Chapter 1

Managing Employees for Competitive Advantage

Learning Objectives

1 Discuss the potential costs and benefits associated with managing employees.

2 Explain what it means to manage employees strategically.

3 Identify and explain the three primary human resource (HR) activities.

4 Discuss the management practices associated with each primary HR activity.

5 Explain the importance of HR activity alignment.

6 Discuss how organizational demands influence the management of employees.

7 Describe how the external environment influences the management of employees.

8 Understand the importance of regulatory issues in establishing HR practices.

HR CHALLENGE

ENVIRONMENTAL INFLUENCES — ORGANIZATIONAL DEMANDS — REGULATORY ISSUES

PRIMARY HR ACTIVITIES

Work Design & Workforce Planning

Managing Employee Competencies

Managing Employee Attitudes & Behaviors

Employee Contributions

Competitive Advantage

Each year, *Fortune* magazine publishes its list of "The World's Most Admired Companies." *Fortune* identifies the highest-revenue companies in every industry, invites executives, directors, and managers to rate the selected companies in their industry, and then choose the 10 they most admire across all industries. Panelists use the following nine equally weighted criteria in their rankings:

- Quality of management
- Quality of products and services
- Innovativeness
- Long-term investment value
- Financial soundness
- Talent management
- Community responsibility
- Global business effectiveness
- Use of corporate assets[1]

These criteria reflect various aspects of company operations that ultimately relate to company success. Including *talent management*—defined as a company's ability to attract, develop, and keep talented employees—in this list of criteria acknowledges the role that employees play in the success of an organization. When a company has the right employees in place and properly develops and motivates them, the likelihood of sustaining a competitive advantage increases dramatically.

Managing Employees

This book is about managing employees—the people who make organizations successful. The talent that employees bring with them when they start work or acquire after getting hired plays a key role in determining what the company does and how well it does it. Consider the company GlaxoSmithKline. Its website indicates that the company's mission is to help people "do more, feel better, live longer." The business is focused on the delivery of three strategic priorities that aim to increase growth, reduce risk, and improve its long-term financial performance. The priorities are: (1) grow a balanced global business, (2) deliver more products of value, and (3) simplify the operating model.[2] Now, consider the type of employees this company must have to even begin to achieve its goals. Without the right employees, the company simply could not succeed. In addition to having the right talent, the company must make sure that it motivates its employees to work as hard as possible to contribute to the company's success.

Our goal for this book is to provide you with an understanding of how to attract, develop, motivate, and retain employees, and to equip you with the knowledge and skills that managers need to perform these activities. We also consider how organizations can leverage the talents of their employees in facing the challenges and opportunities that the external environment presents. We focus on both what organizations need to do now to achieve their goals through employees, and what organizations will need to do in the future to maintain and enhance a competitive advantage through the practices that they use to manage their employees.

What's in a Name?

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

Different organizations use different terms to refer to the members of their workforce. Disney has its *cast*, and Walmart employees are *associates*. Other companies use the terms *human resources* and *human capital*. While the terms used by companies may vary, we use the term **employees** to refer to the individuals who work for a company.

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

We use the term **line manager** (or **manager**) to refer to an individual who is responsible for supervising and directing the efforts of a group of employees to perform tasks that are directly related to the creation and delivery of a company's products or services. For many years, line managers had the responsibility for most, if not all, aspects of managing employees. As more employment-related laws were passed, however, many companies began to assign much of the responsibility for employee management to the **human resources department** (also called simply the **HR department**), a support function within companies that serves a vital role in designing and implementing company policies for managing employees. Over time, the role of HR departments expanded to include a wide variety of tasks, including record keeping and payroll, compensation and benefits, recruitment, selection, training, performance management, and regulatory issues. Now, however, companies are increasingly recognizing that managing employees is a key organization wide responsibility, not solely the responsibility of the HR department—and line managers are being held accountable for how effectively they attract, develop, and motivate the employees they oversee.[3] After all, managers are successful only if they are able to get the highest-quality work from their employees.

Of course, many companies still maintain HR departments, and the employees within HR departments serve an important role in company success. But, increasingly, managers must work with the HR department to design and implement HR practices that maximize the contributions of their employees. Smart managers understand that people matter, and without people, a company cannot begin to achieve its goals. As we look at some of the potential costs and benefits, you will begin to understand why managing employees is the job of every manager, not just the job of the HR department.

The Costs and Benefits of Managing HR

A company's **competitive advantage** is its ability to create more economic value than its competitors. A company achieves this outcome by providing greater value to a customer relative to the costs of making a product or providing a service.[4] Historically, companies focused on achieving a competitive advantage by holding protected assets, having extensive financial resources, competing based on price, or benefiting from economies of scale.[5] Companies often considered employees as a cost to minimize rather than as a competitive advantage. After all, maintaining a workforce is one of the largest fixed costs for most organizations. In addition to compensation costs, employers incur costs as a result of the time and effort needed for activities such as recruiting, hiring, training, evaluating, mentoring, coaching, and disciplining employees.

employees

individuals who work for a company

human resources practices (HR practices)

the practices that a company has put in place to manage employees

line manager (manager)

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

human resources department (HR department)

a support function within companies that serves a vital role in designing and implementing company policies for managing employees

competitive advantage

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

Increasingly, companies are recognizing that employees and how they are managed may prove to be as important to competitive success as other organizational attributes. When employees are mismanaged, they may not be able or willing to work toward organizational goals. If employees do not have the necessary skills for their jobs and are not provided the training to succeed, they may not know how to work effectively or efficiently which leads to lower performance and greater costs to the company. How employees are managed also influences their attitudes and behaviors.[6] Employees who feel undervalued or underappreciated will not expend as much effort in performing their jobs.[7] Unhappy or unmotivated employees may be less likely to be responsive to customer needs, which can cost the company customers.[8] Mismanaging employees may lead to higher levels of employee turnover and absenteeism[9] or even sabotage,[10] all of which can have both direct and indirect costs for the organization. An employee who is not properly trained to do a hazardous job may make mistakes that lead to injury for the worker and a lawsuit for the company.

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

Given what we know about the outcomes of effective management, many companies increasingly view employees as an asset rather than just a cost to control. These companies know that employees are a potential source of competitive advantage and that their talents must be nurtured.[14] In fact, many companies now emphasize the value of employees to the company directly on their websites. Cigna, a company that provides employee benefits, state on its Careers website: "Cigna is a global health service company, dedicated to helping the people we serve improve their health, well-being, and sense of security. Cigna serves its customers with nearly 35,000 dedicated employees worldwide. When you work at Cigna, you can count on a different kind of career. Work with us, and you'll make a difference, deliver results, and share in the reinvention of health care. Cigna understands and nurtures your individual strengths to help you achieve what matters most to you in your life."[15] This company recognizes that when employees are managed effectively, they can be an important source of competitive advantage.

