

employees a top priority. (2) The task of managing a culturally diverse workforce, of harnessing the motivation and efforts of a wide variety of workers, will present a continuing challenge to management.

The organizations that thrive will be the ones that embrace the new demographic trends instead of fighting them. That will mean even more women and minorities in the workforce—and in the boardrooms as well. Workforce diversity is not just a competitive advantage. Today it's a competitive necessity.

RESPONSES OF FIRMS TO THE NEW COMPETITIVE REALITIES

In today's world of fast-moving global markets and fierce competition, the windows of opportunity are often frustratingly brief.²⁸ "Three-C" logic (i.e., command, control, compartmentalized information) dominated industrial society's approach to organizational design throughout the 19th and 20th centuries, but trends such as the following are accelerating the shift toward new forms of organization in the early part of the 21st century:²⁹

- The shift from vertically integrated hierarchies to networks of specialists.
- The decline of routine work (sewing-machine operators, telephone operators, word processors) coupled with the expansion of complex jobs that require flexibility, creativity, and the ability to work well with people (managers, software-applications engineers, artists, and designers).
- Pay tied less to a person's position or tenure in an organization and more to the market value of his or her skills.
- A change in the paradigm of doing business from making a product to providing a service, often by part-time or temporary employees.
- Outsourcing of activities that are not core competencies of a firm (e.g., payroll, benefits administration, relocation services).
- The redefinition of work itself: constant learning, more higher-order thinking, less nine-to-five mentality.

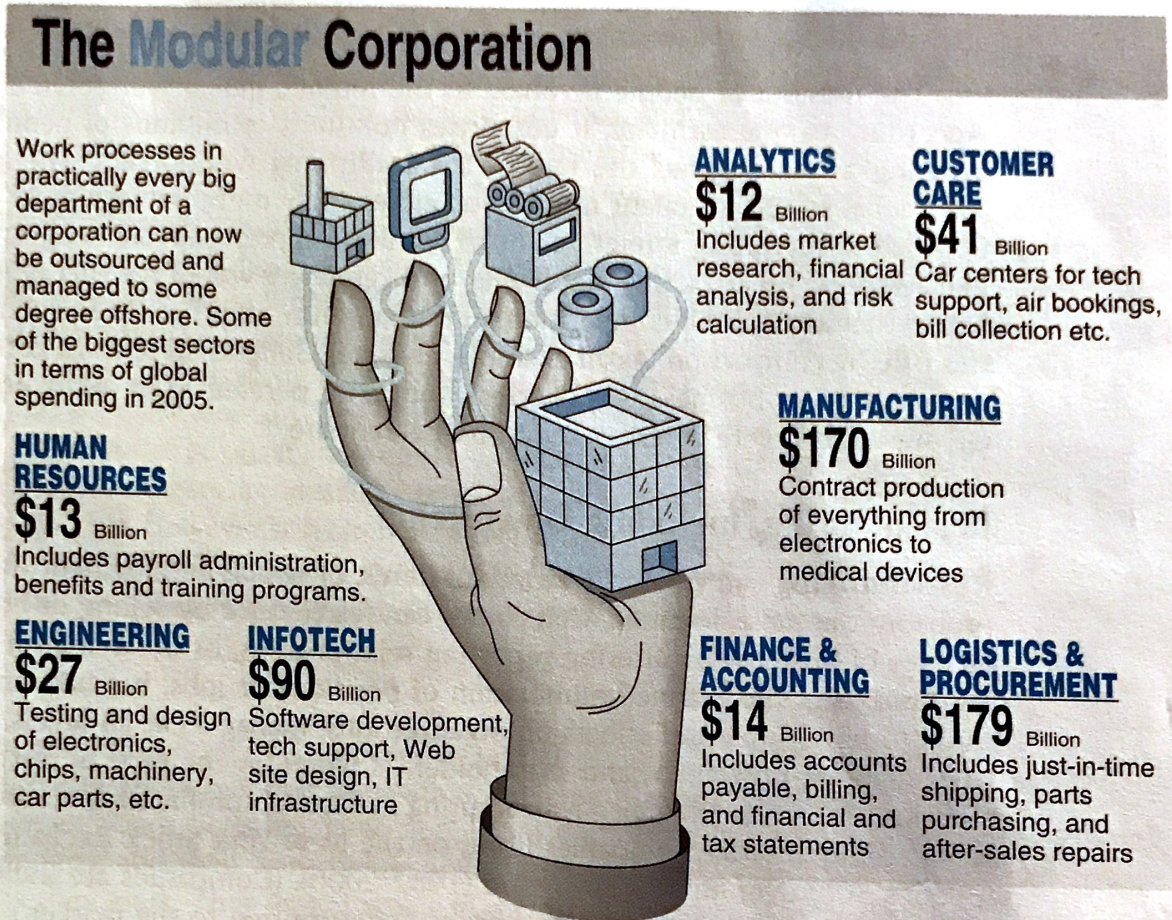
In response to these changes, many firms are doing one or more of the following: developing new forms of organization, restructuring (including downsizing), adopting quality-management programs, and building flexibility into work schedules and rules. Let's briefly consider each of these.

