Chapter 1

Human Resource Management:

Gaining a Competitive Advantage

This chapter discusses the role of Human Resource Management (HRM) in gaining a competitive advantage. It provides a foundation for the rest of the chapters by describing the role HRM plays within organizations and the skills HRM practitioners need for any company to be competitive. Within this chapter are the competitive challenges that U.S. companies currently face, which influence their ability to meet the needs of shareholders, customers, employees, and other stakeholders and support as to how these competitive challenges are influencing HRM.

At the end of this chapter, instructors should ensure students understand HRM and its role within organizations (LO1-1, LO1-7). Further, students should be able to discuss the different HRM practices (LO1-8), which are outlined towards the end of the chapter. Accomplishing both tasks will help support students in subsequent chapters; however, it can be a difficult task given the perceptions of HRM and HR departments, as well as the potential for students who lack exposure to such ideas and practices.

The instructor may wish to ensure (and continue to revisit throughout the course) the student continually focuses on how they are the ones making the decisions (i.e. managers). However, their own experiences such as being interviewed can lend to great course discussion and reflection. Instructors may also find students, especially those with little interest in HRM or within other majors, experiencing difficulty in recognizing the importance of this topic and practice. Instructors may wish to emphasize that although HRM is a separate practice, much of what will be studied directly applies to the business acumen of managers and leaders in all facets of business management.

Once the above is considered, instructors may then wish to discuss the remainder of the LOs. If students have had a previous Introduction to Business/ Management or similar course, then discussion of these LOs from the perspective of strategic management and internal/external analysis (i.e. SWOT analysis) may help students connect the concepts. Specifically, if a general understanding of strategic management exists, then instructors may discuss how HRM practices can contribute to the strategic advantage of organizations, and how HR departments and professionals hold a specific role and may contribute to this process. It would be helpful to draw students’ attention to Table 1.15, which shows the outline of the textbook. These topics can help further demonstrate the different areas within HRM, and what students may expect from the remainder of the course.

Learning Objectives

LO 1-1: Discuss the roles and activities of a company’s human resource management function.

LO 1-2: Discuss the implications of the economy, the makeup of the labor force, and ethics for company sustainability.

LO 1-3: Discuss how human resource management affects a company’s balanced scorecard.

LO 1-4: Discuss what companies should do to compete in the global marketplace.

LO 1-5: Identify how social networking, artificial intelligence, and robotics is influencing human resource management.

LO 1-6: Describe how automation using artificial intelligence and robotics has the potential to change jobs.

LO 1-7: Discuss human resource management practices that support high-performance work systems.

LO 1-8: Provide a brief description of human resource management practices.

Society for Human Resource Management *Body of Competency & Knowledge*

This chapter contains content which may be identified within the following content areas identified in HR Expertise:

* HR Strategic Planning
* Talent Acquisition
* Employee Engagement & Retention
* Learning & Development
* Total Rewards
* Structure of the HR Function
* Organizational Effectiveness & Development
* Workforce Management
* Employee & Labor Relations
* Technology Management
* HR in the Global Context
* Diversity & Inclusion
* Risk Management
* Corporate Social Responsibility
* U.S. Employment Law & Regulations

Human Resource Certification Institute’s *A Guide to the HR Body of Knowledge*

This chapter contains content which may be identified within the following content areas:

* Business Management & Strategy
* Workforce Planning and Employment
* Human Resource Development
* Compensation and Benefits
* Employee and Labor Relations
* Risk Management

Guidance to Discussion Questions and End of Chapter Sections

**Discussion Question 1:** Traditionally, human resource management practices were developed and administered by the company’s human resource department. Some companies are abandoning or don’t have HR departments. Why is this occurring? Is it a good idea for companies not to have an HR department or HR professionals? Explain your position.

