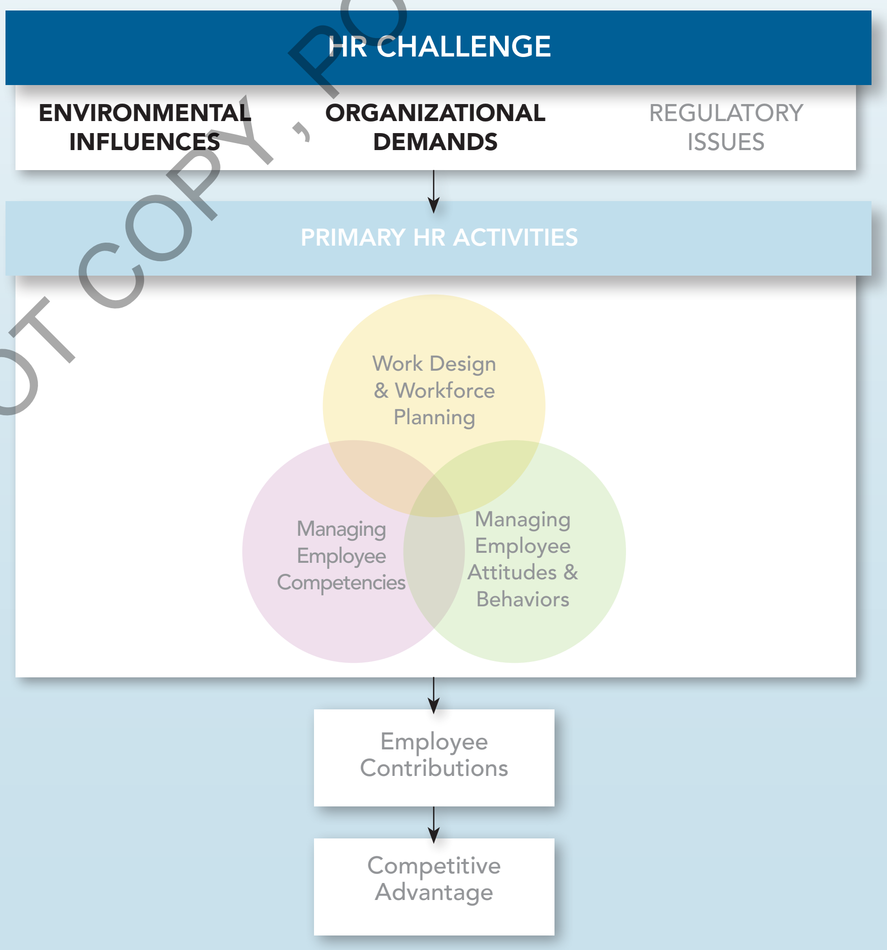
Chapter 2

Organizational Demands and Environmental Influences

Learning Objectives

1. Describe how differences in company strategies shape the primary human resources (HR) activities.
2. Explain how company characteristics influence the way that employees are managed.
3. Discuss the role of organizational culture in effective employee management.
4. Explain how employee concerns influence employees' interpretation and response to different HR activities.
5. Discuss the impact of labor force trends on how companies manage employees.
6. Identify how advances in technology affect employee management.
7. Explain the challenges of managing employees in a global context.
8. Understand how ethics and social responsibility influence managerial decisions.



The Importance of Context

Have you ever heard the phrase *the right tool for the job*? It is a simple but meaningful phrase. After all, would you ever consider mowing a lawn with a pair of scissors? Would you ever dig a hole with a screwdriver? Would you ever try to saw a piece of wood with a hammer? Sure, the hammer might work—it could break the wood in half, but you would end up with two damaged pieces of wood, neither of which would be likely to serve their intended purpose as well as wood cut with a saw.

Managing employees strategically is a lot like looking for the right tool needed for the task to be completed. When we think about tools, we usually think about things in a garage—a hammer, a saw, or a screwdriver. But a tool is anything that gets a particular job done. The practices used to carry out the primary human resources (HR) activities are managers' tools. These practices could involve a particular recruitment strategy or offering specific benefits, but they are nonetheless tools that you use to accomplish organizational goals through employee management.

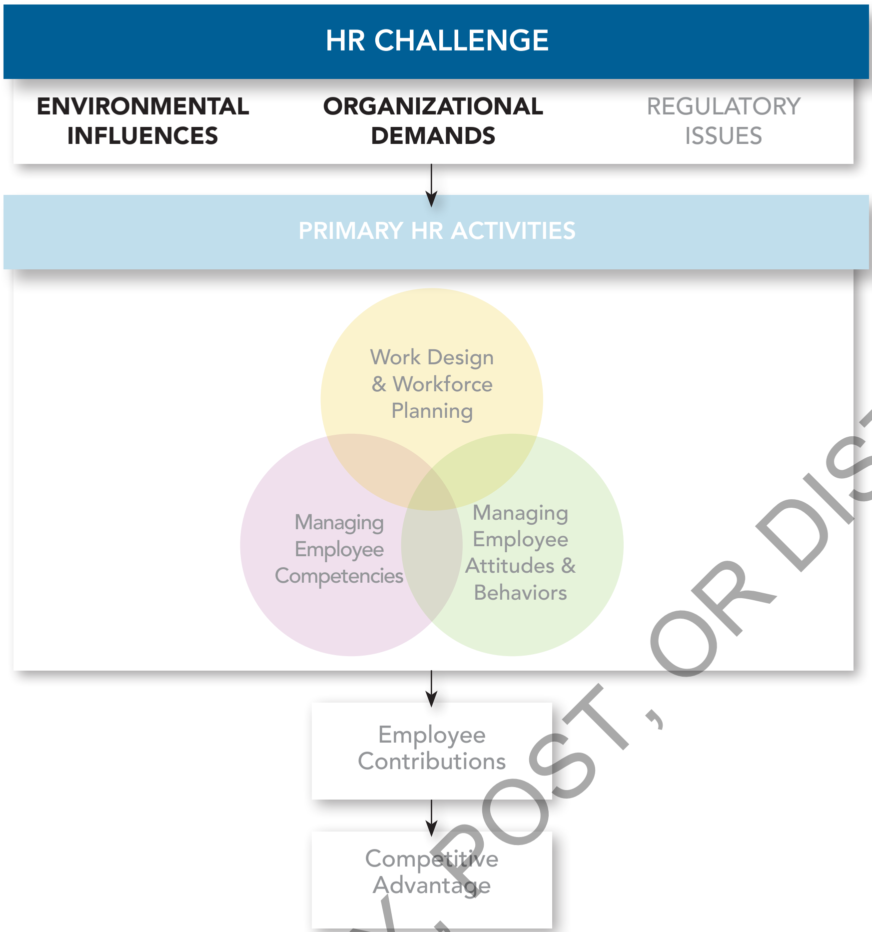
In Chapter 1, we defined *HR activity alignment* as the design of the primary HR activities to reinforce one another to build the needed competencies, motivate the right attitudes and behaviors, and manage the allocation of work to make sure that the right people are doing the right things that need to be done. In addition to *internal alignment* among HR practices, companies must achieve *external alignment*—making sure the HR activities are set up to help companies confront the HR challenges of meeting organizational demands, navigating environmental influences, and complying with regulatory issues. To be an effective manager, you have to understand which HR tools, or practices, are available, how to use them, and which ones are the most appropriate in different circumstances. In short, you have to know which HR tool is right for the job. This knowledge requires an understanding of how different HR challenges affect organizations and your management options. We provide you with three axioms as a foundation for this understanding:

1. *No two companies are the same*. Each company's strategy, characteristics, culture, and employee needs are unique. Companies may face similar environmental influences and regulatory issues, but the impact of these influences is different for each company.
2. *There is no one best way to manage employees*. What is effective in one company may not be effective—and may even be damaging—in another company. As a manager, you need to understand how and when to use the different HR practices.
3. *Using the wrong practice, or using the right practice poorly, can cause more harm than good*. Sometimes people may pick the wrong practice for the job because they don't know enough about the different tools at their disposal. Other times, managers may use a practice that is appropriate for a particular scenario, but they may implement it poorly.

In this chapter, we have two objectives, as highlighted in Exhibit 2.1. First, we will provide an in-depth look at types of organizational demands within companies. Second, we will examine the environmental influences that exist outside companies that affect employee management. Later in the book, as you build your knowledge of HR activities, we will tie specific HR practices—such as recruitment, training, and performance management—back to these organizational demands and environmental influences.

