

## Chapter 2 A Strategic Approach to Human Resource Management

### CHAPTER OVERVIEW

---

This chapter reviews **behavioral science** perspectives on managing people and shows how to use this information to influence employee effectiveness.

The text also discusses the ways that managers can use knowledge of internal and external **environmental factors**—the work setting, technological change, globalization, government regulations, and union requirements—to influence employee performance.

This book is based on the assumption that HRM programs are more likely to be effective if the manager or HR specialist takes a diagnostic approach. This chapter presents a **diagnostic model** that can be used to diagnose HR problems and then *prescribe*, *implement*, and *evaluate* solutions.

Some of the current issues that are pertinent to the diagnostic model are:

- Diversity
- Labor force
- Downsizing
- The skills gap
- Globalization
- The aging workforce
- Contingent workers

## CHAPTER LEARNING OBJECTIVES

---

After reading this chapter, students should be able to...

1. **Analyze** how an ARDM model can be used to organize, examine, and solve “people problems.”
2. **Understand** the difference between external and internal environmental forces that affect HRM problems.
3. **Examine** the role that HRM can play in accomplishing an organization’s strategic plan.
4. **Give examples of** how HRM activities contribute to a firm’s productivity.

## KEY TERMS

---

Key terms are shown in **bold**, as they appear in the text, throughout the lecture notes.

## DISCUSSION AND PROJECT IDEAS

---

- Discussion topics:
  - ♦ Ask students to assume that they are in charge of recruiting for HRM. They have been given the assignment of locating 100 temporary computer assemblers. These workers will be needed for a maximum of 30 days and they must begin work within the next five days. There is a shortage of workers in the area who have this skill. How would the students begin the search for such employees? Would they pay more for skilled labor, even if it meant reducing profit margins? Would they hire unskilled labor and hastily assemble a training class?
- Projects:
  - ♦ Have students obtain the local newspaper employment ads and then select one employment category, such as Financial or General Labor. They should count the ads to determine how many are soliciting regular, full-time employees and how many are soliciting temporary or part-time employees. Now select another category and do the same. How do the results compare?

## LECTURE OUTLINE

---

### INTRODUCTION

- Organizations that continue to limit HRM to recordkeeping and clerical functions are forgoing the contributions HRM can make to a firm's performance and end results
- Taking a strategic HRM approach requires a greater focus on strategic thinking and processes.
  - ◆ Making the management of human resources a top priority
  - ◆ Integrating HRM with the company's strategy, mission, and goals.
- Strategic HRM
  - ◆ The development and implementation of human resource processes to enhance and facilitate the achievement of the organization's strategic objectives
- There is no single idea or best way to manage people
  - ◆ There are good, generalized practices, but there is no perfect system
  - ◆ The most important theme is the proper alignment of human resources with the firm's overall strategy
- Strategic management is a process by which an organization determines what needs to be done to accomplish priority objectives, and how they will be achieved.
  - ◆ In many cases, a three to five year timeline is used, with annual monitoring and modification of the strategic plan.
  - ◆ In best cases, the HR strategy will result in a better fit between the organization's strategy and individual HRM policies and programs
    - Recruitment, selection, outsourcing, telecommuting, performance evaluation, compensation

### A MODEL TO ORGANIZE HRM

- ARDM means:
  - ◆ A = acquiring
  - ◆ R = rewarding
  - ◆ D = developing
  - ◆ M = maintaining and protecting
- Exhibit 2-1 presents the ARDM model
  - ◆ It shows some of the internal and external environmental influences that affect the match between HRM activities and people

- The eventual success of any HRM activity is that the organization's employees are the best qualified and are performing jobs that suit their needs, skills, and abilities.
  - ◆ Matching people and activities in order to accomplish goals is easier with a diagnostic approach.

## HOW TO TAKE A DIAGNOSTIC APPROACH TO HRM

- The ARDM model includes four specific steps to be taken by managers:
  - ◆ Diagnosis
  - ◆ Prescription
  - ◆ Implementation
  - ◆ Evaluation
- Managers typically diagnose a work situation by observing and identifying the key factors.
  - ◆ A prescription is then made to translate the diagnosis into action.
  - ◆ Most human resource problems have no single correct prescription, because of the complexity of behaviors, emotions, and attitudes.
- Implementing a solution is the next step, followed by evaluation.
  - ◆ Evaluation tells managers whether improvement in the ARDM process is needed.
- If an organization teaches its members how to focus on ARDM plus the environment, it is likely to achieve:
  - ◆ Socially responsible, ethical behaviors
  - ◆ Competitive, high-quality products and services
- The ARDM model calls for thorough, timely, and systematic review of each situation.

## EXTERNAL ENVIRONMENTAL INFLUENCES

- HRM processes do not operate in a vacuum; they are influenced by both the external and internal environments
  - ◆ **External environmental influences** include:
    - Government laws and regulations
    - Union procedures and requirements
    - Economic conditions
    - The labor force

- However, the HR planning of a firm must operate within guidelines, limits of available resources, and competencies
- HRM is one important function among others:
  - ◆ Finance
  - ◆ Accounting
  - ◆ Research and development
  - ◆ Marketing
  - ◆ Production
    - The interaction of these internal programs sets the tone of the entire organizational system.

