Most shareholders and directors of large corporations are generally not involved in the day-to-day operation of the firm.¹⁶

Society. Society largely determines what business practices are acceptable.¹⁷ Individuals and groups of stakeholders and shareholders work in various ways to pressure businesses to make changes, some with the help of consulting firm, such as **Activist Insights**.¹⁸

Technology. Computers and the Internet have changed the speed and the manner in which organizations conduct and transact business. Without employees who adapt to changing technologies, organizations today will soon find themselves unable to compete.¹⁹

The economy. No corporation has control over global pandemics, economic growth, inflation, interest rates, and so on. In general, businesses perform better when the economy is growing and inflation and interest rates are low. During favorable economic conditions, firms tend to hire, and they lay off during recessions.

Government. If you think you can run a business any way you want to, think again. Nations and their state and local governments all set laws and regulations that businesses must obey. The cost of complying with all federal government regulations averages about \$14,500 per household annually in the United States.²⁰ **Pfizer**, **Novartis**, and **Merck** cannot market drugs without **Food and Drug Administration (FDA)** approval, and virtually every employer must follow labor laws, including wage guidelines from the **Department of Labor (DOL)**.

APPLYING THE CONCEPT 2.1: THE EXTERNAL ENVIRONMENT

Read each statement, and write in the letter corresponding to the external environmental factor it refers to.

- a. Customers
- b. Competition
- c. Suppliers
- d. Labor force
- e. Shareholders
- f. Society

- g. Technology
- h. Economy
- i. Governments

- _____ 1. Are you going to close that sale of shirts to **Target**?
- _____ 2. Our union will go on strike if management will not give us a 13% raise.
- _____ 3. **Ringling Brothers** circus stopped having elephant acts because of pressure from activist groups.
- _____ 4. Since GDP increased, we have had an increase in sales.
- _____ 5. Ford and **Toyota** are working on software so that their cars can be self-driven.
- _____ 6. **KFC** bought some bad chicken in China, and sales declined.
- _____ 7. The **Boeing** CEO was replaced by the directors because of the problems with the 737 airplane.
- _____ 8. **Facebook** wanted to acquire our company, but the Securities and Exchange Commission (SEC) said that would be in violation of antitrust laws, thereby preventing the deal.
- _____ 9. Jamal bought a new oven that will cook our burgers in half the time and make them taste even better.
- _____ 10. **eHarmony** online dating service is losing some customers to other services focusing on Christian, African American, and older people seeking matches.
- _____ 11. Our purchasing agent, Tina, closed a deal that will let us buy sugar for our **Dunkin' Donuts** coffee for a few cents less per pound, saving us thousands of dollars per year.
- _____ 12. Our **Old Navy** sales to tween girls have decreased because some of our shoppers are now buying **Justice** clothing.

WORK APPLICATION 2.1

Give examples of how each of the nine forces (customers, competitors, suppliers, labor force, shareholders, society, technology, economy, and governments) has affected an organization where you work or have worked.

STRATEGY

Many military historians view the Chinese military strategist **Sun Tzu** (ca. 500 BC) as the developer of “the Bible” of strategy. Its principles are divided into two components: (1) knowing oneself and (2) knowing the enemy.²¹ To put Sun Tzu’s words in a contemporary business context, we need to know our internal and external environments. We just discussed the major components of the external environment. But how does a business go about analyzing its internal environment and creating and implementing a strategic plan? Well, strategic planning follows a process,²² so let’s review that process now.

What Is Strategy?

Research has shown that HRM is an important strategic business function influencing the performance of both large and small firms.²³ So it is important to develop strategic management competency.²⁴ A **strategy** is a plan of action designed to achieve a particular set of objectives. A strategic plan includes a vision, mission, objectives, strategy, structure, and culture.²⁵ It analyzes the external (industry and macro-) environment and the internal (organizational) environment in order to create strategic advantage.²⁶ This is the reason that it’s so critical for HR managers to understand organizational strategy.²⁷ **(SHRM N:1)**

In this section, we look at the following three major strategic questions, sometimes referred to as *roadmapping*, to analyze what kind of strategic plan we need:²⁸

1. What is our present situation? (Where are we now?)
2. Where do we want to go?
3. How do we plan to get there?

These questions are both simple and complex. On the surface, you would think that answering Question 1 would be easy—but you must answer many other questions based on the organization and its environment before you can confidently answer the question, “Where are we now?” These other questions include the following: “Are we making a profit?” “What is our current competitive environment?” “Do our products satisfy our customers’ current needs?” “Do we have the right kind of workforce in place at this time?” “Is our technology working like it should?” “Do we have sufficient physical resources, like plants, machinery and equipment, and retail locations?” “Are our advertising and marketing programs successful?”

Answering these questions, and many more, creates a picture of your organization at a particular point in time, and that picture has to be comprehensive, and answering Questions 2 and 3 are just as complex. Through answering these questions, the firm can become the organization we envision and, at the same time, create a sustainable competitive advantage. (SHRM N:1-a) (SHRM N:1-i)

Vision, Mission, and Objectives

A vision and a mission are two of the most critical components of any successful corporate strategy. Together, they provide the information necessary to focus every employee on the company’s goals and objectives. Let’s take a look at them now. (SHRM N:1-f)

The Vision

A **vision** is *what we expect to become as an organization at a particular point in time in the future*. The vision, by necessity, is a fuzzy thing; it is the end result; it doesn’t say how we’re going to achieve it. Vision as a *desired future state* of being. It is who we are, what we stand for, what we believe in, and what we want to become. A vision tells the company where it is headed.²⁹ If everyone is focused on the same future, they will work toward that same end state.

The firm is successful only when the followers share a leader’s vision.³⁰ Apple cofounder **Steve Jobs** had the vision of a computer on every desk, and today for some people their iPhone is their computer. Strategic HR leaders help develop and perpetuate the vision through the onboarding process and culture training that promotes a shared vision within the organization.

The Mission

The **mission statement** *lays out our expectations of what we’re going to do in order to become the organization we have envisioned*. The mission is generally narrower and more specific than the vision, which means it generally must be a bit longer. It takes into account things like our target customers, our products, technologies we use, and so on. The mission should be known by all stakeholders, especially employees, so they can stay focused on accomplishing the mission and goals.³¹ It answers the question, “What do we need to do in order to become what we have envisioned?” **Walmart’s** mission is to help people save money so they can live better.³²

Putting the Vision and Mission Together

Let’s use as an example the vision and mission of **IKEA**. It is “an inspiring shared vision: to create a better everyday life for the many people.”³³ We then look at the mission of the organization, which tells us how IKEA expects to do what the vision puts forth. The mission statement says that their (understood)



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mission is “to offer a wide range of well-designed, functional home furnishing products at prices so low, that as many people as possible will be able to afford them.”³⁴ So the company will achieve its vision of creating “a better everyday life” by providing a broad range of home furnishings that are as affordable as possible in order to make people’s lives better at a minimum cost.

When you put the vision and mission together, the people in the organization get a more complete picture of the direction in which they are expected to go. This allows everyone to focus on going in that direction, and that, in turn, makes it much easier for them to help the organization achieve its goals. The fact that they create a focus is the thing that makes a vision and mission so powerful. If everyone in the organization is focused on the same end result, it is much more likely that the organization will achieve that end result.³⁵ (SHRM N:1-b)

A strong vision and a good mission statement are critical parts of the strategic-planning process because they guide strategic long-term, short-term, and day-to-day decisions to achieve the vision and live the mission. *Everything* else in strategic planning comes from the vision and mission.

Vision + Mission = FOCUS!

Top management needs to articulate a compelling vision so clear that it can be seen almost as a movie in one’s head, but it’s not easy.³⁶ Companies as large and pervasive as **Facebook**³⁷ and **Thales Group**³⁸ have struggled with vision, mission, and other statements of purpose.

In the last step of creating their plan, organizations go through a series of analyses of both external and internal factors to come up with the plan of action. Strategic planners look at each of the environmental factors, and they analyze the company’s capabilities and limitations to come up with a workable plan. We will discuss some of these factors in the following sections.

Objectives

After developing our vision and mission, the next step is to set objectives that flow from the mission to address strategic issues. *Objectives* state what is to be accomplished in specific and measurable terms with a target date. Begin by thinking about the outcomes you want to achieve.³⁹ Objectives are end results;⁴⁰ they do not state how they will be accomplished—that’s the job of the plan.⁴¹

Having objectives is important⁴² because setting objectives and planning are among the most important drivers of performance.⁴³ Objective writing skills can be learned and developed,⁴⁴ and using an objective-setting model can help. Here is a model adapted from **Max Weber** to help you write effective objectives, followed by a few company examples. Using the model, complete *Applying the Concept 2.2* and *Skill Builder 2.1*.

MODEL 2.1: SETTING OBJECTIVES

(1) To + (2) Action Verb + (3) Singular, Specific and Measurable Result + (4) Target Date

Toyota: To sell 2 million electric cars annually by 2030.⁴⁵

Apple: To become carbon neutral across its entire supply chain by 2030.⁴⁶

GM: To sell only electric vehicles by 2035.⁴⁷

APPLYING THE CONCEPT 2.2: WRITING OBJECTIVES

For each objective, write in the letter corresponding to which “must” criterion is not met.

- a. Single result
- b. Specific
- c. Measurable
- d. Target date

- _____ 13. To increase my GPA during the Spring semester 2030
- _____ 14. To sell 7% more sandwiches and 15% more chips in 2030
- _____ 15. To decrease the number of sales returns by year end of 2035
- _____ 16. To be perceived as the best restaurant in the Boston area by 2035
- _____ 17. To start working out aerobically within a few weeks

ETHICAL DILEMMA 2.1: WHAT WOULD YOU DO?

Two major objectives of all businesses are to make a profit and to develop strategies to increase profits, so most businesses try to legally minimize the taxes they pay. Some U.S. corporations have used the strategy of inversion—to acquire a foreign company and move headquarters overseas—to reduce the corporate taxes they pay. **Burger King** is owned by three companies, **3G Capital**, **Berkshire Hathaway**, and **Restaurants Brands International**—3G and Berkshire formed Restaurants Brands International. So, Burger King’s current owner is Restaurants Brands International.⁴⁸ Burger King’s prior acquisition of Canada’s **Tim Hortons** was an inversion.⁴⁹ So Burger King has made the effort to legally minimize paying taxes. Apple and other corporations also keep cash overseas to minimize paying taxes in the United States.

As of early 2024, more than 140 countries agreed to a plan of the Organisation for Economic Co-operation and Development (OECD) to implement a 15% global minimum tax rate for companies with revenues above €750 million, wherever they operate.⁵⁰ Since January 1, 2018, the nominal federal corporate tax rate in the United States is a flat 21% following the passage of the Tax Cuts and Jobs Act of 2017. But it still pays for some businesses to keep headquarters and money overseas to minimize the taxes they pay.