EXHIBIT 2.1

Framework for the Strategic Management of Employees



Meeting Organizational Demands

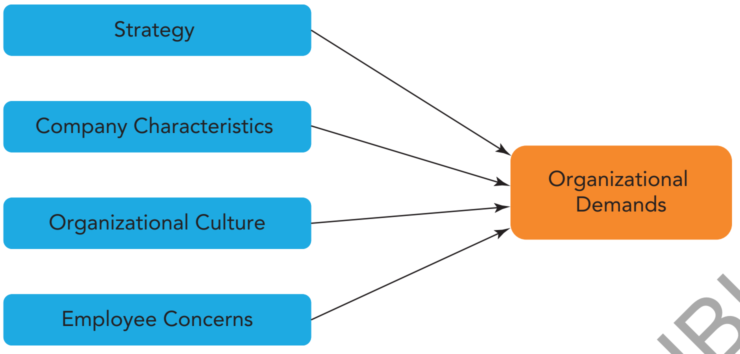
Organizational demands are factors inherent within a company that influence how employees are managed. There are four key challenges associated with organizational demands:

1. *Strategy*. Employees contribute to the achievement of strategic goals and, ultimately, company success. Differences in company strategies influence the specific competencies and behaviors that managers require of employees.
2. *Company characteristics*. Each company has unique characteristics that affect what it asks of employees and its options for how it manages employees.
3. *Organizational culture*. Companies have distinct cultures that influence what work is done, as well as how it is done, within companies.
4. *Employee concerns*. Managers are most likely to be effective if they take into account the concerns of their employees.

Exhibit 2.2 depicts these challenges.

EXHIBIT 2.2

Organizational Demands



Strategy

A company's strategy is its plan for achieving a competitive advantage over its rivals. At a basic level, you can think about business strategy as positioning, meaning the decisions that companies make about how they attract and retain customers relative to their competitors.[1] There are two broad types of strategies that companies can choose.

cost leadership strategy

focuses on outperforming competing firms within an industry by maintaining the ability to offer the lowest costs for products or services

A **cost leadership strategy** focuses on outperforming competing firms within an industry by maintaining the ability to offer the lowest costs for products or services.[2] For companies that concentrate on cost leadership, issues related to efficiencies and cost reductions dominate management decisions. Because costs are the underlying focus, facilities need to run smoothly and at maximum capacity, and the company must minimize overhead and extraneous costs associated with administration, service, advertising, and research. Companies with a cost leadership strategy may serve one or many different industry segments, but they typically focus on products that are capable of reaping the benefits of high volume or economies of scale. To be successful, however, a company must be *the* cost leader in its market because the benefits of this strategy result from consistently achieving higher profits, relative to costs, than competitors. In other words, there can be only one cost leader in an industry. While more than one company may focus on providing low costs to consumers as a potential source of competitive advantage, only one company is able to be the lowest-cost leader. For example, Walmart retains its cost leadership position by maintaining the most efficient operations in the retail industry. As a result, Walmart is able to offer lower prices for its products than competing firms while remaining profitable. Indeed, many smaller and midsized stores have faced financial difficulties trying to compete directly with Walmart stores in their area because of the significantly lower prices at Walmart.[3] However, we should also note that Amazon has increasingly become a strong competitor for Walmart in terms of being the leader in the low-cost retail industry.

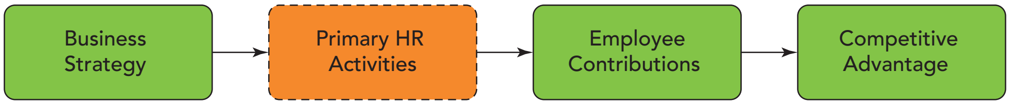
differentiation strategy

emphasizes achieving competitive advantage over competing firms by providing something unique for which customers are willing to pay

A **differentiation strategy** emphasizes achieving competitive advantage over competing firms by providing something unique for which customers are willing to pay.[4] Unlike with a cost leadership strategy, many companies within an industry may succeed with differentiation strategies, particularly when they each provide something unique to their customers. In fact, there are an unlimited number of potential sources of differentiation from rivals. For example, companies may focus on unique product features, location, innovation, reputation, status, customer service, or quality as a source of competitive advantage. Consider the automobile industry. There are a large number of different types of cars that claim to offer something unique. Different cars are known for being rugged, sporty, safe, or luxurious (and a

EXHIBIT 2.3

Strategy and HR Activities



few can claim all of those categories which gives them another level of uniqueness). Tesla Motors is an automobile maker, but its mission is not to build a better or even different car. Tesla differentiates itself with a mission "to accelerate the world's transition to sustainable energy."[5] By focusing on attributes that different customer groups value, multiple companies can succeed within the same industry. For example, companies competing in the minivan segment target different customer groups from companies competing in the sports car automobile segment. Within each segment, car companies offer different attributes in an attempt to reach consumers. The key success factor for a differentiation strategy is providing something that competing firms do not provide, but that customers value. By doing so, companies are able to either reduce the importance of price in the customer's decision-making process or command a price premium for their products that exceeds the cost of providing the differentiation.

As shown in Exhibit 2.3, while strategy sets the overall objectives for a company, it also sets the parameters for the needed employee contributions or how people add value within a company. Different strategies require different employee contributions to create a competitive advantage. A company focused on low cost, for example, requires employees to be highly productive and efficient. A company with a differentiation strategy focused on innovation likely requires employees to be creative and generate many new potential products or services. Just as strategy influences how employees add value toward competitive advantage, it affects the types of jobs that employees perform, the specific competencies employees need, and the attitudes and behaviors employees must display on the job to help reach company goals. In short, strategy affects all three of the primary HR activities.[6] Let's now look more closely at some of the basic differences in the primary HR activities for different strategies.

Low-Cost Strategy and Managing Employees

Given their focus on efficiencies and cost reduction, companies with a cost leadership strategy tend to design jobs in a way that maximizes predictable employee outcomes. Consider an assembly line. The jobs on an assembly line are designed to maximize employee productivity while minimizing errors and deviations from the expected output. In this type of work environment, employees are expected to perform jobs that are narrow in focus, with an emphasis on standardized and repetitive actions. When jobs are narrowly structured and well defined, the competencies that employees need to perform these tasks are generally relatively simple, and the required behaviors are likely to be fairly well understood. As a result, managing employees in a cost leadership strategy often focuses on ensuring acceptable job performance by hiring individuals with the basic skills needed for these jobs, training employees to efficiently carry out their responsibilities, making sure employees

savas_bozkaya/Shutterstock

clearly understand the specific expectations of their jobs, paying employees based on the jobs they perform and how efficiently they perform them, and evaluating employees based on adherence to established job expectations.

Differentiation Strategy and Managing Employees

A differentiation strategy requires employees to perform jobs geared toward a particular objective, such as creativity or customer service. Employees need to possess specific skills related to the source of differentiation and need to engage in behaviors that help set the company apart from its competition. For example, a company with a differentiation strategy focused on innovation would not likely succeed if employees were required to perform narrow tasks and rigidly defined jobs. Instead, in companies such as Tesla, Under Armour, Monster Beverage, and Incyte, innovation often requires cooperation, creativity, and knowledge-sharing among employees, all of which call for broad job responsibilities. To foster creativity, managers may recruit employees who bring new skills or new perspectives to the company. Rather than focus on efficient job performance, managers may adopt a long-term HR orientation for employee growth to help employees develop new skills that might prove valuable in the future. Similarly, pay decisions are more likely to focus on individual potential, unique experiences, team accomplishments, and long-term results than on volume and efficiency.

As you can see, by influencing the types of jobs that employees perform, strategy shapes the competencies, attitudes, and behaviors required of employees. While the specific HR practices that are most appropriate vary across different strategies, effectively managing employees requires managers to align the primary HR activities with strategic objectives to maximize employee contributions. Early studies found improved organizational performance in companies with better alignment than their peers.[7]

Company Characteristics

No two companies are the same. Companies differ in the size and stage of their development, and these differences directly affect how firms manage employees. Company characteristics represent the second organizational demand in our framework.

Company Size

When we talk about jobs, most of us think about working for a large company with an established reputation and clientele and a long history. Yet, did you know that

- Small businesses represent 99.7% of all firms with paid employees.
- From 2010 to 2016, small businesses accounted for 63% of net new jobs in our economy.
- Small employer firms represent 98.5% of all employer firms in high-tech industries.
- Small businesses employ 47.8% of all private sector employees.
- Approximately 20% of small businesses have paid employees.[8]

The reality is that small businesses comprise a major portion of the U.S. economy. Whether a company has only a handful of employees, such as a local diner or landscape firm, or is a giant such as Amazon or General Motors (GM), employees have to be managed. However, the challenges of effectively managing employees differ with the size of the company.