Discussion will most likely focus on associated costs as companies outsource administrative functions normally housed within HR departments. Instructors may need to emphasize that as long as the strategically necessary functions are still emphasized and managed well, then HR departments may not be necessary. The caveat is that sometimes without the department, they do not get the necessary emphasis. However, HR professionals may not necessarily reside within HR departments and can be within other departments (Training and Learning departments separate from the traditional HR department, for example) that focus on a specific function. It may also be important to emphasize that HR professionals can practice from multiple areas and backgrounds (Industrial/Organizational Psychology). Thus, HR practitioners and professionals become an important part of organizations, with or without departments. Further support may be found in Tables 1.1 (Responsibilities of HR Departments) and 1.2 (Questions to Ask: Is HRM Playing a Strategic Role in the Business?).

**Discussion Question 2:** Staffing, training, compensation, and performance management are important HRM functions. How can each of these functions help companies succeed in meeting the environmental, social, and governance challenge, the global challenge, and the technology challenge?

* Staffing: Ensuring organizations predict the appropriate number of employees and competencies necessary to meet strategic objectives, domestically and globally, and then acquire them within the necessary timeframe. Example would be leadership identification and selection with global understanding and the ability to foresee issues within organizational operations/logistics to ensure sustainability.
* Training: Ensuring employees of organizations have the support to obtain and improve upon the competencies as necessary to meet the strategy. This would also include leadership development. Example could be sales training, development of customer service competencies, and a fluency to use corporate technology and its continual adoption of new technology to service customers.
* Compensation: Identifying appropriate compensation and benefits strategies that align behind organizational strategy while meeting identified imperatives such as attraction and retention of key talent. Global challenge of compensation that meets regulation and demographic needs in multiple cultural and geographically dispersed areas. Technological challenge of risk and security management of employee data from theft, as well as meeting regulatory needs of multiple countries and economic zones.
* Performance Management: Ensuring employee performance is measured for improvement and other used for organizational decisions. Global challenge of developing leaders with global business acumen may also be discussed.

**Discussion Question 3:** How has the pandemic influenced the workplace and HRM practices? What changes in HRM practices as a result of the pandemic will continue after it is over? Explain your rationale.

The global pandemic caused by COVID-19 caused the creation of a “new normal.” The “new normal” meant businesses had to quickly adapt their business models, supply chains, and ways to engage consumers or risk going out of business. Many companies retooled to provide products and services needed during the pandemic. For example, Dyson started to build ventilators and medical equipment and LVMH transformed its perfume production to produce hand sanitizer. Home became the place where we worked, studied, and ordered food, groceries, and other products and services we needed. Video conferencing technology such as Zoom became the way we interacted for work, school, and to socialize with friends and family. Curfews, stay-at-home orders, wearing masks, washing our hands, and social distancing became the norm. The wide availability of the vaccine has led to new challenges for HR related to implementing vaccine policy. For the HR professional adaptability has been critical in the fluid pandemic environment.

**Discussion Question 4:** What are intangible assets? How are they influenced by HRM practices?

See Table 1.6. Here, intangible assets would be employees and the skills/competencies/knowledge they bring to the organization. HRM practices impact the attitudes, behaviors, and performance of employees within the organization (recalling the definition presented within textbook).

**Discussion Question 5:** What is evidence-based HR? Why might an HR department resist becoming evidence based?

Evidence-based HR is defined as “demonstrating that HR practices have a positive influence on the company’s bottom line or key stakeholders.” HR may resist due to a) lack of understanding, knowledge skill sets necessary, b) a feeling of de-personalization of the HR function (i.e. data and cold decisions versus people and warm decisions) c) fear of data-driven decisions resulting in downsizing of workforce and HR, especially connected to previous mentioned reasons.

**Discussion Question 6:** What types of big data would you collect and analyze to understand why an employer was experiencing a high turnover rate?

Big data is defined as “Information merged from a variety of sources, including HR databases, corporate financial statements, and employee surveys.” Further responses may include competitor compensation surveys, performance evaluation results (maybe mention 360 degree assessments and potential perceptions of management), length of tenure at specific positions, number of promotions by position/demographic, etc.

