



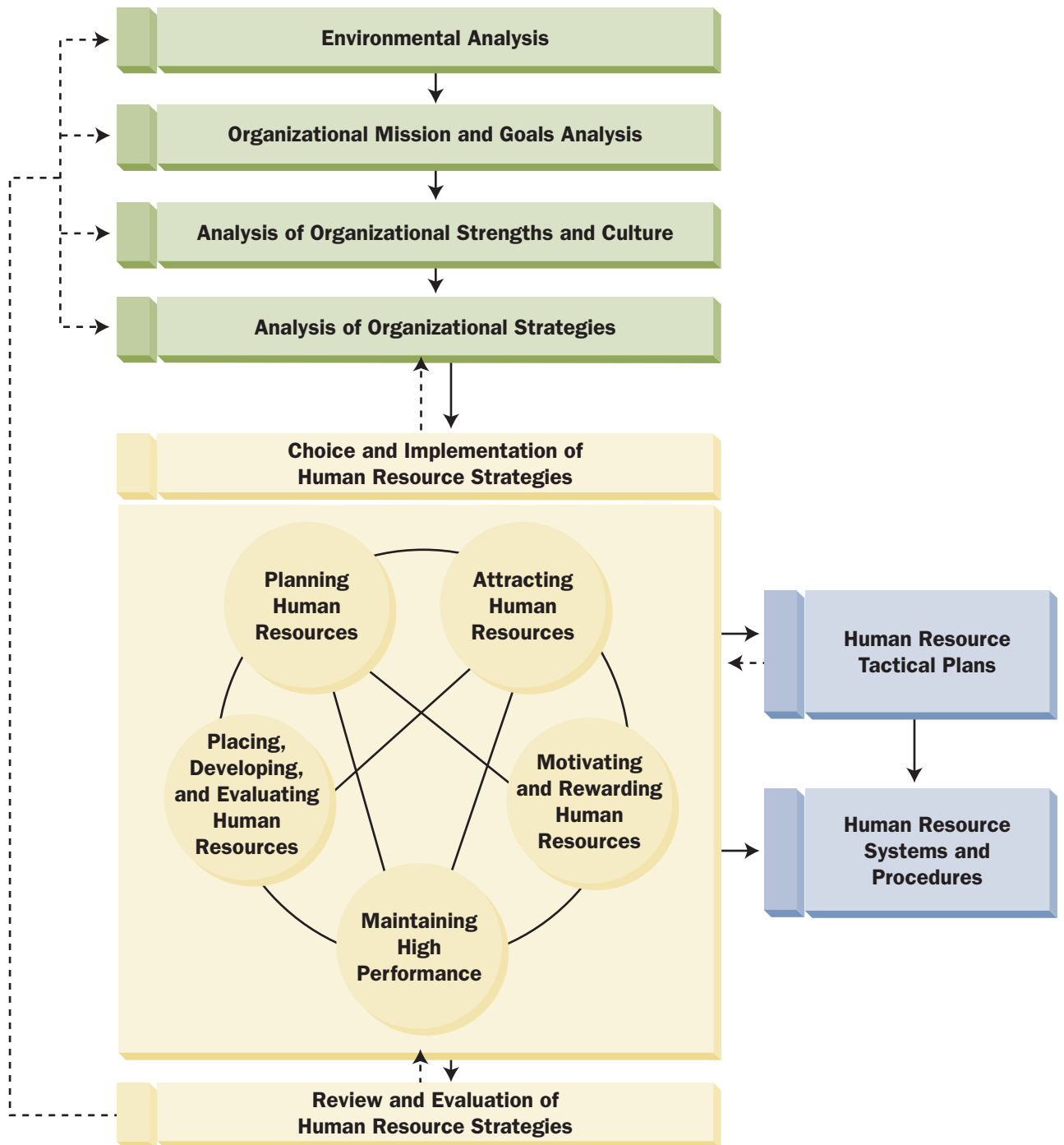
Part 1

PART

The Strategic Human Resource Management Model

A human resource department helps organizations and their employees attain their goals. But it faces many challenges along the way. This chapter explores some of these challenges and outlines a strategic human resource management model upon which the rest of this book builds.

The Strategic Human Resource Management Model





CHAPTER ONE

One

Strategic Importance of Human Resource Management

The successful 21st-century organization will not take the loyalty of talented people for granted. It will constantly try to recruit and keep them. ... The mutual commitment of an employer and an employee will be one of the most important factors for a 21st-century organization.

Subhir Chowdhury¹

CHAPTER OBJECTIVES

After studying this chapter, you should be able to:

- *List challenges facing Canadian organizations in the context of managing their workforce.*
- *Discuss the objectives of human resource management.*
- *Discuss the meaning of strategic human resource management and steps in implementing the same.*
- *Discuss how human resource departments are organized and function.*
- *Discuss future roles of the human resource profession in this country.*

Name the greatest accomplishment of the last century. Landing on the moon? Computers? Biogenic engineering? Cloning of life forms?² And what awaits us in the new millennium? Routine travel to distant planets? Human longevity unimaginable in the past? Working and shopping without ever stepping out of our homes? Growing our own food in the kitchen? Flying to any destination of our choice in automatically piloted flying cars? Living in undersea settlements? The possibilities are immense. Indeed, our future achievements may be limited only by our imagination. All major achievements and technological advances have a common feature: organizations.

The large part of today's Canada that was originally known as Rupert's Land was opened up to settlers by the Hudson's Bay Company. Canada is the world's largest producer of newsprint, nickel, and asbestos, thanks to the efforts of several companies and small organizations in those industries. Canadian cities such as Vancouver, Toronto, and Montreal are rated as some of the best cities in the world on various criteria including health care, education, and crime rates. The Canadian Broadcasting Corporation, which owns and operates several radio and television stations and networks, brings you the news, music, and entertainment. In each case, it is organizations that have marshalled the resources needed to achieve these results.

Even on a more day-to-day basis, organizations play a central role in our lives. The water we drink, the food we eat, the clothes we wear, and the vehicles we drive are products of organizations. When future historians view our era, they may see organizations as one of our greatest accomplishments. It is nothing but a marvel to have tens of thousands of people with highly individualized backgrounds, skills, and interests coordinated in various enterprises to pursue common institutionalized goals.³

People are the common element in all social organizations. They create the objectives, the innovations, and the accomplishments for which organizations are praised. Looked at from the perspective of the organization, people are resources. They are not inanimate resources, such as land and capital; instead, they are human resources. Without them, organizations would not exist. The following incident shows how important human resources can be:

TransCanada Minerals was a small company that owned several nickel and zinc leases. In exchange for several million dollars, it sold all its mineral claims. Total balance-sheet assets consisted of some office furniture, miscellaneous prospecting equipment of little value, and nearly \$15 million on deposit with the Royal Bank of Canada. While the president of the company looked for investments in the brewing industry, one of the firm's few remaining geologists discovered a large deposit of zinc. Within a short period the company's stock doubled.

It can be seen that although TransCanada Minerals' balance sheet did not list the human "assets," these resources were at work. Before the zinc discovery, a casual observer would have considered the \$15 million deposit as the company's most important asset; afterward, the mineral claim would have been considered the major asset. However, a keen observer would note that neither the bank account nor the mineral claim could be of great value without capable people to manage them.

More and more top managers are beginning to recognize that organizational success depends upon careful attention to human resources. Some of the best-managed and most successful Canadian organizations are those that effectively make employees meet organizational challenges creatively:

In high-tech organizations, this often means getting the best out of engineers, who must come out with creative designs and programs; in research and bio-tech organizations, fostering creativity and free flow of ideas among researchers may be the key to success; in some manufacturing organizations, cost control spells success; while in retail and service industries, the difference between growth and extinction is marked by the quality of service. In all instances, it is the employees who decide a firm's future.

This means that the human resource practices are intricately intertwined with the specific challenges faced by a firm. Below we look at the key challenges facing Canadian organizations in general and their implications for managing the workforce.

Challenges Facing Canadian Organizations



In the context of managing their workforce, Canadian organizations face a number of challenges today. Some of the more important ones are listed in Figure 1-1. These challenges may be economic (e.g., competition), technological (e.g., computerization), political (e.g., new government policies), social (e.g., concern for our environment), demographic (e.g., changing composition of our workforce), legal (e.g., changes in minimum wage laws), cultural (e.g., ethnic diversity), or otherwise in nature. For discussion purposes, the major challenges facing a Canadian organization (especially those affecting human resource management) can be grouped under five heads: *economic, technological, demographic, cultural, and legal*. The first four challenges will be discussed in this chapter. The critical importance of legal compliance for the human resource function warrants a more elaborate review of the subject matter. Hence, this topic is detailed in Chapter Four.

ECONOMIC CHALLENGES

economic challenges
Economic factors facing Canadian business today, including global trade challenges and increases in competitiveness and productivity levels.

Today, Canadian business faces two critical **economic challenges**: the *global trade challenge* and the challenge of *productivity improvement*. Although these are interrelated challenges, for the purpose of discussion, they are considered separately below.

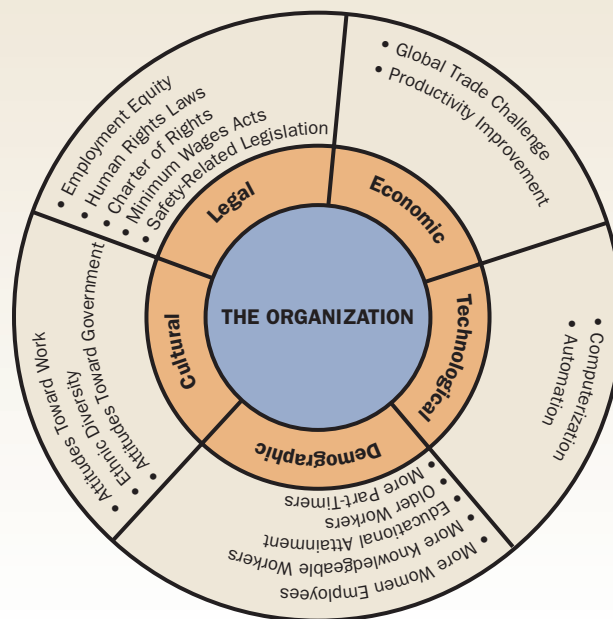
Global Trade Challenge

International trade has always been critical to Canada's prosperity and growth. Canada ranks high among exporting nations: on a per capita basis, we export much more than either the United States or Japan. The combination of a relatively small population and a large natural resource base gives Canada a trade advantage internationally.

Today, over 44 percent of Canada's Gross Domestic Product comes out of exports, up from 27 percent a decade ago. Canada is the biggest trader in the Group of Seven industrialized nations.⁴

FIGURE 1-1

Major Challenges Facing Canadian Business



More than ever before, Canadian jobs and economic prosperity depend upon our international trade. To capture the growing market opportunities abroad, Canadian organizations are opening new plants and expanding activities in foreign countries that are closer to their customers or where labour is cheaper. While the United States continues to be our largest trading partner, Canada today exports to varying locations.

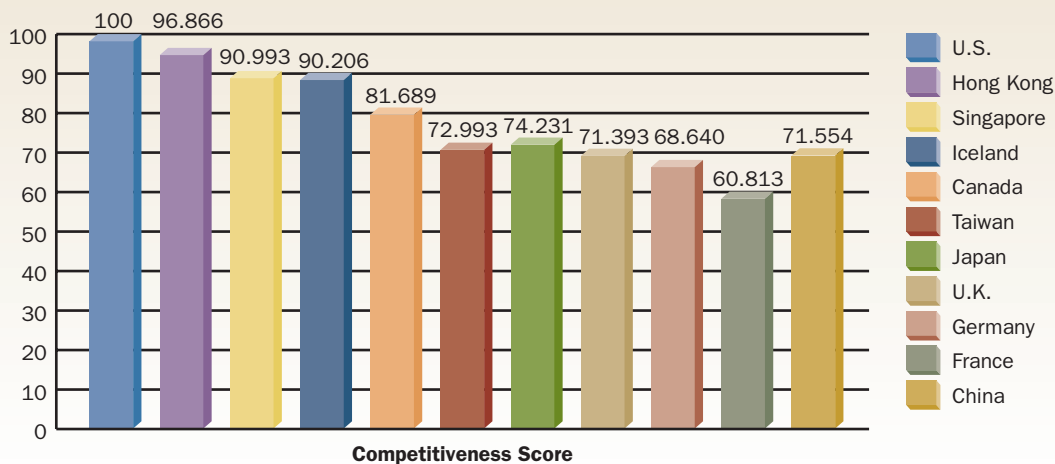
The good news is that in recent years, our ability to compete in the international marketplace has been steadily improving. In 2005, a global competitiveness ranking placed Canada as the fifth most competitive nation in the world ahead of several of our trading partners including Japan, China, the United Kingdom, and France (see Figure 1-2). More recently, Canada has also become an important global player in high-tech and nontraditional exports. Our biotech, transportation, banking, and engineering industries have been increasingly making inroads into several foreign markets. Consider these examples:

In the recent past, Bombardier Inc. purchased a railcar company near Mexico City and was involved in refurbishing the country's transportation system. Nortel was actively involved in upgrading Mexico's and China's telephone systems. Today, several Canadian firms have major involvement in countries such as India, Thailand, and Chile whether it is related to environmental and pollution control projects, construction and infrastructure, electronics designs, or banking.

Canada's highly skilled, multicultural workforce has given the country a competitive advantage in dealing with other countries and cultures, anticipate their needs and concerns, and proactively respond to them. However, international marketplace is ever-changing and new challenges are constantly emerging. The emergence of several low-cost trading nations (which have vast resources of highly skilled, cheap labour) such as Thailand, China, and India have caused us to lose our market shares in traditional strongholds such as pulp and paper, cotton yarn, and steel manufacturing. Unless we are able to add value to our products or reduce the costs of production, many firms may be unable to survive in the new marketplace.

For example, the North American Free Trade Agreement (NAFTA) meant considerable initial pain to the Canadian economy causing as many as 8,000 Canadian factories to shut down in the early 1990s.⁵ At the same time, multinational firms are increasingly locating their new plants in countries such as Mexico, India, and China because of cheap labour, further eroding our ability to create new jobs.

FIGURE 1-2 How Competitive Is Canada Vis-à-Vis Other Nations?



Source: Chart prepared by the authors on the basis of data reported in *The World Competitiveness Yearbook 2005*, Lausanne, Switzerland: IMD International, 2005, www02.imd.ch/documents/wcc/content/overallgraph.pdf, retrieved July 18, 2006.

Further, our largest trading partner, the United States, has been improving its productivity at a faster pace than our own. This factor is discussed in the next section. This, combined with other social and economic policies have caused new challenges to Canadian employers.

For example, because of several factors including significant differences in salaries, personal taxes and other rewards, Canada has been losing some of its most talented employees to the United States and other countries.

This means that to attract and involve highly skilled, innovative employees, progressive human resource practices have to be adopted. HR issues now dominate corporate strategic priorities raising expectations from HR departments:

A survey of 200 CEOs and other top executives in the United States, United Kingdom, France, Spain, Germany and Australia indicate that four of the five top strategic priorities most commonly identified by business executives are HR-related (ranks in parentheses): attracting and retaining skilled staff (1); improving workforce performance (3); changing leadership and management behaviours (4); and changing organizational culture and employee attitudes (5). The other priority, rated second (2) overall, was increasing customer service—while a marketing priority, it is still closely linked to HR activities such as training, compensation, and performance management. Only 13 percent of the respondents, however, reported satisfaction with the way their HR departments achieved these priorities, thus underscoring the major strides HR has to make to fulfill organizational expectations.⁶

In summary, the arrival of the global village requires major changes in the way we manage our employees. The emergence of open borders has presented newer opportunities to Canadian firms and professionals. However, along with this a considerable brain drain (especially to the U.S.) has also occurred. In recent times, there has been incidence of “poaching” of Canadian nurses, doctors, and high-tech personnel by American employers. To retain our talents, major actions on the part of Canadian employers and various governments may be necessary. Further, progressive human resource practices are critical to add value to our products and services and maintain high productivity levels.⁷

The challenge of productivity improvement is so critical today that it deserves separate discussion below.

Challenge of Productivity Improvement

Productivity refers to the ratio of an organization’s outputs (goods and services) to its inputs (people, capital, materials, and energy), as seen in Figure 1-3. Productivity increases as an organization finds new ways to use fewer resources to produce its output.

In a business environment, productivity improvement is essential for long-run success. Through gains in productivity, managers can reduce costs, save scarce resources, and enhance profits. In turn, improved profits allow an organization to provide better pay, benefits, and working conditions. The result can be a higher quality of work life for employees, who are more likely to be motivated toward further improvements in productivity. Human resource managers contribute to improved productivity directly by finding better, more efficient ways to meet their objectives and indirectly by improving the quality of work life for employees.

How do we measure productivity? The index that relates all *inputs* (e.g., capital, raw materials, labour, etc.) to *outputs* (shown in Figure 1-3), while theoretically meaningful, may not help decision makers to identify potential areas of improvement. For practical use, productivity measures of each

productivity

The ratio of a firm’s outputs (goods and services) to its inputs (people, capital, materials, energy).

FIGURE 1-3

Productivity Defined as a Ratio

$$\text{Productivity} = \frac{\text{Outputs (goods and services)}}{\text{Inputs (e.g., people, capital, materials, energy)}}$$

of the major components of production may be more useful. For example, one can think of labour productivity, productivity of machinery, and so on. Employee productivity can be measured using output per worker or output per work hour, while productivity of equipment and machinery may be measured by sales or production per dollar of investment in equipment, and so on.

A major challenge facing Canadian managers is productivity improvement while maintaining a high quality of work life for the employees. Cost pressures are not new to most organizations. What is new, however, is the strength and relative permanence of these competitive pressures:

The competitors of a Canadian manufacturer of computer software typically live not next door, but abroad. They may be operating in some remote part of the world such as a small town in South Korea, Singapore, India, or Mexico. Often, Canadian organizations must compete for investment capital not with other Canadian or U.S. organizations, but with a firm in Hungary, the Czech Republic, Chile, or China.