New Forms of Organization

One example of a new organizational form that is evolving from these changes is the **virtual organization**, where teams of specialists come together to work on a project—as in the movie industry—and then disband when the project is finished. Virtual organizations are already quite popular in consulting, in legal defense, and in sponsored research. They are multisite, multiorganizational, and dynamic.³⁰ More common in the information age, however, is the **virtual workplace** in which employees operate remotely from each other and from managers.³¹ They work anytime, anywhere—in real space or in cyberspace. The widespread availability of e-mail, teleconferencing, collaborative software, and intranets (within-company information networks) facilitates such arrangements. Compelling business reasons, such as reduced real estate expenses, increased productivity, higher profits, improved customer service, access to global markets, and environmental benefits drive their implementation. Jobs in sales,

Figure 1-3

The modular corporation.



Source: From P. Engardio, "The Future of Outsourcing," *BusinessWeek*, January 30, 2006, p. 55. Used with permission of Bloomberg L.P. Copyright © 2006. All rights reserved.

marketing, project engineering, and consulting seem to be best suited for virtual workplaces because individuals in these jobs already work with their clients by phone, or at the clients' premises. Indeed, research at Manpower, Inc., found that 30 percent of the tasks in a multinational enterprise could be done virtually.³²

A third example of a new organizational form is the *modular corporation*—that's right, modular. The basic idea is to focus on a few core competencies—those a company does best, such as designing and marketing computers or copiers—and to outsource everything else to a network of suppliers.³³ If design and marketing are core competencies, then manufacturing or service units are modular components. They can be added or taken away with the flexibility of switching parts in a child's LEGO set. Companies are outsourcing work within their home countries (onshore), near their home countries (nearshore), and far from their home countries (offshore). At a global level, firms are spending enormous sums of money on outsourcing and offshoring (offshore outsourcing), as Figure 1-3 shows.

The fact is, the work processes in practically every big department of a corporation can now be outsourced and managed to some degree offshore. Here is an example of how truck-leasing company Penske and India's Genpact collaborate on one process.³⁴

1. When Penske buys a truck and leases it in the United States, Genpact's Indian staff remotely secures state titles, registrations, and permits electronically.

2. After the truck is returned, the driver's log and taxes, fuel, and toll documents are sent to Genpact. The paperwork is forwarded to Genpact's office in Juarez, Mexico. There, the staff enters data from the driver's logs in Penske's computer system.
3. Workers in Genpact's office in Hyderabad, India, then process all the data for tax filings and accounting.

The number of people involved in the remote, global workforce is staggering. According to one estimate, it comprises hundreds of millions of people, and it is growing at many times the rate of the traditional workforce.³⁵ The implication? The global search for talent must focus increasingly on building remote capacity, as opposed to recruiting foreign talent to domestic shores. Leaders need to focus laser-like attention on attracting, deploying, and keeping a workforce that is as good as or better than that of the competition. In the long run, all other threats and opportunities pale by comparison. As an example, consider General Electric. In 2000, about 30 percent of GE's business was overseas; today, 60 percent is. In 2000, 46 percent of GE employees were overseas; today, 54 percent are.³⁶

Restructuring, Including Downsizing

Restructuring can assume a variety of forms, of which employment downsizing is probably the most common. Companies can restructure by selling or buying plants or lines of business by altering reporting relationships, or by laying off employees.

Downsizing, the planned elimination of positions or jobs, has had, and will continue to have, profound effects on organizations, managers at all levels, employees, labor markets, customers, and shareholders.³⁷ Based on the type of restructuring in question, one study examined restructuring's effects on profitability and stock returns of 500 representative companies listed on the New York Stock Exchange (Standard & Poor's 500) over an 18-year period (1982-2000). (Companies are included in the S&P 500 because of their size and financial contribution to the market.)

The study began by classifying the companies each year as stable employers, employment or asset downsizers, or employment or asset upsizers. Researchers observed the subsequent effects over the following three years.³⁸ In terms of profitability (return on assets) all categories of downsizers generated lower returns on assets than either stable employers or upsizers in the year prior to the announcement of the layoffs, in the year in which the layoffs occurred, and in the two subsequent years. This conclusion held up on an industry-adjusted basis, as well.