**Discussion Question 7**: What is digital literacy and how is it related to upskilling and reskilling?

Digital literacy refers to the skills needed to interpret, create, and strategically use digital information. Digital literacy will be required of most jobs even those not considered as technology jobs. For example, it used to be sufficient for auto mechanics to know how to fix an out of tune engine. The technology used in the car requires mechanics to integrate digital skills into their traditional job functions to tune the cars of today.

**Discussion Question 8:** Which HR practices can benefit by the use of social collaboration tools like Twitter and Facebook? Identify the HR practices and explain the benefits gained.

In general, social networking facilitates communication, decentralized decision making, and collaboration. Social networking can be useful for connecting to customers. It is also valuable for busy employees to share knowledge and ideas and receive feedback, recognition, mentoring, and coaching from their peers and managers with whom they may not have much time to interact face-to-face on a daily basis. Companies can also use social networking for identifying and connecting with potential job candidates.

**Discussion Question 9:** Do you agree with the statement “Employee engagement is something companies should be concerned about only if they are making money”? Explain.

No; as employee engagement can save costs and thus help take company from the red and into the black.

**Discussion Question 10:** How does employee engagement relate to the employee experience?

Employee engagement refers to the degree to which employees are fully involved in their work and the strength of their commitment to their job and the company. Many companies are moving beyond a narrow focus on employee engagement to focus instead on creating a positive employee experience. Employee experiencerefers to every­thing that influences employees' daily life, both inside and outside of the workplace. The employee experience is influenced by the company culture, emotional experience, opportuni­ties for personal growth, and the physical workspace.

**Discussion Question 11:** This book covers four HRM practice areas: managing the human resource environment, acquiring and preparing human resources, assessment and development of human resources, and compensating human resources. Which area do you believe contributes most to helping a company gain a competitive advantage? Which area do you believe contributes the least? Why?

This question is meant to have each student explore the different areas of HRM and help ensure they understand the practice. Students should be guided towards the agreement that each area is important, but may become more of a strategic imperative depending on an organization’s internal and/or external environment and subsequent strategy at a point in time.

**Discussion Question 12:** What is the balanced scorecard? Identify the four perspectives included in the balanced scorecard. How can HRM practices influence the four perspectives?

A balanced scorecard is defined as "A means of performance measurement that gives managers a chance to look at their company from the perspectives of internal and external customers, employees, and shareholders." Table 1.8 provides the responses for the four perspectives of customers, internal, innovation and learning, and financial. Student responses should be supported through textbook information, but will vary.

**Discussion Question 13:** Is HRM becoming more strategic? Explain your answer.

Discussion may include info from Tables 1.1 and 1.2, while also integrating Figure 1.3 and how strategy requires professionals to have the requisite skill set. Overall discussion should reflect on the need for HRM practices to contribute to the strategy of the organization, and the different approaches outlined in the beginning of the chapter, through which organizations attempt to accomplish this. Discussion may also reflect on the history of HR as the personnel department, and its difficulty with becoming more strategic.

**Discussion Question 14:** What is sustainability? How can HR practices help a company become more socially and environmentally conscious?

Sustainability is defined as “The ability of a company to make a profit without sacrificing the resources of its employees, the community, or the environment.” HRM examples might be development of a culture focused on sustainability, with identification, selection of individuals who wish to work for such a company. Training and development initiatives that help develop skill sets to recognize when and where a company can be socially and environmentally responsible.

**Discussion Question 15:** Explain the implications of each of the following labor force trends for HRM: (1) aging workforce, (2) diverse workforce, (3) skill deficiencies.

* Aging Workforce: Loss of key employees and skill sets without enough of a workforce to replace the loss; employers may encourage delaying retirement or working part time as they age. May also face need to retrain and to ensure age discrimination does not occur.
* Diverse Workforce: Diverse mind sets and perspectives could lead to more difficulties in management within organizations. It can lead to more creativity, problem solving, and understanding of different cultures due to diverse perspectives.
* Skill Deficiencies: The need for organizations to ensure selection processes to identify employees either with the requisite skill sets or with the ability to learn. Organizations will also need to ensure their talent management and internal training and development are adequate to ensure skills and competencies are met. Retention of skilled employees will also become more imperative.