### **Government Law and Regulations**

- Government regulations must be considered when making decisions about:
  - ◆ Hiring
  - ◆ Promotion
  - ◆ Managing diversity
  - ◆ Performance evaluation
  - ◆ Downsizing
  - ◆ Discipline
- Major areas of legislation and regulation:
  - ◆ Equal employment opportunity and human rights legislation (recruiting, selection, evaluation, and promotion)
  - ◆ Employment of illegal aliens
  - ◆ Discrimination based on sex, age, and disability
  - ◆ Compensation regulation (pay, hours of work, unemployment, and similar conditions)
  - ◆ Benefits regulation (pensions and retirement)
  - ◆ Workers' compensation and safety laws (health and safety)
  - ◆ Labor relations laws and regulations (collective bargaining)
  - ◆ Privacy laws

- Government regulation has increased substantially.
  - ◆ In 1940 the U.S. Department of Labor administered 18 regulatory programs
  - ◆ In 2007 it administered more than 140
    - And that is just *one* government agency
- Government regulation impacts a manager's job in these ways:
  - ◆ Regulation encourages simplistic thinking on complicated issues
  - ◆ Designing and administering regulations is a complex task, leading to slow decision making
  - ◆ Regulation leads to complicated legal maneuvering
  - ◆ Many regulations are out of date and serve little social purpose
  - ◆ There is regulatory overlap and contradiction among regulatory agencies

### The Union

- The presence of a union directly affects most aspects of HRM
- A *union* is an organization that represents the interests of employees on such issues as:
  - ◆ Working conditions
  - ◆ Wages and salaries
  - ◆ Fringe benefits
  - ◆ Employees' rights
  - ◆ Grievance processes
  - ◆ Work hours
- There are cooperative unions and combative unions, just as there are sensitive organizations and socially irresponsible organizations.
- At one time, unions were concentrated in a few sectors of the economy, such as mining and manufacturing.
  - ◆ Today, the fastest-growing sectors for unions in the United States are the public sector and the third sector.
- It is no longer useful to think of the unionized employee as a blue-collar factory worker.
  - ◆ Engineers, nurses, teachers, secretaries, salespersons, college professors, professional football players, and even physicians belong to unions.

## Economic Conditions

- Two aspects of economic conditions affect HRM programs:
  - ◆ Productivity
  - ◆ The work sector of the organization
- **Productivity** is the output of goods and services per unit of input of resources used in a production process
  - ◆ *Inputs* are such things as labor, capital, materials, fuel, and energy
- Before productivity can be managed and improved, it must be measured.
  - ◆ First, isolate the outputs—division by division, department by department, work team by work team, individual by individual, or product line by product line
  - ◆ Next, determine the costs that went into producing the output (including labor, heating, lighting, and capital)
  - ◆ Then, compare the current year's figures with those of the previous year.
- Productivity measures are crude and subject to short-term error, but over the long run can present a trend.
  - ◆ Productivity in the United States slid in the 1970s, but from 1994-2006 productivity began to increase annually at about 3 percent.
  - ◆ The American worker still is the most productive in the world, but Japan, Korea, Germany, and other nations have narrowed the gap.
- Some suggested solutions for increasing productivity include:
  - ◆ Reducing government controls
  - ◆ Developing more favorable income tax incentives
  - ◆ Reindustrializing the entire business-industrial complex
- These suggested solutions have both proponents and opponents.
  - ◆ For example, many people believe that reducing legislative controls will adversely affect the quality of life and society for decades to come
  - ◆ Toxic waste, radiation, air pollution, and other forms of destruction must be carefully controlled.
- Managers can influence productivity by the sound application of HRM programs.
  - ◆ By using diagnosis, prescription, implementation, and evaluation, managers can help employees achieve optimum productivity
  - ◆ Recruitment and selection techniques can be used to attract and hire the best performers

- ◆ Motivational and compensation techniques can be used to retain employees and improve job performance.
- ◆ Training and development can improve job performance or rectify deficiencies in skill and competency.

### **The Work Sector of the Organization**

- The work sector of HRM:
  - ◆ 60 percent of professional HR specialists work in the private sector (businesses owned by individuals, families, and stockholders)
  - ◆ 30 percent of HR employees work in the public sector (that part of the economy owned and operated by the government)
  - ◆ 10 percent of HR employees work in the third sector, which are neither governmental nor profit-oriented (museums, symphony orchestras, private schools, and churches)
- In general, private- and third-sector HRM are structured similarly.
- HRM in the public sector is fundamentally different because it varies structurally.
  - ◆ A manager who moves from the private or third sector to the public sector will find the HRM role more complicated because of outside pressure.
  - ◆ Politicians, the general public, pressure groups, and reporters influence the HR manager much more than in private business or the third sector.

