



Managing *Tenth Edition* Human Resources

Productivity, Quality of Work Life, Profits



Wayne F. Cascio



on

Sparked by new technologies, particularly the Internet, the corporation is undergoing a radical transformation that is nothing less than a new Industrial Revolution. This time around, the revolution is reaching every corner of the globe. The 21st-century corporation that emerges is, in many ways, the polar opposite of the 20th-century organizations that senior managers helped shape.

Many factors are driving change, but none is more important than the rise of Internet technologies. Like the steam engine or the assembly line, the Internet has already become an advance with revolutionary consequences, most of which we have only begun to feel. The Internet gives everyone in the organization, from the lowliest clerk to the chairman of the board, the ability to access a mind-boggling array of information—instantaneously from anywhere. Instead of seeping out over months or years, ideas can be zapped around the globe in the blink of an eye. That means that the 21st-century corporation must adapt itself to management via the Web. It must be predicated on constant change, not stability; organized around networks, not rigid hierarchies; built on shifting partnerships and alliances, not self-sufficiency; and constructed on technological advantages, not bricks and mortar.

The organization chart of the large-scale enterprise had long been defined as a pyramid of ever-shrinking layers leading to an omnipotent CEO at its apex. The 21st-century corporation, in contrast, is far more likely to look like a web: a flat, intricately woven form that links partners, employees, external contractors, suppliers, and customers in various collaborations. The players will grow more and more interdependent, and managing this intricate network will be as important as managing internal operations.

In contrast to factories of the past 100 years that produced cookie-cutter products, the company of the future will tailor its products to each individual by turning customers into partners and giving them the technology to design and demand exactly what they want. Mass customization will result in waves of individualized products and services, as well as huge savings for companies, which no longer will have to guess what and how much customers want.

Intellectual capital will be critical to business success. Bringing breakthrough products to market first will provide little advantage to companies because technology will let competitors match or exceed them almost instantly. To keep ahead of the steep new-product curve, it will be crucial for businesses to attract and retain the best thinkers. Companies will need to build a deep reservoir of talent—including both employees and free agents—to succeed in this new era. But attracting and retaining top talent will require more than just huge paychecks. Organizations will need to create the kinds of cultures and reward systems that keep the best minds engaged. The old command-and-control hierarchies are fast crumbling in favor of organizations that empower vast numbers of people and reward the best of them as if they were owners of the enterprise.

*Sources: World Economic Forum and Boston Consulting Group. (2011). *Global talent risk—Seven responses*. Cologny/Geneva, Switzerland: Author; *Economist Intelligence Unit*. (2014, Feb.). What's next: Future global trends affecting your organization. Alexandria, VA: SHRM Foundation; McKinsey Global Institute. (2013, May). Disruptive technologies: Advances that will transform life, business, and the global economy. Retrieved from <http://www.mckinsey.com/insights/business-technology/disruptive-technologies> on August 20, 2013; Rotman, D. (2013, June 12). How technology is destroying jobs. *MIT Technology Review*, accessed on August 20, 2013 from <http://www.technologyreview.com/featuredstory/515926/how-technology-is-destroying-jobs/>; Hamm, S. (2007, Apr. 16). People are his bottom line. *Fortune*, p. 30; Byrne, J. A. (2000, Aug. 28). Management by web. *BusinessWeek*, pp. 84-96; Pfeffer, J. and Veiga, J. F. (1999). Putting people first for organizational success. *Academy of Management Executive* 13(2), pp. 37-48.

It's Global. In the beginning, the global company was defined as one that simply sold its goods in overseas markets. Later, global companies assumed a manufacturing presence in numerous countries. The company of the future will call on talent and resources—especially intellectual capital—wherever they can be found around the globe, just as it will sell its goods and services around the globe. Indeed, the very notion of a headquarters country may no longer apply, as companies migrate to places of greatest advantage. The new global corporation might be based in the United States but do its software programming in Sri Lanka, its engineering in Germany, and its manufacturing in China. Every outpost will be connected seamlessly by the Internet, so that far-flung employees and freelancers can work together in real time.