In terms of stock performance, on an industry-adjusted basis, only the asset upsizers yielded returns that were significantly higher than those of all other groups, including stable employers. The cumulative total return by the end of year two for a \$1 investment was \$1.69 for stable employers, \$1.72 for both employment and asset downsizers, and \$2.42 for asset upsizers.

Employment downsizers reduced their work forces by an average of 11%. Relative to their industries, they were able to attain a return on assets that was only 0.3% above their industry average by year two. The benefits of downsizing seem small when compared to the human cost. The message to employers is clear: Don't try to shrink your way to prosperity. Instead, the best way to prosper is by growing your business.

Quality-Management Programs

One of the best known quality-management programs is **Six Sigma**.³⁹ Six Sigma originated at Motorola in 1986, and became a staple of corporate life in the 1990s after it was

embraced by GE. Its goal is to reduce variability from a process (no more than 3.4 defects per million) in order to avoid errors (defects) and increase predictability. It is based on five steps: define, measure, analyze, improve, and control, or DMAIC (pronounced "dee-may-ic"). Originally invented as a way to improve quality, Six Sigma's main value to corporations today lies in its ability to save time and money. According to the American Society for Quality, 82 of the 100 largest companies in the United States—companies as varied as DuPont, Textron, Bank of America, and Sun Microsystems—have embraced Six Sigma. Yet there is an inherent tension between innovation and efficiency. Whereas process excellence demands precision, consistency, and repetition, innovation calls for variation, failure, and serendipity. As the emphasis shifts to today's idea-based, creative economy, Six Sigma may be less appropriate in companies like Google and 3M, which have the long-term strategy to dream up innovations.⁴⁰

Unfortunately, quality-management programs have not been the final answer to customer satisfaction and productivity improvement. In many cases managers view quality as a quick fix and are disillusioned when results prove difficult to achieve. It generally takes three to five years before quality-management programs become institutionalized,⁴¹ and some CEOs and managers are unwilling to make that kind of commitment. When such initiatives do work, however, it is often because managers have made major changes to their philosophies and HR programs. In fact, organizations known for the quality of their products and services strongly believe that employees are key to those results.⁴²

Flexibility

Almost 40 percent of employed U.S. adults don't take all of the vacation days they earn for the year, although more working Generation Xers (born between 1965 and 1978) than baby boomers (born between 1946 and 1964) do.⁴³ Time is employees' most precious commodity, and they want the flexibility to control their own time—where, when, and how they work. They want balance in their lives between work and leisure. Flexibility in schedules is the key, as organizations strive to retain talented workers.⁴⁴

In practice, the concept of "flexibility" reflects a broad spectrum of possible work arrangements, as Table 1-3 makes clear. Unfortunately, flexibility is frequently viewed by managers and employees as an exception or employee accommodation,

Table 1-3

IMPLEMENTING FLEXIBILITY: A SPECTRUM OF PRACTICE

Individual Accommodations

Special arrangements, or "deals," are granted on a case-by-case basis and are often kept secret.

Policies and Programs in Place

Policies and programs exist, but flexibility is used only in "pockets" across the organization.

Flexibility's Many Faces

Widespread use of formal and informal flexibility meets business and individual needs.

New Ways of Working

A results-driven culture, where flexible work practices are utilized as a management strategy to achieve business results, ensues.

Source: Corporate Voices for Working Families, February 2011. *Business Impacts of Flexibility: An Imperative for Expansion* (updated, 2011), p. 16. Retrieved from www.cvwf.org/publication-toolkits/business-impacts-flexibility-imperative-expansion-updated-2011 September 29, 2011.

ETHICAL DILEMMA

Conflict between American and Foreign Cultural Values

Each chapter of this book contains a brief scenario that illustrates a decision-making situation that could result in a breach of acceptable behavior. Such situations pose ethical dilemmas. To be ethical is to conform to moral standards or to conform to the standards of conduct of a given profession or group (e.g., medicine, auditing). **Ethical decisions about behavior** take account not only of one's own interests but also, equally, the interests of those affected by a decision. What would you recommend in response to the following situation?^a



You are the director of HR for a large, southwestern teaching hospital. This hospital has a cooperative program with a major teaching hospital in Saudi Arabia. Each year several doctors from your hospital spend the year in Saudi Arabia teaching and doing research. The stay in Saudi Arabia is generally considered both lucrative and professionally rewarding.

