1 STRATEGIC HUMAN RESOURCE MANAGEMENT

LEARNING OBJECTIVES

After reading this chapter, you will be able to:

1.1 Define HRM (human resource management) and explain why it is important to a company's performance.

1.2 List and explain the purpose of the six primary HRM functions.

1.3 Explain how HRM influences organizational performance.

1.4 Describe how HRM influences business strategy execution.

1.5 Explain who is responsible for HRM.

1.6 Describe some current issues in the field of HRM.

1.7 Explain why HRM is important to every manager's career.

Heorshe / Alamy Stock Photo

Real World Challenge

HOW CULTURE REINFORCES BUSINESS STRATEGY AT PATAGONIA

According to its chief of human resources, outdoor retailer Patagonia's founder, Yvon Chouinard, wanted to build an "un-company" whose main concern is taking care of employees, customers, and the planet. Patagonia's mission is "Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis."[1] The company wants to be a steward of planet Earth because, as its Chief of Human Resources Dean Carter said, "There's no business if there's no planet."[2] Beginning in 2022, all of Patagonia's profits have been spent in pursuing the company's mission to "save our home planet."[3]

Patagonia's business strategy is responsibly manufacturing and selling high-quality outdoor clothing. The company wants to leverage its human resources function to help it create and sustain a culture that reinforces its business strategy and helps it execute its mission. Imagine that the chief of HR asks you for your ideas. After reading this chapter, you should have some good suggestions for them.

Effectively managing employees is critical to organizational success. If you disagree, then fire all of your current employees, replace them with the next people you see, put them on the job with no training, and pay them a low wage. Few successful managers would accept this challenge because they know that who they hire and how they motivate and treat their employees are essential to their performance and survival. A company has a **competitive advantage** when it does something differently from its competition that allows it to outperform them and succeed in its industry.

Competitive advantages can come from a variety of factors, including better technology, more innovative products or services, better locations, lower costs, or outstanding customer service, but these advantages don't happen by themselves. It is always the organization's employees who create, implement, or sustain a competitive advantage. Research has found that acquiring, developing, and retaining the best talent available is essential to firms' performance and viability, particularly for knowledge-based firms.[4] As Wade Burgess, vice president of talent solutions for LinkedIn said, "Traditionally, what separated an average company from a great company had been technology. We're in the middle of a transformation. Today, what differentiates an average company from a great company is talent."[5] Because employees create and implement a company's competitive advantage, strategic HRM is a critical part of strategic execution.

So how do people make such a difference to an organization's success? At companies such as Patagonia, featured in this chapter's opening Real World Challenge, successful products and services are created and delivered by the company's talent. Employees at Activision, Apple Computer, and Nike create, manufacture, and sell new and innovative product lines. Employees are responsible for creating the supply chains and manufacturing systems that produce low-cost, high-quality automobiles at Tata Motors and Hyundai. Finally, the high-caliber customer service at L.L. Bean, Marriott Hotels, and Zappos starts with quality employee-customer interactions. None of these companies would be as successful without the talents and efforts of their employees. By making employees more effective at their jobs and the company better at executing its strategy, human resource management can create substantial value within an organization if it is done strategically.[6]

The first section of this book, The Importance and Context of Human Resource Management, focuses on the important role the management of human resources plays in organizations. This chapter gives an overview of how human resource management (abbreviated HRM throughout the book) influences organizational performance and business strategy execution, as well as how effective HRM can create a competitive advantage. The importance of flexibly applying HRM in different organizations and among different employees (functions and performance levels) is also discussed. After reading this chapter, you will understand the role HRM plays in a firm and how it adds value. Because HRM policies are created by the company but are executed by managers and supervisors, managers' roles in executing HRM strategies and policies are also discussed. After reading this chapter, you will understand the role HRM plays in a firm and how it adds value.

WHAT IS HRM?

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LEARNING OBJECTIVE

1.1   Define HRM (human resource management) and explain why it is important to a company's performance.

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It is believed that the first HRM department was created as a department called "Personnel" in 1901 by the National Cash Register Company following a bitter labor strike. The new department's role was primarily legal compliance, focusing on record-keeping, payroll, workplace safety, and employee grievances.[7] During the Industrial Revolution, the department evolved to focus on labor relations and union issues. After World War II, the department's role expanded further to include efficiency improvement and took on greater responsibility in the areas of recruiting, hiring, training, and performance management. Beginning in the 1980s, HRM departments also began managing change, mergers and acquisitions, employee motivation, and organizational culture. The increased use of technology and cloud-based HRM systems since the 1980s has enabled the function to become much more strategic. HRM units are now much less focused on the transactional operations of the function such as processing paychecks (which are now often outsourced or automated) and much more focused on aligning an organization's business strategy with its talent capabilities. The field of HRM has probably transformed more during the last 30 years than any other business functional area. Although the HRM department will never be a revenue generator for an organization, effective HRM generates a return on the investments it makes in acquiring, retaining, developing, and motivating employees through higher performance, greater organizational capability, and lower turnover. HRM practices can also generate savings from improved risk management and protection from legal costs and fines.
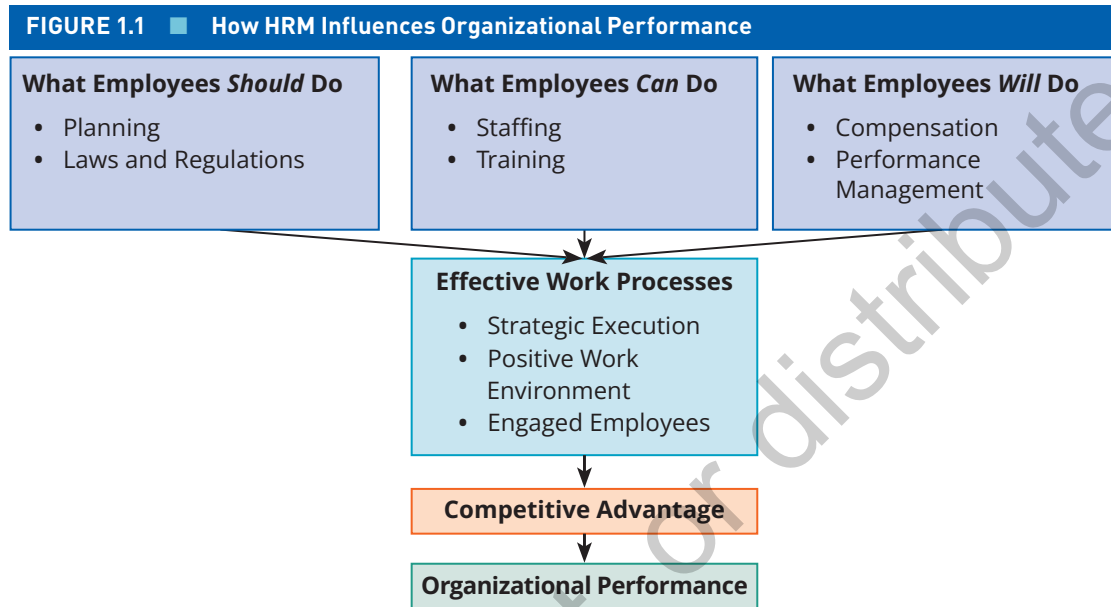
Human resource management is the organizational function responsible for attracting, hiring, developing, rewarding, motivating, and retaining talent. HRM is responsible for people-related issues as well as employment-related legal compliance. Effective HRM is critical to all organizations because it both manages risk and creates the system that acquires, motivates, manages, develops, and retains the talent that determines the organization's success. In higher-performing companies, talent issues are a common focus of top leadership. Because employee costs are one of the largest components of an organization's operating budget, it is essential to properly manage the investments a company makes in its people. No organization will maximize its effectiveness without the acquisition, development, deployment, motivation, and retention of the right talent.[8]

HRM is also important to attend to as an employee or as a potential employee. Would you perform as well or be as satisfied in a company that invests in your development, gives you clear goals, rewards you for good performance, and gives you regular feedback about your performance as you would in one that does not? Most people wouldn't be able to perform as well and wouldn't stay very long in a company that doesn't motivate, develop, and fairly reward them. Companies differ widely in the rewards, training, and development opportunities they offer to employees. If you value developing your skills and advancing in your field, it is wise to choose an employer with HRM practices that will help you do this.

My goal in writing this book is to help you to understand how to effectively use HRM tools to be a better manager and bring out the excellence in each of your employees. Effectively managing others is as important in marketing and accounting as it is in nursing, computer programming, construction, or any other field. I also want you to better understand how to leverage HRM to enhance your personal career success. Understanding how HRM policies and practices work can help you better identify a job or an organization you will enjoy working in, increase the chances of getting the job you want, and help you to be a more successful manager once you are there. An organization's HRM choices reflect a lot about its values and about what it is like to work there, and the better you understand HRM policies and choices, the better you'll be able to find a company that matches your values and motivations. The *Develop Your Skills* feature in each chapter will help you to develop more specific HRM skills by

providing a variety of tools and materials related to different HRM topics. Investing in developing your HRM skills will prepare you to be a more effective employee and manager.

Figure 1.1 illustrates how HRM affects the work processes that lead to competitive advantage, value creation, and organizational performance through strategic execution, the creation and maintenance of a positive work environment, and engaged employees. This model also illustrates the flow of this book.

FIGURE 1.1 ■ How HRM Influences Organizational Performance

What Employees *Should* Do
- Planning
- Laws and Regulations

What Employees *Can* Do
- Staffing
- Training

What Employees *Will* Do
- Compensation
- Performance Management

Effective Work Processes
- Strategic Execution
- Positive Work Environment
- Engaged Employees

Competitive Advantage

Organizational Performance

Essentially, HRM influences organizational performance through its influence on three key areas:

1. Influencing what employees *should* do

2. Influencing what employees *can* do

3. Influencing what employees *will* do

These three forces lead in turn to effective work processes, including a positive work environment, engaged employees, and strategic execution that create a competitive advantage for the organization. This competitive advantage then positively influences organizational performance.

What Employees Should Do

Factors including organizational strategy, the competitive environment, and legal requirements all influence what an organization's employees *should* do. After establishing a business strategy, managers identify the resources, skills, and quantity and quality of talent that will be needed to execute it. HR planning is an important HRM activity that involves designing work for optimum efficiency and performance as well as identifying the amount and types of talents the company will need to execute the business strategy. Because this aligns the HRM strategy, policies, and activities with the business strategy, it is essential to effective HRM. If a manager wants to grow the business, wouldn't it be helpful to know what skills and competencies employees need to possess and have enough time to develop them before they are needed? Analyzing work and human resource planning are covered in Chapter 4.

There are also many laws and regulations that affect HRM practices and the employment relationship. Failure to follow them can be costly both financially and to your organization's reputation and future business success. Many of these laws are necessary because of past employment discrimination in the United States. Diversity, equal employment opportunity, and relevant employment laws are discussed in greater detail in Chapter 3.

What Employees Can Do

Influencing what employees *can* do is another way HRM influences organizational outcomes. By finding, attracting, and hiring the right talent, recruiting and staffing acquire the motivation and the abilities from which the company can draw. The HRM function of training and development influences the capabilities of an organization's employees by developing employees' skills to meet changing business needs. Imagine that you are a nurse trying to use a complex new machine without proper training. Would you expect to perform well? Even if you had the best intentions, if the company didn't develop your skills, it's unlikely that you would succeed on the job. Chapter 7 will cover training and development in more detail.

Similarly, if you were required to work in an interdependent team, but the company didn't attend to teamwork skills in the hiring process, would your team work as effectively as it would if job candidates were evaluated and hired based in part on their ability to work effectively in teams? Because staffing and development activities are responsible for an organization's talent capabilities, they are the foundation of effective HRM. Even having a generous incentive plan won't matter if employees lack the basic ability to get their jobs done in the way the organization needs them done. You will learn more about recruiting and staffing in Chapters 5 and 6.

What Employees Will Do

Influencing what employees *will* do is the third way HRM influences organizational performance. By setting clear goals aligned with the business strategy, giving employees feedback on their performance toward those goals, and rewarding them for good performance, performance management and compensation influence employee motivation, effort, and persistence. If you were told to give customers high-quality service but were rewarded for the average number of customers you help in an hour, what would you focus on? Because people do what they're rewarded for doing, it is essential that rewards are aligned with desired behaviors and outcomes. Rewards include compensation (pay) but also praise, recognition, time off, or anything valued by the employee.

Compensation issues are often a contributing factor in unethical employee behavior. The bigger the potential reward, the greater the temptation for employees to cheat or even break the law, especially if they are close to earning the reward. Rewarding employees with a cash bonus for lower safety violations can inadvertently motivate employees to not report accidents and injuries.[9] Sometimes people's jobs are even on the line if they don't hit the unrealistic performance targets, putting them in a difficult ethical position. Wells Fargo fired over 5,000 employees in 2016 for opening fake customer accounts to meet the sales quotas required to keep their jobs. Opening these fake accounts never benefited Wells Fargo, which lost money on the dormant accounts, lost customer trust, and lost shareholder value when the news got out that this happened, and it received large regulatory fines.[10] Thinking through possible unintended consequences of different compensation and incentive plans is clearly a good idea. Chapters 9 and 10 discuss compensation and incentives in greater detail.

When what employees should do, can do, and will do are aligned in support of each other and are part of an organization's goals, work processes are most effective. Positive work environments help to generate engaged, committed employees who give the organization a competitive advantage through their increased effort and performance. Imagine what would happen if Google or Starbucks stopped investing in and rewarding their employees and creating a positive work environment. Do you think they would be as successful? Probably not. HRM creates value for an organization in a variety of ways, including reducing HR-related costs (e.g., turnover and lawsuits), improving customer service, creating stronger client relationships, and improving the cost and quality of the organization's products and services.

WHAT DOES HRM DO?

LEARNING OBJECTIVE
1.2   List and explain the purpose of the six primary HRM functions.

In a sentence, HRM creates the system that acquires, motivates, develops, and retains talent and is a key source of competitive advantage. The core of HRM is designing systems that maximize the efficiency and effectiveness of an organization's use of its talent in accomplishing organizational goals. As shown in Figure 1.2, the main functions within HRM are staffing, performance management, training and development, rewards and benefits, health and safety, and employee-management relations. The role of each of these HRM functions is described next and each topic will be covered in greater detail in later chapters.

FIGURE 1.2 ■ Main Functions within HRM
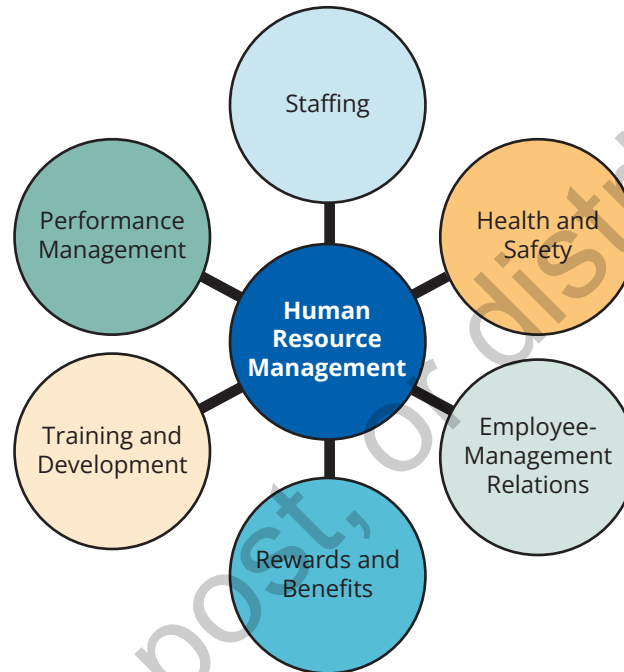
Staffing

There are millions of employers in the United States, employing anywhere from one to tens of thousands of people. Millions of employees are hired or separated every month, making staffing a multi-billion-dollar activity across the country. Staffing is the process of planning, acquiring, deploying, and retaining employees that enables the organization to meet its talent needs and execute its business strategy. This process supports the movement of talent into, through, and out of the organization in a way that enables it to compete successfully in its marketplace. Because an organization's people are central to its development of a competitive advantage and to the execution of its business strategy, strategic recruitment and staffing activities are cornerstones of organizational effectiveness. If you don't get the right people into the organization, no training or compensation program can make up for these initial talent deficiencies.

