Readings in
HUMAN RESOURCE MANAGEMENT

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INTRODUCTION

The focus of this book is to show how the management of human resources can help organizations gain a competitive advantage; that is, help them gain a competitive advantage over U.S. and foreign competitors. Managing human resources can help companies gain competitive advantage in many ways, such as (1) selecting employees who will be innovative, creative, and successful in performing their jobs; (2) preparing employees to work with new manufacturing and service technologies; and (3) rewarding good performance. The effective management of human resources also contributes both to customer and employee satisfaction and retention and to the development of a positive reputation in the community in which the company is located.

The effective management of human resources can enhance the operation of the other business functions (such as production, marketing, and information systems) and contribute directly to company profitability. For example, the introduction of a new information system into a company requires that employees be trained to use the new system. Companies that want to be recognized by customers for the quality of the product and services they provide need to reward salespersons for providing high-quality services (a performance management issue). The management of human resources is also critical for helping companies deal with several competitive challenges they will face in the next decade and beyond. These challenges include the global challenge, the quality challenge, the social challenge, and the technology and structure challenge.
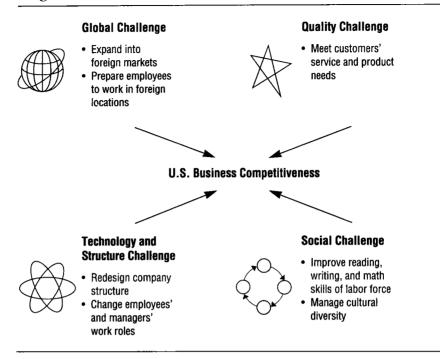
THE COMPETITIVE CHALLENGES

The four competitive challenges are shown in Figure 1.

The Global Challenge

Companies are finding that they must compete for foreign markets in order to survive. U.S. companies must expand into foreign markets and do a better job of preparing employees for international assignments. Opportunities for U.S. businesses are available in Eastern Europe and the former Soviet Union. Pending legislation such as the North American Free Trade Agreement (NAFTA) will make it easier for companies to do business in Canada and Mexico. Although U.S. business problems in gaining access to foreign markets are related to differences in economic, structural, historic, and cultural differences between countries,

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Figure 1

Global Challenge

- Expand into foreign markets
- Prepare employees to work in foreign locations

Quality Challenge

- Meet customers' service and product needs

U.S. Business Competitiveness

Technology and Structure Challenge

- Redesign company structure
- Change employees' and managers' work roles

Social Challenge

- Improve reading, writing, and math skills of labor force
- Manage cultural diversity

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a major factor may also be U.S. companies' lack of investment in human resources. For example, Japan and Germany have traditionally invested in new work design and employee training, while U.S. businesses have attempted to improve productivity through cutting costs related to human resources (such as training budgets).

Besides taking steps to ensure that employees are better used, U.S. companies must do a better job of preparing employees for overseas assignments. The failure rate for expatriates (U.S. employees sent to work abroad) is higher than for many foreign competitors. U.S. companies must carefully select employees to work abroad based on their ability to understand and respect the cultural and business norms of the host country, their language skills, and their technical ability.

The Quality Challenge

One of the major reasons U.S. companies have failed to maintain their leadership in many industries (e.g., automobiles, tires, electronics, steel) has been the decline in customers' perceptions of the quality of U.S. products. Quality is defined as the extent to which a product or service satisfies the customer's

requirements.[1] Traditionally, U.S. companies have attempted to ensure quality by inspecting products and services after they are assembled or delivered. Foreign competitors have taken a different approach. They emphasize designing quality into a product or service as it is produced or delivered, rather than relying on the inspection process to identify defects and problems.

Recognition for "building in" quality into products or services can help increase companies' U.S. and foreign market share. The Malcolm Baldrige National Award is given by the Department of Commerce to recognize quality achievements of U.S. companies. To become eligible for the Baldrige award, companies must complete a detailed application that consists of basic information, such as location, products, and services. Companies are also required to address seven areas: leadership, information and analysis, strategic quality planning, human resource development and management, management of process quality, quality and operational results, and customer focus and satisfaction. A board of examiners composed of quality experts from business and academia evaluate the companies' applications and conduct site visits. Although only two awards per year are given in three categories—manufacturing, service, and small business—all applicants receive feedback regarding the company's strengths and weaknesses and needs for improvement. Going through the application process for the Baldrige award is a good way for companies to improve the quality of their products and services.