Larger companies typically have more resources to hire staff dedicated to supporting the management of employees than do smaller companies, which often lack formal HR departments to provide similar support.[9] Of course, this does not eliminate the need to attend to personnel issues in smaller companies; rather, line managers or company owners must perform HR practices as well as their other activities.[10] Also, smaller businesses often do not have the resources to provide the same level of pay, benefits, and training opportunities to employees as larger companies. For example, less than 25% of all employees in companies with fewer than 10 employees have employer-paid health insurance, compared to 95% of companies with over 1,000 employees.[11] One recent study found that some of the most pressing issues for small business owners were the availability of quality workers and the ability to provide competitive wages, benefits, and training.[12]

Although small companies often do not have the same type or level of resources enjoyed by larger companies, the importance of effectively managing employees may be magnified in smaller companies. With a smaller staff, managers may expect employees to display greater autonomy and discretion.[13] As a result, the types of knowledge, skills, and abilities that employees may need in small versus large companies, even for the same job, differ. Moreover, in contrast to large operations, in a small company, the performance of each employee is likely to have a larger, more direct impact on company success. After all, a single employee in a company of 100 employees has a greater influence on the bottom line than a single employee in a company with more than 10,000 employees. For these reasons, effective employee management is of heightened importance in smaller companies.

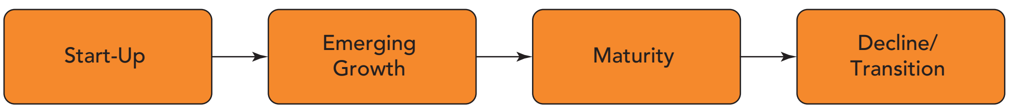
Stage of Development

As shown in Exhibit 2.4, companies differ in terms of their stage of development. As you might imagine, the pressures of managing employees in a young, start-up company are different from those in a mature organization striving to protect its established market share and competitive position.[14] The objectives and needs of companies at different stages of development introduce new and distinct challenges for effectively managing employees.[15] While young companies tend to focus on growth and survival, mature companies may be more concerned with customer retention and perhaps extending their operations into new markets for future opportunities.[16] In addition, mature companies often have more resources and support staff, as well as established policies and procedures, for handling employee-related issues. Young companies face pressures to identify and hire people who can help the company grow. Given the limited resources that small companies typically have for pay and other benefits, it is sometimes very difficult for small firms to attract top-notch employees.

As companies mature, the pressures regarding the management of employees evolve as well. Companies such as Apple and Microsoft, regarded as highly informal and entrepreneurial in their early years, have had to adopt more formalized approaches

EXHIBIT 2.4

Organizational Life Cycle



to managing their employees as they have become more established. Increased size and success often bring more bureaucracy to govern how things are done. Managers in more mature companies must pay particular attention to how employees do their jobs to ensure that they comply with established procedures and routines. As you can see, a company's stage of development affects company goals, the role of employees in meeting those goals, and the most appropriate way to manage employees.

Organizational Culture

Have you ever noticed how different companies seem to have unique personalities? If you have worked for several different companies, you probably noticed that each one had its own way of doing things. Differences in how companies operate and how employees act signal what is called *organizational culture*.

organizational culture

the set of basic assumptions, values, and beliefs of a company's members

As defined in Chapter 1, **organizational culture** is the set of the basic assumptions, values, and beliefs of a company's members.[17] In some ways, it is useful to think about a culture as the informal or unwritten side of organizations; these values and beliefs are not necessarily spelled out but are of great importance. In fact, the observable elements of a company's culture—how employees talk to one another, how employees interact with customers, and the practices used to manage employees—represent the values that organizational members share.

There is no predetermined list of types of cultures from which a company chooses its culture. Each company has its own distinct culture. Some cultures may be more bureaucratic in nature, valuing rules, formalization, and hierarchy as the appropriate ways of doing business. Other cultures may be more entrepreneurial, emphasizing creativity, knowledge exchange, and innovation. Similarly, some companies may have a culture that values competition among employees, while others may be more team oriented, valuing cooperation and support for one another. While there is no right or wrong culture, nor is there a limited set of cultures, the nature of a company's culture exerts a significant influence on how employees behave on the job.

Compare most banking and financial institutions and their traditionally white-collar bureaucratic cultures, which value formality, with high-technology companies, such as Google or Facebook, which value employee flexibility, autonomy, and employee growth.

While employees might not be able to clearly articulate the exact culture of their company, most employees understand that within their company there are certain ways of doing things, making decisions, and interacting with each other and with customers. Some employees may describe their company as fun, others might describe their company as being like a family, and still others might refer to their company as a tightly run ship. All are describing some aspect of their company's culture.

It is important to acknowledge that culture is shaped by a number of factors. For example, the values and beliefs of a company's founder, as well as important decisions that the founder makes in the early stages of a company, shape subsequent values and beliefs of organizational members. The history of a company also has a strong influence. Consider Southwest Airlines. In its early years, it faced a long, drawn-out legal battle with existing airlines simply for the right to enter the industry and fly its planes. This early event significantly affected the future actions of the company and helped define an "us" versus "them" feeling that solidified the culture among Southwest's employees.[18]

Similarly, the actions of top managers and the HR practices used to manage employees send messages to employees that signal the values and behaviors that are most appropriate. What companies look for in new employees and the specific attitudes and behaviors that are rewarded provide cues to employees about what is important. In addition, supervisors, mentors, and coworkers continuously reinforce an organizational culture when socializing with employees who are new to the company. Because of the evolution of cultures and the continued reinforcement of the underlying values through history, stories, and socialization, cultures tend to be fairly rigid once established. In fact, even as people come and go, the company's culture tends to persist which makes trying to change an organization's culture difficult.[19]

Organizational culture influences employee management in several ways. First, the culture of a company affects managerial decisions about which specific practices to use with regard to job design and workforce planning, building of competencies, and management of attitudes and behaviors. In many ways, employee management practices are mechanisms to transfer cultural values into expectations of how employees should carry out their everyday tasks and activities.[20] For example, a company with a competitive culture might be more likely to reward people for individual sales rather than for being good team members.

Second, the culture of a company also influences the effectiveness of different HR practices. The same HR practices may be acceptable or unacceptable to either employees or managers across different companies, depending on the cultural values of the organization. Even if a practice itself is a good idea, it might not necessarily fit with the underlying cultural values of a company. For example, employee participation and empowerment might be more accepted by employees, managers, or both in a company with an informal culture than in a company with a formal culture that values hierarchy and status. When HR practices are consistent with organizational culture, they are likely to be more effective.

Third, the strength of the culture further influences the effectiveness of employee management practices.[21] Strong cultures provide clear, consistent signals to employees regarding how they should behave and what is or is not acceptable. In contrast, weak cultures are ambiguous and lack a clear, coherent message.[22] When a culture is strong and consistent with organizational objectives, employees are likely to have a clear understanding of what they need to do in their jobs to contribute to company goals and a willingness to undertake the efforts to meet those goals. It is possible, however, that a strong culture might conflict with company goals. This situation is most likely to happen when companies make strategic changes without considering the cultural values of the company. Culture conflict may also occur in the case of mergers and acquisitions. In fact, one of the reasons mergers and acquisitions fail is lack of attention to blending cultures from different companies.[23]

Employee Concerns

Up to this point, we have focused on aspects of companies—their strategies, characteristics, and cultures. There is one additional component of organizational demands that is critical to consider for effectively managing employees—the employees themselves. After all, this book is about managing people, and without consideration of their needs and concerns, companies are unlikely to be successful in getting employees to work toward company goals.

To understand how employees view and react to different HR practices, think about how employees view their relationship with their company. In many ways, this is an exchange: Companies use pay, benefits, and training as incentives for employees to perform their jobs in exchange for the employees' commitment to the organization. There are two ways employees evaluate this exchange. First, there is a rational component: Do employees perform the work they are expected to perform, and do they receive what they are promised? Second, there is a perceptual component of this exchange. The term **psychological contract** means the *perceived* obligations that employees believe they owe their company and that their company owes them.[24]

psychological contract
the perceived obligations that employees believe they owe their company and that their company owes them

The perceptions of these obligations are certainly influenced by the rational side of employment. But they are also based on interpretations that might not be explicitly stated. For instance, did employees receive the raise that they believe they earned? Choices that managers make regarding job design,[25] pay systems,[26] job security,[27] and performance appraisal systems[28] send strong messages to employees about their company's intentions toward them. Employees' perceptions of these signals influence the extent to which they feel a need to reciprocate through certain attitudes and behaviors. When employees perceive that their company values them, they often feel obligated to provide the organization with something of equal or greater value in return.[29] This favorable perception leads to greater loyalty, commitment, and effort among employees toward the company.

