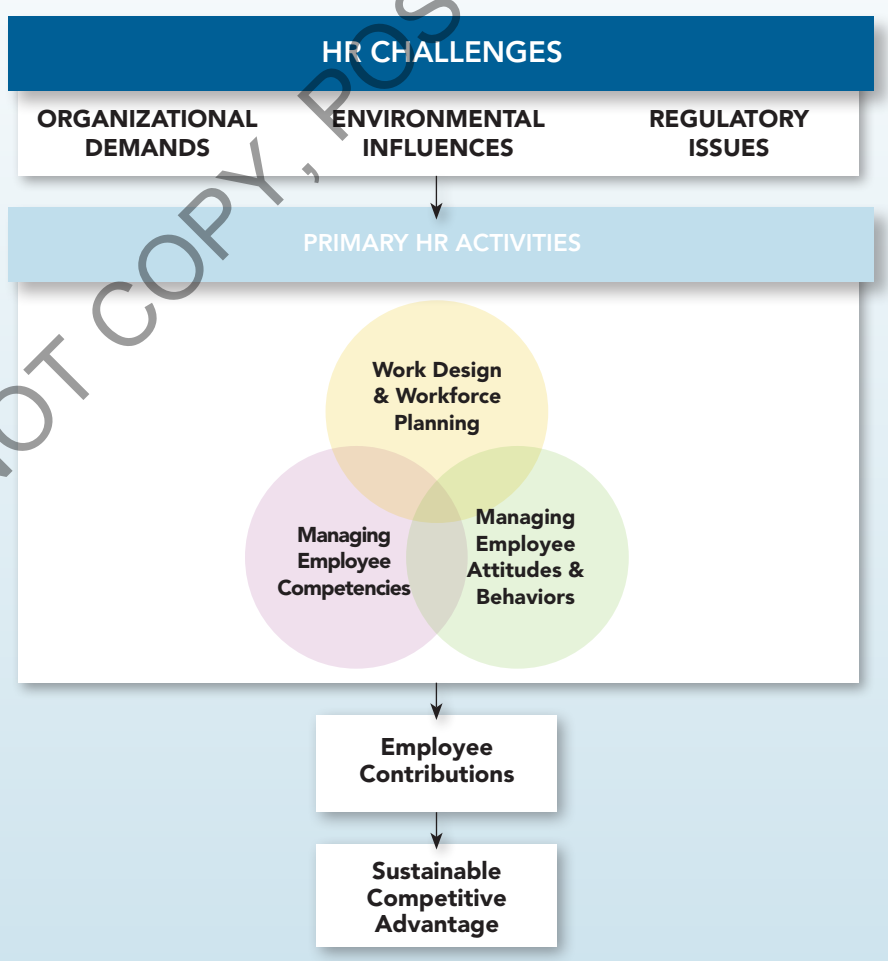
Chapter 1

Managing Employees for Competitive Advantage

Learning Objectives:

AFTER READING THIS CHAPTER, YOU SHOULD BE ABLE TO:

1. Discuss the potential costs and benefits associated with managing employees.
2. Explain what it means to manage employees strategically.
3. Identify and explain the three primary human resource (HR) activities.
4. Discuss the management practices associated with each primary HR activity.
5. Explain the importance of HR activity alignment.
6. Discuss how organizational demands influence the management of employees.
7. Describe how the external environment influences the management of employees.
8. Understand the importance of regulatory issues in establishing HR practices.



DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

You may have heard the saying that "people make the place." That statement may be true now more than ever. Organizations of all types and sizes around the world rely on technology for routine tasks, but they rely on people to develop and manage that technology and to perform the tasks that are less technology reliant. According to the Bureau of Labor Statistics (BLS), two of the top five fastest-growing career fields in the United States rely heavily on technology and require highly skilled employees to do the work in those fields. These two career fields are health care and information security analysis. Careers in these fields are expected to grow at a faster rate than most other occupations between 2019 and 2029. Healthcare careers are growing in large part because of an aging population. Computer fields are growing as the Internet of Things (IoT) and other artificial intelligence (AI) initiatives gain prominence.[1]

Fortune magazine's annual list of "The World's Most Admired Companies" acknowledges the importance of people to organizations. To create the final list, *Fortune* first compiles a list of the 1,000 largest U.S. companies based on revenue and a list of the non-U.S. companies with revenues of $10 billion or more listed on *Fortune's* Global 500 list. Next, company executives, directors, and analysts choose the top 10 companies in their industry to rate. The nine criteria used for the ratings are innovation, people management, use of corporate assets, social responsibility, quality of management, financial soundness, long-term investment value, quality of products/services, and global competitiveness.[2] Inclusion of both people management and quality of management acknowledges the role that employees play in the success of each organization. When a company has the right employees in place, and properly develops and motivates them, the likelihood of achieving a **competitive advantage** increases dramatically.

competitive advantage
a company's ability to create more economic value than its competitors

Managing Employees

This book is about managing employees—the people who enable organizations to achieve their goals and, consequently, be competitive in their markets. The talent, knowledge, skills, and abilities that employees bring with them when they start work, or that they acquire after being hired, are key inputs in determining what the company does and how well it does it. GlaxoSmithKline, also known as GSK, is a global healthcare company. The company website states, "We are a science-led global healthcare company with a special purpose: to help people 'do more, feel better, live longer.' The company's goal is to be one of the world's most innovative, best performing and trusted healthcare companies" with an "aim to bring differentiated, high-quality and needed healthcare products to as many people as possible, with our 3 global businesses, scientific and technical know-how and talented people."[3] What type of employees do you think this company must have to achieve its goals? Without the right employees, and employees who are motivated to work efficiently and effectively, GSK simply cannot achieve its goals.

A main purpose of this book is to provide you with the knowledge needed to successfully attract, develop, motivate, and retain employees and to equip you with the skills that managers need to be able to perform these activities effectively. Companies that know how to leverage employee talent to address challenges and opportunities are well positioned to achieve long-term success. Therefore, effective employee management enables the organization to have a **sustainable competitive advantage**. A sustainable competitive advantage refers to the ability of a company to keep creating more economic value than competitors do over time. Maintaining such an advantage is the ultimate goal for most organizations. In this book, we focus on what managers need to do to assist their organizations in gaining and maintaining a sustainable competitive advantage through the practices that they use to manage their employees.

sustainable competitive advantage
a company's ability to repeatedly keep creating more economic value than its competitors over time

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

What's in a Name

Before we discuss how to maximize the potential of your employees, we want to take a moment to clarify a few terms that you will see throughout the text.

First, different organizations use different terms to refer to the members of their workforce. Disney has its *cast*, and Walmart employees are *associates*. Other companies use the terms *human resources* and *human capital*. Companies use the term *talent* to describe high-potential/high-value employees perceived as critical to achieving organizational goals. We will use the term **employees** in this book to encompass all categories of individuals who work for a company, from the lowest to the highest levels of the organization.

employees
individuals who work for a company

We also refer to **human resources practices** throughout this book, often shortened to **HR practices**. When we refer to HR practices, we are not talking about the responsibilities of the HR department of a company unless we specifically say so; rather, we are talking about the practices that a company has put in place to attract, develop, motivate, and retain employees. We have chosen this term because most companies use it to represent these activities. Also, most schools refer to the course you are taking as "Human Resource Management," and most of the tools that you will have at your disposal as a manager to attract, develop, motivate, and retain employees are related to human resource concepts and principles.

human resources practices (HR practices)
the practices that a company has put in place to attract, develop, motivate, manage, and retain employees

We use the term **line manager** (or **manager**) to refer to an individual who is responsible for supervising and directing the efforts of a group of employees to perform tasks directly related to the creation and delivery of a company's products or services. Historically, line managers had the responsibility for most, if not all, aspects of managing employees. As the number of employment-related laws grew, many companies began to assign more of the responsibility for employee management to the **human resources department** (**HR department**). Over time, the role of HR departments has expanded to include a wide variety of tasks including recruitment, selection, training, compensation and benefits, performance management, and regulatory issues. More recently, overall employee well-being has become a major topic for HR departments to address. Many heads of HR departments are now part of the top leadership team of their organization with titles such as chief human resource officer (CHRO) or chief people officer.

line manager (manager)
an individual who is responsible for supervising and directing the efforts of a group of employees to perform tasks that are directly related to the creation and delivery of a company's products or services

human resources department (HR department)
a support function within companies that serves a vital role in designing and implementing company policies for managing employees

The most successful organizations recognize the importance of the HR department in designing and implementing company policies and practices for employees. At the same time, these organizations realize that managing employees is a key organization-wide responsibility. Consequently, they hold line managers accountable for how effectively they attract, develop, motivate, and retain the employees they oversee. Managers are successful only if they can motivate the highest-quality work from their employees.

When managers partner with the HR department to design and implement HR practices, employee contributions are more likely to be maximized. Smart managers understand that people are critical to their success and the organization's success. This book is written for the current and future managers of organizations. As we look at some of the potential costs and benefits related to employee management, you will begin to better understand why managing employees is the job of every manager, not just the job of the HR department.

The Costs and Benefits of Managing HR

As already discussed, a company's competitive advantage is its ability to create more economic value than does its competitors. Specifically, a company must provide greater value to a customer relative to the cost of making a product or providing a service than its competitors are able to do in order to obtain a competitive advantage.[4] Historically, companies have gained this advantage by holding protected assets, having extensive financial resources, competing based on

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

price, or benefiting from economies of scale.[5] At the same time, companies have often viewed employees as a cost to minimize rather than as a key to a competitive advantage. Maintaining a workforce is one of the largest fixed costs for most organizations. In addition to compensation costs, recruiting, hiring, training and developing, evaluating, mentoring, coaching, and even disciplining employees all have associated costs.

Companies now recognize that their workforce is as important to success as are other organizational attributes such as location and product. After all, the employees are the ones who make the decisions about everything from how to invest company resources to work locations. Employees invent the products and services that lead to positive organizational outcomes.

When employees are mismanaged, they may not be able or willing to work toward organizational goals. If employees do not have the necessary skills for their jobs and have not received the appropriate training, they may not know how to work effectively or efficiently. The result is lower firm performance and greater costs to the company. Employee management practices affect attitudes and behaviors.[6] Employees who feel undervalued or underappreciated will expend less effort in performing their jobs,[7] and revenue is lost when unhappy or unmotivated employees are not responsive to customer needs.[8] Mismanaging employees may lead to higher levels of employee turnover and absenteeism[9] or even sabotage,[10] both of which are expensive for the employer.

In contrast, effectively managing employees can lead to improved firm performance.[11] Studies have shown this link in industries as diverse as banking, apparel, and manufacturing.[12] When employees have the skills they need, they are able to contribute to meeting company goals. When employees feel valued by their company, they are likely to display greater levels of commitment, loyalty, and morale.[13] Armed with the skills they need and greater motivation, employees may be more productive. Greater productivity may more than offset the costs associated with managing employees.

Given what is known about the outcomes of effective management has led many companies to view employees as an asset rather than just a cost to control. These companies know that employees are a potential source of competitive advantage and that they need to nurture employee talents.[14] In fact, many companies now emphasize the value of employees to the company directly on their websites. Cigna, a company that provides employee benefits, states on its Careers website: "Cigna is a global health service company, dedicated to improving the health, well-being, and peace of mind of those we serve. . . . . Our global workforce of more than 70,000 employees is dedicated to living our mission and being champions for our customers and communities. We call this the 'Power of We.' By working together in close partnership with our colleagues, customers, provider, clients, and communities, we are able to create personalized solutions and advance whole-person health."[15] Like Cigna, the most successful organizations understand that managing employees effectively, such that they are motivated to keep learning and growing, can lead to a sustainable competitive advantage.[16]

In conducting a research project examining what makes a company culture great, Michael O'Malley and Bill Baker studied the best places to work in the United States, selecting 21 organizations known for their exemplary workplace culture. These companies had appeared year after year on one or more lists of the best places to work and included companies such as Patagonia, SAS, and The Motley Fool. What the researchers learned was that the 21 organizations they studied put people first, helped workers not only to find but also to pursue their passions, brought employees together on a personal level, empowered people to own their work, and created a space where employees could be themselves.[17]

While O'Malley and Baker's research found commonalities related to employee management across the companies, how the companies achieved those

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

commonalities differed. This research reminds us that there is no single best way to manage employees. Rather, each company is different and must manage employees in a way that is most appropriate given its unique situation. The internal organizational demands and the external environment determine the context for selecting HR practices. The framework we present next, and reference throughout the book, focuses on the relationship among three sets of HR challenges in an organization's internal and external environment, three primary HR activities, and the path to a sustainable competitive advantage. Understanding this framework will better equip you with the skills to manage employees strategically and effectively while minimizing the costs of mismanaging them.

Framework for the Strategic Management of Employees

Has a friend ever asked you to play a new game but provided no directions for how to play? Maybe the friend just started the game and expected you to join in without any direction. For many managers, knowing how to hire employees,

COMPANY SPOTLIGHT 1.1

Walt Disney

The Walt Disney Company is ranked #4 on the Fortune 2021 World's Most Admired Companies list and #1 in its industry. The entertainment company was rated 2 on innovation and 1 on each of the other eight criteria used to develop the ranking. Walt Disney also earned the top spot on the Most Admired for HR list for 2020, moving up from its previous ranking to be ahead of Apple and Netflix. The move to first place in 2020 came from improvement on four attributes used in the ratings: management quality and people management, both of which are related to talent-related attributes, and product/service quality and innovation. Walt Disney also is ranked #49 on the Fortune 500 list of the largest U.S. corporations by total revenue, demonstrating that strong and effective people management leads to a competitive advantage for a company.