### **Competitiveness**

- At the macroeconomic level, the term competitiveness is defined as the degree to which a nation can, under free and fair market conditions, produce goods and services that meet the test of international markets while simultaneously maintaining or expanding the real incomes of its citizens.
  - ◆ If you substitute the word *organization* for *nation*, and the word *employees* for *citizens*, you have a definition of organizational competitiveness.
- At the organizational level, competitiveness is an important issue.
  - ◆ How effectively do the workers produce the product?
  - ◆ How good is the quality of the services or goods provided?
  - ◆ Can employees handle new technology and produce the product at lower costs?
  - ◆ Does the firm have the human resources needed to increase the size of the manufacturing facility to handle global demand?
  - ◆ Will the push to work harder and faster raise turnover, absenteeism, and the number of defects?



- The way organizations implement and modify their HRM activities can provide them with competitive advantages.
  - ◆ A *competitive advantage* means having a superior marketplace position relative to competitors.
  - ◆ A sustainable competitive advantage means dealing effectively with employees, customers, suppliers, and all competitors.
- Activities that can enhance and sustain competitive advantage:
  - ◆ Employment security
  - ◆ Selectivity in recruiting
  - ◆ High wages
  - ◆ Incentive pay
  - ◆ Employee ownership
  - ◆ Information sharing
  - ◆ Participation and empowerment
  - ◆ Teams and job redesign
  - ◆ Training as skill development
  - ◆ Cross-utilization and cross training
  - ◆ Symbolic egalitarianism
  - ◆ Wage compression
  - ◆ Promotion from within
  - ◆ Long-term perspective
  - ◆ Measurement of practices
  - ◆ Overarching philosophy
  - Sustaining competitive advantage is extremely difficult over time
- Competitors can adopt and/or improve on successful HRM activities.
  - ◆ If a firm is noted for fair, equitable, and productive treatment of human resources, it is less susceptible to losing its competitive advantage.
  - ◆ A few HRM activities can be copied, but the imitation of an entire culture and system of HRM is extremely difficult.

### **Composition and Diversity of the Labor Force**

- The labor force of the United States comprises all people age 16 years or older who are not in the military and who are employed or seeking work.
  - ◆ As of 2006 there were over 150 million Americans in the workforce
  - ◆ By 2014, the labor force is projected to be over 162 million
- Exhibit 2-3 presents an overall view of the civilian labor force in terms of sex, age, race, and Hispanic origin

#### **Women**

- In 2007, about 48 percent of the full-time U.S. workforce consisted of women.
  - ◆ The number of married women in the labor force has increased 280 percent since 1947
  - ◆ The number of married male employees has increased by only 28 percent.

- Women are supposed to have equal job opportunities, but it is hard to argue with the facts of discrimination against women in the workplace.
- In 2006, there more women in professional jobs
  - ◆ These jobs require advanced education
  - ◆ For example, 46 percent of the recipients of accounting degrees and 45 percent of business majors are women.

### **Minorities**

- The situation for racial and ethnic minorities in the United States is similar to that for women.
  - ◆ Many Hispanics, African-Americans, and Native Americans are employed in low-skill, low-paying jobs; few are in high-status, high-paying jobs.
- Historically, the most recent immigrant groups took the lowest-level jobs
  - ◆ In the early 1900s this was true of the Irish, Polish, Serbs, Croatians, and Jews.
- One difference between immigrant groups and minorities is that the minority groups lived in the United States long before the immigrants arrived.
  - ◆ Native Americans, Hispanics, and African-Americans represent about 13 percent of the population of the United States.
    - They have been less educated than the majority, although recent programs have attempted to improve this situation.

### **Older employees**

- About 17 percent of the labor force currently is 55 years or older
- One of the most difficult employment problems today is the older employee who loses a job through no personal fault.
  - ◆ In some cases, employers assume older persons are less qualified to work and less able to adapt to changes.
  - ◆ Insurance premiums are often higher for older workers, which makes them more costly to employ
- It is important to remember that each person ages at a different rate.
  - ◆ As we grow older, we lose some of our faculties.
  - ◆ This process is ongoing.
- The key is to match employees with jobs.
  - ◆ Older workers may be less efficient on jobs requiring quick physical response rates.
  - ◆ However, speed or response is more important for a race driver or airline pilot than for a stock analyst or social worker.
- Contrary to stereotypes:
  - ◆ Employees over 45 do not have more accidents than younger ones.
  - ◆ Until age 55, they have the same or lower rates of absenteeism
  - ◆ When total performance is considered (including speed, accuracy, judgment, and loyalty), older employees are just as effective as younger ones.