The importance of a psychological contract is that it governs how employees evaluate company decisions regarding how they are managed, and, as a result, it governs how they act on the job. When we view the management of employees from the employees' perspective, two concerns emerge. First, employees expect that their company will help them balance work and life obligations. Second, employees constantly evaluate the extent to which their company holds up its end of the bargain and fulfills what they believe the company owes them for their hard work and dedication. A leading aspect of this assessment is whether an employee thinks the company behaves in a fair and just manner.

Work/Life Balance

work/life balance

the balance between the demands of work and the demands of employees' personal lives

As noted in Chapter 1, an issue that is gaining increased attention from many companies is a need to help employees with **work/life balance**—the balance between the demands of work and the demands of employees' personal lives. Consider that roughly 72% of mothers in the U.S. workforce today have children under the age of 18.[30] Moveover, the labor participation rate of mothers with children under age 6 is 66%.[31] Work/life balance isn't about only caring for children. The U.S. population is getting older and, as a result, many employees today need to care for their elders. Many employees are caring for both older family members and children. Some are working as single parents; others as part of dual-career couples. One estimate is that 47% of adults in their 40s and 50s have a parent aged 65 or older and also are raising a young child or supporting a grown child.[32] Yet another work/life issue for some employees is dealing with traffic or long commutes to get to and from their jobs.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In response to these issues, many progressive companies are taking steps to help employees achieve work/life balance by providing them with more flexibility to attend to their personal or family needs. One increasingly common approach is to provide employees with flexible schedules. According to a 2016 national study of employers, 81% of companies are allowing some employees to change their starting and quitting times, 66% of employers allow for employees to work some of their regular hours at home, and 81% of the companies allow some employees to take time off during the workday to attend to important family or personal needs.[33] As noted by Steve Lyle, former director of diversity and workforce development at Texas Instruments, Inc., "At the end of the day, it's not about where you do your work or when you do your work, but that you do your work."[34]

Many companies are also committed to helping parents meet their childcare demands; however, doing so is primarily in the form of providing information or providing dependent-care-assistance plans to pay for childcare with pretax dollars.[35] Less than 8% of employers offer on-site child care as a benefit. Abbott Laboratories is part of the 8%. The company built a $10 million state-of-the-art childcare center for its employees.[36]

Other companies use family-friendly benefits and telecommuting to increase the ability of their employees to balance their work and personal lives. In 2016, 40% of employers allowed some employees to work some of their regular hours at home on a regular basis. In 2017, the International Foundation of Employee Benefit Plans reported that 74% of companies were allowing employees to telecommute.

While establishing work/life balance programs clearly involves considerable costs and effort, companies are finding that family-friendly practices help current employees remain effective contributors toward company goals and also provide an additional point of attraction for many potential job applicants. A Society for Human Resource Management (SHRM) survey of HR professionals reported that 75% of survey respondents stated that offering various flexible work benefits had a positive effect on retention, 61% indicated that the benefits helped attract employees, and 71% indicated that they led to improved productivity.[37]

Justice

Whereas work/life balance programs strive to meet the personal needs of employees, issues of justice focus primarily on the expectations of employees about how they should be treated while at work. Understandably, employees expect to be treated fairly. The challenge is that, unlike with legal issues that also govern how companies manage employees, there are no clear-cut standards regarding fairness. Fairness is in the eye of the beholder—what is fair for one person may not be perceived as fair by another. Managers and employees may disagree regarding the extent to which the company has met its obligations to the employee.[38] But even while individuals differ in how they view fairness, there are three primary aspects of their relationship with their companies that employees tend to monitor: distributive, procedural, and interactional justice.

Distributive justice is the fairness of what individuals receive from companies in return for their efforts.[39] Ideally, this is a balanced exchange, with employees receiving compensation or other benefits that they view as being of equal value for the time and effort that they put into their jobs. **Procedural justice** focuses on whether the processes that are used to make decisions, allocate rewards, or resolve disputes, or that otherwise affect employees, are viewed as fair.[40] As shown in Exhibit 2.5, a number of factors influence employee perceptions about procedural fairness. For example, employees are more likely to accept evaluations or decisions regarding their pay raises when they believe that the methods used to make those decisions are consistently applied to all employees and are based on valid, accurate data.

distributive justice
perceptions of the fairness of what individuals receive from companies in return for their efforts

procedural justice
perceptions of whether the processes that are used to make decisions, allocate rewards, or resolve disputes, or that otherwise affect employees, are viewed as fair

interactional justice
how employees feel they are treated by their managers and supervisors in everyday interactions

Interactional justice represents how employees feel they are treated by their managers and supervisors in everyday interactions. Do managers treat employees politely and respectfully? The underlying principle of interactional justice is that *how* managers treat their employees is something that is as important to employees as the actual decisions regarding their treatment.

Perceptions of justice are particularly noteworthy because they influence the extent to which an employee believes that the company has met its obligations within the psychological contract.[41] When employees perceive that their company has not met its obligations, they are likely to display less trust of and commitment toward the company and are more likely to leave it.[42] According to Denise Rousseau,

EXHIBIT 2.5

Understanding Procedural Justice

Procedural fairness has been shown to be related to six criteria:
1. **Consistency:** Managers should ensure that allocative procedures are consistent across people and over time.
2. **Bias suppression:** Managers need to prevent personal self-interest and blind allegiance to narrow preconceptions.
3. **Accuracy:** Decisions must be based on good information and informed opinion.
4. **Correctability:** Managers must be open to opportunities to modify or reverse decisions based on inaccurate information.
5. **Representativeness:** The allocation process must represent the concerns of all important subgroups and individuals.
6. **Ethicality:** The allocation process must be compatible with prevailing moral and ethical standards.

Source: D. M. Rousseau, *Psychological Contracts in Organizations: Understanding Written and Unwritten Agreements* (Thousand Oaks, CA: SAGE Publications, 1995), 128.

a leading expert on psychological contracts, employees may engage in several actions in response to perceived violations of psychological contracts:

- *Voice*—Actions an employee might take to correct a situation that he or she views as unfair
- *Silence*—A form of nonresponse and a willingness to live with the circumstances, even if they are viewed as unfair
- *Neglect*—Failure to completely fulfill one's duties
- *Exit*—Departure from the company
- *Destruction*—Counterproductive behaviors that damage the company, such as vandalism, theft, and aggression[43]

A number of factors influence the specific course of action that an employee chooses. For example, the history of the relationship between the employee and the company, as well as the degree of trust that an employee has toward the company, may encourage the employee to exercise his or her voice before exiting or acting destructively. The presence of other job alternatives for an employee may encourage the person to leave sooner rather than later in response to unfair treatment. The presence of a formal grievance procedure may encourage an employee to try to remedy the situation before choosing another action.

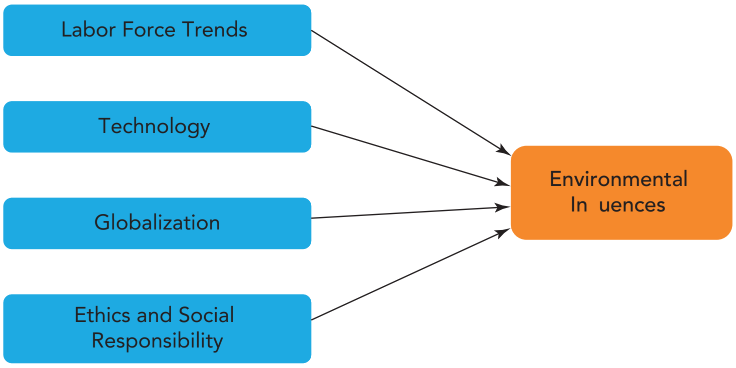
It is important for managers to maintain open lines of communication with employees to monitor their attitudes about justice in their jobs. In larger companies, this is often difficult to do on an informal level. Many companies now conduct attitude surveys of their employees on a regular basis to monitor their overall perceptions. This provides useful information to management, and it also reassures employees that the company cares about their views and opinions. In addition, some companies perform exit interviews with employees who have voluntarily terminated their employment in order to better understand why they are leaving and what changes might improve the environment for current employees.[44]

Environmental Influences

Whereas organizational demands are factors that exist within the boundaries of a company, environmental influences are pressures that exist outside a company. And while there are certainly many different influences, our framework focuses on four, as shown in Exhibit 2.6: labor force trends, technology, globalization, and ethical and social responsibility.