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

Framework for the Strategic Management of Employees

Have you ever tried to assemble a jigsaw puzzle without the picture on the box? You have all these odd-shaped little pieces of colored cardboard, but no clear idea of how to start putting them together. For many managers, knowing how to hire employees, give them performance feedback, and decide on pay raises feels much like trying to complete that puzzle without the picture. Just as soon as the manager begins

to feel as if she has a handle on some of these aspects of employee management, changes occur in the business environment. Maybe new technology or new laws emerge, and the manager begins to feel like the shapes of the pieces have changed.

The framework that we introduce in this chapter and use throughout the book (Exhibit 1.1) is like the guiding picture on the puzzle box. It shows the relationship between the organization's context, both external and internal, and the HR activities that the organization needs to use to manage employees to achieve its ultimate goal: competitive advantage. By understanding the relationships among these components and how the HR activities build on each other, managers can equip and position employees to maximize their contribution to company performance, which in turn creates competitive advantage. The picture of the puzzle does exist, and it helps managers put together the pieces.

Exhibit 1.1 shows that the strategic management of employees centers around three categories of HR activities. These activities occur within the context of three main HR challenges. The **primary HR activities** are:

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

primary HR activities

encompass work design and workforce planning, managing employee competencies, and managing employee attitudes and behaviors

EXHIBIT 1.1
Framework for the Strategic Management of Employees
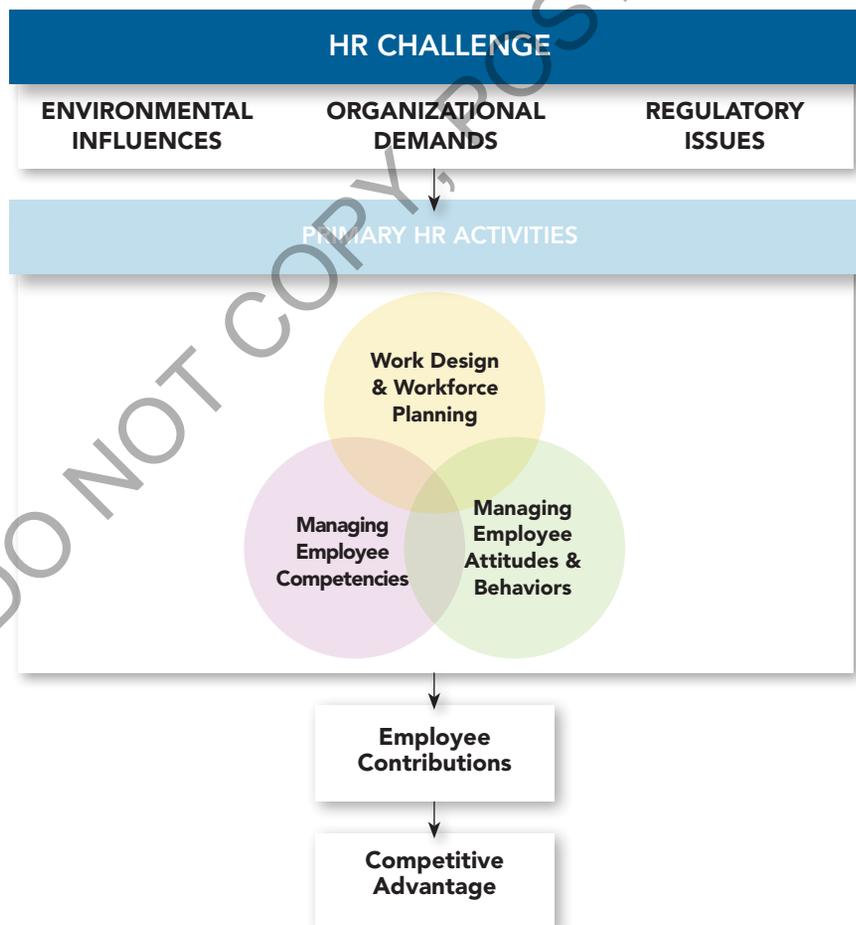
HR challenges

challenges that managers must consider in the management of employees that relate to organizational demands, environmental influences, and regulatory issues.

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

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

We discuss these primary HR activities and HR challenges in more detail in the following section. Regulatory issues are so critical to employee management that we devote a full chapter to discussing them (Chapter 3).

Primary HR Activities

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

Work Design and Workforce Planning

Work design and workforce planning are two critical components of managing employees. Managers must design jobs in a way that ensures that employees perform tasks and responsibilities that have the most potential to add value to the company. Managers also must engage in workforce planning to make sure that the right people are in the right place in the company, at the right time, to meet company goals.

Job Design and Job Analysis

Job design involves deciding what employees will do on a day-to-day basis, as well as how jobs are interconnected. In part, job design is a function of the tasks that employees are expected to perform. However, job design also represents the choices

EXHIBIT 1.2

Primary HR Activities

Work Design and Workforce Planning

Managing Employee Competencies

Managing Employee Attitudes and Behaviors

that managers make regarding how those tasks are to be carried out. There are many different ways to design jobs.

Some employees work on an assembly line, others work in self-managed teams, and still other employees work in relative isolation. Managers may design similar jobs in different ways in different companies—no single design fits all situations. Think about how the job of an accountant in an accounting firm might differ from the job of an accountant in a retail store chain, or how the job of a marketing manager might differ in a professional services firm from the job of marketing manager in a manufacturing firm. In both examples, many of the tasks will be the same, but the importance of those tasks for company success and how the jobs are performed will differ. Job analysis is used along with job design to ensure there is a clear understanding of job tasks and job specifications. The primary goal of job analysis is to gain a clear understanding of what tasks, duties, and responsibilities are expected to be performed in each job for use in developing a job description.

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

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

The choices managers make about the tasks that employees perform and how they are expected to perform those tasks have several important implications. From a company perspective, when jobs are designed to align tasks with company objectives, employees in those jobs are in a position to add value and increase company success. If managers do not consider company objectives in job design, employees may unknowingly focus on tasks and activities that are not necessarily the most important. From an employee perspective, job design influences employee satisfaction, as well as intentions to remain with the company.[16]

Workforce Planning

The number of employees in different parts of an organization is always changing. Factors such as employee turnover and company growth challenge managers to make workforce planning decisions to maintain the necessary number of employees.