### **Employment projection**

- The ten fastest-growing occupations for an increasingly diverse workforce are shown in Exhibit 2-4

### **Geographic Location of the Organization**

- The location of the organization influences the kinds of people it hires and the HRM activities it conducts.
  - ◆ A hospital, plant, university, or government bureau located in a rural area confronts different conditions than one located in an urban area.
  - ◆ The workforce in a rural area might be more willing to accept a bureaucratic organization style.
  - ◆ There may be fewer job applicants in rural areas, but a larger percentage may have a good work ethic
- An urban location might be advantageous for recruiting and holding professional workers.

- ◆ Urban locations provide a bigger labor force but generally call for higher wages.
- ◆ Late shifts may cause workers safety concerns
- Geographic location is extremely significant for companies operating in other countries.
  - ◆ Employees may speak a different language, practice different religions, have different attitudes toward work, and so on.
- International factors include:
  - ◆ **Educational:** Affects the number of skilled employees available, attitudes toward education, literacy level, and a lack of educational facilities.
  - ◆ **Behavioral:** Societies have different attitudes toward wealth and profits, managerial roles, and authority.
  - ◆ **Legal-political factors:** Laws and political structures differ and can encourage or discourage private enterprises.
    - Nations differ in degree of political stability.
    - Some countries are nationalistic and may require local ownership of organizations or expropriate foreign concerns.
  - ◆ **Economic:** The nations of the world can be divided into three economic categories: fully developed, developing, and less developed.
    - Managers will find fewer differences in fully developed countries, such as the United States, Canada, Australia, Japan, and most European countries.
    - Developing nations are well along in economic development but cannot yet be said to be fully developed.
    - Third world nations are the most difficult to work in because of significant constraints in terms of education, economic system political structure, and the general infrastructure.
- To be successful abroad, managers must learn all they can about the countries in which they will be working.
  - ◆ Success requires understanding differences among nations in (1) educational, (2) behavioral, (3) legal-political, and (4) economic factors
- It is equally important (and more difficult) for the enterprise to obtain managers with proper attitudes toward other countries and their cultures.
  - ◆ A manager with the wrong attitude may try to transfer North American ways directly to the host country, without considering these four factors
  - ◆ The more significant the differences, the more likely they are to cause problems for the unperceptive manager.

- In summary:
  - ◆ The physical location of the organization (rural or urban, at home or abroad) can significantly HRM programs and activities
  - ◆ A manager using a diagnostic orientation will be better able to examine, consider, and understand the complexities of different physical locations.

## INTERNAL ENVIRONMENTAL INFLUENCES

- In this section, we will examine the **internal environmental influences** listed in Exhibit 2-1
  - ◆ Strategy
  - ◆ Goals
  - ◆ Organization culture
  - ◆ Nature of the task
  - ◆ Work group
  - ◆ The leader's style and experience

### Strategy

- A **strategy** indicates what an organization's key executives hope to accomplish in the long run.
  - ◆ It is concerned with the competition in the environment and with aligning the resources of the firm.
- For example, Apple Computer's early success was due to high alignment of its strategy, structure, people, and management.
  - ◆ Competition and deviation from a high-end technology strategy resulted in protest, discontent, and political infighting.
  - ◆ Apple did not adapt, and it lost profit margin and had large layoffs.
- Some companies believe that the long-term success of their firms is linked to helping their employees achieve a work-life balance.

### Goals

- The goals of organizations differ within and among departments.
  - ◆ Most departments have similar goals, such as employee satisfaction, survival, and adaptability to change.
  - ◆ The differences arise in the *importance* that is placed on the goals.
- In organizations where profits take precedence, HRM goals involving human resources receive little attention

- ◆ This typically results in problems in the effectiveness area of the diagnostic model (high absenteeism, performance decrements, and high grievance rates).
- How much the HRM function is valued and how it is implemented are affected by the goals of upper management.
- **Diversity** refers to any mixture of themes characterized by differences and similarities.
  - ◆ Diversity in organizations is much more than just demographics.
  - ◆ Today, more firms realize that dealing with workforce diversity means focusing on the collective picture of differences and similarities.
- Wisconsin Power and Light has implemented a company-wide diversity training using a six-step approach:
  - ◆ Forming a diversity steering team
  - ◆ Creating a diversity training team
  - ◆ Selecting a diversity training project manager
  - ◆ Completing a cultural audit
  - ◆ Designing a training program
  - ◆ Implementing and evaluating the training
    - The goal at Wisconsin Power and Light is to highlight, respect, and value differences and similarities throughout the organization.

## Organization Culture

- *Organization culture* refers to a system of shared meaning held by members that distinguishes the organization from other organizations.
- A firm's culture is shown by:
  - ◆ The way it does business
  - ◆ The manner in which it treats customers and employees
  - ◆ The extent of autonomy or freedom that exists in the departments or offices
  - ◆ The degree of loyalty expressed by employees about the firm
- Organization culture represents the perceptions held by the organization's employees.
  - ◆ There is no one "best" culture for the development of human resources.
  - ◆ Culture can:
    - Impact the behavior, productivity, and expectations of employees.
    - Provide a benchmark of the standards of performance among employees.