Some people and members of Congress, especially **Elizabeth Warren** (D-Mass), say that big corporations don’t pay enough taxes. Some individuals also use legal tax deductions, sometimes called loopholes, to lower their personal income taxes. Most businesses and individuals use all the deductions and other methods they legally can to pay less taxes.

1. Are inversions and keeping money in other countries to avoid paying taxes ethical or unethical?
2. If you became the new CEO of Burger King, would you have the company pay a higher U.S. corporate tax even though it is not required to do so by law?
3. As an individual taxpayer, will (or do) you take deductions to lower the amount you pay in taxes?
4. Are your answers to Questions 2 and 3 consistent, or do you believe businesses should pay the extra taxes but individuals shouldn’t?
5. Review the HR disciplines, and describe how a company can be ethical and socially responsible in performing these functions.

WORK APPLICATION 2.2

Identify the vision and mission of an organization and a strategic objective where you work or have worked.

GENERIC STRATEGIES AND HRM

Here we discuss three generic strategies and how these strategies affect HRM.

Generic Strategies

There are several common generic strategy types. We break them down into three categories: cost leadership, differentiation, and focus or niche strategies.⁵¹

Cost Leadership

Cost leaders do everything they can to lower their costs of producing their products. However, cost leaders do not necessarily provide their products for lower prices. They can choose to keep their prices down and maintain the same margin as competitors, or they can charge the same price as their competitors and thus increase their profit margins. Walmart has had great success with this strategy, but Amazon is currently testing Walmart's cost leadership and, in some cases, winning.⁵²

Differentiation

This strategy attempts to create an impression of difference for the company's products to stress its advantage over its competitors.⁵³ A company like **Apple** is successful in creating this impression with its iPhone, and it charges a higher price than its competitors, like the **Samsung** Galaxy. Differentiation is not necessarily based on real difference but on the perception of difference, which is often created through advertising.⁵⁴ **Nike**, **Harley-Davidson**, **Margaritaville**, **Tesla**, and others place their corporate names prominently on their products to differentiate them from those of the competition.⁵⁵

Focus or Niche

Companies focus on a specific portion of a larger market. For instance, it may focus on a regional market, a particular product line, or a buyer group. Within a target segment or market niche, the firm may use differentiation or a cost leadership strategy. Businesses can win big by thinking small.⁵⁶ It is hard to compete head-on with the big companies like **Coca-Cola** and **Pepsi**, but the much smaller **Keurig/Dr Pepper**'s drink offerings have a differentiated taste for a smaller target market. However, it is still profitable serving those targeted customers.⁵⁷ **Ebony** and **Jet** magazines target African Americans. **Right Guard** deodorant is aimed at men and **Secret** at women.

APPLYING THE CONCEPT 2.3: TYPES OF STRATEGY

Identify which strategy is used by each brand or company listed, and write the letter corresponding to the company's strategy by the company's name.

- a. Cost leadership
- b. Differentiation
- c. Focus or niche

- _____ 18. Anytime Fitness
- _____ 19. Dollar General
- _____ 20. Nickelodeon
- _____ 21. iPhone
- _____ 22. *Bodybuilder* magazine
- _____ 23. Rolex watches
- _____ 24. TOMS shoes
- _____ 25. Target

How Strategy Affects HRM

In discussing HRM aspects, it does not matter whether the strategy is broad or a niche or focus strategy, so we will analyze only cost leadership and differentiation strategies. We will also continue to discuss these areas in greater detail as we progress through the book. (SHRM N:2, N:2-d)

HRM and Cost Leadership

With a generic cost leadership strategy, we are going to be most interested in minimizing all internal costs, including employee costs. So we are concerned with maximum efficiency and effectiveness.⁵⁸ We will probably create highly specialized jobs, to the maximum extent possible, so we have people doing the same thing repeatedly, like **McDonald's**. This will generally cause employees to get much better and faster at their jobs. We will also have a specific job description for each position and job-specific training with little, if any, cross-training.

We will hire new workers based on technical skills and abilities, and we will most likely emphasize performance pay by which the employees get paid more if they perform their job faster and better. We may also provide incentives that emphasize cost control and efficiency. Finally, managers may use narrowly focused performance appraisals as a control mechanism to allow them to weed out lower-performing employees.

HRM and Differentiation

In contrast, if our organization is following a differentiator strategy, we're likely to be more concerned with employees who are flexible and adaptable, who have the ability to innovate and create new and better processes as well as customer relationships, and who can work in uncertain environments within cross-functional teams.⁵⁹ We will most likely have much broader job classifications as well as broader and more decentralized work-planning processes. Individuals will be hired and paid based on individual knowledge and skill sets, not specifically based on skills related to the job they fill upon entering the organization.

Training will be broad and designed to provide flexibility in operating the business. Here, our incentive programs will reward innovation and creativity to maximize organizational agility. Finally, performance appraisals will generally be used to develop the skill sets of the valuable knowledge workers within the organization, not as a tool to punish and weed out poor performers. So, you can see quickly that HRM will need to do its job in a significantly different way based on the type of generic strategy the company decides to follow. (SHRM N:1-h)

WORK APPLICATION 2.3

Identify the generic strategy of an organization where you work or have worked.

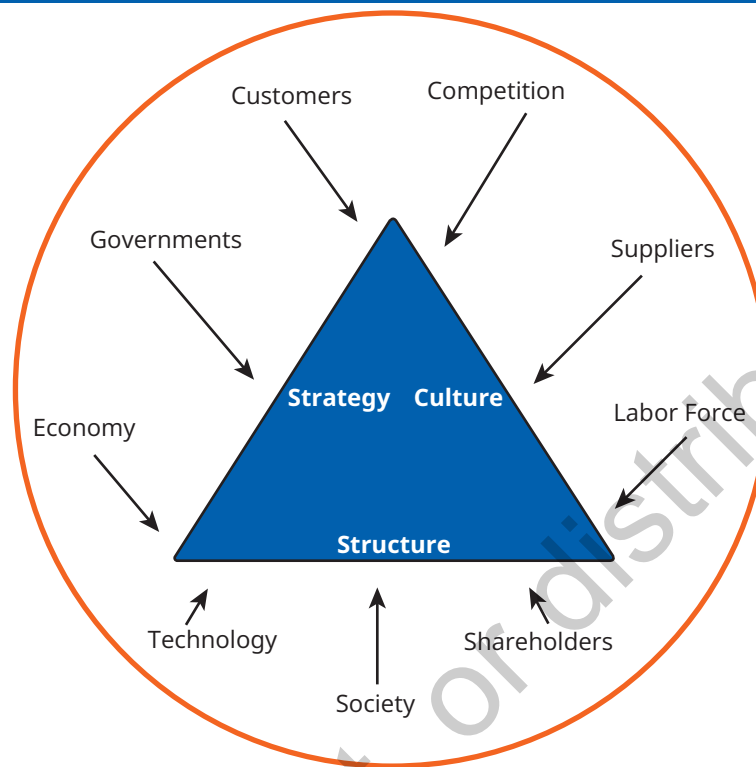
THE INTERNAL ENVIRONMENT

As we already discussed, organizations should have a clear vision, mission, and strategy with objectives. Next, we need to develop a structure and culture to achieve the strategic objectives. Let's take a look Figure 2.3, which includes the internal environment—strategy, structure, and culture—which is affected by the external environment factors. (SHRM N:2-d)

Organizational Structure Supports Strategy

We already discussed strategy, so let's move on to organizational structure. **Organizational structure** refers to *the way in which an organization groups its resources to accomplish its mission and objectives*.

FIGURE 2.3 ■ The Internal and External Environment



Basic Organizational Structure

There are three components of structure.

Complexity is essentially how you organize the entire company into business units or divisions, departments, and jobs. **Pizza Hut** and **Dominos** are multinational corporations conducting business in some 100 countries with a complex structure, whereas your local **Tony's Pizza** shop is not complex.

Formalization is essentially the degree to which jobs are standardized, which includes policies, procedures, and rules that tell people how to do their jobs. McDonald's is highly formalized, whereas Facebook is less formalized to encourage creativity.

Centralization is essentially the level of decision-making. At McDonald's, the major decisions of how to run the business are at the corporate level—standard equipment and menu, Big Mac, and fries. However, franchisees are often allowed to vary the menu for local food preferences, such as in India, where in some states it is illegal to eat beef, they sell a Big Mac called the Chicken Maharaj Mac.⁶⁰

How Structure Affects HRM

In a small entrepreneurial firm, there usually is no HRM department, but someone has to perform the HR functions. Would you need to recruit and hire different types of people in a bureaucratic organization like McDonald's than you would in an entrepreneurial organization like **Zappos**? Indeed, you would—even at managerial levels.

In the more bureaucratic organization, you should hire people who have a significant depth of expertise in a narrow area within their field of knowledge so that they could apply that expertise in a highly efficient manner. That would make the organization more productive. Your training programs would be more specific and geared toward particular jobs.

In addition, your performance appraisal processes would be aimed at evaluating more specific tasks and functions than would be the case in the entrepreneurial organization. In fact, the structure will

affect virtually every function of the HR manager. So, in order to be a successful HR manager, you have to understand and adapt to the structure of your firm.

Organizational Culture

Peter Drucker once said, “Culture eats strategy for breakfast.”⁶¹ Fostering the right organizational culture is one of the most important responsibilities of a chief executive.⁶² It is also one of the most important responsibilities of the CHRO and other corporate executives.⁶³

Every group of people that gathers together creates a unique group culture. They have their own group standards, called norms, which create pressure for the group’s members to conform. Social groups have social cultures, nations have national cultures, and organizations have their own distinct organizational cultures. (SHRM C:29)

Organizational culture consists of *the values, beliefs, and assumptions about appropriate behavior that members of an organization share*. Culture is an important part of management⁶⁴ because it describes how employees do what they do and why they do what they do.