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

Some companies hire full-time employees or promote current employees to address a growing demand for products or services; other companies turn to outsourcing and send work to other companies, often in other countries, or use other forms of labor such as contingent workers, temporary employees, and independent contractors.[17] At last count, there were 5.9 million contingent workers (defined as workers who do not expect their jobs to last or who report that they have temporary jobs) and another 15.5 million workers in alternative work arrangements (independent contractors, on-call workers, temporary help employees, and workers provided by contract firms).[18] This number

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is expected to continue to increase with the emergence of the technology-enabled gig economy. Companies such as Uber, Lyft, TaskRabbit, and Freelancer, with technology platforms that match people willing to supply labor or work on a short-term engagement with those looking for someone to perform a short-term task or service, are creating a new source of work for independent contractors, or "gig workers", as they are now called.

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

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

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

Managing Employee Competencies

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

competencies

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

Recruitment

Recruitment refers to the process of generating a qualified pool of potential employees interested in working for your company or encouraging individuals within your company to pursue other positions within your company. The challenge with recruitment is having a clear understanding of the competencies needed to succeed in a job and designing a strategy for identifying individuals in the labor market who possess those competencies and who would be a good match for the organization's culture and goals. Identifying a potential chief executive officer (CEO) or an individual with rare scientific skills, for example, requires a different recruitment approach than identifying people who could fill a clerical or assembly-line job vacancy. Placing an advertisement for a job opening in the local newspaper is not likely to maximize a company's opportunity to identify a good CEO. Similarly, placing an advertisement in the *Wall Street Journal* is not likely to be an efficient way to identify individuals for a janitorial position. Where and how companies recruit influences the type and quality of candidates who respond to a job opening. Management has to create an employee value proposition that will attract the right individuals to apply for the open positions. A *recruitment value proposition* addresses the question: "Why would someone want to work for this company?"[19] Some key issues to address in creating a recruitment strategy are:

- For what competencies do you recruit?
- What groups do you target with your recruitment message?
- Do you recruit internally, externally, or both?

- How do you ensure that you offer an employee value proposition that will attract the right applicants?

Selection

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

Once a company has made a selection decision, it has made a commitment to an individual. Considering the time, money, and energy spent recruiting and selecting new employees, managers need to ensure that selection decisions are based on sound reasoning and do not violate employment laws. Some of the key issues in making selection decisions are:

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

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

Learning and Development

Recruitment and selection focus on finding and choosing the right person for the job. *Learning and development* ensure that new and current employees know the ins and outs of the organization and have the skills that they need to succeed, both now and in the future. Training is part of learning and development. Even when a company successfully hires employees who have a great deal of potential, the employees are still likely to need training, depending on the company's needs. Employees also need to learn about the company itself, its culture, and the general way that it operates.

Beyond new hires, many other situations warrant training for both new and current employees. All employees may need to learn how to use new technology effectively and safely, and the decision to merge with another company may require employees to learn new procedures. Beyond training for the needs of a particular job, companies engage in training activities to develop individuals for future positions. Doing so requires the foresight to identify employees who may potentially fill positions throughout the organization and then engaging in activities to provide them with the skills that they will need to be able to move into those positions when the vacancies emerge.

Given the time, cost, and effort required to build employee competencies, it should come as no surprise that companies place great emphasis on these processes.

If companies are going to work hard to select the right people, it is important that they focus on providing employees with the specific know-how that they need to be successful in their current position, as well as potential positions that they might assume. Some of the important decisions in training are:

- How do you know which employees need to be trained?
- How do you design an effective training program?
- Which training methods are most effective to meet your needs?
- How do you know if your training efforts have been successful?

Managing Employee Attitudes and Behaviors

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

Performance Management

Many managers may think that performance management is simply sitting down with an employee once a year to discuss her or his performance during that time. The manager may review an evaluation form with the employee to rate her or his performance on certain items and then use those ratings to discuss appropriate merit raises and possible promotions. But good performance management is more complex than that. Much like with incentive systems, which we discuss next, the criteria that managers use to evaluate their employees need to represent the attitudes and behaviors managers expect of their employees. When managers clearly communicate performance criteria, employees are more likely to have a good understanding of the steps that they need to take to achieve successful job performance. When these performance criteria are aligned with organizational goals, managers and employees become more confident that they are focusing their efforts on important activities.

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

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

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

Compensation and Incentives

A company's compensation system exerts a strong influence on the attitudes and behaviors of employees because it sends a message regarding the employees' value to the company. If employees feel that their company does not value them, they may not work as hard as possible. Instead, they may search for other employment opportunities. In contrast, if employees feel that their company compensates them at a fair level for the job that they perform, they are more likely to work harder to help the organization meet its goals.[20]

In addition to compensation in the form of base pay, a rewards and incentives system shows employees how managers expect them to focus their time and energy. Some companies are more likely to reward seniority, while others may emphasize performance-based pay. Even among companies that reward their employees based on performance, the criteria may differ. Companies may value efficiency, creativity, knowledge sharing, and teamwork. Lincoln Electric's incentive system, for instance, is geared toward rewarding productivity, whereas 3M's incentive system places greater emphasis on creativity and new product design.[21] The incentive systems of these two companies differ because their employees add value in different ways. The size of an incentive is also an important indicator of how a firm values a particular activity or level of performance.

Some of the key questions when designing incentive systems are:

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

Employee Benefits, Health, and Wellness

The last piece of managing employee attitudes and behaviors is managing benefits, health, and wellness. Some companies offer benefits in an attempt to help recruit, select, and retain employees. Think about that for a second. Would you be more willing to work for a company that had an attractive benefits program that included coverage for dental care, vacation time, tuition assistance, and the like, or a company that did not offer these practices? In addition to serving as a recruitment or a retention tool, benefits may help ensure the health and well-being of a company's workforce. Considering the value-creating potential of employees, it is only logical that companies help ensure that employees are able to work effectively over time.

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

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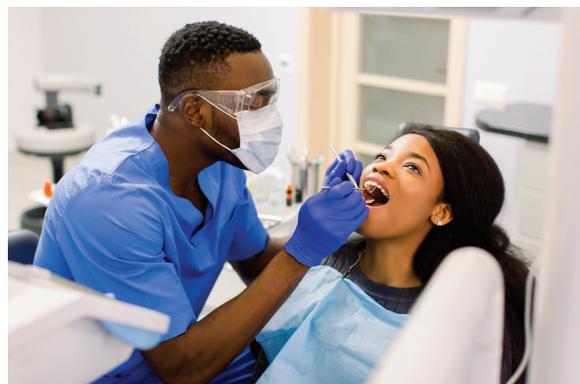
SofikoS/Shutterstock

- Which benefit programs are most appropriate for your workforce?
- What are the legal requirements regarding benefit programs?
- How can you ensure the safety of your employees?