## Nature of the Task

- Many experts describe HRM as the effective matching of the nature of the task (job) with the nature of the employee performing the task.
- Job factors that attract or repel workers:
  - ◆ Degree of knowledge and ability to use information
  - ◆ Degree of empowerment
  - ◆ Degree of physical exertion.
  - ◆ Degree of environmental
  - ◆ Physical location of work
  - ◆ Time dimension of work
  - ◆ Human interaction on the job
  - ◆ Degree of variety in the task
  - ◆ Task identity
  - ◆ Task differences and job design

## Work Group

- Once a person joins an organization, his or her experiences are largely influenced by a work group.
- A **work group** consists of:
  - ◆ Two or more people who consider themselves a group
  - ◆ Who are interdependent with one another for the accomplishment of a purpose
  - ◆ Who communicate and interact with one another on a continuous basis
  - ◆ In many cases, they work next to each other.
- An effective group is one in which:
  - ◆ Members function and act as a team.
  - ◆ Members participate fully in group discussion.
  - ◆ Group goals are clearly developed.
  - ◆ Resources are adequate to accomplish group goals.
  - ◆ Members furnish many useful suggestions leading to achievement of goals.
- Most effective work groups:
  - ◆ Are small (7 to 14 members)
  - ◆ Have stable membership

- ◆ Their members:
  - Have eye contact and work closely together
  - Have similar backgrounds
  - Depend on the group to satisfy their needs
- Although the effective group supports management and the organization's goals, it can also work against them.
  - ◆ This is usually the case when the group perceives the organization's goals as being in conflict with its own.
- Changing the group's norms and behavior requires:
  - ◆ The manager's leadership
  - ◆ The manager's power to reward discipline
  - ◆ The transfer of some group members
- Work groups are directly related to the success of HRM activities.
  - ◆ If a work group opposes HRM programs, it can ruin them.
  - ◆ Managers who desire success in such programs should consider permitting work-group participation in designing and implementing HRM.

### **Leader's Style and Experience**

- The experience and leadership style of the operating manager directly affects HRM activities because HRM programs are generally implemented at the work-unit level.
- Leaders must:
  - ◆ Orchestrate the distinctive skills, experiences, personalities, and motives of individuals.
  - ◆ Facilitate the interactions that occur within work groups.
  - ◆ Provide direction, encouragement, and authority to evoke desired behaviors.
  - ◆ Reinforce desirable behavior so it is sustained and enhanced.
- The experience and operating style of a leader will influence which HRM programs are communicated, implemented, and effective.

### **STRATEGIES HRM: AN IMPORTANT KEY TO SUCCESS**

- Three levels of strategy apply to four specific HRM activities (Exhibit 2-5):
  - ◆ Strategic (long term)
  - ◆ Managerial (medium term)
  - ◆ Operational (short term)



- The HRM activities are:
  - ◆ Employee selection/placement
  - ◆ Rewards
  - ◆ Appraisal
  - ◆ Development
- The goal is to achieve desirable end results, such as high-quality products and services and socially responsible behavior.
  - ◆ In other words, growth, profits, and survival
- Strategic planning leads to informed, purposeful actions.
  - ◆ It provides direction and a cornerstone for making important HRM decisions.
- Planning HRM activities:
  - ◆ Expands awareness of possibilities
  - ◆ Identifies strengths and weaknesses
  - ◆ Reveals opportunities
  - ◆ Points to the need to evaluate the impact of internal and external forces
- A well-designed organizational strategic plan permits the HR department to prepare for changes in the internal and the external environments.
  - ◆ Each organization can adopt a strategy that best fits its goals, environment, resources, and people.
  - ◆ Matching an organization's strategic plan, its employees' characteristics, and its HRM activities helps achieve desirable organizational end results— competitive products and services.
- The days of viewing the HRM function or unit as only a highly specialized and technical staff activity are over.
  - ◆ The HRM function must be involved in all aspects of an organization's operation.
  - ◆ The HR unit must make everyday contributions to the organization.
  - ◆ Thus, HRM programs must be comprehensive, adapted to the organization's culture, and responsive to employee needs.

## **STRATEGIC CHALLENGES FACING HRM**

- Global competition has become so intense that HRM professionals are now being asked to optimize the skills, talents, and creativity of every employee.
- Failure to do so will probably mean that the firm cannot compete in the globally interconnected world.