A critical role of HRM is to help create a workplace culture with its own standards of behavior and hold everyone to them.⁶⁵ HRM also needs to recruit and hire people who fit the organizational culture to achieve its strategic objectives. Organizational culture is primarily learned through HR onboarding and training, observing people, and artifacts in the organization. (SHRM A:7)

Artifacts of Organizational Culture

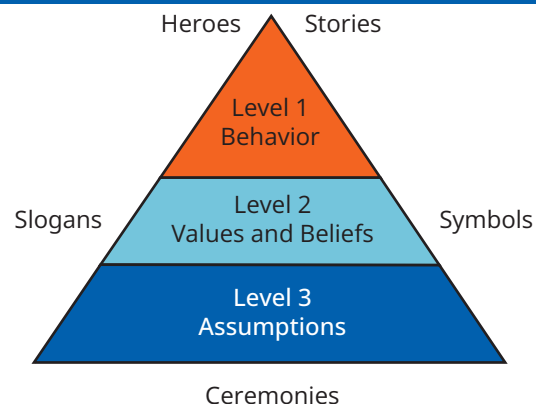
There are five artifacts of organizational culture that help employees learn the culture:⁶⁶

1. *Heroes*, such as founders Steve Jobs of Apple, **Mark Zuckerberg** of Facebook, **Elon Musk** of Tesla, and others who have made outstanding contributions to their organizations.
2. *Stories*, or narratives,⁶⁷ often about founders and others who have made extraordinary efforts. These include stories about **Sam Walton** visiting every Walmart store yearly. Public statements and speeches can also be considered stories.
3. *Slogans*, such as at **McDonald’s**’s QSCV (or quality, service, cleanliness, and value).
4. *Symbols*, such as plaques, pens, jackets, or a pink Cadillac at the cosmetics firm **Mary Kay**, including logos.
5. *Ceremonies*, such as awards luncheons and dinners for top achievers at **Macy’s**

Three Levels of Culture

The three levels of culture include behavior, values and beliefs, and assumptions. Figure 2.4 illustrates the three levels of culture.

FIGURE 2.4 ■ Culture Artifacts and Levels of Culture



- *Level 1: Behavior.* Behavior includes the observable things people do and say or the actions employees take. *Artifacts* result from behavior and include written and spoken language, dress, material objects, and the organization's physical layout. The behavior level is also called the *visible level* because values, beliefs, and assumptions cannot actually be observed.
- *Level 2: Values and beliefs.* Values represent the way people believe they ought to behave, and beliefs represent if-then statements, like "If I do *x*, then *y* will happen." Values and beliefs provide the operating principles that guide decision-making and shape the behaviors that result in the visible Level 1 culture. Values and beliefs are invisible because they cannot be observed directly; we can infer from people's behavior only what they value and believe.
- Although organizations use heroes, stories, symbols and logos, and ceremonies to convey important values and beliefs, slogans are critical to Level 2 culture. A slogan expresses key values. Slogans are part of organizational mission statements, while a *philosophy* (e.g., **FedEx's** philosophy of people-service-profit) is a formal statement of values and beliefs.
- *Level 3: Assumptions.* Assumptions are values and beliefs that are so deeply ingrained that they are considered unquestionably true. Because assumptions are shared, they're rarely discussed. They serve as an automatic pilot to guide behavior. In fact, people often feel threatened when assumptions are challenged. If you question employees about why they do something or suggest a change, they often respond with statements like, "That's the way it's always been done." Assumptions are often the most stable and enduring part of culture and are difficult to change.

Notice that behavior is at the top of the diagram in Figure 2.4. Assumptions, values, and beliefs affect behavior, not the other way around; in other words, cause and effect work from the bottom up.

How Culture Controls Employee Behavior

Because culture is based at least partly on assumptions, values, and beliefs, it is a powerful force in controlling how people act within its boundaries.⁶⁸ For instance, if the culture says that we value hard work and productivity but an individual on one of the teams fails to work hard and be productive, then the other members of the team are likely to pressure that individual to conform to the culture or leave the organization.

You may not believe that culture has the ability to cause you to change the way you act, but it does. Have you ever done something to fit in or done something you didn't want to do because of peer pressure? Doesn't peer pressure control most people—at least sometimes? Chances are that you act differently within different group cultures, such as family, friends, or work, to be accepted and fit in.

Social Media and Culture Management

Recall that there is an internal and an external environment with which every organization is concerned. See Figure 2.3 for a review of the components making up the environment.

Social media is one of the mechanisms we now use to both monitor and—at least partially—control organizational environments either from the inside or outside of the organization.⁶⁹ Whether it is finding that an employee posted some things they should not have when the company was monitoring social media and happened to find the posting they made or using a company Facebook page, **X**, or an **Instagram** account to provide sustainability information to customers and workers, social media can be used to identify and defend the company and its values.⁷⁰ This is a form of monitoring and managing both the internal and external environment, which gives management more control over the culture within the organization.

Companies can also actively seek information internally using forms of social media⁷¹ and can even ask company members to interact on social-media platforms, such as **LinkedIn** and **X**. Have you ever known someone whose organization asked employees to "like" them on Facebook or who put up employee testimonials on **TikTok**? This mechanism is becoming more important every day and will continue to do so for the immediate future. (SHRM K:15)

The same is true for the external environment, from following competitors on social-media sites to following government webpages and media links. Governments and other entities are even using social media to extend their reach into communities that are generally hard to reach because they don't pay much attention to standard methods of communication like State of the Union addresses and regulatory bulletins.

Social media continues to become more important to business and government. You can bet that governments will pay more attention to social media in the future because some January 6 protest groups in the United States coordinated their efforts on **Gab** and **Parler**⁷² and the 2022–2023 Iran protests over mandatory hijab requirements for women were coordinated via social media.⁷³ These are just a few examples of the power of social media.

High-Performance Work Systems and Practices

One of the ways in which HR promotes organizational strategies and culture is through high-performance work practices. According to the **U.S. Department of Health and Human Services**, **high-performance work practices (HPWP)** are *practices that have been shown to improve an organization's capacity to effectively attract, select, hire, develop, and retain high-performing personnel*.⁷⁴ Along with a well-shaped organizational culture, these practices are designed to improve employee commitment and increase involvement in the organization, which can result in increased productivity and better financial performance.⁷⁵

There is no stable set of practices and policies that are agreed upon as HPWS practices. However, several items tend to be included in most of the research. Included in this general list are the following:

- Recruiting and staffing: selecting for ability–job fit as well as person–organization fit
- Actions to maximize employee engagement and empowerment
- Self-managed teams: authority for resource use and decision-making is pushed down to the team level, allowing the team to have autonomy from larger organizational constraints
- Aligning leadership with the strategy through managerial training, career development, and succession planning
- Communication: more open communication throughout the organization, which allows people to express opinions, concerns, and suggestions without fear of retribution
- Compensation: pay for performance but also *perceived* fairness in all compensation practices, including core compensation and benefits

As you go through this text, we will emphasize these, as well as other, HPWS practices that can help your organization continuously improve productivity and create the sustainable competitive advantage that is necessary to create and maintain the desired culture and carry out your planned strategy.

APPLYING THE CONCEPT 2.4: THE INTERNAL ENVIRONMENT

Identify which internal environmental factor is referred to in each statement, and then write the letter corresponding to that factor before the statement.

- a. Strategy
- b. Structure
- c. Culture

- _____ 26. "At Amazon, customers are important, so we provide high quality service with fast delivery."
- _____ 27. "At Victoria's Secret, we focus on selling clothes and other products to women."
- _____ 28. "At the SEC, we have several layers of management."
- _____ 29. "At Ford, quality is job one."
- _____ 30. "Walking around the office at IBM, I realized that I would have to wear a jacket and tie every day."
- _____ 31. "I work in the production department, and she works in the marketing department at Craftsman Tools."
- _____ 32. "At Nike, we differentiate our product with the Nike Swoosh."

WORK APPLICATION 2.4

Briefly describe some of the organizational culture artifacts where you work or have worked.

DIVERSITY, EQUITY, AND INCLUSION (DEI)

Strategic management of your human resources also requires in-depth knowledge of the importance of diversity, equity, inclusion, and a sense of belonging in your workforce. In this section we will discuss the evidence for this statement and give you a brief on some of the terminology.

Equal Employment Opportunity (EEO), Affirmative Action (AA), Diversity, and Inclusion: What's the Difference?

Every manager needs to understand the terms *equal employment opportunity* (EEO), *affirmative action* (AA), and *DEI*. These concepts are all related but should not be used interchangeably. We review the *legal issues* of EEO and AA in some depth in Chapter 3. However, the concepts of DEI are *not* EEO legal issues. Managers need to know how to manage and improve diversity to get more engagement, better employee experience, and greater productivity out of our people. Before we get into the details of diversity, though, complete the Implicit Association Test.⁷⁶

SELF-ASSESSMENT 2.2: IMPLICIT ASSOCIATION TEST

Go to the Project Implicit website at <https://implicit.harvard.edu/implicit/>. From there, under "Project Implicit Social Attitudes," you can select a "country/language" and hit "Go"; then at the bottom of the page click "I wish to proceed" and select one of 18 tests to take, based on our diversity types with a breakdown of several races, or your professor will select one for you to complete. Simply follow the instructions at the site to complete a test and get interpretations of your attitudes and beliefs about the diversity group you selected. It's free, and you can take as many as you want to.

Diversity, Equity, and Inclusion (DEI) in the Workforce

Let's start with the common misconception that in the United States all DEI has been deemed illegal by a recent Trump administration executive order (EO). The EO, entitled "Ending Illegal Discrimination and Restoring Merit-Based Opportunity" did note that some organizations' DEI policies were 'illegal'—when entities "have adopted and actively use dangerous, demeaning, and immoral race- and sex-based preferences under the guise of so-called diversity, equity, and inclusion (DEI) or diversity, equity, inclusion, and accessibility (DEIA) that can violate the civil-rights laws of this Nation" and when they "violate the text and spirit of our longstanding Federal civil-rights laws". However, the EO did not outlaw policies that remain within the EEO laws of the United States. In fact, EOs cannot override laws passed by Congress, including many EEO laws. There is little doubt that some DEI policies have been discriminatory in their application—if not their definition. However, many corporate DEI policies are well within existing laws and are conscientious in application of that policy, and the EO did not ban all DEI policies. Good DEI practices are non-discriminatory—by definition they are inclusive, not exclusive! So, what exactly is DEI?

The terms *diversity* and *inclusion*, and sometimes even *equity*, are often used interchangeably, but they are significantly different concepts. **Diversity** is simply *the existence of differences—in HRM, it deals with different types of people in an organization*. In contrast, **equity** is *fair treatment, access, and advancement for each person in an organization*.⁷⁷ Finally, **inclusion** is *a practice of ensuring that all*

employees feel they belong as valued members of the organization. Inclusion “builds upon diversity and equity by ensuring a culture of belonging, respect, value, and engagement for all.”⁷⁸ An inclusive value system ultimately creates this sense of **belonging**—*a feeling of being respected and being valued for who you are and feeling a level of supportive energy and commitment from others so that everyone can do their best work.*

Diversity is global—everywhere and within everyone. Race, color, religion, sex (including LGBTQ+ persons), national origin, age, intellectual and physical differences, and the differently abled or disabled are just a few of the obvious differences, but diversity can also be different life experience, even if we look the same as another person.