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

HR Activity Alignment

alignment

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

internal alignment

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

Each of the three HR activities described is critical, but none is effective in isolation. Work design and workforce planning, managing employee competencies, and encouraging the right employee attitudes and behaviors must align with each other to be effective.[22] When we discuss **alignment**, we are describing the extent to which HR activities are designed to achieve the goals of an organization.

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

EXHIBIT 1.3

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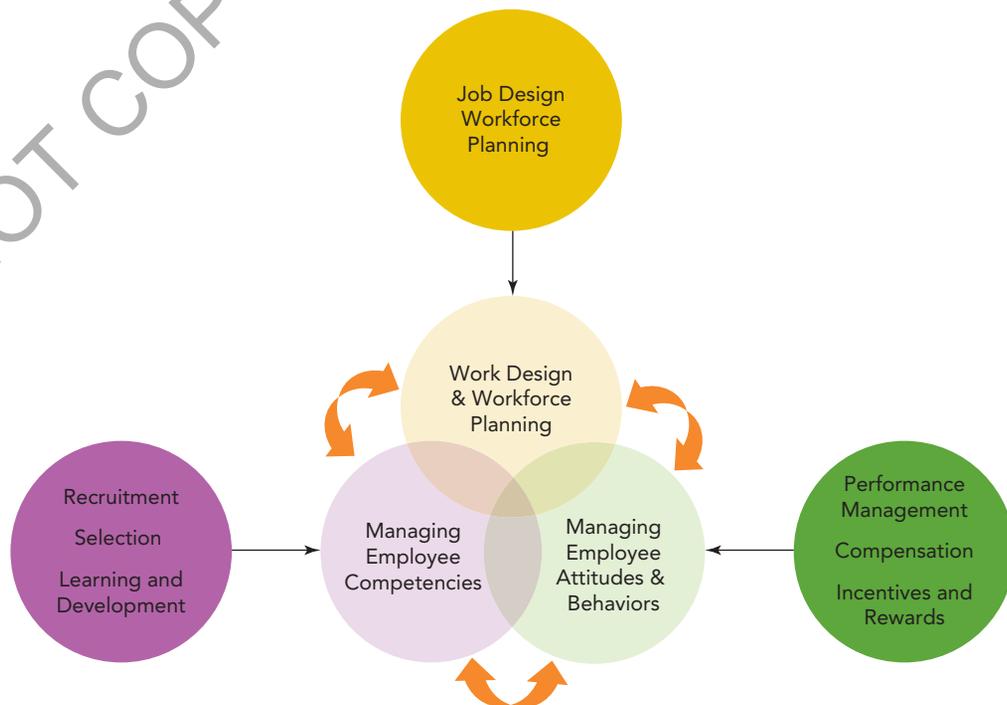
- If employees know the goals of the organization and are motivated to work toward those goals, but do not possess all the competencies to do so, the results will be diminished employee performance and reduced organizational productivity.
- If employees possess the competencies that they need and know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

In addition to internal alignment, you must achieve **external alignment** by ensuring that the design of the three primary HR activities takes into account the HR challenges that companies face. We discuss these challenges next.

HR Challenges

We have already discussed how managing employees in different contexts presents unique challenges. Let's take a look at these challenges in more detail. Internal factors, including company characteristics, strategic objectives, organizational culture, and employee concerns of the workforce, vary across organizations. Also, environmental factors outside the company, including competitive and regulatory forces, are constantly changing. The variety of internal and external forces affecting a company, and the challenges they pose, are briefly introduced next. In Chapter 2, we discuss internal organizational demands and environmental influences in more depth; and in Chapter 3, we focus on regulatory issues.

Challenge 1: Meeting Organizational Demands

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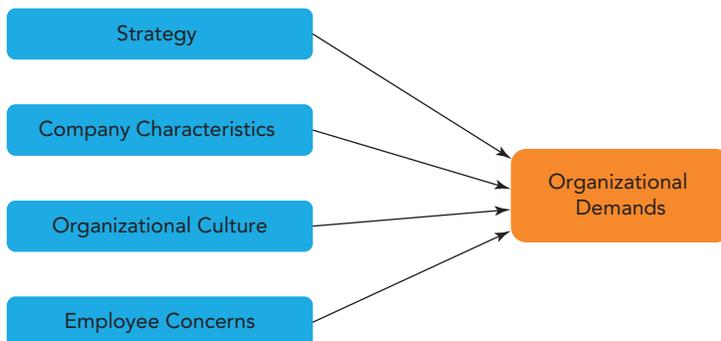
Strategy

A company's **strategy** is its plan for achieving a competitive advantage over its rivals. Strategy drives the activities that a company performs to attract and retain customers relative to its competitors.[24] Companies realize a competitive advantage

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

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

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

EXHIBIT 1.4
Organizational Demands

when they implement a strategy that has value for customers and that rival firms are unable to duplicate.[25]

Companies have a wide range of strategies from which to choose.[26] A company may strive to become the low-cost leader in an industry, or it may strive to sell some unique product or service that differentiates the firm from its competitors and commands a higher price. A look at the retail industry provides a good example of these differences. Walmart is the low-cost leader in the retail industry and outperforms its competition by having the lowest costs in the industry. On the other hand, Nordstrom's strategy focuses on providing a high level of customer service under the theory that people will pay more for goods if the service is exceptional. While both companies operate successfully in the retail industry, they pursue distinctly different strategies for how they compete with their rivals.

The strategy that a company chooses influences the types of jobs that must be performed to meet its objectives and, consequently, influences its primary HR activities.[27] A company with a low-cost strategy is likely to have different expectations and objectives for its employees than a company with a strategy emphasizing customer service or creativity.[28] By shaping how employees work and add value, a company's strategy also affects the competencies that employees in those jobs must possess, as well as the specific attitudes and behaviors they need to display. Consider the food service industry. The tasks that employees perform in a four-star restaurant, in which service, ambience, and excellent quality are likely the focus, are very different from the tasks that employees perform in a local diner or a fast-food establishment in which speed and price are the focus. The strategies of these types of companies vary, resulting in differences in the required competencies, attitudes, and behaviors of employees. Strategy is a key influential factor for managers as they carry out the primary HR activities. As with all the other HR challenges, we will cover strategy in each chapter throughout this book.