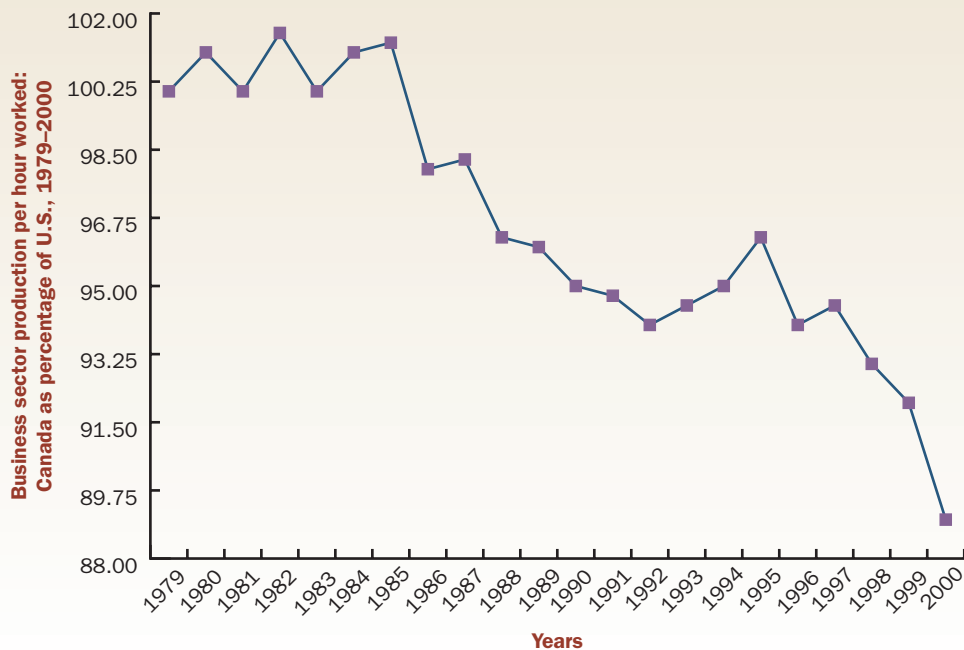
What is most worrisome today is the gap in the productivity levels of Canada and its biggest trade partner, the United States.⁸ (See Figure 1-4 for more details.) A recent report estimates that if the gap in overall productivity growth between the United States and Canada were to persist, this factor alone would reduce Canadian living standards from 61 percent of U.S. levels in 1999 to 52 percent in 2010.⁹ In recent years, Canadian managers and policy-makers have recognized the urgency of improving Canadian productivity. As a consequence, the Canadian economy has undergone a dramatic transformation—we have learned to produce more outputs with fewer workers.

Workplace innovation and redesign of jobs to achieve high productivity levels are two popular means used to attain these objectives.¹⁰ However, Canada's recent record raises some concerns.

Canada is steadily losing its ability to innovate and create wealth compared with other rich countries, according to a study by Massachusetts Institute of Technology. In this study,

FIGURE 1-4

Canadian and U.S. Productivity Levels over Years



Source: "Canadian and U.S. Productivity Levels over Years," adapted in part from the Statistics Canada CANSIM database <http://cansim2.statcan.ca>, Tables 383-0001 and 383-0005; Pierre Fortin, "Canadian Productivity: When Do We Catch Up?" ISUMA, http://isuma.net/v03n01/fortin/fortin_e.shtml, accessed June 14, 2003.

which ranked the 16 leading members of the Organization for Economic Cooperation and Development, Canada had slipped to ninth spot from sixth over the past decade. What is even more troublesome is the study's forecast that unless Canada changes its course soon, the country will lose more ground early in this millennium (the report projects that Canada's rank is likely to remain at the tenth position in the immediate future).¹¹

Innovation on two fronts, namely people management and technology, will be the major challenge of the immediate future. Since a large percentage of Canadian production is currently geared for highly competitive export markets, updating technology to increase our productivity levels becomes a high-priority task facing managers in this country. While Canada has improved its overall global competitiveness in the past, we still have scope for improvement. Indeed, our high standard of living may depend on our ability to maintain and improve our world competitiveness.

Improvements in technology and automation have helped the British Columbia lumber industry to increase its production by 25 percent in the past decade with 6,000 fewer workers. In the pulp and paper industry, the production has increased by a quarter in the past decade; however, we have 9 percent fewer jobs now (having lost 12,000 jobs in the change process).¹²

These are not jobs lost temporarily to adjust to a business cycle or to make short-term adjustments to competition—the new ways of working mean that these positions are lost forever. Productivity improvement has also left a painful scar on Canadian society; in the last two decades, more than 350,000 manufacturing jobs (many of them blue-collar) have disappeared—never to return.¹³

One strategy that is getting increasingly popular to cut costs (thus indirectly raising the productivity figures) is **outsourcing**. Outsourcing enables organizations to reduce the number of workers on permanent payroll and contract out tasks to outside agencies as and when needs arise, thus reducing the total wage bill. A past study by Hewitt Associates involving 500 CFOs of companies with \$1 billion or more in revenues revealed that nearly 90 percent did outsource some services while 41 percent outsourced some or all of their HR functions.¹⁴

The most commonly outsourced function is legal work, followed by transportation and information systems management. Kodak, which in the past employed 1,400 persons in its data processing and information system sections, began outsourcing its information system needs. Air Canada began outsourcing the maintenance of its Boeing 747s a decade ago.¹⁵ Other common outsourcing areas include printing, payroll, security, and accounting.

Outsourcing has major implications for the human resource manager. Reduced employee morale caused by job insecurity is a major issue. During contract negotiations with unions, this may pose a major hurdle for the human resource manager. Further, to meet employee goals, a human resource department may have to initiate retraining for displaced workers (to take up other jobs) or help them find jobs elsewhere (referred to as **outplacement**).

In summary, the current emphasis on productivity improvement has necessitated a renewed emphasis on strategic thinking and creative responses. It also involves using new technology to improve productivity and create value. This will be discussed in the next section.

TECHNOLOGICAL CHALLENGES

Technology influences organizations and the way people work. Often it can affect an entire industry, as the following example illustrates:

The technology of cars and airplanes modified the transportation industry—often to the detriment of railway companies. Automobile and aviation companies grew and created demand for more employees and training. The career opportunities for employees improved substantially. On the other hand, in railway companies, reduced revenues and limited growth opportunities reduced the advancement opportunities for employees. HR departments in several of these companies had to reduce the workforce and create early retirement systems.

outsourcing

Contracting tasks to outside agencies or persons.

outplacement

Assisting employees to find jobs with other employers.

In the foreseeable future, technological innovations may cause fundamental shifts in our lifestyles, how and where we work, and what we do. Generally, two major technological changes have revolutionized Canadian businesses: computerization and automation. Each of these is discussed below.

Computerization

In recent years, Canada has witnessed the rapid growth of **computerization** and access to high-speed information transmission systems affecting almost all walks of life. An unprecedented degree of computerization has changed the way we work, play, study, and even entertain ourselves, while access to the information highway has affected the way several organizations conduct their business:

Currently, half of Canadian households have at least one person with regular access to the Internet. Over 40 percent of Canadian adults have access to the Internet, making us one of the most wired nations in the world.¹⁶

Today's computerized technology facilitates alternative ways of designing and performing tasks. Key developments in this area are briefly outlined below:

1. Processing Large Volumes of Information on a Timely Basis. Part of the appeal of computers is that they make it possible to process and provide large amounts of data to managers:

A manager of a Canadian company with multinational operations can compare the performance, pay, absenteeism, and safety records of its hourly and salaried workforce in Canada and its foreign plant by the touch of a computer keyboard. The same manager can transfer large data files to Australia or southern Africa in seconds. Often, decisions that took weeks in the past can now be made in hours or even minutes.

Another advantage of computers is that they make information available with great speed. Soon after events occur, the computer can list them in summary fashion—giving the information the important property of timeliness. Given the turbulence in today's business environments, this is a very useful attribute as it enables managers to take timely corrective actions.

Mai's Chicken, which sold fried chicken for over 15 years in Saint John, was popular for its quality, fresh taste, and price. The firm had always monitored customer satisfaction levels informally and made changes whenever necessary. Recently, it purchased a personal computer, which permitted it to do detailed data analysis. By doing a thorough analysis of data it collected in a recent questionnaire survey, the firm found that its younger customers preferred low-fat, low-cholesterol food. Among teens, crispy chicken was found to be popular. Older customers were satisfied with the chicken as served and did not want any changes. Based on the findings, Mai's Chicken introduced two new products: low-fat baked chicken and crispy chicken fingers. Both items proved to be instantly successful on the market.

2. Flexible Work Design and Telecommuting. Computers bring considerable flexibility into when and where the work is carried out. In several instances, computers permit employees to work without ever leaving their homes. Workers communicate with other employees through telephone, facsimile (fax) machines, and computerized information systems. Such **telecommuting** has been found to cut employee stress and boost worker productivity in several instances, while also reducing the costs of operations.¹⁷

AT&T in the United States in a project that introduced telecommuting in selected departments, found that in 80 percent of the cases, the change led to improved worker productivity. Two-thirds of the supervisors also indicated that it increased the overall efficiency of their departments.¹⁸

Not all jobs lend themselves to at-home work; but with the advances in computer technology, virtually any job—or any part of a job—that involves work that is independent of other people and special equipment may one day be performed away from the workplace. Currently, jobs such

computerization

A major technological change allowing the processing of vast amounts of data at great speeds, enabling organizations to improve efficiency, responsiveness, and flexibility in operations.

telecommuting

Paid labour performed at the employee's home, full-time or part-time, with assistance of PCs, modems, fax machines, etc.

as word processing, copyediting, routine accounting, and data entry are increasingly carried out by telecommuters. The major obstacle to telecommuting appears to be “conservative management with industrial revolution mind-sets”¹⁹ who fear that they might lose control over employees who are not physically near them. When making a decision on telecommuting, organizations should focus on jobs that do not require day-to-day interaction with others and prepare their managers to supervise employees who are not physically present. Several Canadian organizations such as Bell Canada and Royal Bank have developed policies on telecommuting.

3. Information Sharing and Knowledge Management. Finally, computers also enable organizations to manage their operations innovatively, often reducing costs or capitalizing on new opportunities.

McCarthy Tetrault, Canada’s biggest law firm, saw technology as an area of opportunity and began recruiting lawyers with high-tech expertise. This, in turn, enabled the firm to take advantage of the opportunities in intellectual capital management.²⁰

Many organizations today have intranets or private information networks that are accessible to all or selected organizational members, thus increasing the speed of decision making and the speed of response to customers, employees, and other stakeholders.

In a Toronto-based mutual fund company, intranet technology is now used to remotely administer computer systems at the company’s branch offices in Vancouver, Calgary, and Montreal and prepare portfolio management reports that are used by individual fund managers when making investment decisions.²¹

More effective *knowledge management*—or the process of capturing organizational knowledge and making it available for sharing and building new knowledge—has been another outcome of computerized information systems. Intranets and integrated information systems help store and access information speedily and accurately. Modern tools such as collaborative technologies and database applications facilitate this. Another trend, namely the use of e-portfolios—a collection of digital artefacts and reflections saved on disks or CDs—captures what an employee learns during various training programs (or over a time period) and offers evidence of performance improvement. When the annual performance interview is conducted, an e-portfolio can identify the on-the-job competencies of an employee. The aggregation of the skill sets and competencies of all employees help the organization manage its human capital more effectively.²²

The exact effects of computerization on organizations will vary (depending on size, management practices, culture, and so on). In general, computerization results in a faster, multi-way of communication, nontraditional marketing strategies, improved quality control, and more online inventory control. This in turn requires newer human resource practices in the areas of hiring, compensation, training, performance evaluation, and employee relations. For example, the new competencies needed on the part of employees in a highly computerized firm make it necessary to continually upgrade employee skills.

Automation

Automation is the other major technological change that has affected Canadian organizations and their human resource management practices:

Before the introduction of automatic banking machines, human resource departments of major Canadian banks used to recruit large numbers of semiskilled clerks. Not any more. Computers have eliminated several of these routine jobs; further, automation means that highly skilled programmers who can process data and program computers are needed. The recruiting and training programs in these banks had to be changed dramatically to meet the needs of new technology.

Why do organizations automate various activities?

The first reason is the push for *speed*. Competition from other countries has made it imperative that we improve our manufacturing practices if we want to stay competitive.

For instance, capital equipment items that on average take six to twelve months to make in Canada take six to twelve weeks to make in Japan. The desire to control labour cost and increase productivity continues to drive automation.

automation

The automatically controlled operation of a process, system, or equipment by mechanical or electronic devices.

A second reason for automation is to provide *better service* to the customer, to *increase predictability* in operations, and to achieve *higher standards* of quality in production. Machines do not go on strike, nor do they ask for raises.

Automation also allows *flexibility* in operations. In several automated production facilities, even small production batches become economically viable since the time, cost, and effort involved in changing setups are minimal. The ability to produce small batches, in turn, enables a firm to focus on the needs of different customers and market segments and speed up delivery schedules.

Automation is not the sole answer to a firm's productivity problems. Experienced human resource managers recognize this fact. Automation, to be beneficial, should permit elegant meshing of existing and new technologies. Further, the lack of availability of capital for buying expensive robots puts such purchases beyond the reach of most small- and medium-sized organizations. Negative union attitudes towards mechanization is another barrier to the introduction of robots in the workplace. Automation may result in a smaller workforce together with fewer opportunities for socialization on the job. Lastly, to use expensive robots effectively (during an automation), more and more factories may find it necessary to work two or three shifts a day.

Despite these issues, it is a reasonable prediction that in the future most hazardous and boring jobs will be taken over by robots.

Dangerous jobs—such as working with toxic chemicals and paints—will be changed by substituting robots for people. Likewise, highly repetitive assembly tasks will continue to be taken over by robots in the future. Already, in several automobile plants like those of General Motors, there are thousands of robot painters and robot welders.



Robots are increasingly being used in Canadian factories. What are the pros and cons of using robots in today's factories to perform tasks that were previously handled by humans?

In summary, human resource managers, today, must be conversant with the emerging technologies and their implications for organizational strategies, processes, and employee behaviours. New procedures for employee recruitment, training, communication, appraisal, and compensation may have to be designed to meet the challenges posed by computerization and automation while negotiations with the unions may prove more challenging for at least some organizations.

DEMOGRAPHIC CHALLENGES

The demographics of the labour force describe the composition of the workforce: the education levels, the age levels, the percentage of the population participating in the workforce, and other population characteristics.

While **demographic changes** occur slowly and can be predicted in most instances, they still exert considerable influence on organizational decisions. A close look at the labour market indicates several trends.

demographic changes

Changes in the demographics of the labour force (e.g., education levels, age levels, participation rates) that occur slowly and are usually known in advance.

Trend 1: The Increasing Number of Women in the Workforce

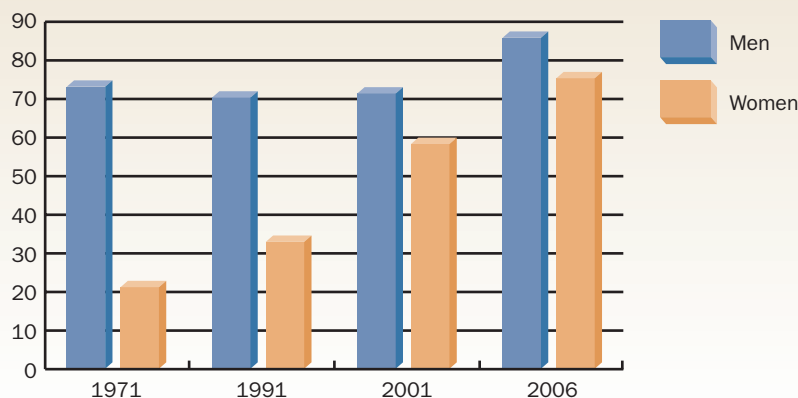
As of March 2006, Canada's labour force consisted of almost 16.3 million people, up nearly 15 percent from 14.2 million in 1991. The number of women in the labour force grew at twice the pace of men (see Figure 1-5).²³ It is interesting to note that compared to several other industrialized nations, the participation rate of Canadian women is high. More women have also left traditional, nonprofessional occupations (such as clerical and sales) and now work in management, law, engineering, and medical fields. The fact that women accounted for 70 percent of the total employment growth in Canada in the last two decades has underscored issues of child care, achieving work–family balance, dual-career families and employment equity.²⁴

Trend 2: Shift Toward Knowledge Workers

Currently, there is a shift from employment in primary and extractive industries (such as mining, fishing) to service, technical, and professional jobs. The relative employment in various industries is shown in Figure 1-6. Service industries such as education, health care, tourism, trade, and

FIGURE 1-5

More Women in the Workforce



Source: Chart prepared by the authors on the basis of the data reported in: Statistics Canada, CANSIM II, Tables 282-0088, 282-0089 on March 10, 2006 and 282-0002; available from www.statscan.ca.

public administration make significant contributions to our national wealth today—all services combined currently account for more than 75 percent of the gross domestic product (GDP).²⁵ Highly skilled occupations accounted for almost one-half of the total labour force growth over 1991–2001.

Nearly 75 percent of the total labour force is employed in service-producing industries, 24.3 percent of the total labour force being in education, health, professional, and technical jobs. Today, people in highly skilled occupations normally requiring a university education account for 16 percent of the total labour force.²⁶ Other services such as finance, insurance, real estate, hospitality, etc. account for over 25 percent of the total labour force in this country. Many of these services also require specialized training.

Today's workforce can be divided into two main categories: information and non-information workers. Information workers can be further divided into two groups: **data workers** and **knowledge workers**. Data occupations involve the manipulation of symbolic information, whereas knowledge occupations involve the development of ideas or expert opinions. Thus, data workers (e.g., most clerical occupations) use, transmit, or manipulate knowledge, while knowledge workers such as scientists, engineers, management consultants, and so on, produce it.²⁷ The non-information category is composed of persons working in the manufacturing and service sectors (e.g., machine operators and assemblers, security guards, babysitters).

Knowledge workers have been the fastest-growing type of workers in the Canadian labour force over the last quarter century or so.²⁸ While total employment grew at an average rate of 2.1 percent per year in the past two decades, the employment of knowledge workers grew at a rate of 5.2 percent per year. This is twice the pace of service workers, the second-fastest-growing group of workers over that period.

Today, information workers continue to constitute a near-majority in the workforce. The proportion of the labour force employed in blue-collar and unskilled jobs simultaneously reflects a decrease.

In the foreseeable future, the demand for knowledge workers is likely to grow even faster than ever before.²⁹ The ability of organizations to find, keep, and continually retrain these workers might spell success in the coming years.

data workers

Members of occupations (e.g., most clerical occupations) that use, transmit, or manipulate symbolic information created by knowledge workers.

knowledge workers

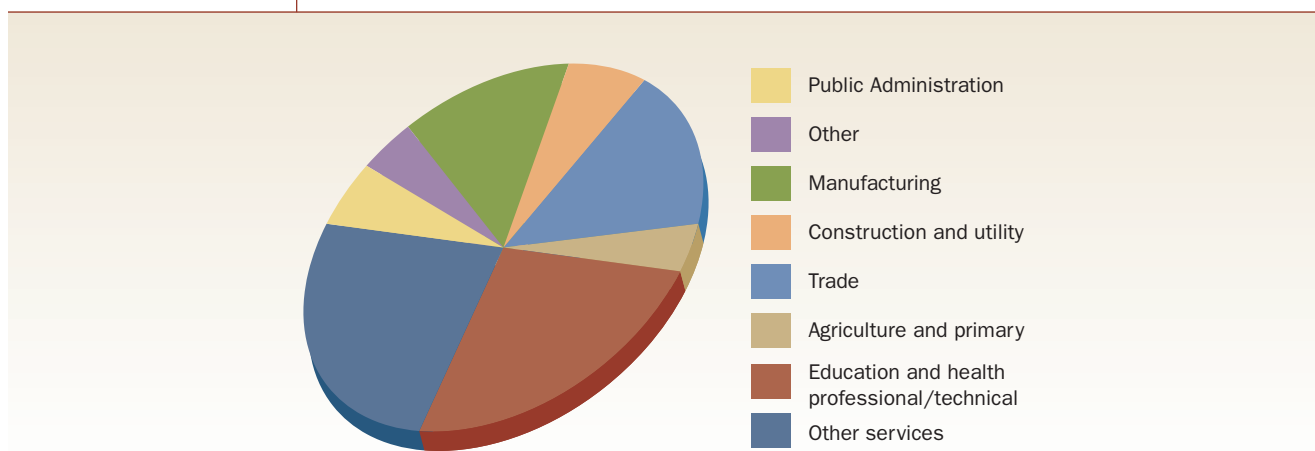
Members of occupations generating, processing, analyzing, or synthesizing ideas and information (such as scientists and management consultants).