This diversity provides opportunities, but at the same time, managing increasing diversity in the workforce poses one of the most challenging HR and organizational issues of our time.⁷⁹ So, let’s review why many organizations value DEI and are choosing to promote it to create workplaces where people feel they belong.

Demographic Diversity Is Increasing

According to the **U.S. Census Bureau**,⁸⁰ the U.S. population continues to grow slowly, with around 336 million people in 2024, and it is rapidly diversifying. The white population is decreasing, and in the last U.S. (2020) census the Latino population was slightly higher than had been expected.⁸¹

By around 2045, less than half of the total U.S. population will be white, non-Hispanic. By 2050, non-Hispanic whites are estimated to be 48% of the population, while one in four people (25%) will be Hispanic, 13% will be Black or African American, and more than 8% will be Asian.⁸² What does this shift mean to organizations? It means that employee diversity will continue growing and we will have to become better at managing that diversity than we have been in the past.

The Need for DEI

Companies around the world say diversity is a business imperative,⁸³ and to compete globally and at home, they are training employees to be inclusive. Marginalized people, including older workers; women and people of color in management; LGBTQ+ employees; and a more racially and ethnically diverse employee pool, must feel welcomed and have opportunities to advance in the firm, or the company will lose much of its talented workforce to competitors.

We, including of course HR leaders, have to learn to face our own biases and to “walk the talk”—we *need* diversity in all forms. Thus, success in implementing DEI should be a significant part of the performance appraisal process. How well have leaders managed their company’s DEI to date? What programs have been created, what metrics were established, and has the program been assessed for legality? How well has the company met their metric goals? Diversity is going to continue to grow, and the better you can work with other people of all types, the greater are your chances of having a successful business career.⁸⁴

When companies commit to DEI, they are 3.8 times more likely to be able to coach people for improved performance, 3.6 times more able to deal with performance problems, and 2.9 times more likely to identify and build successful leaders.⁸⁵ So, develop your DEI mindset.⁸⁶ It is a career skill.⁸⁷

Benefits of a Broadly Diverse and Inclusive Workforce

Diversity helps increase sales, revenues, profits, and organizational innovation—in other words, embracing DEI creates business opportunities.⁸⁸ If employees don’t feel included, they generally will not place a high value on organizational membership and will not be as productive as those who do.⁸⁹

Companies who promote real DEI gain tangible benefits from their employees and customers, including the following⁹⁰:

- Cost savings due to lower turnover, absenteeism, and increased productivity
- An increase in workers that fill the current shortage of skilled employees
- Winning the competition for diverse talent by being more attractive to women, people of color, and diverse workforce members

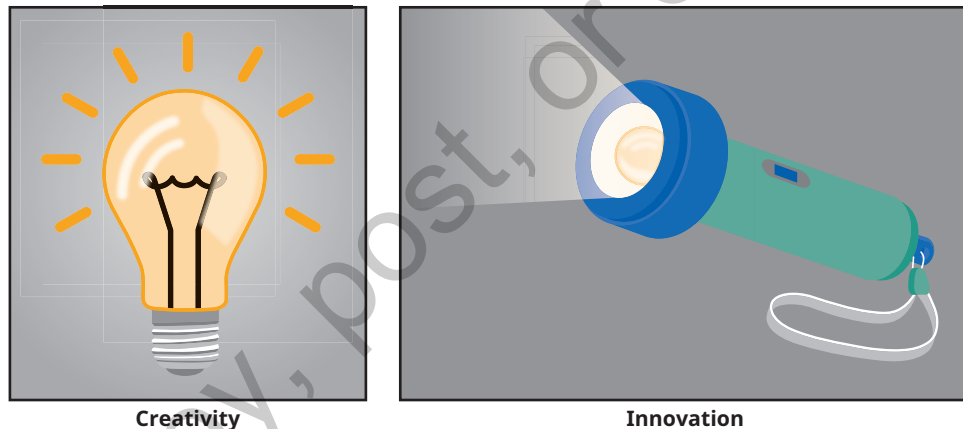
- An increase in customers as a result of having diverse employees with cultural sensitivity to a diverse customer base
- Improved corporate image

In addition to these valuable outcomes, there is evidence that other, less tangible positive returns accrue to companies that practice inclusion in the broadest sense.⁹¹

Creativity and Innovation

DEI also helps teams and organizations perform better in terms of creativity, innovation, revenue, and profits.⁹² **Creativity** is a basic ability to think in unique and different ways and apply those thought processes to existing problems, and **innovation** is the act of creating useful processes or products based on creative thought processes. Being creative and implementing ideas on improving how business processes work to improve productivity, as well as offering new products through innovative reflection, results in increased revenue and profits. Take a look at Figure 2.5 for a quick illustration of the difference between creativity and innovation.

FIGURE 2.5 ■ The Difference Between Creativity and Innovation



A diverse group looking at a problem will analyze the problem from different directions and in different ways and will discover more of the aspects of the problem than would a single person or a more homogeneous work group.⁹³ This divergent thinking is necessary in order to come up with creative solutions to a problem.⁹⁴ **Divergent thinking** is the ability to find many possible solutions to a particular problem, including unique, untested solutions.

Diversity in our workforce assists the process of divergent thinking. How? People think differently because they have different backgrounds and have solved problems differently in the past, so this has the effect of increasing the creativity and innovation in the organization without the individual having to relearn the ability to be highly creative.

WORK APPLICATION 2.5

Briefly describe some of the DEI issues you have experienced in your personal and professional lives.

MANAGING DEI

Managing DEI to gain the benefits available is one of the most critical jobs today and into the future as the world becomes more diversified and the global white population continues to decline. Although effective management of DEI is difficult,⁹⁵ we present initiatives in this section that are being used successfully by major corporations. In *Getting Serious About Diversity*, the authors stated, “Embracing a learning orientation toward diversity turns out to be quite difficult. To make real progress, people—and the organizational cultures they inhabit—must change. But . . . companies have generally stuck with easier, more limited approaches that don’t alter the status quo.”⁹⁶ As the foundation of the learning effort, HR and senior organizational leadership must develop and initiate DEI policies and practices.

An Inclusive Equal Opportunity Culture

A primary HR goal in managing diversity is to create an inclusive equal opportunity organizational culture for everyone that also recognizes the value of each individual. Inclusion must be part of every manager’s job starting with the CEO down. Companies as diverse as **Accenture**, **Cisco**, **Johnson & Johnson**, and **Marriott** purposefully drive DEI efforts because they know these efforts are the only way to be successful in today’s work environment.⁹⁷

Diversity Recruiting and Promoting

HR must work to recruit, and then provide career development and career tracks including new assignments and promotions at appropriate times, for a broadly diverse workforce. Records of diverse group hiring and promoting should be kept, and efforts should be made to help all groups succeed in the workplace, sometimes with factual support from a formal process called a *DEI audit*. While shareholder support for these types of audits has been in decline over the past couple of years (primarily due to the costs of the audits),^{98, 99} they are sometimes invaluable in identifying areas for organizational improvement. **Experian** continually analyzes its workforce DEI, and 88% of their employees “are proud to tell others they work at Experian.”¹⁰⁰

Diversity Training

HR can offer diversity training to teach people how to get along better with other workers from different groups through the concepts of inclusion and belonging. Facilitated inclusion and belonging conversations may help people talk about bias and better understand each other by becoming aware of, and more empathetic toward, people different from themselves. **Starbucks**, for example, closed thousands of stores for an afternoon to conduct antibias training.¹⁰¹

Mentoring programs are another form of diversity training because no one gets to the top alone. Many large corporations, including **PwC**, **BlackRock**, and **Expedia**, offer formal mentoring programs for employees that pay attention to inclusion of diverse, historically underrepresented groups.¹⁰² Mentoring is especially recommended for women and people of color who have the core skills to advance to top-level positions because it can help them break into the “good old boy” networks that often make the selections for these jobs.

Diversity Business Resource Groups

Also called *employee resource groups (ERGs)*, companies can offer their people the opportunity (such groups should *not* be mandatory!) to participate in these groups.¹⁰³ They provide diverse employees (*of all types*) throughout the organization with the opportunity to share information about how to succeed in the company and how to help the company succeed. **KPMG** invests in “a number of diversity-focused Business Resource Groups.”¹⁰⁴

All of these varied DEI initiatives take time and money. But arguably, they can be HR investments rather than expenses (productivity centers vs. cost centers; see Chapter 1) if they can increase our ability

to attract highly capable individuals from all of the diverse groups that make up society around us as well as outside capital for operations.¹⁰⁵ Unfortunately, the HR department always has to compete for limited resources. So, the better you can measure and calculate a return on investment (ROI) for a given DEI initiative, the greater funding HR will get. We will discuss measurement tools later in this chapter.

Challenges to DEI

Several issues, though, can cause DEI initiatives to divide the organization into competing constituencies instead of allowing it to become better and more creative.¹⁰⁶

Cohesiveness

Cohesiveness is a major challenge. **Cohesiveness** is *an intent and desire for group members to stick together in their actions*. In order for a group to maximize performance, it has to become cohesive. The members have to believe they are included and belong as valuable members of the group for it to perform at a high level. However, the more diversity there is within the group, the more difficult it is to create the cohesiveness necessary for high performance. So, more diverse groups tend to be less cohesive, and we have to work to create an inclusive culture.¹⁰⁷ Have you ever been a member of a group in which you were excluded from activities and members didn't let you fit in—you didn't feel like you belonged? To be cohesive, we need to intentionally include all members, so they believe they are valued and belong.

Conflict

Another challenge is conflict. **Conflict** is simply *the act of being opposed to another*. Conflict is not always a bad thing, and it routinely occurs in interactions between individuals. There are many reasons for conflict, but dysfunctional (harmful) conflict is typically greater when the people in conflict are significantly different from each other¹⁰⁸ because the more different we are from each other, the less well we understand the other person's motives and intent. This means that if we create a more diverse workforce, there's a greater likelihood for more conflict. You will learn how to effectively resolve a conflict in a later chapter.