Disney has entertainment parks in the U.S., France, Japan, Hong Kong, and China, as well as nine Disney Resorts around the world. The company's mission statement can be found on its website and states "The mission of The Walt Disney Company is to entertain, inform and inspire people around the globe through the power of storytelling, reflecting the iconic brands, creative minds and innovative technologies that make ours the world's premier entertainment company." Disney has long used a differentiation strategy to distinguish itself from all other entertainment parks by creating a high-quality guest experience delivered by highly trained staff (or cast members) located throughout the parks and resorts. The cast members who sweep the parks regularly, the costumed cast members who represent the Disney characters, and the creators who develop the innovative, new experiences are all well-prepared to play their part in Disney's success. In responding to the recent Most Admired for HR list ranking, Senior Vice President and CHRO Jayne Parker discussed the "relentless focus on anticipating our employees' needs" and providing the leaders with what they needed to support the people at Disney during the pandemic. This example is just one of many that demonstrates how Disney understands that its employees directly contribute to the organization's sustained competitive advantage.

Sources: "Walt Disney Company Profile, World's Most Admired Companies," Fortune.com, https://fortune.com/company/disney/worlds-most-admired -companies/; Elizabeth Clarke, "Disney Takes Top Spot as Company Most Admired for HR," Human Resource Executive (November 12, 2020), https://hrexecutive.com/disney-takes-top-spot-as-company-most-admired-for-hr/; "About the Walt Disney Company, Our Mission," https://the waltdisneycompany.com/about/.

DO NOT COPY, POST, OR DISTRIBUTE

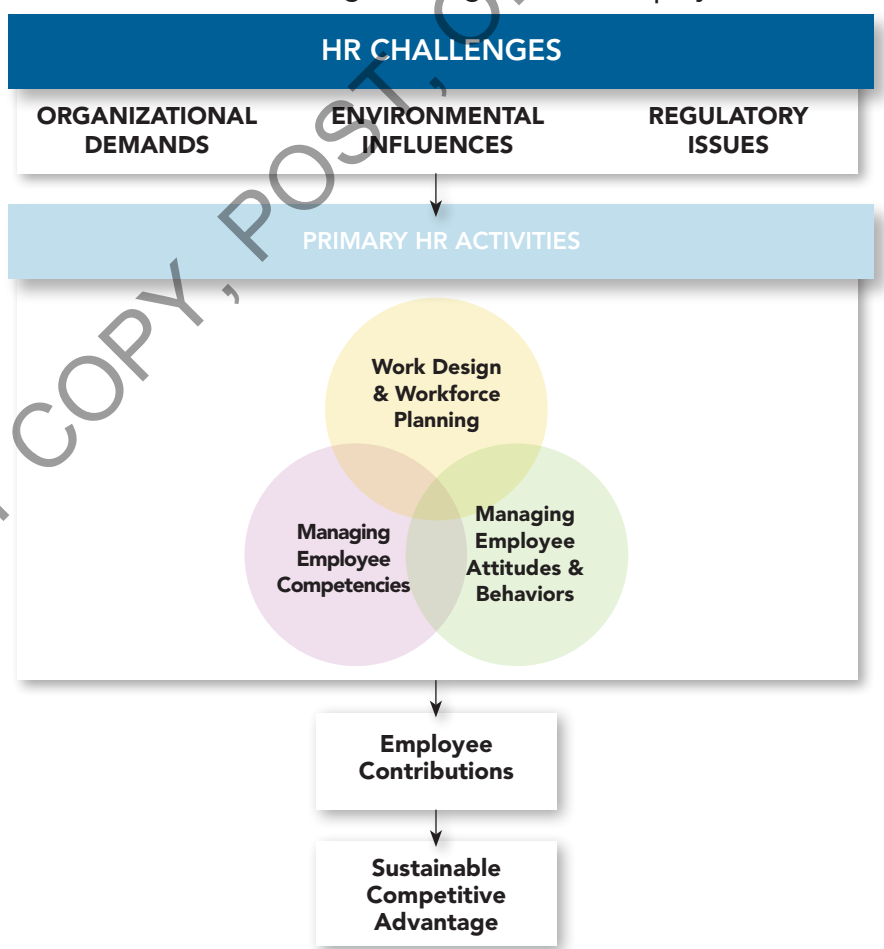
Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

give them performance feedback, and decide on pay raises feels much like trying to participate in a game without any directions. Just as soon as the manager begins to feel as if she has a handle on some aspects of employee management, changes occur in the business environment. Maybe new technology or new laws emerge, and the manager begins to feel like she is starting the game all over again, still with no direction.

Exhibit 1.1 shows the framework that we introduce in this chapter and use throughout the book. This framework highlights the relationship between the organization's context, both external and internal, and the HR activities that the organization needs to use to manage employees to achieve its ultimate goal: a sustainable competitive advantage. Understanding the relationships among the components, as well as how the HR activities build on each other, equips managers to work effectively with employees, and enables employees to maximize their contribution to company performance. This powerful combination of well-trained managers and empowered employees creates a competitive advantage for the organization that can be sustained over time. Enough direction for playing the game does exist to help managers know how to participate in the game and do well. Company Spotlight 1.1 describes The Walt Disney Company, a company

EXHIBIT 1.1

Framework for the Strategic Management of Employees



DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

that exemplifies an understanding of the importance of strategic human resource management.

Refer to Exhibit 1.1 and you will see that the strategic management of employees centers around three primary HR activities. These activities occur within the context of three main HR challenges. The **primary HR activities** are:

primary HR activities
work design and workforce planning, managing employee competencies, and managing employee attitudes and behaviors

1. *Work design and workforce planning*—Designing jobs and planning for the workforce needed to achieve organizational goals
2. *Managing employee competencies*—Identifying, acquiring, and developing employee talent and skills
3. *Managing employee attitudes and behaviors*—Encouraging and motivating employees to perform in appropriate ways to contribute to company goals

Managers carry out these three primary HR activities in the context of the three main **HR challenges**:

HR challenges
to organizational demands, environmental influences, and regulatory issues

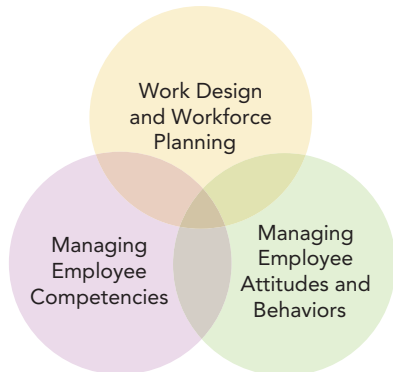
1. *Organizational demands*—internal factors including strategy, company characteristics, organizational culture, and employee concerns
2. *Environmental influences*—external factors including labor force trends, globalization, technology, and ethics and social responsibility
3. *Regulatory issues*—a special subgroup of environmental influences that includes federal, state, and local legislation that protects the rights of individuals and the company with regard to the employment process

We discuss these primary HR activities and HR challenges in more detail in the following sections. Regulatory issues are so critical to employee management that we devote all of Chapter 3 to this challenge.

Primary HR Activities

Exhibit 1.2 highlights the three primary HR activities. First, companies must decide how to design jobs and ensure that employees are available and located where they need to be to meet organizational goals. Second, companies must ensure that employees have the competencies that they need to perform those jobs. Last, employees must be motivated to use their competencies productively over time.

EXHIBIT 1.2
Primary HR Activities



DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

Primary HR Activity 1: Work Design and Workforce Planning

Work design and workforce planning set the stage for managing employee competencies and managing employee attitudes and behaviors. Managers must design jobs in a way that ensures employees understand what tasks and responsibilities they need to perform to add the most value to the company. Managers also must engage in workforce planning to make sure that the right number of people are in the right place in the company, and at the right time, to meet company goals.

Job Design

Job design involves deciding what employees will do on a day-to-day basis as well as the relationship among jobs. In part, job design is a function of the tasks that employees are expected to perform. However, job design also relates to the choices managers make regarding how those tasks are to be structured and how employees perform those tasks.

There are many different ways to design jobs. Some employees work on an assembly line, others work in self-managed teams, and still other employees work in relative isolation. Managers may design similar jobs in different ways in the same or different companies—no single design fits all situations. Think about how the job of an accountant working in an accounting firm might differ from the job of an accountant working in a retail store chain. Or, how the job of a computer scientist would differ in a professional services firm focused on software development and implementation versus the job of a computer scientist serving in an IT role in a manufacturing firm. In both examples, many of the tasks will be the same. That is, an accountant is going to be concerned about accurate documentation of income and expenses. What differs is the context in which the job occurs. In the retail store, the accountant may have total responsibility for all accounting functions, depending on the size of the company. In the professional services firm, the accountant may serve in an advisory role with one or more clients and only in a particular focus area of accounting.

Some questions that managers need to consider for job design are:

- What tasks should you emphasize when designing a job?
- How simple or complex are these tasks?
- How many tasks can an employee perform?
- How much flexibility do you provide to your employees in terms of how and where they carry out their tasks?

The answer to those and similar questions has important organizational implications. From a company perspective, when job design aligns tasks with company objectives, employees in those jobs are in a position to add value and increase company success. If managers do not consider company objectives in job design, employees may unknowingly focus on tasks and activities that are not important. From an employee perspective, job design influences employee satisfaction as well as employee intentions to remain with the company.[18]

Workforce Planning

The number of employees in different parts of an organization is always changing. Factors such as employee turnover and company growth challenge managers to make workforce-planning decisions to maintain the necessary number of employees. Companies also must decide how to allocate employees—through promotions,

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

demotions, and transfers—to areas where they can contribute most significantly. Changes in strategic emphasis, a reorganization of operations, or the introduction of new products or services also influence the demand for different jobs in different parts of a company. At any point in time, some parts of a company may be facing a shortage of employee talent, and at the same time, others may have a surplus.

Companies hire full-time employees or promote current employees to address a growing demand for products or services. Companies also can turn to outsourcing and send work to other companies, often in another country, or use other forms of labor such as contingent workers, temporary employees, and independent contractors. The Economist Intelligence Unit conducted a survey in 2019 of 210 U.S. and U.K. companies with at least 2,000 employees in each company to learn more about the **gig economy**. The term gig economy refers to the growing numbers of independent contractors who perform work for short time periods for employers. They found that 6 of every 10 companies expect to increase the use of contract labor over the next five years. This number is expected to continue to increase with the emergence of the technology-enabled gig economy. Companies such as Uber, Lyft, TaskRabbit, and Freelancer, with technology platforms that match people willing to supply labor or work on a short-term engagement with those looking for someone to perform a short-term task or service, are creating a new source of work for independent contractors, or "**gig workers**," as they are now called.[19]

gig economy
growing number of independent contractors who perform work for short periods of time for employers

gig workers
contingent workers, temporary employees, and independent contractors who often work on a short-term task or provide a service for a company for a limited period of time

When faced with a labor surplus, managers often must consider tactics such as downsizing, early retirement programs, and demotions or transfers to reduce the number of employees in certain parts of the company to balance supply and demand. Some of the important questions concerning workforce planning are:

- How should you address a labor shortage or a labor surplus?
- When should you require current employees to work overtime as opposed to hiring additional full-time staff?
- When should you outsource work rather than hire new employees?
- How might you use gig workers instead of full-time employees?
- What can you do to minimize the negative effects of downsizing?

While there are many options available to address labor shortages and surpluses, the challenge is to understand when different options are likely to be most effective to meet each company's unique situation.

Primary HR Activity 2: Managing Employee Competencies

As shown in Exhibit 1.2, the second primary HR activity for managers is ensuring that employees have the necessary competencies to perform their tasks effectively. **Competencies** are the knowledge, skills, abilities, and other talents that employees possess. These competencies directly influence the types of jobs that employees are able to perform. Managing competencies means recruiting and selecting the right people and training them to succeed in their jobs.

competencies
the knowledge, skills, abilities, and other talents that employees possess

Recruitment

Recruitment refers to the process of generating a qualified pool of potential employees interested in working for your company or encouraging individuals within your company to pursue other positions in the company. The challenge with recruitment is being clear about the competencies needed to succeed in a job and designing a strategy for identifying individuals in the labor market who possess needed competencies and who will be a good match with the organization's

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

culture and goals. Identifying a potential chief executive officer (CEO) or an individual with rare scientific skills requires a different recruitment approach than identifying people who could fill an administrative assistant or assembly-line job vacancy. Placing an advertisement for a job opening on a local online job board is not likely to maximize a company's opportunity to identify a good CEO. Similarly, placing an advertisement in the *Wall Street Journal* online job listings is not likely to be an efficient way to identify individuals for a maintenance position. Where and how companies recruit influences the type and quality of candidates who respond to a job opening. Management has to create an employee value proposition that will attract the right individuals to apply for the open positions. A *recruitment value proposition* addresses the question: "Why would someone want to work for this company?"[20] Some key issues to address in creating a recruitment strategy are:

- For what competencies do you recruit?
- What groups do you target with your recruitment message?
- Do you recruit internally, externally, or both?
- How do you decide which sources to use for recruitment?
- How do you ensure that you offer an employee value proposition that will attract the right applicants?

Selection

Whereas recruitment focuses on generating a qualified pool of candidates for job openings, *selection* focuses on choosing the best person from that pool. As with recruitment, there are a number of important questions to consider when deciding among candidates. Each job candidate brings a unique blend of knowledge, skills, talents, and abilities. Perhaps the most critical issue to address is whether the candidate possesses the competencies that you have identified as the most important for a particular job. Some companies may emphasize past experiences while others may emphasize personality when making a selection decision. The nature of the job determines whether experience or personality, or some combination of the two, is appropriate to consider during selection. Think about the job of firefighter. How important is personality? How important is physical strength? How important is experience? Your answers to these questions directly influence the candidate selected from the pool of job applicants in the recruitment process.