This morning you had a visit from two of the doctors in the hospital who had been rejected for assignment to Saudi Arabia. They were very upset,

as they are both very qualified and ambitious. You had carefully explained to them that although the selection committee was impressed with their abilities, the members had decided that because they were Jewish, it would be best if they were disqualified from consideration. In spite of vigorous protest from the two doctors, you had held your ground and supported the committee's decision. However, as you sit at home reading that evening, the situation replays itself in your mind, and you think about the decision and feel a little uncertain.

Is the director of HR correct in supporting the committee's decision? What criteria should the committee, and the director of HR, use to make a decision such as this? What would you recommend?

^aTaylor, S., and Eder, R. W. (2000). U.S. expatriates and the Civil Rights Act of 1991: Dissolving boundaries. In M. Mendenhall and G. Oddou (Eds.), *Readings and Cases in International Human Resource Management* (3rd ed.). Cincinnati, OH: South-Western College Publishing, pp. 251-279.

HR BUZZ



NURTURING LEADERS AT GENERAL ELECTRIC COMPANY^a

On the eve of his retirement after 40 years with GE, the last 13 as head of HR, William J. Conaty, architect of GE's new vision of global leadership, shared seven secrets for nurturing leaders. Here they are.

Dare to Differentiate. Conaty advises: Relentlessly assess and grade employees to build organizational vitality and to foster a true meritocracy. The knowledge that one is being measured against his or her peers helps boost performance. "We want to create angst in the system," he says.

Constantly Raise the Bar. According to Conaty, leaders continually seek to improve performance, both their own and their team members'. "The one reason executives fail at GE is they stop learning. The job grows, accountability grows, and the people don't grow with it." GE employees think so highly of continuous learning that they consider training courses to be rewards.

Don't Be Friends with the Boss. "The HR leader locks in with the CEO and the rest of the organization thinks the HR leader isn't trustworthy and can't be a confidant," Conaty explains. Although he deliberately socializes with other

^aBrady, D. (2007, Apr. 9). Secrets of an HR superstar. *BusinessWeek*, pp. 66, 67.

colleagues at functions, Conaty is totally candid with leaders in private. CEO Jeff Immelt remarked, "I call Bill the 'first friend'—the guy that could walk in my office and kick my butt when it needed to be."

Become Easy to Replace. Conaty believes that great leaders develop great succession plans and that insecure leaders are intimidated by them. So, at GE, leaders are judged by the strength of their teams and are rewarded for mentoring people throughout the organization. Conaty's own successor is someone he mentored through the HR department at GE, a fact he takes pride in.

Be Inclusive. Conaty admits, within every organization there's a tendency to favor people you know. He believes that can undermine success. Take acquisitions, for example. GE has learned to rigorously assess the talent within companies before they are even acquired. Conaty elaborates, "We make special provisions to make 'top talent' feel financially welcome as well as emotionally welcome. Our GE people can't be the victors in these deals."

Free up Others to Do Their Jobs. Conaty advises: Give people the tools and permission to work on their own terms. Take Sharon R. Daley, a senior HR executive who turned down a promotion to spend more time with her kids. GE worked with her, allowing her to work part time until she was ready to take on more responsibility. She eventually rose to company officer and top industry HR executive.

Keep It Simple. Says Conaty, "You can't move 325,000 people with mixed messages and thousands of initiatives. Leaders succeed by being consistent and straightforward about a handful of core messages. And the best don't get derailed when times get tough. . . . Everyone experiences failure now and then. It's how you handle it that matters."

rather than as a new and effective way of working to achieve business results. A face-time culture, excessive workload, manager skepticism, customer demands, and fear of negative career consequences are among the barriers that prevent employees from taking advantage of policies they might otherwise use—and that prevent companies from realizing the full benefits that flexibility might bestow.⁴⁵

Three features are keys to making the business case for increased flexibility: talent management (specifically, attraction and retention); human capital outcomes (increased satisfaction and commitment, decreased stress); and financial, operational, and business outcomes. Consider the first of these, attraction and retention.

At IBM, responses to a recent global work-life survey from almost 42,000 IBM employees in 79 countries revealed that lack of work-life fit—of which flexibility is a significant component—is the second leading reason for potentially leaving IBM, behind compensation and benefits. In the Corporate Finance organization, for example, 94 percent of all managers reported positive impacts of flexible work options on the company's ability to retain talented professionals. In light of these findings showing the strong link between flexibility and retention, IBM actively promotes flexibility as a strategy for retaining key talent. In Case 1-1 at the end of this chapter, we will see how Best Buy takes this concept even further.