Us Versus Them

As a result of feeling marginalized, some groups break into opposing teams creating an **us-versus-them** mindset. This mindset destroys cohesiveness and creates negative conflicts. Researchers from Harvard University and Morehouse College, who argued **nearly 30 years** ago that there were "potential benefits to more race and gender heterogeneity in organizations," recently noted organizations have largely failed to adopt a **learning orientation** toward diversity and are no closer to reaping its benefits than we were then.¹⁰⁹ Also, "increasing the numbers of traditionally underrepresented people in your workforce does not automatically produce benefits."¹¹⁰ Several psychological and sociological research studies have come to the same basic conclusion that diversity training (specifically **mandatory** diversity training) frequently fails.¹¹¹ An article by SHRM author Jathan Janove added to this train of thought: "As a former employment law attorney and someone who has worked with many organizations on culture, leadership and HR issues—and as a white man on Medicare—I know that white men often feel marginalized or even cancelled. The results are resentment, defensiveness and passive (or active) resistance to IE&D [DEI] initiatives."¹¹²

This feeling of marginalization has been a long-standing feature of **overt discrimination** against people of color and others with a wide variety of diverse backgrounds, so it is not new, and **it has always been wrong**. If something is wrong when used as a tool against one group, it is also wrong when used against another group. Learning and reflecting on the issues involved with diversity and discrimination are necessary components of resolving the issue of inequity and lack of inclusion in any workforce.

There is no canned solution to "just add diversity and everything will be great." **It is hard work!** While we can force a work group to become more physically diverse, which is a critical component, we cannot force people to become more **inclusive** or to create in every worker in their group a sense of **belonging**—far more critical issues in the long term—as a true equal part of that group if we continue to single out heroes and villains in the workforce.

The Upshot

Nearly universal research results show that despite the challenges, diverse groups that practice inclusiveness and belonging can ultimately make better-quality decisions if given the time to work through the challenges guided by more encompassing analysis and higher-quality alternative-building processes.¹¹³ While there is a lot of pushback, both from organizations and groups of people affected, and now at the federal level in the United States, we need to create a true learning orientation toward *all of the elements* of DEI and belonging and not blame any one group for all of the ills of a diversity effort.

As a personal observation from your authors, creating a workplace that is inclusive of every person allows them to feel like they *belong* in that workplace and with the other people there. This focus on belonging is not a new phenomenon. Between your two authors, we have nearly 100 years at work and have seen organizations that created and maintained inclusion, and an atmosphere of belonging, and organizations that did not. Organizations that foster inclusiveness and belonging always run more smoothly and can accomplish complex tasks that other organizations cannot. Organizations that create and maintain inclusion and make people feel like they belong, and in doing that create more engagement and a better employee experience, are superior—period.



All people should be made to feel they have a place at the table to share their thoughts and ideas with the group.

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WORK APPLICATION 2.6

Describe the level of overall inclusion at an organization you work(ed) for. Did you personally have a feeling of belonging?

THE HR TECHNOLOGY REVOLUTION

Some of the newest tools in HR technology are also tools that can assist us with inclusiveness and a sense of belonging in the organization. **Deb Muller**, CEO of **HR Acuity**, said that a successful DEI initiative “requires data and analytics technology to make sense of it all.”¹¹⁴ If we can take human bias out of certain HR decisions, we can help avoid discrimination. However, we have to be careful in evaluating how the technology is applied to avoid creating new biases, but the opportunity to avoid *human* bias is certainly there. While we cannot (yet) all join each other in a fully functional metaverse, technology is already giving us tools that assist in communication, which assists with inclusion. Technology also allows us to assist with many other HR functions.

Today, artificial intelligence (AI) and, of course, predictive analytics has become a normal part of nearly every HR manager’s daily routine. Voice AI is being used to converse with employees as a chatbot, such as for advice on what benefits to change because the worker has a new baby. Analytics has gone from “What did turnover look like in the production department last year?” to “Who is most at risk of leaving the company in the next six months?”—thus, the “predictive” part of predictive analytics. Let’s briefly review these technologies next.

Artificial Intelligence (AI)

As HR practices continue to become more automated and data driven, HR managers have to be ever more knowledgeable of managing and manipulating data in order to continue to do their jobs. The



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core technology is now the norm, but AI and analytics now play an increasing role in creating positive employee experiences.¹¹⁵ AI (**ChatGPT** and others) and intelligent apps, like chatbots and virtual HR assistants (think **Siri** or **Alexa**), are growing exponentially.¹¹⁶ Spatial computing is already assisting with onboarding and benefits management along with other HR functions in some work environments.¹¹⁷ The abilities that GPT4 and other GenAI have shown are changing the way HR is done in most larger organizations. In a late 2023 survey, 61% of CHROs said that they planned to invest in AI to streamline HR within the next year.¹¹⁸

AI is currently being used in multiple HR areas, including talent acquisition, learning and development, and performance management, and to assist in analytics on data we have available. AI might be used to scan social media for applicant data and can then

anonymize that data to avoid potential illegal bias. Chinese companies have even used AI to “nudge managers to take action or speak with employees” when there are concerns!¹¹⁹ There are some potential concerns, but AI is seeing a massive increase in use within HR departments worldwide. Because use of AI is on the rise and likely here to stay, it will be important to achieve standards and regulations in its use in the future.

Predictive Analytics

The COVID-19 pandemic accelerated disruption of historical organizational processes, and companies began to utilize HR technology and analytics in new ways out of necessity. Because we had so many workers who were remote from a central office, forms of HR tech monitoring and analytics allowed us to maintain connections with those employees as well as analyzing their productivity, engagement, and stress levels in many cases.

It also allowed us to recruit, hire, manage performance, and if necessary, terminate individuals in some cases literally around the world. Analysis of the large data sets that we collect is called data analytics.¹²⁰ **Data analytics** is the process of accessing large amounts of data in order to analyze those data and gain insight into significant trends or patterns within organizations or industries. Advanced analytics has become an indispensable tool for analyzing workforce information and trends on large scales.¹²¹ The HR-specific process is often called *people analytics*.

People analytics involves the collection and analysis of extremely large data sets. It can reveal patterns and opportunities that 99% of businesspeople would miss.¹²² Have you ever been online or in a store and received customized ads for products you bought in the past, or are likely to buy, or ads telling you it's time to reorder? That's because of data analytics.

Because of big data, we can analyze thousands or even millions of interactions between people and among organizations and look for patterns to those interactions. “People analytics transforms data about your workforce into valuable insights that can enhance your business.”¹²³ If we find a pattern, it may tell us what we should do based on data rather than instinct—predictive analytics.

Jack Ma, chairman of **Alibaba**, famously said, “Data will become the biggest production material in the future.”¹²⁴ **United Airlines**, along with the rest of the industry, uses big data to personalize passenger experience, predict maintenance needs, and manage fuel efficiency to reduce environmental impacts.¹²⁵ **Deloitte** noted that “successful business transformations combine three elements: strategy, technology, and a strong change capability. When organizations get that combination right, our analysis found there could be as much as US\$1.25 trillion in market cap to be gained among Fortune 500 companies.”¹²⁶



The **Coffee Bean** uses data analytics to appraise employees' performance, including the revenue each employee brings in at the cash register. This creates an incentive for employees to upsell products.

Ade Johnson/AFP/Getty Images

Desired HR Tech Outcomes

Businesses continually evaluate internal people processes in order to predict the impact of those processes on their business results.¹²⁷ Remember that efficiency is one of the areas that may allow HR to become a productivity center. And, as we stated, there is strong evidence that “companies that are highly skilled in core HR practices are 1.4 times more likely to report outperforming competitors and 2.5 times more likely to report the effective management of talent.”¹²⁸ That is a shocking differential between skilled and less skilled talent management. There is also strong evidence (that we noted in Chapter 1) that ROI and net profit, along with other significant financial measures, are improved through good, evidence-based HR practices.

HR managers who understand and use such metrics can gain their “seat at the table” when strategy is being discussed in their firms. The only way they get and maintain that seat is to speak the language of business. We have to understand and create the numbers. We will discuss a few of the basic metrics that every HR manager needs to understand shortly.

Dangerous HR Tech Outcomes

There is no doubt that analytics is becoming a critical area of expertise for HR managers—especially at higher management levels. We can, however, make significant errors if we base HR decisions only on predictive analytics models.¹²⁹ The **U.S. Department of Justice**,¹³⁰ the **EEOC**,¹³¹ and the federal **Consumer Finance Protection Bureau**¹³² have all warned of the potential for AI-based bias in HR. Some human review of data is always necessary. A system that is not transparent in its management of data and is not monitored by human reviewers has the potential to be *consistently* biased, which is likely to be even more harmful than having humans make the decision because they are not as consistent!

Wharton professor **Peter Capelli** noted that data science is “a language of optimization,” while HR “has an awful lot to do with fairness questions, and fairness and optimization don’t often go together very nicely.”¹³³ He also noted that algorithms are written based on historical data, which can be massively biased in some cases. Algorithms tend to be a “black box” where we know what data go in and what data come out, but we do not know all of what happens with those data within the box. Often, the analysis of the data inside the box can be flawed, and if it is biased—maybe because of bad programming—we may have to explain the decision that the algorithm made to a judge in a courtroom.

A quick example may help illustrate the dangers. In 2014 Amazon designed an AI hiring tool to “give job candidates scores ranging from one to five stars.”¹³⁴ They built the system and trained it with 10 years of historical data on applicants. The problem is that men historically dominate tech industries. So—you guessed it—the AI provided biased ratings that were massively slanted toward male candidates! They were ultimately unable to guarantee that the system would not maintain a bias as it continued to learn and finally decided to completely scrap the project around 2018. We always have to monitor the results of the HR tech that we use. **Huma Abidi** of **Intel** stated:

We need to make sure that our current and future algorithms are not just powerful but also ethical and fair, concerned about bias, unpredictability and opaqueness and these are not solely a technical challenge. To build a correct AI system you need domain experts, technologists, data scientists, lawyers, consumer advocates, public health professionals, industrialists, designers, ethicists, anthropologists, and policymakers: a diverse workforce representative of the population that solution will be serving.¹³⁵

WORK APPLICATION 2.7

Describe the technology at an organization where you work(ed).

HUMAN RESOURCES TECHNOLOGY AND METRICS

Strategic planning requires the management and manipulation of large amounts of data through the use of the data analytics processes introduced previously, and HR systems use data to improve performance. So, most larger organizations today use complex computer systems to manage and manipulate data to improve. Let's quickly review the hardware and metrics associated with managing people in the organization.