Once a company has made a selection decision, it has made a commitment to an individual. Recruiting and selection are costly in terms of time, money, and energy required. Thus, managers need to ensure they make selection decisions based on sound reasoning and that they do not violate employment laws. Some of the key issues in making selection decisions are:

- How do you generate the information that you need to make an effective, and legal, hiring decision?
- Which tests are most effective for identifying employees with high potential?
- What questions can and should you ask candidates during an interview?
- Who makes the ultimate hiring decision?

There is no "one best way" to recruit and select employees. Each company is unique and has different needs. The choices that managers make influence the effectiveness of the staffing process and, ultimately, the final selection decision. The goal of recruitment and staffing is to ensure that employees have the competencies they need to contribute to the company's success or have the potential to develop those competencies.

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

Learning and Development

Recruitment and selection focus on finding and choosing the right person for the job. *Learning and development* ensures that new and current employees know the ins and outs of the organization and have the skills that they need to succeed, both now and in the future. Training is part of learning and development. Especially if an employee is hired based on potential rather than experience, the employee will need training to perform the new job successfully. Employees also need to learn about the company itself, its culture, and the general way that it operates.

Beyond new hires, many other situations warrant training for employees. Changes in technology, for instance, would require training to ensure employees can effectively use the new technology. The decision for one company to merge with another may require employees to learn new procedures. Companies also engage in training activities to develop individuals for future positions. This type of training involves identifying employees to fill different positions in the organization and then engaging in activities to provide them with the skills they will need to move into those positions when vacancies emerge.

Given the time, cost, and effort required to build employee competencies, it should come as no surprise that companies place great emphasis on identifying which employees to train and develop for current and future positions. Some of the important decisions in learning and development are:

- How do you know which employees need to be trained?
- How do you design an effective training program?
- Which training methods are most effective to meet your needs?
- What do professional development plans involve for employees in different roles?
- How do you build a culture of learning in the organization?
- How do you know if learning and development efforts have been successful?

Primary HR Activity 3: Managing Employee Attitudes and Behaviors

Building competencies is critical, but keep in mind that doing so is only part of the equation. How well employees perform is a function of the effort they expend as well as the competencies they possess. Encouraging the right employee attitudes and behaviors requires motivating workers to continually improve their performance. This need forms our third group of primary HR activities, managing employee attitudes and behaviors. Some of the major activities that managers use to guide employee efforts on the job are compensation, incentives, performance management programs, and employee benefits, health, and wellness programs.

Performance Management

Many managers may think that *performance management* is simply sitting down with an employee once a year to discuss her performance during that time. The manager may review an evaluation form with the employee to rate her performance on certain items and then use those ratings to discuss appropriate merit raises and possible promotions. Good performance management is more complex than that. Much like with incentive systems, which we discuss next, the criteria that managers use to evaluate their employees need to represent the attitudes and behaviors managers expect of their employees. When managers clearly

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

communicate performance criteria, employees are more likely to have a good understanding of the steps that they need to take to achieve successful job performance. Alignment of these performance criteria with organizational goals enables managers and employees to become more confident that they are focusing their efforts on important activities.

Effective performance management involves more than just evaluating employees, however. It also focuses on providing employees with feedback (positive and negative), on an ongoing basis, and on using employee learning and development activities to improve current and future performance. The continuous improvement part of this process entails giving clear feedback regarding performance, praising good performers, and disciplining poor performers. Perhaps most importantly, effective performance management means helping employees understand how to improve continually.

There is no single best performance management system. The most appropriate system depends on the unique context of each company. Some critical issues in performance management are:

- What should be the focus of performance reviews?
- What is the best way for you to measure employee performance?
- How should you communicate that information to employees?
- In addition to performance evaluation, how can managers give employees developmental feedback to improve their performance?
- How should you manage poorly performing employees?

Compensation and Incentives

A company's *compensation* system exerts a strong influence on the attitudes and behaviors of employees because it sends a message regarding the employees' value to the company. If employees feel that their company does not value them, they may not work as hard as possible. Instead, they may search for other employment opportunities. In contrast, if employees feel that their company compensates them at a fair level for the job that they perform, they are more likely to work harder to help the organization meet its goals.

In addition to compensation in the form of base pay, a rewards and *incentives* system shows employees how managers expect them to focus their time and energy. Some companies are more likely to reward seniority, while others may emphasize performance-based pay. Even among companies that reward their employees based on performance, the criteria may differ. Companies may value efficiency, creativity, knowledge sharing, teamwork, and alignment with organizational goals. Lincoln Electric focuses its incentive system on rewarding engagement and excellence. 3M's incentive system places greater emphasis on company, business unit, and individual performance.[21] The incentive systems of these two companies differ because the organizations have different goals, and their employees add value in different ways based on those goals. The size of an incentive is also an important indicator of how a firm values a particular activity or level of performance.

Some of the key questions when designing incentive systems are:

- What factors should you consider when determining the salary range for a job?
- What is the best way to determine how much to pay employees?
- How much of that pay do you guarantee and how much should you base on incentives?
- What types of incentives should you use to encourage the employee attitudes and behaviors the firm wants?

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

Employee Benefits, Health, and Wellness

The last piece of managing employee attitudes and behaviors is managing *benefits, health, and wellness*. Some companies offer benefits in an attempt to help recruit, select, and retain employees. Think about that for a second. Would you be more willing to work for a company that had an attractive benefits program that included coverage for dental care, vacation time, tuition assistance, and the like or a company that did not offer these benefits? In addition to serving as a recruitment or a retention tool, benefits may help ensure the health and well-being of a company's workforce. Considering the potential value employees create for their employer, it is only logical that companies would want to do what they can to ensure employees are able to work effectively and to do so over time. The Japanese term Karoushi refers to the extreme of what can happen when well-being is not considered. Karoushi means "death from overwork."[22]

Some benefits, including health and wellness programs, are legally required. For example, in the United States, Social Security, workers' compensation, and family and medical leave are governed by regulations with which most employers must comply. Similarly, employee safety is a key concern for companies and is governed by the Occupational Safety and Health Administration (OSHA). As a manager, it is important that you understand your responsibilities to ensure that your employees work in a safe and healthy environment.

There is also a wide array of voluntary benefit programs that companies typically offer. These include paid time off, health care, and retirement programs. Some critical issues when considering employee benefits, health, and wellness are:

- Which benefit programs are most appropriate for your workforce?
- Which benefits should the company offer to stay competitive for recruiting employees?
- Which benefit programs are most cost-effective for the company and the employees?
- What are the legal requirements regarding benefit programs?
- How can you ensure the safety of your employees?

As you can see, managing attitudes and behaviors requires careful attention to a host of issues. The challenge is in the fact that each employment situation is unique. This uniqueness is the result of differences in organizational strategies and in characteristics of the employees involved. We will discuss some of these challenges shortly. Keep in mind that instead of trying to identify a single way to manage employee attitudes and behaviors, it is important to identify the different options that managers have at their disposal to guide and motivate their employees within the unique context of their organization.

HR Activity Alignment

Each of the three HR activities described is critical, but none is effective in isolation. Work design and workforce planning, managing employee competencies, and encouraging the right employee attitudes and behaviors must align with each other to be effective. When we discuss **alignment**, we are describing the extent to which HR activities are designed to achieve the goals of an organization.

alignment
the extent to which HR activities are designed to achieve the goals of an organization

Company Spotlight 1.2 discusses the importance of HR activity alignment with company goals at Wegmans, a large, family-owned supermarket chain.

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

COMPANY SPOTLIGHT 1.2

Wegmans

As private, family-owned supermarket chain with over 52,000 employees, Wegmans exemplifies the value of investing in employees, particularly, education. Ranked #3 on Fortune's "100 Best Companies to Work For" list in 2020, Wegmans has been on the list every year since it started in 1998. Wegmans describes itself as a mission-driven, values-based, family company. The company's first statement under "What We Believe" is that "good people, working toward a common goal, can accomplish anything they set out to do." Wegmans believes that by empowering its employee to make decisions, work will improve, and customers will benefit. With annual sales of $9.7 billion, it would appear that this belief works.

As part of executing its mission, Wegmans employee scholarship program provides $5 million in tuition assistance to employees every year and, since 1984, has awarded $125 million to more than 40,000 employees. In 2020, Wegmans donated approximately 18.6 million pounds of food to local food banks and other programs that feed the hungry. That is just one example of their commitment to social responsibility. The Wegmans model is simple: A happy, knowledgeable, and superbly trained employee creates a better experience for customers. Profits and accolades follow.

Sources: *"About Us,* Company Overview," https://www.wegmans.com/about-us/company-overview.

DO NOT COPY, POST, OR DISTRIBUTE

internal alignment

the outcome of ensuring that specific practices within each HR activity are consistent with one another and aligned across the primary HR activities

Alignment can be broken down into two parts—internal and external alignment. As shown in Exhibit 1.3, to achieve **internal alignment**, you must first make sure that the specific practices used *within* each HR activity are consistent with one another as well as aligned *across* the primary HR activities.[23] If you have ever been on a sports team, you know how important it is for all participants to have a common understanding of how to play the game, the skills required to play, and the desire to win. That requirement is the same thing that we are talking about here relative to employees. Specifically:

- If employees know the goals of the organization and are motivated to work toward those goals, but do not possess all the competencies to do so, the results will be diminished employee performance and reduced organizational productivity.
- If employees possess the competencies that they need and know the goals, but lack sufficient motivation, their contributions to the company's success will be limited.
- If employees are capable and motivated, but are limited in what they can do, or if the company is short-staffed due to inappropriate or poor job design and workforce planning, their ability to contribute to the organization will be limited.

external alignment

the outcome of ensuring that the design of the three primary HR activities takes into account the HR challenges that companies face

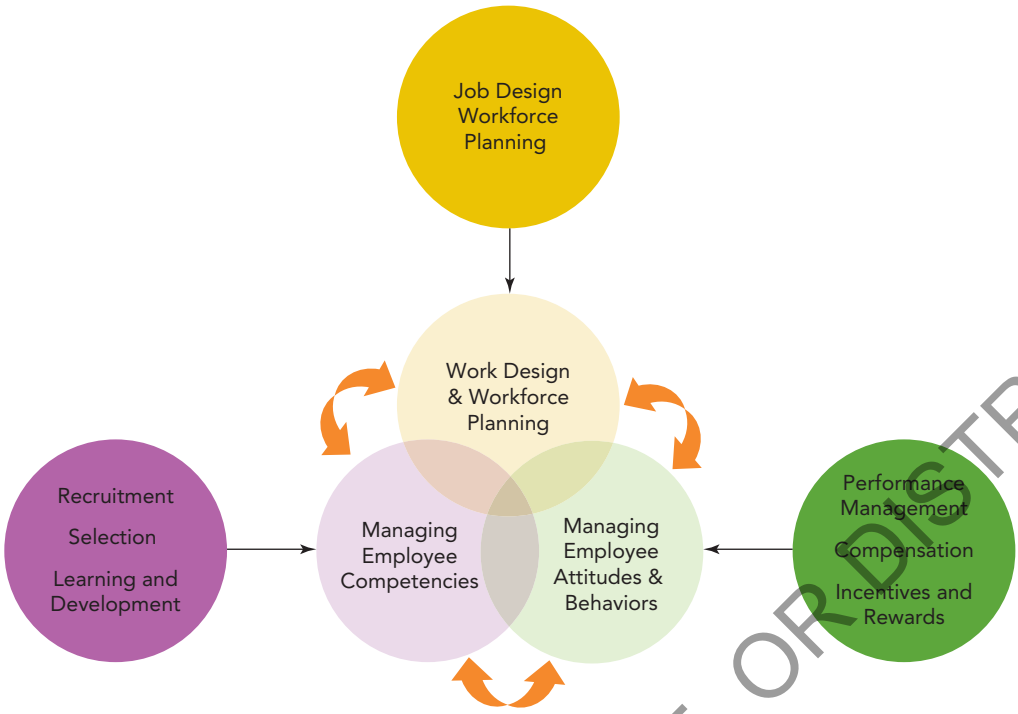
In addition to internal alignment, you must achieve **external alignment** by ensuring that the design of the three primary HR activities considers the HR challenges that companies face. These HR challenges include organizational demands, environmental influences, and complying with regulatory issues.

To be an effective manager, you have to understand which HR practices are available, how to use them, and which ones are the most appropriate in a particular context. In short, you have to know which HR practice is right for the job. This knowledge requires an understanding of how different HR challenges affect

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

EXHIBIT 1.3

Internal Alignment



organizations and your management options. We provide the following three axioms as a foundation to help you understand:

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.

HR Challenges

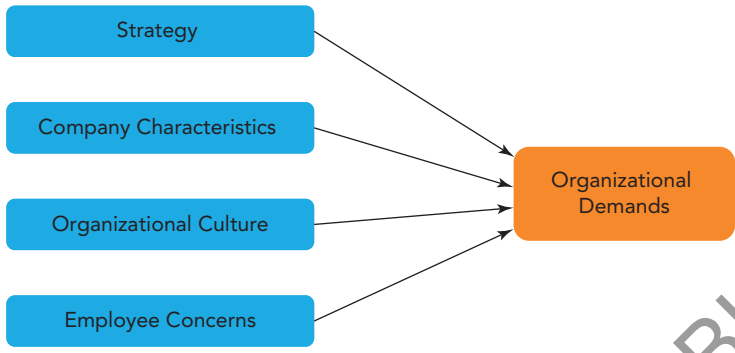
We have already noted that HR challenges include organizational demands, environmental influences, and regulatory issues. Internal factors, including company characteristics, strategic objectives, organizational culture, and employee concerns of the workforce, vary across organizations. Environmental influences outside the company, including competitive and regulatory forces, are constantly changing. In the following sections of this chapter, we will provide an overview of the types of internal and external forces affecting a company and the challenges they create. In Chapter 3, we will focus in considerable detail on regulatory issues.

