Chapter 1 Lecture Notes

**CHAPTER 1**

**AN INVESTMENT PERSPECTIVE OF HUMAN RESOURCE MANAGEMENT**

**A. OVERVIEW**

This chapter introduces the concept of treating human resource management processes, practices and procedures from a strategic point of view.  The skills and knowledge possessed by individuals can be valuable assets to any organization, and should be treated as such.  Organizations should understand how to value/measure and manage from an investment point of view all assets, including those related to their employees.  However, many factors can influence the investment orientation of an organization.  Understanding the risks and benefits to the organization of investing in human capital is of great importance.

**B. LECTURE OUTLINE**

1.   OPENING CASE - NORDSTROMS

A strategic competitive advantage for Nordstroms includes a successful human resource (HR) approach, involving heavy investment in their sales force of associates.  Nordstrom consistently produces above-industry-average profits and has continued to be profitable when its competitors have declined or fallen flat.

2.   INTRODUCTION

1.   The human element is often the most important element of performance.  Thus, appropriate resources and investments must be committed by any organization to facilitate systems for attracting, motivating and managing human resources.  Adopting a strategic view of HR involves considering employees as "human assets," and developing appropriate policies and procedures to manage them as valuable investments.

2.   See Exhibit 1-1: SOURCES OF EMPLOYEE VALUE

1.   Technical Knowledge

2.   Ability to Learn and Grow

3.   Decision Making Capabilities

4.   Motivation

5.   Commitment

6.   Teamwork

3.   ADOPTING AN INVESTMENT PERSPECTIVE

1.   Characterizing employees as human assets implies the strategic management of human resources should include considering HR from an investment perspective.

2.   Cost/Benefit basis should be used to evaluate HR actions

3.   Investment perspective toward HR assets facilitates their becoming a competitive advantage

4.   Technological advances, and other workplace changes, are creating new labor environments

5.   Managing Employees at *United Parcel Service* example

6.   Organizations need to develop strategies to retain employees long enough to realize an acceptable return on their investments in the employee.  This requires valuation of the employee as an asset, which can be difficult to do.

4.   VALUATION OF ASSETS

See Exhibit 1-2: TYPES OF ORGANIZATIONAL ASSETS/CAPITAL - from easiest to more difficult to measure

1.   Financial

2.   Physical

3.   Market

4.   Operational

5.   Human

5.   UNDERSTANDING AND MEASURING HUMAN CAPITAL

1.   Employees are a significant resource of the organization, thus contributions to the bottom line must be measured.

2.   Watson Wyatt Worldwide found the primary reason for organizational profitability is the effective management of human capital.

3.   Dyer and Reeves defined the HR " value chain," arguing performance could be measured via four different sets of outcomes: employees, organizational, financial and accounting.  See Exhibit 1-3: HR VALUE CHAIN

4.   Organizations must value HR practices and activities, particularly relative to accounting profits and firm market valuation.

5.   *Fortune*500 firms often evaluate HR in limited, non-monetary ways, including along dimensions of retention, turnover, corporate morale, and employee satisfaction

6.   Accounting practices tend to favor valuation methods stressing past and current asset value, while much of the value of humans lies in the future.  Thus, organizations must be future-oriented in valuing HR

7.   *Measuring Human Assets/Capital at Dow Chemical*example.

8.   Six step model of valuation

1.   Identify specific business problem that HR can impact

2.   Calculate actual cost of the problem

3.   Choose an HR solution that addresses all or part of the problem

4.   Calculate the cost of the solution

5.   After implementation, calculate the value of the improvement

6.   Calculate the specific return on investment (ROI)

9.   HR must provide senior level management with value-added human capital investments

6.   FACTORS INFLUENCING "INVESTMENT ORIENTATION" OF AN ORGANIZATION

See Exhibit 1-4: FACTORS INFLUENCING AN ORGANIZATION'S INVESTMENT ORIENTATION

1.   Management values

2.   Utilitarianism

3.   Attitude toward risk

4.   Availability of outsourcing

5.   Nature of employment skills

7.   CONCLUSION

1.   Effective strategies to manage human assets utilize HR practices and policies that are in sync with the organization's overall strategy, and that encourage the organization to invest in its best opportunities.