### **Technology**

- The trends of the technology revolution are recognizable as:
  - ◆ Growth in knowledge needs
  - ◆ Shift in human competencies
  - ◆ Global market connection
  - ◆ Business streamlining
  - ◆ Rapid response
  - ◆ Quicker innovation
  - ◆ Quality improvement
  - ◆ Industrial Revolution

### **Diversity: Building A Competitive Workforce**

- The American workforce is changing in dramatic ways.
  - ◆ There is a much slower increase in the total number of Caucasian workers than there are of other groups
  - ◆ Two decades ago the American workforce was predominately white and male: in 2008, almost half the workforce was female
  - ◆ The number of Hispanic, Asian, and older workers will continue to increase.
    - By 2014, about 21 percent of the workforce will be older than 55.
    - Older workers will still hold the jobs that Generation X members are waiting for
- The changing look, age, and needs of the workforce have resulted in more concern about childcare, elder care, and training in understanding diversity.
- Improved understanding of diversity seems to be an obvious need, yet most firms fail to invest the time, resources, and energy needed to become "diversity-friendly."
- Success stories about diversity management serve as best examples for practice
  - ◆ United Airlines had an increase in Spanish-speaking travelers when it installed a Spanish telephone reservation line

- ◆ Avon Products had significant revenue growth after hiring African-American, Hispanic-American, and Asian-American sales and marketing personnel
- ◆ Pillsbury and Kraft Foods gained market share after increasing the number of African- and Hispanic-American advertising professionals
- Not all diversity examples are positive
  - ◆ Texaco, Inc. recorded a group of executives discussing the shredding of documents relevant to a race-discrimination lawsuit and using vulgar epithets while talking about African-American employees.
  - ◆ It settled the resulting race-discrimination lawsuit for \$176.1 million
- Workplace diversity is a reality that influences every HRM area and issue
  - ◆ There is no one best way or formula for managing workforce diversity.
  - ◆ However, there is likely to be increased demand for fair, ethical, and prompt handling of diversity issues

### Caliber of the Workforce

- Recruiting and developing skilled labor is important for any company.
  - ◆ Chemical Bank of New York reports interviewing 40 job applicants for every one found suitable for training as a bank teller.
  - ◆ NYNEX had to screen and test 60,000 applicants to fill 3,000 open positions.
- A growing number of jobs will require more education and higher levels of language, math, and reasoning skills than current ones
  - ◆ HRM practitioners and specialists must communicate this to educators, parents, and community leaders.
- Because a shortage of skilled talent can damage any firm's competitive position, strategic HR planning models must carefully weigh deficiencies and shortages in skills.
  - ◆ The **skills gap** impacts more than HRM; entire societies must face the consequences of not having the workforce needed to compete in the global economy.

### Organizational Restructuring and Downsizing

- A few facts about downsizing:
  - ◆ About half of all firms that downsize end up with at least as many employees again within a few years.
  - ◆ Downsizing in manufacturing is nothing new; it has been occurring since 1967.
  - ◆ Retailing and services have been upsizing considerably for the past decade.

- ◆ Downsizing is positively correlated with the degree of foreign competition in a sector.
- ◆ Downsizing encourages firms to reduce their costs.
- ◆ Downsizing firms tend to increase their profits in the short-run, but not their productivity.
- ◆ Downsizing commonly leads to lower compensation/wages within the downsizing firm.
- **Restructuring** means changing the reporting and authority relationships within a firm.
  - ◆ A layer of a firm's hierarchy may be eliminated
  - ◆ Reporting relationships may be changed
  - ◆ A new subsidiary may be created
- **Downsizing** means a reduction in a company's workforce.
  - ◆ The percentage of firms that downsize has decreased in the past five years
  - ◆ However, increased competition, excessive costs, and interest in improving share value will make downsizing a fact of life for years.
- Downsizing has a human face and can result in stress-related health problems.
- There is a growing sense that job security is a thing of the past.
  - ◆ Job security has declined as layoffs spread from industry to industry.
  - ◆ Job tenure has declined the most for employees without a high school education.

## Contingent Workers

- **Contingent workers** include temporaries, part-timers, contract or leased workers, and other individuals who are hired to handle extra job tasks or workloads.
  - ◆ Contingent employees are a widespread part of the staffing mix of firms.
- The number of contingent workers increased steadily since the early 1970s.
  - ◆ This group is expected to continue to grow
  - ◆ More than 230 million people were classified as being contingent employees at some time in 2004
  - ◆ The industries with the highest growth rate of contingent workers are health service, residential care, retail, and data processing and computer services.
- Part-timers:
  - ◆ Work fewer hours than full-time employees.
  - ◆ Receive fewer fringe benefits.
  - ◆ Often have a flexible work schedule.
    - The Bureau of Labor Statistics defines a full-time job as working 35 hours or more per week.
- Over 90 million workers either:
  - ◆ Worked full time on a primary job and also held one or more part-time jobs,
  - ◆ Combined several part-time jobs to make up a full-time workweek, or
  - ◆ Combined jobs with varying hours to make up a full-time workweek.

## PEOPLE AND THE HRM DIAGNOSTIC FRAMEWORK

- Employees are the most important concern in the diagnostic model.
  - ◆ Putting together HRM activities without paying attention to employees' characteristics is ill-advised.
  - ◆ The most carefully designed and implemented HRM activity may backfire if adjustments for individual differences are not built into the program.
- People differ in many characteristics, including their abilities, attitudes, and preferences.
  - ◆ They also have different styles, intellectual capacities, and ways of doing the job.