**Discussion Question 16**: Can a company be diverse but employees believe it is not inclusive and equitable? Explain.

A company that is diverse has a population that varies based on gender, race, and ethnicity, but that is no guarantee of equity and inclusion. Inclusion refers to creating an environment in which employees share a sense of belonging, mutual respect, and a commitment to others so they can perform their best work. Inclusion allows companies to capitalize on the diversity of employees as well as the diversity of customers, suppliers, and community partners. In an inclusive environment employees feel safe to share their identities, understand and ask about others experiences of inequality. Company leaders in an inclusive company point out instances of inequality, explain their impact, and emphasize the changes that need to occur. They also demonstrate and recognize inclusionary behaviors in both their peers and other employees.

**Discussion Question 17:** What role do HRM practices play in a business decision to expand internationally?

Talent identification and retention within emerging markets; the need for cross-cultural training of employees who are relocated as well as those who conduct business across cultural barriers for the company are all challenges for HRM within global context. Thus, identifying workforce capability within a specific geographic area and the internal competency of the expanding organization become necessary to assess prior to the decision to expand.

**Discussion Question 18:** What might a quality goal and high-performance work systems have in common in terms of HRM practices?

HRM practices that focus overall on their integration and not in isolation is how they may have commonality with HPWS and quality goals.

**Discussion Question 19:** What disadvantages might result from outsourcing HRM practices? From employee self-service? From increased line manager involvement in designing and using HR practices?

Disadvantages may include an inability to control quality of product/service delivered to company regarding the HR function. Managers might also lack specific knowledge concerning employment laws—HR practices that in-house departments can assist with.

In the self-service model, disadvantages may include resistance by managers to adopt such practices like their own reviewing of resumes, approving of bonuses, payroll, etc. These can also be disadvantages when line managers are more involved in designing and using HR practices. Other disadvantages may results from lack of understanding and/or skill regarding how to design and use such practices.

**Discussion Question 20:** What factors should a company consider before reshoring? What are the advantages and disadvantages of reshoring?

Reasons to reshore would include decreased shipping costs, mitigation of supply chain disruption, quality concerns, and customer preferences towards domestic production. Reasons not to reshore would be the contrary of any positives gained from the previously mentioned. Organizations should consider all of these reasons prior to a decision to reshore operations.

**Discussion Question 21:** Discuss the different ways automation using AI and robots can affect jobs?

With advances in AI and robotics, the use of automation to perform work previously done by employees is expected to increase quickly in the next decade. Many companies use automation to support employees in their work by helping to avoid mistakes and errors and perform tasks that can be automated, freeing employees' time for more important high-value work. The use of AI and robots can affect jobs in several different ways. They can provide skills that are difficult to find. Robots can also perform some job tasks previously completed by employees. They can also eliminate some jobs that are better done using automation.

**Exercising Strategy**

New HRM Practices at IBM

1) Does IBM’s use of AI applications in HRM practices support and align with the business priorities? Explain your answer.

CogniPay, Blue Matching and Myca haved saved the company more than $100 million dollars. These savings are based on considering the expenses IBM avoided in recruiting for new talent, hiring and training new employees, and the value of employees who would have likely left the company because of a lack of career advancement opportunities.

2) What are the advantages and disadvantages of using CogniPay, Blue Matching, and Myca for HR practices?

Responses will vary, but students should address how these programs improve the diversity, equity, and inclusion and broaden the talent pool.

3) IBM is a successful, well-known company. So why does it need to provide programs such as New Collar? Explain.

Responses will vary, but students should use case information to rationalize responses.

**Managing People**

Zappos Faces Competitive Challenges

1. Zappos seems to be well-positioned to have a competitive advantage over other online retailers. What challenges discussed in Chapter 1 pose the biggest threat to Zappos’s ability to maintain and enhance its competitive position? How can HRM practices help Zappos meet these challenges?