Effective staffing supports the organization's mission and objectives as well as its business strategy. After the nature and the requirements of the open job are identified, sourcing identifies potential recruits likely to meet or exceed the job's minimum personal and technical requirements. Recruiting then focuses on attracting these people to apply, retaining qualified applicants in the candidate pool while they are evaluated, and finally on enticing the chosen candidates to ultimately accept job offers. Once hired, efforts are made to retain successful employees and move them throughout the organization as needed. Separations due to poor performance, layoffs, or restructuring as well as employees quitting are also part of the staffing function.

Staffing practices can have a tremendous impact on a company's bottom line. Caribou Coffee discovered that the most important district manager competency was his or her ability to effectively staff the store manager position. When a district manager took the time to find the best replacement for a store manager

instead of automatically promoting the shift supervisor with the most tenure, the results had a strong impact on revenue.[11] Recruitment is discussed in Chapter 5, and selection and hiring are covered in Chapter 6.

Training and Development

Training and development is an important HRM function focused on developing employee capabilities through both formal and informal activities. The training and development function is also responsible for career planning, organizational development, and often legal compliance as well. For example, supervisors must be trained in how to properly conduct job interviews and terminations in ways consistent with a variety of state and federal laws.

Because training is often expensive, it can be a huge waste of resources if a company fails to hire people able to succeed in the organization's development programs. Large investments in training and development also might not be the right choice if employees tend to leave the organization before it recovers the cost of training them. For example, some retailers have turnover rates approaching 200%. It doesn't make sense to invest a lot of money in employees who are likely to leave before training investments are recouped.

Performance management and rewards must be aligned with training goals. If you are not rewarded for using skills on the job that were learned in training, and if you are likely to experience a drop in your productivity while you practice and master those skills, are you likely to use what you learned in training while on the job? What if you received no feedback on how well you were doing or how you could better apply the new skills? Would your motivation to use what you learned in training be very high? Clearly, it is important to think of HRM as a system of different functions that must be mutually reinforcing while at the same time supporting the organization's goals and strategies.

Any organization's future success depends on its next generation of leaders. Unfortunately, CEO succession planning tends to be an overlooked governance risk, and other than for the executive levels most firms lack succession plans for their top leaders.[12] Because Citigroup's directors didn't start identifying a possible new CEO until after CEO Charles Prince stepped down, the company was left directionless at a time when it had already fallen behind rivals and was facing huge mortgage-related losses. Google, on the other hand, planned for its leadership succession and prepared its next leader for his role. The company announced in December 2019 that Larry Page and Sergey Brin were stepping down and Sundar Pichai was taking over as CEO of Alphabet and Google; Pichai had already been working closely with Page since 2014, was CEO of Google since 2015, and was on Alphabet's board of directors since July 2017.[13] Succession planning and career development activities can help ensure that an organization has people ready to assume leadership positions as soon as they become available. Training and development are discussed in Chapter 7.

Performance Management

Performance management involves aligning individual employees' goals and behaviors with organizational goals and strategies, appraising and evaluating past and current behaviors and performance, and providing suggestions for improvement. Staffing influences the effectiveness of a performance management system by providing the raw talent that the system will manage. Even the best performance management system cannot replace important capabilities that employees must have to do their jobs well. Similarly, development programs are necessary to improve the skills identified in the performance management process. It doesn't do much good to let an employee know that she needs to improve her leadership skills if no opportunities for improving them are made available. Organizations also frequently tie compensation to performance management ratings. How would you feel if your bonus was determined by a supervisor's biased evaluation of skills and behaviors that weren't really related to your job performance? I know that this type of system wouldn't do much to motivate me!

Without performance goals, employees do not know what aspects of their jobs to focus on or what performance level is expected of them. As a result, they will tend to underperform, and some will quit or need to be replaced, potentially bogging down the staffing system. Without feedback, employees cannot adjust their behavior when necessary to reach their goals. Even if highly talented employees are hired, they can't perform their best if they get no feedback or if they get inaccurate performance

feedback. If they perceive the feedback they've been given about their performance is unfair, they will not be motivated to contribute as much as they could. Performance feedback is also important to maintaining ethical behavior and communicating organizational expectations. You will learn more about performance management in Chapter 8.

Rewards and Benefits

Compensation and benefits perceived as both adequate and equitable that reward employees for their contributions to organizational goal attainment are important to employee motivation, performance, and retention. As shown in Figure 1.3, **total rewards** refers to the sum of all of the rewards employees receive in exchange for their time, efforts, and performance. Total rewards are comprised of the following:

- *Direct financial compensation*: Compensation received in the form of salary, wages, commissions, stock options, or bonuses

- *Indirect financial compensation* (benefits): Any and all financial rewards not considered direct financial compensation, including health insurance, wellness benefits, paid vacations, and free meals

- *Nonfinancial compensation*: Rewards and incentives given to employees that are not financial in nature, including intrinsic rewards received from the job itself or from the physical or psychological work environment (e.g., feeling successful or appreciated).

FIGURE 1.3   ■   Total Rewards
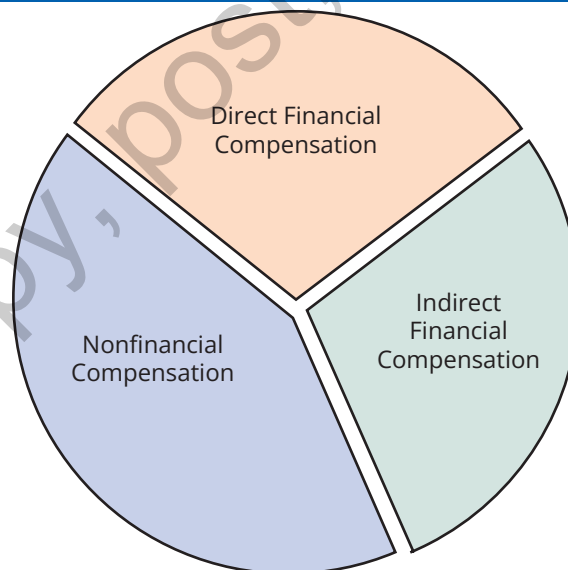
When evaluating an employer's job offer, it is important to consider the total rewards package, not just the salary level. When the value of other rewards including retirement contributions, continuing training and development, health and dental care, wellness programs, vacation time, and bonus programs are considered, a lower salaried job might be worth much more than one with a higher base salary.

The level of pay and total rewards an organization is willing and able to invest in employees can both determine and be determined by its ability to hire people with the necessary qualifications. If an organization is willing to pay premium wages, then its staffing effort can focus on identifying and attracting the most qualified candidates. If an organization would like to pay lower wages but is unable to hire the candidates it would like at its preferred salary levels, it may be forced to raise its salaries to be competitive in the labor market or make investments in training and development.

The success of incentive pay programs that reward employees for individual, group, or organizational performance is influenced by performance management systems. Clear and accurate performance feedback lets employees know how they are performing. Also, the performance-enhancing potential of reward and incentive programs will not be fully leveraged if employees' skills are lacking. Performance incentives are only effective if the individuals have the potential to perform well in the first place. Staffing and training must therefore be aligned with the behaviors and performance motivated by the incentive pay programs.

It should also be noted that paying top dollar to hire the highest quality candidates is not always the best strategy if the company doesn't really need top talent to meet its needs. In other words, sometimes the greater productivity of the most talented applicants fails to offset their higher salaries. For example, does every marketing employee really need an MBA? On the other hand, high pay can create a competitive advantage. Warehouse retailer Costco relies on its loyal customer base, high-quality supply chain, and engaged employees to give it a competitive advantage. Although Costco pays its employees twice the market rate and higher than its closest competitor, Sam's Club, Costco's lower turnover and higher employee productivity result in similar financial returns on its labor costs.[14] Its experienced and engaged employees, in turn, lead to a higher quality customer experience and a competitive advantage.

Direct financial compensation is discussed in Chapter 9, incentives and bonuses are discussed in Chapter 10, and nonfinancial benefits are discussed in Chapter 11.

Health and Safety

Workplace health and safety includes topics ranging from wellness, fire and food safety, ergonomics, injury management, disaster preparedness, industrial hygiene, and even bullying and workplace violence. Workplace accidents such as the Iowa pipeline leak of nearly 140,000 gallons of diesel fuel in 2017[15] and workplace violence incidents often make headlines. Workplace safety involves protecting employees from work-related toxins, accidents, and injuries. Workplace health refers to employees' physical and mental health. Reduced job stability and increased workload demands can increase stress and increase employees' risk for physical and mental illness. Recent data shows almost half of U.S. work sites of all sizes offer some type of wellness or health promotion program, including exercise, stop-smoking classes, and stress management.[16]

A healthy and safe work environment is not only ethical, but it benefits organizations by increasing employee productivity, lowering health care and workers' compensation insurance premiums, and decreasing health-related lost work time. Societal pressures for healthy and safe work environments have led to federal and state legislation covering many aspects of health and safety. Creating a healthy work environment is discussed in Chapter 12.

Employee-Management Relations

At its core, employee-management relations reflect societal beliefs about the relationship between employees and the capital owners of the organization. Employee-management relations ultimately determine the employment rights of both employers and employees. Labor participation programs, employee surveys, and other tools are used in managing employee-management relations. Positive employee-management relations improves communication, problem solving, and performance in both unionized and nonunionized organizations.

The field of employment relations (or industrial relations) focuses on unionized employment situations. By law, if employees want a union to represent them, then the company must recognize the union and bargain with it in good faith. The company and the union negotiate collective bargaining agreements that cover the terms and conditions of the employment relationship. In 2022, 33.1% of workers in the public sector belonged to a union, whereas only 6% of private sector employees were union members.[17] Labor unions and unionization rates have been declining for years, reaching a record low of 10% of the total U.S. workforce in 2023,[18] but they are still common enough that it is important to know about them and their influence on the practice of HRM. Creating positive employee-management relations is discussed in Chapter 13.

Employees' work environments can be dangerous. It is important to protect employees from work-related toxins as well as from accidents and injuries. Providing appropriate clothing and equipment, training employees in how to properly use them, and then holding them accountable for following the organization's safety rules all help keep employees healthy and safe. In this photo, the electrician is wearing protective gloves, a safety hat, and a safety vest and is following relevant safety procedures.

MPfoto71/Newscom

Alignment of the HR Functions

As the numerous examples above illustrate, if HRM functional areas' goals conflict, then influencing employee behaviors and organizational goals in desired ways will be much more difficult. Each of the functional areas of HRM must be consistent in what they reinforce, and care must be taken to ensure that they do not undermine each other.[19] Each chapter of this book contains a Strategic Impact feature that provides a deeper look into how an organization effectively utilizes HR to execute its business strategy. This chapter's Strategic Impact feature discusses how data analytics software company SAS aligned its HRM strategy.

STRATEGIC IMPACT
STRATEGIC HRM ALIGNMENT AT SAS

Privately held data analytics software leader SAS has customers in 146 countries around the world.[20] CEO Jim Goodnight "believes that his most valuable resource drives out the gate each evening and returns the next morning."[21] To support its strategic objectives of providing world-class analytics software and customer service, the company adheres to its motto of "Happy employees. Great work. No coincidence."[22] The company is committed to creating a best-in-class workplace culture and has adopted HR policies and practices that support a culture of trust, enable employees to lead balanced lives, and encourage employees' innovation and collaboration. SAS's performance management system gives employees autonomy and measures performance based on results.[23] In addition to unlimited sick days, compressed work weeks, on-site medical care, and college tuition reimbursement, the company involves even its interns in work on substantive problems.[24]

Because the field of analytics thrives on diverse ideas and data, SAS is also committed to supporting all employees by fostering career development programs that support minorities and using data and technology to reduce bias and recruit qualified candidates.[25] The company enjoys low turnover and is often included on the Fortune 100 best companies to work for.[26]

We now turn our attention to better understanding how HRM influences organizational performance.

HOW DOES HRM INFLUENCE ORGANIZATIONAL PERFORMANCE?

LEARNING OBJECTIVE
1.3   Explain how HRM influences organizational performance.

Human resource management policies and practices add value to organizations and influence organizational performance by either improving efficiency or contributing to revenue growth.[27] Because strategic interest in HRM is relatively new, it is a source of competitive advantage that many firms have yet to fully leverage. As shown in Table 1.1, effective HRM systems increase the organization's ability to meet its goals, enhance the organization's ability to grow and manage change, and increase employee engagement, effort, and performance.

TABLE 1.1 ■ What Effective HRM Systems Do

- Improve organizational efficiency
- Contribute to revenue growth
- Increase employees' understanding of their responsibilities and how they relate to the organization's mission, business strategy, and goals
- Develop and enhance employee capabilities and talents to enable strategic execution and goal attainment
- Equitably link rewards to responsibility level and performance
- Promote the efficient and effective utilization of employees' skills and knowledge
- Increase employee engagement, effort, and performance
- Increase the organization's ability to manage change
- Decrease an organization's legal liability through risk management and compliance with employment laws

Workforce issues can impact a company's revenue and earnings. Managing human resources strategically helps organizations manage four primary types of risk:[28]

1. *Strategic risk*: HRM initiatives can affect business strategy. These initiatives may include the overall talent strategy, company culture, ethics, investments in people, and the implementation of change initiatives.

2. *Operational risk*: These risks can influence an organization's ability to execute its business strategy. HRM affects the speed and the effectiveness of talent acquisition as well as the development of employees' skills and the identification and retention of top performers. These and other HRM activities can directly influence the organization's success or failure.

3. *Financial risk*: HRM performance affects the organization's workforce costs and productivity directly through compensation, benefits, turnover, overtime, and time-to-hire and indirectly through errors, accidents, delays, and lost production.

4. *Compliance risk*: Every employment-related decision can have legal ramifications, particularly in the areas of diversity, health and safety, union relations, whistleblowers, and harassment. SEC regulations mandate the board of directors' responsibility for oversight of risk management policies. Boards must make known any material risks with the potential to affect company earnings. Because the acquisition, retention, and performance of talent have the potential to affect company earnings, it is essential that organizations identify and manage these risks through effective HRM.

HRM practices also influence the interest rate a company must pay to borrow money. Moody's is an internationally known corporate bond rating service whose bond rating can dramatically impact a company's cost of credit. After making a direct connection between companies' financial performance and their success in the areas of recruiting, retention, leadership development, and training, these types of HRM factors now influence Moody's bond ratings and subsequent corporate interest rates.[29] FTSE Russell reports that the stock market performance of firms on the Fortune 100 Best Companies to Work For list is more than 300% higher than companies in the S&P 500 and the Russell 3000.[30] Difficulty in finding and keeping talent is often one of the biggest obstacles to achieving the growth global companies are hoping to achieve.[31]

The most effective HRM systems are based on solid research, identifying and implementing best practices, and aligning the HRM system with organizational goals and environmental realities. HRM strategies have the biggest influence on organizational performance when they are aligned not only with the business strategy but with each other. The role of HRM in business is discussed in greater detail in Chapter 2.

Understanding how to implement various HRM practices to match different situations is essential to maximizing organizational effectiveness. No matter what the challenge, there are HRM tools that will help. The HR Flexibility feature in each chapter will help you to recognize how to best apply HR policies and tools in different ways depending on the situation. This chapter's HR Flexibility feature describes HRM in smaller organizations.

HR FLEXIBILITY

HUMAN RESOURCE MANAGEMENT IN SMALL ORGANIZATIONS

Smaller firms with fewer than 500 workers make up more than 99% of the business establishments that exist, employing nearly 50% of the total workforce.[32] However, small organizations often lack the budget for a dedicated human resource management function. Unfortunately, managers in smaller organizations often lack training in HRM and do not recognize generally accepted HRM practices as necessary for improving productivity.[33] This lack of understanding of HRM issues and their importance in the operation of a successful business has negatively impacted many small firms. Inadequate and inefficient management of human resources often result in lower productivity and higher employee dissatisfaction and turnover.[34] At least one study has found HRM practices to be the leading cause of small firms' failures,[35] and numerous studies have indicated that recruitment and training are two of the most important management problems facing small businesses.[36]

Even small organizations can effectively use HRM to improve their performance. Organizations of all sizes share a need to identify and hire the right people, motivate them to perform their best, develop their skills to meet changing business needs, and retain them. Investing in HRM improves productivity and profitability of smaller as well as larger organizations.[37] Although HRM practices obviously increase a company's talent-related costs, they should be seen as an investment in the company's performance rather than solely as an expense.