Human Capital Management (HCM) Systems

While we started out with stand-alone HR tech solutions such as chatbots and simple analytics packages, most of the technology that has proven useful has now been incorporated into top human capital management (HCM) software. Along with routine HR services, HCMs are used to manage and analyze people-related data in organizations so that HR can use hard data to influence performance and have a positive effect on employee experience.¹³⁶ (SHRM H:3)

Human capital management systems (HCMs) are integrated computer systems that help decision-makers manage routine HRM activities but also provide employees with personalized HR information and solutions to improve employee experience. SAP calls this human experience layer on top of HCM systems “human experience management,” or HXM, and expects it to be the next wave in managing the organization's people successfully.¹³⁷

Some of the most common features in HCMs include core HR applications such as new hire paperwork, time tracking, payroll, and benefits. More advanced applications can also personalize a training and development plan to the needs and interests of each worker, provide suggestions on choice of benefits based on information input by the employee, analyze who is most likely to voluntarily leave the organization and for what reasons, and provide a suite of other workforce analytics to assist decision-makers in managing HR policies and processes. (SHRM H:4, H:5)

Measurement Tools for Strategic HRM

If you can't measure it, you can't manage it. So, we have statistical packages for HRM housed within many HCM systems. Some of the most common tools for analyzing strategic HRM are cost per hire, recruiting yield ratio, new hire turnover rate, cost of turnover, and absence and retention rates *per manager*. Two of the most important analytics are economic value added (EVA) and return on investment (ROI), which we discuss here. We will discuss some of the recruiting- and selection-specific HR metrics in Chapter 5. (SHRM N:2-e)

Economic Value Added

EVA is designed as a method for calculating the creation of value for the organization's shareholders. **Economic value added (EVA)** is a measure of profits that remain after the cost of capital has been deducted from operating profits. It provides shareholders and managers with a better understanding of how the business is performing overall. As an equation, EVA would look like this:¹³⁸

$$\text{EVA} = \text{net operating profit after tax} - (\text{capital used} \times \text{cost of capital})$$

So, EVA is a measure of how much money we made through our operations minus the amount of money we had to spend or borrow in order to perform those operations. For a company to grow, it must generate average returns higher than its capital costs. (SHRM J:5)

As an example, let's look at a fictitious company's incentive program to see if we gained value. Acme Mega Corp decided to create a bonus program to increase productivity. They set aside \$1 million for the program, and their cost to acquire the million dollars was 6%. Don't worry too much about why it was 6% for now. You will learn about the weighted average cost of capital (WACC) and other financial measures later. Ultimately, Acme was able to measure *productivity improvements* at the end of one year of the incentive program, and they increased productivity by \$1,200,000 (after taxes were calculated on the profit from the increased productivity). The EVA calculation would be as follows:

$$\text{EVA} = \text{net operating profit after tax} - (\text{capital used} \times \text{cost of capital})$$

$$\text{EVA} = \$1,200,000 - (\$1,000,000 \times 1.06) = \$1,200,000 - \$1,060,000 = \$140,000$$

So, we made \$140,000 on our \$1 million dollar investment—a 14% return after accounting for the cost of capital.

Return on Investment

Return on investment (ROI) is a measure of the financial return we receive because of something that we do to invest in our organization or its people. ROI is most commonly used in financial analyses, but many areas of HR lend themselves to ROI calculations. These areas include HCM system purchases, training, outsourcing, diversity, and many others. In each of these areas, we can calculate the cost of the process—whether that process is a piece of equipment, training, diversity management, or anything else—and compare that to the returns we get from the process. (SHRM J:8)

To calculate ROI, you need two figures: the cost of the investment and the gain you receive from making the investment. From there, the calculation is pretty simple:

$$\text{ROI} = \frac{\text{Gain from investment} - \text{Cost of investment}}{\text{Cost of investment}}$$

Let's use an example to illustrate. Assume we create a training course to improve the skills of our assembly workers, and also assume we send those workers through that program. To send all of the workers through the training costs us \$1,000,000. We know that historically, during a normal year of production, the assembly workers have been able to assemble \$5,000,000 worth of our product. However, after the training, we measure our assembly process over the ensuing year and find that production increased to \$8,000,000. This gives us a \$3,000,000 gain, or a 200% ROI. Here's the calculation:

$$\text{ROI} = \frac{\$3,000,000 - \$1,000,000}{\$1,000,000} = \frac{\$2,000,000}{\$1,000,000} = 2 \text{ or } 200\%$$

It is always important to calculate at least a rough ROI for any investment in organizational resources. There's a definite need to understand ROI in our people. Don't just assume that the ROI is always positive—because it's not.

APPLYING THE CONCEPT 2.5: RETURN ON INVESTMENT (ROI)

- For all your HR investment programs, the objective is to get at least 0.25 or 25% ROI. In each of the four HR programs, do the following:
 - Calculate the ROI, and place the number and percentage (%) on the line before the number.
 - State if it (a) does or (b) doesn't meet the objective on the line after the number, and explain the results of the ROI calculations.
- _____ **33** _____. HR developed a new program to reduce absenteeism. The program costs \$1,000. Absenteeism decreased, resulting in cost savings of \$2,000.
- _____ **34** _____. HR developed a new program to improve employee morale. Morale increased at an estimated cost savings of \$6,000, and the program cost \$5,000.
- _____ **35** _____. HR developed a new program to increase the percentage of minorities employed over the course of 6 months. Although you hired more minorities, some current employees left the company, and you hired more whites, resulting in a 1% gain, at an estimated value of \$5,000. The extra recruiting cost targeted at minorities was \$50,000.
- _____ **36** _____. HR developed a new safety training program to decrease the number of accidents resulting in paying employees while out of work due to injuries. The training cost \$40,000, and the savings were \$100,500.

WORK APPLICATION 2.8

Which measurement tools are used where you work or have worked? If you don't know, ask a financial manager whether EVA and ROI are used.

TRENDS AND ISSUES IN HRM

Here, we continue our discussion of some of the most important issues and trends in HRM today. In this chapter, we discuss how changes in HR technology help us evaluate employee experience, now identified by its own acronym, EX, and show you why strategic HRM is an absolute necessity in today's AI-driven world. (**SHRM N:2-h**)

HR Tech Opportunity: Employee Experience (EX) analytics as an integrated part of HCM systems

EX continues to be one of the most critical issues in HRM post-COVID-19. With new technology, companies are moving to create a great EX. We briefly noted in this chapter that SAP, a multinational enterprise software company, has designed human experience software on top of HCM systems that it calls "human experience management," or HXM, and expects it to be the next wave in managing the people experience in companies. According to SHRM, this "design-oriented focus on the employee experience is the prevailing trend in HR technology."¹³⁹ HR tech companies like SAP are making an effort to seamlessly connect every technology that is designed to care for and manage the employee. **Josh Bersin**, an HR tech industry leader and analyst, said that new systems will provide "a continuous response strategy"¹⁴⁰ for employee experience, and HR tech companies are continually improving the organization's ability to manage EX.

Intuitively, being able to connect talent acquisition through the recruiting and selection process with talent management once the individual is onboard, and those items with employee development plus performance management and feedback tools, give us the beginning of this seamless EX. Then connecting those items with payroll, benefits, employee health and wellness plus strong people analytics allows us to make vastly superior decisions about the human capital in the firm. Look for this to become a significant point of competitive advantage in companies that are successful in creating this interconnected experience.

All of these HCM systems, however, use AI as part of their processes in analyzing EX. This can be a point of concern. SHRM noted that "HR leaders need to be aware of several ethical considerations when adopting AI technologies such as ChatGPT, including algorithmic bias, algorithmic accountability, and how to ensure fairness and transparency in AI-driven HR processes."¹⁴¹ As noted earlier in this chapter, there *have* been significant issues with programming bias being built into analytics programs in the recent past as well as concerns about effects on employee motivation and privacy. **Benjamin Erb** of **Ulm University** in Germany noted, "There is a thin line between detailed, individual performance metrics collection and total surveillance of employees" and "a negative consequence on talent prediction is the potential devaluation of less promising candidates. Being permanently characterized as 'low potential' based on the personal profile and an algorithmic comparison with similar profiles may negatively affect motivation and commitment of human beings as well as their emotional well-being."¹⁴² So, even though this technology has great capability, we need to insure that the algorithms are not biased in any way and to follow the local laws to avoid significant organizational liability.

Strategic HR Management in a GenAI World

We thought it was difficult before, but the next few years will continue to be a wild ride for CHROs and HR managers. The need to maximize the business skills we discussed in Chapter 1 will be critical.

The rise of people analytics, GenAI, and software like SAP's HXM requires these business skills more than ever before. HR managers will have to be capable of the depth of analysis that is required in order to manage both people and technology in today's workplace. This means many senior HR managers need specific skills training in analytics and AI and in how to use these tools to maximize organizational value now!

Continuous change is also the order of the day, so change management skills will have to be sharper than ever. Many HR managers are afraid of the changes that analytics and GenAI will bring and what may happen to human resources in the organization because of them, thinking we are losing the human touch. At the same time, they are afraid that they do not have the necessary skills to learn to implement and manage these tools—even though they know this skill set is increasingly necessary.

To show how fast use of these new tools are growing, in July of 2023, **Gartner** noted that “only 5% of HR leaders reported that they had implemented Generative AI in their organizations,”¹⁴³ but in February of 2024 38% said they were piloting, planning implementation, or had already implemented GenAI tools.¹⁴⁴

We have already started your education on understanding the business needs that must drive HRM by identifying the concept of a profit center—and more importantly, a productivity center—in Chapter 1. We have also shown you the basic tools for aligning your actions with the company strategy in this chapter. We will further discuss trust and communication in later chapters of this text, and we will continue to provide you with the means to become a talent expert and valued advisor. It's an interesting road ahead!

CHAPTER SUMMARY

LO 2.1 Identify and explain the major components of the external environment.

There are nine major external forces:

Customers. Companies must continually improve products to create value for their customers.

Competition. Organizations compete against each other for customers, for the same employees, and sometimes for suppliers. Competitors' strategic moves affect the performance of the organization.

Suppliers. The firm's performance is affected by its suppliers. Therefore, it is important to develop close working relationships with your suppliers, and close relationships require employees who have the ability to communicate, empathize, negotiate, and come to mutually advantageous agreements.

Labor force. The recruits available to and the employees of an organization have a direct effect on its performance. Management recruits human resources from the available labor force outside the company's boundaries.

Shareholders. The owners of a corporation, known as shareholders, influence management. Most shareholders of large corporations are not involved in the day-to-day operation of the firm, but they do vote for the board of directors, and the top manager reports to the board of directors.

Society. Individuals and groups within society pressure business for changes. People who live in the same area with the business do not want it to pollute the air or water or otherwise abuse natural resources.

Technology. Technology has changed the speed and the manner in which organizations conduct and transact business. Changing technologies require technologically savvy employees who have the ability to adapt to new processes.

Economy. No organization has control over economic growth, inflation, interest rates, foreign exchange rates, and so on. In general, businesses do better when the economy is growing than they do during recessions.

Government. National, state, and local governments all set laws and regulations that businesses must obey. Governments create both opportunities and obstacles for businesses.

To a large extent, business may not do whatever it wants to do; the government sets guidelines.

LO 2.2 Discuss how visions and missions combine to help define the organization's strategy.

The *vision* is fuzzy; it is not specific in that we don't say how we're going to do a particular thing. Instead, we identify a future state for the organization. So, the question that we answer with the vision is, "What do we want to become as an organization?"