Students should be able to accurately identify the challenges listed in Chapter 1 and make rational arguments based on information in the textbook and case that link each together. One example might be the loss of 210 employees and the potential lack of skilled employees in the workforce leading to a weakened competitive position. Students should then be able to mitigate the issue they identify. Again, regarding the loss of 210 employees due to a change in the new management system, HRM can mitigate this through training employees on the new system, developing pathways for employees to solve problems from the new system, as well as redevelop the recruitment and selection practices to find employees who can work within such a system.

1. Do you think that employees of Zappos typically have high levels of engagement? Do you think their level of engagement remained high even during the pandemic? Justify your position.

Responses should correctly identify the different outcomes of engagement from Chapter 1, and then find those examples within the case. This would include being ranked consistently Best Company to Work, as well as the cultural fit aspects of interviewing, and other benefits offered to employees. Responses should connect the HR practices found in the case to those concepts found in the chapter.

1. Which of Zappos’s 10 core values do you believe that HR practices can influence the most? The least? Why? Identify the HR practices that Zappos uses that are related to the core values. Explain how the HR practices you identified are related to the core values.

Each one of the 10 core values could potentially be influenced or impacted by HRM. Here, again, focus should be on the rationale students provide, which, demonstrate connecting the core value (a part of strategy) to how HRM can impact it as well as students’ ability to identify different roles of HRM. For example, Be Adventurous, Creative, and Open-Minded could be argued that HR has the most impact on (Managing the HR Environment; Acquiring and Preparing Human Resources) if students identify culture of the organization, recruitment and selection of appropriate candidates as HRM practices.

**HR in Small Business**

Lob Aims High in Employee Retention

1. Describe Avidar’s experience of his psychological "contract" with his first employer. How does it compare with the psychological contract he seeks with employees at Lob?

The psychological contract refers to the unwritten, intangible agreement between the employee and their employer that describes the informal commitments, expectations, and understanding that make up their relationship. Responses will vary but should address the core concept of the psychological contract.

1. How do Avidar's values and approach to human resource management support Lob's business success?

Lob’s commitment to diversity and building a sustainable workforce are a direct consequence of Avidar’s personal values. Avidar wanted to create a workplace that imbued employees with a deep sense of meaning and belonging and this seemed to translate into business success.

Guidance to Chapter Cases

**A Look Back**

*HRM Practices Take Center Stage*

1. Choose one of the company's highlighted and explain how their HRM practice supported the business.

Answers will vary.

1. Which of the competencies needed by HR professionals were the most important during the pandemic?

Responses will vary. Communications, consultation, and relationship management are especially important. HR professionals needed to be open to new ideas and perspectives. They also needed to become proficient in new technologies.

**Competing through** **Environmental, Social, and Governance Practices**

SAP Makes Employment Possible for Differently Abled People

1. How does SAP's Autism at Work Program demonstrate the company's commitment to sustainability through impacting the "triple bottom line"? Explain.

Creating programs and initiatives that target vulnerable populations speaks to the company’s commitment to socially responsible actions. Cultivating a work force from those who are differently abled demonstrates a clear commitment to sustainability. SAP is making an effort to build a better world for itself and employees that embodies the letter and spirit of the triple bottom line.

**Integrity in Action**

Advancing Diversity in Top Management Roles at Eastern Bankshares

1) Do you think that Eastern Bankshares' actions will help it accelerate the movement of Black, Latina/o, and Asian employees into middle and upper-level positions? Explain.

Responses will vary. It is clear that the company is making an effort to recognize problems and address them.

1. What other actions should Eastern Bankshares consider to address this issue?

Responses will vary.

**Competing through Globalization**

Providing Manufacturing Jobs for Women in India

1) What concerns might women in India have about working in manufacturing jobs? Which HRM practices would you recommend that India manufacturing companies consider to help ease their concerns?

Responses will vary. Concerns may focus on overcoming stereotypes and cultural norms that limit opportunities for women. It is important to make any decision with awareness of sensitivity.