Human Resources and Social Development

www.hrsdc.gc.ca/en/home.shtml

FIGURE 1-6 Service Sectors Employ Larger Numbers of Canadians



Sources: Chart prepared by the authors on the basis of figures in Statistics Canada, "Latest Release from Labour Force Survey," *The Daily*, March 10, 2006; also from Statistics Canada, CANSIM Tables 282-0088 and 282-0089.

*Trend 3: Educational Attainment of Workers***educational attainment**

The highest educational level attained by an individual worker, employee group, or population.

As mentioned above, today's Canadian economy needs highly skilled, well-educated workers. A look at the **educational attainment** of Canadian workers, however, presents an intriguing picture. On the one hand, the educational attainment of Canadians has increased dramatically over the past several years and is expected to maintain its upward trend (see Figure 1-7).

Over 19 percent of Canadian men and 17 percent of women aged 25 or above hold a university degree or better (the corresponding figure a decade ago was less than 10 percent).³⁰

Primary and secondary education systems play a key role in generating the new supply of skills needed by our post-industrial society. By and large, Canadian schools appear to be ready for this task.

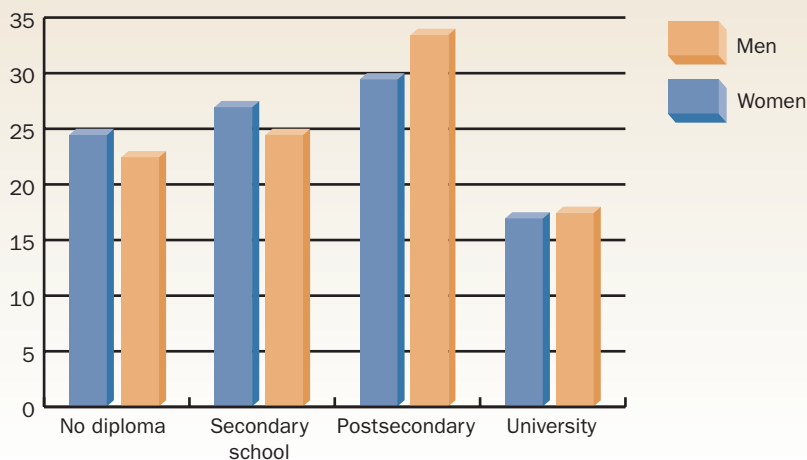
In one study, approximately 30,000 students from more than 1,000 Canadian schools were compared on their mathematical and scientific literacy with students in 31 other countries. Canadian students performed well compared to others ranking second in reading, fifth in science, and sixth in mathematics. In a majority of provinces, students' performance in reading, science, and mathematics placed these provinces among the top-ranked countries.³¹

The disturbing news, however, is that about 22 percent of Canadians aged 16 or over (or approximately 5 million Canadians) fall in the lowest level of literacy.³² They have difficulty understanding printed materials and most likely experience problems reading any written words. Another 24 percent of Canadians fall in the second-lowest level of literacy and can deal only with material that is simple and clearly laid out, and where tasks involved are not overly complex. Not only do such low literacy rates reduce the overall productivity levels in our industries, but they may also be a major contributor to safety violations and accidents.

About 9 percent of women and 15 percent of men drop out of school before they graduate.³³ It is estimated that currently more than 8 million Canadians lack a basic school certificate or diploma.³⁴ What is worse, our education system still frequently produces persons who do not have basic literary and numerical skills.

FIGURE 1-7

Educational Attainment of Canadian Workforce



Source: "Educational Attainment of Canadian Workforce," adapted in part from the Statistics Canada website, www.statcan.ca/english/Pgdb/labor62.htm; Human Resources Development Canada, "Education Attained of Canadian Workforce: Based on *Quarterly Labour Marketing and Income Review*," reproduced with the permission of the Minister of Public Works and Government Services Canada, 2003.

Faced with this disheartening reality, the Corporate Council on Education identified a set of “employability skills” consisting of basic academic skills (e.g., communication, thinking, learning), personal management skills (e.g., positive attitudes and behaviours, ability to accept responsibility, adaptability to new challenges), and teamwork skills (e.g., ability to work with others, ability to lead a team). These were considered to be the foundation skills for employability in the future.³⁵

Some more progressive employers have recognized workplace literacy as a serious issue and taken proactive action to minimize its adverse consequences.

Durabelt Inc., a company based in Prince Edward Island that manufactures conveyor belts for vegetable harvesters, was nominated for a national award for excellence in workplace literacy. The “Duraschool project,” which has been in operation since 1997, converts the lunchroom and offices into classrooms for two evenings each week where several employees and family members routinely gather to update their math, reading, and writing skills.³⁶

Trend 4: Employment of Older Workers

One of the impending issues for human resource managers is what *Maclean’s* has termed our **old age crisis**.³⁷ In 1996, about 28 percent of the population (or almost 7.6 million Canadians) were more than 50 years old. Beginning in 2010, the proportion of the population in the age group 65 and over will expand rapidly, reinforced by a low birth rate and longer life expectancy. By 2011, the age group comprising those age 65 and over will form over 18 percent of the population (see Figure 1-8). The average age of Canadian population has been steadily increasing.

The province with the highest proportion of the labour force aged 55 and over was Saskatchewan, where this age group represented 15 percent of the total, in contrast to 11.8 percent for Canada as a whole. Saskatchewan’s labour force had the highest average age for all provinces, 39.8 years.³⁸

The exact consequences of this trend for the human resource management function are hard to predict. An increasingly hectic scramble for jobs (especially the traditional sectors) may be one consequence. This is because the fear of post-retirement poverty (fuelled by uncertainty about government-sponsored pension plans and the recent volatility in the stock market, which eroded the savings of many Canadians) may motivate employees to hold on to their current jobs. This may create unprecedented bottlenecks in professional and unionized industries.

Several of the skilled trades in the construction sector have a relatively large share of older workers, which may lead to shortages in the coming years. The average age, at about 43, is relatively high among contractors and supervisors in the construction sector. Nearly 18 percent of bricklayers are aged 55 or more; so are 14.3 percent of plumbers. The average age of electricians has grown more rapidly than for most other skilled

old age crisis
Refers to the social (health care) and organizational (new workplace ergonomics) challenges caused by aging of population.



Information on Canadian demographic trends
www.statcan.ca

FIGURE 1-8 Population Projections for Canada

Year	9-14	15-64	65+	Average Age
2001	18.8%	68.6%	12.7%	37.6 years
2006	17.1%	69.5%	13.3%	39.5 years
2011	15.7%	69.8%	14.5%	41.0 years
2021	15.0%	66.2%	18.8%	42.5 years

Source: “Population Projections for Canada,” adapted from the Statistics Canada website, www.statcan.ca/english/Pgdb/demo23a.htm, www.statcan.ca/english/Pgdb/demo23b.htm, and www.statcan.ca/english/Pgdb/demo23c.htm, and from the Statistics Canada CANSIM database at <http://cansim2.statcan.ca>, Table 051-0001.

professions; at the same time, the number of younger workers in this occupation has fallen off dramatically. As a result, the ratio of younger to older electricians plunged from 6.3 in 1991 to 2.8 in 2001.³⁹

Pressures for expanded retirement benefits, variable work schedules, coordination of government benefits (e.g., Canada/Quebec Pension Plan benefits) with company benefits, and retraining programs are just a few of the challenges that await human resource specialists in the future.

One major challenge facing Canadian organizations is retaining older, more experienced, and skilled employees whose expertise is in demand in the labour market. The past view of people as expendable cogs who are responsible to manage their own careers has encouraged employees to leave their employers as soon as a better opportunity emerged elsewhere. To retain older workers, employers have to show respect and appreciation, facilitate career growth within the organization, offer flexible work and opportunities to telecommute, and recognize skills and experience.⁴⁰

The abolition of mandatory retirement in several provinces has also brought in new challenges as well as opportunities. An aging population affects many human resource functions, especially recruitment and selection, job design, training, appraisal, and compensation and benefits administration.

The availability of retirees provides an opportunity to employers who are looking for experienced, part-time workers. The reduction in the supply of young workers (a staple source of recruits by many fast food restaurants and grocery chains) may be compensated by the availability of older workers willing to work part-time. Experienced and highly motivated retirees may be a welcome source of recruits for employers and nonprofit/voluntary agencies searching for persons who can accept supervisory responsibilities.

Trend 5: More Part-Time, Contract, and Contingent Workers

The structure of employment in Canada has also changed in recent years. There are more **part-time workers** now than ever before. Indeed, the growth rate of part-time employment has been higher than in the case of full-time jobs during the last decade.

In March 2006, part-time and contingent workers accounted for 22.5 percent of the entire labour force. For men, the percentage was 12.6 percent while 36.1 percent of all women employees were part-timers.⁴¹ In the near future, part-time and contingent workers are expected to account for nearly 25 percent of the workforce.⁴²

The increasing proportion of part-time workers has raised new concerns about pay inequity and has provided momentum to the “equal pay for work of equal value” concept. Part-timers (typically, women aged 25 or older in lower-paying sales or service jobs) are far less likely to reap the benefits of increased demand and pay for highly skilled jobs.⁴³

There is also an increasing trend to use **contract (or contingent) workers** in the workplace. By using contingent workers, organizations can benefit from the services of trained personnel without increasing their payroll costs in a permanent fashion.

The use of contractors is not restricted to lower-level, clerical, or secretarial jobs; today, many lawyers, accountants, bankers, executives, and even scientists provide freelance services. Information systems, finance, and engineering were functions that were most likely to be contracted out.

Contract workers are of two major types. *Freelancers* are employees who work for the employer through independent contract arrangements. *Leased employees*, in contrast, are, typically, former company employees who are members of a leasing firm and work for the previous employer on a need basis. *Contractors* have often been found to be more productive and efficient than in-house employees, because freelancers do not spend a lot of time in complying with company bureaucracy and attending meetings. They can also provide an outsider’s fresh perspective on things. However, the contractor’s loyalty to the firm may be limited, especially if the contractor is working for several different clients concurrently.

part-time workers

Persons working fewer than required hours for categorization as full-time workers (so ineligible for many benefits).

contract (or contingent) workers

Freelancers (self-employed, temporary, or leased employees) who are not part of the regular workforce and are paid on a project completion basis.

CULTURAL CHALLENGES

As cultural values change, human resource departments discover new challenges. While several **cultural challenges** face Canadian managers, three more important ones are discussed below: work-related attitudes, ethnic diversity, and attitudes toward government and those in power.

cultural challenges

Challenges facing a firm's decision makers because of changes in core cultural or social values.

Work-Related Attitudes

The increasing entry of women and educated young persons into the labour force has resulted in some changes in employee expectations. The old cultural value that “men work and women stay home” has undergone a radical modification during the last two decades.

This shift carries implications for human resource managers. For example, child care facilities provided by the employer will become a more common demand confronting human resource departments. Sick days—paid days off for illness—have become “personal leave days” and “maternity leave” has been renamed “parental leave” to reflect the reality of working men leaving the workforce to take care of their young children.

Due to changing **attitudes toward work** and leisure, human resource departments have been confronted with requests for longer vacations, more holidays, and varied workweeks. Supervisors increasingly turn to human resource professionals for help with employee motivation. Generation X (also sometimes called the Nexus Generation) employees, who are born between 1966 and 1980, are considered to be different from the baby boomers (the previous generation). While Generation X-ers are not averse to hard work, they place a premium on work–life balance and like to be active participants in decision making.⁴⁴ They are likely to show disdain for a “command-and-rule culture” and to have more loyalty to their profession and competency-building than to their employers.

attitudes toward work

Variety of work-related assumptions and values including the role of work in a person's life and the role of women and diverse groups in organizations.

Some writers claim that Gen X-ers think of work as a job while boomers look at them as careers. X-ers are unfazed by power and authority; boomers are impressed and attracted by it. X-ers mistrust most business practices; boomers instituted many of them. X-ers are self-reliant; boomers are team-oriented.⁴⁵

The newest generation, *Generation Y*, are qualitatively different from either of the above groups:

Generation Y-ers—those people who enter the workforce today for the first time—may not respond well to traditional management practices. While it is risky to over-generalize about any group, significant numbers of Gen Y-ers seek continuous learning, ongoing feedback, teamwork, up-to-date technology, security, respect, and work–life balance. Their biggest fear is boredom. Some think these new entrants to the workplace hold unrealistically high expectations of themselves and others, often resulting in unrealistic targets and frustration.⁴⁶

There is also a greater demand today for more ethical conduct of business. The unethical practices of Bre-X, Enron, and WorldCom underscored the social costs of unethical and fraudulent business practices. Businesses, especially big corporations, have been accused of acting totally in self interest and furthering the interest of a few members of the top management.

A recent survey of Canadian firms indicated that 57 percent of respondents had been victims of fraudulent activities such as secret commissions, inflated expense reports, and personal use of company property. The most important ethical issues confronting Canadian firms today would seem to relate to avoiding conflicts of interest and maintaining honest governance, employee and client privacy, environmental protection, and security of information.⁴⁷

This has resulted in many Canadian firms instituting a code of ethics for their employees. Over 70 percent of the responding firms in a survey⁴⁸ had also instituted some program to promote ethical values and practices. It goes without saying that the human resource department will be a key player in this important activity.

SPOTLIGHT ON **ETHICS****WHAT IS A “RIGHT” BEHAVIOUR?**

Ethics are moral principles that guide human behaviours and are often based on a society’s cultural values, norms, customs, and beliefs, which means that different cultures and even individuals within the same society have widely varying standards of behaviour. How to differentiate “right” from “wrong” or “good” from “bad”? There are no simple answers. Many adopt one of the following postures in dealing with such ambiguous situations:

- 1. Universalist approach:** Persons who embrace this view assert that some moral standards are universally applicable. In other words, regardless of society or place, a bad act (such as killing or stealing) is bad. There are no exceptions to moral “rights” and “wrongs.”
- 2. Situational approach:** What is good or bad depends essentially on the situation or culture surrounding the actor. While telling the truth is desirable, there may be situations in which lying is acceptable or even necessary, or other cultures may not value truth to the same extent. Similarly, while killing is bad, there may be situations in which this act is justified. It all depends on the situation. While high morals are to be followed, an individual may have to make exceptions when outcomes justify them.
- 3. Subjectivist approach:** In this approach, the individual decision maker facing a situation determines what is right and wrong after considering all aspects of the situation. Moral decisions are based on personal values and preferences. Needless to say, the standards imposed by individuals are vastly different depending on their upbringing, current circumstances, values, and beliefs.

Another useful model to understand and guide ethical behaviour is given by Lawrence Kohlberg. Kohlberg, an American psychologist, posits six stages that form an invariant and universal sequence in individual development; thus, everyone is supposed to go through the same stages in the same sequence. It is, however, possible for a person to be “stuck” at one of the following stages and not proceed to the next higher level. The six stages of moral development identified by Kohlberg⁴⁹ are:

STAGE 1: OBEDIENCE AND PUNISHMENT STAGE: The only reason for a person to perform the “right” act at this stage is obedience to others who have the power to punish.

STAGE 2: RECIPROCITY STAGE: Here, the individual enters into reciprocal agreements with others so that he or she receives the greatest good or reward. The focus is on achieving one’s own objectives and on self-interest; for this, the individual concerned is willing to take actions that others want them to take.

STAGE 3: INTERPERSONAL CONFORMITY STAGE: What is “right” is determined by expectations of others who are close to the individual. Close relatives, friends, and other “reference groups” help the individual identify the “right” action in any setting.

STAGE 4: LAW AND ORDER STAGE: Doing one’s duty and obeying society’s rules is considered the “right” behaviour at this stage.

STAGE 5: THE SOCIAL CONTRACT STAGE: Here, the individual goes beyond the minimal standards established by laws and rules. “The greatest good of the greatest number” in the society is the maxim that guides the individual’s behaviour at this stage.

STAGE 6: UNIVERSAL ETHICAL PRINCIPLES STAGE: At this stage, the individual is guided by high moral principles. People are to be treated as ends in themselves, not just as means to one’s ends or even to the ends of a whole group or society. People are considered as inherently valuable and to be treated in the “right” way. Very few individuals reach this level.

The field of human resource management is full of situations with hard choices between good and bad, right and wrong, desirable and undesirable. Indeed, 52 percent of the 462 American HR professionals surveyed in the 2003 Business Ethics Survey⁵⁰ reported feeling at least some pressure to compromise their organization’s ethical standards. The reasons most often cited for engaging in unethical behaviours were a need to follow the boss’s orders (49 percent of the respondents), pressure to meet overly aggressive business objectives (48 percent), and helping the organization to survive (40 percent). Also mentioned frequently was pressure to be a “team player.”

The Spotlight on Ethics feature in this book will introduce you to one or more ethical challenges associated with the topic discussed in each chapter. Once you have identified your responses, compare your answer to those of your friends or family members. Find out why each person chose differently. Try to categorize the responses under the three categories and six stages of moral development listed above. Which approach seems to be used by most of your friends and acquaintances?

tances? At what stage of moral development are you and your friends? Why? What are the implications for yourself and your employer? What prevents you and your friends from moving to the next stage?

Instructions: Consider the following situation. Make a note of your answer on a separate sheet and compare it with those of your friends and acquaintances.

After graduation, you joined the human resource department of a highly respected multinational apparel firm with operations in fourteen countries, including five developing nations. Because of the tight labour market, you went through over 20 job interviews before you landed this job. You consider yourself extremely fortunate to have secured this job, since your employer is a very large firm offering considerable prospects for promotion and career development. Even if you don't stay with this firm for many years, the very fact that you worked here for a few years could open several other doors. This is your eighth month with your employer.

Recently, you were sent to a developing country, which supplies over 20 percent of your firm's products sold

in that region. You were looking forward to this trip to provide you with some essential international experience in HR. However, what you saw in the country appalled you. You now wish you had never taken that trip. The "factory" where the garments were tailored turned out to be a shack hardly 1.5 metres tall, with a 74-square-metre area where over a dozen adults and 20 children—ages 8 to 14—sat on the floor and worked for over 16 hours each day, often earning less than \$0.50 a day in wages. Many slept on the floor when they did not work; others looked haggard and hungry. You know that your company makes a tidy 80 percent profit from each garment bought from this supplier.