EXHIBIT 2.6

Environmental Influences



Labor Force Trends

The labor force means the individuals who are available for work. According to the U.S. Bureau of Labor Statistics, the future labor force will be markedly different from the labor force of the past. Companies will have to consider several notable trends in the labor force in the coming years. Specifically, the composition of the workforce is becoming older and more diverse.[45]

The Aging Workforce

The years immediately following World War II (1946–1964) witnessed a boom in births in the United States compared to other years. In the year 2020, the youngest "baby boomers" will be 56 years old. The 65-and-older population in the United States is expected to grow from 48 million to 88 million in 2050.[46] Companies are now realizing the need to start planning for the graying of the workforce. As shown in Exhibit 2.7, the percentage of individuals in the 55-and-older age group will continue to grow compared to the rest of the workforce.[47] In contrast, the percentage of the workforce of people 16–24 is expected to be 11.7% in 2026, down from 14.8% in 2006.[48] In 2017, the United States ranked 36th on a list of countries with high proportions of people age 65 and older, at 15.41%.[49] Japan was the oldest population in the world, with 27% of the population 65 or older, followed in the top 5 oldest by Italy, Portugal, Germany, and Finland.[50]

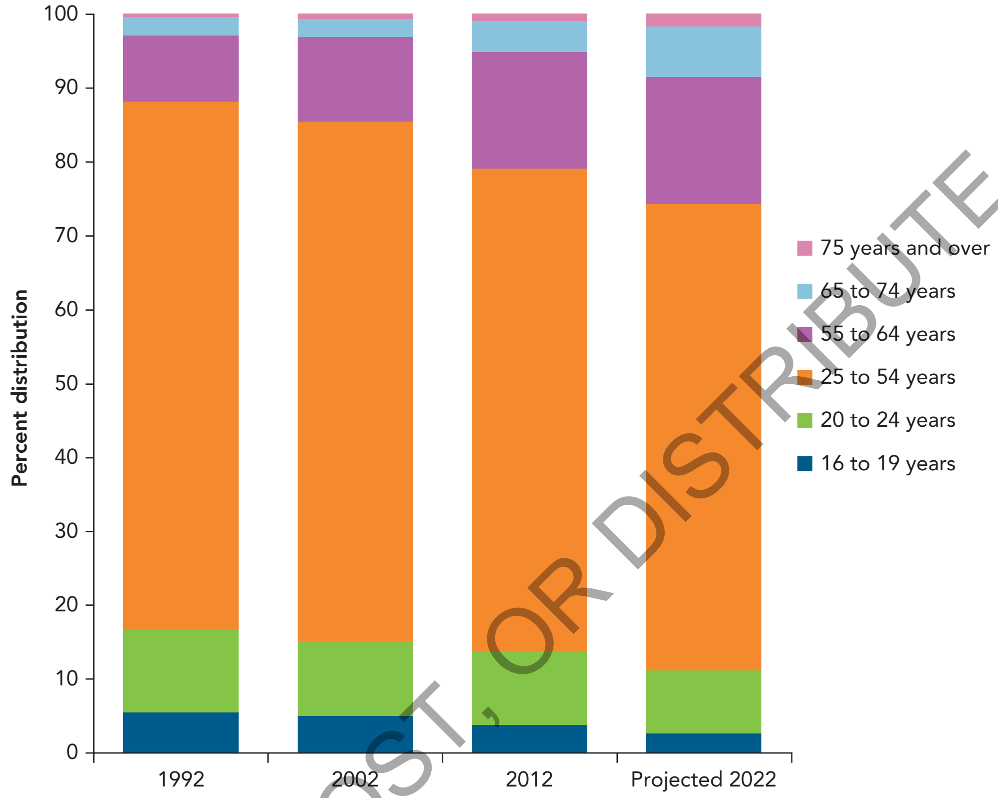
An aging workforce brings with it a number of challenges for companies, as well as opportunities. For example, there are likely to be increased challenges with workforce planning. As the baby boomers approach retirement, companies are facing a situation in which a considerable number of their employees may leave the workforce. With the smaller number of younger workers to replace them, many companies are increasingly competing for a limited supply of workers to replace individuals who retire. Some companies have already started capitalizing on the aging workforce by explicitly recruiting and retaining older individuals beyond their retirement years. One innovative initiative is the idea of paid internships for older workers, developed by Carole Fishman Cohen, CEO of iRelaunch. Credit Suisse, Goldman Sachs, J. P. Morgan, MetLife, Morgan Stanley, and the Onramp Fellowship for Lawyers are some of the companies that have implemented paid internships for mature workers. Between 5090% of these internships were subsequently converted to full-time positions.[51]

Demographic Diversity

In addition to the population aging, certain demographic groups are expected to grow more rapidly than others. For example, the number of women in the labor

EXHIBIT 2.7

Percent Distribution of Civilian Labor Force, by Age



Source: The Editor's Desk, "Share of Labor Force Projected to Rise for People Age 55 and Over and Fall for Younger Age Groups," Bureau of Labor Statistics, January 24, 2014, http://www.bls.gov/opub/ted/2014/ted_20140124.htm.

force is expected to grow by 7% between the years 2018 and 2028.[52] Women are expected to make up 47.6% of the U.S. labor force in 2028. This stands in contrast to the 1950s when the share of the workforce for women was less than 40%.

Similarly, while white non-Hispanics are projected to remain the largest demographic group, the fastest-growing groups in the labor force are Hispanics and Asians.[53] In 1990, the population of Hispanics was 22.6 million. That number increased to 35.7 million in 2000 and 57.5 million in 2016. An earlier forecast had predicted that the Hispanic population in the U.S. would reach 48 million by 2030 but that number clearly has already been surpassed. The Bureau of Labor Statistics projects that by 2050, Hispanics will make up 24% of the U.S. labor force, blacks 14%, and Asians 11%.[54] In 2017, the foreign-born labor force in the United States comprised 17% of the total U.S. labor force, with 48% of these workers being Hispanic and 25% Asian.[55] Foreign-born workers lived in every state in 2010, and half of all foreign-born workers lived in California, New York, Texas, and Florida.[56]

Trends in migration, coupled with differences in birth rates across demographic groups, will continue to shape the racial composition of the workforce. These changing labor force demographics have implications for managing employees. For example, how companies manage diversity and inclusion in their workforce affects their ability to attract future employees, as well as their overall reputation. Companies must take steps to manage diversity and inclusion to help employees learn the value that different backgrounds and perspectives offer in terms of organizational performance. By directly addressing diversity issues, companies are more likely to be in a position to capitalize on the benefits associated with a diverse workforce.[57]

The growing presence of a diverse workforce also requires that managers continue to pay attention to issues of discrimination and eliminate any potential biases that might harm one or several demographic groups. As we will discuss in Chapter 3, an array of federal, state, and local regulations, as well as presidential executive orders, govern the decisions that companies make regarding the management of employees, especially to ensure that practices are not discriminatory.

Technology

Technology continues to shape the nature of competition and how companies conduct business. There was a time when customers actually had to go to a store and talk with a salesperson to purchase a product. Today, many people do much of their shopping online. Companies such as eBay, Etsy, and Amazon are convenient, online sources for virtually any product imaginable. Most companies now have their own sophisticated websites that allow a customer to shop from the convenience of his or her home or office.

The prominence of the Internet and information technology (IT) has considerably changed how employees function within companies. An increased reliance on the Internet as a medium for meeting customer needs influences the types of competencies that employees must possess. In today's environment, most employees need a certain level of computer proficiency as most people work with a computer at some point during the workday. Even manufacturing jobs, traditionally viewed as manual labor, are becoming more high-tech with advances in computer-aided procedures, robotics, analytics, and artificial intelligence.

In many companies, technology has also created new avenues for how employees interact, share information, and learn from one another.[58] For example, it is possible to have group meetings online or through videoconferences that do not require employees to meet physically in a central location. Indeed, advances in technology have expanded how we think about work.

Not long ago, employees typically lived within a reasonable distance of a company. Now many employees **telecommute,** which involves working away from the traditional office setting. With high-speed Internet access, videoconferencing, email, and mobile technologies, it is conceivable that employees can live anywhere in the world and perform their work remotely. Of course, the downside to telecommuting is that work can be done, and expected, 24/7.[59]

telecommute
working away from the traditional office setting

And because employees can work from home or from a satellite location, they do not have to waste time commuting to and from a particular location. By providing employees with more flexibility in terms of when and where they work, telecommuting helps employees manage their work/life balance.