THE ROLE OF HRM IN EXECUTING BUSINESS STRATEGY

LEARNING OBJECTIVE
1.4   Describe how HRM influences business strategy execution.

A company's **business strategy** defines how the firm will compete in its marketplace. A business strategy should reflect what the organization's customers want, what the firm wants, and what the firm can cost-effectively deliver. Business strategies are likely to differ across business units in a diversified corporation. Frito-Lay, Johnson & Johnson, and Colgate-Palmolive take different strategic approaches to ensure the success of their various business lines.

Developing a business strategy involves making choices about which products and services to offer and which strategies to pursue to gain a competitive advantage. Both choices depend on a company's competitive capabilities, strengths, and weaknesses. In other words, for a company to execute its business strategy, not only must its HRM policies and practices fit with its strategy, but its business strategy must also align with the competitive environment and the immediate business conditions.[38]

Business strategies are created to leverage the firm's resources and capabilities in ways that result in superior value creation compared to their competitors. Competitive advantage results from the ability to leverage resources and capabilities that derive in part from its talent. How a company positions itself to compete in the marketplace determines the competitive advantage it needs to create and the HRM strategies it needs to pursue to acquire, develop, motivate, and retain the appropriate talent.

An organization's **talent philosophy** is a system of beliefs about how its employees should be treated, including the following:

- the value placed on diversity

- ethics

- whether the firm would like employees to stay for a limited time or for their entire careers

- whether employees are viewed as assets to be managed or as investors choosing where to allocate their time and effort

Typically shaped by company founders, the talent philosophy reflects how an organization thinks about its employees. For example, some organizations view employees as partners and important stakeholders in the company, whereas others view employees as easily replaceable. Some firms plan to develop and retain employees for their entire careers, whereas others encourage more frequent employee "churn" to reduce training costs, and some firms place a higher value on treating employees ethically and fairly than do other companies.

A company's business strategy can also influence how a company interacts with its employees, which then affects how it decides to manage the movement of people into, through, and out of the company. Reflecting this, Goldman Sachs states, "Our people are our greatest asset—we say it often and with good reason. It is only with the determination and dedication of our people that we can serve our clients, generate long-term value for our shareholders and contribute to the broader public. At the crux of our effort is a focus on cultivating and sustaining a diverse work environment and workforce, which is critical to meeting the unique needs of our diverse client base and the communities in which we operate."[39]

A firm's **human resource strategy** links the entire human resource function with the firm's business strategy. Strategic human resource management aligns a company's values and goals with the behaviors, values, and goals of employees and influences the strategies of each of the firm's human resource functions, including staffing, performance management, training and development, and compensation. The alignment of these separate functions creates an integrated human resource management system supporting the execution of the business strategy, guided by the talent philosophy of the organization.[40]

Global Issues

Effective HRM requires flexibility in matching HRM practices to the business strategy, internal and external labor market, and an appreciation that people's expectations and values differ around the world. The more an organization tailors its HRM efforts to the different values and needs of its employees around the world, the more effectively it will attract, hire, motivate, and retain the talent it needs. Kevin Martin, the chief research officer of human capital research and data firm Institute for Corporate Productivity believes that the business case to develop leaders with global competencies is very clear. "Business skills and acumen remain critical but are now table stakes. It's the ability to influence and drive collaboration across cultures, boundaries, and borders that has the greater variability on global leadership effectiveness and can make the biggest difference."[41]

A **global mindset** is a set of individual attributes that enable you to influence individuals, groups, and organizations from diverse socio/cultural/institutional systems.[42] Because global mindset is learned, experiences can influence it in a positive or negative manner.[43] Every year, the financial services giant HSBC sends promising new hires and managers into long-term international business experiences to build a cohort of international officers. To make a career at HSBC, managers must perform these international missions in Western countries as well as in Saudi Arabia, Indonesia, and Mexico. This enables HSBC to develop a continuous supply of globally competent managers. Other multinationals pursue similar approaches to enable them to transfer expertise and knowhow around the globe.[44]

Although good pay and interesting work are motivating to most people,[45] people from different cultures have different traditions, are often motivated by different things, and communicate in different ways.[46] For example, some cultures communicate directly, and others are more reserved. Some cultures put a high value on family life, whereas others stress the importance of work. As Kofi Annan, former secretary-general of the United Nations put it, "Tolerance, intercultural dialogue, and respect for diversity are more essential than ever in a world where peoples are becoming more and more closely interconnected."[47] Motivating employees in a multinational organization can be particularly challenging, and it requires some degree of flexibility.

The effectiveness of HRM policies and practices is influenced by the role expectations, norms, and traditions in that society.[48] For example, countries including the United States, Sweden, and Germany have small variation in the distribution of power across supervisors and employees, whereas others such as Japan and Mexico have a large power difference. Research has found that managers in paternalistic and high power-distance cultures tend not to provide job enrichment and empowerment to employees.[49] If supervisors feel that large power differences are legitimate and appropriate, they may be uncomfortable implementing HRM policies promoting employee development and autonomy.

Each chapter in this book contains a Global Issues feature that highlights how HRM practices are affected by globalization, culture differences, or other global issues and how the practice of HRM differs across countries and cultures. This is not only important when doing business internationally, but it can also explain how employees from different cultures react differently to different HRM practices. This chapter's Global Issues feature discusses issues that can arise when managing global volunteers.

GLOBAL ISSUES

MANAGING GLOBAL VOLUNTEERS

Managing talent in for-profit organizations can be challenging enough. The challenges are further increased in not-for-profit organizations and nongovernmental organizations (NGOs), including global humanitarian and relief organizations. In these types of organizations, some of the employees are volunteers or unpaid staff who work in non-native countries. There are no reward systems and managers have no ability to use financial incentives to motivate volunteer performance. In addition, nonproductive volunteers may linger in the organization, diverting resources and other workers from accomplishing the organization's mission.[50]

One of the key challenges in managing global NGOs is managing diversity and conflict. Language and cultural barriers exist, as well as differences in work styles and priorities. Another key challenge in any NGO is assigning volunteers to roles that they are motivated to do and that they are capable of doing well. Because so much of volunteers' motivation comes from intangible rather than from tangible rewards, managers must meet the needs of each individual volunteer. Flexibility in motivating and rewarding the performance of each volunteer, clear goal setting and training in the ways tasks are to be carried out, and regular performance feedback and appreciation are important in meeting these needs. The California State Railroad Museum gave each paid supervisor 200 thank you cards at the beginning of the year that must all be used to thank volunteers by the end of the year.[51] These techniques are also effective in managing paid employees but are particularly critical when managing volunteers.

Gaining a Competitive Advantage Through HRM

All organizations can benefit from effective HRM. Imagine the difference between a company with skilled, motivated employees with clear goals aligned with the business strategy and one with unhappy employees who lack the ability to do their jobs safely and well, and who are unclear about what they need to do. As NASCAR President Steve Phelps said, "It ends up being about people…. Give them the opportunity to be excellent. Each individual is an important part of the whole."[52]

According to business strategy expert Michael Porter, to have a competitive advantage, a company must ultimately be able to give customers *superior value for their money* (a combination of quality, service, and acceptable price). This could be due to providing either a better product that is worth a premium price or a good product at a lower price.[53] Different competitive advantages require different approaches to HRM. Operationally excellent organizations operate with tight margins and rely more on teamwork than individual performance. They are typically not able to provide high pay or benefits, and they need to attract and retain employees willing to follow consistent procedures and control costs.

A competitive advantage based on product innovation requires employees to continually develop new products and services to create an advantage in the market. This strategy is common in technology and pharmaceutical companies. Apple, Nintendo, and 3M are good examples of organizations whose competitive advantage is based on product innovation. To protect their entrepreneurial environment, HRM must develop and reinforce an innovative culture. Instead of hiring based only on candidates' related job experience, it is important to assess whether a candidate can work cooperatively in teams and whether she or he is analytical and creative.[54] HRM in innovative companies also motivates employees to persist and overcome challenges.[55]

A competitive advantage based on delivering unique and customizable products or services requires tailoring the company's offerings to meet the demands of different market niches. Employees must be able and willing to combine detailed knowledge about their customers with operational flexibility so they can respond quickly to almost any customer need, from customizing a product to fulfilling special requests. Consulting, retail, and banking organizations often adopt this approach.

Starbucks is able to command a high price for a cup of coffee because it focuses on customer relationships. Imagine if Starbucks reduced its HRM investment, cut back on its employee benefits, and began to hire cheaper labor, including people who don't enjoy interacting with customers. Starbucks' competitive advantage would quickly erode, and its performance would suffer. Starbucks would have to reduce its prices to keep customers coming back, which would further hurt profits. Talent is often considered to be the most critical element in building a customer-oriented company.[56] Hiring active learners with good customer relations skills and emotional resilience under pressure helps to ensure that an organization continually enhances its ability to deliver on promises to customers.[57]

Pursuing a growth strategy requires the development of current talent and the acquisition of additional talent. For example, growth-oriented chains such as Chipotle Mexican Grill and Panera Bread typically frequently open new stores that require additional management, employees, and even product distribution staff. The success of a growth strategy depends on the firm's ability to find and retain the right number and types of employees to sustain its intended growth. Growth can be *organic*, happening as the organization expands from within by opening new factories or stores. If it is, it requires an investment in recruiting, selecting, and training the right people to expand the company's operations. Firms can also pursue growth strategies through *mergers and acquisitions*. Mergers and acquisitions have been a common way for organizations to achieve growth, expand internationally, and respond to industry deregulation. In addition to expanding the organization's business, mergers and acquisitions can also be a way for an organization to acquire the quality and amount of talent it needs to execute its business strategy.

It is important to consider the match between the two organizations' cultures, values, and organizational structures when using mergers and acquisitions to implement a growth strategy. Mismatches between merged or acquired organizations can result in under-performance and the loss of talented employees. Mergers and acquisitions often fail because of culture issues rather than technical or financial issues.[58] The failed DaimlerChrysler, HP and Compaq, and AOL-Time Warner mergers are just a few prominent examples.

Retaining high-performing employees and keeping employees engaged helps to create and maintain any type of competitive advantage. Southwest Airlines' high employee engagement and fun culture contribute to low employee turnover, great customer service, and high company performance.[59] Software provider SAS created an award-winning work environment that makes the company a challenging, employee-friendly, and fun place to work. A casual dress code, training and career advancement opportunities, fitness center, flexible work schedule, and excellent health benefits help to keep SAS's turnover rate low and its employees productive.[60] Managing employee engagement and turnover is discussed in greater detail in Chapter 14.

WHO IS RESPONSIBLE FOR HRM?

LEARNING OBJECTIVE
1.5 Explain who is responsible for HRM.

Although larger organizations often have an organized HRM department, many smaller organizations do not. Some of the more administrative HRM tasks, including benefits management and payroll, are increasingly being outsourced for cost savings to allow the HRM function to focus on more strategic business issues. Technology is also making it easier for organizations to require supervising managers to perform more HRM activities, thus increasing the effectiveness and efficiency of various HRM activities. From global positioning systems to cloud computing, technology has influenced the way firms conduct business. Human resource management has also been influenced by technology. Technology can be a training aid, a feedback and communication system such as instant messaging or email, or a tool for sourcing and recruiting potential employees. Automated performance feedback, career portals, artificial intelligence-driven chatbots, and online benefits and wellness management systems are just a few modern HRM tools made possible by technology. The ways technology is being used by organizations to execute various HRM activities are highlighted in how to use technology in HRM most effectively.

HRM activities are performed by HRM professionals, managers, individual employees, shared service centers, outside vendors, and professional employer organizations. Let's take a look at the various functions and roles that are responsible for HRM, beginning with HRM professionals.

The Role of HRM Professionals

HRM professionals are not the organization's police. Their role, along with the HRM function, is to align the talent philosophy and HRM strategy with the business strategy and company values, develop supervisors' skills in managing and using HRM effectively, and serve as a resource for supervisors' questions and ongoing needs. Although focused on the "people" side of the business, HRM professionals are responsible for the effective running of the business and need appropriate business acumen. HR professionals must understand how their business makes money and understand the company's economic and financial capabilities to make sound business decisions. The HRM department is also the warehouse of the firm's expertise in all areas of HRM, including employment law, staffing, compensation, benefits, teamwork, communication, performance management, and employee development.

HRM professionals are also responsible for managing organizational change, including business expansion, restructuring, and downsizing. This requires good communication and influence skills as well as problem-solving and leadership competencies.

The Role of the Manager

HRM is the responsibility of everyone who supervises other employees. In fact, the effectiveness of HRM systems often depends on the ability and the willingness of managers to execute HRM tasks and responsibilities. The HRM department is a support function that gives managers the tools needed to execute the firm's HRM strategy and helps them develop the skills in using these tools. For example,

As a manager, it is important to meet your job and HRM responsibilities and help your employees reach their personal career goals as well. Supervisors who help their employees advance often enjoy high performing and motivated employees. In this photo, a supervisor is taking the time to explain a marketing plan to an employee.

Meeko Media

the HRM department might develop structured interview guides or performance management forms, but if the managers do not use these tools properly, their potential value to the organization will not be realized. When Mattel transformed and modernized itself, one of the biggest changes they made was to empower managers to be partners with HR in evaluating and managing the talent capabilities of their units. Mattel managers now have the responsibility of managing their employees' experiences rather than relying on HR to solve their talent challenges.[61] Because HRM policies are created by the company but are executed by managers, the role of supervisors as well as the HRM department in executing HRM strategies and policies is important to understand.

The Role of the Employee

Employees are increasingly being held at least somewhat responsible for taking the lead in their own development and career management. It is always best to have your own career development plan and continually develop your skills to meet your career goals. Employees are also sometimes held jointly responsible for keeping the HRM system accurate and current with regard to their skills and certifications.

Communication and feedback between HR and employees are extremely important. Most employees' knowledge of HRM and associated legal issues is minimal, and it is up to the employer to ensure that employees have the HR knowledge they need. **Employee handbooks** document the organization's HRM policies and procedures, and they are very important in helping employees learn about the company's HRM policies. Further, handbooks allow employees to easily research topics they need more information on later. Most organizations have put their HRM handbooks online, making it easy for employees to quickly find the information they need.

Shared Service Centers

A **shared service center** centralizes the routine, transaction-based HRM activities, including payroll, benefits administration, and employee exit surveys. A shared service center can prevent redundancies and save money, as well as improve the consistency and the efficiency with which these tasks are done. This can provide an alternative to outsourcing these tasks, and it can free up HR professionals' time to focus on more strategic issues. Some companies, such as Home Depot, created call centers to handle HR questions directly from both employees and managers throughout the company.[62]

Outside Vendors

Outsourcing is the hiring of an external vendor to do work rather than doing it internally. When another company or provider can perform a task or service better, cheaper, or more efficiently, it can make sense to outsource work. Payroll processing, time and attendance records, and benefits management are some of the more frequently outsourced HRM tasks. A company can outsource one or many HRM tasks.

Outsourcing some HRM activities is particularly attractive to smaller companies. HR functions including payroll, benefits administration, and new hire relocation require special knowledge, and full-time employees may not be worth the expense to smaller firms. Because they specialize in human resources, outsourcing companies often know how to get employees the best HR services, including health benefits and retirement plans. They may also be able to provide rewards programs to your company for less than you would pay on your own. Also, if your company needs any kind of HR support in issues such as worker's compensation, outside vendors have this expertise and can also help you stay current on the most recent state and federal regulations to help your company stay compliant. It is critical to develop a strong relationship with external vendors to ensure they strongly support your organization's goals, strategies, culture, and philosophies.

Professional Employer Organizations

A **professional employer organization** (PEO) is a company that leases workers to companies that need them for a fee, ranging from 2% to 7% of the worker's gross wages.[63] The PEO is technically the employer of these workers, and it manages their administrative needs, including training, discipline, payroll, and benefits. Leasing workers helps companies acquire talent they may not be able to hire on their own, and it increases their flexibility. Instead of hiring permanent employees who may have to be let go in a business downturn, leased employees give the organization the option of not renewing the lease if the worker is no longer needed.

CURRENT ISSUES IN HRM

LEARNING OBJECTIVE
1.6 Describe some current issues in the field of HRM.