You are unsure about the course of action to take. On the one hand, you feel that you should not profit from the toil of the poor and helpless; however, as a junior member of the management team, what action can you possibly take without alienating your senior colleagues and hurting your own chances for career progress. Also, is it really your responsibility to improve the working conditions of a group of workers living in that country?

Ethnic Diversity

The coexistence of anglophones and francophones with dozens of other national, racial, and ethnic groups, each with its unique cultural and social background, makes Canadian society a **cultural mosaic**.⁵¹ "Business immigrants" have often acted as engines of economic growth in this country, while immigrants from nontraditional sources such as Hong Kong, Vietnam, India, Sri Lanka, and the Philippines have added to the cultural diversity and richness of this country. Indeed, in recent years, the entire face of the Canadian population has undergone a major change.

According to the latest census results, for the first time in history, less than half of Canada's immigrants came from European countries. Currently, only 47 percent of immigrants originate from Britain or other European countries.⁵²

cultural mosaic

Canadian ideal of encouraging each ethnic, racial, and social group to maintain its own cultural heritage, forming a national mosaic of different cultures.



Big Cheese Photo/Jupiterimages.

Canada's workplaces become more and more diverse as each visible minority is encouraged to maintain his or her unique cultural heritage. What potential conflicts can develop because of this "encouragement"?



Information on American
and Canadian Workforce
www.ilr.cornell.edu

attitudes toward government

Basic assumptions on
the role of government
in business and society,
including desirability of
a welfare state with a
key interventionist role
for the government.

Unlike the American notion of the “melting pot,” Canada has encouraged each ethnic minority to maintain its unique cultural heritage to form part of the mosaic. Canada is no longer a two-language nation; millions of Canadians have neither English nor French as their language of origin. Today, almost five million Canadians are referred to as *allophones*, which literally means “other speaking.” That is a 15 percent increase over 1991, with Chinese surpassing Italian for the first time as the most common nonofficial language.⁵³

For the practising manager, this cultural diversity simultaneously brings additional opportunities and challenges, some of which will be discussed in Chapter Twelve. Often, it is the human resource department’s responsibility to maximize the beneficial outcomes and minimize the challenges posed by a diverse workforce.

Attitudes Toward Government

Historically, Canadians have always been far more positive than Americans to government participation in economic activities (even in the earliest days of Confederation, private and public capital was combined to create the Canadian Pacific Railway). In the past, issues such as government-funded health care and education were of greater importance to Canadians than to Americans.⁵⁴ However, in recent years, **attitudes toward government** have slowly shifted for many Canadians. “The notion that governments have the ability and wisdom to steer the economy is being dispelled. The growing view is that the government is just an economic facilitator that provides the appropriate infrastructure for prosperity.”⁵⁵ This sentiment has already been reflected in basic attitudinal shifts in how the government and the public view unemployment insurance, family allowances, welfare payments, and the overall focus of regional development plans.

In the past, the Canadian national character was called a “conservative syndrome,”⁵⁶ reflecting Canadians’ tendency to be guided by tradition and focus on maintenance of order and predictability. Canadians were said to be a hybrid product of several nationalities and ethnic groups “not quite as American as the Americans, not quite as British as the British ... and not quite as French as the French.”⁵⁷ However, more recently, Canada’s national self-image has changed somewhat (symbolized in the Charter of Rights and Freedoms, aggressive entry into foreign markets, and reduced dependence on governmental programs).

As a result, individuality and a kind of do-it-yourself attitude seem to be supplanting faith in government in the minds of many.

In summary, a fundamental shift is under way in how and where the world’s work gets done, with potentially serious consequences for Canada. Today’s “global village” requires major changes in the way managers—especially human resource managers—think and operate. Those Canadian firms that will succeed in the future will be the ones that can survive amid fierce global competition and successfully meet challenges posed by incessant and rapid changes in technology, changing social expectations, and the emergence of a diverse workforce. How critical human resource management is to face the new realities is discussed in the following pages.

Objectives of Human Resource Management



Human resource management aims to improve the productive contribution of individuals while simultaneously attempting to attain other societal and individual employee objectives. The field of human resource management thus focuses on what managers—especially human resource specialists—do and what they should do.

Improving the contribution of human resources is so ambitious and important that all but the smallest firms create specialized human resource departments to enhance the contributions of people.⁵⁸ It is ambitious because human resource departments do not control many of the factors that shape the employee’s contribution, such as capital, materials, and technology. The department decides neither strategy nor the supervisor’s treatment of employees, although it strongly influences both. Nevertheless, the role of human resource management is critical to the success—indeed, even the very survival—of the organization. Without a motivated and skilled workforce, and devoid of gains in employee productivity, organizations eventually stagnate and fail.

While the role of the human resource department (HRD) shows considerable variation across organizations, almost all HRDs carry out several common activities, including:

- assist the organization to attract the right quality and number of employees;
- orient new employees to the organization and place them in their job positions;
- develop, disseminate, and use job descriptions, performance standards, and evaluation criteria;
- help establish adequate compensation systems and administer them in an efficient and timely manner;
- foster a safe, healthy, and productive work environment;
- ensure compliance with all legal requirements insofar as they relate to management of the workforce;
- help maintain a harmonious working relationship with employees and unions where present;
- foster a work environment that facilitates high employee performance; and
- establish disciplinary and counselling procedures.

To guide its many activities, a human resource department must have objectives. Objectives are benchmarks against which actions are evaluated. These must be formulated after a detailed analysis of the organization and its environments. Human resource management in most organizations attempts to achieve three key objectives—*organizational*, *societal*, and *employee*.

ORGANIZATIONAL OBJECTIVES

The major aim of the human resource department is to contribute to organizational effectiveness. Human resource management is not an end in itself; it is a means of helping the organization to achieve primary **organizational objectives**. It should help an organization to identify the right quality, type, and number of employees. The importance of this function is illustrated by the following example in which a change in employee selection procedure contributed to improved organizational effectiveness:

The Atlantic Brewery always sought the best workers it could find. “Best” meant, among other things, the brightest and most reliable individuals. Usually, the company recruited students from surrounding schools and universities. With one job, however, this strategy created problems. The job required the worker to stand in the bottling plant eight hours a day inspecting beer bottles for damage. The work floor was damp, noisy, and full of fumes from the beer tanks. Employees usually quit within four months. Bright, ambitious persons found this simple, repetitive job boring. A possible solution was to assign the job to individuals with lower ambitions and career expectations, or to rotate the job assignment among several people in shorter shifts.

It should be emphasized that the contribution of a human resource department should be kept at a level appropriate to the organization’s needs. Resources are wasted when the human resource department is more or less sophisticated than the organization demands. The department’s level of service must be appropriate for the organization it serves. Cost–benefit analyses and systematic program reviews are vital to achieve this goal. This text provides sample measures for evaluating several HR activities such as recruitment, selection, training, and orientation in the following chapters.

SOCIETAL OBJECTIVES

Human resource management should be responsive to the needs and challenges of society while minimizing the negative impact of such demands upon the organization. The failure of organizations to use their resources for **societal objectives** may result in restrictions being imposed on the organizations. In effect, society may pass laws that limit human resource decisions.

For example, employees of many organizations are environmentally conscious. They demand that their employer recycle and reduce waste wherever possible. Everything from paper clips to large cardboard cartons or metal containers is routinely recycled in

organizational objectives

An organization’s short- and long-term goals that the HR department aims to achieve.

societal objectives

Societal priorities (e.g., lower pollution levels) that HR department targets while setting its own objectives and strategies.

many organizations today. In some instances, employees' concern for their environment surpasses their concern for other tangible rewards.

Human resource strategies in such organizations will need to reflect society's ecological concerns.

EMPLOYEE OBJECTIVES

employee objectives

Goal set by HR department to assist employees to achieve personal goals that will enhance their contribution to the organization.

Human resource strategies should assist employees in achieving their personal goals, at least insofar as these goals enhance the individual's contributions to the organization. If **employee objectives** are ignored, worker performance may decline, or employees may even leave the organization.

The above three objectives are beacons that guide the strategies and day-to-day activities of human resource departments. However, not every human resource decision meets the above three objectives every time or in equal degree. Tradeoffs do occur. The relative importance of the three objectives in any single situation is decided after a careful analysis of all relevant variables involved in the particular situation. But these objectives serve as a check on decisions. The more these objectives are met by the human resource department's actions, the better will be its contribution to the organization, its people, and the larger society.

Strategic Human Resource Management



A strategy is similar to a game plan. In its earlier, military sense, a strategy involved the planning and directing of battles or campaigns on a broad scale. In an organizational setting, it involves large-scale, future-oriented, integrated plans to achieve organizational objectives and respond to uncertain and competitive environments facing the organization.

Strategies are typically formulated at three levels: *corporate*, involving the entire organization; *business*, involving a major activity, business, or division in a large multibusiness organization; and *functional*, involving managers of different activities, services (e.g., finance, marketing), or geographical areas. Depending on organizational conditions, strategies may be developed at any or all of these three levels.

Strategies can vary significantly:

One organization's strategy may be to be a low-cost producer of a product, while another in the same industry may aim to produce a high-quality, higher-priced product that aims to satisfy a particular customer market. A firm may invest considerable resources in research and development to come out with new products while another may decide to focus on aggressive marketing of existing products.

Strategic human resource management is systematically linked to the strategic needs of an organization, and aims to provide it with an effective workforce while meeting the needs of its members and other constituents in the society. In contrast to strategies, human resource departments also employ varying tactics periodically. Tactics are methods, procedures, or systems employed by human resource professionals to achieve specific strategies.

It is important that human resource strategies and tactics be mutually consistent. Even the best-laid strategies may fail if they are not accompanied by sound programs or procedures.

For example, a strategy of attracting and maintaining a technically qualified and innovative workforce is unlikely to be successful unless accompanied by sound hiring and training and development procedures.

Further, a human resource strategy should almost always reflect the larger organizational mission and strategy. When the human resource strategy and tactics accurately reflect organizational priorities, the results can be very positive:

The experience of Camco Inc., the country's largest appliance manufacturer, illustrates the importance of sound human resource management in raising employee productivity and organizational profits. After eight years of operation, Camco management decided to break its organizational chain of command and listen to its workers. The organization's

strategic human

resource management

Integrating human resource management strategies and systems to achieve overall mission, strategies, and success of the firm while meeting needs of employees and other stakeholders.

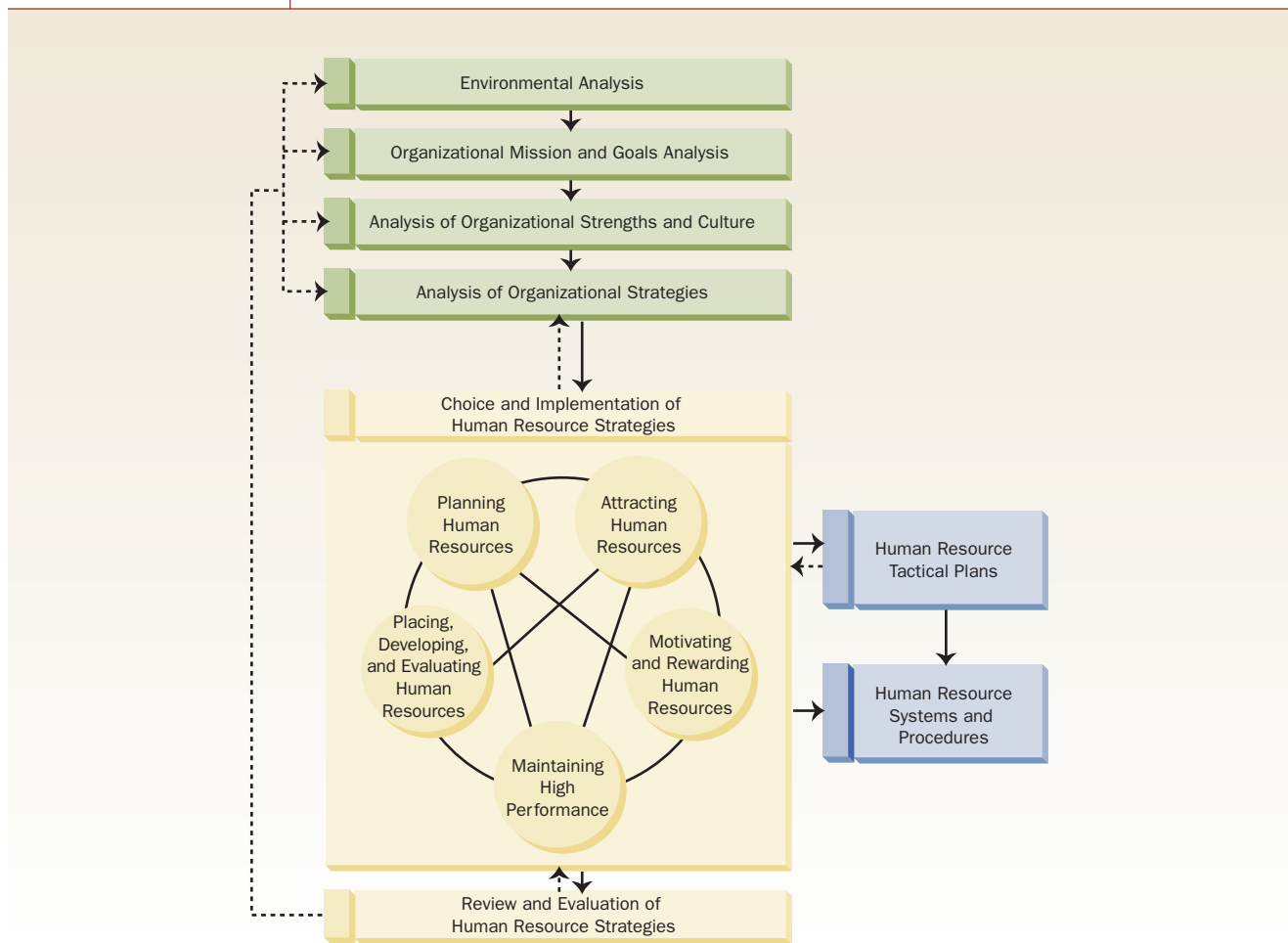
structure became “flat”: every worker was encouraged to talk to everyone else. The results went beyond the most optimistic expectations. Employees made several recommendations that at first seemed unworkable, but because of the commitment of employees they became realities. For example, in the production of glass microwave shelves, the employees made a suggestion that was originally thought impractical, but when implemented it saved Camco \$25,000 annually. Productivity improvement in just one year after the change was 25 percent, and absenteeism was reduced by 30 percent.⁵⁹

STEPS IN STRATEGIC HUMAN RESOURCE MANAGEMENT

Human resource management as a specialist function evolved from very small beginnings. (See Appendix at the end of this chapter for the growth of human resource functions over time.) What began as a role to assist employees to deal with their personal problems, such as housing and medical help, grew over time to arrive at today’s role, in which it is an integral part of the strategic position that an organization assumes—inseparable from key organizational goals, product-market plans, technology and innovation, and last but not least an organization’s strategy to respond to governmental and other pressures. Figure 1-9 outlines a strategic human resource management model that is used in this book.

To be effective, a human resource management strategy should be formulated after considering an organization’s environment, mission and objectives, strategies, and internal strengths and weaknesses including its culture. Typically, the strategy formulation and implementation process consists of the six steps outlined below.

FIGURE 1-9 | A Model of Strategic Human Resource Management



Step 1: Environmental Analysis

By careful and continuous monitoring of economic, social, and labour market trends and noting changes in governmental policies, legislation, and public policy statements, a human resource manager will be able to identify environmental threats and opportunities that in turn help formulate new action guidelines:

A large electric utility, sensing society's increasing concern about air pollution, decided to reduce coal burning and shift to hydro power. This in turn necessitated replacement of its plant and equipment as well as major changes in its human resource strategy. Not only were new skills required, but the changeover from existing procedures and systems (e.g., compensation, appraisal, training) also had to be smooth and cause as little disruption to the work as possible. A strategy based on considerable in-house and external training was drawn up and implemented. By the time the utility switched to hydro power, it had the necessary supply of skilled labour.

Step 2: Organizational Mission and Goals Analysis

An organizational analysis, involving a close look at the organization's overall mission and goals, is a second integral aspect of identifying human resource strategies. Even similar organizations often pursue different goals; however, some goals such as profitability (or revenue surplus), organizational growth, employee satisfaction, efficiency, adaptiveness to environmental changes, and so on are common across most Canadian organizations.

How an organization defines its mission also significantly influences human resource strategies. A **mission statement** specifies what activities the organization intends to pursue and what course is charted for the future. It is a concise statement of "who we are, what we do, and where we are headed" and gives an organization its own special identity, character, and path of development.

For example, two similar electronic manufacturers might have different missions. One might define theirs as "to become a successful organization in the entertainment business," the other may define theirs as "to occupy a technological leadership position in the industry." The associated strategies are likely to show significant differences also. Apart from manufacturing electronic goods used for home entertainment, the former firm might acquire video and film production firms and get into the music industry (e.g., produce compact discs); while the focus of the second firm might be more committed to developing innovative electronic products through research and development.

Step 3: Analysis of Organizational Strengths and Culture

Human resource strategies should be formed only after a careful look at the strengths and weaknesses of the organization concerned and its culture. In the same way, organizational strategies that cannot be built on existing human resource capabilities should be avoided (unless it is possible to remove these deficiencies immediately either through training or selection of employees). Consider this example:

Calgary Electronics, which employs twelve salespeople and seven service and repair personnel, was concerned about the growing competition in the electronics equipment market. Historically, the firm had sold and repaired all makes of electronic and electrical equipment (ranging from blenders to large-screen TV and complex security alarm systems). To meet the competition, the firm initially decided to implement an aggressive advertising and personal selling strategy. However, a detailed investigation into the company's past performance indicated that the strength of the firm lay in its prompt and cheap repair service. A review of the employee skills and training also indicated that several of the salespeople lacked any formal training in selling. On the basis of the results of the internal analysis, Calgary Electronics decided to focus on repairs and after-sales service in its advertising campaigns.

Every organization is unique. Similarities between organizations can be found among their parts, but each whole organization has a unique character. **Organization character** is the product

mission statement

Statement outlining the purpose, long-term objectives, and activities the organization will pursue and the course for the future.

organization character

The product of all the organization's features—people, objectives, technology, size, age, unions, policies, successes, and failures.

of all the organization's features: its employees, its objectives, its technology, its size, its age, its unions, its policies, its successes, and its failures. Organization character reflects the past and shapes the future.⁶⁰ Human resource specialists should be clearly familiar with and adjust to the character of the organization. For example, it is sometimes overlooked that objectives can be achieved in several acceptable ways. This idea, called *equifinality*, means there are usually many paths to any given objective. The key to success is choosing the path that best fits the organization's character:

Human resource manager Aaron Chu feared that his request to hire a training assistant would be turned down. So instead of asking for funds to hire someone, Aaron expressed concern that poor supervisory skills were contributing to employee complaints and some resignations. He observed at the weekly management meeting that unskilled replacements might lead to rising labour costs. Knowing that top management was concerned that the company remain a low-cost producer, Aaron was not surprised when the plant manager suggested hiring "someone to do training around here." Aaron received a budget increase for training. By adjusting to the organization's character, he achieved his objective.