Of course, there are downsides to telecommuting. One recent study found that with an increase in telecommuting, nontelecommuting workers had fewer emotional ties to their coworkers, felt less obligated to the organization, and found the workplace less enjoyable. One explanation for this reaction is that nontelecommuters are faced with a greater workload and less flexibility because they have fewer coworkers available to share work.[60] Another study indicated that up to 75 percent of nontelecommuting employees have concerns about their telecommuting colleagues.[61] Some workers are reluctant to telecommute out of fear that doing so might reflect poorly on their dedication and commitment to their organization.[62]

Nevertheless, advances in technology have thrust telecommuting into the daily lives of companies, and employers and employees alike are exploring whether it is a good option for their circumstances. In one of the boldest moves to reconsider telecommuting, IBM announced in May 2017 that thousands of their remote workers in the United States had to relocate to a regional office or leave the company. The reason given was a desire to accelerate the pace of work and to improve collaboration. This last reason is interesting because many U.S. workers at IBM work on projects with colleagues around the globe, and those projects run 24/7.[63]

As technology enables employees to work anywhere and anytime, it also expands the pool of potential employees for companies. Individuals who require flexibility to stay at home and care for children or aging parents might not be able to commit to a traditional 9-to-5 workday, especially with a long commute. With the option to work off site and with flexible hours, this portion of the labor force becomes more accessible to companies. In addition, companies may expand their workforces to include people around the globe, thus creating a larger pool of applicants and facilitating work around the clock, without having to establish formal offices. Digital technologies are also leading to the creation of a lot of atypical jobs—jobs that have grown the so-called gig economy, a work environment in which companies hire independent contractors to do temporary work. These employees can be working anywhere around the world.[64]

Globalization

Many companies are actively competing on an international level through exporting products and services, sending work to foreign companies, setting up production or service facilities in other countries, or establishing international joint ventures and partnerships with foreign firms. Even when companies focus primarily on their domestic market, they are increasingly finding themselves competing with international companies for a share of that market.

The push toward globalization is influenced by various trade agreements among countries around the world. The North American Free Trade Agreement (NAFTA) is a pact among Canada, the United States, and Mexico that called for the gradual removal of tariffs and other trade barriers on most goods produced and sold in North America. Since its implementation on January 1, 1994, NAFTA has had a considerable impact on business in North America. For example, the total trade among NAFTA partners increased from $652 billion in 2003, to $944.6 billion in 2010, to over $1.2 trillion in 2017.[65]

Similarly, the European Union (EU), a union of 28 independent countries, was founded to enhance political, economic, and social cooperation. The goal of the European Union is to establish a single market unifying the EU members through a common commercial policy, reducing economic differences among its richer and poorer members, and stabilizing the currencies of its members.[66] In 2019, the United Kingdom (UK) will leave the European Union as the result of a 2016 referendum against staying in the EU approved by citizens of the UK. However, the date for exit may be delayed by negotiations between the UK and the EU. Another trade agreement is the Asia-Pacific Economic Cooperation (APEC) which has a membership of 21 Pacific Rim countries. APEC has worked to reduce tariffs and other barriers to free trade throughout the Asia-Pacific region.[67]

These agreements are serving as catalysts for globalization; however, starting in 2016, there have been growing concerns in the United States and the United Kingdom among citizens and politicians over the effects of globalization on domestic jobs. These concerns have led to attempts to renegotiate trade agreements, such as NAFTA, by the United States, and the already noted withdrawal from the European Union by the United Kingdom. The growth in globalization has implications for how companies compete, where they establish operations, and the location of their labor force. It also brings new challenges for managing employees.

International Strategies

While globalization exerts a considerable impact on just about every industry, companies differ in the extent to which they compete on a global level. Christopher Bartlett and Sumantra Ghoshal, two leading experts on international strategy, provide a useful framework that views international strategies in terms of their focus on local responsiveness and global efficiency.[68]

A **domestic strategy** focuses primarily on serving the market within a particular country. In contrast, when firms follow an **international strategy**, they expand the markets in which they compete to include multiple countries. An international strategy is an extension of a domestic strategy that focuses on penetrating markets in other countries through exports or moving some operations into other countries. When following a **multinational strategy**, companies take an international strategy a step further and establish autonomous or independent business units in multiple countries. One of the major objectives of a multinational strategy is that it provides business units in other countries with the authority to meet the unique local needs of their country (local responsiveness).[69]

domestic strategy
a strategy that focuses primarily on serving the market within a particular country

international strategy
a strategy used by companies to expand the markets in which they compete to include multiple countries

multinational strategy
a strategy where companies establish autonomous or independent business units in multiple countries

While a multinational strategy strives to be responsive to local preferences, a **global strategy** strives to achieve global efficiency. When following a global strategy, companies are not aligned with a particular country, nor do they target the unique tastes and preferences of individual countries. Rather, a global strategy focuses on aligning business units across countries to realize gains in efficiency and scope. It does this by focusing on standardizing products that are valued across multiple markets. Finally, companies that follow a **transnational strategy** strive to achieve the benefits of both a global strategy and a multinational strategy. This is done through a combination of extensive efforts to foster a shared vision and coordination across business units, while maintaining a commitment to provide each unit with the ability to tailor products to meet the needs of the local country. For example, automobile manufacturers such as Ford try to increase efficiencies in the production process through plants across the globe, while enabling variations in the specific attributes of the vehicles that are sold in different markets. Additionally, Ford decided to limit the types of cars made in the U.S. and focus on truck and SUV manufacturing in response to consumer demand for those types of vehicles in the U.S.

global strategy
a strategy whereby a company strives to achieve global efficiency

transnational strategy
a strategy that strives to achieve the benefits of both a global strategy and a multinational strategy

The importance of international strategies has gained increased attention recently with the greater reliance on offshoring by U.S. companies. **Offshoring** is the practice of sending work that was once performed domestically to companies in other countries or opening facilities in other countries to do the work, often at a substantially lower cost.[70] Companies such as GE, Dell, and General Motors have turned to other countries such as China and India as sources of labor to supplement their full-time employees in the United States. The prevalence of offshoring and the supporting benefits associated with access to skilled labor for lower costs influence how investors view a company. Some venture capitalists now expect a company to have an offshoring strategy before they will fund new business ventures for the company. Of course, offshoring has limitations, which we will discuss throughout this book. For instance, to address quality issues, some companies are bringing work back to the U.S. that was once offshored.

offshoring
the practice of sending work that was once performed domestically to companies in other countries or opening facilities in other countries to do the work, often at a substantially lower cost

Global Factors

The success of different international strategies depends in large part on the management of employees. As companies become more global in focus, they have to make important decisions regarding the locations of their international operations.

These decisions are certainly affected by factors such as proximity to the target market and access to resources, but it is also critical to consider how differences across countries influence the management of human resources and the effectiveness of different HR practices. There are two major factors that are particularly important in an international context: economic considerations and cultural differences.

Economic Considerations We noted earlier that labor costs are a vital factor when companies consider alternative locations for international facilities. As you might imagine, average wages for employees, even for performing the same types of jobs, vary dramatically across countries.

For example, Exhibit 2.8 shows a comparison of hourly manufacturing labor costs for the United States and many other countries around the world for 1997, 2015, and 2016. Switzerland has consistently had the highest hourly labor costs. Other countries reporting high hourly compensation costs for 2016 are Norway, Belgium, Denmark, Germany, Sweden, Austria, and then the U.S. Note the considerable difference between the hourly costs of the top 10 countries versus the bottom 10 countries.

In addition to labor costs, an important consideration is the availability of qualified labor. Countries differ in the types of skills that their workforces have, as well as the level or supply of workers with those skills. For example, companies face a labor shortage in the United States for people with the appropriate technology skills. As a result, some companies look to the global labor market to fill positions with individuals from other countries as a solution.

A country's unemployment level influences the availability of skills and workers. Higher levels of unemployment create a larger supply of workers with certain skills. In contrast, lower levels of unemployment force companies to work much harder to identify and hire qualified employees. Relatively high unemployment in countries such as Eastern Europe, Brazil, and Spain make those countries attractive locations for companies looking to expand internationally because they provide a relatively high number of skilled, available workers.

When considering establishing operations in foreign countries, countries with low levels of skills or facing a shortage of workers with certain skills are less attractive locations for international operations, while countries with high levels of skilled workers are more attractive. For example, countries such as Mexico, Brazil, and Taiwan have a large supply of workers with desired skills who command relatively low wages compared to U.S. companies. This fact is one reason many companies have established *maquiladoras* (U.S.-owned manufacturing plants located in Mexico). Maquiladoras provide labor for much lower costs than in the United States. Other countries are more attractive for companies that need higher-skilled workers. One reason that companies increasingly offshore facets of their operations to India is the availability of highly skilled workers who command lower labor costs.