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

EXHIBIT 1.4

Organizational Demands



HR Challenge 1: Meeting Organizational Demands

organizational demands
factors within a firm that affect decisions regarding how to manage employees

Organizational demands are factors within a firm that affect decisions regarding how to manage employees. Our focus is specifically on the demands highlighted in Exhibit 1.4: strategy, company characteristics, organizational culture, and employee concerns.

Strategy

strategy
a company's plan for achieving a competitive advantage over its rivals

A company's **strategy** is its plan for achieving a competitive advantage over its rivals. Companies realize a competitive advantage when they implement a strategy that has value for customers and that rival firms are unable to duplicate.[24] Companies have a sustainable competitive advantage when they can continue over time to provide value to customers that rival firms cannot duplicate.

Companies can choose from a number of strategies for how to position themselves within their industries. There are two strategies that are the most commonly selected. A company can adopt a **cost leadership strategy** by focusing on outperforming competing firms within an industry. With this strategy, the focus is on maintaining the ability to offer the lowest costs for products or services. Alternatively, a company might adopt a **differentiation strategy**. This strategy focuses on emphasizing some unique product or service for which customers are willing to pay a higher price.[25] A look at the retail industry provides a good example of the difference between these two strategies.

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

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

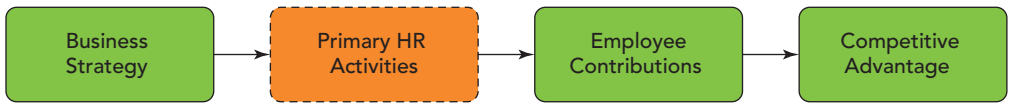
For many years, Walmart has been the low-cost leader in the retail industry. The company regularly outperforms its competition by having the lowest costs and operating very efficiently. Many smaller and midsize stores have faced financial difficulties trying to compete with Walmart in their geographical location because of Walmart's significantly lower prices. Recently, however, Amazon has become a strong competitor for Walmart in terms of being the leader in the low-cost retail industry. On the other hand, Nordstrom, also in the retail industry, has adopted a strategy that focuses on providing a high level of customer service. Nordstrom operates under the theory that people will pay more for goods if the service is exceptional. Thus, Nordstrom follows a differentiation strategy. Other approaches to differentiation include unique product features, location, innovation, reputation, status, or quality. While both Walmart and Nordstrom operate successfully in their industry, they pursue distinctly different strategies for how they compete with their rivals.

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

EXHIBIT 1.5

Strategy and HR Activities



As shown in Exhibit 1.5, strategy sets the overall objectives for a company and the parameters for how employees add value within a company. Different strategies require different employee contributions to create a competitive advantage. Strategy 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.[26] Let's now look more closely at some of the basic differences in the primary HR activities for different strategies.

Cost Leadership Strategy

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. For example, companies design assembly-line jobs to maximize employee productivity while minimizing errors and deviations from the expected output. In this type of work environment, jobs are narrow in focus and involve standardized and repetitive actions. The competencies that employees need to perform these tasks are generally relatively structured, and the employees understand what behaviors are required to perform the job successfully. In a cost leadership environment, managing employees often focus on hiring individuals with the basic skills needed for these jobs, training them to carry out their responsibilities, making sure they understand the specific expectations of their jobs, paying them based on how efficiently and effectively they perform the jobs, and evaluating employees based on adherence to established job expectations.

Differentiation Strategy

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 the need to engage in behaviors that help set the company apart from its competition. 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 and innovation, 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

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

found improved organizational performance in companies with better alignment than their peers.[27] As with all the other HR challenges, we will cover strategy in each chapter throughout this book.

Company Characteristics

Along with differences in strategy, companies differ in terms of size and stage of development. The challenges associated with managing employees correspond, at least in part, to the size of the organization. As noted in an earlier example, an accountant in a small firm probably will handle all aspects of the firm's accounting, including accounts payable and accounts receivable. In a large firm, he will likely handle only one aspect of the job, perhaps accounts payable, and the accounts of only a few vendors.

Company Size

Did you know that in 2020, there were 31.7 million small businesses in the United States and that these businesses represent 99.9% of all U.S. businesses? Additionally, small businesses employed 47.1% (60.6 million) of employees in the workforce in 2020.[28]

While small businesses comprise a major portion of the U.S. economy, the larger companies typically have more resources to hire staff dedicated to supporting the management of employees than do smaller companies. Smaller companies often lack formal HR departments to provide similar support.[29] 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 duties as well as their other activities.[30]

Smaller businesses often do not have the resources to provide the same level of pay, benefits, and training opportunities to employees as larger companies, thus creating challenges in recruiting employees. For example, in 2019, only 28% of companies with fewer than 10 employees offered employer-paid health insurance to employees compared to over 99% of companies with over 1,000 employees.[31] COVID-19 has disproportionately affected small businesses, leaving many of them struggling to continue to provide health care for their employees. The longer-term implications of COVID-19 in terms of the ability of small businesses to recruit workers are unknown.[32]

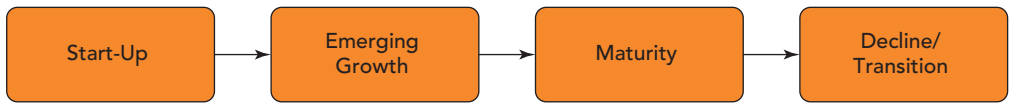
The importance of effectively managing employees is magnified in smaller companies. With a smaller staff, managers may expect employees to display greater autonomy and discretion in decision making.[33] As a result, the competencies that employees need for the same job in small versus large companies differ. Moreover, in contrast to large operations, the performance of each employee in a small company is likely to have a greater, more direct impact on company success. 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 1.6, companies also vary in terms of their stage of development. The pressures of managing employees in a start-up company focused on growth, and survival differs from the pressures in mature organizations striving to protect their market share.[34] Mature companies often have more resources and support

EXHIBIT 1.6

Organizational Life Cycle



DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

staff, as well as established policies and procedures, for handling employee-related issues than do start-ups. Young companies face pressures to identify and hire people who can help the company grow. Given the limited resources that start-ups typically have for pay and other benefits, it is sometimes very difficult for these firms to attract top employees. Start-ups need to offer an enticing work culture that allows employees to have autonomy and see that the long-term rewards are worth giving up some things in the beginning.

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 to managing their employees over time as they have grown exponentially. 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. The HR department will play an even more critical role as firms mature in ensuring that policies and procedures are standardized and that they align across the organization with the firm's goals and objectives.

Organizational Culture

Organizational culture is the set of underlying values and beliefs that employees of a company share.[35] What is particularly interesting about organizational culture is that it is unwritten yet understood and is often taken for granted. Each organization has a distinct culture that represents the beliefs of the company's founders, decisions of its top managers, types of people who work in the company, and the environment in which the company operates.

organizational culture
the set of underlying values and beliefs that employees of a company share

Some cultures may be more bureaucratic in nature, valuing rules, formalization, and hierarchy as the appropriate way 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; 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 that value formality with high-technology companies that value employee flexibility, autonomy, and 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.

A number of factors shape a company's culture. 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 dared to create something different—an airline that flew short hops between cities in Texas with low fares. Ultimately, Southwest was able to expand to other states but not until airline deregulation occurred. The can-do and innovative culture that existed in the early days of the airline has helped solidify the culture that still exists today among Southwest's employees.[36]

Similarly, the actions of top managers and the HR practices used to manage employees signal the values and behaviors that are most appropriate. What companies look for in new employees and the specific attitudes and behaviors

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

rewarded provide cues to employees about what is important. Supervisors, mentors, and coworkers continuously reinforce an organizational culture when socializing 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 rigid once established. In fact, even as people come and go, the company's culture tends to persist. Trying to change an organization's culture is difficult.[37]

A positive culture can be a tremendous asset to an organization.[38] When a culture is positive and consistent with the organization's objectives, employees are likely to have a clear understanding of what they need to do in their jobs to contribute to the company's goals, and they are more likely to have a willingness to engage in those activities. Such a culture can also be a strategic asset in attracting and retaining employees.

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.[39] A company with a competitive culture might be more likely to reward people for individual sales rather than for being good team members.

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 culture of the organization. A practice that is actually a good idea in one company might not fit with the underlying cultural values of a different company. For example, employees, managers, or both in a company with an informal culture are more likely to accept employee participation and empowerment than they would in a company with a formal culture that values hierarchy and status. HR practices are more effective when they are consistent with organizational culture.

The strength of the culture also influences the effectiveness of employee management practices.[40] Strong cultures provide clear, consistent signals to employees regarding how they should behave. In contrast, weak cultures are ambiguous and lack a clear, coherent message.[41] When a company has a strong culture aligned with its goals, employees are more likely to understand their roles and engage in activities that enable the company to be competitive. 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 a lack of attention to blending cultures from different companies.[42]

Employee Concerns

Timely address of employee issues and concerns is a critical part of a company's success. Employees may experience the stress of single parenting, caring for aging parents, or juggling schedules with an employed spouse. Successful companies are helping employees find a balance between the demands of work and their personal lives. Many companies now offer more flexibility, including flexible work schedules, family-friendly benefits, and telecommuting, to address this growing need. For example, Unilever permits its 149,000 employees, with the exception of factory production workers, to work anytime and anywhere as long as they meet business needs.[43]

Fundamentally, employment is an exchange between the employee and employer. Companies use pay, benefits, and training as incentives for employees to perform their jobs in exchange for the employees' commitment to the organization. Employees evaluate this exchange in one of two ways. First, there is a rational component.

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

Employees perform the work they are expected to perform and believe they receive what they are promised in exchange for doing so. Choices that managers make regarding job design,[44] pay systems,[45] job security,[46] and performance appraisal systems[47] send strong messages to employees about their company's intentions toward them. Second, there is a perceptual component of this exchange. The term **psychological contract** refers to the *perceived* obligations that employees believe they owe their company and that their company owes them.[48]

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

Employees' perceptions of what their employer 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.[49] This favorable perception leads to greater work effort and loyalty as well as commitment to the company.

The importance of a psychological contract is that it governs how employees evaluate company decisions regarding management, which in turn governs how they act on the job. When we view the management of employees from the employees' perspective, two concerns emerge. First, employees increasingly 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

An issue that has existed for some time and continues to gain attention in many companies is a need to help employees with **work/life balance**—the balance between the demands of work and the demands of the employees' personal lives. Consider that 72% of mothers in the U.S. workforce have children under the age of 18. Moreover, 64% of households are dual-career households.[50] Work/life balance isn't only about caring for children. Populations around the world are getting older, resulting in many employees needing to care for their elders and often having to do so while still caring for children. Other reasons for work/life balance challenges include long commutes to and from jobs, job-related travel requirements, and a work culture that expects workers to put in long hours working each day.

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

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. In an article on millennial generation expectations for work flexibility, Bill Gates, founder of Microsoft, noted that the increased competition for hiring the best employees necessitates that companies give flexibility to their employees. One study reported in the same article found that 84% of millennials want more work/life balance, and 54% want flexible work or alternative scheduling. Another study in the article reported that around 76% of millennials said they would take a pay cut to work for a company with flexible office hours.[51] Dell, the large computer and technology firm, was a pioneer in flexible work scheduling. In 2009, the company created its Connected Workplace program that allowed employees to work from remote locations either part of their work time or all of it. By 2019, 60% of Dell's global workforce was taking advantage of this flexible work arrangement.[52]

The COVID-19 pandemic sent workers around the world home to work and has elevated issues around work/life balance. Both mothers and fathers found themselves working from home while children were home doing their schooling online. Two surveys of U.S. HR executives during the pandemic found that before the pandemic, only 5% of companies in the study had 40% or more of the company employees working primarily from home. By April, after the pandemic began, close to 20% of those

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

companies indicated that 40% or more of company employees would work from home after the pandemic. A follow-up study in September 2020 with the companies found that the percentage had increased such that over one-third of companies were expecting over 40% of employees to work from home after the pandemic. There is a downside to working from home, however. Working mothers have most often carried a larger share of the responsibility of childcare while working from home during the pandemic. One study found that one in three mothers had considered moving to less demanding jobs or even leaving the workplace altogether as a result of these increased role demands.[53]

In addition to flexible work arrangements, companies may offer parental leave, childcare at or near the worksite, dependent care options, and/or telecommuting to assist employees with work/life balance. While establishing these work/life balance programs involves considerable costs and effort, companies are finding that such family-friendly practices help current employees remain effective contributors toward company goals, and they support a more inclusive and diverse workplace. They are also attractive for recruiting new employees. The results of the 2020 Emerging Trends in Health Care Survey by Willis Towers Watson indicated that 72% of employers surveyed reported a primary reason to offer family-friendly benefits is to attract and retain talent. Other reasons frequently cited were alignment with corporate strategy and mission, to support inclusion and diversity goals, to achieve external recognition, and to support environmental, social, and governance commitments.[54]

Finally, many companies are actually changing their focus from one of work/life balance to a focus on well-being. Even before COVID-19, this trend had started, but COVID-19 further emphasized its importance. The 2020 Deloitte Global Human Capital Trends study reported that 80% of almost 9,000 survey respondents had identified well-being as important or very important to organizational success. This focus encompasses work and life but also health, safety, and well-being as inseparable. During the pandemic, well-being took on even more importance as employers made decisions about which workers could telework and how to address the mental and physical challenges engendered by the COVID-19 pandemic.[55] This topic will receive additional attention in Chapter 12.