Artificial Intelligence

Organizations are increasingly adopting **artificial intelligence (AI)** in many areas of their business, including HRM. AI is the ability of a human-made system comprising algorithms and software programs to identify, interpret, generate insights, and learn from provided data sources to achieve specific predetermined goals and tasks.[64] Many HRM departments are using AI to improve productivity, collaboration, and profitability. Because the technology is relatively new, investments in employee learning programs and building employees' skills and confidence in using AI tools are growing. Global professional services company Genpact identified AI as a key skill for all of its employees and developed training courses on topics such as prompt engineering and how to leverage large language models for its clients. It also built an AI-enabled learning platform that leverages the collective intelligence of its experts to deliver personalized reskilling paths for its over 115,000 employees.[65]

AI is streamlining HR processes, providing useful analytics, and improving the talent acquisition process. Tools such as Workable use AI to not only evaluate résumés but to also analyze data identified from LinkedIn and other online resources to create a list of candidate leads and even write an email to use to attract them. ChatGPT can develop a recruiting strategy, including step-by-step instructions, write HR policies, and even write job descriptions.[66] AI can also be used to chat with recruits to answer questions quickly, conduct video interviews, and even walk new hires through new hire forms and onboarding sessions. It can track and analyze employee performance data throughout the year and give managers comprehensive reports about each of their team member's strengths, improvement areas, and

progress toward performance goals to facilitate and improve the performance management process. AI can also automate and analyze employee engagement surveys and create personalized learning and development programs based on employees' current roles and personal goals. HR chatbots and virtual assistants can give employees instant answers to their questions while freeing the HR team to focus on more strategic tasks.[67]

Some of the concerns about using AI in HR include how to maintain data privacy and security and how to prevent the use of AI from decreasing the quality of the employee experience. Because AI relies on algorithms derived from the data input into it, ensuring the use of unbiased data and checking algorithms for fairness and legal compliance are critical. As the technology is relatively new, it is also important to establish clear objectives and evaluation criteria and regularly evaluate the performance of AI against them to enable timely changes and updates to optimize results. Some popular AI tools include ChatGPT (https://openai.com/chatgpt), Bard (https://bard.google.com), and Grok (https://grok.x.ai/).

This chapter's case study discusses how Nestlé incorporated technology, including AI, to improve its HR function to enhance the employee experience and improve company performance and efficiency.

CASE STUDY: HR TRANSFORMATION AT NESTLÉ

Founded in 1867, multinational food and beverage manufacturer Nestlé now has over 2,000 brands including Nespresso, KitKat, and Purina pet food and employs over 270,000 employees in over 110 countries.[68] Many of Nestlé's employees work in its factories and distribution centers, and others work remotely. The Covid-19 pandemic increased the company's focus on increasing employees' skills as well as on providing more mental health initiatives.[69] The company wanted to leverage technology to increase employee capabilities and efficiencies while allowing the organization to become more agile, and the global pandemic increased the urgency of moving things online.[70]

During the pandemic, the company adopted Microsoft Teams to facilitate communication. To automate job candidate interview scheduling, which previously took a lot of time, Nestlé introduced a chatbot that uses conversational AI. Over 5,000 candidates now engage with the chatbot weekly in over 10 languages.[71] To eliminate the use of paper in its factories and increase employee engagement in its training programs, the company enhanced its online training offerings and increased factory worker access to its online learning platforms. It also began using artificial intelligence and predictive analytical tools to enable faster employee decision-making and greater productivity and efficiency. A virtual assistant was developed to help employees learn how to use the new tools with minimal effort.[72]

Going forward, Nestlé is looking into using more automation through digital assistants and artificial intelligence to enhance the employee experience. The company is exploring ways of leveraging these technologies to remove department silos and enable its employees to work across business functions.[73]

Questions

1. What are the benefits of relying heavily on technology and automation for HR functions?
2. What are the potential downsides of relying heavily on technology and automation for HR functions?
3. What are some other ways that companies like Nestlé can use technology to enable workers to do their jobs better and be more engaged at work?

Legal Issues and the Role of Ethics in HRM

The Society for Human Resource Management (SHRM) is the world's largest professional association devoted to HRM. SHRM's Code of Ethical and Professional Standards in Human Resource Management is available on its website. Numerous federal, state, and local laws also affect the practice of HRM, and it is important to stay current as they change frequently. Ethical issues are covered in each chapter, and Chapter 3 is dedicated to exploring legal issues in HRM. Because consistent ethical behavior is an important foundation for legal compliance, this chapter's self-assessment activity gives you a chance to evaluate your level of professional ethics.

Self-Assessment

PROFESSIONAL ETHICS

Please write the number of the response that best reflects your level of agreement to each statement to the left of each one. When you have finished, total your responses to calculate an overall score that you can reference at the bottom of this activity for feedback.

<---1-----------2-----------3-----------4-----------5-----------6-----------7--->
Strongly disagree   Neutral   Strongly agree

_____ 1. I show respect for my classmates and teachers.
_____ 2. I strive to be a role model for ethical behavior.
_____ 3. I am comfortable starting discussions about ethical issues when they arise.
_____ 4. I am sensitive to the ethical concerns of others.
_____ 5. I am honest with others.
_____ 6. When involved in a conflict I try to ensure that the other person is also satisfied with the outcome.
_____ 7. If I am not sure about an ethical situation, I am comfortable getting advice from others.
_____ 8. Being thought of by others as an ethical person is important to me.
_____ 9. I respect others' opinions that differ from my own.
_____ 10. I set an example for others with my ethical behavior.

Feedback: Higher scores reflect a greater level of professional ethics. You might reread the items to which you responded with the lowest ratings to better understand where you might set personal improvement goals. Reflecting on why you gave the ratings you did can also help you better understand the source of your ethical values and give you some insights as to what you might do to improve your professional ethics. Because being a manager requires a high level of professional ethics, this investment should improve your future professional success. Because legal compliance is a big part of management in general, and particularly human resource management, higher scores on this assessment reflect greater potential for success in these fields.

Human Resource Management Systems

Employee data must be kept accurate, current, and private. Organizations used to rely on Excel spreadsheets to maintain this information, but the evolution of technology has created a better way. Human resource management systems (HRMS) are technology-based platforms that help human resource management professionals securely house sensitive employee records, including benefits and payroll information; monitor the performance of the recruiting and staffing process; conduct analytics, and more. They can be cloud-based, such as Workday or Cornerstone OnDemand, or they can be maintained by the company.

Some organizations create secure private portals that allow employees to upload confidential information, and others allow for extensive analytics to be run. The HRMS platforms available today accommodate varying degrees of specialization, with some optimized for the management of large numbers of hourly workers and others emphasizing specific talent management areas such as recruiting, compensation, or benefits. Because there are so many features and tools available, it is important that how a company will actually use its HRMS be identified and drive its HRMS selection decision. If employees and managers need to use the system as well as the HRM department for open enrollment or to approve time sheets, it is important that the system be easy for them to use as well.

HRMS platforms are increasingly able to integrate a variety of applications and conduct analytics and produce reports that have more relevant and deeper insights than ever before. The technology is also increasingly able to support continuous performance feedback programs rather than annual performance reviews.

WHY IS HRM IMPORTANT TO YOUR CAREER?

LEARNING OBJECTIVE
1.7   Explain why HRM is important to every manager's career.

Knowing how to design maximally productive and mutually rewarding work relationships with employees is important to every manager's success, even if your profession is something other than HRM. If you are unable to hire effectively, motivate employees, or retain your best performers, then your job performance will suffer. Hiring the right people, motivating and developing them, and ensuring that they are engaged in their work and committed to the company are some of the skills that define great managers. Knowledge of HRM and skills in practicing it will give you a competitive advantage in your own career, even if you are not going into the field of HRM. This book is written to help all readers understand the role of HRM in employee, team, and organizational effectiveness and will be useful to you regardless of whether or not you pursue a career in the field of HRM. If nothing else, you are likely to be an employee subjected to the HRM system and policies of your employer. The better you understand the role and goals of HRM, the better you can understand your employer's goals and utilize this system to your fullest advantage.

DEVELOP YOUR SKILLS

A career in human resource management can be rewarding both personally and financially. Occupational forecasts suggest that the income and opportunity prospects in HRM are favorable for at least the next decade. In fact, O*NET OnLine states that the projected growth of human resources managers jobs is expected to be 5%–8% from 2022 to 2032, faster than the average for all occupations.[74] As employees retire, new companies form, and current organizations evolve to remain competitive and adapt to new technologies they will need human resources managers to create and administer relevant programs and ensure that changing and sometimes complex employment laws are followed.

Some of the job titles in the area of HRM include director of human resources, recruitment specialist, HR business partner, compensation analyst, employee benefits manager, work-life manager, diversity and inclusion specialist, learning and development specialist, international human resource manager, and human resource generalist. Different skills are needed in the different areas of HRM. For example, strong quantitative and analytics skills are helpful in compensation, and good communication skills are critical in recruiting and training.

You can learn more about HRM career opportunities including their employment outlook, educational requirements, and average salaries in the Occupational Outlook Handbook at www.bls.gov or by using O*NET at www.onetonline.org. Table 1.2 contains information about some HRM-related organizations, many of which offer educational courses and certifications if you are interested in learning more about professional opportunities in HRM. Many offer student memberships, and some provide free resources to help you learn more about current issues in various aspects of HRM, including compensation and benefits, training, staffing, employee relations, and employee health and safety.

TABLE 1.2 ■ HRM Related Organizations	
Organization	*Website*
Academy to Innovate HR	https://www.aihr.com/courses/
American Staffing Association (ASA)	https://americanstaffing.net/
Association for Talent Development (ATD)	https://www.td.org/
HR Certification Institute (HRCI)	https://www.hrci.org/

Organization	*Website*
HR University	https://hr.university/
Human Capital Institute (HCI)	https://www.hci.org/
Human Factors and Ergonomics Society (HFES)	https://www.hfes.org/home
HR Policy Association (HRPA)	https://www.hrpolicy.org/
International Association for Human Resource Information Management (IHRIM)	https://www.ihrim.org/
International Foundation of Employee Benefit Plans (IFEBP)	https://www.ifebp.org/Pages/default.aspx
International Personnel Assessment Council (IPAC)	https://www.ipacweb.org/
International Society for Performance Improvement (ISPI)	https://www.ispi.org/
Labor and Employment Relations Association (LERA)	https://www.leraweb.org/
Society for Human Resource Management (SHRM)	www.shrm.org
Society for Industrial and Organizational Psychology (SIOP)	https://www.siop.org/
Talent Management Institute (TMI)	https://www.tmi.org/
World at Work Total Rewards Association	https://worldatwork.org/
World Federation of People Management Associations	https://wfpma.org/

If you are interested in learning more about HRM as a career field, this chapter's Develop Your Skills feature gives you more information about careers in HRM. This book isn't written solely for HRM majors—every future manager will benefit greatly from learning and applying the knowledge in this book.

SUMMARY AND APPLICATION

Why is it that some organizations perform better than others in the same industry? The answer is that it is not the buildings, chairs, or technology that make a company successful. It is the organization's *people* that really make a difference in how an organization performs. By acquiring the talent that is the foundation of any organization's performance, developing the skills and teamwork needed to execute its strategies, and motivating and rewarding employees for accomplishing company goals, HRM is critical in converting potential employee performance to actual performance and to strategic execution. Effective HR systems positively influence what people should do, can do, and will do for their employer.

Business strategies are intended to leverage the firm's resources and capabilities in ways that result in superior value creation compared to competitors. A competitive advantage depends on an organization's ability to leverage the resources and capabilities that derive from its talent. How an organization positions itself to compete determines the competitive advantage it needs to create and the HRM strategies it needs to pursue to acquire, motivate, and retain the appropriate talent. By influencing what employees should do, can do, and will do, effective and strategic human resource management aligns employees' talents, goals, and motivation with what the organization needs. Each of the HRM functional areas, including staffing, training, compensation, and performance management, must be consistent in what they reinforce, and care must be taken to ensure that they do not

undermine each other. Human resource management systems help organizations leverage technology to make HRM processes more efficient and enable analytics that generate accurate and relevant insights into what can be done to enable higher individual, team, and organizational success and enhance strategic execution.

As you learned at the beginning of this chapter, understanding human resource management can help you succeed in whatever career you pursue. Studying this book can help you better understand how organizations differ, understand the role of human resource management in your own job performance, and improve your HRM skills. By studying the chapters and putting some thought into how you can use the various concepts in different situations, you are taking an important step in advancing your career.

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Real World Challenge

HOW CULTURE REINFORCES BUSINESS STRATEGY AT PATAGONIA

Patagonia is "a cause, disguised as a company," according to its Chief of HR Dean Carter, and one of its core values is not being bound by convention.[75] Patagonia has a unique culture that supports its mission of protecting the natural environment and taking care of its employees and customers. Its commitment to its employees is reflected in the title of its employee handbook: "Let My People Go Surfing" and its overarching company goal of "Do well and do good."[76]

Patagonia's first interview question for job candidates is, "What drew you here?" A good answer reflects concern for the planet and a desire to do something about it. The company also looks for employees who can diversify its culture and who have a genuine interest in helping others through volunteering or participating in community groups and clubs.[77] Patagonia uses technology to encourage employees to request feedback because feedback that is requested is much more effective at generating change than unsolicited feedback.[78]

Patagonia also reinforces its culture with its benefits plan. After a year with the company, employees can take up to two months off with pay to volunteer with an environmental project or cause. And Patagonia will even pay for bail for the employee and a spouse who get arrested for peacefully protesting on behalf of the environment. The company also offers subsidized on-site childcare that has enabled nearly 100% of its new moms to return to work.

Patagonia's HR system clearly reinforces its unique culture and business strategy. And it is valued by employees, too. Not only is Patagonia regularly on the Fortune list of the 100 best companies to work for, it has a very low 4% turnover rate, and approximately 9,000 applicants usually apply for the few positions that do become available.

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Takeaway Points

1. HRM influences organizational performance through its influence on what employees *should* do, what employees *can* do, and what employees *will* do. HRM creates the system that acquires, motivates, develops, and retains the talent that determines the organization's success. Because employee costs are a large part of an organization's operating budget, it is essential to properly manage the investments a company makes in its people.

2. The six primary HRM functions are staffing, performance management, training and development, rewards and benefits, health and safety, and employee-management relations.

3. HRM influences organizational performance by either improving efficiency or contributing to revenue growth. Strategically managing HRM also helps organizations manage strategic, operational, financial, and compliance risks and can influence the interest rate the company must pay to borrow money.

4. If even a single HRM functional area reinforces goals that are in conflict with the other functional areas, influencing employee behaviors in desired ways and executing the company's

strategy will be much more difficult. For example, the performance- enhancing potential of reward and incentive programs will not be fully leveraged if the training and development and staffing functions do not acquire and develop the right skills. The alignment of these separate functions creates an integrated human resource management system supporting the execution of the business strategy, guided by the talent philosophy of the organization. HRM professionals, managers, and employees are each responsible for aspects of HRM in organizations.

5. HRM is the responsibility of HRM professionals, managers, and employees themselves. Shared service centers, outside vendors, and professional employer organizations can also help employers meet some of their HRM needs.

6. Current issues in the field of HRM include artificial intelligence, staying current with the law, ethics, and implementing human resource management systems. The Society for Human Resource Management's Code of Ethical and Professional Standards in Human Resource Management is available on its website.

7. Knowing how to design maximally productive and mutually rewarding work relationships with employees is important to every manager's success. The job performance of someone unable to hire effectively, motivate employees, or retain top performers will suffer.

Discussion Questions

1. Describe some good and bad experiences you have had with HRM as a job candidate or as an employee. How could the bad experiences have been avoided?

2. Would an organization's HRM practices influence your decision to apply for a job or accept a job offer? Why or why not?

3. How would you prioritize what workers can do, what they should do, and what they will do in terms of their importance to the employer? Why did you rank them as you did?

4. If you worked in a small organization, how would you convince the CEO to invest more in HRM?

5. Which aspects of HRM do you feel are most important for the employee, supervisor, and HRM professional to be responsible for? Why?

6. How can HRM help you advance and succeed in your career?

PERSONAL DEVELOPMENT EXERCISES

Exercise: What HRM Career Is Right for You?