Cultural Differences In addition to differences in skill levels and economic conditions, companies must also consider cultural differences when managing employees internationally. Geert Hofstede, a leading scholar on cross-cultural differences, identified five major cultural dimensions on which cultures tend to differ:[71]

Individualism–collectivism—The degree to which people in a country prefer to act as individuals rather than as members of groups

Power distance—The degree of inequality among people that a population of a country considers normal

Uncertainty avoidance—The degree to which people in a country prefer structured situations with clear rules about how one should behave over unstructured situations that are more ambiguous

EXHIBIT 2.8

Hourly compensation costs in manufacturing, in US dollars and as a percent of costs in the United States (US = 100)

Country	Hourly Compensation Costs(1) in US dollars 1997 (2)	2015	2016 (3)	US = 100 1997 (2)	2015	2016
Switzerland	30.43	61.01	60.36	132	161	155
Norway	25.88	50.96	48.62	112	135	125
Belgium	28.95	47.96	47.26	126	127	121
Denmark	23.72	44.57	45.32	103	118	116
Germany	28.86	42.27	43.18	125	112	111
Sweden	25.05	41.64	41.68	109	110	107
Austria (5)	24.88	38.99	39.54	108	103	101
United States	23.04	37.81	39.03	100	100	100
Finland	22.36	38.44	38.72	97	102	99
Australia	19.29	38.59	38.19	84	102	98
France	24.87	37.31	37.72	108	99	97
Ireland	17.42	35.84	36.23	76	95	93
Netherlands	22.71	35.02	34.60	99	93	89
Italy	19.77	32.40	32.49	86	86	83
Canada	18.49	30.74	30.08	80	81	77
United Kingdom	19.30	33.01	28.41	84	82	73
Singapore	12.16	25.87	26.75	53	68	69
Japan (4)	22.00	23.60	26.46	96	62	68
New Zealand	12.04	23.23	23.67	52	61	61
Spain	13.96	23.40	23.44	61	62	60
South Korea	9.24	22.54	22.98	40	60	59
Israel	11.62	21.85	22.63	50	58	58
Argentina (4)	7.55	20.20	16.77	33	53	43
Greece	11.61	16.01	15.70	50	42	40
Estonia	NA	11.00	11.60	NA	29	30
Slovakia	2.84	11.08	11.57	12	29	30
Portugal	6.44	10.99	10.96	28	29	28
Czech Republic	3.25	10.39	10.71	14	27	27
Taiwan (4)	7.07	9.49	9.82	31	25	25
Hungary	3.05	8.21	8.60	13	22	22
Poland	3.29	8.52	8.53	14	23	22
Brazil	7.03	7.73	7.98	31	20	20
Turkey	NA	5.68	6.09	NA	15	16
Mexico	2.62	4.38	3.91	11	12	10
Philippines	1.24	2.15	2.06	5	6	5

NA means data not available.
For complete definitions and country information, see Technical Notes and Country Notes.
(1) Compensation costs include direct pay, social insurance expenditures, and labor-related taxes.
(2) With the exception of Estonia and Turkey, 1997 is the first year data for all countries are available.
(3) Data are ranked on the 2016 value of Hourly Compensation, US Dollars.
(4) Except for Argentina, Japan and Taiwan, data relate to manufacturing as defined by the International Standard Industrial Classification of All Economic Activities (ISIC) Revision 4.
(5) For Austria, ISIC C Manufacturing excludes ISIC 12 Manufacture of tobacco products.
Source: The Conference Board, International Labor Comparisons program, February 2018

Masculinity–femininity—The degree to which a society stresses values that have traditionally been viewed as masculine (assertiveness, performance, success, and competition) over values that have traditionally been viewed as feminine (quality of life, personal relationships, service, care for the weak, and solidarity)

Long-term versus short-term orientation—The degree to which the population of a country focuses on future-oriented values such as saving and persistence versus more short-term values such as respect for the past, tradition, and fulfilling social obligations

Hofstede's dimensions represent only one of many frameworks for understanding cultural differences.

Implications of Global Factors on Managing Employees In addition to assessments of locations for international operations, globalization also creates unique challenges for managing employees on international assignments. First, cultural differences affect what HR practices and management decisions employees deem acceptable. For example, employees in a *collectivistic* culture may be less receptive to placing a strong emphasis on individual performance in reward systems and performance-management systems than those in a more *individualistic* culture. Similarly, individuals from a *high power distance* culture may accept a work environment that emphasizes multiple layers of hierarchy and strong status distinctions between managers and employees more easily than those from a *low power distance* culture.


Rawpixel.com/Shutterstock

Second, cultural differences also influence which HR activities managers and supervisors view as appropriate for how they manage employees. Asking managers in a *high power distance* culture to encourage employee participation and decision-making might be viewed as contrary to their strong values for maintaining status differences. Similarly, companies might encounter resistance when asking managers to reward individual achievement in *collectivistic* cultures that value the community more than the individual.

The importance of effectively managing international assignments cannot be emphasized enough. Companies that fail to develop international work experience among their managers may not be able to achieve their long-term strategic goals in a global context. Lack of international management experience may be a factor in less-favorable productivity of operations located in foreign countries and in lost opportunities for creating or penetrating markets. Lack of experience also may cause difficulties with building and maintaining relationships with stakeholders in the country in which the operations are located.[72] Not surprisingly, international work experience is now one of the major requirements for promotion to higher-level managerial positions.[73] CEOs with more international experience are often more highly recruited than those who lack that experience.[74]

Ethics and Social Responsibility

Organizations are increasingly expected to cope with HR challenges in an ethical way, which leads to the fourth environmental challenge in our framework: ethics and social responsibility. Ethics and social responsibility have always been important to companies. Questions of child-labor abuse in sweatshops have received considerable attention for years in the retail industry. Public awareness regarding financially unethical behavior in companies gained prominence as a result of the widely publicized problems at Lehman Brothers and Madoff Investment Securities. Toyota and GM came under scrutiny for questionable handling of defective parts when their automobiles were involved in accidents with some of those accidents including fatalities.[75] GM hired attorney Kenneth Feinberg to compensate victims killed in crashes caused by defective ignition switches in a number of the company's models.[76] Toyota paid out $1.2 billion to avoid prosecution for covering up safety problems with unintended acceleration. More recently, several companies have been scandalized by allegations of sexual harassment and misconduct.[77]

But what exactly is ethical behavior? How much responsibility do companies have toward the environment? Toward other countries? Toward minority groups? According to *Business Ethics* magazine, it is useful for companies and managers to think about ethical behavior with regard to eight stakeholder groups:[78]

- Shareholders
- Community
- Governance
- Diversity
- Employees
- Environment
- Human rights
- Product

Each of these stakeholder groups is affected by the actions of companies, and each has a vested interest in evaluating how companies are performing to meet their needs. How ethically companies behave toward these groups has several implications for their success. Would you shop at a company that offered a great product for a low price? What if that company was able to achieve exceptionally low costs by using child labor in another country? What if that company achieved its low costs by dumping chemical waste in a local stream?

Ethical actions and socially responsible behavior can help foster a positive reputation that spurs additional consumer support. Bristol-Myers Squibb, Johnson & Johnson, Gap, Inc., and Microsoft are a few companies that have had the honor of being identified as some of the 100 best corporate citizens by *Corporate Responsibility Magazine*.[79] In 2018, Microsoft was named as the number 1 Best Corporate Citizen by the magazine. Microsoft was one of the first companies to offer flextime and job sharing, family benefits, and bereavement leave. Microsoft has a strong record on human rights and on the environment, making sure that its server rooms are as energy efficient as possible. They also have a large corporate giving program.[80] Research shows that companies rated among the 100 best corporate citizens financially outperform their business counterparts.[81]

Given the importance of ethics, how can you encourage your company to act ethically? Perhaps the best place to start is by recognizing that ethical decisions are made by people. Employee behavior, from the entry-level new hire up to the CEO of a corporation, defines the ethical nature of companies. In a survey of accountants sponsored by the European Federation of Accountants and Auditors for SMEs and the Accountants Association in Poland and reported in 2017, 64% of the 662 respondents representing 23 countries indicated they had been pressured during their professional career to act in an unethical manner. Around 37% of the respondents indicated that such pressure had occurred on five or more occasions.[82]

Considering that a company's ethical behavior rests on employee decisions and actions, it is important that employees understand how to act ethically. There are several steps that companies can take to encourage ethical behavior in employees:

- Appoint an "ethics officer"
- Constantly monitor the aspects of the company's culture that concern its value system, including ethics

- Provide ethics training
- Perform background checks on incoming employees
- Devote time at regular staff meetings to talking about responsibilities[83]

Once accused of abusing child labor around the globe, Nike has a large team of corporate responsibility and compliance managers working in locations around the world focusing on ensuring that their vendors and suppliers comply with the Nike Code of Conduct.[84] Apple conducts audits of suppliers' factories to ensure that the company's foreign labor has satisfactory working conditions. Beyond asking employees to behave ethically, some companies take steps to show employees how to behave ethically. For instance, Lockheed Martin requires all employees to attend ethics training each year.[85]

Financial performance has long been a measurement tool for company success. However, the ethics and social responsibility that companies display are increasingly playing a role in how people evaluate organizations. Companies need to not only set ethical standards for employees, but also take steps to show employees how to carry out ethical actions in their jobs. After all, if employees don't adhere to ethical standards, social responsibility and ethics may become simply an exercise in public relations.[86]

SUMMARY

To be an effective manager, you have to understand which HR practices are available. Just as important, managers need to understand which HR practices are most appropriate for different circumstances. In short, you have to understand how employees add value and how HR challenges affect your options for managing employees. In this chapter, we have explored the organizational demands that exist within companies, as well as the environmental influences that exist outside companies that affect how to manage employees.