2.   Organizations should retain employees at least to the point of achieving an adequate return on investment.

3.   Organizations often do not follow an investment perspective of HR because it involves making a longer-term commitment to employees, and all human assets and their contribution to the bottom line must be assessed, which can be difficult.

4.   Once an organization develops a competitive advantage through its employees, the positive outcome is likely to be enduring, and difficult to duplicate by competitors.

5.   Although investment in human assets can be risky and the return long to develop, investment in people continues to be the main source of competitive advantage for organizations.

Chapter 2 Lecture Notes

**CHAPTER 2**

**SOCIAL RESPONSIBILITY AND HUMAN RESOURCE MANAGEMENT**

**A. OVERVIEW**

This chapter discusses the some of the challenges face by human resource management in responding to changes in society as well as issues related to ethics and social responsibility.

Near-constant changes in workforce composition, skills, worker expectations and work-life relationships require well-conceived and effectively implemented HR practices and systems that must be continuously reviewed from a strategic point of view.  Pressure from a variety of external constituents and/or the desire to "do the right thing" greatly influence decisions related to ethics and social responsibility and are influenced and affected by human resource management.

**B. LECTURE OUTLINE**

1.   OPENING CASE - Safeway

In response to escalating competition, Safeway developed a program designed to make it an employer of choice.  Given that most of its customers were female, Safeway developed a "Championing Change for Women" program designed to promote the development of its female employees into managers.  The program provided flexibility relative to its hours, allowing employees to achieve work/family balance.  As part of its program it also developed the Women's Road show, in which female executives visited various locations throughout the country to assist with learning, networking and development.

2.   WORKFORCE DEMOGRAPHIC CHANGES AND DIVERSITY

1.   Demographic changes in society have greatly impacted the composition of the workforce. In addition, numerous laws protect diverse groups in our society from discrimination in employment Most organizations have developed some kind of diversity management program in response to one of both of these factors.

2.   Diversity initiatives can be designed to ensure legal compliance or to truly promote and encourage respect for others and differences.  There is a marked difference between a diversity programs that attempt to address these motivations, as illustrated in Exhibit 2.1.

3.   Diversity is a strategic business issue for an overwhelming majority of organizations/employers.

4.   Generational diversity is becoming increasingly prevalent as individuals live and remain in the workplace longer than in previous years.  Different generations need to be able to work alongside each other in contemporary organizations.  Exhibit 2.2 illustrates some of the characteristics of different generations found in the workplace.

5.   Increasing laws and company policies which prohibit discrimination based on sexual orientation have been implemented.

6.   Individuals with disabilities are protected by the Americans With Disabilities Act yet still suffer from stigmatization and underemployment.  Walgreens has implemented a model program to assist with the employment of individuals with disabilities.

7.   Hasbro, Texas Instruments, Intel and PepsiCo have both developed innovative approaches for managing diversity in the workplace.

8.   Other dimensions of diversity which create challenges for organizations include the management of professionals, shifting employee loyalty and personal and family life dynamics.

9. The development and support of affinity groups is one way in which organizations manage and encourage diversity.  Both Frito-Lay and PepsiCo have successfully embraced this strategy with successful business results.

3.   ETHICAL BEHAVIOR

1.   Many employers are now considering ethics and ethical behavior in light of major bankruptcies, scandals and business meltdowns.  However, ethics are subject to personal values and convictions.

2.   Common ethical concerns for HR include off-duty behavior, ownership of work and non-compete clauses.  These latter two issues have been dealt with at Intel through an intraprenuership program.

3.   The Sarbanes-Oxley Act of 2002 provides sweeping measures to control deception in accounting and management practices by increasing government oversight of financial reporting, holding senior executives more responsible that previously and protecting whistle blowers.

4.   Many organizations and some industries have developed their own code of ethics.  The Society of Human Resource Management (SHRM) has developed such a code for HR professionals, displayed in Exhibit 2.5.    This code presents core principles, intent and guidelines in a number of areas, including: Professional Responsibility; Professional Development; Ethical Leadership; Fairness and Justice; Conflicts of Interest; and Use of Information.  Exhibit 2.6 provides some guides for developing a code of ethics or code of conduct.