Company Characteristics

Companies differ in size and stage of development. Whether a company has a handful of employees or millions, it must manage its employees. However, the challenges associated with managing employees correspond (at least in part) to the size of the organization. Smaller businesses often do not have the same amount and type of resources as larger companies, and they may not be in a position to provide the same level of pay, benefits, and training opportunities. Size also influences the degree of autonomy and discretion that managers may expect employees to display in their jobs. As a result, the competencies that employees need in small companies versus large ones may differ. Companies also vary in terms of their stage of development. As you might imagine, the pressures of managing employees in a young start-up company are likely to differ from those in mature organizations striving to protect their market share.[29]

As we discussed earlier, the way a job is designed depends on the industry. Differences in job tasks also vary based on company size. An accountant in a small firm probably will handle all aspects of the firm's accounting, including accounts payable and accounts receivable. In a large firm, she will likely handle only one aspect of the job (perhaps accounts payable), and then the accounts of only a few vendors. Employee attitudes and behaviors also can have different consequences for companies of differing sizes. A high- or low-performing employee in a small company is likely to have a much more direct influence on the company's success than one in a company that has thousands of employees.

Organizational Culture

Organizational culture is the set of underlying values and beliefs that employees of a company share.[30] What is particularly interesting about organizational culture is that it is unwritten, yet understood and often taken for granted. Each organization has a distinct culture that represents the beliefs of the company's founders, decisions of its top managers, types of people who work in the company, and environment in which the company operates.

Culture influences how employees do their jobs, how managers and employees interact, and the acceptable practices for executing primary HR activities. A positive culture can be a tremendous asset to an organization.[31] When a culture is positive and consistent with the organization's objectives, employees are likely to have a clear understanding of what they need to do in their jobs to contribute to the company's goals and to have a willingness to engage in those activities. Such a culture can also be a strategic asset in attracting and retaining employees.

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

Employee Concerns

Timely address of employee issues and concerns is a critical component in a company's success. Employees may experience the stress of single parenting, caring for aging parents, or juggling schedules with an employed spouse. Successful companies are helping employees find a balance between the demands of work and their personal lives. Many companies now offer more flexibility, including flexible work schedules, family-friendly benefits, and telecommuting, to address this growing need. For example, Unilever permits its 100,000 employees, with the exception of factory production workers, to work anytime, anywhere, as long as they meet business needs.[32]

Challenge 2: Environmental Influences

Environmental influences are pressures that exist outside companies that managers must consider to strategically manage their employees. Exhibit 1.5 highlights the point that managing these influences requires tracking labor force trends, taking advantage of technological advances, addressing the globalization of industries, and meeting social and ethical obligations.

environmental influences
pressures that exist outside of companies that managers must consider to strategically manage their employees

EXHIBIT 1.5
Environmental Influences
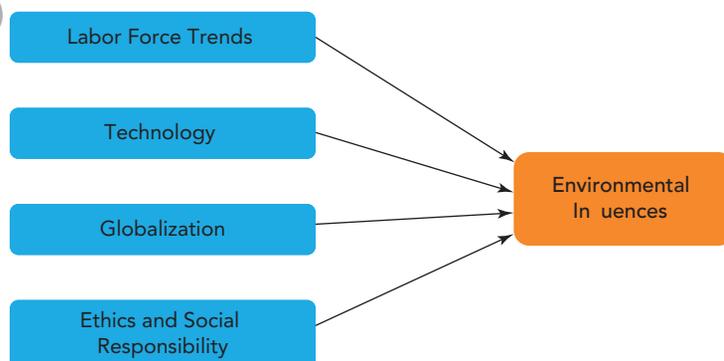
Labor Force Trends

According to the Bureau of Labor Statistics (BLS), the labor force is increasingly diverse, especially in terms of the number of women and minorities and the age of the labor force. The number of women in the labor force is expected to grow by 7.1% between the years 2018 and 2028.[33] Similarly, while white, non-Hispanics are projected to remain the largest group in the labor force, the two fastest-growing groups are Hispanics and Asians.[34] The size of the labor force in the 55-and-older age group is increasing faster than the rest of the workforce.[35] In 2028, those aged 55 and older will make up nearly 25.2% of the U.S. labor force, up from 23.1% in 2018.[36] For some companies, these older workers represent a potential source of highly qualified applicants often overlooked by other employers.

The changing composition of the labor force influences the primary HR activities in several ways. A diverse workforce requires that managers reevaluate how they recruit and select individuals to make sure that any potential for direct or indirect discrimination is eliminated. Further, employers need to educate employees about the value that different backgrounds and perspectives can bring to organizational performance and create an inclusive climate in the workplace. By directly addressing diversity issues, companies are more likely to capitalize on the many benefits associated with a diverse workforce.[37] Google, in an effort to increase gender diversity in its technology and leadership ranks and to build a more inclusive culture, has voluntarily released demographic data about its workforce each year.[38] Most companies have kept this information confidential for fear of being targeted for a discrimination lawsuit. Google's former senior vice president of people, Lazlo Bock, however, thought that bringing greater transparency to the lack of diversity in the technology industry might help spur change.[39] In the years since, Google has made progress, but change has been slow. Their 2020 report shows that although women make up 32% of their workforce, only 23.6% are in technology jobs, up from 16.6% seven years ago. Unfortunately, progress has been slow for increasing the number of Black, Hispanic and Latino employees.[40] In a surprising twist, however, Google's diversity efforts have come under fire from an unanticipated source: white male former employees alleging discrimination at Google, whose workforce is 68% male, 51.7% white, and 41.9% Asian.[41] Google's experience illustrates how aligning HR activities with labor-force trends is an HR environmental challenge not to be underestimated.

Technology

Technology continues to shape the nature of competition. The increasing prominence of the Internet and information technologies (IT) has considerable implications for how employees function within companies. Many employees today must possess a basic level of computer proficiency to perform their jobs. IT has created new avenues for how employees interact, share information, and learn from one another.[42] In addition, technology has created challenges in terms of privacy issues and has increased the potential for employee misuse.

Advances in IT also have changed how we think about work. Not long ago, it was important to live within a reasonable distance of one's job. Today, technology allows a firm's employees to live anywhere in the world. As a result, companies enjoy a larger pool of potential employees, and workers experience a wider variety of potential employers.[43] JetBlue allows its reservation agents, many of whom are trying to balance work and family demands, to work from home. They may live hundreds of miles from JetBlue's headquarters, but they work and contribute to the company as if they were physically located in the headquarters.[44] Of course, managing a virtual workforce introduces new challenges regarding staffing decisions, performance evaluations, and learning and development, as we will explore in later chapters.[45]

Globalization

An increasingly significant factor companies face in today's environment is the increased **globalization** of industries—the blurring of country boundaries in business activities. Many companies are actively competing on an international level, setting up production or service facilities in other countries, or establishing international joint ventures and partnerships. Companies that still operate primarily in domestic markets often find themselves competing with international companies. To some extent, all companies operate in a global arena, which creates challenges and opportunities in terms of managing employees.