In contrast, the *mission* is more specific. It is a statement of what the organizational units will do and what they hope to accomplish in alignment with the organizational vision. So, the mission statement answers the question, "What do we need to do in order to become what we have envisioned?" When you put the vision and mission together, the people in the organization get a more complete picture of what direction they are expected to go in.

When you put the vision and mission together, people in the organization get a more complete picture of the direction in which they are expected to go. The fact that they create this focus on direction is the thing that makes a vision and mission so powerful. A strong vision and mission are critical to guiding strategic long-term, short-term, and day-to-day decisions. Vision + Mission = FOCUS!

LO 2.3 Explain the three major generic strategies.

Cost leadership. Cost leaders do everything they can to lower the internal organizational costs required to produce their products or services. This can give them a powerful edge in commodity product and service environments.

Differentiation. This strategy attempts to create an impression of difference for the company's product or service in the mind of the customer. The differentiator company stresses its advantages to the customer over its competitors.

Focus or niche. With this strategy, the company focuses on a specific portion, or segment, of a larger market. Within a particular target segment or market niche, the firm may use either a differentiation or a cost leadership strategy.

LO 2.4 Discuss the role of HR in developing organizational strategy, structure, and culture.

The HR department needs to be involved in developing the vision, mission, and objectives. Its key role is in helping develop the strategy to achieve the changing organizational objectives. HR will provide guidance in the development of the overall structure (complexity, formalization, and centralization) and especially in developing the culture (values, beliefs, and assumptions) regarding appropriate behavior that members of an organization share to meet the organizational objectives.

LO 2.5 Explain the differences among diversity, inclusion, and belonging.

Diversity and inclusion are often used interchangeably, but they are different. *Diversity* is simply the existence of differences—in HRM, it deals with different types of people in an organization. *Equity* is fair treatment, access, and advancement for each person in an organization. *Inclusion* is a practice of ensuring that all employees feel they belong as valued members of the organization. Inclusion builds upon diversity by ensuring a culture of belonging, respect, value, and engagement for all. An inclusive value system creates a sense of *belonging*—a feeling of being respected and valued for who you are and feeling a level of supportive energy and commitment from others so that everyone can do their best work.

LO 2.6 Identify some of the tools available to companies to successfully manage diversity, equity, and inclusion, and briefly discuss some of the major challenges.

The first and likely most valuable tool is creating an inclusive, equal opportunity culture because culture is such a powerful organizational force. Second, we will likely need to specifically recruit for diversity in at least some cases and may need to ensure development and promotion paths for all of our diverse employees. All employees need to be trained about the value of diversity in an organization, and we can use business (also called employee) resource groups to help in sharing information about obstacles to effective use of all of our resources.

Challenges include the potential for less group cohesion because the more diverse a group is, the less cohesive it tends to be—not always but in general. We also may see more conflict because the more different we are from each other, the less well we understand the other person's motives and intent. The final challenge is in not creating a blame game where one group is singled out for blame to prevent resentment, defensiveness, and passive (or active) resistance to diversity efforts.

LO 2.7 Identify areas of HRM where data analytics and other HR technologies can have an effect on organizational success.

AI is currently being used in multiple HR areas including talent acquisition, learning and development, and performance management and to assist in analytics on data we have available. Analytics has become an indispensable tool for analyzing workforce information and trends on large scales. It can tell us what to do based on data rather than instinct. We can directly translate historical patterns that we find into improved decision-making and performance. Virtually every aspect of HR in organizations is being affected by this and other technologies.

LO 2.8 Describe human capital management systems (HCMs), and identify two major metrics that help HR make decisions.

HCMs are integrated computer systems that help decision-makers manage routine HRM activities but also provide employees with personalized HR information and solutions to improve employee experience.

Besides common features, they can personalize the employee experience, for instance, creating a personalized training and development plan to the needs and interests of each worker, or providing suggestions on choice of benefits based on information input by the employee, analyzing who is most likely to voluntarily leave the organization and for what reasons, and providing a suite of other workforce analytics to assist decision-makers in managing HR policies and processes.

Two major metrics that help HR make decisions are (1) EVA and (2) ROI. EVA is a measure of profits that remain after the cost of capital has been deducted from operating profits, and ROI is a measure of the financial return we receive because of something we do to invest in our organization or its people.

LO 2.9 Discuss the role of technology in creating and maintaining great employee experience and how strategic management of HR technology assists in that process.

With the new technologies, including people analytics and GenAI software, companies are moving to create great employee experiences. SAP and other technology companies are designing human (employee) experience software that is interwoven into company HCM systems. These new systems will provide “a continuous response strategy”¹⁴⁵ for employee experience, and HR tech companies are continually improving the organization's ability to manage EX.

Because of this need to improve EX over the near term, CHROs and other HR managers will have to become far more skilled in the methods of analysis in order to manage both the people and the technology to create great EX. The use of HR tech is growing at a massive rate, forcing leaders to “get smart” quickly.

KEY TERMS

Belonging
Cohesiveness
Conflict
Creativity
Data analytics
Divergent thinking

Diversity
Economic value added (EVA)
Equity
High-performance work practices (HPWP)
Human capital management systems (HCMs)
Inclusion

Innovation
Mission statement
Organizational culture
Organizational structure

Return on investment (ROI)
Strategic planning
Strategy
Vision

KEY TERMS REVIEW

Complete each of the following statements using one of this chapter's key terms.

1. _____ is the process of looking at our organization and its environment—both today and in the expected future—and determining what our organization decides to do to meet the requirements of that expected future.
2. _____ is a plan of action to achieve a particular set of objectives.
3. _____ is what we expect to become as an organization at a particular future point in time.
4. _____ consists of our expectations of what we're going to do in order to become the organization that we have envisioned.
5. _____ refers to the way in which an organization groups its resources to accomplish its mission and objectives.
6. _____ consists of the values, beliefs, and assumptions about appropriate behavior that members of an organization share.
7. _____ are practices that have been shown to improve an organization's capacity to effectively attract, select, hire, develop, and retain high-performing personnel.
8. _____ is the existence of differences—in HRM, it deals with different types of people in an organization.
9. _____ is fair treatment, access, and advancement for each person in an organization.
10. _____ is a practice of ensuring that all employees feel they belong as valued members of the organization.
11. _____ is a feeling of being respected and being valued for who you are and feeling a level of supportive energy and commitment from others so that everyone can do their best work.
12. _____ is a basic ability to think in unique and different ways and apply those thought processes to existing problems.
13. _____ is the act of creating useful processes or products based on creative thought processes.
14. _____ is the ability to find many possible solutions to a particular problem, including unique, untested solutions.
15. _____ is an intent and desire for group members to stick together in their actions.
16. _____ is the act of being opposed to another.
17. _____ is the process of accessing large amounts of data in order to analyze those data and gain insight into significant trends or patterns within organizations or industries.
18. _____ are integrated computer systems that help decision-makers manage routine HRM activities but also provide employees with personalized HR information and solutions to improve employee experience.
19. _____ is a measure of profits that remain after the cost of capital has been deducted from operating profits.
20. _____ is a measure of the financial return we receive because of something that we do to invest in our organization or its people.

COMMUNICATION SKILLS

The following critical-thinking questions can be used for class discussion and/or for written assignments to develop communication skills. Be sure to give complete explanations for all answers.

1. What role, if any, do you believe HR should play in strategic planning?
2. How much time and effort should an organization spend analyzing the external environment? Should HR or line managers do the analysis?
3. What are some of the ways in which the environmental factors that we discussed in this chapter directly affect organizations?
4. Do you agree that every organization needs a vision, mission, and objectives? Why, or why not?
5. What should a mission statement focus on: customers, competitors, products, the employees, the environment, or something else? Explain why you chose a particular answer.
6. Give examples of each of the three strategies in specific businesses you know of. How successful have these companies been with their strategy?
7. Think about a business you would like to start someday. What is your strategic vision, mission, and objective for this business?
8. Which generic strategy would you use for your business from Question 7?
9. What kind of structure would you create (complexity, formalization, centralization) for your business in Question 7?
10. What type of culture would you create for your business in Question 7? Be sure to state your story explaining why you started the business, your slogans, and symbols or logo.
11. Which of the five artifacts, or ways in which employees learn about culture, do you think is most important? Why?
12. What are your thoughts on DEI? Is it really all that important?
13. Research clearly identifies benefits of having a DEI work culture. So why are so many organizations having so little success at gaining the benefits?
14. AI is replacing HRM jobs today. Will AI replace the HRM department? Is pursuing a successful career in HRM viable for the future?
15. Name some situations in HRM when you would want to use either EVA or ROI as an analytical tool.

CASE 2.1 AFRESH FIGHTS CLIMATE CHANGE IN THE AISLES OF THE GROCERY STORE

“Join us as we continue to build a vibrant, diverse, and inclusive team that embodies our company’s values of proactivity, kindness, candor, and humility.”(1) What type of organization is this? Can you tell from the values they list in their job advertisement?

What can you tell from their mission statement: Eliminate food waste and make fresh food accessible to all? That probably helps narrow what type of organization published this advertisement. Now add the vision statement: A world where everyone has the food they need and none of it goes to waste.(2) Now do you know what kind of organization it is?

Did you guess it was an AI organization that gathers information from American grocery stores and crunches the numbers to find out what fresh products are selling and which are being thrown away? Maybe not, but you likely understood that it is an organization with a focus on reducing food waste.