It is important to note that to conduct business in several countries (such as countries of the European Community), U.S. companies must also gain ISO 9000 certification. ISO 9000 is a series of quality standards regarding effective management practices, and guidelines for the design, production, installation, and servicing of products.

To meet the quality challenge, companies must have effective human resource management practices. For example, employees need environments that allow them to be innovative, be creative, and take risks to meet customer demands. Work should be designed so that the skills and talents of many employees can simultaneously be used. Employees need training in statistical process control methods as well as interpersonal skills for interacting with fellow employees and customers.

The Social Challenge

Companies face several challenges as a result of changes in the work force and employment rates in different sectors of the economy. The composition of the

[1]L. B. Forker, "Quality: American, Japanese, and Soviet Perspectives," *The Executive* 5(5) 1991: 63–74.

labor market, projected changes in the structure of the economy, and skill deficits in the labor force will influence company competitiveness in the next decade. The U.S. labor force will be older and more culturally diverse than at any time in the last forty years. One of the challenges that the aging labor force creates for companies is how to create career development systems that utilize and reward older employees. Companies are being challenged to ensure that the talents, experiences, values, and perspectives of all employees are utilized to increase product and service quality and productivity. Employers need to develop safety and health, work and family, and discipline policies that are fair and equitable. Because labor market growth will be primarily in female and minority populations, companies need to ensure that human resource management systems are bias free to capitalize on the talents and skills of these employee groups and help them find fulfillment at work.

Health, business, personal, and recreational services will be the largest growing sectors of the economy. Jobs in these sectors traditionally require more education than those in basic industries such as textiles and automobiles. However, the introduction of new computer-based technology into manufacturing jobs requires employees to collect, retrieve, and analyze production data. An important human resource issue is the projected lack of individuals with the necessary training and education to meet the demands of jobs in the U.S. economy. This means that companies need to provide reading, writing, and computational skill training to large portions of their work forces.

Legislation will continue to influence the management of human resources. For example, as a result of the Americans with Disabilities Act (ADA), employers are required to accommodate known mental or physical disabilities of otherwise qualified employees, unless doing so would result in excessive expense. As a result of the ADA, employers are reevaluating their hiring and training practices, benefit plans, work design, and physical facilities. Similarly, the Family Medical Leave Act (1993) permits employees to take 12 weeks of unpaid leave for birth, adoption, personal illness, or illness of a family member. The FMLA will have a major impact on companies' staffing strategies.

The Technology and Structure Challenge

New technology has caused changes in basic skill requirements and work roles. Advances in computer technology also have made it easier for employees to gain access to information from customers and manufacturing processes at the point of sale or point of production. Computer technology and software is available for managers to track human resources (e.g., skills data bases) or to evaluate alternative human resource strategies.

Because technology has made information more readily accessible for employees, one trend for increasing employee responsibility, control, and use of information is the use of work teams. Work teams frequently assume many of the activities usually reserved for managers, such as work scheduling and coordinating activities with customers and vendors. Work teams also perform inspection and quality-control activities. Work teams have changed the role of the manager. Traditionally, managers control, plan, and coordinate work. In a team environment, managers provide work teams with the resources they need to perform work, facilitate interactions with other departments and vendors, and help alleviate interpersonal disputes that might occur in the team.

To meet the technological challenge, companies need to prepare employees and managers to use new technology and be successful in environments where work teams are used. Companies also need to develop managers' and employees' interpersonal and technical skills so that they can work in teams and utilize computer hardware and software.