**Competing through Technology**

Meet Sofia the Benefits Specialist

1) How has Sofia likely changed the jobs of benefits specialists at BMW? Do you think that Sofia will eventually replace benefit specialists at BMW? Why or why not?

BMW benefits specialist will be able to focus their effort and attention of more difficult problems while Sofia can handle the routine and mundane request employees frequently make. Sofia should allow the specialist to have a more rewarding and value-added role at BMW. Sofia will not replace the benefit specialist because as the work environment becomes more complex the level of effort for difficult cases will expand. Sofia will be a team members who provides services consistent with her ability.

2) What did BMW do to ensure that Sofia would be effective in her role?

They tested Sofia and exposed employees to Sofia so they would be familiar with how she worked and what she could do.

Other Classroom Materials: CONNECT®

There are CONNECT® exercises available through McGraw-Hill, which can greatly assist student preparation for class and understanding of chapter concepts. Instructors may wish to structure the class, where students must complete the CONNECT® exercises prior to class, thus, further reinforcing material and allowing instructors to expand and challenge student understanding during class time. CONNECT® exercises may be set-up to be time-based, requiring students to practice chapter materials for a specific timeframe. It is the instructors’ discretion how they desire to include this into the course grade, but a low-stakes grading system based on completion is suggested to help encourage student usage, while minimizing penalties for mistakes during completion.

The following activities are available in CONNECT® for this chapter:

**Business School Balanced Scorecard**

*Case Analysis*

This activity reviews what should be considered in a balanced scorecard for a business school.

LO: 01-03 Discuss how human resource management affects a company’s balanced scorecard.

Difficulty: 1 Easy; 2 Medium

Blooms: Apply; Evaluate

AACSB: Analytical Thinking; Knowledge Application

Topic: Challenges Facing Human Resources Today

**In the News: The Business Case for Sustainability**

*Case Analysis*

This activity asks students to come up with sustainable practices for the newspaper industry.

LO: 01-02 Discuss the implications of the economy, the makeup of the labor force, and ethics for company sustainability.

Difficulty: 2 Medium; 3 Hard

Blooms: Understand; Apply; Evaluate

AACSB: Ethics; Analytical Thinking; Knowledge Application; Reflective Thinking

Topic: How HRM Helps to Build a Sustainable Competitive Advantage

**HRM Practices**

*Click & Drag*

This activity asks students to match the human resources activity performed by each HR professional to the appropriate Society of Human Resource Management (SHRM) success competency.

LO: 01-01 Discuss the roles and activities of a company’s human resource management function.

01-03 Discuss how human resource management affects a company’s balanced scorecard.

01-07 Discuss human resource management practices that support high-performance work systems.

Difficulty: 2 Medium

Blooms: Remember; Understand; Apply

AACSB: Reflective Thinking

Topic: Understanding Human Resource Management; The Role of Human Resource Managers

**Social Media Woes**

*Case Analysis*

This activity asks students questions about social media practices in the workplace.

LO: 01-05 Identify how social networking, artificial intelligence, and robotics is influencing human resource management.

01-07 Discuss human resource management practices that support high-performance work systems.

Difficulty: 2 Medium; 3 Hard

Blooms: Understand; Apply

AACSB: Diversity; Reflective Thinking; Analytical Thinking; Knowledge Application

Topic: How Technology Influences Human Resource Management

**CHRO Conversations: Interview with Johnny C. Taylor Jr., President and CEO, SHRM**

*Video Case*

This activity has students watch a video interview with the President and CEO of the Society for Human Resource Management and answer questions about the value of human resource management as a field of study as well as the value-added activities of the HRM professional to the organization.

LO: 01-01 Discuss the roles and activities of a company’s human resource management function.

Difficulty: 1 Easy; 2 Medium

Blooms: Remember; Understand; Analyze

AACSB: Reflective Thinking; Analytical Thinking

Topic: Challenges Facing Human Resources Today