The understanding of organization character is so critical for the success of a HR manager that this will be discussed in some greater depth later in this chapter.

Step 4: Analysis of Organizational Strategies

As has been mentioned, organizations with similar goals show remarkable differences in their strategies to achieve those goals. A firm can choose from at least three major generic strategies: cost leadership, differentiation, or focus.⁶¹ Firms that pursue a **cost leadership strategy** aim to gain a competitive advantage through lower costs. They aggressively seek efficiencies in production and use tight controls (especially in managing costs) to gain an advantage over their competitors.

The Bic Pen Company is a good example of a firm that attempts to compete successfully by producing pens as cheaply as possible. Similar cost leadership strategy is seen in the case of Timex (watches) and Federal Express (overnight package delivery).

Product **differentiation strategy** focuses on creating a distinctive or even unique product that is unsurpassed in quality, innovative design, or other feature. This may be accomplished through product design, unique technology, or even through carefully planned advertising and promotion. Firms that use this strategy may even be able to charge higher-than-average prices for their products.

Nikon (cameras) and Calvin Klein (fashion apparel) are firms that employ a differentiation strategy.

Under the **focus strategy**, a firm concentrates on a segment of the market and attempts to satisfy it with a low-priced or a highly distinctive product. Within this specific market or target customer group, a focused firm may compete on the basis of either differentiation or cost leadership. The target market in this instance is usually set apart either by geography or by specialized needs.

An automobile manufacturer sells its station wagons only in North America since Americans and Canadians seem to like station wagons more than people in other countries. The same firm sells its smaller and fuel-efficient economy car in less-developed countries, because consumers there have lower disposable income.

Depending on the overall strategy employed by the firm, the human resource strategies will show substantial variation. (See Figure 1-10 for some variations in organizational priorities under the three strategies.)

Step 5: Choice and Implementation of Human Resource Strategies

Given the firm's objectives, strategies, and constraints, the human resource manager should examine each strategic option for its viability. Unsuitable strategic options must be dropped from consideration. The ones that appear viable should be scrutinized in detail for their advantages

cost leadership strategy

Strategy to gain competitive advantage through lower costs of operations and lower prices for products.

differentiation strategy

Strategy to gain competitive advantage by creating a distinct product or offering a unique service.

focus strategy

Strategy to gain a competitive advantage by focusing on needs of a specific segment(s) of the total market.

FIGURE 1-10Variations in HR Priorities and Practices Under Different Competitive Strategies⁶²

	Cost Leadership	Focus	Differentiation
Desired employee behaviours	Predictable, repetitive	Predictable, repetitive	Creative, innovative
Skill application by employees	Narrow	Moderate	Broad
Employee flexibility to change emphasized	Low	Moderate	High
Concern for quantity of production	High	Moderate	Moderate
Emphasis on training	Lower	Higher	Higher
Focus of employee performance appraisal procedures	Control	Mostly control; some development	Employee development

and weaknesses before being accepted for implementation. Some of the questions to ask at this time include:

- Are our assumptions realistic?
- Do we really have the skills and resources to make this strategy viable?
- Is this strategy consistent internally? Do the various elements of the strategy “hang together”?
- What are the risks? Can we afford them?
- What new actions must be taken to make the strategy viable?

Strategic choice and implementation involves identifying, securing, organizing, and directing the use of resources both within and outside the organization. Consider the following example:

Maple Leaf Grocers Ltd., which operated grocery stores in six residential districts in a large metropolitan city, had followed a strategy of high volume, low margin, limited selection, and limited service in the past. Recently, a new grocery chain, Trans Canada Superstores, made a major breakthrough in several other cities by operating large warehouse-style stores with rock-bottom prices. The typical “superstore” was about three times as large as a Maple Leaf store, and offered little service, but it had considerably more variety of produce at prices that were 10 to 15 percent lower. The superstore was planning to start a new unit close to where one of the Maple Leaf stores was situated. Unable to match the competitor’s low prices and wider selection, and not inclined to move to a new, more spacious location, the management at Maple Leaf decided to follow a new strategy based on superior customer service and “a family atmosphere.” This required all cashiers and store personnel (including the store manager) to receive additional training in listening to and serving customers. Greater emphasis was placed on each employee knowing about all major products in at least three different store departments; special assistance was provided to the elderly and single parents who shopped there (the shop also allocated a portion of its floor space for a mini playpen). Store management and staff were actively encouraged to participate in community activities and to donate to neighbourhood parties and sports activities. When the superstore began operations in the area about a year later, Maple Leaf Grocers was able to retain over 80 percent of its customers.

As the above example shows, the human resource strategy must reflect every change in the organizational strategy. In formulating strategies, the human resource department must continuously focus on the following five major groups of activities:



Articles on HR activities

www.hronline.com

1. Planning Human Resources. A *job analysis* enables the human resource manager to collect important information about the various jobs, including required job behaviours and performance standards. *Human resource planning* enables the determination of demand and supply of various types of human resources within the firm. The results of job analysis and human resource plans shape the overall human resource strategies in the short run and facilitate employment and training planning.

2. Attracting Human Resources. In recruitment and selection of workers, a human resource manager should *meet all legal requirements* (e.g., equal employment opportunity laws, affirmative action policies). *Recruitment* is the process of finding and attracting capable job applicants and results in a pool of high-quality candidates. The selection process is a series of specific steps used to decide which recruits should be hired and aims to match job requirements with an applicant's capabilities.

3. Placing, Developing, and Evaluating Human Resources. Once hired, new employees need to be *oriented* to the organization's policies and procedures and placed in their new job positions. Since new workers seldom fit the organization's needs exactly, they must be *trained* to perform effectively. Employees must also be developed to prepare them for future responsibilities through *systematic career planning*.

Performance appraisals give employees feedback on their performance and can help the human resource department identify future training needs. This activity also indicates how well human resource activities have been carried out since poor performance might often mean that selection or training activities need to be redesigned.

For example, in the past, the management of Montreal-headquartered Aeroplan, a loyalty marketing company with about 1,200 employees, found that its performance appraisal system was lacking in providing accurate and timely information on the capabilities of its employees. With professional assistance, the firm introduced a new performance management system that helped it not only to assess employee performance but also make managerial succession plans and other decisions related to career management. The new system provided relevant information to the employees to help them grow and develop new competencies.⁶³

4. Motivating Employees. When employees perform acceptably, they must receive *compensation*. Some of the *employee benefits* are required (e.g., the Canada/Quebec Pension Plan), while several others are voluntary (e.g., dental plans). Since *employee motivation* is also partially determined by internal work procedures, climate, and schedules, these must be continually modified to maximize performance.

It has often been observed that people leave their bosses, not their organizations. Many a time, an employee may quit because the boss does not inspire, make good decisions, possess relevant knowledge, or treat fairly and with respect. Recognizing this fact, many progressive HR departments have initiated actions to identify problems before they cause an employee to leave. An example here is BMO Financial, which fosters a culture to address problem managers. One tool used is the employee opinion survey with its specific questions on managers. The other is the employee call centre which allows employees to convey their problems anonymously. A few times a year, a representative of the HR department conducts an "employee relations visit" to investigate a potential problem and find solutions.⁶⁴

5. Maintaining High Performance. The human resource strategy should ensure that the productive contribution from every member is at the maximum possible level. Most effective organizations have well-established *employee relations* practices including good communication between managers and employees, standardized disciplinary procedures, and counselling systems. In today's work setting, internal work procedures and organizational policies must be continuously monitored to ensure that they meet the needs of a *diverse workforce* and ensure safety to every individual. In many organizations, employees may decide to get together and form self-help groups called unions. When this occurs, management is confronted with a new situation, *union–management relations*. To respond to the collective demands by employees, human resource specialists may have to negotiate a collective agreement and administer it. Poor management–union relations also result in work stoppages.

Canada's record in work stoppages is by no means flattering. In 2005, Canada lost over 4 million person-days due to strikes and lockouts. Most of Canada's largest telecoms, Bell, Telus, MTS, and Aliant, have been involved in work stoppages; so have Canada Post, the CBC, Videotron, and Bell's subsidiary Entourage. Other significant stoppages occurred in the supermarket sector, in meat packing, and in the paper and wood products industries.⁶⁵

Strategic choice and implementation involves an examination of the entire management philosophy, the formal and informal organizational structures, and the climate of the organization. It should also pay close attention to the organization's history, culture, and overall character.

Identifying HR strategy of an organization is often a complex task. It is not unusual to see the same organization adopting somewhat different employment practices for different employee groups or in different regions.⁶⁶ Although in any given organization, there tends to be a *dominant* HR strategy, multiple bundles of HR practices are likely to develop to cater to the unique needs of organizations in a subgroup or industry.⁶⁷ Recent research studies⁶⁸ have identified four archetypical HR strategies: commitment, compliance, paternalistic, and collaborative.

Commitment Strategy. A **commitment strategy** attempts to forge a commonality of interest between the organization (often symbolized by the management) and the employees. To develop that commonality of interest, there is heavy emphasis on employee training and development, internal staffing and career development, and compensation levels formulated on the basis of internal equity norms rather than market rates.⁶⁹

Compliance Strategy. In a **compliance strategy**, focus is on achieving labour efficiencies through control over labour costs, use of temporary or contingent workforce and maximum control over processes and using it as a key competitive weapon. Jobs are designed to be simple to ensure a constant and stable supply of employees and reduce training costs. To ensure uninterrupted production and eliminate all uncertainties, employees are expected to behave in a prescribed manner.

Paternalistic Strategy. In a **paternalistic human resource strategy**, some minimal degree of training and competency-building through training, job rotation, etc. is done with the objective of achieving flexibility of staffing and task assignments and maintaining workforce stability. Management typically provides to labour some employment guarantees as well as a system of internal staffing, typically based on seniority.⁷⁰

Collaborative Strategy. An organization using a **collaborative strategy** relies on highly skilled contract labour to supply the needed specialized staff by hiring them on an "as needed" basis or retaining them on an "on call" basis. These highly skilled and specialized "crafts" people⁷¹ are, most often, solely evaluated on the basis of their performance outcomes. Often, this is a strategy of choice by "virtual organizations."⁷²

As already noted, no single organization may neatly or fully fall into any single category above; further, the same organization may employ multiple strategies at different stages of life cycle or dealing with different labour markets. HR strategies will show variation depending on the organization's size and overall strategy, the nature of its environments, and the type of technology in use.

To be effective, a strategy should also have clearly defined action plans with target achievement dates (see Figure 1-11). Otherwise, it will simply end up being an exercise on paper.

commitment strategy

An organizational strategy that attempts to forge a commonality of interest between the organization (often symbolized by the management) and the employees.

compliance strategy

An organizational strategy whose focus is on achieving labour efficiencies through control over labour costs, use of temporary or contingent workforce, and maximum control over processes and using it as a key competitive weapon.

paternalistic human resource strategy

An organizational strategy in which some minimal degree of training and competency-building through training, job rotation, etc. is done with the objective of achieving flexibility of staffing and task assignments and maintaining workforce stability.

collaborative strategy

An organizational strategy that relies on highly skilled contract labour to supply the needed staff specialized by hiring them on an "as needed" basis or retaining them on an "on call" basis.

FIGURE 1-11

Metro Hospital's Strategic Approach to Human Resource Management

Background Information

Metro Hospital, a large hospital in a major Canadian city, currently faces an 18 percent turnover among its nursing staff. In fact, the turnover among nurses has been on the increase in the last two years. Kim Cameron, the hospital's newly appointed human resource manager, would like to reverse this trend and bring down the turnover rate to under 5 percent in the near future. As a first step, she looked through all available company records to find out more about the background of nurses who left the organization. She interviewed 14 nurses who had left the hospital recently and another 10 nurses who are currently employed in the hospital. Here are some of Cameron's findings:

- Forty percent of the nurses who left the hospital commented that their supervisors did not "treat them well"; only about 25 percent of the nurses who are with the hospital currently made the same comment.
- Six of the nurses who left and five of the present staff complained that the heating and air conditioning systems in the hospital do not work well so that it is very hot inside the hospital in the summer months and too cold in the winter.
- Fifty-five percent of those whom she talked to said that the fringe benefits in the hospital were not as good as elsewhere, while the salary level was found to be similar to that available elsewhere.
- Research of hospital records indicated that only about 10 percent of the nursing supervisors had undergone any type of supervisory leadership skills training in the past.

Kim Cameron's Objective

After her initial research, Kim Cameron identified the following as one of her major objectives for the immediate future: "To reduce the turnover among nursing staff from the present 18 percent to 4 percent by July 1, 2008, by incurring costs not exceeding \$—— (at current dollars)."

Kim Cameron's Overall Strategy

To achieve the above goal, Kim Cameron realized that it was critical that the overall job satisfaction of nurses (especially their satisfaction with supervisors, working conditions, and rewards) be monitored and improved (if necessary). She set out the following action plans for the immediate future for herself and others in her department.

Kim Cameron's Action Plans

Action Number	Action Description	Person Responsible for Action	Date by Which Action to Be Completed	Budget Allocated
1.	Conduct an attitude survey among all nurses; collect information on their attitudes toward their job, supervisor, pay, benefits, working conditions, and colleagues	Asst. HRM	31-3-2007	\$5,000
2.	Identify steps for improving morale among nurses	Self (in consultation with others)	30-5-2007	——
3.	Ask physical plant to check condition of A/C and heating systems	Self	25-1-2007	——
4.	Complete training program for 50 percent of nursing supervisors	Training manager	15-2-2008	\$9,000
5.	(Depending on the survey findings, other actions that have to be initiated will be listed here.)			
6.				

Step 6: Review and Evaluation of Human Resource Strategies

Human resource strategies, however effective they prove to be, must be examined periodically. An organization's contextual factors, such as technology, environments, government policies, and so on, change continuously; so do several of its internal factors, such as membership characteristics, role definitions, and internal procedures. All these changes necessitate periodic strategy evaluation to ensure their continued appropriateness.

For example, a study by Statistics Canada reported that attempts at innovative HR have actually increased labour turnover in Canadian manufacturing operations. The study examined how six specific alternative work practices—problem-solving teams, self-managed teams, flexible job design, profit sharing, merit pay, and formal training on teamwork—affect turnover. While the professionals have always argued that innovative practices cause lower turnover, this particular study did not support the claim.⁷³

Results of program evaluation such as the above produce valuable *feedback*, which is information that helps evaluate success or failure. Such information, in turn, helps the firm to fine tune its practices or even abandon some actions that do not seem to have performance potential. Alternatively, in the case of successful projects, additional resources can be allocated to them to reap full benefits. Consider the situation faced by Natalie Marchand, human resources manager at Municipal General Hospital:

A predicted shortage of medical technologists caused Natalie to start an in-house development program to prepare six lab assistants to become licensed medical technologists. After 15 months, they finished the program and passed the provincial certification test. Since the program was a success and the shortage had grown worse, eight more lab assistants were recruited for the second program.

The objective here was to achieve the organizational objective of finding qualified medical technologists. The strategy employed by the human resource manager was an in-house development program. When all six technologists passed the provincial certification test, those results provided feedback that the strategy was a success.

PROACTIVE HUMAN RESOURCE MANAGEMENT STRATEGIES

Strategic human resource management often enables an organization to anticipate a problem and respond to it before it can cause serious damage to the organization. For example, reconsider Natalie Marchand's situation when she learned of the impending shortage of technologists:

Natalie Marchand: My department budget must be increased by \$20,000 so we can train more technologists.

Anna Newman: Hold on! The municipality has put a freeze on the hospital budget for six months and as director of administrative services my hands are tied. Why not wait until we can show the Municipal Council complaints from the doctors? Then the shortage will be real and we can get the board to react to it then.

Natalie Marchand: But then we will probably have to spend \$25,000 for training. We will probably have to pay another \$30,000 for overtime to the technologists we now have while we train new ones. Besides, with all that overtime, error rates will jump and so will lawsuits for faulty lab work. All I need is \$20,000, but I need it now.

Anna was suggesting that Natalie's department wait until an actual problem occurred and then react. Natalie wanted to take action in anticipation of the problem without waiting for the feedback of doctors' complaints or lawsuits. Anna's approach to this human resource challenge was *reactive*, while Natalie's was *proactive*.

Reactive human resource management occurs when decision makers respond to human resource problems. Proactive human resource management occurs when human resource problems are anticipated and corrective action begins before the problem exists. For example:

A large electronics firm uses contract labour to staff its human resource needs during periods of peak business activity. During peak demand, some of the workers it uses will

reactive

A management approach wherein decision makers respond to problems rather than anticipate them.

proactive

A management approach wherein decision makers anticipate problems and likely challenges and take action before a problem occurs.

be contracted from a temporary help agency. Not only can the agency provide extra staff more quickly, but these agency workers also do not become the firm's employees. The result is that the human resource department is able to meet the staffing needs of its divisions while providing high levels of employment security to its own employees.

The policy of using contract labour is another example of how proactive strategies can better meet the needs of organizations. In the example of the electronics firm, the human resource department did not wait for the economy to go up or down and then react. Rather, it developed strategies that allowed the organization to adjust smoothly to changes caused by technology, the economy, and other factors beyond its control.

The Organization of Human Resource Management

The responsibility for human resource management (HRM) activities rests with each manager. If a manager does not accept this responsibility, then human resource activities may be done only partially or not at all. When a manager finds that HRM work seriously disrupts other responsibilities, this work may be reassigned. The assignment might be to a worker or a specialized department that handles human resource matters. This process of getting others to share the work is called *delegation*. But delegation requires the manager to assign duties, grant authority, and create a sense of responsibility; if these three elements are not explained clearly to the delegate, delegation often fails. And even though others may have been asked to handle human resource activities, the manager still remains responsible. Delegation does not reduce a manager's responsibility; it only allows the sharing of that responsibility with others.

For example, many managers ask a senior worker to train new employees. However, if the senior worker errs and the new employee makes a costly mistake, the manager will appropriately be held responsible by superiors.

A separate department usually emerges only when human resource activities would otherwise become a burden to other departments in the organization—that is, when the expected benefits of a human resource department usually exceed its costs. Until then, managers handle human resource activities themselves or delegate them to subordinates. When a human resource department emerges, it is typically small and reports to some middle-level manager. Figure 1-12 illustrates a common placement of a human resource department at the time it is first formed.