## Abilities of Employees

- Abilities or skills can be classified as:
  - ◆ Mechanical
  - ◆ Motor coordination

- ◆ Mental
- ◆ Creative
- Some abilities are a result of genetic factors that are rarely subject to change through training.
  - ◆ Examples include finger dexterity and response time.
  - ◆ Other abilities, such as interpersonal skills and leadership, are more subject to change.
- People learn abilities at home, at school, and at work.
  - ◆ Their present inventories of abilities are at least partly a consequence of this past learning.

### Employees' Attitudes and Preferences

- An attitude is a characteristic and usually long-lasting way of thinking, feeling, and behaving toward an object, idea, person, or group of persons.
- A preference is a type of attitude that evaluates an object, idea, or person in a positive or negative way.
- Work:
  - ◆ Allows for the expression of both aggressive and pleasure-seeking drives.
  - ◆ Offers a way to channel energy
  - ◆ Provides income
  - ◆ Offers a justification for existence
  - ◆ Presents the opportunity to achieve self-esteem and self-worth
- The amount of energy directed toward work is related to the amount directed to family, interpersonal relations, and recreation.

### Motivation of Employees

- **Motivation** is the set of attitudes that predisposes a person to act in a specific goal-directed way.
  - ◆ It is an inner state that energizes, channels, and sustains human behavior to achieve goals.
  - ◆ *Work motivation* is concerned with those attitudes that channel a person's behavior toward work and away from recreation or other areas of life.
  - ◆ The motivation to work is likely to change as other life activities change.
- Theories that attempt to explain work motivation differ in:
  - ◆ Their assumptions about how rational people are

- ◆ The degree to which the conscious and unconscious mind directs behavior.
- Most of these theories have received some research support, but none has been overwhelmingly substantiated.
- A manager who can determine what the work motivations of the employees are will make more effective HRM decisions.
  - ◆ Work-oriented, hard working employees are usually motivated by incentive compensation systems
  - ◆ Those who are consciously motivated to do a better job benefit from performance evaluation techniques, such as management by objectives.

### Personality of Employees

- **Personality** is the way a person thinks and behaves in adjusting to the environment. It includes the person's:
  - ◆ Traits
  - ◆ Values
  - ◆ Motives
  - ◆ Genetic blue prints
  - ◆ Attitudes
  - ◆ Emotional reactivity
  - ◆ Abilities
  - ◆ Self-image
  - ◆ Intelligence
  - ◆ Visible behavior patterns
- Because each employee has a unique personality, it is highly unlikely that a single set of HRM activities or leadership approaches will be equally successful for all employees.
- Behavioral scientists have found that:
  - ◆ The employee is both rational and intuitive—emotional in makeup and behavior. Therefore, choices and behavior are a consequence of rational (conscious) and emotional (unconscious) influences.
  - ◆ A person acts in response to internal inclinations and choices and environmental influences.
  - ◆ Each person is unique and acts and thinks in a certain way because of
    - The personality the person develops.
    - The abilities the person has or learns.
    - The attitudes and preferences the person has or develops.
    - The motives the person has or develops.

### DESIRABLE END RESULTS

- The desirable end results of sound and effective HRM
  - ◆ Socially responsible and ethical behavior

- ◆ High-quality, competitive products and services
- HRM must make decisions and solve problems in a way that:
  - ◆ Is socially responsible and ethically sound
  - ◆ Helps the firm satisfy its customers and employees
- HRM is a demanding job, but it is also an exciting challenge

## **ANSWERS TO DISCUSSION QUESTIONS**

---

- 1. Assume you have just started your own business and are ready to hire some employees. How could you use the ARDM model to guide your initial HR strategy?**

An analogy of the ARDM model is what typically happens when you're experiencing pain and must see a physician; you are typically asked a number of questions. Where do you hurt? When did the pain start? Is the pain sharp or dull? The doctor then examines you and may also run tests. The doctor is diagnosing the problem by *examination* and *observation*.

After making a diagnosis, the physician prescribes medicine or a course of action. In most cases, the patient will implement the prescription, then the doctor will evaluate how well the prescription is working.

Similarly, any HR problem requires the same steps—*diagnosis*, *prescription*, *implementation*, and *evaluation*.

- 2. The productivity of the workplace is essential for the success of an organization. What HRM activities and programs can impact productivity?**

There are primarily four areas of HRM activities and programs that can impact productivity:

- (1) **Acquiring**, which includes planning, job analysis and design, recruitment, and selection.
- (2) **Rewarding**, which includes performance evaluation, compensation, benefits, and services.
- (3) **Developing**, such as training and career planning, and
- (4) **Maintaining and protecting**, which includes labor relations, collective bargaining, safety, health, and wellness.



**3. Historically, HRM activities and tools were developed and implemented by a department or functional unit. Today however, operating managers are often responsible for applying and modifying HRM tools and activities. Why?**

This shift in responsibility has occurred for a number of reasons, including:

(a) The success of any HRM activity depends on matching the employees to the job for which they are best qualified. Operational managers, who work with employees on a daily basis, are the most able to make this assessment.