Founded by two Stanford University graduate students, Matt Schwartz and Nathan Fenner, the organization's name is Afresh, and the problem it is trying to solve is that one-third of all the food grown in the United States is thrown out instead of eaten.⁽³⁾ On the global scale, food waste accounts for 8–10% of greenhouse gas emissions.⁽⁴⁾ Forty percent of that waste happens when grocery stores throw out unsold produce.⁽⁵⁾

Afresh's technology works by taking years of sales data from a grocery store and using it to forecast how much of each type of produce (e.g., avocados, lemons, arugula) consumers will purchase and at what price. It then compares that information with how quickly each type of produce will spoil and advises the grocery store on how much of each type of produce to stock. While experienced store managers know how to order for seasonal trends such as pumpkins in October and eggs around Easter, the technology is more precise and can help grocery stores reduce how much produce expires in the store.⁽⁶⁾ "It's kind of heartbreaking when you think that a peach can make it all the way to New Jersey from the San Joaquin Valley, then gets thrown out," said Lois Smith, Director of Machine Learning at Afresh. "It's a huge waste. A waste of transportation efforts, waste of water, waste of energy to grow the peach."⁽⁷⁾

Afresh started with produce but has since expanded its food waste reduction technology to meat, seafood, deli, and food-service sections.⁽⁸⁾ According to Schwartz, "After proving our ability to add value in thousands of stores in produce, we have been overwhelmed by demand to launch the Afresh platform in other fresh departments. We are taking the same approach of bringing easy-to-use, AI-powered tools to these historically underserved, strategically critical departments."⁽⁹⁾

As Schwartz pointed out, an important aspect of Afresh's product model is that data collection is easy for grocery store workers. The Afresh platform is accessed on a tablet to which workers can add data as they walk around the store. The easy-to-use format means workers are more likely to use it and give Afresh the up-to-date data it needs to give accurate forecasts.⁽¹⁰⁾

The organization, founded in 2017 and based in San Francisco, ranked third on the *San Francisco Chronicle's* Top Workplaces in the Bay Area competition. The nominations for the award come from employees.⁽¹¹⁾ According to Smith, "The one message I always repeat when I interview candidates: There's something really powerful about working for a mission-driven company at this time. 'Did you wake up and feel you're excited about work?' I'm excited to work at Afresh, and honestly it's an amazing thing to find right now in the pandemic, post-pandemic world."⁽¹²⁾

The organization's career page leads with the headline "Build a Fresher Future" and provides a playful take on the organization's culture and values. The page uses puns such as collaboration must be "sup-herb," and other statements like "bear fruit, relish the hard stuff," and of course, "be a good egg." The page maintains that "just like our team, our values work seamlessly together." It encourages applicants to "join our bunch."⁽¹³⁾ While the page states that making customers successful and adding massive value to their bottom lines is the most important thing, it also emphasizes collaboration and how teams can achieve more collectively than individuals can achieve on their own.

Each job advertisement begins with "Afresh is on a mission to eliminate food waste and make fresh food accessible to all" and tells applicants how many millions of pounds of food waste has been prevented by the organization's Fresh Operating System.⁽¹⁴⁾ The section concludes with an "About Afresh" section that describes the founding of Afresh and how the organization is fighting food waste to help curb climate change while helping grocery stores provide fresher food to shoppers at better prices. The job advertisement invites applicants to "join us as we continue to build a vibrant, diverse, and inclusive team that embodies our company's values of proactivity, kindness, candor, and humility."

Aslan Law, Senior Product Designer, sees the positivity in the Afresh culture and believes it helps increase productivity. Law said he based his decision to join Afresh at least partially on how much he liked the people who interviewed him, saying, "I absolutely enjoyed speaking with the people. I could feel a friendliness. They were very warm, and they were all very passionate about the work they do."⁽¹⁵⁾

Questions

1. Afresh's vision statement is "A world where everyone has the food they need and none of it goes to waste." Does this statement meet the standard described in the chapter for a vision statement?
2. Afresh's mission statement is "Eliminate food waste and make fresh food accessible to all." Does this statement meet the standard described in the chapter for a mission statement?
3. What are some artifacts of Afresh's organizational culture that you can discern from the case?
4. What are the three most important external environmental factors that Afresh needs to pay attention to and why?

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CASE 2.2 STRUCTURE AND CULTURE AT OLD TOWN CAPE

Cape Girardeau, Missouri, is an old 18th-century river town along the Mississippi River in the southeastern part of the state. Ancient streets have French and Spanish names or the names of the founders of the city. The river is a lifeline with tourists frequenting the area via bus, car, and even 19th-century paddleboats that dock a couple of times each week in the summer months. With about 40,000 citizens, it's a surprisingly busy town with numerous restaurants and retail establishments, plenty of banks and churches, and two large regional hospitals. At the heart of the downtown area near the river is the central business district. Here, there are a variety of independent small businesses: bars and restaurants, boutiques, old furniture stores, ice cream shops, art galleries, antique malls, and more.

Several miles away, near Interstate 55, the city has seen a growth spurt of new retail, restaurants, and service businesses—mostly national chains. This has naturally drawn traffic away from the downtown area near the river, potentially hurting the sales of those businesses in the oldest part of the city. Fortunately, there is an organization dedicated to the resurgence of the original city streets: Old Town Cape.

Executive Director Liz Haynes described the focus of the nonprofit organization. “Our mission,” said Haynes, “is to preserve, promote, revitalize, and enrich the historic, cultural, and economic landscapes of downtown Cape Girardeau, Missouri.” The organization’s vision builds on this mission. It states that Old Town Cape “imagines a thriving, diverse downtown that is cultured, historic, and the pulse of the community.” The area that Old Town Cape covers is approximately 130 blocks containing more than 300 organizations. In addition, there are nearly 5,000 people residing in this geographic area. “We are happy to work with any business in the Cape Girardeau region, but our attention is primarily those in the historic, downtown area,” said Haynes. What Old Town Cape does for these small firms is provide marketing, offer consultation, hold workshops, and coordinate concerts and other events that bring sometimes thousands of people into the heart of the city as well as anything else that accomplishes the mission Haynes and her team hold dear.

All these efforts are achieved with a small staff. Again, Haynes serves as the executive director of Old Town Cape. Reporting directly to her are three employees: an assistant director, an events coordinator, and a marketing and communication coordinator. Occasionally, a student worker and intern from nearby Southeast Missouri State University work at Old Town Cape, gaining valuable experience working in a fast-paced nonprofit organization. “It’s a very flat organization as far as our structure,” Haynes said, “but we are able to get so much accomplished. It’s nice not having multiple layers of management. If you need to get something done, you just ask without having to get multiple approvals or write lengthy request proposals.” The entire team occupies office space in a historic building known as the Marquette Tower—this central location assures nearby businesses that they have ready access to Haynes and her staff.

What is it like to work at Old Town Cape? “We boast a collaborative culture,” Haynes said. “It’s a positive and productive environment in which team members care about each other, not just as colleagues but as fellow human beings.” It’s a place where employees feel they are making a difference in the lives of those associated with the historic area of Cape Girardeau. They can readily see the impact they have when coordinating and holding events that bring in much-needed dollars to the businesses. “There is room for a strong work–life balance at Old Town Cape,” said Haynes. “Team members have a strong work ethic, have passion for the organizational mission, and are open to constructive criticism and feedback.” Overall, it is a satisfying and enriching job for employees.

When asked how important the small staff is to setting and achieving strategic objectives for Old Town Cape, Haynes said, “Our employees are absolutely vital to the strategy of the organization. The staff is actively engaged in annual strategic planning and budgeting.” Given that the office is a small, community-driven one, aligning organizational priorities with the mission is paramount. “Because we are so small, everyone has to wear a lot of hats,” said Haynes. “But this is good because it means all team members are actively involved in decision making.” Employees feel they have a lot of say in how Old Town Cape operates and the service that is provided to the business community and the citizens who live within its geographic area. Overall, the flat structure of the organization coupled with a small, dedicated team of employees results in a strong office that achieves its mission and objectives.⁽¹⁾

Questions

1. What is the mission and vision of Old Town Cape? Do you think these are well-written mission and vision statements? Why, or why not?
2. What type of strategy does it appear that Old Town Cape is utilizing: cost leadership, differentiation, or focus?

3. Describe the organizational structure of Old Town Cape. How would you characterize the complexity of the structure (vertical differentiation, horizontal differentiation, or spatial differentiation)?
4. Is Old Town Cape's organizational structure centralized or decentralized? Explain.
5. How would you characterize the organizational culture of Old Town Cape?

Source

1. Stovall, S. (2020, March 23). Personal interview with L. Haynes.

Case written by Dr. Steven Austin Stovall, Southeast Missouri State University.

SKILL BUILDER 2.1 WRITING OBJECTIVES

For this exercise, you will first work at improving ineffective objectives. Then, you will write nine objectives for yourself.

Objective

To develop your skill at writing objectives

Skills

The primary skills developed through this exercise are as follows:

1. *HR management skills*—conceptual and design
2. SHRM 2022 Curriculum Guidebook—N: Strategic HR

Part A

Indicate which of the criteria each of the following objectives fails to meet in the model, and rewrite the objective so that it meets all those criteria. When writing objectives, use the following model:

To + action verb + single, specific, and measurable result + target date

1. To improve our company image by the end of 2020

Criteria not met: _____

Improved objective: _____

2. To increase the number of customers by 10%

Criteria not met: _____

Improved objective: _____

3. To increase profits during 2020

Criteria not met: _____

Improved objective: _____

4. To sell 5% more hot dogs and 13% more soda at the baseball game on Sunday, June 14, 2020

Criteria not met: _____

Improved objective: _____

Part B

Write three educational, three personal, and three career objectives you want to accomplish. These may be short-term (something you want to accomplish today), long-term (something you want to have accomplished 20 years from now), or medium-term objectives. Be sure to structure your objectives using the model and meet the criteria for effective objectives.

Educational Objectives

1. _____

2. _____

3. _____

Personal Objectives

1. _____

2. _____

3. _____

Career Objectives

1. _____

2. _____

3. _____
- _____
- _____

Apply It

What did I learn from this experience? How will I use this knowledge in the future?

Your instructor may ask you to do this Skill Builder in class in a group. If so, the instructor will provide you with any necessary information or additional instructions.

SKILL BUILDER 2.2 STRATEGIC PLANNING AT YOUR COLLEGE

This exercise enables you to apply the strategic-planning process to your college or university as an individual and/or a group. Complete each step by typing or writing your answers. You can also conduct this exercise for another organization.

Objective

To develop your strategic-planning skills by analyzing the internal environment of strategy, structure, and culture

Skills

The primary skills developed through this exercise are as follows:

1. *HR management skills*—conceptual and design
2. *SHRM 2022 Curriculum Guidebook—N: Strategic HR*

Part A: Strategy

STEP 1: DEVELOP A MISSION

1. What is the vision and mission statement of your university, college, school, or department?
2. Is the mission statement easy to understand and remember?
3. How would you improve the mission statement?

STEP 2: IDENTIFY A STRATEGY

Which of the three generic strategies does your school or department use?

STEP 3: CONDUCT STRATEGIC ANALYSIS

1. What are some of your university or college's major strengths?
2. Determine the competitive advantage of your university or college—why should someone go to your university or college rather than another?

STEP 4: SET OBJECTIVES

What are some objectives of your university, college, school, or department?

STEP 5: IMPLEMENT, MONITOR, AND EVALUATE STRATEGIES

How would you rate your college, school, or department's strategic planning? How could it be improved?

Part B: Structure

Describe your school or department's organizational structure in terms of its complexity, formalization, and centralization.

Part C: Culture

Identify artifacts in each of the categories of heroes, stories, slogans, symbols, and ceremonies.

Identify the cultural levels of the organization's behaviors, values and beliefs, and assumptions.

Apply It

What did I learn from this experience? How will I use this knowledge in the future?

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