5.   Social responsibility and sustainability take a more macro approach to managing an organization's relationship with its external environment.  Organizations are being increasingly expected to consider the effects of their operations, decision and business on the social and natural environment.  General Electric has developed a model program related to sustainability and Gap has set standards for offshoring of its manufacturing operations.  Exhibit 2.7 provides some HR-related standards of the Global Reporting Initiative.

4.   CONCLUSION

1.   Organizations operate in dynamic environments are must evolve and adapt to changes in society, including changing demographics and lifestyles and expectations to contribute to, rather than take from, the larger society.

2.   Human resource management strategies can facilitate organizational responses to society.

READINGS

***Reading 2.1 - Stereotype Threat at Work***

Stereotype threat is defined as the fear of being judged according to a negative stereotype.  Even if an employer were successful in hiring only non-prejudiced managers, stereotypes still exist in the broader society and hence, the workplace.  Stereotype threat has been documented across a wide range of diversity dimensions and performance domains.  It extends beyond those in traditionally disadvantaged groups to those who are members of high-status groups.  Stereotype threat affects everyone as every individual is a member of at least one group about which stereotypes exist.

Stereotype threat is based on the conditions of task difficulty and personal task investment.  Stereotype threat is more likely to influence performance on difficult, challenging tasks which are at the limits of a person's abilities.  It is also more likely to influence performance when an individual in more personally involved with a task and hence, cares about performance.

Stereotype threat can be reduced by teaching affected employees behavioral strategies for improving performance and counteracting negative stereotypes.  Stereotype threat can also be eliminated by refuting or diminishing the stereotype relevance of a given task.  Employees can also re reminded about external factors which might constrain performance such as a difficult client, limited resources or a tight deadline.  Stereotype threat can also be minimized by presenting a role model who contradicts the stereotype.

Mangers can actually use stereotype threat to create more diversity-friendly work environments. Stereotypes should be acknowledged and addressed directly and managed by focusing on a larger context or environment.

***Reading 2.2 - The Ethics of Human Resources and Industrial Relations***

Human resource managers typically face three kind of ethical problems.  The first is the need for discernment or determining the right thing to do in a given situation.  The second is conflict between what the HR managers feels is right and what the employer asks be done.  The third is conflicts of interest where the HR manager's personal beliefs differ from the responsibility of acting as an agent for the employer.

Ethical dilemmas in recruitment can involve special requests for hiring criteria from managers, setting or recommending entry salary, how extensively to recruit, internal versus external recruiting,  privacy protection due to applicants and follow-up with rejected applicants/candidates.

Ethical dilemmas in training and development can involve training employees who make take their skills to a competitor, ensuring employee safety, particularly given an employee's language, minimizing abuses of power in mentoring relationships and fully and truthfully informing employees about their future prospects with the employer.

Ethical dilemmas in compensation can involve compressed compensation systems, ensuring that employers are not exploited by managers relative to compensated hours of work, comparable worth, differences in pay between levels of responsibility and equity in pay relative to the marketplace.

Ethical dilemmas may also be present relative to employee monitoring, progressive discipline and termination, balancing costs of benefits with employees' needs and choice and measures used to retain employees.

***Reading 2.3 - Does it Pay to be Green?  A Systematic Overview***

The conventional wisdom surrounding environmental protection and responsibility is that it comes at a significant additional cost to an organization which may erode efficiency and competitiveness.  However, improving an organization's environmental performance can actually lead to improved financial performance rather than an escalation of costs and erosion of profits.

Such enhanced financial performance can be the result of 1) better access to certain markets, 2) differentiated products, 3) the sale of pollution-control devices, 4) enhanced risk management and relations with external stakeholders, 5) decreased costs of material, energy and services, 6) decreased costs of capital and 7) decreased cost of labor.  Table 1 of the reading illustrates the organizations circumstances which make each of these outcomes more likely and specific organizational example of each type of success.  It is critical to remember that environmental stewardship is not always associated with improved financial performance but is realistically possible in a variety of organizational scenarios, contrary to much popular belief.