It's about Speed. Call it the innovation imperative. Competition is more intense than ever because of the rise of the Asian powerhouses and the spread of disruptive new Internet technologies and business models. If companies are to thrive in this hypercompetitive environment, they must innovate more and faster. Here's just one example: Amazon's Kiva robots are designed to scurry across large warehouses, fetching racks of ordered goods and delivering the products to humans who package the orders. A warehouse equipped with Kiva robots can handle up to four times as many orders as an unautomated warehouse, where workers might spend as much as 70 percent of their time walking about to retrieve goods. With everything from product cycles to employee turnover on fast-forward, there is simply not enough time for deliberation or bureaucracy.

The 21st-century corporation will not have one ideal form. Some will be completely disaggregated, wholly dependent on a network of suppliers, manufacturers, and distributors for their survival. Others, less so. Some of the most successful companies will be very small and very specialized. Others will be gargantuan in size, scope, and complexity. Table 1-1 presents a summary of these changes.

If people are so critical to business success in the 21st-century organization, what will it take to attract and retain the best? According to John T. Chambers, CEO of Cisco Systems, Inc.: "The reason people stay at a company is that it's a great place to work. It's like playing on a great sports team. Really good players want to be around other really good players. Secondly, people like to work for good leadership. So creating a culture of leaders that people like is key. And the third is, are you working for a higher purpose than an IPO or a paycheck? Our higher purpose is to change the way the world works, lives, and plays."^a

So if firms are to produce profits through people, what should they do? In the case conclusion at the end of the chapter, we will examine seven practices of successful organizations.

Challenges

1. In Table 1-1, which dimensions of the 21st-century prototype model require effective skills in managing people?
2. How might the Internet change the ways that employees and managers interact?
3. If the 21st-century prototype model of organizations is to be successful, how must companies change their approaches to managing people?

Table 1-1

WHAT A DIFFERENCE A CENTURY CAN MAKE: CONTRASTING VIEWS OF THE CORPORATION

Characteristic	20th century	21st century
Organization	The pyramid	The web or network
Focus	Internal	External
Style	Structured	Flexible
Source of strength	Stability	Change
Structure	Self-sufficiency	Interdependencies
Resources	Atoms (physical assets)	Bits (information)
Operations	Vertical integration	Virtual integration
Products	Mass production	Mass customization
Reach	Domestic	Global
Financials	Quarterly	Real-time
Inventories	Months	Hours
Strategy	Top-down	Bottom-up
Leadership	Dogmatic	Inspirational
Workers	Employees	Employees + free agents
Job Expectations	Security	Personal growth
Motivation	To compete	To build
Improvements	Incremental	Revolutionary
Quality	Affordable best	No compromise

THE ENTERPRISE IS THE PEOPLE

Organizations are managed and staffed by people. Without people, organizations cannot exist. Indeed, the challenge, the opportunity, and also the frustration of creating and managing organizations frequently stem from the people-related problems that arise within them. People-related problems, in turn, frequently stem from the mistaken belief that people are all alike, that they can be treated identically. Nothing could be further from the truth. Like snowflakes, no two people are exactly alike, and everyone differs physically and psychologically from everyone else. Sitting in a sports arena, for example, will be tall people, small people, fat people, thin people, people of color, white people, elderly people, young people, and so on. Even within any single physical category there will be enormous variability in psychological characteristics. Some will be outgoing, others reserved; some will be intelligent, others not so intelligent; some will prefer indoor activities, others outdoor activities. The point is that these differences demand attention so that each person can maximize his or her potential, so that organizations can maximize their effectiveness, and so that society as a whole can make the wisest use of its human resources.

This book is about managing people, the most vital of all resources, in work settings. Rather than focus exclusively on issues of concern to the human resource

specialist, however, we will examine human resource management (HRM) issues in terms of their impact on management in general. A changing world order has forced us to take a hard look at the ways we manage people. Research has shown time and again that HRM practices can make an important, practical difference in terms of three key organizational outcomes: productivity, quality of work life, and profit. Each chapter in this book considers the impact of a different aspect of human resource management on these three broad themes. To study these impacts, we will look at the latest theory and research in each topical area, plus examples of actual company practices.

This chapter begins by considering what human resources management is all about, how it relates to the work of the line manager, and how it relates to profits. Then we will consider some current competitive challenges in the business environment, emphasizing the importance of business and human resources (HR) strategy—both of which have direct implications for productivity and quality of work life. Let's begin by considering the nature of HRM.

MANAGING PEOPLE: A CRITICAL ROLE FOR EVERY MANAGER

Managers are responsible for optimizing all of the resources available to them—material, capital, and human.¹ When it comes to managing people, however, all managers must be concerned to some degree with the following five activities: staffing, retention, development, adjustment, and managing change.