People make organizations go. How the people are selected, trained, and managed determines to a large extent how successful an organization will be. As you can certainly appreciate by now, the task of managing people in today's world of work is particularly challenging in light of the competitive realities we have discussed. To

survive, let alone compete, firms need a strategy for managing talent. General Electric Company (GE) is legendary for doing that well. The HR Buzz box on pages 18 and 19 shows how GE does it.

Each chapter of this book focuses on a different aspect of HRM and considers its impact on three important outcomes: productivity, quality of work life, and profits. In the next two sections we will examine the concepts of productivity and quality of work life. In the next chapter we will focus on the contribution of effective HRM to profits.

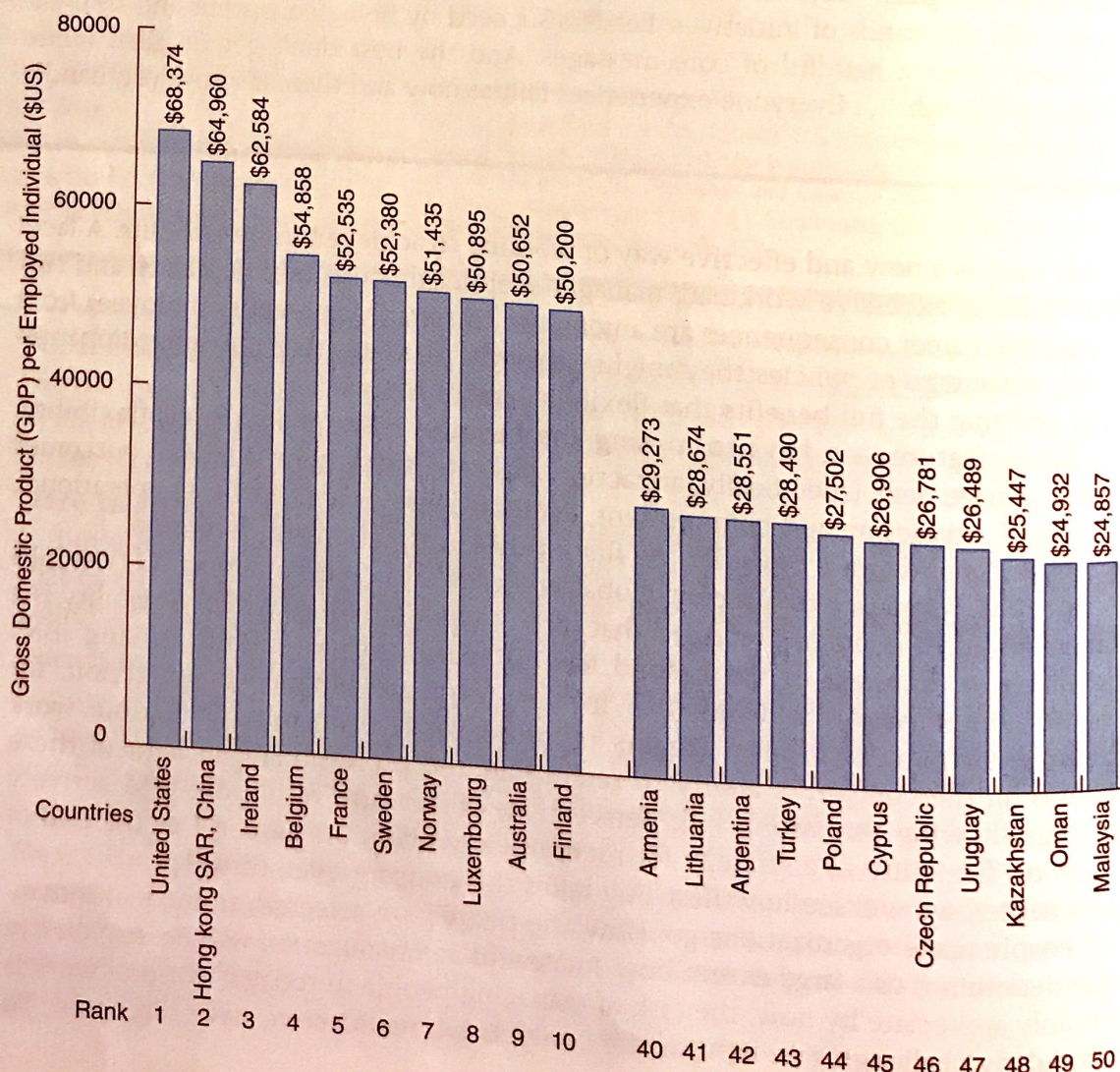
PRODUCTIVITY: WHAT IS IT AND WHY IS IT IMPORTANT