(b) Operational managers are in the best position to apply motivational, compensation, and training techniques.

(c) It is the operational managers who must orchestrate the distinctive skills, experiences, personalities, and motives of individuals.

**4. What role does education playing in the fastest-growing occupations?**

Technology-based and healthcare related occupations hold the top ten spots on the list of fastest growing occupations. All of these jobs require specialized training and/or college degrees.

**5. Why must external environmental forces be considered in the design of an HRM program?**

Because HR doesn't operate in a vacuum, external influences, such as government laws and regulations, union procedures and requirements, economic situations, and the labor force have a significant impact on HRM programs.

**6. Explain why HRM is playing a larger role in an organization's strategy than it did 10 years ago.**

HRM is increasingly sharing in the development of strategic plans because HR processes must be in sync with the organization's overall vision, mission, and goals if it is to remain competitive.

**7. HR processes are designed to acquire, reward, develop, and maintain/protect human resources. What are the desirable organizational end results of such processes?**

**8. Small firms, like large enterprises, must engage in developing clearly stated strategic plans. Why?**

Because a strategy indicates what an organization's key executives hope to accomplish in the long run, every firm, large or small, needs strategic plans for survival and as a road map for the future. One could argue that for small firms, precarious as they often are (with high failure rates and thin management 'reserves'), strategic planning spells the difference between survival and failure.

**9. What are the implications for a society with an aging workforce and aging customers?**

Approximately 17% of the workforce will be 55 or over by 2006. When these employees retire, their skills go with them. A huge skills gap already exists. When these employees retire, it will widen. Closing the gap means that firms will have to be more creative in their hiring and development strategies, pay higher salaries, or figure out how to keep current workers on the payroll longer. Most of these strategies require that more money be funneled into such things as payroll, training, and benefits, which leaves less money for building new facilities and purchasing new equipment, which can slow organizational growth. The result will be fewer new jobs and an inability to compete in the global market... both of which will impact society at large.

**10. Was Martha's leadership style at National Pancake House 827 effective? Why?**

Yes, it was. By discussing one employee's problems with him, she was able to change his attitude, productivity, and inter-personal relationships. All he needed was to know was that he was not "stuck" in a dead-end job. It cost nothing more than her time, it made the workplace more pleasant for the other employees, and his productivity increased. Then, by explaining the money shortage to the employees, they took part ownership of the problem and helped locate a good cook who would work for a lower salary. Therefore, everyone got at least a small raise and Martha got the additional help she needed, within budget. Plus, the experience made the crew feel more like a team.

**EXERCISE 2-1**

*Dissecting the ARDM Model and Its Application*

---

**Objective**

The objective of this exercise is to have students examine in detail the main model used for studying HRM. Students will need to reference Exhibit 2-1, The ARDM Model for Human Resource Management.

**Teaching Tips**

The exercise involves both individual and group components allowing for both individual analysis and group learning. The suggested group size is four. The individual assignments suggested in step two of the exercise (large manufacturing firm, a medium-sized community hospital, a government agency such as the Equal Employment Opportunity Commission, or a small mom-and-pop department store with 10 full-time and 15 part-time employees) can be modified to exploit individual class interest.

To reduce the class time required for the exercise, steps 1 and 3 of the exercise may be assigned as homework and step 4 reserved for in-class work.

The exercise may be expanded by instructing groups to produce a listing of what they found in common between their individual assignments and report out to the class.

## **ANSWERS TO APPLICATION CASE 2-1 GEN Y ROCKS THE BUSINESS WORLD**

---

**1. What will organizations have to do to adapt to the influx of needed Generation Y individuals?**

Student answers will vary, depending their age and work experience.

Sample answer: As a boomer myself, who has worked with and managed these obnoxious new workers, I don't think there is a good way to adapt. It's a lot like managing a bunch of toddlers. To keep the kids on track and happy, the manager must focus full-time on babysitting duties. That means that the "working manager" era that thrust upon us during downsizing and lean times may go out the window. That may be good news for managers, who are often stretched too thin, but it certainly lowers the productivity (and profitability) of the company.

**2. Is Generation Y really that different than previous generations that entered the workforce in large numbers? Explain.**

Student answers will vary, depending on their perspective.

Sample answer: Yes, they are strikingly different in that they expect to be paid just for showing up to work. They need instant gratification, and are quickly bored. They don't understand the concept of making a profit; money is something that just pops out of an ATM or your parents (or the government) gives you.

**3. Will Generation Y individuals have to make adjustments in their style, preferences, and interests to be successful in their careers?**

Student answers will vary, depending on their perspective.

Sample answer: Yes, I think they will. This is due primarily to the severe economic crisis that began in 2008 and resulted in millions of people losing their jobs. These Gen Ys will now have to compete the Gen Xers who have more experience, a better work ethic, and more company loyalty. If I had a choice between the two, given how hard it is to keep a business afloat these days, I'd certainly choose an older (and easier to work with) Gen Xer.