Staffing comprises the activities of (1) identifying work requirements within an organization; (2) determining the numbers of people and the skills mix necessary to do the work; and (3) recruiting, selecting, and promoting qualified candidates.

Retention comprises the activities of (1) rewarding employees for performing their jobs effectively; (2) ensuring harmonious working relations between employees and managers; and (3) maintaining a safe, healthy work environment.

Development is a function whose objective is to preserve and enhance employees' competence in their jobs through improving their knowledge, skills, abilities, and other characteristics; HR specialists use the term "competencies" to refer to these items.

Adjustment comprises activities intended to maintain compliance with the organization's HR policies (e.g., through discipline) and business strategies (e.g., cost leadership).

Managing change is an ongoing process whose objective is to enhance the ability of an organization to anticipate and respond to developments in its external and internal environments, and to enable employees at all levels to cope with the changes.

Needless to say, these activities can be carried out at the individual, workteam, or larger organizational unit (e.g., department) level. Sometimes they are initiated by the organization (e.g., recruitment efforts or management development programs), and sometimes they are initiated by the individual or work team (e.g., voluntary retirement, safety improvements). Whatever the case, the responsibilities for carrying out these activities are highly interrelated. Together, these activities constitute the **HRM system**. To understand how each of the major activities within HRM relates to every other one, consider the following scenario.

As a result of a large number of unexpected early retirements, the Hand Corporation finds that it must recruit extensively to fill the vacated jobs. The firm is well aware of the rapid changes that will be occurring in its business over the next 3 to 5 years, so it must change its recruiting strategy in accordance with the expected

changes in job requirements. It also must develop selection procedures that will identify the kinds of competencies required of future employees. Compensation policies and procedures may have to change because job requirements will change, and new incentive systems will probably have to be developed. Since the firm cannot identify all the competencies that will be required 3 to 5 years from now, it will have to offer new training and development programs along the way to satisfy those needs. Assessment procedures will necessarily change as well, because different competencies will be required in order to function effectively at work. As a result of carrying out all this activity, the firm may need to lay off, promote, or transfer some employees to accomplish its mission, and it will have to provide mechanisms to enable all remaining employees to cope effectively with the changed environment.

It is surprising how that single event, an unexpectedly large number of early retirees, can change the whole ballgame. So it is with any system or network of interrelated components. Changes in any single part of the system have a reverberating effect on all other parts of the system. Simply knowing that this will occur is healthy because then we will not make the mistake of confining our problems to only one part. We will recognize and expect that whether we are dealing with problems of staffing, training, compensation, or labor relations, all parts are interrelated. In short, the systems approach provides a conceptual framework for integrating the various components within the system and for linking the HRM system with larger organizational needs.

To some, the activities of staffing, retention, development, and adjustment are the special responsibilities of the HR department. But these responsibilities also lie within the core of every manager's job throughout any organization and because line managers have **authority** (the organizationally granted right to influence the actions and behavior of the workers they manage), they have considerable impact on the ways workers actually behave.

Thus a broad objective of HRM is to optimize the usefulness (i.e., the productivity) of all workers in an organization. A special objective of the HR department is to help line managers manage those workers more effectively. As Jack Welch, legendary former CEO of General Electric noted: "Look, HR should be every company's 'killer app.' What could possibly be more important than who gets hired, developed, promoted, or moved out the door? Business is a game, and as with all games, the team that puts the best people on the field and gets them playing together wins. It's that simple."²

This is consistent with the findings of a recent survey by the Economist Intelligence Unit (EIU), based on responses from 636 senior executives. Over the next 5 to 10 years, they identified the top 5 challenges facing their organizations as: (1) people management (47 percent), (2) innovation (34 percent), (3) government regulation (31 percent), (4) disruptive technological change (30 percent), and environmental issues (26 percent).³ Meeting the people-management challenge is a responsibility that is shared by the HR department and line managers, as shown in Table 1-2.