In general, **productivity** is a measure of the output of goods and services relative to the input of labor, capital, and equipment. The more productive an industry, the better its competitive position because its unit costs are lower. Consider the American steel industry, for example. It has shrunk from 400,000 employees in 1980 to 137,000 today. In 1980 it took 10 person-hours to make a ton of steel. Today it takes two.⁴⁶ When productivity increases, businesses can pay higher wages without boosting inflation. As Figure 1-4 illustrates, nations vary significantly in terms of productivity, expressed as gross domestic product per person employed (in US\$). Evidence indicates that innovative HR practices in manufacturing (e.g., face-to-face communication to foster ideas and collaboration, training in computerized machine

Figure 1-4

Overall productivity, expressed as GDP per person employed, in US\$, ranks 1-10 and 40-50.

(Source: The World Bank. Data for 2012 retrieved on March 12, 2014 from http://data.worldbank.org/indicator/SL.GDP.PCAP.EM.KD/countries?locations=1W&order=wbapi_data.value.2012%20wbapi_data.value%20wbapi_data.value-last&sort=desc&display=default)



IMPACT OF EFFECTIVE HRM ON PRODUCTIVITY, QUALITY OF WORK LIFE AND THE BOTTOM LINE

For most of the last two decades, downsizing set the tone for the modern employment contract. As companies frantically restructured to cope with slipping market share or heightened competition, they tore up old notions of paternalism. They told employees, "Don't expect to spend your life at one company anymore. You are responsible for your own career, so get all the skills you can and prepare to change jobs, employers, even industries. As for the implicit bond of loyalty that might have existed before, well, forget it. In these days of fierce global competition, loyalty is an unaffordable luxury."^a

Today, faced with the retirements of large numbers of baby boomers, and impending labor shortages, employers have changed their tune. Now it's, "Don't leave. We need you. Work for us—you can build a career here." Employers are going to great lengths to persuade employees that they want them to stay for years. According to a recent survey, employees are less loyal to their companies, and they tend to put their own needs and interests above those of their employers. More often they are willing to trade off higher wages and benefits for flexibility and autonomy, job characteristics that allow them to balance their lives on and off the job. Almost 9 out of every 10 workers live with family members, and



nearly half care for dependents, including children, elderly parents, or ailing spouses.^b Among employees who switched jobs in the last five years, pay and benefits rated in the bottom half of 20 possible reasons why they did so. Factors rated highest were "nature of work," "open communication," and "effect on personal/family life." What are the implications of these results? When companies fail to factor in quality-of-work-life issues and quality-of-life issues when introducing any of the popular schemes for improving productivity, the only thing they may gain is a view of the backs of their best people leaving for friendlier employers.^c

^aDeMeuse, K. P., and Dai, G. (2012). Reducing costs and enhancing efficiency or damaging the company: Downsizing in today's global economy. In C. Cooper, A. Pandey, and J. C. Quick (Eds.), *Downsizing: Is Less Still More?* Cambridge, UK: Cambridge University Press, pp. 258-290.

^bStein, J. (2013, May 13). Millennials: The me, me, me generation. *Time*, retrieved from www.time.com/time/subscriber/printout/0,8816,2143001.00.html on September 24, 2013. See also Galinsky, E., Aumann, K., and Bond, J. T. (2009). *Times Are Changing: Gender and Generation at Work and at Home*. New York, NY: Families and Work Institute.

^cSpector, P. E., Cooper, C. L., Poelmans, S., Allen, T. D., O'Driscoll, M., Sanchez, J. I., Siu, O. L. et al. (2004). A cross-national comparative study of work/family stressors, working hours, and well-being. China and Latin America versus the Anglo world. *Personnel Psychology*, 57, pp. 119-142.

3. **Consultation**—The ability to provide guidance to organizational stakeholders.
4. **Leadership and navigation**—The ability to direct and contribute to initiatives and processes within the organization.
5. **Communication**—The ability to effectively exchange with stakeholders.
6. **Global and cultural effectiveness**—The ability to value and consider the perspectives and backgrounds of all parties.
7. **Ethical practice**—The ability to support and uphold the values of the organization while mitigating risk.
8. **Critical evaluation**—The ability to interpret information to make business decisions and recommendations.
9. **Business acumen**—The ability to understand and apply information to contribute to the organization's strategic plan.