Justice

Whereas work/life balance programs strive to meet the personal needs of employees, issues of justice focus on the expectations of employees about their treatment at work. Understandably, employees expect fair treatment at work. The challenge for employers is that fairness is in the eye of the beholder—one employee may perceive something as fair while another may perceive it very differently. Also, managers and employees may disagree regarding the extent to which the company has met its obligations to the employee.[56] There are three primary aspects of the employee and employer relationship that employees tend to monitor: distributive, procedural, and interactional justice.

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 in everyday interactions

Distributive justice is the perceived fairness of what individuals receive from companies in return for their efforts.[57] Ideally, this exchange is balanced with employees receiving compensation or other benefits that they view as being of equal value to the time and effort 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.[58] For example, employees are more likely to accept evaluations or decisions regarding their pay raises when they believe that the methods used by the company to make the decisions are applied consistently across all employees and are based on valid, accurate data.

Last, **interactional justice** refers to the employee perceptions of the treatment they receive from their managers in everyday situations. For instance, do managers treat employees politely and respectfully? The underlying principle of interactional justice is that how managers treat their employees is just as important to employees as the actual decisions regarding their treatment and the process for making those decisions.

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

Perceptions of justice matter a lot because they influence the extent to which an employee believes that the company has met its obligations. That is, they determine whether or not the employee believes the psychological contract is met.[59] 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 the company.[60] Denise Rousseau, a leading expert on psychological contracts, describes actions that employees may engage in if they perceive there are violations of the psychological contract. These actions include:

- *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[61]

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.

Managers need to maintain open lines of communication with employees to monitor their attitudes about justice in their jobs. Many companies now conduct attitude surveys of their employees on a regular basis to monitor their overall perceptions. These surveys, sometimes referred to as **climate surveys**, provide useful information to management and reassure employees that the company cares about their views and opinions. Some companies perform **exit interviews** with employees who have voluntarily terminated their employment to understand why they are leaving and what changes might improve the environment for current employees.[62]

climate survey

an attitude survey of employee to monitor their overall perceptions of the company

exit interview

an interview with employees leaving the company to understand their reasons for leaving and how the company can improve the environment for employees

Challenge 2: Environmental Influences

In addition to awareness and management of organizational demands, managers need to understand that there are **environmental influences** that exist outside of their companies that impact the strategic management of employees. As shown in Exhibit 1.7, these influences include labor force trends, technological advances, globalization of industries, and social and ethical obligations.

environmental influences

pressures that exist outside of companies that managers must consider that impact strategic management of employees

Labor Force Trends

The **labor force** includes all individuals who are available for work. According to the U.S. BLS, the future labor force will be markedly different from the labor force of the past. Specifically, the composition of the workforce is becoming older and more diverse.

labor force

all individuals who are available for work

The Aging Workforce

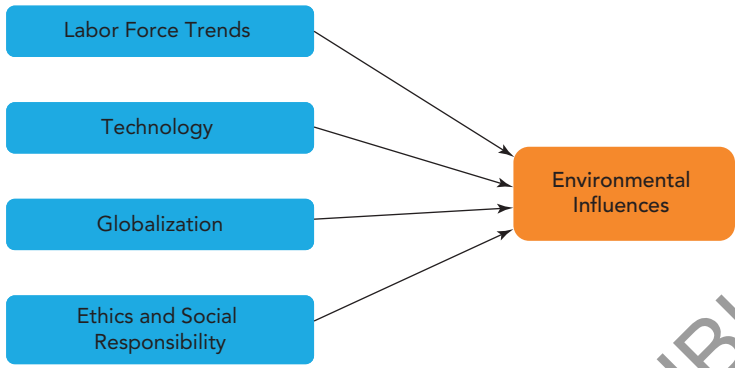
In 2019, only 1 in 11 people in the world were age 65 or older. By 2050, one in six will be age 65 or older.[63] Companies are already implementing plans for the graying of the workforce. An aging workforce brings with it a number of challenges

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

EXHIBIT 1.7

Environmental Influences



and opportunities for companies. 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 at a time when there is a smaller number of younger workers to replace them. Some companies have already started capitalizing on the aging workforce by explicitly recruiting and retaining older individuals beyond their retirement years. One such company is Michelin North America. This company has taken innovative steps to help older employees remain in the workforce, especially through its 12-year-old Returning Retiree Program. This program is open to any Michelin retiree, regardless of how long they worked for the company, and allows the company to tap into the skills of the retirees for short- and long-term projects.[64]

Demographic Diversity

Trends in female participation in the workplace, migration, and differences in racial and birth rate labor force participation, along with the already noted aging of the workforce, will continue to shape the demographic composition in the workforce. These changing labor force demographics have important 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.[65] However, the #MeToo and the Black Lives Matters movements have taught us that most employers have a long way to go before they truly understand the value of a diverse workforce. These issues will be addressed more in Chapter 3 and other chapters in this book.

Changing demographics in the workplace affect how work is designed, the availability of an organization to recruit and hire workers, and how employees are managed. Projections are that the number of women in the labor force will grow 8% between the years 2016 and 2026[66] and that women will make up 47.4% of the U.S. labor force in 2026. These numbers stand in contrast to the 1950s when the share of the workforce for women was less than 40%. What is still unknown is the extent to which COVID-19 may reduce the labor force participation for women. As already noted, many women are considering, or have already made, the decision to move to less demanding jobs or even withdraw from the workplace to meet home role demands. This issue is concerning as it suggests that women will lose even more ground in their efforts to gain parity with males in the workplace in terms of job level and pay.

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

In projecting demographics between 2018 and 2028 in the United States, the BLS predicted that between 2018 and 2028, both Blacks and Asians would increase their share of the labor force with Blacks increasing from 12.6% in 2018 to 13.0% in 2028 and Asians increasing from 6.3% in 2018 to 7.3% in 2028. During that same period, the Hispanic share of the labor force is expected to increase more than any other race or ethnic group, increasing from 17.5% to 20.9%.[67]

Additionally, while workers increasingly are expected to continue to work beyond age 65 with a projected participation rate of 23.3% by 2028, the labor force participation rate for the 16–24 age-group will likely decline to 51.7%. The decline is brought about by factors including a lower number of individuals in this age-group, more individuals staying in school longer, and older workers accepting jobs that were traditionally held by this younger age-group.[68]

The growing presence of a diverse workforce provides opportunities for organizations to have more innovative ideas as employees from different cultural backgrounds bring their experiences and knowledge into the decision-making process. More diversity also requires that managers continue to pay attention to issues of discrimination, eliminating any potential biases that might harm one or several demographic groups. Ensuring that recruitment and selection practices, learning and development opportunities, and compensation practices do not inadvertently negatively impact members of underrepresented groups is critical for organizational success. 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. The increasing prominence of the Internet and information technologies (IT), especially the IoT, and AI in general, has considerable implications for how employees function within companies. Many employees today must possess a basic level of computer proficiency to perform their jobs, even in manufacturing assembly-line jobs as noted earlier in this chapter. IT has created new avenues for how employees interact, share information, and learn from one another.[69] In addition, technology has created challenges in terms of privacy issues and has increased the potential for employee misuse of company information.

Advances in IT also have changed how we think about work. Not long ago, it was important to live within a reasonable distance of one's job. Today, high-speed Internet access, Zoom, and other videoconferencing platforms, along with email and other forms of messaging, allow a firm's employees to live anywhere in the world. As a result, companies enjoy a larger pool of potential employees, and workers experience a wider range of potential employers. You may recall that earlier in the chapter we noted that Unilever permits its 149,000 employees, with the exception of factory production workers, to work anytime and anywhere as long as they meet business needs. Unilever can do so because of technology.

Technology has also reshaped the nature of competition through how companies conduct business with consumers. Not long ago, 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 use of these websites grew exponentially during the COVID-19 pandemic. A company without a website or other method for allowing customers to order products online is at a tremendous disadvantage relative to its competitors.

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

An increased reliance on the Internet as a medium for meeting customer needs, as well as just working internally in the company, influences the types of competencies that employees must possess. In today's environment, most employees need a certain level of computer proficiency. As noted earlier, even manufacturing jobs have become more high-tech with advances in computer-aided procedures, robotics, analytics, and AI. This extended use of technology heightens the need for companies to train all employees about cybersecurity and privacy issues.

In many companies, technology has also created new avenues for how employees interact, share information, and learn from one another. It is now possible to have group meetings online through softwares such as Microsoft Teams, Zoom, or other videoconferencing software that do not require employees to meet physically in a central location. These new ways for working together reduce travel time and travel costs for the company. Overall, advances in technology have expanded how we think about work. The norm once was that employees typically lived within a reasonable distance of a company. Now, many employees engage in **remote work,** which involves working from locations other than from an assigned office at the employer's location. This work can be **telework**, which is primarily working from the traditional office setting, but with expectations of traveling for work to include working at the office on occasion, or **telecommuting** which is working from home with no expectations for travel for work. Telework and telecommuting are often used interchangeably and will be in this text. Just keep in mind that both are actually remote work arrangements. 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 if they have access to this technology. Of course, the downside to remote work is that work can be done, and expected, 24/7.[70]

remote work
term used to describe work done by employees from locations other than from an assigned office at the employer's location

telework
primarily working away from the traditional office setting but with travel expectations for work

telecommuting
working from home with no expectations for travel for work

Other downsides to remote work are concerning as well. One recent study found that with an increase in remote work, employees who are not working remotely had fewer emotional ties to their coworkers, felt less obligated to the organization, and found the workplace less enjoyable. These employees may be faced with a greater workload and less flexibility because they have fewer coworkers available in the office with whom they can share work.[71] Some workers are reluctant to work remotely out of fear that doing so might reflect poorly on their dedication and commitment to their organization. Most likely, some of the concerns related to remote work will be diminished because of the increase in such work during the COVID-19 pandemic.

Prior to the pandemic, employers had started questioning whether or not remote work was a good option. In one of the boldest moves to reconsider remote work, 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 company reasoned that bringing employees back to the office would accelerate the pace of work and improve collaboration. Collaboration as a reason to return employees to the worksite was somewhat unexpected as many U.S. workers at IBM were successfully working on projects with colleagues around the globe. Those projects often could run 24/7 because of the time differences between locations.[72] Other companies, including Yahoo, Aetna, Best Buy, and Bank of New York Mellon Corporation have all required telecommuters to return to a main office or worksite for reasons similar to those noted by IBM.[73]

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 9–5 workday, especially with a long commute. With the option to work offsite 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

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

to the creation of a lot of atypical jobs—jobs that have grown in the gig economy, noted earlier in the chapter, in which companies hire independent contractors to do temporary work. These employees can be working anywhere around the world.[74] If the company is highly technology dependent and regardless of whether or not employees work onsite or telecommute, HR activities will need to be tailored appropriately. Everything from ensuring the recruitment posting addresses the level of technology use required by the job or training is in place to ensuring the employee can work efficiently and effectively from home has to be part of the conversation between the HR department and the employee's manager to facilitate employee's success in performing the job.

Globalization

An increasingly significant factor in today's business environment is **globalization**. Globalization refers to the interdependence of economies, populations, and cultures from around the world and driven largely by the blurring of country boundaries in business activities. Many companies are actively competing on an international level, setting up production or service facilities in other countries, and/or establishing international joint ventures and partnerships. Companies that still operate primarily in domestic markets often find themselves competing with international companies. To some extent, all companies operate in a global arena, a situation that creates challenges and opportunities in terms of managing employees.

globalization
the interdependence of economies, populations, and cultures from around the world, driven largely by the blurring of country boundaries in business activities

Capitalizing on the global labor market requires understanding how differences in cultural values and beliefs influence working relationships among employees. When companies expand across borders, helping expatriates—employees sent to work in company facilities in another country—to work with the local labor force and thrive in a different culture is paramount.

Another challenge in globalization today is **offshoring**—sending work once performed domestically to companies in other countries or opening facilities in other countries to do the work. Companies make the choice to offshore work because there is often a substantially lower cost than doing the work domestically. Many companies have offshored work to India, China, and the Philippines to take advantage of excess labor and low labor costs. A recent report about outsourcing noted that around 300,000 jobs are offshored by U.S. companies annually, with IBM, Deloitte, and Accenture the three largest outsourcing companies in the world.[75] Making the decision to offshore jobs has become more complicated lately, however, with rising wages in emerging economies, particularly in India and China, coinciding with the rapidly decreasing costs of robots and automated factories in the United States, and the imposition of tariffs by the United States for imports from China that have increased prices on many items used by American manufacturers.[76]

offshoring
sending work to companies in other countries or opening facilities in other countries to do the work

Many companies are actively competing on an international level through exporting products and services or establishing international joint ventures and partnerships with foreign firms. Even when companies focus primarily on their domestic market, they are increasingly finding that they are competing with international companies for a share of that market.

Various trade agreements among countries around the world have added to the push for greater globalization. The United States–Mexico–Canada Trade Agreement (USMCA) went into effect on July 1, 2020. The USMCA replaced the North American Free Trade Agreement (NAFTA) and had a goal of creating a mutually beneficial outcome for North American workers, farmers, ranchers, and businesses and creating "more balanced, reciprocal trade supporting high-paying jobs for Americans and [to] grow the North American economy."[77]

Similarly, the European Union (EU), a union of 27 independent countries, was founded to enhance political, economic, and social cooperation. A goal of the EU is "sustainable development based on balanced economic growth and price stability, a

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

highly competitive market economy with full employment and social progress, and environmental protection."[78]

Yet another trade agreement is the Asia-Pacific Economic Cooperation (APEC) that 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.[79] These agreements are serving as catalysts for globalization; however, since 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 led to the renegotiation of NAFTA and the United Kingdom's withdrawal from the EU.