FIGURE 1-12

The Human Resource Department in a Small Organization

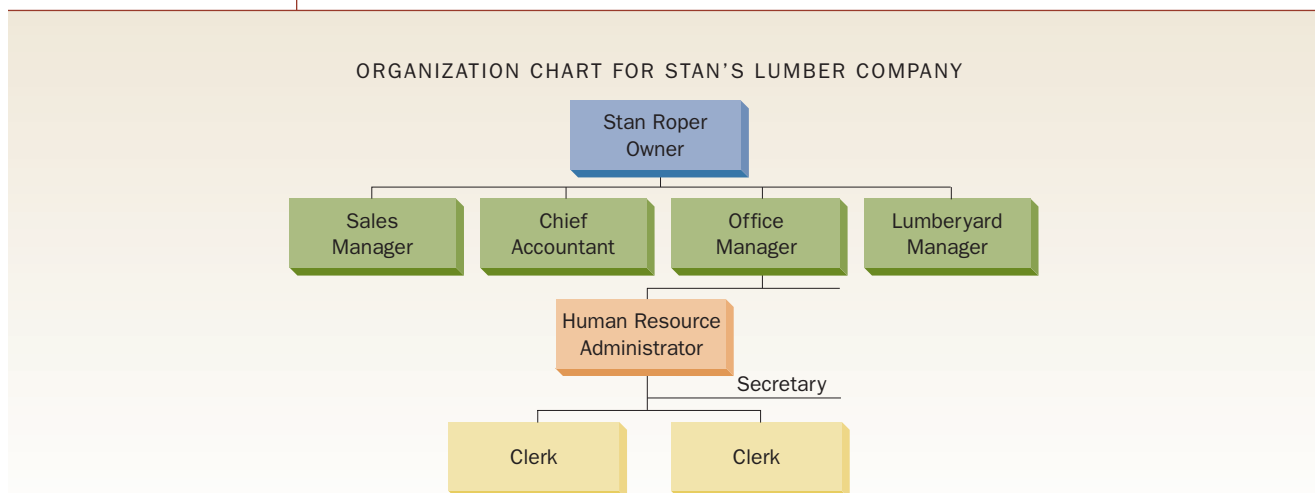
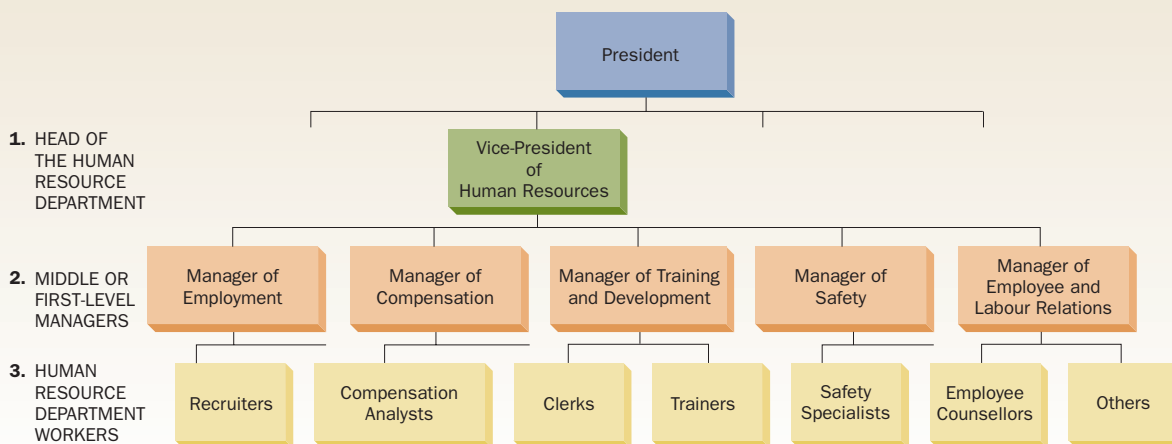


FIGURE 1-13 A Large Human Resource Department

The activities of such a department are usually limited to maintaining employee records and helping managers find new recruits. Whether the department performs other activities depends upon the needs of other managers in the firm.

As demands on the department grow, it increases in importance and complexity. Figure 1-13 demonstrates the increased importance by showing the head of human resources reporting directly to the chief operating officer, who is the company president in this figure. The greater importance of the head of human resources may be signified by a change in title to vice-president. In practice, increased complexity also results as the organization grows and new demands are placed on the department, or jobs in the department become more specialized. As the department expands and specializes, it may become organized into highly specialized subdepartments.

The size of the human resource department varies widely, depending largely on the size of the organization being supported. One study reported a high ratio of workers to human resource employees of 277 to 1. The low ratio in that study was 29:1.⁷⁴ Another study reported an average of 36 human resource professionals per 1,000 employees for a ratio of 28:1.⁷⁵ By and large, a ratio of 1:100 (i.e., one human resource staff to one hundred employees) may be adequate in most settings.

DEPARTMENTAL COMPONENTS

The subdepartments of a large human resource department approximately correspond with the activities already mentioned. For each major activity, a subdepartment may be established to provide the specialized service, as shown in Figure 1-13. The employment department assists other managers with recruiting and selection. The compensation manager establishes fair pay systems. The training and development manager provides guidance and programs for those managers who want to improve their human resources. Other activity managers contribute their expertise and usually report directly to the head of human resources. This specialization allows members of the department to become extremely knowledgeable in a limited number of activities.

Activities not shown in Figure 1-13 are shared among the different sections. For example, employment, training, and development managers may share in human resource planning and placement. Performance appraisals are used to determine pay, and so the compensation division may assist managers in appraising performance. Required services fall to the benefits and safety sections. Control activities (communications and counselling) are divided among all subdepartments, with employee and labour relations doing much of the work. Employee and labour relations sections also provide the official union–management coordination.



Essential Skills for
human resource
professionals

<http://srv.600.hrhc-drhc.gc.ca/esrp/english/profiles/202.shtml>

THE SERVICE ROLE OF THE HUMAN RESOURCE DEPARTMENT

Human resource departments are service departments. They exist to assist employees, managers, and the organization. Their managers do not have the authority to order other managers in other departments to accept their ideas. Instead, the department has only **staff authority**, which is the authority to advise, not direct, managers in other departments.

Line authority, possessed by managers of operating departments, allows these managers to make decisions about production, performance, and people. It is the operating managers who normally are responsible for promotions, job assignments, and other people-related decisions. Human resource specialists merely advise line managers, who alone are ultimately responsible for employee performance.

Sample job responsibilities of line and human resource managers in key areas are summarized in Figure 1-14. While the list is not exhaustive and will require modifications to meet the unique needs of an individual organization, it does highlight the importance of human resource responsibilities of all managers. In most organizations, human resource departments provide the technical expertise while line managers use this expertise to effectively manage their subordinates.

In highly technical or extremely routine situations, the human resource department may be given functional authority. **Functional authority** gives the department the right to make decisions usually made by line managers or top management. For example, decisions about fringe benefits are technically complex, so the top manager may give the human resource department the functional authority to decide the type of benefits offered employees. If each department manager made separate decisions about benefits, there might be excessive costs and inequities. To provide control, uniformity, and the use of expertise, functional authority allows human resource specialists to make crucial decisions effectively.

The size of the department affects the type of service provided to employees, managers, and the organization. In small departments, the human resource manager handles many of the day-to-day activities related to the organization's human resource needs. Other managers bring their problems directly to the head of human resources, and these meetings constantly remind the human resource manager of the contribution expected.

When the human resource function grows larger, more problems are handled by subordinates. Not only do human resource managers have less contact with lower-level managers, but others in the department become increasingly specialized. At this point, human resource managers and their subordinates may lose sight of the overall contributions expected of them or the limits on their authority. Experts sometimes become more interested in perfecting their specialty than in asking how they may serve others. While improving their expertise, they may fail to uncover new ways of serving the organization and its employees. Consider what happened at a fast-growing maker of minicomputers:

For the past five years, Imaxum Computers Ltd. had grown at an average rate of 25 percent a year. To keep up with this growth, the HR department manager, Earl Bates, used budget increases to hire new recruits. His strategy meant that the human resource department was well prepared to find new employees. But recruiting specialists paid little attention to other human resource problems. In one month, three of the company's best computer design engineers quit to go to work for a competitor. Before they left, they were interviewed. They complained that they saw desirable job openings being filled by people recruited from outside the organization. No design engineer had been promoted to supervisor in three years. So each of these engineers found jobs where the promotion possibilities looked better.

When Earl reminded these engineers that they lacked experience or training as supervisors, one of them commented that the company should have provided such training. As a result, when the HR department received its next budget increase, Earl hired a specialist in employee training and development.

The human resource manager and the recruiting specialists at Imaxum Computers overlooked the variety of activities that their department is supposed to perform. And they failed to identify the services that the organization needs from the human resource department. They also did not recognize the connection between different human resource management activities.

staff authority

Authority to advise, but not to direct, others.

line authority

Authority to make decisions about production, performance, and people.

functional authority

Authority that allows staff experts to make decisions and take actions normally reserved for line managers.

FIGURE 1-14

Sample Job Responsibilities of Line and Human Resource Managers

Sample Activity	Line Manager	Human Resource Manager
Human resource planning	<p>Provide details of all job positions and associated skills needed to human resource manager.</p> <p>Identify training needs of employees and communicate to the human resource department.</p>	<p>All activities associated with human resource planning. More specifically:</p> <ul style="list-style-type: none"> • Translate organization needs into forecast of people required (both type and number). • Forecast potential supply of qualified workers from internal and external sources. • Plan strategies to match supply with demand.
Job analysis	<p>Provide all necessary data to conduct job analysis.</p> <p>Identify performance standards and communicate to human resource department.</p> <p>Collaborate with the human resource manager in preparation of job description and specifications.</p>	<p>Conduct job analysis.</p> <p>Prepare job description and specification in collaboration with the line manager.</p>
Recruitment and selection	<p>Provide details of performance standards and job success and skill factors.</p> <p>Interview job applicants.</p> <p>Integrate the information collected by HR department and make a final decision on hires.</p>	<p>Ensure compliance with human rights laws and organization's policy on employment equity.</p> <p>Plan and actual conduct of all activities related to hiring, interviewing, and communication with job applicants.</p>
Development and evaluation	<p>Provide on-the-job training.</p> <p>Provide orientation to the job and co-workers.</p> <p>Implement job enrichment and enlargement programs.</p> <p>Offer timely and valid appraisal of subordinates and communication to the human resource department.</p> <p>Promote and transfer employees using agreed-upon criteria.</p> <p>Coach subordinates.</p>	<p>Facilitate accurate and timely appraisal.</p> <p>Provide orientation to the organization and its policies.</p> <p>Arrange for technical and management development programs.</p> <p>Offer organizational development activities.</p> <p>Develop valid appraisal programs in collaboration with line managers.</p> <p>Keep accurate records of each employee's skills, past training, and work accomplishments and make these available to line managers.</p> <p>Offer career counselling to employees.</p>
Compensation and safety	<p>Decide on pay raises to employees on the basis of merit or other agreed-upon criteria.</p> <p>Provide technical safety training.</p> <p>Enforce all safety regulations.</p> <p>Ensure fair treatment of employees.</p> <p>Provide all necessary data for accurate job evaluation.</p>	<p>Oversee compensation policy and administration.</p> <p>Provide safety training and ensure compliance with safety rules.</p> <p>Provide job evaluation.</p> <p>Offer retirement counselling.</p> <p>Oversee benefit planning and administration.</p>
Employee and labour relations	<p>Ensure noise-free communication to employees.</p> <p>Discipline and discharge from own unit after due warnings.</p> <p>Implement motivational strategies.</p> <p>Implement organizational change.</p> <p>Coach employees.</p> <p>Provide conflict resolution.</p> <p>Promote teamwork.</p>	<p>Conduct employee surveys to assess satisfaction with organizational policies and initiate corrective actions.</p> <p>Provide outplacement service.</p> <p>Offer career counselling.</p> <p>Establish grievance handling procedures.</p> <p>Negotiate with unions.</p> <p>Initiate organizational change efforts.</p>

To be effective, human resource specialists must determine the areas of concern of different levels of management and different departments of the organization. Otherwise, their advisory authority will be less effective and more likely ignored.

HUMAN RESOURCE FUNCTION AND THE ORGANIZATION CHARACTER

Every organization has a unique history and way of doing business. As already pointed out, organization character refers to the sum of an organization's history, culture, philosophy, and unique ways of doing things. To be effective, a human resource manager must recognize the organizational character and the constraints imposed by it on its own function. Three factors related to an organization's character are particularly noteworthy here: technology, managerial philosophy, and the organization's strategic posturing.



Technology

The technology employed by different firms shows considerable variation. In organizations such as a large steel factory or lumber mill, the production processes are fairly routine. In several such organizations, improving predictability of operations assumes great importance. This often requires human resource managers to focus more on predictability of employee performance (e.g., by providing explicit job descriptions and job-specific training and focusing on performance monitoring). In contrast, in firms with nonroutine production processes (such as advertising firms, software developers), flexible human resource practices that foster creativity, innovation, and entrepreneurship may add more value.

Managerial Philosophy

Often, several key managerial decisions and values are a “given” for the human resource manager. There are several organizations where the top management may follow an autocratic decision-making style and foster a strong organizational hierarchy. In contrast, there are other organizations that consciously make an effort to create an egalitarian, participative, and entrepreneurial work climate. HR practices such as seniority- and rank-based pay and top-down communication channels are likely to work best in the former situation while results-oriented (and competency-based) pay and up-and-down communication channels are likely to work best in the latter instance.

The managerial philosophy also influences the type of organization structure and HR department's role within the firm. For instance, in a highly formal bureaucracy that is structured along functional lines (e.g., marketing, finance, production, etc.), HR's role is often preserving the existing division of work through clear job descriptions, hiring specialists for each division, and introducing training systems that foster functional expertise. In contrast, in organizations that have flexible structures, socialization of employees to create an organization-wide perspective, creation of broad job classes, etc. may assume greater importance. Finally, an **organizational culture** or the core beliefs and assumptions that are widely shared by all organizational members, shape work-related and other attitudes, and significantly influence the overall job commitment and performance. Clearly, the human resource management has a role in shaping this; however, even here, the culture has to be consistent with the overall mission and strategy of the organization concerned.

organizational culture
Core beliefs and assumptions that are widely shared by all organizational members.

Organization's Strategic Posturing

In the preceding pages, we looked at the impact of strategic differences on the role of human resource function. Organizations differ on other strategic dimensions as well. For example, some organizations are *defenders*⁷⁶—or conservative business units that prefer to maintain a secure position in relatively stable product or service areas instead of attempting to expand into uncharted territories. In contrast, some other organizations are *prospectors* that emphasize growth, entrepreneurship, and an eagerness to be the first players in a new market or selling a new product, even if some of these efforts fail. Human resource managers in a defender organization are more likely to be asked to support control systems, to emphasize reliability and predictability in operations, and to foster employee policies that encourage long-term employee attachment to the firm. In contrast, human resource managers in prospector organizations are more likely to be asked to

foster a flexible, decentralized organization structure, to emphasize creativity and adaptability, and to support systems that reward risk taking and performance.

Before concluding this section, it should be emphasized that human resource management is the management of people. Thus, human resource management should be done professionally—in fact, humanely! The importance and dignity of human beings should not be ignored for the sake of expediency. Only through careful attention to the needs of employees do organizations grow and prosper.

The Human Resource Management Profession of the Future



In the last decade or so, there has been an enormous growth in the number of human resource managers. In 1971, there were only 4,055 human resource managers in this country; in 1999, the corresponding number was estimated to be over 43,000.⁷⁷ However, the status of human resource professionals within organizations historically has not been high. In a national survey of chief human resources officers, it was found that only 60 percent of respondents report directly to the chief executive officers and only 62 percent were members of their organization's executive committee.⁷⁸

Thus, despite its enormous growth, human resource management has been slow to evolve into a full-fledged profession. Until recently in many Canadian provinces, there were no minimum qualifications for practising as a human resource professional. Since the actual capability of practicing human resource experts varies widely, it became increasingly evident that professionalism of the human resource management field was needed. To meet these ever-increasing challenges, human resource managers were expected to possess a number of competencies, including the following:⁷⁹

- **Business mastery:** HR professionals must know the business of their organization thoroughly and recognize and incorporate financial and economic realities into their analyses and decisions. They should understand and foster customer orientation and be familiar with external realities and challenges facing the organization and the larger industry.
- **Mastery of human resource management tools:** As professionals, they should be familiar with state-of-the-art tools in areas such as staffing, training, compensation planning, performance appraisal and planning, employee relations and communication, and organizational change interventions.
- **Change mastery:** Not only should HR professionals possess an abundance of problem-solving, critical thinking, negotiation, and interpersonal skills, but they should also be well versed in using these to bring about changes in the organization and its various subsystems.
- **Personal credibility:** The HR professional should project an image of a trustworthy, ethical, socially responsive, courageous leader who can build relationships and inspire others to work for larger causes.

To achieve this goal, accreditation and/or certification of the HR professional was considered imperative. While several provincial human resource associations, including those in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, and Nova Scotia, offered certification programs in the past (**Certified HR Professional**, or **CHRP**), there was “considerable lack of uniformity across Canada in the designation granting process in key areas such as certification, membership criteria, skills and competencies required, renewal/recertification procedures and fee structures.”⁸⁰

For example, in Ontario, the certification, in the past, was based on a candidate successfully completing specific academic requirements, passing a comprehensive examination, and having three years' managerial experience. In British Columbia, a greater number of years of work experience was typically expected, especially for candidates with lower levels of formal education. The requirements in other provinces also show variations. The result has been that the CHRP designation lacked the market designation that a number of other professional designations enjoyed.⁸¹

This disparity had encouraged a move toward a set of uniform national standards for HR practitioners. The Canadian Council of Human Resource Associations (CCHRA) is a collaborative effort of Human Resource Associations across Canada that currently represents the interests of



Human Resources
Professionals
Association of Ontario
www.hrpaoo.org

**certified human resources
professional (CHRP)**
Human resource practitioner, formally accredited to practise, who reflects a threshold professional level of practice.

all HR practitioners in this country. Apart from establishing national core standards, CCHRA also fosters communication among participating associations and provides a national and international collective voice on human resource issues.

On the basis of extensive national and regional consultations with employers, human resource professionals and researchers, CCHRA has arrived at a set of “required professional capabilities” (RPCs) in key HR areas such as compensation, staffing, and employee relations apart from skills in fundamental business areas, such as accounting (see Figure 1-15). While these standards are continually being reviewed and updated, Figure 1-15 provides a summary of the requirements for Certified Human Resources Professional (CHRP) designation identified by CCHRA.

For human resource staff in the civil service and government organizations, the Certified Canadian Human Resource Professional (CCHRP) designation is granted on the basis of academic and/or professional work experience in the HRM area. In this case the accreditation body is the Canadian Public Personnel Management Association, which is based in Ottawa.

Certification alone does not make human resource management a profession or improve its status in the eyes of organizations. One approach to improving the human resource manager’s status within the organization may be to strengthen the position’s contribution to the enhancement of organizational performance and effectiveness. This is already beginning to take place. The higher status given to human resource experts in want ads and organizational charts indicates that the importance of human resource management activity is being recognized.