IMPLICATIONS FOR MANAGEMENT PRACTICE

The trends we have reviewed in this chapter suggest that the old approaches to managing people may no longer be appropriate responses to economic or social reality. A willingness to experiment is healthy. To the extent that the newer approaches do enhance productivity, QWL, and profits, everybody wins. Competitive issues cannot simply be willed away, and because of this we may see even more radical experiments in organizations. The traditional role of the manager may be blurred further as workers take a greater and greater part in planning and controlling work, not simply doing what managers tell them to do. Take professional service and Big Four accounting firm Ernst & Young (E&Y).^a It is a global organization of member firms in more than 140 countries, headquartered in London, England, and it employs more than 152,000 people. According to former Global Chairman and CEO Jim Turley, "I think the business case was first around retaining talent. Whatever firm has the best talent wins in our space. So attracting and retaining the best talent is a critical business imperative. . . . You ask yourself, is it better to have a flexible culture and keep all the great talent in the firm and use it as a vehicle to attract and retain more talent, or do we want to keep the more rigid ways that we used to operate in and have people walking out the door?" That kind of progressive thinking is consistent with survey results that show 89 percent of Gen Y, and 79 percent of Gen X, feel that flexible work arrangements and the opportunity to give back to society trump the sheer size of the pay package. To get



started, Ernst & Young focused on managers' responses to requests for flexibility from their direct reports. Instead of asking "why," the firm encouraged its managers to ask, "why not?" Flexibility became more of a right for all, rather than a privilege for a few. Since much of the work at Ernst & Young is team-based, as in audit teams, flexible work arrangements have to fit within that team-based environment. Team calendars help facilitate that. At Ernst & Young, flexibility pervades the company's culture, even at the rank of partner. More than

200 of them are on some form of flexible work arrangement. Among the firm's 26,000 U.S. employees, 2,500 are on flexible schedules. Of those, 15 percent are men and 85 percent are women. In any given year, about 1,000 employees take parental leave, and 50 percent of those are men. Also in any given year, about 200 employees who work formal flexi-

ble schedules are promoted to positions of partner, principal, executive director, or director. That sends a strong signal that flexibility will not stifle one's career-advancement opportunities at E&Y. What about implementing flexible work arrangements in other cultures, where laws and social norms may vary significantly from those in the headquarters country? At Ernst & Young, the message is clear: be the best you can be at implementing flexibility in your culture, because doing so will be critical to attracting and retaining the best talent available.

^aErnst & Young: Creating a Culture of Flexibility. (2012). DVD produced by the Society for Human Resource Management Foundation, Alexandria, VA. Available at www.shrm.org/Foundation.

THE 21ST-CENTURY CORPORATION

Management systems that produce profits through people seem to share seven dimensions in common. Let's briefly examine each one.

1. **Employment security.** Such security is fundamental to most other high-performance management practices. The reason is that innovations in work

**Human Resource
Management in
Action:
Conclusion**

- practices or other forms of worker-management cooperation or productivity improvement are not likely to be sustained over time when workers fear that by increasing productivity they will work themselves out of a job. In addition, if the goal is to avoid layoffs, organizations will be motivated to hire sparingly in order to keep their labor forces smaller and more productive.
2. **Selective hiring.** This dimension has several prerequisites, the first of which is having a large applicant pool from which to select. Second, the organization needs to be clear about the most critical skills and attributes in the applicant pool. At Southwest Airlines, for example, applicants for flight attendant positions are evaluated in interviews on the basis of initiative, judgment, adaptability, and ability to learn. Third, the skills and abilities sought should be consistent with particular job requirements and the organization's approach to the market (e.g., exceptional customer service). Fourth, interviewers screen for attributes that are difficult to change through training. For example, technical skills are easier to acquire than teamwork and a service attitude.
 3. **Self-managed teams and decentralization are basic elements of organization design.** Teams substitute peer-based control for hierarchical control of work. They also make all of the people in a firm feel accountable and responsible for the operation and success of the enterprise, not just a few people in senior management. This increased sense of responsibility stimulates more initiative and effort on the part of everyone involved. By substituting peer for hierarchical control, teams permit removal of layers of hierarchy and the absorption of tasks previously performed by administrative specialists. The tremendously successful natural-foods grocery-store chain Whole Foods Markets is organized on the basis of teams. It attributes much of its success to that arrangement.
 4. **Comparatively high compensation contingent on organizational performance.** It is simply not true that only certain industries can or should pay high wages. The extremely successful and profitable company SAS is the world's largest privately held software business. From 2010-2014 it ranked between #1 and #3 in Fortune magazine's list of the 100 Best Companies To Work For, yet it pays industry-average compensation plus profit sharing, in addition to offering eye-popping benefits to employees. Actually, compensation and benefits are only one part of a broader philosophy and culture that incorporates other practices such as training, information sharing, and delegation of responsibility. Perhaps that is why employee turnover at SAS is less than 4 percent, year after year.
 5. **Extensive training.** Training is an essential component of high-performance work systems because these systems rely on front-line employee skills and initiative to identify and resolve problems, to initiate changes in work methods, and to take responsibility for quality. Firms such as the Men's Wearhouse (an off-price specialty retailer of men's tailored business attire and accessories) and Google use training as a source of competitive advantage. Google offers 100 hours of professional training per year to its employees. It is simply part and parcel of the overall management process of these firms.
 6. **Reduced differences in status.** The fundamental premise of high-performance management systems is that organizations perform at a higher level when they are able to tap the ideas, skills, and efforts of all of their people. Reducing the