Regardless of the route taken for doing business globally, there are significant implications for how companies compete, where they establish operations, and the location of their labor force. Each choice brings different challenges for managing employees. In Chapter 14, you will have the opportunity to learn in more detail about international business and its impact on employee management in a global economy.

Ethics and Social Responsibility

Every company operates in a social environment based on implicit and explicit standards of ethical behavior and social responsibility. The importance of ethical behavior has gained renewed prominence in recent years as a result of the widely publicized unethical behavior of companies such as Theranos, Wirecard, Wells Fargo, H&M Germany, Pacific Gas & Electric, and the National Rifle Association. Financial performance may be critical, but, increasingly, companies and their managers are being held accountable for ethical behavior.[80] The problem is that ethical standards are not always clear. To address these ambiguities, many companies, such as Lockheed Martin, Texas Instruments, Raytheon, and GSK, implemented formal policies and procedures to help their employees act ethically. For example, Lockheed Martin employs a large group of ethics officers and requires that all its employees attend ethics training each year.[81]

But what exactly is ethical behavior? How much responsibility do companies have toward the environment, toward other countries, and toward underrepresented groups? According to *Business Ethics* magazine, it is useful for companies and managers to think about ethical behavior with regard to eight stakeholder groups: shareholders, community, governance, diversity, employees, environment, human rights, and product.[82] 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 doing work in another country using child labor? 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. Each year, Ethisphere, an organization that supports companies that are focused on building a sustainable business, recognizes a list of The World's Most Ethical Companies. In 2021, 135 companies from 22 countries and 47 industries made the honoree list. The list included companies such as ARM, a UK semiconductor company; BMO, a Canadian bank; Cementos Progreso, a construction and building materials company from Guatemala; Eaton, an industrial manufacturer in Ireland; Infosys, a software and services company from India; and Connor, a sourcing services company from Hong Kong.

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

Making the honoree list signifies that these companies focus on a long-term commitment to doing business with integrity.[83]

Given the importance of ethics, how can you encourage your company to act ethically? Perhaps the best place to start is by recognizing that the employees make the ethical (or unethical) decisions. 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 Small and Medium-sized Enterprises, and the Accountants Association in Poland, 64% of the 662 respondents representing 23 countries indicated having 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.[84] 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, including appointing an "ethics officer"; constantly monitoring the aspects of the company's culture related to its value system, including ethics; providing ethics training; performing background checks on incoming employees; and devoting time at regular staff meetings to talking about responsibilities.[85]

Beyond ethics programs, many companies are also taking steps to demonstrate enhanced levels of social responsibility and are expected by stakeholders to do so. These stakeholders include prospective employees. In particular, younger prospective employees are very much environmentally and social justice focused. As a result, many companies are now involved with sustainability efforts as part of their focus on corporate social responsibility. Many of the activities that are the focus for companies are related to the United Nations 17 Sustainable Development Goals (SDGs). Company Spotlight 1.3 discusses how Nike is doing its part to address 6 of the 17 SDGs. Adopted in 2015, the SDGs are a "universal call to action to end

COMPANY SPOTLIGHT 1.3

NIKE

Once accused of abusing child labor around the globe, Nike has selected 6 of the 17 SDGs as areas where the company believes it has the greatest potential to contribute. The six SDGs selected are SDG 3—Good Health and Wellbeing, SDG 5—Gender Equality, SDG 8—Decent Work and Economic Growth, SDG 12—Responsible Consumption and Production, SDG 13—Climate Action, and SDG 17—Partnerships for the Goals. Nike provides details on its website regarding its commitment to these goals and its 2025 targets relative to each of the six goals. For SDG 8—Decent Work and Economic Growth, two of Nike's 2025 targets are having 100% of the facilities in its extended supply chain meet Nike's "foundational labor, health, safety and environmental standards demonstrating respect for the rights of their workers and communities where they operate" and having 100% of its strategic suppliers "building world class, safe and healthy workspaces for the people making the products." In fiscal year 2020, Nike reported that 94% of its 518 contract factories had reached Bronze or better status based on Nike's definition of sustainable.

Sources: Nike website, "Quick Facts: As of the End of FY13," July 29, 2014, http://www .nikeresponsibility.com/report/content/chapter/labor; Sustainable Development Goals (SDGS), Nike.com, https://purpose.nike.com/sustainable-development-goals-sdgs; SDG 8 Work and Growth, Nike.com, https://purpose.nike.com/sdg-8-work-and-growth.

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

EXHIBIT 1.8

United Nations Sustainable Development Goals

Source: https://www.un.org/sustainabledevelopment/ The content of this publication has not been approved by the United Nations and doesnot reflect the views of the United Nations or its officials or Member States.

poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030." The SDGs (also referred to as Global Goals) are integrated, recognizing that addressing one goal can lead to outcomes relative to other goals. For instance, addressing Goal 4: Quality Education will impact Goal 1: No Poverty. Numerous organizations of all types from around the world have agreed to make some or all of these goals a priority.[86]

Financial performance has long been a measurement tool for company success. However, the ethics and social responsibility that companies display increasingly play a role in how people evaluate organizations. Companies increasingly are setting ethical standards for employees and taking steps to show employees how to carry out ethical actions in their jobs. These companies are also recognizing that socially responsible behavior is important for employees, the planet, and for taking actions to address societal issues, which in turn increase their ability to attract a more diverse applicant pool. At the same time, these companies recognize that when employees don't adhere to ethical standards, social responsibility and ethics may simply become a public relations exercise.[87]

Challenge 3: Regulatory Issues

Regulatory issues present the challenge that has probably had the most direct influence on the management of employees. During the past 50 years, many U.S. presidential executive orders, as well as much federal, state, and local legislation, have been specifically concerned with the employment process. At a basic level, legislation describes what is legally acceptable in the employment process and focuses on protecting the rights of individuals to have an equal opportunity to enjoy the benefits and privileges of employment.

The challenge with regulatory issues is that the influence of legislation on employment is very broad, and the interpretation of these laws continues to

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

evolve. Moreover, legislation is continually introduced that broadens existing statutes and creates new ones. The Americans with Disabilities Act of 1990 (ADA), for example, provides specific guidelines and provisions regarding the treatment of individuals with disabilities in employment situations. This law covers management-related activities such as interviewing, selection, promotion, job design, access to training opportunities, compensation and benefits, and even layoffs. The ADA is only one of the many laws and executive orders that influence the management of employees in direct and indirect ways. Other laws, such as Title VII of the Civil Rights Act of 1964, the Occupational Safety and Health Act, and the Civil Rights Act of 1992, have important implications for how companies manage their workforce.

When a company fails to comply with legal requirements, it is at risk for considerable costs. For example, in a very-high-profile case that led to the resignation of its longtime news chief, Roger Ailes, Twenty-First Century Fox Inc. reached a $90 million settlement of shareholder claims arising from the sexual harassment of female employees at its Fox News Channel.[88] In another high-profile case, the Weinstein Company, once seen as "a crown jewel of moviemaking," said it would file for bankruptcy in the aftermath of sweeping allegations of sexual harassment and unlawful sexual misconduct perpetrated by its founder and CEO, Harvey Weinstein.[89] Both examples illustrate the significant financial penalties, debilitating damage to a company's reputation, and the diminished morale and productivity associated with the failure to address regulatory requirements. Consequently, given the breadth of influence that the legal environment has on the management of employees, this is a critical area for managers to understand. In Chapter 3, we focus on the major employment-related laws and executive orders that affect the management of employees.

SUMMARY

There are many benefits associated with effectively managing employees. When employees have the necessary competencies, they can contribute to meeting company goals. When employees are motivated, they are likely to display increased levels of commitment, loyalty, and morale. When the company designs the work environment appropriately, employees are in a position to turn their abilities and motivation into greater productivity. In contrast, when employees are mismanaged, they may not be able or willing to work toward organizational goals. If employees do not have the needed skills, they may not know how to work most effectively, resulting in decreased performance and decreased morale as well as greater turnover and absenteeism. Employees who feel undervalued or underappreciated are not likely to expend much effort in performing their jobs.

The strategic management of employees requires managers to pay attention to three primary HR activities. First, managers must design work and engage in workforce planning to ensure that employees are able to add value to the company. The specific HR practices used to manage the flow of work are job design and workforce planning. Second, managers must identify, acquire, build, and retain the critical competencies that employees need to perform their jobs effectively. These activities are critical to the recruitment, selection, and learning and development activities. Third, managers must provide employees with guidance and motivation to use their abilities to contribute to the company's goals. Performance management, compensation, incentives, benefits, and health and wellness programs are the primary tools to influence employee attitudes and behaviors.

When companies are able to leverage the talents of their workforce, they are more likely to achieve competitive advantage. However, this is not an easy task.

Managers must make sure that the tactics they use within the three primary HR activities are in alignment. Organizational demands including a company's

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

strategy, company characteristics such as size and stage of development, and organizational culture must be kept in mind when making HR decisions In addition, managers must consider the concerns of their workforce relative to issues such as work/life balance and perceptions of fairness as these concerns affect whether or not employees believe the company has their best interests in mind. Beyond organizational demands, the strategic management of HR requires managers to anticipate and take steps to meet the environmental influences associated with labor-force trends and advances in technology, increased globalization, and increasing attention to ethics and social responsibility. Finally, the design and implementation of the primary HR activities must be done in a manner that is in compliance with legal requirements.

KEY TERMS

alignment
climate surveys
competencies
competitive advantage
cost leadership strategy
differentiation strategy
distributive justice
employees
environmental influences
exit interviews
external alignment
gig economy
gig workers
globalization
human resource (HR) challenges
human resource (HR) department
human resource (HR) practices
interactional justice
internal alignment
labor force
line manager (manager)
organizational culture
organizational demands
primary human resources (HR) activities
procedural justice
psychological contract
strategy
sustainable competitive advantage
telework
work/life balance

DISCUSSION QUESTIONS

1. What does it mean for a company to have a sustainable competitive advantage and why does that matter?
2. Discuss how the management of employees impacts the company's ability to have a competitive advantage.
3. Identify and explain the three primary HR activities, noting which you think is the most challenging and why.
4. Briefly describe the management practices associated with each primary HR activity.
5. Some people think that there are certain practices for managing employees who are always beneficial for companies, while others maintain that the best practices depend on the circumstances of each company. Which approach do you think is right? Why?
6. Which of the environmental influences identified in this chapter is most important for managing employees in a company pursuing innovation? What about a company with a strategy emphasizing low costs or customer service?
7. What are the benefits and challenges of having a diverse workforce?
8. As a manager, what can you do to encourage your employees to act in an ethical and socially responsible manner?

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

LEARNING EXERCISE 1

Now that you have read about how companies differ, and how those differences can affect HR management practices, here's a chance for you to begin applying those concepts. LG Electronics and Panera Bread are two very different, and very successful, companies. LG is a South Korean multinational electronics company that produces mobile devices, home entertainment equipment, and appliances. Panera Bread is a fast-expanding bakery-café chain. LG's motto is "Life's Good." This innovative global company focuses on providing electronic products that help customers live better lives. The company began as Lucky Chemical in 1947 with the first cosmetics product in Korea. The company quickly expanded into other types of products and went through several name changes before moving into electronics and becoming Lucky Goldstar, now shortened to LG, in 1995. LG was named the "World's Best IT Company" by Business Week in 2004. The company reported first-quarter consolidated sales in 2021 of $16.90 billion in U.S. dollars, the highest quarterly results in the history of the company.

Panera was founded in 1981 as Au Bon Pain, Inc. In 1993, the company bought St. Louis Bread Co., and in time, it changed its name from St. Louis Bread to Panera Bread. Because of the success of Panera, in May 1991, the company sold all the Au Bon Pain, Inc., business units except Panera Bread and then changed the name of the company itself to Panera Bread. The rest, as they say, is history. Annual sales now exceed $5.9 billion.

Panera Bread's mission statement is simple: "A loaf of bread in every arm." Visit the websites of LG (www.lgcorp.com) and Panera Bread (www.panerabread.com). Use the information provided in the "About Us" sections and other parts of each company's website to answer the following questions.

1. Prepare a chart comparing the two companies based on the organizational demand characteristics discussed in this chapter.
2. Discuss two or three of the key environmental influences that each company would likely face. Why would there be different key environmental influences for each company?
3. Describe how the organizational demands and environmental influences identified for each company would differentially affect workflow, employee competencies, and employee attitudes and behaviors for each company.

Sources: "About LG," https://www.lgcorp.com/about/lgway/1; "LG Announces First-Quarter 2021 Financial Results," https://www.lgnewsroom.com/2021/04/lg-announces-first-quarter-2021-financial-results/; "Top 500, Panera Bread," Restaurant Business, https://www.restaurantbusinessonline.com/top-500-chains-2020/panera-bread; panerabread.com.

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 which 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?

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

CASE STUDY: SUSTAINING SUCCESS AT ST. STEVENS COMMUNITY COLLEGE

Emma Barnes is a senior administrator at St. Stevens Community College (SSCC). 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 FOR DEBATE: BASECAMP SETS NEW RULES AND EMPLOYEES EXIT

Read the case below and conduct additional research to learn about this company. Drawing from what you have learned in this chapter, and what you read about Basecamp on your own, do you think the decision to change policies made by the CEO will impact the ability of the firm to maintain a sustained competitive advantage?

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

Be prepared to present the justifications for why you believe the decision will or will not have long-term impact. Remember that a sustainable competitive advantage happens when the company can add value repeatedly over time.

On April 26, 2021, Jason Fried, cofounder and CEO of Basecamp, announced to his employees that he was making a number of substantive changes that directly affected his employees. These changes were:

1. "No more societal and political discussions on our company Basecamp account.
2. No more paternalistic benefits.
3. No more committees.
4. No more lingering or dwelling on past decisions.
5. No more 360 reviews.
6. No forgetting what we do here—not a social impact company."