The typical business of tomorrow may bear little resemblance to that of 30 or 40 years ago. “It will be knowledge based, an organization composed largely of specialists who direct and discipline their



CCHRA

www.chrpcanada.com**FIGURE 1-15**

National Certified Human Resources Professional (CHRP) Designation

The national CHRP designation, portable across Canada, is the natural evolution of the human resource profession. Since the requirements are continually being reviewed and updated, the reader is encouraged to visit the CCHRA website (www.chrpcanada.com), which has links to the provincial human resources associations. As this book goes to press, the requirements for CHRP designation are:

1. At least 70 percent grade in standardized national exams prepared by CCHRA, but administered by each province (e.g., HRPAA in Ontario), which are the primary basis for testing the knowledge of aspiring HR professionals. The required knowledge areas are:
 - human resource management;
 - organizational behaviour;
 - finance and accounting;
 - training and development;
 - occupational health and safety;
 - employee and labour relations;
 - human resource planning;
 - compensation; and
 - staffing.
2. In addition, each candidate has to write an outcomes assessment exam, which measures human resource “experience.” Once again, a 70 percent grade is required to be considered successful in the exam.
3. Candidates must be members of their provincial human resources association and register with the association to write the outcomes exam within five years of writing the knowledge exam.
4. The CCHRA will oversee the assessment process while the provincial associations will continue to manage the application process.
5. The new procedures will not affect those already holding a CHRP designation; however, all CHRP holders will now be required to go through a recertification every three years.⁸²



International Personnel
Management Association
www.ipma-hr.org

own performance through organized feedback from colleagues, customers and headquarters.”⁸³ The typical organization will be information-based, where intellectual capital (i.e., the knowledge and expertise possessed by the employees) will spell success or failure. Already, jobs today demand a level of expertise unimagined 30 years ago. For managers, the challenge of managing intellectual capital lies in the fact that today’s knowledge workers must be managed differently than in the past. New HR strategies, systems, and procedures are a must to succeed in this context. Continuous upgrading of own skills and fostering an attitude of continuous learning may separate the superior HR manager from the mediocre one in the future.

The Framework Used in This Book

This text is divided into seven parts:

Part One: The Strategic Human Resource Management Model offers a strategic model of managing human resources in Chapter One. The key objectives of the human resource function are outlined here along with the steps in implementing a strategic HR approach in practice.

Part Two: Planning Human Resources is contained in two chapters. Chapter Two deals with the important topic of job analysis—detailing the various methods of collecting data about jobs, the steps involved in writing job descriptions and job specifications, and setting performance standards. Chapter Three discusses the various factors that need to be considered when planning the supply and demand for human resources in organizations.

Part Three: Attracting Human Resources deals with the various steps in acquiring human resources. Chapter Four details key provisions of human rights legislation and the Canadian Constitution along with their implications for hiring employees. Chapters Five (“Recruitment”) and Six (“Selection”) deal with the various tools, options, and strategies open to the human resource manager in attracting and selecting qualified applicants for the job.

Part Four: Placing, Developing, and Evaluating Human Resources deals with all key activities involved in orienting, training, developing, and evaluating employees. Chapter Seven outlines the key steps involved in the orientation and training of employees; it also focuses on the development of employees to take on greater responsibilities in the future including career counselling to staff. Chapter Eight deals with various appraisal techniques that help an organization to monitor and improve employee performance.

Part Five: Motivating and Rewarding Human Resources discusses the critical tasks of motivating and rewarding employees. Chapter Nine deals with direct compensation, including methods of evaluating the worth of each job and the incentive schemes currently available. Chapter Ten discusses how careful planning enables an organization to make the most out of its benefits package. It also deals with various work options and other arrangements that have implications for employee motivation.

Part Six: Maintaining High Performance focuses on the various human resource actions to ensure high performance. Chapter Eleven details the methods of improving communication and enforcing discipline when employees violate organizational policies. Chapter Twelve deals with the special challenges of managing a diverse workforce. Chapter Thirteen discusses two types of security offered by modern human resource departments: financial and physical. Chapter Fourteen discusses strategies for dealing with unions and outlines the human resource manager’s role during negotiations with unions.

Part Seven: Strategy Evaluation deals with the various approaches to assess the effectiveness of human resource strategy. The final chapter in this book discusses how a human resource department’s contribution—and the effectiveness of its strategy—can be evaluated. Indices that measure an organization’s success in human resource management are listed along with strategies for collecting data in each case.

SPOTLIGHT ON HRM

WILL THE 21ST CENTURY BELONG TO CANADA?

The ingredients are all there, but human capital is the key.

Today it is recognized that natural, financial and technical resources no longer provide a sufficient basis for improving productivity at a rate equal to or better than other developed countries. These traditional foundations for productivity improvement are widely available globally through international trade and electronic commerce. In addition, we now understand that more money and technology do not by themselves increase productivity. It is the ability of people to effectively use these resources, through their knowledge and skills, that creates value and enhances results. [The] ... capability of people is seen as key to sustaining continuous improvement in productivity. This improvement depends on our ability to keep enhancing the knowledge and skills of people, using their knowledge and skills, and creating and disseminating new knowledge.

The challenge is that the productive capacity of people does not improve quickly. Developing expertise in any field takes years of development and experience. In addition, it takes time to adapt the organizational and cultural context in order to apply an individual's capability to the fullest. An added complexity is that people don't work in isolation—group or team dynamics are powerful forces impacting both behaviour and productivity in the workplace. In short, how well we develop and manage people is critical to sustaining significant improvements in productivity.

Productivity Depends on Investment

Increasing productivity must be viewed as a long-term investment in developing and using human capital. Investments need to take a wide range of forms with sustained effort over significant periods of time. They require continuing efforts by government, individuals and organizations. The most obvious form of investment is through education and training. To continue to improve productivity and living standards, Canada needs a well-educated workforce that is knowledgeable and skilled to fill jobs in the growing occupations.

Formal education programs need to focus on providing a liberal science education that prepares people

entering the workforce for the 21st century. Employment rates and salaries are higher in the business, science and technology fields, yet enrolment in these educational areas remains stagnant.

Training Is Everyone's Responsibility

As a society, we need to promote furthering the minimum education of everyone. Completing a quality secondary education must be the minimum education for every person in this country. ...

Organizations must also invest in the continuing development and specialized training of their employees. Organization-funded training must be seen as a long-term rather than a variable operating cost that is cut or reduced during poor economic times.

Individuals must also invest in improving their capabilities. We live in an age where continual change is the norm and life-long learning is no longer a vague concept or jargon from training professionals. ...

To sustain increasing levels of productivity, Canada must invest heavily in the research and developing of new knowledge in a broad range of disciplines.

Investment in developing new knowledge is really an investment in Canada's people and their future well-being. This not only keeps Canada's best and brightest at home, it also keeps the innovation and subsequent jobs within Canada.

To survive, all organizations invest in innovation, particularly around their products, services and core operating processes. Most organizations are also increasingly investing in new technology, especially information technology. Far fewer organizations have recognized the need for significant investment in the development of the human resource management systems, processes and capabilities. ...

In summary, to maintain our standard of living relative to other countries, Canada must reverse the current trend by making substantial, sustained investments in developing its human resources. Improving our standard of living in the 21st century will require world class human resource management capability.

Source: © *Canadian HR Reporter*, December 29, 1997, pp. 18–19, by permission of Carswell, Toronto, ON, 1-800-387-5164. Website: www.hrreporter.com.

SUMMARY

The central challenge for organizations today is to survive and prosper in a very turbulent world. To do this, most find it necessary to maintain high productivity and effectiveness levels and have a global focus. Strategic management of organizations is suggested as one method for coping with this environmental turbulence. **Human resource management** *aims to improve the productive contribution of individuals while simultaneously attempting to attain other societal and individual employee objectives.* The field of human resource management thus focuses on what managers—especially human resource specialists—do and what they should do. While the role of human resource departments (HRD) shows considerable variation across organizations, almost all HRDs carry out several common activities. These include:

- assist the organization to attract the right quality and number of employees;
- orient new employees to the organization and place them in their job positions;
- develop, disseminate, and use job descriptions, performance standards, and evaluation criteria;
- help establish adequate compensation systems and administer them in an efficient and timely manner;
- foster a safe, healthy, and productive work environment;
- ensure compliance with all legal requirements insofar as they relate to management of the workforce;
- help maintain a harmonious working relationship with employees and unions where present;
- foster a work environment that facilitates high employee performance; and
- establish disciplinary and counselling procedures.

Human resource departments in most organizations have three major objectives: to contribute to organizational effectiveness, to be responsive to larger societal concerns, and to meet the personal needs of its employees. It was pointed out that human resource management is the responsibility of every manager. The human resource department provides a service to other departments in the organization. In the final analysis, however, the performance and well-being of each worker is the dual responsibility of that worker's immediate supervisor and the human resource department.

Strategic human resource management *is systematically linked to the strategic needs of an organization and aims to provide it with an effective workforce while meeting the needs of its members and other constituents in the society.* In contrast to strategies, human resource departments also employ varying tactics periodically. Tactics are methods, procedures, or systems employed by human resource professionals to achieve specific strategies. It is important that human resource strategies and tactics are mutually consistent. Even the best-laid strategies may fail if they are not accompanied by sound programs or procedures.

Strategic human resource management necessitates an exhaustive evaluation of an organization's internal and external environments. Factors that should be reviewed before formulating human resource strategies were discussed. These include economic, technological, demographic, and cultural challenges. Continuous evaluation of strategy and proactive management were pointed out as critical to ensure successful management of human resources.

The profession of human resource management has undergone rapid changes in recent years as well. In some provinces, an accreditation process now exists that ensures all human resource professionals possess minimum standards of expertise. While this will certainly elevate the status of the profession in the long term, the status of the function within an organization is likely to be determined by its contribution to the organization's overall success. Strategic management of human resources may be one key to this success.

TERMS FOR REVIEW

attitudes toward government	p. 22	demographic changes	p. 14	outplacement	p. 10
attitudes toward work	p. 19	differentiation strategy	p. 27	outsourcing	p. 10
automation	p. 12	economic challenges	p. 6	part-time workers	p. 18
certified human resources		educational attainment	p. 16	paternalistic human resource strategy	p. 30
professional (CHRP)	p. 38	employee objectives	p. 24	proactive	p. 32
collaborative strategy	p. 30	focus strategy	p. 27	productivity	p. 8
commitment strategy	p. 30	functional authority	p. 35	reactive	p. 32
compliance strategy	p. 30	knowledge workers	p. 15	telecommuting	p. 11
computerization	p. 11	line authority	p. 35	societal objectives	p. 23
contract (or contingent) workers	p. 18	mission statement	p. 26	staff authority	p. 35
cost leadership strategy	p. 27	old age crisis	p. 17	strategic human resource	
cultural challenges	p. 19	organization character	p. 26	management	p. 24
cultural mosaic	p. 21	organizational culture	p. 37		
data workers	p. 15	organizational objectives	p. 23		

SELF-ASSESSMENT EXERCISE

How Knowledgeable Are You About Human Resource Management?

A successful human resource manager should possess knowledge in a number of areas, including job design, human resource planning, recruitment, selection and training of employees, and employee relations. The following self-test helps you assess your present knowledge level in some of these areas. Read each statement and indicate whether the statement is true or false.

1. A human resource manager should take corrective actions only after a problem has been crystallized and well understood. T F
2. When assigning jobs to employees, I should ensure that there is no significant variation in job challenges from one employee to the next. T F
3. Two experienced workers and three trainees can complete a project in 10 days; three experienced workers and two trainees can do the same project in 8 days. If I hire two experienced workers and one trainee, they should be able to complete the project in 11½ days. T F
4. When designing a job application form, I should make sure to ask for the social insurance number of the applicant in order to complete the employee file. T F
5. When I visit campuses to recruit graduates, I should focus on the quality of education they received in the school rather than whether they meet specific job requirements. T F
6. When hiring an administrative assistant, the best way to assess the candidate's skills is by requiring the person to undergo a word processing or other performance test. T F
7. The best way to teach a person a new accounting program is to give a short lecture on the subject matter. T F
8. Measuring the students' learning before they begin this course and again at the end of the course may be a better indicator of this course's effectiveness rather than asking the students about their satisfaction level about what they learned in this course. T F
9. Today, in Canada, women and men get paid equally in all occupations. T F
10. If a person has to choose between two jobs that are alike in all respects, except one job pays \$45,000 in straight salary and the second one pays \$35,000 in salary and \$10,000 in benefits, the individual is better off accepting the second job. T F

SCORING

For statements 1, 2, 3, 4, 5, 7, and 9, if you answered false, you get one point each. For questions 6, 8, and 10, if you answered true, you get one point each. Add up your scores.

Scores of 8–10: Wow! You already know several important HR concepts. You can build on these by carefully studying the text chapters and actively participating in class discussions. You will also be a valuable source of information to others. So, participate actively in and outside the classroom!

Scores Less Than 8: As you read the various chapters in this text, you will find the rationale behind the above statements. (The question numbers correspond to the chapter in this book in which this material is discussed.) Human resource management is an exciting profession—it also means that several assumptions that are popularly considered to be true are not. Keep reading!

REVIEW AND DISCUSSION QUESTIONS

1. What are the goals of a human resource department? Choose an organization that you are familiar with and indicate which of these goals will be more important in this organization and discuss why.
2. Draw a diagram of a human resource department in a firm that employs over 5,000 persons and name the likely components of such a department. Which of these functions are likely to be eliminated in a small firm employing 50 persons?
3. Identify and briefly describe three major external challenges (choosing one each from economic, technological, and demographic categories) facing human resource managers in Canada, and their implications.
4. Outline the three major strategies pursued by Canadian businesses. What implications do they have for the human resource function within the firms? Illustrate your answer with suitable examples.
5. What are four trends (or attributes) in the Canadian labour market that have implications for a human resource manager? Explain your answer, citing which of the human resource functions will be affected and how.

CRITICAL THINKING QUESTIONS

1. Suppose your employer is planning a chain of high-quality restaurants to sell food products that it already produces. Outline what areas of human resource management will be affected.
2. If a bank is planning to open a new branch in a distant city, with what inputs will the human resource department be concerned? What activities will the department need to undertake in the transition to a fully staffed and operating branch? What type of feedback do you think the department should seek after the branch has been operating for six months?
3. Find two recent news items and explain how these developments might affect the demands made on the human resource department of an organization.
4. Suppose the birthrate during the early 2000s was to double from the low rates of the 1990s. What implications would this growth have in the years 2020 and 2030 for (a) grocery stores, (b) fast food restaurants, (c) Canadian Armed Forces, (d) large metropolitan universities?
5. Assume you were hired as the human resource manager in a firm that historically gave low importance to the function; most of the human resource management systems and procedures in the firm are outdated. Historically, this function was given a low-status, “record-keeping” role within the firm. Armed with sophisticated HR training, you recently entered the firm and want to upgrade the HR systems and status of the department. In other words, you want to make the management recognize the true importance of sound HR practices for strategic success. What actions will you take in the short and the long term to achieve your goal? Be specific in your action plans and illustrate your steps where relevant.

ETHICS QUESTION

After graduation, you were hired as a management trainee in the human resource department of a large organization with widely held stock. Your boss, the human resource manager, who is away on holidays, has asked you to make all decisions in her absence, including the hiring of an assistant in your department. A senior manager in the company recently indicated to you how much he would like the position to be given to his nephew Bob, who had applied for the position. When you look through the records, you find that while Bob meets the basic requirements, there are at least two other better candidates—one far superior than Bob and a female. (Your firm has recently indicated a commitment to employment equity initiatives.) You realize that the senior manager has considerable influence in the company and may even be able to influence your career progress within the firm.

WEB RESEARCH

Select three jobs: one knowledge-based, one in manufacturing, and one in the service sector. In your search of websites of Human Resources and Social Development, Statistics Canada, and other relevant sources, what patterns in employment and job vacancies do you see? What are the implications for large human resource departments in these industries?

INCIDENT 1-1

Human Resource Decision Making at Calgary Importers Ltd.

Calgary Importers Ltd. is a large importer of linens, china, and crystal. It has branch offices in six provinces and has long been plagued by problems in its human resource practices. These problems led to the following discussion between the vice-president of human resources and the vice-president of distribution:

Rob Whittier: You may not agree with me, but if we are going to have consistency in our human resource policies, then key decisions about those policies must be centralized in the human resource department. Otherwise, branch managers will continue to make their own decisions focusing on different aspects. Besides, the department has the experts. If you needed financial advice, you would not ask your doctor; you would go to a banker or other financial expert. When it comes to deciding compensation packages or hiring new employees, those decisions should be left to experts in salary administration or selection. To ask a branch manager or supervisor to make those decisions deprives our firm of all of the expertise we have in the department.

Henri DeLahn: I have never questioned your department's expertise. Sure, the people in human resources are more knowledgeable than the line managers. But if we want those managers to be responsible for the performance of their branches, then we must not deprive those managers of their authority to make human resource decisions. Those operating managers must be able to decide whom to hire and whom to reward with raises. If they cannot make those decisions, then their effectiveness as managers will suffer.

1. If you were the president of Calgary Importers Ltd. and were asked to resolve this dispute, whose argument would you agree with? Why?
2. Can you suggest a compromise that would allow line managers to make these decisions consistently?

INCIDENT 1-2

Canadian Bio-Medical Instruments Ltd.

Canadian Bio-Medical Instruments Ltd., founded 10 years ago, manufactures a variety of bio-medical instruments used by physicians and surgeons both in their clinics as well as in hospitals. The high quality of its products led to quick market success, especially for products such as artificial heart valves, operating-room pumps, and respiratory modules. The company, which had sales of less than \$900,000 in the first year, today, enjoys an annual turnover of \$150 million. However, the industry is competitive and the research development and promotional budgets of some of the key players in the industry are several times that of the firm.

Given the successful track record for its existing products and the competitiveness of the North American market, the management of the firm believed that gaining new market shares in Europe was easier than expanding against well-entrenched domestic producers. Preliminary market studies supported management's thinking.

A decision was made to open a small sales office in Europe, probably in Frankfurt, Germany, given the nonstop flight facilities that currently exist from Toronto where the firm's head office is located. Three persons were sent to Germany to identify possible office sites and to learn about European testing procedures and what documentation would be legally required to prove the safety and effectiveness of the company's medical instruments. All three persons were fluent in German. If the reports on Germany are favourable, the firm expects to have about 20 persons working in Europe within the next year.

1. Assume you are the vice-president in charge of human resources. What additional information would you want these three employees to find out?
2. What human resource issues or policies are you likely to confront in the foreseeable future?

CASE STUDY**MAPLE LEAF SHOES LTD.*****A STRATEGIC MANAGEMENT EXERCISE**

Maple Leaf Shoes Ltd. is a medium-sized manufacturer of leather and vinyl shoes located near Wilmington, Ontario. It began operations in 1969 and currently employs about 400 persons in its Ontario plant and 380 others in offices and warehouses across Canada and internationally.

History

Maple Leaf was the brainchild of Mario Mansini, an Italian immigrant who left his native country to begin a new life in Canada in the late 1950s. After a couple of unsuccessful ventures (a stage show and a sailboat business), Mansini hit upon the idea of starting a shoe factory. "As long as people walk, they need shoes," he is said to have told the bank, which asked for a financial

guarantee, given his past failures. Though not well educated (he dropped out of Grade 8), Mansini was an extrovert and a flamboyant man who could impress and inspire others around him. In the end, his personality and optimism swayed the bank manager to extend a small loan for the new venture.