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

Another challenge in globalization today is **offshoring**—sending work that was once performed domestically to companies in other countries, or opening facilities in other countries to do the work, often at a substantially lower cost.[46] Many companies have offshored some work to India, China, and the Philippines to take advantage of excess labor and low labor costs, and a recent report indicates that 23% of surveyed organizations outsource work internationally.[47] Making the decision to offshore jobs has become more complicated lately, however, with rising wages in emerging economies, particularly in India and China, coinciding with the rapidly decreasing costs of robots and automated factories in the United States.[48] Indeed, a newer trend is for foreign companies to acquire and expand manufacturing plants in the United States. For example, Lenovo decided to keep a manufacturing plant in North Carolina's Research Triangle Park that it had acquired from IBM because the location boasts competitive costs, highly skilled workers, and a business-friendly environment.[49]

globalization

the blurring of country boundaries in business activities

offshoring

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

Ethics and Social Responsibility

Every company operates in a social environment based on implicit and explicit standards of ethical behavior and social responsibility. The importance of ethical behavior has gained renewed prominence in recent years as a result of the widely publicized unethical behavior of companies such as Equifax, Uber, United Airlines, Wells Fargo, and Volkswagen. Financial performance may be critical, but, increasingly, companies and their managers are being held accountable for ethical behavior.[50] The problem is that ethical standards are not always clear. To address these ambiguities, many companies, such as Lockheed Martin, Texas Instruments, Raytheon, and GlaxoSmithKline, have implemented formal policies and procedures to help their employees act ethically. For example, Lockheed employs a large group of ethics officers and requires that all its employees attend ethics training each year.[51]

Beyond ethics programs, many companies are also taking steps to demonstrate enhanced levels of social responsibility. For example, Starbucks has garnered considerable attention by going above and beyond its legally required responsibilities to provide a work setting that places a strong priority on taking care of its employees. Even small companies in an emerging economy can flourish economically by being socially responsible.

Challenge 3: Regulatory Issues

Regulatory issues present the challenge that has probably had the most direct influence on the management of employees. During the past 50 years, many U.S. presidential executive orders, as well as much federal, state, and local

legislation, have been specifically concerned with the employment process. At a basic level, legislation describes what is legally acceptable in the employment process and focuses on protecting the rights of individuals to have an equal opportunity to enjoy the benefits and privileges of employment.

The challenge with regulatory issues is that the influence of legislation on employment is very broad, and the interpretation of these laws continues to evolve. Moreover, legislation is continually introduced that broadens existing statutes and creates new ones. The Americans with Disabilities Act of 1990 (ADA), for example, provides specific guidelines and provisions regarding the treatment of individuals with disabilities in employment situations.[52] This law covers management-related activities such as interviewing, selection, promotion, job design, access to training opportunities, compensation and benefits, and even layoffs. The ADA is only one of the many laws and executive orders that influence the management of employees in direct and indirect ways. Other laws, such as Title VII of the Civil Rights Act of 1964, the Occupational Safety and Health Act, and the Civil Rights Act of 1991, have important implications for how companies manage their workforce.

When a company fails to comply with legal requirements, it is at risk of considerable costs. For example, in a very high profile case that led to the resignation of its longtime news chief, Roger Ailes, Twenty-First Century Fox Inc. reached a $90 million settlement of shareholder claims arising from the sexual harassment of female employees at its Fox News Channel.[53] In another high profile case, the Weinstein Company, once seen as "a crown jewel of moviemaking," said it would file for bankruptcy in the aftermath of sweeping allegations of sexual harassment and unlawful sexual misconduct perpetrated by its founder and CEO, Harvey Weinstein.[54] Both examples illustrate the significant financial penalties, debilitating damage to a company's reputation, and the diminished morale and productivity associated with the failure to address regulatory requirements. Consequently, given the breadth of influence that the legal environment has on the management of employees, this is a critical area for managers to understand. In Chapter 3, we focus on the major employment-related laws and executive orders that affect the management of employees.

Impact of COVID-19 on Human Resource Management Practices

The novel coronavirus pandemic affected the practice of human resource management more than any other single event in recent history. After its start in Wuhan, China, in late 2019, the virus moved quickly around the world over a matter of months. Employers in countries hardest hit by the virus had few choices. They could do one or a combination of the following:

- Continue with business as usual, risking employees contracting the virus and spreading it to others in the company
- Expand work-from-home options to all employees whose jobs could be performed in that way
- Close for some time until the virus was no longer a threat.

Federal, state, and local regulations often influence the choice about which option to take. States that issue shelter-in-place orders allow essential businesses to remain open. But these businesses still need to quickly make decisions about whether or not to try to mitigate the spread of the virus in the workplace, and how to assess the potential liability of not doing so. An accompanying concern for businesses that remained open or opened before the virus was under control was the associated

healthcare costs for workers who became ill and the still unknown long-term effects of the virus on employee health and healthcare costs.

Expanding work-from-home options to as many employees as possible meant an organization could continue to operate without the risk of having employees together in various work locations. Companies that implemented work-from-home practices incurred the costs of providing the right equipment and training for employees to be able to work effectively. Companies that already had large numbers of employees working remotely were better equipped for this transition, so incurred fewer costs. Still, these companies also had to make decisions about what to do with employees whose jobs could not be done well remotely.

The risk of COVID-19 requires all organizations of all types and sizes to make decisions about layoffs or furloughs. Decisions include which employees to lay-off or furlough, and what benefits or severance payments employees should receive as they exited the company. Other businesses, such as restaurants and hotels, experienced sharp drops in revenue and had no choice but to lay-off or terminate employees.

Overall, navigating the COVID-19 pandemic has included managing unique environmental influences, organizational demands, and regulatory issues. Amid those challenges, employers still need to address workforce design and workforce planning, managing employee competencies and managing employee attitudes and behaviors. As the pandemic slows, employers still face greater challenges in some of these areas than in others. For instance, workforce design and workforce planning decisions needs to consider whether to continue remote work arrangements for a large portion of the employee group, whether or not to fill all jobs that existed before the pandemic, and when and which employees to bring back to the workplace. Managing employee competency issues includes addressing whether or not employees who returned to work have the knowledge, skills, and abilities to perform their jobs in a post-pandemic workplace and how to provide learning and development if they do not. Last, managing employee attitudes and behaviors includes redesigning the performance management process if more employees are to continue working remotely, as well as revisiting compensation structures and incentives to address changes in the employer's financial situation resulting from the pandemic.