Basecamp is a 20-year-old tech company based in Chicago that makes project management, team communication, and email software. Shortly after the blog post from Jason Fried, cofounder David Heinemeier Hansson provided employees with information about a severance package for those not comfortable with the company's new direction. He noted: "No hard feelings, no questions asked." Shortly after the cofounders met with the employees, more than one-third of the 57 employees indicated they would accept the company buyout.

Concerns raised by employees over a long-standing practice at the company played a primary role in the change in policies. For some time, customer service representatives had been keeping a list of customer names that they thought were funny. Names included on the list were American and European in origin but also Asian and African. The growing cultural awareness brought on by the killing of George Floyd and the resulting #BlackLivesMatter movement, along with other concerns about speech and corporate responsibility, had led some employees to speak up about the inappropriateness of the list, even noting it as racist. Employees had felt they were furthering Basecamp's diversity and inclusion initiatives by bringing to light the problems with the list. The cofounders, however, felt that the discussion had escalated beyond what was appropriate in the workplace.

Sources: Jason Fried, "Changes at Basecamp," Basecamp blog, world.hey.com; Lindsay Kohler, "Is Less More than More at Work? Basecamp Is Betting on the Power of Subtractive Changes," forbes.com, https://www.forbes.com/sites/lindsaykohler/2021/04/30/is-less-more-than-more-at-work-basecamp-is-betting-on-the-power-of-subtractive-changes; Casey Newton, "Breaking Camp," theverge.com, https://www.theverge.com/2021/4/27/22406673/basecamp-political-speech-policy-controversy; Casey Newton, "Inside The All-Hands Meeting that Led to a Third of Basecamp Employees Quitting," theverge.com, https://www.google.com/search?q=inside+the+all+hands+meeting+that+led+to+a+third+of+basecamp+employees+quitting; David Heinemeier Hansson, "Let It All Out," https://world.hey.com/dhh/let-it-all-out-78485e8e.

NOTES

1. Bureau of Labor Statistics, U.S. Department of Labor, "5 out of 20 Fastest-Growing Industries from 2019 to 2029 Are in Healthcare and Social Assistance," *The Economics Daily*, April 11, 2021, accessed April 11, 2021, https://www.bls.gov/opub/ted/2020/5-out-of-20-fastest-growing-industries-from-2019-to-2029-are-in-healthcare-and-social-assistance.htm.
2. "World's Most Admired Companies, 2021," Fortune.com, 2021, accessed 8/31/2021, https://fortune.com/worlds-most-admired-companies/.
3. GSK, "About GSK," *gsk.com*, accessed 8/31/2021, https://www.gsk.com/en-gb/investors/about-gsk/ and https://www.gsk.com/en-gb/about-us.
4. Jay Barney and William Hesterly, *Strategic Management and Competitive Advantage* (Upper Saddle River, NJ: Prentice-Hall, 2006).
5. Raymond A. Noe et al., *Human Resource Management: Gaining a Competitive Advantage* (New York: McGraw-Hill Education, 2017).

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

[6] See, for example, John E. Delery and Dorothea Roumpi, "Strategic Human Resource Management, Human Capital and Competitive Advantage: Is the Field Going in Circles?" *Human Resource Management Journal* 27, no. 1 (2017): 1–21, https://doi.org/10.1111/1748-8583.12137; David E. Guest, "Human Resource Management and Employee Well-Being: Towards a New Analytic Framework: HRM and Employee Well-Being: New Analytic Framework," *Human Resource Management Journal* 27, no. 1 (2017): 22–38, https://doi.org/10.1111/1748-8583.12139; Kaifeng Jiang and Jake Messersmith. "On the Shoulders of Giants: A Meta-Review of Strategic Human Resource Management." *International Journal of Human Resource Management* 29, no. 1 (2018): 6–33.

[7] R. Eisenberger et al., "Reciprocation of Perceived Organizational Support," *Journal of Applied Psychology* 86, no. 1 (2001): 42–51, https://doi.org/10.1037/0021-9010.86.1.42; Robert Eisenberger et al., "Perceived Organizational Support," *Journal of Applied Psychology* 71 (1986): 500–507; Shari Caudron, "The Myth of Job Happiness," *Workforce*, April 2001, pp. 32–36.

[8] C. H. Chuang and H. Liao, "Strategic Human Resource Management in Service Context: Taking Care of Business by Taking Care of Employees and Customers," *Personnel Psychology* 63 (2010): 153–96; J. M. Peiró et al., "The Happy-Productive Worker Model and Beyond: Patterns of Wellbeing and Performance at Work," *International Journal of Environmental Research and Public Health* 16, no. 3 (2019): 479, https://doi.org/10.3390/ijerph16030479.

[9] For research findings regarding HR practices and turnover, see Timothy M. Gardner, Patrick M. Wright, and Lisa M. Moynihan, "The Impact of Motivation, Empowerment, and Skill-Enhancing Practices on Aggregate Voluntary Turnover: The Mediating Effect of Collective Affective Commitment," *Personnel Psychology* 64 (2011): 315–50; Jason D. Shaw, Tae-Youn Park, and Eugene Kim, "A Resource-Based Perspective on Human Capital Losses, HRM Investments, and Organizational Performance," *Strategic Management Journal* 34, no. 5 (2013): 572–89.

[10] Abdul Karim Khan, Samina Quratulain, and Jonathan R. Crawshaw, "The Mediating Role of Discrete Emotions in the Relationship between Injustice and Counterproductive Work Behaviors: A Study in Pakistan," *Journal of Business and Psychology* 28 (2013): 49–61; and Jennifer Laabs, "Employee Sabotage: Don't Be a Target!" *Workforce*, July 1999, pp. 33–42.

[11] David Guest and Neil Conway, "The Impact of HR Practices, HR Effectiveness, and a 'Strong HR System' on Organisational Outcomes: A Stakeholder Perspective," *International Journal of Human Resource Management* 22 (2011): 1686–702; Mark Huselid, "The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance" *Academy of Management Journal*; 38 (1995): 635-872; Stan Guthrie, "High-Involvement Work Practices, Turnover, and Productivity" Academy of Management Journal, 44 (2001): 180-190; Kaifeng Jiang et al., "How Does Human Resource Management Influence Organizational Outcomes? A Meta-Analytic Investigation of Mediating Mechanisms," *Academy of Management Journal* 55, no. 6 (2012): 1264–294, https://doi.org/10.5465/amj.2011.0088.

[12] John E. Delery and D. Harold Doty, "Modes of Theorizing in Strategic Human Resource Management: Tests of Universalistic, Contingency, and Configurational Performance Predictions," *Academy of Management Journal* 39 (1996): 802–35; Thomas Bailey, Peter Berg, and Carola Sandy, "The Effect of High-Performance Work Practices on Employee Earnings in the Steel, Apparel, and Medical Electronics and Imaging Industries," *Industrial and Labor Relations* 54 (2001): 525–43; Mark A. Youndt et al., "Human Resource Management, Manufacturing Strategy, and Firm Performance," *Academy of Management Journal* 39 (1996): 836–66.

[13] Laurie J. Bassi, Ed Frauenheim, and Daniel P. McMurrer, *Good Company: Business Success in the Worthiness Era* (San Francisco, CA: Berrett-Koehler, 2011); Ellen M. Whitener, "Do 'High Commitment' Human Resource Practices Affect Employee Commitment? A Cross-Level Analysis Using Hierarchical Linear Modeling," *Journal of Management* 27 (2001): 515–35.

[14] Jeffrey Pfeffer and John F. Veiga, "Putting People First for Organizational Success," *The Academy of Management Executive* 13, no. 2 (1999): 37–48.

[15] CIGNA, "About Us," *CIGNA.com*, accessed 8/31/2021, https://www.cigna.com/about-us/company-profile/.

[16] Nile W. Hatch and Jeffrey H. Dyer, "Human Capital and Learning as a Source of Sustainable Competitive Advantage," *Strategic Management Journal* 25 (2004): 1155–78.

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

[17] Michael O'Malley, "What the 'Best Companies to Work for' Do Differently," *Harvard Business Review*, December 12, 2019, https://hbr.org/2019/12/what-the-best-companies-to-work-for-do-differently.

[18] J. Richard Hackman and Greg R. Oldham, "Motivation Through the Design of Work: Test of a Theory," *Organizational Behavior and Human Performance* 16 (1976): 250-279; Frederick Herzberg, "One More Time: How Do You Motivate Employees?" *Harvard Business Review* 65 (1987): 109-120.

[19] "Sourcing and Managing Talent in a Gig Economy: A Report from The Economist Intelligence Unit," *The Economist*, https://eiuperspectives.economist.com/strategy-leadership/sourcing-and-managing-talent-gig-economy; Gianpiero Petriglieri, Susan J. Ashford, and Amy Wrzesniewski, "Thriving in the Gig Economy," *Harvard Business Review,* March–April, 2018, https://hbr.org/2018/03/thriving-in-the-gig-economy#.

[20] A. Binu Raj, "Impact of Employee Value Proposition on Employees' Intention to Stay: Moderating Role of Psychological Contract and Social Identity," *South Asian Journal of Business Studies* 2, no. 3 (2020): 203–26, https://doi.org/10.1108/SAJBS-10-2019-0183.

[21] "Lincoln Electric, Sustainability, Employee Engagement," lincolnelectric.com, accessed 8/31/2021, https://sustainability.lincolnelectric.com/employee-engagement.html; 3M Science Applied to Life, 3M Careers, A Look Inside 3M's Total Rewards, https://www.3m.com/3M/en_US/careers-us/working-at-3m/benefits/.

[22] Walter Tubbs, "Karoushi: Stress-Death and the Meaning of Work," *Journal of Business Ethics* 12 (1993): 869–77.

[23] L. C. Christiansen and M. Higgs, "How the Alignment of Business Strategy and HR Strategy Can Impact Performance: A Practical Insight for Managers." *Journal of General Management* 33, no. 4 (2008): 13–33; S. E. Jackson, R. S. Schuler, and J. C. Rivero, "Organizational Characteristics as Predictors of Personnel Practices," *Personnel Psychology* 42 (1989): 727–86; R. S. Schuler and S. E. Jackson, "Linking Competitive Strategies with Human Resource Management Practices," *Academy of Management Executive* 1 (1987): 207–19.

[24] Ibid.

[25] Michael E. Porter, *Competitive Strategy* (New York: The Free Press, 1980); and Michael E. Porter, *Competitive Advantage* (New York: The Free Press, 1980); D. Kryscynski, R. Coff, and B. Campbell, "Charting a Path between Firm-Specific Incentives and Human Capital-Based Competitive Advantage." Strategic Management Journal 42 (2021): 386–412, https://doi.org/10.1002/smj.3226.

[26] L. C. Christiansen and M. Higgs; S. E. Jackson, R. S. Schuler, and J. C. Rivero; R. S. Schuler and S. E. Jackson

[27] S. E. Jackson, R. S. Schuler, and K. Jiang, "An Aspirational Framework for Human Resource Management," *Academy of Management Annals* 8 (2014): 1–56; David P. Lepak and Jason D. Shaw, "Strategic HRM in North America: Looking to the Future," *International Journal of Human Resource Management* 19, no. 8 (2008): 1486–99.

[28] 2020 Small Business Profile, U.S. Small Business Administration Office of Advocacy, sba.gov, accessed 8/31/2021, https://cdn.advocacy.sba.gov/wp-content/uploads/2020/06/04144224/2020-Small-Business-Economic-Profile-US.pdf.

[29] D. Finegold and S. Frenkel, "Managing People Where People Really Matter: The Management of Human Resources in Biotech Companies," *International Journal of Human Resource Management* 17 (2006): 1–24; J. G. Heneman and R. A. Berkley, "Applicant Attraction Practices and Outcomes Among Small Businesses," *Journal of Small Business Management* 37 (1999): 53–74.

[30] M. R. Allen, J. Ericksen, and C. J. Collins, "Human Resource Management, Employee Exchange Relationships, and Performance in Small Businesses," *Human Resource Management* 52, no. 2 (March–April 2013): 153–72; J. S. Hornsby and D. F. Kuratko, "Human Resource Management in U.S. Small Businesses: A Replication and Extension," *Journal of Developmental Entrepreneurship* 8 (April 2003): 73–92.

[31] Paul Fronstin, "More Workers Eligible for Health Coverage despite Lack of Growth in Employer Offer Rates," *EBRI Issue Brief*, July 25, 2019, No. 487, https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_487_covtrends-25jul19.pdf?sfvrsn=53033c2f_12.

[32] Rebecca Pifer, "One-Third of Small Businesses Say Health Insurance Is a Top Concern during COVID-19: Survey," *Healthcare Dive*, March 31, 2021, https://www.healthcaredive.com/news/one-third-of-small-businesses-say-health-insurance-is-a-top-concern-during/597641/.

[33] J. D. Kok and L. M. Uhlaner, "Organization Context and Human Resource Management in the Small Firm," *Small Business Economics* 17 (December 2001): 273–91.