In the context of Table 1-2, note how line and HR managers share people-related business activities. Generally speaking, HR provides the technical expertise in each area, while line managers (or, in some cases, self-directed work teams) use this expertise in order to manage people effectively. In a small business, however, line managers are responsible for both the technical and managerial aspects of HRM. In a recent survey of chief HR officers, one described his or her greatest challenge as follows: "Creating a true sense of ownership among the senior leaders regarding their roles as 'Chief Talent Officers.'" Recognizing that having the right people in critical leadership roles is not an HR thing, or responsibility, but rather it is a business imperative and must be truly owned by the leaders of the respective businesses/functions."⁴

Table 1-2

HRM ACTIVITIES AND THE RESPONSIBILITIES OF LINE MANAGERS AND THE HR DEPARTMENT

Activity	Line management responsibility	HR department responsibility
Staffing	Providing data for job or competency analyses and minimum qualifications; integrating strategic plans with HR plans; interviewing candidates, integrating information collected by the HR department, making final decisions on entry-level hires and promotions	Job/competency analysis, workforce planning, recruitment; compliance with civil rights laws and regulations; application forms, written tests, performance tests, interviews, background investigations, reference checks, physical examinations
Retention	Fair treatment of employees, open communication, face-to-face resolution of conflict, promotion of teamwork, respect for the dignity of each individual, pay increases based on merit	Compensation and benefits, employee relations, health and safety, employee services
Development	On-the-job training, job enrichment, coaching, applied motivational strategies, performance feedback to subordinates	Development of legally sound performance management systems, morale surveys, technical training; management and organizational development; career planning, counseling; talent analytics
Adjustment	Discipline, discharge, layoffs, transfers	Investigation of employee complaints, outplacement services, retirement counseling
Managing change	Provide a vision of where the company or unit is going and the resources to make the vision a reality	Provide expertise to facilitate the overall process of managing change

WHY DOES EFFECTIVE HRM MATTER?

At a broad level, HRM is concerned with choices—choices that organizations make from a wide variety of possible policies, practices, and structures for managing employees.⁵ More specifically, there exists a substantial and growing body of research evidence showing a strong connection between how firms manage their people and the economic results they achieve. For example, a recent meta-analysis (a quantitative summary of empirical results) included 66 studies with 68 samples involving 12,163 observations.⁶ Results indicated that the average correlation between measures of human capital (e.g., the executive experience of the top-management team) and measures of performance (e.g., profitability, customer satisfaction), was 0.21. Results were even stronger for studies that used specific measures of human capital, as opposed to general measures, and for those that relied on operational performance measures (e.g., innovation, customer-service satisfaction) rather than global performance measures (e.g., return on assets, return on sales).

Another study done by accounting professors at Wharton and Stanford used data from 153 publicly traded companies to assess the impact of several HR management practices on stock returns 12 months later.⁷ They found that a 10 percent increase in

a measure of goal-setting activity at firms was associated with a 6 percent increase in industry-adjusted stock returns. A 6 percent stock boost also was associated with a 10 percent increase in a measure of the extent to which managers used the full spectrum of the rating scale when evaluating employees. In short, managers in companies that are clear with employees about work expectations and that provide honest feedback on a regular basis drive successful performance. Needless to say, the extent to which these practices actually will pay off depends on the skill and care with which the many HR practices available are implemented to solve real business problems and to support a firm's operating and strategic initiatives.

Such high-performance work practices provide a number of important sources of enhanced organizational performance.⁸ People work harder because of the increased involvement and commitment that comes from having more control and say in their work. They work smarter because they are encouraged to build skills and competence. They work more responsibly because their employers place more responsibility in the hands of employees farther down in the organization. What's the bottom line in all of this? HR systems have important, practical impacts on the survival and financial performance of firms, and on the productivity and quality of work life of the people in them.

Now that we know what HRM is, and why it matters, the next step is to understand some significant features of the competitive business environment in which HRM activities take place. Four such features are globalization, technology, sustainability, and demographic changes.

FEATURES OF THE COMPETITIVE BUSINESS ENVIRONMENT

Globalization

At its core, the **globalization** of business refers to the free movement of capital, goods, services, ideas, information, and people across national boundaries. Markets in every country have become fierce battlegrounds where both domestic and foreign competitors fight for market share. For example, Coca-Cola earns more than 75 percent of its revenues from outside the United States! The top 5 of the 500 largest firms in the world (Walmart Stores, Royal Dutch Shell, Exxon Mobil, Sinopec-China Petroleum, and BP) gross almost \$2.5 trillion; the top 5 in profits (Apple, Gazprom, Exxon Mobil, Industrial and Commercial Bank of China, and China Construction Bank) make more than \$195 billion in profits; and the top 5 biggest employers (Walmart Stores, China National Petroleum, State Grid Corporation China, Sinopec Group, and Hon Hai Precision Industry) employ more than 7.4 million people.⁹