ORGANIZATION OF THE READINGS

The collection of readings in this book will help the student understand how the management of human resources can help companies successfully deal with global, social, technological and structural, and quality challenges to gain a competitive advantage. The readings include both academic and practitioner perspectives, and they are organized into six parts:

- I. Managing the Internal and External Environments. The topics in Part I include readings related to the strategic management of human resources, global issues in human resource management, the legal environment, and ethical employee relations.
- II. Assessing Work and Work Outcomes. Part II includes readings that deal with work design, performance management, and employee attitudes that affect productivity and competitiveness.
- III. Acquiring Human Resources. Readings in Part III deal with determining human resource requirements and plans, recruiting, and selecting employees.
- IV. Developing Human Resources. Part IV readings discuss training and developing employees and career management.
- V. Compensating Human Resources. Part V includes readings related to designing pay structures, recognizing employee contributions, and employee benefits.
- VI. Special Topics in Human Resource Management. Readings in Part VI relate to labor and management relations and human resource information systems.

Each topic area begins with a brief discussion of how the topic of the readings can help the company gain a competitive advantage. Brief summaries of each of the articles discuss key points and highlights.

Human Resource Management: Gaining a Competitive Advantage

HUMAN RESOURCE MANAGEMENT: GAINING A COMPETITIVE ADVANTAGE

INTRODUCTION

As we noted earlier, the management of human resources is expected to play a key role in helping companies gain competitive advantage. Reading 1 by Schuler, "Repositioning the Human Resource Function: Transformation or Demise?" illustrates how the human resource function can help companies gain a competitive advantage. Schuler emphasizes that four issues: managing employee competence, managing work-force diversity, managing for enhanced competitiveness, and managing for globalization are people-related issues that the human resource function should address and view as an asset rather than a business cost. Schuler also highlights the competencies—business focus, change agent, consultant, strategy formulator, talent manager, asset manager—that the human resource manager and function need to help the company successfully deal with the competitive challenges.

To understand how to use human resources to successfully meet the quality challenge, managers must first understand the concept of quality. One commonly accepted definition of quality does not exist. Rather, quality can be defined in terms of customer standards, engineering standards, or the value that a product or service provides. Reading 2, "Quality: American, Japanese, and Soviet Perspectives," by Forker discusses five different approaches to defining quality. The article compares and contrasts the different perspectives of quality proposed by Deming, Juran, Crosby, Taguchi, and L'vov.

Reading 3, "Managing Cultural Diversity: Implications for Organizational Competitiveness," by Cox and Blake illustrates how managing diversity can create a competitive advantage through reducing costs, improving product marketing to minority groups, and generating better quality decisions through capitalizing on the perspectives of individuals with different cultural backgrounds. Cox and Blake suggest that top management leadership, training, research, analysis and change of human resource management systems, and monitoring of results are key factors that are needed to create an organization that successfully manages diversity.

R E A D I N G 1

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REPOSITIONING THE HUMAN RESOURCE FUNCTION
Transformation or Demise?

Randall S. Schuler

Executive Overview

The human resource department is being presented with an opportunity to become a significant player on the management team. This is occurring because the human resource (HR) function is being transformed into a significant management function. Environmental changes are confronting organizations with people issues of great importance and uncertainty. People issues are thus becoming formulated as significant business issues. One result is that line managers are reaching out to take control and ownership over the HR function. This is being facilitated by many HR departments that remain focused on issues involving functional expertise rather than business-relatedness. Examples exist, however, of companies in which the HR departments are seizing the opportunity to become vital members of the management team and working with line managers to tackle the people-related business issues. Doing so, however, appears to require a virtual repositioning of the HR department. This, in turn, involves new roles, new competencies, new relationships and new ways of operating for both HR and line managers. The result is an HR department that is a management team player with a business issue and customer focus and a bottom-line orientation. New roles for both line managers and HR managers and enhanced organizational effectiveness in addressing people-related business issues may result.

"Right now there is a place for corporate HR in company-wide recruiting efforts so it can recruit in one division but with the needs of other areas in mind so there can be company-wide flexibility. Corporate HR is not taking the lead on this situation. Flexibility is needed for worldwide needs but the department does not see themselves as doing this. They see themselves as "doctors" not business managers; not part of the team."

This comment, made by a senior vice president of executive development, points to a general lack of understanding of the business (its strategy, the way it