Go to O*NET at www.onetonline.org and enter different HRM keywords in the "Occupation Search" box (e.g., training, recruiting, and human resource manager). Click on one of the resulting job titles, and read the information provided about the job tasks, tools and technology used, and characteristics needed for successful job performance. Also read the information about the education, interests, work styles, and work values to learn about your potential fit with that position. Do this again for at least two other HR-related positions. Be sure to choose your state from the drop-down menu at the bottom of each job's O*NET page to see more information about the jobs and possibly view a short video further describing the job.

Choose your favorite of the jobs you explore, then research the wage and employment trends information about it. This information is available on the job's O*NET page, and you can get state-specific information by choosing a state from the drop-down menu near the bottom of the page. Write a one-page paper describing your chosen position, why you chose it, and the employment outlook in the location you hope to live. Evaluate your current capabilities and identify areas you might need to strengthen to increase your chances of acquiring this job in the future.

Exercise: Effects of HRM

How will HRM affect you even if you don't work in HRM, and how can your understanding of HRM help you to be more effective as an employee? Think about each of these six HRM topics and for at least four of them identify at least two ways each will affect you personally at work. For example, your knowledge of how compensation rates are determined will help you to be a better negotiator of starting pay and future raises.

1. Recruiting

2. Hiring

3. Training

4. Compensation

5. Employee Benefits

6. Managing Engagement and Turnover

Exercise: Using AI in HRM

Form a small group of three to five students. Go to bard.google.com/chat and enter the following prompt: "Please create a fair HR policy about the use of AI in the workplace." Read the results, then answer the following questions. Be prepared to share your answers with the class.

1. What do you think are some of the best HR policy suggestions? Why?

2. What do you think is the role of an HR employee in using these results? Can they be used verbatim, or will they need to be edited?

3. What cautions would you give an organization about using these results?

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STRATEGIC HRM EXERCISES

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Exercise: Competitive Advantage Through HRM

Form small groups of three to five people. Vote on a spokesperson and discuss the following questions to share with the class after 10–15 minutes. Be sure to record your ideas.

1. What companies do you think make the best use of HRM in creating a competitive advantage? Why?

2. What companies do you think could do a better job leveraging HRM to enhance their performance? Why?

Exercise: How HRM Influences Organizational Performance

I would like to thank Professor Daniel Montez of South Texas College for this exercise idea.

Divide the class into three groups of three to five students. The first group will discuss what employees *should* do. The second group will discuss what employees *can* do. The third group will discuss the topic of what employees *will* do. Students should share personal experiences about their own work experiences as well as what they know from friends and family and what they know from reading this chapter. Be prepared to share your group's five favorite ideas with the class.

Exercise: Informational Interviews

I would like to thank Professor Barbara Rau of the University of Wisconsin-Oshkosh for this exercise idea.

Conduct email, phone, or in-person informational interviews with two to three different HRM professionals at different types of companies. Identify three to five questions you would like to ask each person about HRM or how HRM is used in his or her organization. Write a one- to two-page report summarizing your interview results.

INTEGRATIVE PROJECT

Identify an industry in which you are interested in someday working and create a name for a fictitious company that you will be working on all semester for this case study. If you want to use a current or past employer, you may do that instead. If you haven't already thought about a preferred industry, take the time to research several options to identify one that best meets your preferences for growth, financial performance, ethics, and environmental sustainability. Choosing an industry is as important as choosing an employer and a specific job—it influences how much flexibility you will have in your job (for example, some industries are more regulated than others), your promotion opportunities (faster growing industries provide greater opportunity for advancement), and your compensation (industries with higher profit margins can afford to pay employees more than industries without high profits).

Your first task is to read as much as you can about the industry, its top performing companies, its growth outlook, and its current challenges and opportunities to be able to make decisions in setting up a human resource management function for your company. Describe what your company's business strategy, competitive advantage, and talent philosophy will be—how will you position yourself to successfully compete in this industry? Assume that your company will be of any size and located anywhere that you would like; just be consistent throughout the case.

THE FORKED OAK CASE

The Forked Oak is a national restaurant chain noted for providing outstanding customer service, high-quality and creative food that changes with the seasons, and a memorable diner experience. Because of the quality of its food and service, as well as its reputation as a quality restaurant, the restaurant enjoys good pricing power and charges above-market prices for its menu items and extensive wine list. The company understands how important its employees are to its customers' experience and to its reputation, and it takes talent management very seriously.

Imagine that you are a consultant and the leadership team of The Forked Oak asks for your help in better aligning its HRM strategy with its business strategy and help it perform even better in the future. Create no more than five slides outlining how The Forked Oak can better leverage HRM to help the company achieve and maintain a competitive advantage over its rivals.

KEY TERMS

artificial intelligence (AI)	human resource strategy
business strategy	outsourcing
competitive advantage	professional employer organization
employee handbooks	shared service center
global mindset	talent philosophy
human resource management	total rewards

2 THE ROLE OF HUMAN RESOURCE MANAGEMENT IN BUSINESS

LEARNING OBJECTIVES

After reading this chapter, you will be able to:

2.1 Establish the importance of organizational culture and explain how human resource management (HRM) reinforces it.

2.2 Describe how HRM supports high-performance work systems.

2.3 Explain how HRM influences ethics and corporate social responsibility.

2.4 Identify how HRM can support organizational change.

2.5 Explore the role of cultural differences in global HRM.

2.6 Demonstrate the importance of HRM metrics.

Carterdayne

HOW CULTURE REINFORCES BUSINESS STRATEGY AT MARRIOTT

After modest beginnings as a root beer stand, global lodging company Marriott International now has thousands of lodging properties across 30 brands in over 130 countries and territories.[1] The company's vision is to be the world's lodging leader. To accomplish this goal, the company focuses intensely on taking care of guests, developing a highly skilled and diverse workforce, and extensive operational knowledge. Marriott has built a strong culture that emphasizes the importance of the company's people and the value they bring to the organization.

Marriott International's "Spirit to Serve" culture focuses on executing fundamental ideals of service to associates, customers, and the community. Its founder's philosophy was to "take care of associates and they will take care of the customers" and that philosophy continues today.[2] Marriott asks you for your advice on how the company can use HRM to further enhance its "Spirit to Serve" culture. After reading this chapter, you should have some good ideas.

HRM affects the performance of any business. Although some industries and businesses are more dependent than others on their talent to create a competitive advantage, it is difficult and perhaps impossible to identify a business in which talent does not matter.[3] As Thomas J. Watson, Jr., founder of IBM once said, "I believe the real difference between success and failure in a corporation can be very often traced to the question of how well the organization brings out the great energies and talents of its people."[4] Understanding the role of HRM in business will help you to identify which investments in HRM are likely to matter most.

Data consistently shows that people are one of the highest costs of running an organization and that strategic HRM positively affects business outcomes. For example, the market value of companies that use HRM best practices including selective recruiting, training, and employment security is more than 50 percent higher than that of firms that do not.[5] Many organizations could dramatically improve their business outcomes by investing in the strategic use of HRM, including the following:[6]

- creating an HRM strategy that is integrated with the business strategy

- using effective HRM metrics and analytics

- ensuring that HRM employees have high levels of business knowledge and skill

- delivering HRM services effectively and efficiently

HRM influences business in both direct and indirect ways. In addition to acquiring and developing the skills and the capabilities the organization needs, aligning employee and organizational goals, and motivating employees to perform their best, HRM also influences the environment in which work is done and how employees get their work done. Great companies often (and appropriately) credit their employees with their success. As Phil Knight, chairperson emeritus of the board and cofounder of Nike explains, "It's not a single product model, nor a single manager, nor one ad, nor a single celebrity, not even a single innovation that is key to Nike. It is the people of Nike and their unique and creative way of working together."[7]

By reinforcing the values of the firm, HRM helps clarify for employees how they are to behave and make decisions. For example, why do you think employees in some companies act more socially responsibly than do employees in other firms? Although certainly due in part to differences in the values of the employees, these differences are also driven by the expectations, rewards, goals, and feedback created by the HRM system through organizational culture. Hiring socially responsible people, rewarding employees for acting responsibly, and punishing or removing employees who do not support social responsibility strongly affects employees' socially responsible behavior and decision-making.

This chapter begins by discussing the importance of organizational culture and how HRM supports different types of cultures. Our attention then turns to the importance of ethics and social responsibility and how HRM can reinforce both of these important values. Next the role of HRM in creating

high-performance work systems is discussed. These topics are part of effective work processes in the book's overall model of HRM. The chapter ends with a discussion of how HRM supports organizational change and success in mergers and acquisitions. After reading this chapter, you should have a good idea of the variety of ways HRM systems and activities contribute to organizational effectiveness.

WHY IS ORGANIZATIONAL CULTURE IMPORTANT?

LEARNING OBJECTIVE

2.1 Establish the importance of organizational culture and explain how human resource management (HRM) reinforces it.

An organization's culture is like its personality. **Organizational culture** is made up of the norms, values, and assumptions of organizational members. A company's culture is reinforced by things such as logos, ceremonies, dress codes, and even office decorations and furniture placement. An organization's culture guides employees' attitudes and behaviors in the absence of formal policies or rules and creates the context for what they do. Culture is often defined more casually as "the way we see and do things around here." Culture is critical in aligning employees' goals with those of the organization.

When asked for tips on building a strong company, Fred Wilson of venture capital fund Union Square Ventures stated that, "You have to start with culture, values, and a commitment to creating a fantastic workplace. You can't fake these things. They have to come from the top. . . . They are everything."[8] Research has found that a firm's culture is positively related to important outcomes, including financial performance (Tobin's Q and revenue growth), employee attitudes, and analysts' stock recommendations.[9]

Business strategies can be reinforced or undermined by their fit with the firm's culture.[10] Isadore Sharp, founder, chair, and CEO of the Four Seasons hotels, states, "Personal service is not something you can dictate as a policy. It comes from the culture. How you treat your employees is how you expect them to treat the customer."[11] Similarly, rigid, bureaucratic, rule-oriented cultures are much less likely to support creative new product innovation.

Four broad types of organizational culture are listed below:[12]

- *Entrepreneurial*: Emphasizes creativity, innovation, and risk-taking. Electronic Arts and IDEO are examples of companies with entrepreneurial cultures.

- *Bureaucratic*: Emphasizes formal structures and the correct implementation of organizational procedures, norms, and rules. This type of culture is commonly associated with consistency and high ethical standards. Pharmacies and drug manufacturers such as GSK (formerly GlaxoSmithKline) and Merck often adopt bureaucratic cultures.

- *Consensual*: Emphasizes loyalty and tradition, and encourages employees to stay with the organization for a long time. Promotion is generally from within. Law firms and the military are good examples of this type of culture.

- *Competitive*: Emphasizes competitive advantage and market superiority. Brokerage and currency trading firms are consistent with this type of culture, which often produces a large amount of stress.

Organizations frequently possess a combination of these four types of culture but with an emphasis on one over the others.[13] Another aspect of culture that is particularly related to organizational effectiveness is the degree to which it is focused on high performance. A **performance culture** focuses on hiring, retaining, developing, motivating, and making work assignments based on performance data and results. Because all employees are focused on winning, performance permeates every aspect

of the firm. Sports teams such as the New York Yankees and the Pittsburgh Steelers consistently excel because of their strong performance cultures, as do restaurants that schedule their highest performing servers to their busiest shifts. It is important to remember that cultures evolve over time, sometimes positively (e.g., as companies adopt more socially responsible values and practices) and sometimes negatively. A Tesla investor filed a lawsuit against the company for breaching their fiduciary duty by fostering a toxic environment of harassment and discrimination which exposed the company to millions of dollars in potential liability.[14]

The HRM system strongly influences employees' perceptions of the organization's culture. What type of culture do you think is reinforced by low pay, few benefits, little training, lots of rules, and fast punishment if you break them? Probably not one that talented employees would choose to work in for very long. Investing in establishing and maintaining a culture that supports the organization's goals and business strategy pays off. Customer satisfaction, customer service quality, financial performance, organizational effectiveness, and total quality management outcomes are influenced by employees' perceptions of culture.[15] 3M credits its success at regularly innovating new products to a culture "that stimulates ordinary people to produce extraordinary performances."[16]

Culture and HRM work together to influence employees' performance and behaviors. The HRM system has the most immediate effect on employees' behaviors because it formalizes the company's expectations through explicit goals and formal policies. In situations where formal policies don't exist, the organizational culture takes over. By reinforcing the desirability of certain values or behaviors, the HRM system helps to reinforce the organizational culture. This emphasizes the importance of aligning the HRM system, the organizational culture, and the business strategy.

Since the Covid-19 pandemic, more employees are working from home, which can make it more challenging for them to experience their employer's culture. Although a strong positive culture can help maintain the engagement of remote employees, supervisors need to build coaching habits that reinforce this culture and help all employees connect to the values and mission of the organization.

A negative organizational culture can risk an organization's reputation and even its survival. When an Uber employee went public with reports of a managers' misconduct, a movement started to delete their app, and their ability to recruit the top technology talent on which it is dependent likely decreased.[17] Because small culture failures ultimately lead to big culture crises, an important role of human resources is to monitor the culture through the use of regular employee surveys and make adjustments as needed. When the Uber employee reported her experience with a male colleague, she was told by both HR and upper management that "even though this was clearly sexual harassment, they wouldn't feel comfortable giving him anything other than a warning and a stern talking-to."[18] For her, HR was the only recourse she had to report managers' wrongdoings, and HR's failure to provide a safe environment in which she could report misconduct left her feeling unsupported and left with no choice but to either ignore the harassment or leave. Ultimately, Uber only addressed the issue because the employee went public with her story.[19] To many people, cultural issues of diversity, equity, and inclusion seem like "soft" issues, but it is becoming clear how important it is for companies to incorporate these issues into their culture, in order to create an environment where success is possible.

A study of new accounting employees found that new hires stayed an average of 14 months longer in companies with people-oriented cultures.[20] Starbucks is a good example of a people-oriented culture. Starbucks pays above minimum wage, offers health care and tuition reimbursement benefits to part-time as well as full-time employees, and provides additional benefits such as weekly free coffee. These policies help Starbucks benefit from a turnover rate lower than the industry average. This lower turnover creates more stable store environments, lowers new-hire related costs such as training, and improves productivity and speed of service.[21] On the other hand, a bureaucratic culture that stifled innovation and risk-taking is thought to have contributed to Nokia's declining mobile phone market share.[22]

An organization's culture can have a strong influence on behavior when employees develop a shared interpretation of the organization's policies, practices, procedures, and goals and develop shared perceptions about what behaviors are expected and rewarded. The more HRM practices send strong and consistent signals about what strategic goals are most important and what employee behaviors are

Organizational culture communicates what employee behaviors are expected, supported, and rewarded. HRM practices including teambuilding and team recognition events like this one can reinforce the importance of collaboration and diversity, equity, and inclusion.

pixelfit

expected, supported, and rewarded relative to those goals, the more likely it is that those goals will be achieved. Companies can advertise hotlines and encourage employees to report anything improper, but if the culture has too much fear and not enough trust, no one will call. In some cases, these fears are warranted. Some employees who called the Wells Fargo ethics hotline to report unethical sales practices were fired despite it being against the law to suppress whistleblowing.[23]

The culture of Hollywood animation hit factory Pixar is as strong as its technology. Pixar communicates and instills its culture through Pixar University, a unique training complex in which all employees learn together. Randy Nelson, former dean of Pixar University, states, "Most companies eventually come around to the idea that people are the most important thing. It's fine to have wildly talented individuals. But the real trick, the higher degree of difficulty, is to get wildly talented people to make productive partnerships." He concludes that for Pixar the most urgent question is, "How do you do art as a team sport?"[24] Pixar's answer has been to build a culture supported by HRM that encourages people to share their works-in-progress and support coworkers. Pixar's president, Ed Catmull, believes that his calling is to create a sustainable creative culture that will persist in the company for a long time. He even comes to all new hires' orientation sessions to reinforce its culture.[25]

A strong HRM system increases the chances that employees will perceive the organization similarly and identify the same culture. A weak HRM system sends either mixed or ambiguous messages that are subject to individual interpretation. This leads to either variability in how the culture is interpreted or the interpretation of a culture other than the one the organization desires.[26] HRM influences organizational cultures by determining the type of person who is hired and fired, what is trained, what goals and expectations exist, what people are held accountable for, and who is rewarded. Volkswagen's "no failure" culture and climate of fear combined with the CEO's ambitious growth goals are blamed for its emissions-test scandal where it installed software to beat emissions tests by using phony data rather than fixing the problem.[27]

Employee and organizational preferences for different types of cultures tend to vary across national cultures.[28] This chapter's HR Flexibility feature describes how different business strategies can be reinforced by different cultures and how HRM can help to do this.