The Backlash against Globalization. In no small part, the booming economies of recent years in developed countries have been fueled by globalization. Open borders have allowed new ideas and technology to flow freely around the globe, accelerating productivity growth and allowing companies to be more competitive than they have been in decades. Yet there is a growing fear on the part of many people that globalization benefits big companies instead of average citizens, as stagnating wages and growing job insecurity in developed countries create rising disenchantment. In theory, less-developed countries win from globalization because they get jobs making low-cost products for rich countries. Rich countries win because, in addition to being able to buy inexpensive imports, they also can sell more sophisticated products like financial services to emerging economies. The problem, according to many experts, is that workers in the West are not equipped for today's pace of change, in which jobs come and go and skills can quickly become redundant.¹⁰ In the public eye, multinational corporations are

synonymous with globalization. In all of their far-flung operations, therefore, they bear responsibility to be good corporate citizens, to preserve the environment, to uphold labor standards, to provide decent working conditions and competitive wages, to treat their employees fairly, and to contribute to the communities in which they operate. Doing so will make a strong case for continued globalization.

Implications of Globalization for HRM. Globalization is a fact of organizational life, as countries, companies, and workers are interconnected as never before. Global trade connects the fate of every industry and laborer, no matter how small or seemingly self-sufficient, to the decisions of bureaucrats in China, shipbuilders in Korea, and bankers everywhere.¹¹ To illustrate, consider how the ripple effects of the Japanese earthquake of 2011 affected auto manufacturers. When the quake shut down parts suppliers in Japan, assembly of General Motors vehicles in Shreveport, LA, and Buffalo, NY, also shut down, and workers were laid off. Production slowdowns in Spain, France, and Germany affected GM, Toyota, and PSA Peugeot-Citroën.¹²

Another feature of globalization is that cheap labor and plentiful resources, combined with ease of travel and communication, have created global labor markets. This is fueling mobility as more companies expand abroad and people consider foreign postings as a natural part of their professional development. Beyond the positive effects that such circulation of talent brings to both developed and developing countries, it enables employment opportunities well beyond the borders of one's home country. This means that competition for talent will come not only from the company down the street, but also from the employer on the other side of the world. It will be a seller's market, with talented individuals having many choices. Countries as well as companies will need to brand themselves as employers of choice in order to attract this talent.¹³

Along with these trends, expect to see three more. The first is increasing workforce flux, as more roles are automated or outsourced, and more workers are contract-based, are mobile, or work flexible hours. This may allow companies to leverage global resources more efficiently, but it also will increase the complexity of management's role. Second, expect more diversity as workers come from a greater range of backgrounds. Those with local knowledge of an emerging market, a global outlook, and an intuitive sense of the corporate culture will be particularly valued. Not surprisingly, talented young people will more frequently choose their employers based, at least in part, on opportunities to gain international experience. Finally, technical skills, while mandatory, will be less defining of the successful manager than the ability to work across cultures and to build relationships with many different constituents.¹⁴

Technology

It is no exaggeration to say that modern technology is changing the ways we live and work. Consider just a few potentially economically disruptive technologies: the mobile Internet, the automation of knowledge work, cloud technology, advanced robotics, and next-generation genomics. Information and ideas are keys to the new creative economy because every country, every company, and every individual depends increasingly on knowledge. Computers have increasingly taken over such tasks as bookkeeping, clerical work, and repetitive production jobs in manufacturing. At the same time, countless white-collar jobs, such as many in customer service, have disappeared. Fortunately, history shows that technology-driven job destruction does not decrease overall employment—even while making some jobs obsolete. Ultimately, as workers adjust their skills and entrepreneurs create opportunities



New technology has changed the ways we work.

based on the new technologies, the number of jobs rebounds.¹⁵ Business leaders cannot wait until evolving technologies disrupt the status quo. Rather, they need to understand how the competitive advantages on which they have based their strategies might erode or be enhanced a decade from now by emerging technologies. They need to understand how technologies might bring them new customers or force them to defend their existing bases, or inspire them to invent new strategies.¹⁶

In the creative economy, the most important intellectual property is not software or music. Rather, it is the intellectual capital that resides in people. When assets were physical things like coal mines, shareholders truly owned them. But when the most vital assets are people, there can be no true ownership. The best that corporations can do is to create an environment that makes the best people want to stay.¹⁷ Therein lies the challenge of managing human resources.