status distinctions that separate individuals and groups—distinctions that cause some to feel less valued—helps make all members of an organization feel important and committed. Sam Walton, founder of Walmart, was one of the most underpaid CEOs in the United States. He wasn't poor, for he owned stock in his company. He also encouraged stock ownership for his employees. Having his fortune rise and fall along with those of other employees produces a sense of common fate and reduces status differences.

7. **Sharing of information.** The sharing of information on such things as financial performance, strategy, and operational measures conveys to an organization's people that they are trusted. Even motivated and trained people cannot contribute to enhancing organizational performance if they don't have information on important dimensions of performance and training on how to use and interpret that information. John Mackey, CEO of Whole Foods Markets, states, "If you're trying to create a high-trust organization . . . an organization where people are all-for-one and one-for-all, you can't have secrets."

It may appear easy to create a high-performance organization, but if that were so, then all firms would be as successful as the ones mentioned here. Do not be fooled. Implementing these ideas in a systematic, consistent fashion is tough, and it remains rare enough to be an important source of competitive advantage for firms in a number of industries. The bottom line is that management is a human art—and is becoming more so as information technology takes over routine tasks. Progressive managers understand that they will provide competitive advantage by tapping employees' most essential humanity, their ability to create, judge, imagine, and build relationships. As you can see from this case, managing 21st-century organizations is fast-paced, exciting, and full of people-related business challenges.

SUMMARY

People are a major component of any business, and the management of people (or human resource management, HRM) is a major part of every manager's job. It is also the specialized responsibility of the HR department. In fact, we use the term "strategic HRM" to refer to the wisest possible use of people with respect to the strategic focus of the organization. HRM involves five major areas: staffing, retention, development, adjustment, and managing change. Together they compose the HRM system, for they describe a network of interrelated components. The HRM function is responsible for maximizing productivity, quality of work life, and profits through better management of people.

The competitive business environment of the 21st century reflects factors such as an aging and changing workforce in a high-tech workplace that demands and rewards ever-increasing skill, and increasing global competition in almost every sector of the economy. In response, new organization forms, such as the virtual corporation,

the virtual workplace, and the modular corporation, are appearing. The new firms imply a redistribution of power, greater participation by workers, and more teamwork. Firms are also restructuring, implementing quality-improvement programs, and building flexibility into work schedules in order to support their competitive strategies. The challenge of attracting, retaining, and motivating people has never been greater.

One of the most pressing demands we face today is for productivity improvement—getting more out of what is put in; doing better with what we have; and working smarter, not harder. Nevertheless, increased productivity does not preclude a high quality of work life (QWL). QWL refers to employees' perceptions of their physical and psychological well-being at work. It involves giving workers the opportunity to make decisions about their jobs, the design of their workplaces, and ensuring work-life fit. Its focus is on employees and managers operating a business together. HR professionals can help by demonstrating competencies in HR expertise, relationship management, consultation, leadership and navigation, communication, diversity and inclusion, ethical practice, critical evaluation, and business acumen.

KEY TERMS

staffing
retention
development
adjustment
managing change
HRM system
authority
globalization
human resources information system

virtual organization
virtual workplace
restructuring
downsizing
Six Sigma
ethical decisions about behavior
productivity
quality of work life

DISCUSSION QUESTIONS

- 1-1. What are the HRM implications of globalization, technology, and sustainability?
- 1-2. How will demographic changes and increasing diversity in the workplace affect the ways that organizations manage their people?
- 1-3. Considering everything we have discussed in this chapter, describe management styles and practices that will be effective for your country's businesses in the next decade.
- 1-4. What difficulties do you see in shifting from a hierarchical, departmentalized organization to a leaner, flatter one in which power is shared between workers and managers?
- 1-5. How can effective HRM contribute to improvements in productivity and quality of work life?
- 1-6. How can effective HRM contribute to sustainability?
- 1-7. If you could only work on three of the nine key HR competencies, which three would you choose and why did you choose those three?
- 1-8. New technology sometimes destroys jobs. What government recommendations would you make to protect workers?