Because it guides employee attitudes and behaviors, organizational culture is essential to the establishment of corporate ethics and corporate social responsibility. We now turn our attention to how HRM can reinforce both values.

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HR FLEXIBILITY

USING HRM TO REINFORCE DIFFERENT BUSINESS STRATEGIES THROUGH CULTURE

Companies differ in the strategies they use to compete. Some firms, including Walmart work to keep their costs low in order to provide the lowest prices to customers. Others, such as Lexus or Tiffany's, strive to provide the best quality or service. Still other firms try to serve specific market niches or continually develop new and innovative products or services. The organizational cultures and HRM policies and activities that support each business strategy differ.

Think for a moment about what culture you would create and how you might use HRM to reinforce a low-cost business strategy. This doesn't necessarily mean paying low wages, only making sure that the return on wages is sufficiently high. Outsourcing services or activities that an external partner can provide as well or better than the company at a lower price would also reinforce a low-cost strategy. Creating a culture of thrift and frugality is another possibility, as well as training employees in the most efficient ways of getting their work done.

Now contrast those ideas with the culture you would create and how you might use HRM to reinforce an innovation strategy focused on developing new and innovative products. This strategy is often supported by a culture of teamwork and collaboration supported by extensive training, team development, and performance-based rewards.[29] Staffing might focus on acquiring creative, talented, entrepreneurial people (which is what Google does). When Charles Schwab and Company's performance slipped, it decided to move away from its long-standing culture of teamwork and start providing incentives for individual brokers. It claimed that the change was intended to improve client relationships and reward highly productive individuals working in underperforming branches who weren't being properly rewarded, but the new system sent mixed messages to its employees about whether the company now placed a greater value on individual performance or teamwork.[30]

It is important to remember that there is no "best" HRM system. As you read this book and apply what you learn, recall that it is most critical to align HRM policies and practices with each other and with the business strategy. Also remember that using the "wrong" HRM tool or incorrectly using the right tool can both cause a lot of damage.

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WHAT IS THE ROLE OF HRM IN HIGH-PERFORMANCE WORK SYSTEMS?

LEARNING OBJECTIVE

2.2 Describe how HRM supports high-performance work systems.

Companies that implement **high-performance work systems** (HPWS) utilize a fundamentally different approach to managing than do more traditional hierarchical and bureaucratic organizations. HPWS, sometimes known as *high-involvement* or *high-commitment* organizations, enable high performance through employees. HPWS organizations should be structured so that individuals at the lowest level in the organization not only perform work but also are responsible for improving work methods and procedures, solving problems on the job, and coordinating their work with that of others. Employees also can and should be expected to operate without a controlling supervisor.

In HPWS, workers are to a large degree self-controlled and self-managed. With the help of leaders who develop a clear vision, mission, and goals, HPWS workers are expected to adapt to changing circumstances. Because employees in HPWS identify with, are committed to, and fully participate in the organization, they give greater effort and are more effective than workers in control-oriented organizations.[31] Research has, in fact, found that using a wide variety of power-sharing, reward, information-sharing, and training practices has positive outcomes.[32] Noted management scholar Jeffrey Pfeffer

concluded that "Substantial gains, on the order of 40 percent or so in most of the studies reviewed, can be obtained by implementing high performance management practices."[33]

In his book *The Human Equation*,[34] Pfeffer identified seven elements of HPWS:

1. Employment security

2. Selective hiring of new talent

3. Self-managed teams and decentralization of decision-making as the basic principles of organizational design

4. Comparatively high compensation contingent on organizational performance

5. Extensive training

6. Reduced status distinctions and barriers, including dress, language, office arrangements, and wage differences across levels

7. Extensive sharing of financial and performance information throughout the organization

The particular set of managerial and HRM practices supporting a HPWS varies across companies, but it must always be internally consistent and self-reinforcing.[35] Employees in a high-involvement organization feel responsible for its success because they know more, do more, and contribute more.[36] They have the power, information, knowledge, and rewards to perform at the highest level.[37] Southwest Airlines is one of the companies consistently utilizing this approach.[38]

Although some employees find the increased responsibility of HPWS to be stressful, many are motivated by it. The benefits of HPWS to employees and to the organization are summarized in Table 2.1.

TABLE 2.1 ■ Benefits of HPWS
Employee Benefits
Greater personal development
Higher work engagement, satisfaction, and commitment
Greater involvement in organizational decisions
Higher quality of life
Higher self-esteem
Organization Benefits
Higher productivity
Greater flexibility and competitiveness
Higher customer satisfaction
Higher product quality
Lower turnover

Aligning HRM activities and policies with the goals and processes that support HPWS is particularly important because HPWSs require a heavy investment in employees that is lost if the firm cannot attract and retain quality people.[39] This is a core theme that runs throughout this book: the most effective HRM systems are *internally aligned* and are *targeted toward clear organizational objectives*.

THE ROLE OF HRM IN CORPORATE ETHICS AND SOCIAL RESPONSIBILITY

LEARNING OBJECTIVE
2.3   Explain how HRM influences ethics and corporate social responsibility.

Ethics are the standards of moral behavior that define socially accepted behaviors that are right as opposed to wrong. Honesty, tolerance, and responsibility are basic moral values that guide ethical evaluations. Although it might seem intuitive that firms should behave ethically, a glance at the news headlines often suggests that unethical behavior is more common than you might think. Bernie Madoff's Ponzi scheme defrauded investors of tens of billions of dollars and was called, "extraordinarily evil" by the judge handling the case.[40] DocGo CEO Anthony Capone resigned after confirming that he didn't receive a previously claimed degree.[41] Corporate espionage by the Formula One racing team McLaren on rival Ferrari,[42] and JP Morgan creating fake accounts to inflate customer numbers[43] are just two additional high-profile ethical lapses. When ethical lapses occur, a "culture problem" is often blamed.[44] HRM professionals are uniquely positioned to build and reinforce an ethical culture because their role in hiring, training, evaluating, and rewarding employees allows them to influence ethical values and practices at all levels of an organization.

It is important to remember that "unethical" is not always the same as "illegal." Some unethical behaviors can be acceptable under the law. This makes it critical that organizations proactively identify their ethical values and reinforce these values with their employees. As shown in Figure 2.1, ethical employee behavior results from ethical values, clear expectations, and rewards and punishments supporting ethical behavior.[45]

FIGURE 2.1 ■ A Formula for Ethical Behavior

Ethical Values + Clear Expectations + Rewards/Punishments Supporting Ethical Behavior → Ethical Employee Behavior

The challenge of managing workplace ethics is complicated by the diverse values of today's global workforce. Because some people feel that the business ethics message of "do the right thing" only states the obvious, they don't take business ethics seriously. For many others, ethical principles go right out the door when they are highly stressed.[46]

How can we tell if an action is unethical? There are five different types of ethical standards that help us evaluate the ethics of an action:

1. The **utilitarian standard**: The ethical action best balances good over harm by doing the most good or doing the least harm. When Southwest Airlines cuts all employees' pay rather than laying anyone off, it is following a utilitarian standard.

2. The **rights standard**: The ethical action is the one that best respects and protects the moral rights of everyone affected by the action, including the right to privacy, to be told the truth, or to be safe. If a supervisor tells an employee to handle a toxic substance without appropriate protective gear, the employee has a right to refuse.

3. The **fairness standard**: The ethical action treats all people equally, or at least fairly, based on some defensible standard. The fairness standard is central in the debate over the appropriateness of CEO salaries and bonuses that are hundreds of times larger than the pay of the average employee.

4. The **common good standard**: The ethical action shows respect and compassion for everyone, especially the most vulnerable. Ensuring that suppliers do not employ child labor or provide unsafe working conditions is an example of applying the common good standard.

5. The **virtue standard**: The ethical action is consistent with certain ideal virtues including civility, compassion, and benevolence. This standard asks, "Is this action consistent with my behaving at my best?" A company valuing honesty quickly recalling products that might be defective or dangerous reflects the virtue standard.

These five different types of ethical standards sometimes suggest different actions in a given situation. Different people may even disagree on the execution of some of the approaches or support different ethical standards. Nonetheless, each ethical standard provides guidance in evaluating the ethics of a situation or decision.

Some unethical behaviors occur because some people are simply less ethical than others,[47] but the broader organizational context and systems are also relevant. Company leaders often give too little thought and time to developing and reinforcing an organizational culture in which people can and do act ethically. There are three types of systemic errors organizations often make that undermine their ethics efforts:[48]

1. *Omission errors*—a lack of written rules

2. *Remission errors*—pressure to make unethical choices

3. *Commission errors*—a failure to follow sound, established operational and ethical practices

All three of these errors can have obvious negative consequences. One of the strongest predictors of unethical behavior is an employee's emphasis on self-gain. In fact, the factor most likely to cause an employee to compromise an organization's ethical standards is the pressure to meet unrealistic business objectives or deadlines.[49]

You are probably already familiar with the moral benefits of attending to ethics. Additional benefits from managing corporate ethics include the following:

- promoting a strong public image

- substantially improving society

- helping to manage change

- cultivating teamwork and productivity

- supporting employee growth

- helping to ensure that policies are legal

- helping to avoid criminal acts on the part of employees

- helping to manage employee values associated with quality management, strategic planning and diversity management

Ethical employee behavior determines short-term organizational performance and long-term organizational success. If employees do not consistently behave ethically, long-term sustainability is unlikely for any organization. As management experts Wayne Cascio and Peter Cappelli state, "Ethics, values, and strong organizational cultures are the very fabric of business."[50] Despite the obvious problems that can result from unethical employee behavior, most organizations do not have a comprehensive ethics and compliance program.

In addition to the ethical challenges facing all managers, HRM has its own ethical issues. Some common ethical issues in HRM are described in Table 2.2.

HRM promotes ethics by hiring ethical employees, setting clear goals for ethical behavior, training employees in recognizing ethics issues and properly handling ethical situations, and holding employees accountable for ethical behavior. To guide ethical behavior, organizations frequently adopt a code of conduct or a code of ethics to clarify what is and what is not acceptable.

TABLE 2.2 ■ Common Ethical Issues in HRM
Privacy Issues: Keeping employees' and applicants' personal and medical information private; deciding on the appropriate use of employee surveillance (including via e-mail and video cameras); maintaining confidentiality.
Staffing: Handling pressure to hire a friend or family member; dealing with employees found to have faked their credentials during the hiring process; avoiding bias and illegal discrimination.
Layoffs and Downsizings: Managing employee separations fairly and equitably.
Rewards: Responding to pressure to classify a person into a job grade higher than they deserve in order to give them a raise; responding to pressure to give executives more generous incentives or benefits than is necessary; paying fair wages.
Safety: Deciding how to handle bullying; creating and enforcing safety and health policies; managing work stress and employee wellness.
Performance Appraisal: Ensuring objectivity and fairness; avoiding the use of nonperformance factors in the performance evaluation.
Labor Practices: Using child labor; limiting working hours; exploiting workers; respecting human rights.

Codes of Conduct and Codes of Ethics

A **code of conduct** specifies expected and prohibited actions in the workplace and gives examples of appropriate behavior. A **code of ethics** is a decision-making guide that describes the highest values to which an organization aspires. It specifies the company's ethical rules regarding what employees should and should not do. Companies maintaining high-quality codes of conduct are more likely to be ranked higher on corporate citizenship, ethical behavior, sustainability, and public perception.[51]

Relying solely on a code of conduct to manage ethical behavior in the workplace is not enough. Companies must also treat employees fairly, align HRM systems to promote ethical behavior, and hire and promote ethical leaders at all levels of the company who reinforce the values behind the code. A clear system of reward and punishment is particularly important in establishing an ethical culture. Effective managers both reward ethical behavior and respond quickly to ethical violations. Table 2.3 highlights some of the ways HRM can support corporate ethics.

TABLE 2.3 ■ How HRM Can Support Corporate Ethics
Hire employees likely to behave ethically
Train employees how to recognize and handle different ethical situations
Implement a company code of conduct and make all employees accountable for following it
Include ethics information in regular company communications to reinforce its importance
Promptly remove employees involved in unethical behavior or decision-making
Create a reward program that reinforces ethical behavior
Develop a support system that helps employees make the right decisions and anonymously report others' unethical behavior

How Does HRM Influence Corporate Ethics?

According to the Federal Sentencing Guidelines for Organizations, six basic elements are important to a complete ethics and compliance program.[52] Note how many of these are the responsibility of the HRM function:

1. Written standards for ethical conduct

2. Ethics training

3. Providing a way for seeking ethics-related advice or information

4. Providing a mechanism for anonymously reporting misconduct

5. Disciplining employees who violate the law or the standards of the organization

6. Evaluating ethical behavior as part of an employee's regular performance appraisals

Changing technologies can influence the ethical situations the HRM function must manage. Increasing use of robotics, remote work, and machine-assisted work increases the opportunity for supervisors and the HRM function to monitor what employees do and how fast they do it, as well as whether they are devoting their full attention to their work. Artificial intelligence is also transforming the nature of work and the experience of work for employees. The ethical use of AI and other smart technologies and the development and enforcement of policies are the responsibility of HRM.[53]

The role of ethics in HRM will be regularly discussed throughout this book. This chapter's case study describes how ethical issues contributed to the collapse of the FTX cryptocurrency exchange.

CASE STUDY: ETHICAL FAILURES AT THE FTX CRYPTOCURRENCY EXCHANGE

FTX was a cryptocurrency exchange valued at $32 billion at its peak. The company was actually a conduit for fraud, and when it went bankrupt in 2023, it brought multiple other businesses down with it.[54] The company violated its own terms of service that stated that FTX cannot use customer funds for purposes other than just holding them on behalf of its customers. John J. Ray, who was brought in to unwind the company after its implosion said that he had never seen "such a complete failure of corporate controls."[55] FTX founder Sam Bankman-Fried was ultimately found guilty of seven counts of fraud and conspiracy.

Bankman-Fried was a member of the Effective Altruism (EA) movement and hired many EA followers even if they did not possess any skills useful to the company. He put friends and acquaintances in key roles for which they had no training or experience and donated tens of millions of dollars to EA and to political campaigns in part to pursue his EA beliefs. Although by 2019 multiple EA leaders were warned about the red flags surrounding FTX, including Bankman-Fried's untrustworthiness and FTX's failure to implement standard business practices, they continued to accept his donations.[56] Bankman-Fried often failed to appear at scheduled meetings and often played video games while on Zoom in important meetings.[57] Bankman-Fried had carefully curated a false reputation as an altruist and ethical entrepreneur. Sophisticated investors and accountants were taken in by the fraud and misrepresentations. The concentration of control among a very small group of inexperienced employees and the lack of internal controls and corporate governance helped to create the environment in which this crisis was possible.[58]

Questions

1. What are some of the core ethical and social responsibility issues present in FTX's behavior?
2. If you were an FTX employee, would you have spoken up about any of these issues? Why or why not?
3. How could HRM have improved ethical and socially responsible behaviors at FTX?

How Does HRM Influence Corporate Social Responsibility?

Corporate social responsibility happens when businesses show concern for the common good and value human dignity. This can include philanthropy and social initiatives such as giving employees paid time off to engage in community service projects. Corporate social responsibility can also involve hiring diverse employees, protecting employees on the job, protecting the environment, and making safe products.