Impact of New Technology on HRM. If they have not done so already, HR professionals will need to recognize collaborative technology as a key component of their firms' global hiring strategy—leveraging social-networking sites and researching which sites are most effective in each market. However, the most central use of technology in HRM is an organization's **human resources information system (HRIS)**. Indeed, as technology integrates with traditionally labor-intensive HR activities, HR professionals are seeing improvements in response time and efficiency of the report information available. Dozens of vendors offer HRIS applications ranging from benefits enrollment to applicant tracking, time and attendance records, training and development, payroll, pension plans, and employee surveys. Such systems are moving beyond simply storing and retrieving information to include broader applications such as report generation, succession planning, strategic planning, career planning, and evaluating HR policies and practices.¹⁸ In that sense, today's HRIS tools help with management control and decision making.

Sustainability

Sustainability is often defined as the “ability to meet the needs of the present without compromising the ability of future generations to meet their needs.”¹⁹ For many organizations, this suggests a different way of doing business. In addition to economic considerations of growth and profit, sustainability considerations suggest that decision makers should assess social and environmental risks and opportunities when making all business decisions. This approach is often referred to as the “triple bottom line,” the simultaneous delivery of positive results for people, planet, and profit.²⁰

Sustainability is more than simply meeting responsibilities to society, for it also can create sustained competitive advantage. Indeed, research suggests that responsible approaches to social and environmental issues are likely to pay off in a number of tangible ways.²¹ As just one example, consider GE’s “ecomagination” sustainability program, introduced in 2005. Its objective is to deliver products that will meet future environmental challenges while driving economic growth. That strategy committed GE to double its expenditures on research in clean technologies, to introduce more clean-tech products, and to reduce the company’s own environmental impacts. Since its launch, ecomagination has consistently increased revenues for GE. In 2012, for example, GE invested almost \$2 billion in ecomagination, and got back \$25 billion in revenue. According to its global executive director of Ecomagination, Deb Frodl, “Ecomagination is the way GE works. It is embedded in our research, our product development, and our operations. It has helped our customers save billions of dollars while reducing their environmental impact.”²²

Other payoffs include improvements in reputation, productivity, talent acquisition, employee retention and engagement, cost effectiveness, risk avoidance or mitigation, innovation and market expansion, and access to capital.²³ It is important to note, however, that the relationship between sustainability investments and organizational performance is complex, and other factors, such as industry positioning and market structure, also affect the strength of the relationship.²⁴

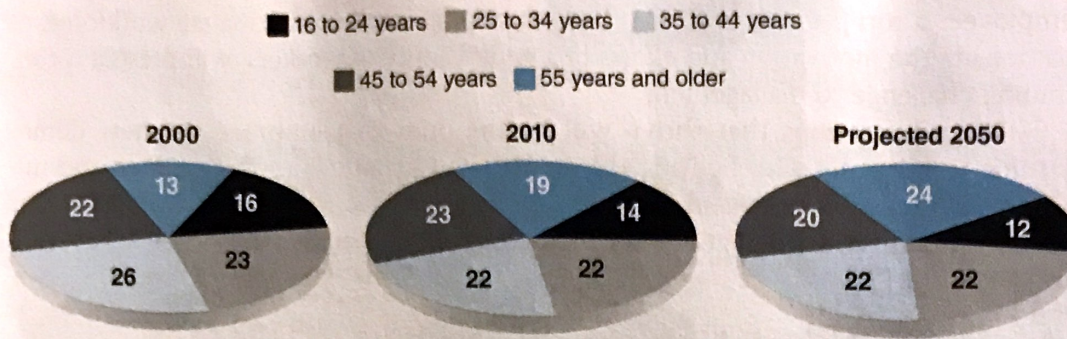
In practice, sustainability affects an organization’s business model, structure, and processes in at least three ways. One, organizations consider a wider set of stakeholders when setting strategy. In addition to financial shareholders, other stakeholders include employees, customers, suppliers, regulators, and local communities. Sustainable organizations seek them out to understand their expectations, concerns, and risks relating to operations before developing a sustainability strategy. Two, stakeholders help with the implementation of such a strategy, as employers partner with external organizations. These may include, for example, community organizations, governmental and nongovernmental organizations (NGOs), and industry alliances. Such partnerships may help advance sustainable development because the demands of global corporate sustainability often exceed the capability of a single organization to respond.²⁵ Three, sustainability affects corporate practices and requires greater involvement and accountability of boards of directors, and it requires business transparency, as illustrated in the growing number of organizations that issue annual sustainability reports.