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

[34] O. C. Richard, D. Ford, and K. Ismail, "Exploring the Performance Effects of Visible Attribute Diversity: The Moderating Role of Span of Control and Organizational Life Cycle," *International Journal of Human Resource Management* 17 (2006): 2091–109.
[35] Edgar H. Schein, *Organizational Culture and Leadership* (San Francisco, CA: Jossey-Bass, 1985).
[36] Southwest, "Gary's Greeting, Best in Flight," *southwest.com*, accessed 8/31/2021, https://www.southwest.com/assets/pdfs/about-southwest/garys-greeting.pdf.
[37] A. Canato, D. Ravasi, and P. Nielson, "Coerced Practice Implementation in Cases of Low Cultural Fit: Cultural Change and Practice Adaptation during the Implementation of Six Sigma at 3M," *Academy of Management Journal* 56 (2013): 1724–53; J. R. Harrison and G. R. Carroll, "Keeping the Faith: A Model of Cultural Transmission in Formal Organizations," *Administrative Science Quarterly* 36 (1991): 552–82.
[38] Cheri Ostroff and David E. Bowen, "Moving HR to a Higher Level: HR Practices and Organizational Effectiveness," in *Multilevel Theory, Research, and Methods in Organizations: Foundations, Extensions, and New Directions*, ed. K. J. Klein and S. W. Kozlowski (San Francisco, CA: Jossey-Bass, 2000), 211–66.
[39] R. A. Guzzo and K. A. Noonan, "Human Resource Practices as Communications and the Psychological Contract," *Human Resource Management* 33 (1994): 447–62; see also D. M. Rousseau, *Psychological Contracts in Organizations: Understanding Written and Unwritten Agreements* (Thousand Oaks, CA: Sage, 1995).
[40] Ostroff and Bowen, "Moving HR to a Higher Level," 211–66.
[41] David E. Bowen and Cheri Ostroff, "Understanding HRM-Firm Performance Linkages: The Role of the 'Strength' of the HRM System," *Academy of Management Review* 29 (2004): 203–21.
[42] I. Drori, A. Wrzesniewski, and S. Ellis, "Cultural Clashes in a 'Merger of Equals': The Case of High-Tech Start Ups," *Human Resource Management* 50 (2011): 625–49; R. A. Weber and C. F. Camerer, "Cultural Conflict and Merger Failure: An Experimental Approach," *Management Science* 49 (2003): 400–415; S. Fister Gale, "Memo to AOL Time Warner: Why Mergers Fail," *Workforce*, February 2003, p. 60.
[43] Unilever, "An Exciting New Normal for Flexible Working," June 23, 2020, https://www.unilever.com/news/news-and-features/Feature-article/2020/an-exciting-new-normal-for-flexible-working.html]; Unilever, "Our Company, At a Glance," https://www.unilever.com/our-company/at-a-glance/.
[44] J. R. Hackman and G. R. Oldham, *Work Redesign* (Reading, MA: Addison-Wesley, 1980).
[45] B. Murray and B. Gerhart, "An Empirical Analysis of a Skill-Based Pay Program and Plant Performance Outcomes," *Academy of Management Journal* 41 (1998): 68–78.
[46] S. L. Robinson, M. S. Kraatz, and D. M. Rousseau, "Changing Obligations and the Psychological Contract: A Longitudinal Study," *Academy of Management Journal* 37 (1994): 137–52.
[47] M. S. Taylor et al., "Due Process in Performance Appraisals: A Quasi-Experiment in Procedural Justice," Administrative Science Quarterly 40 (1995): 495-523; Peter Cappeli and Martin J. Conyon, "What Do Performance Appraisals Do?" *ILR Review* 71 (2018): 88-116.
[48] Rousseau, *Psychological Contracts in Organizations,* 1995.
[49] Eisenberger et al., "Perceived Organizational Support," 500–507; K. Alfes et al., "The Link between Perceived Human Resource Management Practices, Engagement, and Employee Behaviour: A Moderated Mediation Model." *International Journal of Human Resource Management* 24, no. 2 (2013): 330–51; Peter Cappelli, *The New Deal at Work: Managing the Market-Driven Workforce* (Cambridge, MA: Harvard Business Press, 1999).
[50] U. S. Bureau of Labor Statistics, "Employment Characteristics of Families 2019," bls.gov, accessed 8/31/2021, https:/www.bls.gov/new.release/pdf/fame.pdf.
[51] Marcel Schwantes, *Bill Gates Says Companies that Offer Flextime Will Always Have an Edge—and Here Are 6 Reasons He's Right* (Business Insider Inc., August 20, 2019), https://www.businessinsider.com/bill-gates-says-companies-offer-flextime-will-always-have-edge-2019-8.
[52] Sean Ludwig, "10 Forward-Looking Companies Offering Flexible Work," *CO*, https://www.uschamber.com/co/run/human-resources/companies-offering-flexible-work-schedules.
[53] Gad Levanon, "Remote Work: The Biggest Legacy of Covid-19," *Forbes.com*, November 23, 2020, https://www.forbes.com/sites/gadlevanon/2020/11/23/remote-work-the-biggest-legacy-of-covid-19/?sh=746912297f59; Marianne Cooper, "Mothers' Careers Are at Extraordinary Risk Right Now," *The Atlantic*, October 1, 2020, https://womensleadership.stanford.edu/news/mothers-careers-are-extraordinary-risk-right-now.

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

[54] Willis Towers Watson, Survey Report, "Employers Prioritize Family-Friendly Benefits," June 3, 2020, https://www.willistowerswatson.com/en-US/Insights/2020/05/employers-prioritize-family-friendly-benefits.

[55] Erica Volini et al., "Diving Deeper, Five Workforce Trends to Watch in 2021," *Deloitte Insights*, deloitte.com, accessed 8/31/2021, https://www2.deloitte.com/us/en/insights/focus/human-capital-trends/2021/workforce-trends-2020.html?id=us:2ps:3gl:consem21:en.

[56] S. W. Lester et al., "Not Seeing Eye to Eye: Differences in Supervisor and Subordinate Perceptions of and Attributions for Psychological Contract Breach," *Journal of Organizational Behavior* 23 (February 2002): 29–56.

[57] Rousseau, *Psychological Contracts in Organizations*, 128.

[58] Ibid., 53.

[59] "Why Loyalty Is Not Enough,' *HR Focus* 77 (November 2000): 1–3.

[60] J. M. L. Poon, "Distributive Justice, Procedural Justice, Affective Commitment, and Turnover Intention: A Mediation-moderation Framework," *Journal of Applied Social Psychology* 42 (June 2012): 1505–32; J. Coyle-Shapiro and I. Kessler, "Consequences of the Psychological Contract for the Employment Relationship: A Large-Scale Survey," *Journal of Management Studies* 37 (2002): 39–52; S. L. Robinson, "Trust and Breach of the Psychological Contract," *Administrative Science Quarterly* 41 (1996): 574–99; W. H. Turnley and D. C. Feldman, "The Impact of Psychological Contract Violations on Exit, Loyalty, and Neglect," *Human Relations* 51 (1999): 895–922.

[61] Rousseau, *Psychological Contracts in Organizations*, 90.

[62] B. N. Carvin, "New Strategies for Making Exit Interviews Count," *Employment Relations Today* 38, no. 2 (Summer 2011): 1–6; F. Hansen, "Weighing the Truth of Exit Interviews," *Workforce*, December 2002, p. 37; E. Spain and B. Groysberg, "Making Exit Interviews Count," *Harvard Business Review* (April 2016): 89–95.

[63] Department of Economic and Social Affairs, World Population Division, "World Population Ageing 2019, Highlights," *United Nations*, un.org, accessed 8/31/2021, https://www.un.org/en/development/desa/population/publications/pdf/ageing/WorldPopulationAgeing2019-Highlights.pdf.

[64] Diane Eastabrook, "Ageism in the Workplace: Companies Breaking the Mold," *nextavenue.org*, February 26, 2021, https://www.nextavenue.org/ageism-in-the-workplace-companies-breaking-the-mold/.

[65] O. C. Richard, S. L. Kirby, and K. Chadwick, "The Impact of Racial and Gender Diversity in Management on Financial Performance: How Participative Strategy Making Features Can Unleash a Diversity Advantage," *International Journal of Human Resource Management* 24 (2013): 2571–82; D. A. Kravitz, "More Women in the Workplace: Is There a Payoff in Firm Performance?" *Academy of Management Executive* 17 (2003): 148-9 A. Konrad, "Leveraging Workplace Diversity in Organizations," *Organization Management Journal*, 3 (2006): 164–82.

[66] Bureau of Labor Statistics Economic News Release, "Projections Overview and Highlights, 2016–26," *Monthly Labor Review*, bls.gov, accessed 8/31/2021, https://www.bls.gov/opub/mlr/2017/article/projections-overview-and-highlights-2016-26.htm.

[67] U.S. Bureau of Labor Statistics, "Hispanic Share of the Labor Force Projected to be 20.9 Percent by 2028," *TED: The Economics Daily*, *U.S. Bureau of Labor Statistics*, bls.gov, accessed 8/31/2021, https://www.bls.gov/opub/ted/2019/hispanic-share-of-the-labor-force-projected-to-be-20-point-9-percent-by-2028.htm.

[68] U.S. Bureau of Labor Statistics, "Employment Projections—2018-2028," *Employment Projections and Occupational Outlook Handbook News Release*, bls.gov, accessed 8/31/2021, https://www.bls.gov/news.release/archives/ecopro_09042019.htm.

[69] Janet H. Marler and Xiaoya Liang, "Information Technology Change, Work Complexity and Service Jobs: A Contingent Perspective," *New Technology, Work & Employment* 27, no. 2 (2012): 133–46; Janet H. Marler and Emma Parry, "Human Resource Management, Strategic Involvement and E-HRM Technology," *International Journal of Human Resource Management* 27, no. 19 (2016): 2233–53.

[70] M. C. Noon and J. L. Glass, "The Hard Truth about Telecommuting," *Monthly Labor Review* 38 (June 2012); M. Mariani, "Telecommuters," *Occupational Outlook Quarterly* 44 (Fall 2000): 10–17.

[71] T. Golden, "Co-Workers Who Telecommute and the Impact on Those in the Office: Understanding the Implications of Virtual Work for Co-Worker Satisfaction and Turnover Intentions," *Human Relations* 60 (2007): 1641–67.

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.

[72] John Simons, "IBM, A Pioneer of Remote Work, Calls Workers Back to the Office," *wsj.com*, May 18, 2017, https://www.wsj.com/articles/ibm-a-pioneer-of-remote-work-calls-workers-back-to-the-office-1495108802.
[73] Dana Wilkie, "Why Are Companies Ending Remote Work?" *SHRM*, May 7, 2019, https://www.shrm.org/resourcesandtools/hr-topics/employee-relations/pages/drawbacks-to-working-at-home.aspx.
[74] "How Can We Make Labor Shifts Work for People?" *McKinsey Global Institute*, May 2018, https://www.mckinsey.com/featured-insights/future-of-work/how-can-we-make-labor-shifts-work-for-people#.
[75] Jessica Edgson, "27-Eye-Opening Outsourcing Statistics," *capitalcounselor.com*, April 2, 2021, https://capitalcounselor.com/outsourcing-statistics.
[76] Katie Lobosco, "Biden Has Left Trump's China Tariffs in Place: Here's Why," CNN Politics, *cnn.com*, March 25, 2021, https://www.cnn.com/2021/03/24/politics/china-tariffs-biden-policy/index.html.
[77] Office of the United States Trade Representative, "United States-Mexico-Canada Trade Agreement," accessed 8/31/2021, https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement.
[78] European Union, "The EU in Brief, Goals and Values of the EU," accessed 8/31/2021, https://europa.eu/european-union/about-eu/eu-in-brief_en.
[79] Asia Pacific Economic Cooperation (APEC), "Sustainable and Inclusive Asia-Pacific," accessed 8/31/2021, https://www.apec.org/About-Us/About-APEC#:~:text=APEC's%2021%20member%20economies%20are,Thailand%3B%20United%20States%20of%20America%3B.
[80] Jaclyn Jaeger, "Top Ethics and Compliance Failures of 2020," *complianceweek.com*, December 8, 2020, https://www.complianceweek.com/opinion/top-ethics-and-compliance-failures-of-2020/29797.article.
[81] "Ethics," *lockheedmartin.com*, https://www.lockheedmartin.com/en-us/who-we-are/ethics.html.
[82] Anonymous, "Corporate Responsibility Magazine Announces 2018 100 Best Corporate Citizens," *CSR Newswire*, May 7, 2018, https://www.csrwire.com/press_releases/41014-corporate-responsibility-magazine-announces-2018-100-best-corporate-citizens.
[83] "2021 World's Most Ethical Companies Honoree List," *www.ethisphere.com*, accessed 8/31/2021, https://www.worldsmostethicalcompanies.com/honorees/.
[84] Sarah Perrin, "Resisting the Pressure to Act Unethically," *accaglobal.com*, February 1, 2017, https://www.accaglobal.com/pk/en/member/member/accounting-business/2017/02/corporate/ethics-pressure.html.
[85] NIKE website, accessed 8/31/2021, www.nikebiz.com; "Survey: Sweating for Fashion," *The Economist*, March 6, 2004, p. 14; R. Locke et al., "Beyond Corporate Codes of Conduct: Work Organization and Labour Standards at Nike's Suppliers," *International Labour Review* 146 (2007): 21–40.
[86] United Nations, "Sustainable Development Goals," undp.org, accessed 8/31/2021, https://www.undp.org/content/undp/en/home/sustainable-development-goals.html.
[87] Perrin, "Resisting the Pressure to Act Unethically," 2017.
[88] Jonathan Stempel, "21st Century Fox in $90 million Settlement Tied to Sexual Harassment Scandal," *Reuters*, November 20, 2017, https://www.reuters.com/article/us-fox-settlement/21st-century-fox-in-90-million-settlement-tied-to-sexual-harassment-scandal-idUSKBN1DK2NI.
[89] Amy Chozick, "Where's Harvey," *The New York Times*, March 9, 2018, https://www.nytimes.com/2018/03/09/style/harvey-weinstein-in-arizona.html.

DO NOT COPY, POST, OR DISTRIBUTE

Copyright (c)2024 by Sage Publications, Inc.
This work may not be reproduced or distributed in any form or by any means without express written permission of the publisher.