In the area of social responsibility, eco-friendly candle company Altered Seasons provides a meal to an American in need through Feeding America for every candle it sells.[59] Hotelier Marriott International, featured in this chapter's opening real-world challenge, replaced plastic and paper

containers in its cafeteria with real plates and compostable, potato-based containers called SpudWare. Marriott employees also receive thermoses to eliminate paper cups and can trade in burnt-out regular light bulbs from home or work for compact fluorescents. Green ambassadors throughout the company spread the word on shutting off lights and electronics, printing double-sided, and forgoing paper whenever possible.[60]

Some organizations blend their social responsibility initiatives with employee development activities. Mars Chocolate's Mars Ambassador Program allows employees to spend up to six weeks on projects run by one of the company's partner organizations, such as the World Wildlife Federation, or on projects initiated in partnership with local sites and communities. The projects allow employees to share their professional or technical expertise to enhance their partners' capabilities and improve employees' understanding of the communities that support the business.[61]

How an employer treats its employees is an important part of corporate social responsibility. Organizations are increasingly interested in balancing their financial performance with their employees' quality of life and improving the local community and broader society. One expert defined corporate social responsibility this way: "Regardless of how many people with whom you come in contact, every one of them should be better off for having known you and your company."[62]

Adopting a broader **stakeholder perspective** that considers the interests and opinions of all people, groups, organizations, or systems that affect or could be affected by the organization's actions supports social responsibility. The stakeholder perspective puts responsibility above shareholder value or profitability. Ethical behavior and social responsibility are increasingly seen as the appropriate ways of managing and conducting business. Environmental issues, ethics, employee and product safety, and corporate governance are the four primary categories that encompass corporate social responsibility.

Can socially responsible behavior also help a company? In fact, it can help a firm attract the best talent,[63] and customers are increasingly patronizing companies that do the right thing. As Walter J. Cleaver, President and CEO of the Human Resource Planning Society puts it, "Sustainability is not just looking at the short term; it's building for the long haul. A lot of companies are looking at the financial, social and environmental impact of what they do. Starbucks pays more for coffee beans because it donates a certain amount to the farmers and schools (of a foreign country) so they can keep a good supply source. A company's long-term existence is in many ways connected to how the public perceives it in terms of values."[64]

Socially responsible business practices are becoming a core part of how many organizations do business. Nonetheless, some people still believe that companies and their managers should focus solely on stockholders' interests. Others believe that because business is an influential element of society it has a duty to help solve public problems. Social responsibility supporters also believe that ethical and socially responsible behavior is more rational and more profitable, and, therefore, it is essential for organizational effectiveness.[65]

So how are organizations using HRM to support corporate social responsibility? Human rights are increasingly being incorporated into HR vision, mission, and values statements. Starbucks Coffee's Global Human Rights Statement states, "Starbucks Global Human Rights Policy emphasizes Starbucks commitment to basic human rights as a core component of the way Starbucks does business and how Starbucks engages its employees."[66] Corporate social responsibility is also increasingly included as a factor in performance evaluations and merit pay increases. Training in corporate social responsibility awareness and skills, training managers to report abuses, developing an ethical corporate culture, and ensuring that global contractors act in ethical and socially responsible ways are examples of other HRM initiatives that support social responsibility.

To be lasting, social responsibility efforts must be integrated into the culture of the organization. Accordingly, corporate social responsibility has the biggest impact when it is integrated with HRM.[67] HRM's threefold role in corporate social responsibility includes making sure people management practices are ethical, giving employees the right support and training to embed corporate responsibility in their behaviors, and embedding ethics into the organizational culture. Serving stockholders as well as the larger population of stakeholders, which includes workers, customers, the community, and even our planet, are not mutually exclusive.

Table 2.4 highlights some of the socially responsible HRM programs and policies being implemented by U.S. corporations.

TABLE 2.4   ■   Examples of Socially Responsible HRM Practices
Workplace diversity
Favorable working conditions
Nonexploitation of workers, including discrimination and harassment
Work-life balance initiatives
Community volunteerism and charitable giving programs

Employee participation in social responsibility initiatives can motivate employees and generate some good ideas. When a printing company set a goal to reduce its waste by 20% over five years, its executive team naturally focused on streamlining its printing operations to reduce paper waste. A receptionist pointed out that the number of individual lunches delivered to the office every day created a significant amount of food packaging waste. By investing in a small café and encouraging employees to eat a buffet-style lunch, the printer reduced twice as much waste as it did by streamlining its printing operations.[68]

The International Organization for Standardization (ISO), the world's largest developer and publisher of international standards, has created a variety of standards that help organizations meet their environmental and social responsibility objectives. In addition to environmentally related standards such as sustainability and carbon emissions, the ISO publishes management standards including those for leadership, customer focus, involvement of people, and continual improvement.

Managers have a great deal of influence over the execution of corporate responsibility programs, and they need to be aware of any likely challenges to successful implementation. Some of the greatest obstacles to successful execution of corporate responsibility programs are the following:

1. A focus on quarterly earnings or other short-term targets

2. The cost of implementation

3. Difficulty in measuring and quantifying return on investment

4. An unsupportive corporate culture

This chapter's Develop Your Skills feature will help you to understand some of the ethical issues that exist in human resource management. This can help you determine how important it might be to you to work for an organization with similar values.

DEVELOP YOUR SKILLS

ETHICAL HRM ISSUES

Understanding the ethical issues likely to exist in your career and thinking through what you will do when you experience them helps you to be prepared to handle them well. Here are some HRM issues that are common in the field of human resource management:
- the nature of pay incentive plans
- the size of the pay gap between highest and lowest paid workers
- the consistency of benefits available to employees
- conducting performance evaluations based solely on performance
- managing trade-offs among different stakeholders including employees, stockholders, customers, and society
- managing restructurings, furloughs, and layoffs

- deciding how to treat employees in different countries
- deciding what to require of vendors and subcontractors in terms of their HRM practices and how they treat their employees
- managing health and safety issues
- managing unionization efforts
- employee responsibilities
- employee rights
- how much emphasis to put on ethics and social responsibility in hiring and promotion decisions
- deciding what type of culture to create and maintain and how to do it

HOW DOES HRM SUPPORT ORGANIZATIONAL CHANGE?

LEARNING OBJECTIVE

2.4 Identify how HRM can support organizational change.

Strategy implementation and strategic change often require large-scale organizational changes. Two of the largest changes are often the change to the new organizational culture and the installation of new employee behaviors. Some of the most common changes managed by HRM include the following:

1. New production processes

2. Opening a new location

3. Rolling out a new benefits program

4. Implementing a new human resource information system (HRIS) or upgrading the current HRIS system

5. Expanding international operations

Depending on the nature of a strategic change, some employees are likely to lack the willingness or even the ability to support a new strategy. Targeting HRM efforts to develop, motivate, and retain the people who are critical to implementing a new strategy may expedite its adoption and ultimately improve the strategy's effectiveness. Employee participation can also be a positive tactic for change management, as it is ultimately the employees who need to adopt different behaviors and goals to support a change if it is to succeed.

Imagine an organization currently manufacturing semiconductor chips. The competitive environment requires the organization to compete on cost, so it focuses on operational efficiencies to control expenses. The culture reinforces strict adherence to operating rules to help achieve these low-cost goals. What do you think would change if the organization adopts a new business strategy of designing new and innovative computer chips and outsourcing their production? The organization's focus would now change to innovation, problem solving, and collaboration. Managers would need to be trained and reinforced for doing less rule enforcement and more leading, motivating, and communicating. Intel went through this type of transformation in the early 1970s when it moved from being a producer of semiconductor memory chips to programmable microprocessor chips.

The HRM system supporting organizational change necessarily varies depending on the nature of the change. It is essential to first identify the key goals of the change initiative and focus on these in developing new HRM practices and redesigning the HRM system. A variety of HRM initiatives are possible to support change. Lockheed Martin designed a cultural change management program around its core competencies of candid and open communication, taking personal action to remove obstacles to effective performance, and acting when a need exists rather than ignoring issues.[69] This chapter's Strategic Impact feature discusses some methods Microsoft used to change its culture.

STRATEGIC IMPACT

CULTURE CHANGE AT MICROSOFT

When Satya Nadella became CEO of Microsoft, he focused on making the company more innovative. With the help of his colleagues, Nadella wanted to reorient the company to "empower every person and every organization on the planet to achieve more."[70] Nadella reduced its hierarchy and freed its engineers to explore new ideas and collaborate with people across the company. It sponsored a company hackathon that allowed thousands of its employees around the world to make connections that eventually led to collaborations and new products. These initiatives helped change the culture from "us versus them" to one of continuous learning and collaboration and dramatically improved the company's performance.

Culture of Trust

One of the most important factors in successfully creating organizational change is the creation of a culture of trust.[71] There is a great deal of uncertainty before and during a change effort. Trust is the glue that keeps employees committed to the organization and focused on making the change effort successful. Because resistance to change is common when behavioral patterns need to be changed, clear communication and training, goals, feedback, and rewards linked to the new behaviors align employees' goals and behaviors with the new goals and needs of the organization. When quick, radical change is necessary, it may be appropriate to use coercion, but whenever possible, it is best to use more collaboration and consultation to promote engagement and commitment to the change.[72] This chapter's Self-Assessment gives you the opportunity to assess your personal comfort with change.

Self-Assessment

COMFORT WITH CHANGE

Please write the number of the response that best reflects your level of agreement to each statement to the left of each one. When you have finished, total your responses to calculate an overall score that you can reference at the bottom of this activity for feedback.

```
<---1------------2-----------3------------4------------5------------6------------7--->
Strongly disagree              Neutral                Strongly agree
```

_____ 1. Once I start a project, I am open to changing my approach to it.

_____ 2. I like the challenge of trying new things.

_____ 3. I enjoy not having predictable routines.

_____ 4. I like to try new foods.

_____ 5. I believe change is inevitable.

_____ 6. I handle stress well.

_____ 7. I see change as an opportunity.

_____ 8. I often look for ways to do things better.

_____ 9. I am comfortable with feeling uncomfortable when trying something new.

_____ 10. I like meeting new people.

Feedback: Higher scores reflect a greater openness to change, and scores of 60 or higher reflect a very high comfort with change. You might reread the items to which you responded with the lowest ratings to better understand where you might set personal improvement goals. Reflecting on why you gave the ratings you did can also help you better understand how change might make you uncomfortable and give you strategies for better managing these situations. Because change is inevitable, this investment should improve your future personal and professional success.

HRM During Mergers and Acquisitions

Corporate mergers and acquisitions such as the one between Delta and Northwest Airlines or acquisitions such as Facebook's acquisitions of LiveRail and Oculus VR frequently make business headlines. Unfortunately, as many as 85% of mergers fail to accomplish their objectives, and the cost of failure can be enormous.[73] Culture mismatch is often blamed as a cause of the failure,[74] as was the case in the Daimler-Chrysler merger, as well as conflicts between managers coming from each firm.

Different HRM activities become important during different stages of a merger or acquisition. During the due diligence phase, the cultures of both organizations need to be evaluated to determine their compatibility. Focusing on talent planning and retention efforts early in this phase is also a good idea. During the integration phase, deciding which employees will be retained and which will be separated, and developing retention strategies for key employees, becomes critical, as well as the establishment of a common culture for the combined organization. During the post-close phase, stakeholder satisfaction is addressed, the new culture is strengthened, and employee development plans are developed and implemented.

Because cultural issues are a frequent reason for derailed mergers, it is important that HR managers ensure that cultural issues are recognized and addressed before, during, and after the merger.[75] Through their behaviors and decisions to stay or leave the merged company, employees have an enormous impact on the ultimate success or failure of a merger or acquisition. In some cases, companies are acquired because the acquiring company needs the talent and skills of the other company. If those key employees leave after the acquisition, the effort is futile.

Communication is critical to the success of a merger or acquisition,[76] and HRM must carefully manage the treatment of and impact on employees who are let go and on those who survive. HR can and should act as both a facilitator and a coach during the process.[77] In addition to deciding what skills and competencies the combined organization needs, HR is also typically responsible for identifying which employees, if any, will be let go. It is important to identify and try to retain key performers at the acquired company. When Oracle launched its hostile takeover of PeopleSoft, many top executives and other employees left PeopleSoft.[78] Employee retention plans during a hostile takeover can include cash bonuses, raises, and promotions.

CULTURAL DIFFERENCES AND GLOBAL HRM

LEARNING OBJECTIVE
2.5   Explore the role of cultural differences in global HRM.

Cultural differences can influence the appropriateness and the effectiveness of different HRM practices. Noted scholar Geert Hofstede performed thousands of interviews and substantial research on over 40 countries, ultimately identifying five dimensions that tend to distinguish cultures across countries.[79] Here is a description of each dimension and how it might affect HRM practices in different cultures:

1. *Power Distance*: **Power distance** is the amount of inequality that exists and that is accepted among people with and without power; higher power distance (e.g., Philippines, Guatemala, and Malaysia) is associated with more hierarchical companies that have large gaps in authority and compensation, while lower power distance (e.g., Austria, Israel, and Denmark) is reflected in flatter organizations in which employees and supervisors are considered and treated more equally.

2. *Individualism*: **Individualism** refers to the strength of the ties people have with others in their community. Higher individualism (e.g., United States, Australia, and New Zealand) is reflected in greater valuation of people's time and need for freedom with an emphasis on individual and extrinsic rewards, whereas lower individualism (e.g. Guatemala, Ecuador, and Bangladesh), is reflected in placing a high value on harmony rather than honesty with an emphasis on intrinsic and collective rewards.

3. *Masculinity*: **Masculinity** refers to the extent to which a culture reflects traditionally masculine or feminine traits. Highly masculine cultures show a societal preference for assertiveness, achievement, and material rewards for success. More feminine cultures prefer modesty, cooperation, and quality of life. Higher masculinity (e.g., Japan, Hungary, and Slovakia) is reflected in a distinction between men's work and women's work, while lower masculinity (e.g., Denmark, Sweden, and Norway) is reflected in equal employment opportunity, often supported with legislation.

4. *Uncertainty Avoidance*: **Uncertainty avoidance** reflects the degree of anxiety felt in uncertain or unfamiliar situations. Higher uncertainty avoidance (e.g., Greece, Portugal, and Uruguay) is associated with a need for structure and very formal and rule-driven business conduct, whereas lower uncertainty avoidance (e.g., Singapore and Jamaica) is associated with an informal business culture, greater acceptance of risk, and more concern with long-term performance than with daily events.

5. *Long-Term Orientation*: **Long-term orientation** reflects a focus on long-term planning, delivering on social obligations, and avoiding "losing face." A longer-term orientation (e.g., China and Taiwan) is reflected in a strong work ethic and placing high value on education and training, whereas a shorter-term orientation (e.g., West Africa and Canada) is characterized by higher individualism, creativity, and equality.

Understanding a society's culture can help you design more effective HRM systems. The desire to apply best practices from an organization's home country must be balanced with the need to adopt local HRM practices. Business locations in high uncertainty avoidance cultures may benefit from more detailed policies and plans, and HRM managers' leadership style may need to be more independent and achievement-oriented in more masculine cultures and more collaborative in more feminine cultures. Incentives should be individual or group based, depending on the local culture, and the time frame for incentives may need to be adjusted to match each culture's long- or short-term orientation.[80] In cultures with a shorter-term orientation, you can introduce changes more quickly and expect employees to be more innovative.[81]

It is important to remember that belonging to a particular culture or being from a particular country does not ensure that the culture describes a particular individual. Individuals from the same area or culture are not all the same, and cultural values can change over time. This chapter's Global Issues feature summarizes the five workplace culture dimensions that influence how employees perceive their culture around the world and provides information on how employees in five different countries tend to see their employer on each dimension.

GLOBAL ISSUES

THE GLOBAL WORKPLACE CULTURE MODEL[82]

This table reports the percent of employees rating their employer highly on each dimension of organizational culture.

Organizational Culture Dimension	Brazil	China	France	Mexico	United States
Equitable leadership practices	54%	44%	28%	46%	54%
Career fulfillment	63%	55%	48%	58%	58%
Good manager communication	46%	45%	42%	40%	45%

Organizational Culture Dimension	Brazil	China	France	Mexico	United States
Work/life integration	36%	33%	25%	37%	40%
Respectful workplace interactions	49%	51%	48%	54%	58%

When organizations expand into other countries, it is important to understand the local culture and how it is likely to affect the implementation of the company's human resource management practices. In addition, educating employees on cultural differences, particularly those relevant to how they will work together, and establishing guidelines for meetings that respect cultural differences help manage some of these challenges.

insta_photos

Let's next discuss how to assess different aspects of HRM.

HRM METRICS

LEARNING OBJECTIVE

2.6   Describe the importance of HRM metrics.

Metrics and measurements are essential in identifying where the HRM system can be improved and helping HRM best meet the needs of the organization and its stakeholders, including its employees.[83] Without meaningful data, it is difficult to make sound decisions in support of the business and strategic execution. Table 2.5 highlights some standard metrics organizations use to measure HRM performance.