That said, the principles of human resource management for competitive advantage still apply, whether in a pandemic environment or not. Repeating that fact throughout the book would become tiresome, so we have chosen to make that point only in this first chapter instead of repeating it throughout the book.
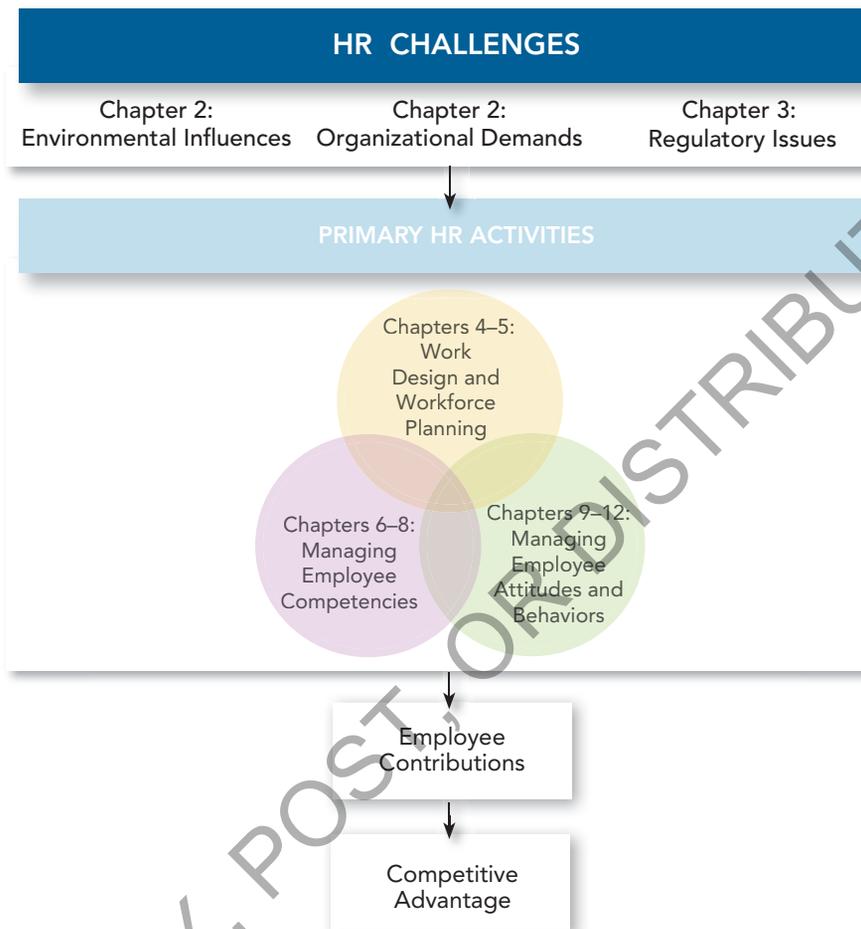
The Road Map for This Book

Before moving on to the remaining chapters, it is important to have a clear road map of where we are heading and why we are heading there, much like having the picture to help put the jigsaw puzzle together. The plan for this book is to explore the primary HR activities in detail. First, though, we will focus on the three sets of HR challenges to help you recognize the dynamic context of organizations so that you will understand how to strategically manage employees. We will reference the overarching framework for this book, first introduced in Exhibit 1.1, throughout each chapter as we explore the interrelationships among the HR activities, HR challenges, and organizational goals. Exhibit 1.6 shows how the chapters fit within the framework.

The following is a brief overview of the chapters to come.

EXHIBIT 1.6

Chapter Overview

HR CHALLENGES

Chapter 2: Environmental Influences	Chapter 2: Organizational Demands	Chapter 3: Regulatory Issues

PRIMARY HR ACTIVITIES

Chapters 4–5:
Work
Design and
Workforce
Planning

Chapters 6–8:
Managing
Employee
Competencies

Chapters 9–12:
Managing
Employee
Attitudes and
Behaviors

Employee
Contributions

Competitive
Advantage

Chapters 1–3: HR Challenges

As noted previously, effectively managing employees requires that managers have a firm understanding of how the organizational, environmental, and regulatory issues influence companies. In Chapters 1–3, we focus on these three sets of HR challenges.

Chapters 4–5: Work Design and Workforce Planning

In Chapters 4–5, we focus on the nature of work and allocating people throughout a company to maximize the contributions of employees to company success. In doing so, we explore the viability of alternative types of job designs to meet different organizational goals, how to use job analysis to help ensure that employees' jobs focus directly on achieving important organizational objectives, and how to balance the supply and demand for employees throughout organizations.

Chapters 6–8: Managing Employee Competencies

In Chapters 6–8, we explore various options for building and maintaining needed competencies for different jobs. We focus on how to use recruitment and selection to identify and choose the right people for the unique needs of the organization. We

also focus on how to use learning and development to translate employee potential into functional competencies.

Chapters 9–12: Managing Employee Attitudes and Behaviors

In Chapters 9–12, we focus on how to encourage and motivate employees to focus their efforts on contributing to important organizational objectives. We focus on performance management systems and emphasize how to evaluate, appraise, and develop employees to increase their contributions; how compensation systems are established and which are most appropriate in different circumstances; how to establish incentive and reward systems to encourage continued employee effort toward important objectives; and how to design benefits, health, and wellness programs to meet employees' needs.

Chapters 13–14: Special Topics

In Chapters 13–14, we focus on two additional topics associated with the strategic management of employees. Beyond the HR challenges, managing employees who are covered under collective bargaining agreements introduces important issues about how unions work, the unionization process, legal aspects of labor relations, negotiating collective bargaining agreements, and managing the labor agreement. We take a closer look at these issues in Chapter 13. In Chapter 14, we explore the specific issues associated with reaching alignment among the primary HR activities, as well as between the primary HR activities and the HR challenges to create high-performing organizations. We also focus on how to measure the impact of alternative decisions regarding the primary HR activities to continually improve the strategic management of employees.

SUMMARY

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

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

When companies are able to leverage the talents of their workforce, they are more likely to achieve competitive advantage. However, this is not an easy task. Managers must make sure that the tactics they use within the three primary HR activities are in alignment. The context of a company's strategy, characteristics,

and organizational culture also must be kept in mind. In addition, managers must consider the concerns of their workforce. Beyond organizational demands, the strategic management of human resources requires managers to anticipate and take steps to meet the environmental influences associated with labor-force trends and advances in technology. Finally, the design and implementation of the primary HR activities must be done in a manner that is in compliance with legal requirements.