Implications of Sustainability for HRM. From a people-management perspective, the challenge is to hire and develop managers who can deal with present as well as future sustainability issues facing their organizations. One way to encourage that is to tie executive compensation to sustainability goals and results. Alcoa, for example, ties 5 percent of its executives’ annual bonuses to the company’s goals to reduce carbon-dioxide emissions. Xcel Energy ties a full one-third of its CEO’s annual bonus

Figure 1-1

Labor force by age, 2000, 2010, and projected to 2050.

(Source: Toossi, M. (2012, Oct.). Projections of the labor force to 2050: A visual essay. *Monthly Labor Review*, p. 11.)



to goals that include renewable energy, emissions reductions, energy efficiency, and clean technology. That is a powerful marker of a company's environmental leadership, and a strong signal about company culture.

The HRM function also has the potential to contribute important skills in areas such as change management and cultural stewardship.²⁶ Embedding a sustainability strategy deeply into an organization's culture and management practices is an ongoing challenge. Practices such as values-based recruitment using employer branding informed by sustainability initiatives, helping employees and managers link performance targets to sustainability initiatives, and linking variable pay to those initiatives, accomplish two objectives. They support the broader business approach to sustainability and they create and deliver core HRM processes sustainably.

Demographic Changes and Increasing Cultural Diversity

The number as well as the mix of people available to work is changing rapidly, as Figures 1-1 and 1-2 illustrate. As Figure 1-1 shows, the U.S. labor force is aging, as the proportion of the labor force composed of people ages 55 and older rises from 19 percent in 2010 to 24 percent in 2050. By 2040 the non-Hispanic white population is projected to drop below 50 percent, with Hispanics making up more than a quarter of the population, and Asians, African Americans, and other ethnic groups comprising the rest (see Figure 1-2). These trends are global. By 2050 the United Nations estimates that 48 countries and territories out of a world total of 229 will have smaller populations than in 2010. Those include China, Russia, Japan, Germany, Spain, Portugal, and Greece, among others.²⁷

Implications for HRM. These trends have two key implications for managers: (1) The reduced supply of workers (at least in some fields) will make finding and keeping

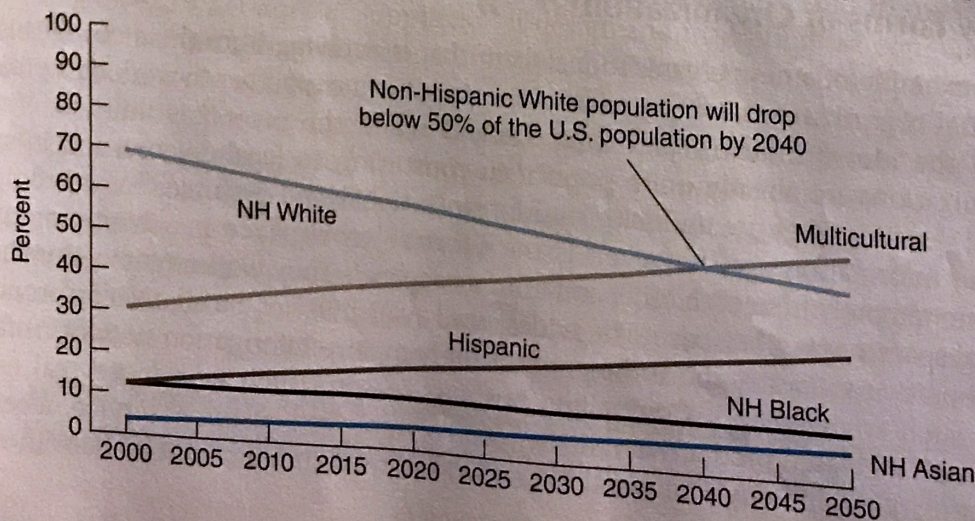


Figure 1-2

U.S. population by race, 2000 to 2050.

(Source: National Association of Corporate Directors, January 16, 2014, *The US Demographic Tsunami: What Directors Need to Know*, p. 6. Reprinted with permission of the National Association of Corporate Directors.)