It is not practical or necessary to measure every HRM activity. It is most important to identify and measure the HRM activities that contribute to business strategy execution and the organization's financial performance. Software exists to facilitate the data collection and calculation of HR metrics, including OrcaEyes' SonarVision and IBM's Cognos. By carefully mapping metrics to business goals and objectives, organizations can better identify their best recruiting sources and performers, select the best incentive systems, and align workforce skills with business objectives.

TABLE 2.5 ■ Common HRM Metrics

Metric	Definition
Absence rate	Number of employee absences/(average number of employees during the period X the number of workdays)
Cost per hire	Recruitment costs/(cost of compensation + benefits)
Customer service ratings	Average customer ratings of employee customer service performance
Engagement	Level of employee satisfaction or engagement with the company
Healthcare cost per employee	Total cost of employee health care/number of covered employees
Innovation	Percent of sales coming from products introduced in the last five years
Job offer acceptance rate	Number of job offers accepted/number of job offers extended
Percent of performance goals met or exceeded	Number of individual or group performance goals met or exceeded/total number of performance goals
Profit per employee	Profit/total number of employees
Return on investment (ROI)	[(value of a program or intervention's benefits - total cost)/total cost] X 100
Revenue per employee	Revenue/total number of employees
Tenure	Average years of service at the organization
Time to fill	Days to fill a position
Turnover rate	Number of employees leaving/average number of employees during the same period
Workers' compensation cost per employee	Total annual workers' compensation cost/average number of employees

To be most effective, metrics should be tied to business goals, drive employee behaviors, and be tied to rewards. Metrics must be based on accurate data and should be used to guide decision-making. Organizations pursuing a product differentiation strategy might track innovation indicators, whereas organizations pursuing a low-cost strategy might focus on efficiency indicators.[84]

USING THIS KNOWLEDGE

To maximize your satisfaction with your career, it is helpful to put as much thought into the industry and the organization you join as you do into the work in which you will specialize. Some industries, including pharmaceuticals and chemical manufacturing, are inherently more formalized and bureaucratic due to extensive legal regulations. Other industries, including entertainment and advertising, are inherently more creative and informal. Understanding your preferences for different cultural features can help you choose the best fit for you. Here are some of the characteristics you might consider:

- a focus on competition versus cooperation
- formal versus flexible procedures
- a focus on company success versus the public good
- individual versus team-based rewards
- well-defined versus flexible career paths
- a formal versus informal atmosphere
- centralized versus decentralized decision making
- clearly defined responsibilities versus varied responsibilities

Now that you understand what organizational culture is and what HRM-related metrics different organizations use, you can apply this information to your own job search. Taking the time to think through which organizational culture elements you highly value, and which you would very much like to avoid, can help you assess whether a potential employer is a good fit for you. It is often possible to use the HRM metrics an organization tracks as indicators of cultural elements as well as of what the organization would expect of you as an employee. An employer that tracks innovation and employee engagement, for example, would have a different culture than one that tracks only revenue and profit per employee. Often employers have careers sections of their websites that can provide this type of information as well as their annual reports and other publications.

SUMMARY AND APPLICATION

Clearly, HRM can have a large influence on business performance and strategy execution through its effects on culture, ethics, and social responsibility. HRM activities play a strong role in high-performance work systems and in organizational change initiatives including mergers and acquisitions. Understanding a society's culture is important in designing effective HRM systems. Best practices from an organization's home country may not work in other cultures and must be balanced with the need to adopt local HRM practices.

Although it is rarely practical or necessary to measure every HRM activity or outcome, sound metrics and accurate data are essential to understanding where the HRM system can be improved. Without meaningful and accurate data, making sound HRM decisions is difficult to impossible.

In this chapter, you have learned how HRM influences organizations in both direct and indirect ways. In addition to acquiring and developing the appropriate talent, aligning employee and organizational goals, and motivating employees to perform their best, HRM influences the organizational culture and environment in which work is done. By reinforcing the values of the firm, HRM helps clarify for employees how they are to behave and make decisions.

Understanding the best fit between your ethics and social responsibility preferences and that of a potential employer, as well as understanding the fit between its culture and your values and preferred work styles, is critical in choosing a job and organization you will succeed in and enjoy. Because HRM systems create and reinforce these organizational characteristics, understanding your preferences can help you better manage your own career.

Real World Response

HOW CULTURE REINFORCES BUSINESS STRATEGY AT MARRIOTT

Marriott International is well known as a great employer, consistently being named on *Fortune*'s lists of best places to work, top companies for minorities, and most admired companies.[85] The company is also strongly committed to diversity, social responsibility, and community engagement. Company leaders believe that "if employees are content, confident, and generally happy with themselves and the job, their positive attitude will be felt in everything they do."[86] Accordingly, the company has established a strong HRM system reinforcing its strategic goals. The company's core values are listed here:[87]

- We Put People First: Take care of associates, and they will take care of the customers.
- We Pursue Excellence: Our dedication to the customer shows in everything we do.
- We Embrace Change: Innovation has always been part of the Marriott story.
- We Act with Integrity: How we do business is as important as the business we do.
- We Serve Our World: Marriott strives to be a force for good.

Marriott makes a point of "hiring friendly" and "training technical" to ensure that it hires people with the "Spirit to Serve" who it then trains to do the work. Marriott also promotes from within, allowing associates to advance in the company as far as their abilities allow. It also focuses on retaining and inspiring employees who possess the "spirit to serve" in jobs they truly enjoy. Employees with good financial performance who do not embrace the employees-first philosophy are let go.[88]

Marriott also offers a total rewards package composed of competitive compensation, profit sharing, and a great workplace. Marriott invests millions of dollars a year in training to reinforce its culture of inclusion, hands-on management, and attention to detail to promote retention. In 2023 the company launched its new people brand, "Be," to better attract and retain the best talent around the world. The brand focuses on empowering associates to fulfill their career goals, further the company's commitment to a culture of inclusion, and offer innovative opportunities for personal and professional growth.[89]

For more than 70 years, Marriott has lived by a simple motto: "Take care of associates, and they'll take care of your customers."[90] This is a strategy rather than merely a sentiment—the company knows that retaining and strategically managing its talent drives economic value for Marriott.

Takeaway Points

1. An organization's culture guides employees' attitudes and behaviors in the absence of formal policies or rules and creates the context for what they do. By reinforcing the desirability of certain values or behaviors, the HRM system helps to reinforce the organizational culture.

2. HRM supports high-performance work systems through goals and processes that support employee participation, commitment, and identification with the organization. HRM practices promoting power-sharing, information-sharing, and training tend to best support HPWS.

3. By setting direct expectations of employees and through their influence on corporate culture, HRM policies and practices promote both ethics and corporate social responsibility.

4. HRM supports organizational change by creating a culture of trust, managing employee resistance to change, and aligning employees' goals and behaviors with the new goals and needs of the organization. Through their behaviors and decisions to stay or leave the merged company, employees also affect the success or failure of a merger or acquisition. To promote success, HR must carefully manage the treatment of and impact on employees who are let go and on those who survive. HR should act as both a facilitator and a coach during the merger process and objectively identify which employees, if any, need to be let go based on the combined organization's needs.

5. Hofstede's five cultural dimensions are:
   a. Power distance, which reflects how much inequality exists and is accepted and influences preferences for hierarchy and how equally employees are treated
   b. Individualism, which reflects the strength of the ties people have with others in their community and influences whether individual or collective rewards are preferred
   c. Masculinity, which is the degree to which a society values and exhibits ambition, a focus on wealth, and differentiated roles for women and men and affects equal employment opportunity
   d. Uncertainty avoidance, which involves the anxiety felt in uncertain or unfamiliar situations and is associated with culture formality, risk acceptance, and concern with long-term versus short-term performance
   e. Long-term orientation, which reflects a focus on long-term planning, delivering on social obligations, and avoiding "losing face" and influences work ethic, the value placed on training and education, and creativity.

6. Metrics and measurements are essential in identifying where the HRM system can be improved and helping HRM best meet the needs of the organization and its stakeholders, including its employees. To be most effective, metrics should be tied to business goals, drive employee behaviors, and be tied to rewards.

Discussion Questions

1. What type of culture do you find most desirable as a potential employee? What HRM clues can you identify that might let you know the degree to which a prospective employer has this culture?

2. How can HRM support a performance culture? How could HRM undermine a performance culture?

3. Why do you think some employees act unethically? How could you use HRM to help address these causes and encourage more ethical behavior?

4. Do you consider ethics or social responsibility in evaluating prospective employers? What do you look for?

5. What type of business strategy do you think is most compatible with a high-performance work system? Why?

6. What type of business strategy do you think would be a poor fit with a high-performance work system? Why?

7. If you were assigned to work in another culture, how would you use Hofstede's cultural dimensions to be a more effective manager?

8. If your company was about to be acquired by another, how would you want to be treated by HRM? What are some of the biggest mistakes you feel HRM could make during the acquisition process?

PERSONAL DEVELOPMENT EXERCISES

Exercise: Managing Ethical Issues in HRM

As you learned in this chapter, there are a variety of ethical issues that exist in HRM. Working in a group of three to five people, brainstorm at least five ethical issues that can exist in HRM. For example, a very productive manager bullies his subordinates and treats them in ways inconsistent with the corporate culture. Then identify how a company can use HRM to handle these ethical challenges. Be prepared to share two of your issues and HRM solutions with the class.

Exercise: What Would You Do?

I would like to thank Professor Nancy Zimmerman of the Community College of Baltimore County for this exercise idea.

Form groups of three to five students, and discuss what you would do in each of the following situations. Be prepared to share your ideas with the class.

1. Imagine you just joined the leadership team of a large financial services company that wants to improve its financial performance. The rest of the leadership team wants to reduce the company's workforce through outsourcing or selling some business units and then hire back some of the former employees as contract labor so it can pay them less and not provide benefits. Essentially, they want to find ways to pay people less for doing the same work without benefits and with fewer legal obligations. What would you recommend?

2. Imagine your CEO recently read about another company focusing its training and compensation resources on the highest-performing 10% of its employees and asks for your opinion.

3. Imagine you are starting a new online marketing company and are trying to establish the compensation system for your employees. In percentages, how much more would you pay the highest paid employee than the lowest paid employee?

STRATEGIC HRM EXERCISES

Exercise: Culture Choice at Amazing Apps

Form groups of three to five students. Imagine that you started a company called Amazing Apps to develop applications for the iPad. You've had some good early success, but you need to hire more people to more quickly develop new products and get them up on the Apple Store. You know that the creativity and programming talent of the people you hire is going to be critical to your company's future success, and you know that your HRM system will be key to hiring and motivating the right talent. Be prepared to share your answers to the following questions with the class.

1. Describe the type of culture you would like to create in your company.

2. How would you use HRM to reinforce this culture?

3. What would be the biggest threats to establishing your intended culture, and how could you overcome them?

Exercise: Creating a High-Performance Work System

I would like to thank Professor Gery Markova of Wichita State University for this exercise idea.

Divide the class into teams of three to five students. Half of the teams are to imagine that they are owners of a high-end local restaurant. The restaurant's business strategy is to provide high customer service and a premium-quality product. You use recipes that have been in your family for generations and use only the highest quality ingredients. Employee turnover is low, and you pay above-average wages. You want to invest in a high-performance work system because you believe it will enable you to best execute your strategy and obtain a competitive advantage. How would you utilize various HRM functions and activities in designing a high-performance work system that would best accomplish your goals?

The other half of the teams are to imagine that they are owners of a local fast food restaurant. The business strategy is to be a low-cost provider of quality food. The restaurant is competing with many other fast food restaurants, and you want to invest in a high-performance work system because you believe it will enable you to best execute your strategy and obtain a competitive advantage. Turnover is fairly high, and you are only able to pay market wages. How would you utilize various HRM functions and activities in designing a high-performance work system that would best accomplish your goals?

All teams should be prepared to share their ideas with the class after a 20-minute discussion.

Exercise: How HRM Helps PepsiCo Succeed

After reading this chapter, you should have a good understanding of how HRM contributes to organizational performance. PepsiCo recognizes the importance of its diverse talent to its business strategy execution and success. The employer is regularly included on a variety of "most admired employer" lists.[91] Visit the company's website (https://www.pepsico.com/sustainability/talent and https://www.pepsicojobs.com/main) and explore the website to learn how the company presents itself to potential employees. After learning more about working at PepsiCo, answer the following questions:

1. Identify three topics from this chapter that relate to PepsiCo.

2. How are corporate social responsibility, ethics, and diversity valued by PepsiCo?

3. Based on what you learned from its website, does PepsiCo seem like a company you would enjoy working for? Why or why not? What additional information would you like to have before deciding whether or not to apply for a job with PepsiCo?

Exercise: Legal Versus Ethical Behaviors and Decisions

I would like to thank Professor Gery Markova of Wichita State University for this exercise idea.

Divide the class into teams of three to five students. Each team has 20 minutes to identify HRM behaviors representing different functional areas that fit in one of the four quadrants in the matrix below, identifying work behaviors and decisions that are the following:

1. Legal and ethical
2. Legal and unethical
3. Illegal and ethical
4. Illegal and unethical.

Be prepared to share your ideas with the class.

	Unethical	*Ethical*
Illegal		
Legal		

Exercise: Ethics Codes

I would like to thank Professor Bobbie Knoblauch of Wichita State University for this exercise idea.

Use the Internet to research the ethics codes (also called a "code of ethics") for at least three organizations. Write a one-page paper comparing and contrasting them. Be sure to include your thoughts about what an organization's ethical code should contain.

Exercise: Applying the Five Ethical Perspectives

I would like to thank Professor Barbara Rau of the University of Wisconsin-Oshkosh for this exercise idea.

You are responsible for cutting the cost of your sales force by at least $100,000 within one month. Each of the company's six salespeople is described below. In addition to an individual commission of up to $10,000 per year, the company currently has a bonus plan that can increase pay by up to 20% if the department's sales goals are met. Apply the five ethical standards to your decision. How might your decision differ depending on which ethical standard you are applying?

1. R.P. has been with the company for six years and earns $80,000 per year. R.P.'s performance has been high, and R.P. has unique industry knowledge that helps the company create its annual sales strategy.

2. T.J. has been with the company for eight years and earns $78,000 per year. T.J.'s performance has been high, and T.J.'s spouse is having difficulty finding a job since becoming unemployed six months ago.

3. A.I. has been with the company for one year and earns $70,000 per year. A.I.'s performance has been about average. A.I.'s performance has increased over the past year, and the company expects A.I.'s performance to continue to improve with more experience.

4. W.N. has been with the company for two years and earns $73,000 per year. W.N.'s performance has been average. W.N. took on a lot of debt to help a family member and is afraid that job loss will result in bankruptcy.

5. S.G. has been with the company for five years and earns $76,000 per year. S.G.'s performance has been slipping, and this year's sales performance was the lowest in the company. S.G. has been taking classes at night, hoping to eventually switch careers.

6. L.K. has been with the company for four years and earns $70,000 per year. L.K.'s performance has never been great, although the company has continued to invest in training to help L.K. improve. L.K. is an enthusiastic employee and a great fit with the company's culture.

INTEGRATIVE PROJECT

In the last chapter, you identified a company and an industry to focus on for this project. You also described the business strategy, competitive advantage, and talent philosophy you would use to create a competitive advantage for your business. Your assignment for this chapter is to think about and formalize your company's position on social responsibility and ethics. Record your company's formal statement about each. Feel free to research other companies' statements online for insight into how to craft your own. Then describe the culture you would create at your company, explain why it is best suited to your company's needs, and explain how it will contribute to its success.

THE FORKED OAK CASE

Write a single-spaced, one-page, business-style report identifying and rank ordering what you feel are the five most important HRM metrics for the Forked Oak's restaurant servers and explain why the company should track each of them. Your audience should be the top management team of the company, and your goal is to persuade them to start tracking these metrics. To do so, you need to explain what they are and why they are important to the Forked Oak's performance, business strategy, and competitive advantage.

KEY TERMS

code of conduct

code of ethics

common good standard

corporate social responsibility

ethics

fairness standard

high performance work systems (HPWS)

individualism

long-term orientation

masculinity

organizational culture

performance culture

power distance

rights standard

stakeholder perspective

uncertainty avoidance

utilitarian standard

virtue standard