Organizational demands are factors within the boundaries of a company that affect what you need to do to manage employees. One of the key challenges facing managers is to understand how employees contribute to realizing strategic priorities and, ultimately, company success. Different strategies require employees to perform in different ways, and employees in different companies add value in unique ways. Moreover, each company is unique in how it is set up to carry out its operations. Companies vary in terms of size, stage of development, and transformation process. These differences affect what resources are available to manage employees, as well as the types of tasks and responsibilities that employees are expected to perform. Beyond strategy and company characteristics, each company has a unique culture that influences how employees interact with each other and with customers based on differences in values and beliefs. Finally, managers are not likely to be very effective if they do not take into account the concerns of the individuals that they are managing—their employees.

While organizational demands focus on factors that exist within the boundaries of a company, environmental influences are pressures that exist outside companies. Changes in the labor force are occurring, and the workforce is becoming older and more demographically diverse. Technological advances have provided companies with new options for when and where employees work, as well as how employees are managed and controlled. Globalization continues to introduce new challenges regarding where companies establish facilities, as well as how to manage cultural differences. In addition, companies are increasingly being expected to cope with these challenges and opportunities in an ethical way.

Successful companies are able to navigate these HR challenges by understanding how to use the primary HR activities to cope with the challenges and take advantage of the opportunities that the changing competitive landscape presents.

KEY TERMS

cost leadership strategy
differentiation strategy
distributive justice
domestic strategy
global strategy
interactional justice
international strategy
multinational strategy
offshoring
organizational culture
procedural justice
psychological contract
telecommute
transnational strategy
work/life balance

DISCUSSION QUESTIONS

1. Create a list of differentiation strategies. What implications do these strategies have for employee management?
2. What are some of the unique HR challenges associated with managing employees in start-up companies versus long-established, larger companies?
3. As a manager, what can you do to help instill new values and beliefs among your employees?
4. How much responsibility do companies have to help employees balance their work and personal lives? What options are available to help achieve work/life balance? Which of these options are best?
5. Research the benefits and challenges of having a diverse workforce. How can you help employees embrace diversity and create an inclusive environment?
6. What types of managerial challenges would you expect to encounter if your employees telecommute to work? How would you address those issues?
7. Companies are increasing their global operations. What are some of the challenges that a company would face when going global? What could you do, as a manager, to help people working internationally deal with these challenges?
8. How have advances in technology affected the way that companies manage their employees?
9. As a manager, what can you do to encourage your employees to act in an ethical and socially responsible manner?

LEARNING EXERCISE 1—ENCOURAGING ETHICAL BEHAVIOR

Given the well-documented scandals in corporate America involving unethical behavior, many companies are increasingly encouraging their employees to act ethically. For this exercise, choose four different companies. Research their approaches to ethics and their codes of ethical conduct by visiting their company websites and reading about them in the popular business press. Then answer the following questions.

1. Which company's approach to ethics impresses you the most? Why? Which is least impressive? Why?

2. If you were to write a code of ethical conduct for your employees, what would it say? In your opinion, what are the key components of a good code of ethical conduct?
3. What are some ways that you would make sure employees comply with your code of ethical conduct?

LEARNING EXERCISE 2—MANAGING IN A SMALL FIRM

In light of the trends highlighted in this chapter, there is a good chance that you will work in a small company—or even create one! It is important, therefore, to think about some of the issues that you might encounter in managing employees in a small or entrepreneurial firm.

1. What challenges would you expect to encounter as a manager in a small company that are different from those you might encounter in a larger, more established company?
2. How would these challenges influence how you manage your employees?
3. If you were to create a new company, or at least be part of the founding team, how you manage employees would set the tone for the culture of the company as it grows. Would this influence your decisions about how to manage your employees? How?

CASE STUDY 1: SUSTAINING SUCCESS AT ST. STEVENS COMMUNITY COLLEGE

Emma Barnes is a senior administrator at St. Stevens Community College (SSCC), and recently, she has been asked to assess the sustainability of SSCC's strategic mission and to develop a long-term plan for SSCC to overcome any pending challenges and capitalize on any potential opportunities. Established in 1965, SSCC is a midsized community college serving the local population that partners with students to maximize their college experience. SSCC's competitive advantage is to be a high-quality educational option for diverse students at an affordable price and to serve a valuable role in the community. It provides small classes, cutting-edge classrooms, and great resources to enable students to get the most out of their educational experience. Based on all assessments, SSCC has been successful. In its 50-plus years, the college has grown to more than 12,000 students and enjoys financial profits, with enough funds to reinvest in maintaining the administrative infrastructure of the college, enhancing the technology in the classrooms, and bolstering the quality of the athletic facilities.

Despite the college's success, Emma is worried that it may be experiencing the calm before the storm. There are several reasons for her concerns. First, many members of the faculty are approaching retirement age, and hiring faculty replacements is difficult because newly minted PhDs have many options for employment. Moreover, new hires are demanding salaries that are above what SSCC is typically able to afford. The quality of the faculty is a key attraction for students, and Emma worries that SSCC may not be able to maintain the level of education that it offers without planning now for the future. In addition, there has been a growing increase in the number of students who have decided to pursue distance education rather than attend community college, with the goal of attending a four-year university after the completion of an associate's degree online. Finally, the composition of the student population continues to become increasingly diverse in terms of gender, race, national origin, and age. While everyone at SSCC agrees that it is a great asset, Emma wonders what implications the increased diversity of the student body might have for how SSCC moves forward.

While everything seems to be fine, Emma is determined to develop a plan to ensure that SSCC is able to take advantage of its opportunities and minimize its constraints. The problem is that she doesn't have a clear answer for how do so.

Discussion Questions

1. What is your assessment of the organizational and environmental challenges facing SSCC?
2. Which of these HR challenges would you view as most important and least important for Emma to consider as she develops a plan for the future?
3. Given your assessments of these challenges, what recommendations would you make to move forward in a way that ensures that SSCC is able to sustain its strategy of high-quality education at affordable prices? Explain the logic behind how you ranked the HR challenges.

CASE STUDY 2: GLOBALIZATION AT LEVI STRAUSS

Blue jeans are a legendary component of American culture. They were created in the United States in 1873, when Levi Strauss patented the riveted denim jeans that proved so successful among customers that they launched an entire industry. Yet, the one company that has perhaps been most synonymous with blue jeans—Levi Strauss—doesn't actually make its blue jeans in the United States.

In the late 1990s and early part of the 2000s, Levi Strauss undertook a substantial shift in the location of its manufacturing operations. In 1997, the company closed 11 plants and laid off 7,400 employees to cut excess production. In 1999, Levi's announced a large-scale layoff of almost 6,000 jobs and the closing of more factories in Georgia, North Carolina, Virginia, Texas, Tennessee, and Arkansas in an effort to move production to foreign facilities. Over time, the layoffs and the closings continued. Once a mainstay of U.S. manufacturing, plants in areas such as San Antonio, San Francisco, El Paso, and Brownsville were closed, and by 2004, Levi Strauss had shut its domestic operations and moved production facilities to foreign countries such as Mexico and China. Costs were a major factor for this decision. What might cost $6.67 to make in the United States costs about $3.00 in Mexico and $1.50 in China. While Levi Strauss was reluctant to move these jobs, it faced a competitive market operating with lower costs and lower prices.[87]

Discussion Questions

1. How did the four environmental factors discussed in this chapter influence Levi's decision to move its manufacturing outside the United States? Which environmental factor do you think had the strongest impact on Levi's?
2. How would you evaluate this decision from a business perspective? What about from an ethical perspective?
3. Assume that you are an employee working for Levi Strauss and are assigned to the management team in one of the manufacturing facilities in Mexico. What differences would you anticipate in terms of how you manage your Mexican employees versus how you manage employees located in the United States?
4. Why do you think those differences exist?