KEY TERMS

alignment
competencies
competitive advantage
employees
environmental influences
external alignment
globalization
human resource (HR) challenges
human resource (HR) department

human resource (HR) practices
internal alignment
line manager (manager)
offshoring
organizational culture
organizational demands
primary human resource (HR) activities
strategy

DISCUSSION QUESTIONS

1. How does managing employees contribute to a company achieving a competitive advantage?

2. Given the importance of employees for a company to sustain a competitive advantage, why do you think so many companies have engaged in layoffs, outsourcing, and offshoring of work to other countries?

3. What does it mean to strategically manage employees?

4. Identify and explain the three primary HR activities.

5. Which of the three primary HR activities is most challenging? Why?

6. Discuss the management practices associated with each primary HR activity.

7. Some people think that there are certain practices for managing employees that are always beneficial for companies, while others maintain that the best practices depend on the circumstances of each company. Which approach do you think is right? Why?

8. Which of the environmental influences identified in this chapter is most important for managing employees in a company pursuing innovation? What about a company with a strategy emphasizing low costs or customer service? How does a company's strategy influence the importance of different environmental influences?

9. Discuss how regulatory issues influence the management of employees.

LEARNING EXERCISE 1

Now that you have read about how companies differ, and how those differences can affect employee management practices, here's a chance for you to begin applying those concepts. Lockheed Martin and Panera Bread are two very different, and very successful, companies. Lockheed Martin is an advanced technology company and a major defense contractor, while Panera Bread is a fast-expanding bakery-café chain.

Lockheed Martin was formed in 1995, when two major defense contractors, Lockheed Corporation and Martin Marietta Corporation, merged. The corporation reported net sales of $51 billion in 2017. Net income from continuing operations (excluding the impact of the Tax Cut and Jobs Act) were $3.9 billion, and cash

from operations amounted to \$6.5 billion.[55] Clearly, the corporation is doing well. Lockheed's vision statement is, "Be the global leader in supporting our customers' missions, strengthening security, and advancing scientific discovery." [56]

Panera was founded in 1981 as Au Bon Pain, Inc. In 1993, the company bought St. Louis Bread Co., and in time it changed its name from St. Louis Bread to Panera Bread. Because of the success of Panera, in May 1991, the company sold all the Au Bon Pain, Inc., business units except Panera Bread and then changed the name of the company itself to Panera Bread. The rest, as they say, is history. Annual sales now exceed \$5 billion. Panera Bread's mission statement is simple: "A loaf of bread in every arm."[57]

Visit the websites of Lockheed Martin Corporation (www.lockheedmartin.com) and Panera Bread (www.panerabread.com). Use the information provided in the "About Us" section and other parts of each company's website to answer the following questions.

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

LEARNING EXERCISE 2

What exactly does it mean to be a manager? This may seem like an innocent question. But do you really know? Throughout this chapter, we have discussed many of the tools that managers have at their disposal for managing their employees. For this exercise, interview three managers and ask them how they spend their time. Then answer the following questions.

1. What does it mean to manage employees?
2. What aspects of each manager's job create the most challenges?
3. Compare the responses that you get from the three managers with the primary HR activities discussed in this chapter. What role do these managers play in work design and workforce planning? Managing employee competencies? Managing employees' attitudes and behaviors?

CASE STUDY 1: THE NEW JOB

After graduating from school, you are fortunate to receive an offer as an assistant manager of a marketing department in a company located in New York City, working for a fast-growing company that provides marketing support for companies. Your department specializes in marketing strategies for the Internet and currently has 10 employees—you, your direct supervisor (the manager of the department), and 8 marketing associates. Your job is to help the manager lead the unit to develop long-term strategies for your unit, to maintain excellent customer service with your clients, and to strive to build future business opportunities. The marketing associates in your department work a very flexible schedule and are often off site, working with the clients at their locations to help develop marketing campaigns to improve their business presence and performance via the Internet.

After being on the job a short while, you realize that you need to create another position to help make sure that all the necessary work gets completed on time. Essentially, while you and your manager are focusing on the long-term interests of the department and the associates are working very hard to help the clients, many of the administrative aspects of the work are falling by the wayside. For example, no one is currently tracking accounts payable from clients or handling accounts payable to your service providers. As a result, you are spending time on these tasks that are beyond your job expectations. In addition, you are spending an increasing amount of time making travel arrangements, such as booking hotels and arranging transportation for your staff. After you talk with the manager of your unit, she agrees that something needs to change to allow you to devote your time to more of the strategic issues in the unit, and she permits you to create a new position to help out in your department. Your challenge now is to determine what this position will be.

Discussion Questions

1. What job would you create? Why?
2. What are the key tasks and responsibilities that this new employee would be expected to perform?
3. What are the employee competencies this position needs to be successful? Why?
4. What are your ideas for how you might design performance management, compensation, and incentives for this new position? Why?
5. Are there any particular challenges you would expect to encounter that would make successfully filling this position difficult? How would you overcome these challenges?

CASE STUDY 2: EMPLOYEES LOVE WEGMANS

Wegmans, a regional supermarket chain, exemplifies the value of strategically managing employees. While the average turnover rate for supermarkets is 26.8%, at Wegmans, turnover is much lower—it is 5%. In an industry that has not historically been known for generating intense employee satisfaction and loyalty, Wegmans stands out. But what is it about this supermarket that generates employee loyalty, productivity, and commitment from its workforce?

Wegmans' outstanding reputation allows it to be very selective in its hiring processes. Once employees are hired, Wegmans also does a good deal to enable employees to be successful both personally and professionally. Wegmans invests more than $50 million per year in providing its over 42,000 employees with many amazing training and development opportunities. On average, customer service representatives earn just over $31,500 in base pay and $3,000 in extra compensation per year. In addition to above-average compensation and training, Wegmans provides its employees with a generous work/life balance program that includes job sharing, compressed workweeks, and telecommuting. Both part- and full-time employees can participate in medical insurance and prescription plans, 401(k) retirement savings plans, dependent-care reimbursement plans, adoption assistance, and an employee assistance program. In addition, full-time employees enjoy access to dental coverage, life insurance, and personal days.[58]

Discussion Questions

1. Why do you think other regional supermarket chains haven't been able to achieve the same awards as Wegmans?

2. Thinking about the three primary HR activities, how do they affect employee loyalty and financial success?

3. Would the Wegmans approach to managing employees work in other companies? What types of companies are most likely to benefit from a similar approach to managing their workforce?

4. If you were going to compete against Wegmans, what would you do differently?