With the bank loan and financial assistance from some friends and relatives, Mansini built a small plant near Wilmington—two floors of shoes and about a dozen temporary sheds where employees lived and slept. In 1969, the firm formally opened for business.

What began as a small operation quickly grew into a regional and national operation. Despite his lack of education, Mansini was an astute businessman and he was also able to successfully recruit skilled workers. The folklore is that many of his erstwhile artist friends worked for practically no wages in his factory during the day and played music and rehearsed plays in the

*Case prepared by Professor Hari Das of Department of Management, Saint Mary's University, Halifax, Canada. All rights retained by the author. Das © 2002.

evenings. He had very close friendships with his employees, and many were willing to pitch in whenever he needed help. The firm quickly developed a reputation for quality footwear, especially shoes used for outdoor and sports purposes. Apart from a couple of major footwear firms in the United States, competition was virtually absent and the firm thrived.

Mansini worked long hours to make Maple Leaf a success. He was a loyal citizen (the firm's original name was Quality Footware; Mansini changed it to Maple Leaf Shoes). He also employed a paternalistic management style. He knew most workers by name and always took the time to inquire about their welfare. No one but Maple Leaf workers lived in the area where the factory was located. Over time, the location where Maple Leaf operated became unofficially known as "Leaf Town," although the closest town was Wilmington. For most workers, their houses were close enough to work to enable them to walk home for lunch. There was a Maple Leaf Grocery Store, Maple Leaf Recreation Hall, Maple Leaf teams, Maple Leaf Drug Store and Dispensary, and Maple Leaf Club for the higher echelon of the workforce. There was even a Leaf Cinema and Leaf Pub. Virtually everything was available in Leaf Town; residents had only to travel to nearby Wilmington for schools and medical assistance.

Consistent with his management style, Mansini had few organized procedures or systems in place. He noted: "If you lose touch with your men, you lose them. Systems come and go; people are more important." There were few formal procedures—each event was looked at for its unique features and responded to accordingly. Mansini often worked 15 to 18 hours—he was involved in most decisions including hiring of personnel, product planning, financing strategy, shoe design, and handling employee grievances. During his time, efforts were made by local and international unions to organize the workers; however, they were unsuccessful (in the most recent attempt, the union was able to get less than 10 percent of the workers to sign up).

But Mansini's first love was music and arts. So, when a national conglomerate approached him with an offer to purchase a controlling share of Maple Leaf in the mid-1980s, he was only too willing to sell it. "I don't have any children to take over the firm," he said. (He died a bachelor soon after the sale of the company; a part of his estate was donated to Leaf Art Guild and Sports Team and the remainder was divided among his relatives and the Canadian Cancer Society.) "In any case, how long can a man spend his life looking at what is under the feet rather than what is above?" he mused.

Since the Takeover

The group that took over the firm modernized the manufacturing operations and attempted to extend its operations both nationally and internationally. During these efforts, it found that many of the company's past practices were archaic and inefficient. There was an attempt to improve efficiency and gross margin. New equipment was installed and several routine activities were automated or otherwise mechanized to reduce costs. While attempts were also made to update management practices, the firm was slow in this regard. Unfortunately, there was also above-average turnover in the top management team in the company in the initial years. Robert Clark, who was hired as the CEO of the firm, has now been with the firm for eight years and holds a significant share of the company stock apart from holding options.

While Maple Leaf Shoes makes shoes of all kinds, descriptions, and sizes today, it specializes in the manufacture of women's and youth athletic shoes. The company's designers were successful in producing a product that was both stylish and yet comfortable to wear and durable. The firm's shoes, marketed under the brand names of *Fluffy Puppy*, *Cariboo*, and *Madonna*, were very popular among ladies in the 19–40 age group. Its *Young Athlete* brand, aimed at boys and girls in the 9–14 age group, was a market leader in the children's sports shoes market in British Columbia. Historically, the shoes produced by the firm were cheaper than those of its competitors. This price advantage was a critical aspect of the company's marketing strategy in the past.

Emerging Challenges

Recently, the company has faced a number of issues that require immediate attention by its management. *First*, the cost of production at Maple Leaf Shoes has been rising slowly but steadily. Labour costs currently account for over 45 percent of manufacturing costs and have been increasing rapidly. The productivity levels of the employees have not shown any increase in the preceding three years. If the present trend continues, the firm is likely to lose its price advantage over its competitors. Already, for two out of six popular brands sold by Maple Leaf Shoes, the prices for the firm's products are equal to or higher than its competition. This has stalled the firm's growth and profitability. Some financial details of the firm are shown in Table 1. Figure 1 shows the firm's stock price during the preceding five years. The market reaction to the firm's potential has not been very positive, as indicated by the overall decline of its share price from a high of \$25 about five years ago. The market meltdown in 2002

further worsened this picture, pulling the share price down to about \$11, from which it has not yet recovered to any significant extent.

Second, over 60 percent of the company's staff are unionized. There are indications that remaining nonmanagerial staff are also about to be unionized. Management believes that this will reduce the already limited autonomy it possesses in hiring, terminating, and managing employees.

Third, in the recent past, competition in the shoe industry has been intense. Over the years, trade barriers across countries have disappeared, which has meant that cheaper, high-quality shoes made in countries such as Korea, Taiwan, Singapore, India, and Mexico pose serious competition to the firm within and outside Canadian markets. Despite this, Maple Leaf Shoes has been able to perform fairly well in the export markets. Currently, over 15 percent of its production is exported—mainly to western parts of the United States and Europe (the corresponding figure five years back was a tiny 2 percent). While the company increased its U.S. sales after the Canada–U.S. Free Trade Agreement, it is somewhat apprehensive about the future. Robert Clark, president of Maple Leaf Shoes, commented:

The market has changed dramatically in the last five years. The Asians and the Chinese are fast conquering the world footwear market. How can we compete with the Malaysians, Thais, and the Indians, who pay a fraction of the wages we pay here? In China, from where most of the shoes sold in North America originate, the labour is cheap and employment standards are low. And mind you, those Asian workers are good. It will be a totally new game now with a new set of rules. . . . We simply would not be able to compete with them on labour costs . . . but what we have on our side is technology. We will constantly need to think of new products and newer strategies if we are to survive.

The firm's past strategy of responding to these challenges has been to automate its manufacturing functions and to downsize. It has also sold off some of its non-performing assets and facilities and contracted out some of the services in a bid to cut costs. This strategy, while it has resulted in some improvements in the financial picture, has also brought with it negative union reaction and a decline in employee morale.

Maple Leaf recently signed an agreement with the producers of *Bumpy Bears*, a popular TV series aimed at young children. Under this agreement, the firm will

have exclusive rights to reproduce the various animal characters seen in the show on its foot-wear. *Ticky* the black bear, *Rumpy* the arctic bear, and *Moosy* the white bear are beloved characters in the show. This is expected to increase the sales of children's shoes; however, the embossing technology is expensive and may require initial heavy capital investments and additional training for some members of the workforce.

Finally, the need for managerial training is felt now more than ever. The firm expects its activities to grow; however, given market conditions, it is not keen on expanding the size of its managerial cadre significantly. Instead, it would like to provide managerial and team-management skills to more of its employees and empower them to make decisions.

In a recent interview, Robert Clark identified a number of issues that require immediate attention:

1. Contracts with two of the four unions in the company will expire in another eight months. The remaining two unions will not start their contract negotiations for another 18 months; however, what happens in the negotiations with these two unions could have a significant impact on all future contract negotiations. One of the unions with which negotiations are to begin soon, the Leather Workers' Association, recently elected a leader who is rumoured to be militant and highly focused on results. A strike in the immediate future could paralyze the firm, and it is doubtful whether the firm would recover from its debilitating results for quite some time.
2. Recently, two complaints of sex discrimination were filed by women employees. One complaint was settled internally in consultation with the concerned union, while the other had to go before the provincial Human Rights Commission. The decision of the commission was in favour of the employee who had filed the grievance.
3. The management of Maple Leaf Shoes believes that growth through expanded activities is critical now, especially given the competitive challenge. Growth is possible only by expanding its operations within and outside Canada. The management would like to expand its operations to Atlantic Canada and Quebec in the next three years—a new plant in Quebec is being considered for entry into that market because the product styling must be somewhat modified to meet the demands of the French market. It is felt that the same plant can produce footwear that can be exported to France and other

parts of Europe. Currently, Maple Leaf shoes are sold (although in small numbers) in Belgium and Luxembourg. These markets were developed almost accidentally: a few years back, a cousin of Robert Clark, the president, took samples of *Young Athlete* shoes for display in his sports equipment shops in Belgium and Luxembourg; the shoes became popular locally. Maple Leaf Shoes also sells its shoes through a home-building and hardware store in England. However, about 80 percent of its foreign sales are in Oregon and California, where the shoes are displayed and sold through fashion boutiques.

4. Production levels in Maple Leaf Shoes have been continuously increasing; however, management has fought hard not to increase its workforce. The company currently uses a large number of part-time and contract workers for various services. While this strategy has resulted in some reduction in costs, it has also been accompanied by negative reactions from workers, supervisors, and unions. This is expected to be a major issue during the next bargaining session.
5. As far as possible, the company attempts to fill managerial positions through internal promotions and transfers; however, this has meant that management training is more critical today than ever before.
6. In an effort to take advantage of cheap labour abroad, the firm, in the recent past, has attempted to enter into joint venture partnerships with firms in Indonesia, Mexico, and India. However, this has also resulted in exposing the firm to additional risks characteristic of international operations.

While its negotiations with the Mexican and Indian partners have been proceeding according to schedule, its experience in Indonesia was less than satisfactory. The firm's Indonesian partner fell victim to the "Asian crisis" of 1997–98 when the Indonesian currency, the rupiah, fell by more than 33 percent in a matter of days. Its partner was on the verge of declaring insolvency. Maple Leaf is currently looking for another Indonesian partner.

Added to the above is the void created by the resignation of John McAllister, the personnel manager who left the firm to take up a similar position in the west. Currently, the position of personnel manager in the firm is vacant. Pat Lim, general manager (marketing), is currently in charge of the human resource function, although all routine decisions and procedures are handled by Jane Reynolds, special assistant to the personnel manager. (Indeed, because of increased national and international marketing activities, Lim is often away from the office.) Robert Clark recently decided to rename the function as "human resource manager" to reflect the increasing importance of the activity. The management recognizes that a number of human resource procedures and systems within the firm are antiquated and must be replaced; however, cost pressures and day-to-day priorities have prevented the firm from systematizing various HR functions such as hiring, orientation, training, appraisal, and compensation. The firm hopes to hire a new human resource manager (HRM, as the position is now called) in the near future who will bring about the needed changes.

McAllister was with the company for only about three years. While he was credited with having "run a tight

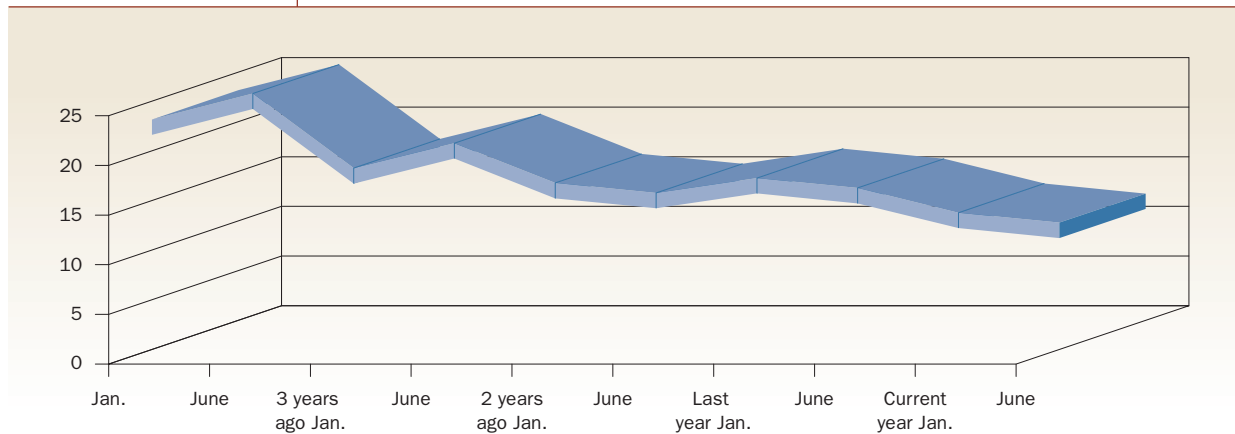
TABLE 1

Recent Financial Information on Maple Leaf Shoes Ltd.

	Current Year	Last Year	Year Before	3-Year Growth Rate
Total revenue (\$000)	1,512,904	1,461,604	1,488,840	1.45%
Earnings before interest and tax (\$000)	65,645	65,772	59,200	8.06%
Profit/loss (\$000)	26,258	29,597	29,008	-10.53%
Earnings per share	1.33	1.47	1.35	-7.85%
Dividends per share	0.30	0.33	0.35	
Total assets (\$000)	617,814	622,469	660,241	
Number of employees	783	843	897	

FIGURE 1

Maple Leaf's Stock Price



ship,” several of his colleagues complained about his dominating and centralized leadership style. One of the managers went as far as saying that “*Maple Leaf Shoes would not have been unionized this fast and to this extent but for John.*” McAllister’s predecessor, Tim Donovan, was not a popular personnel manager either. Donovan, who resigned his position after a mere ten-month stay at Maple Leaf Shoes, did not have positive things to say about the company and its management. On the eve of his departure, he is reported to have confided in an associate: “*The management system here is primitive. It’s as if you are surrounded by forces of darkness. Of course, I could stay here and fight it out—maybe I would win in the end. But then I’m not masochistic!*”

Discussion Questions

1. What are some changes within Maple Leaf Shoes and in its environment that have caused a shift in its strategy? List the challenges facing the company using the classification provided in your text.
2. Assume that you are hired as a consultant to help the firm hire a new human resource manager. What immediate and long-term job responsibilities will you identify for the new job incumbent?
3. Identify three sample objectives of the human resource department at Maple Leaf Shoes and list associated strategy and action plans to be implemented by the department.

CASE STUDY

CANADIAN PACIFIC AND INTERNATIONAL BANK*

Canadian Pacific and International Bank (CPIB) is one of Canada’s premier financial institutions with assets of over \$150 billion. CPIB, which began as a “western” bank in the early 1950s with its head office in Vancouver, British Columbia, spread its operations all over Canada and the United States by the mid-1960s. Originally called Pacific and Western Bank, the bank changed its name about 15 years ago to reflect its international character. Today, more than 25,000 employees provide

personal, commercial, corporate, and investment banking services to individuals and businesses in 33 countries. Some recent financial and employee statistics for CPIB are shown in Figure 1.

CPIB, through its strategic initiatives, was successful in building long-term value for its shareholders while providing regular return on their investments. The market price of CPIB’s share increased by over 40 percent in the preceding two years, bringing the bank’s total market capitalization to nearly \$18 billion, up from \$10 billion just a few years back. In the current year, the share price has remained more or less static

*Case written by Professor Hari Das of Department of Management, Saint Mary’s University, Halifax, Canada. All rights retained by the author © 2002.

largely due to investor preferences for Internet stocks over “conservative” bank stocks.

Globally, CPIB serves more than six million customers in three key areas: personal and commercial banking, wealth management, and wholesale and corporate banking—marketed under the name CPIB Securities (Figure 2).

Personal and Commercial Banking: Through its 673 retail outlets, CPIB offers a wide variety of products and services. In addition, *CP Anytime*, CPIB’s electronic banking service, offers customers access to retail products, services and accounts via telephone banking. The 1,781 automated banking machines that form the Purple Touch network, CP Web Banking, and CP Day-Night Investor provide service around the clock. In a recent independent survey, the bank was cited as number two in four out of seven dimensions of customer service including friendliness and customer responsiveness. The bank aims to further enhance customer service levels and flexibility (e.g., a single-number dial or a single website to meet all retailing and investment needs of small volume customers). Through such efforts, it aims to build market share in small and medium-sized businesses.

Wealth Management: CPIB’s wealth management business includes its discount brokerage and mutual fund operations. CPIB Investment is one of Canada’s leading discount brokerages, currently with over 1 million customer accounts in the United States and Canada and a growing clientele in Australia, the United Kingdom, and Japan. Although smaller than

TD Canada Trust’s TD Waterhouse Group or Royal Bank’s Action Direct, CPIB is attempting to make fast inroads into this highly competitive but lucrative sector of banking. Historically, CPIB had charged lower commissions (\$25 for most transactions compared to \$29 charged by TD Waterhouse and Action Direct). In the near future, the firm plans to increase its market penetration ratio. Currently, CPIB manages nearly \$24 billion in mutual funds, pension funds, trusts, and endowments. In the near future, the bank wants to reorganize and integrate wealth management activities to improve customer service and sales support for all products.

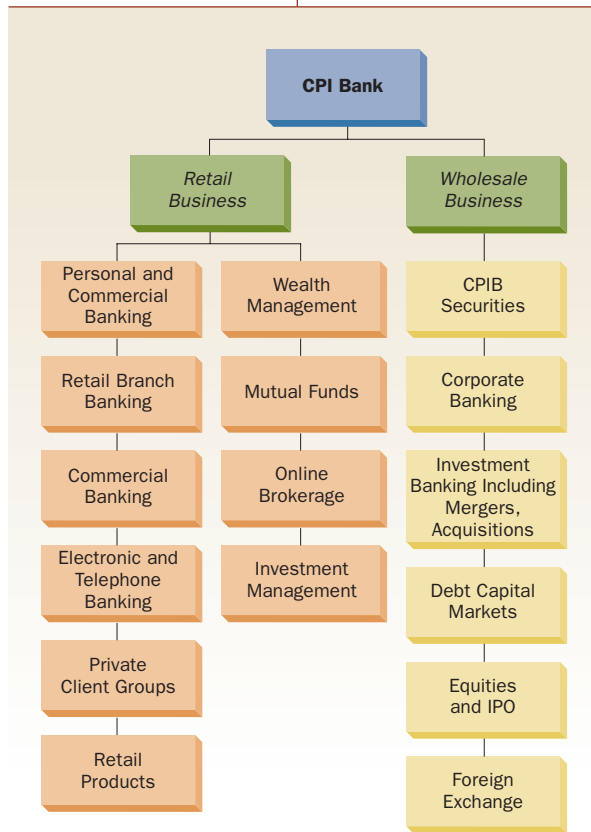
CPIB Securities: CPIB offers a full range of services to its clients in all key areas of finance and specialized solutions for corporate and government clients. Included here are investment banking (which includes merchant banking, corporate banking, and syndications), foreign exchange, loans, debt capital markets (including initial public offerings and underwritings), mergers and acquisitions, and derivatives. In a recent ranking by a business magazine of North American firms offering integrated corporate services, CPIB was rated eighth in North America. The bank’s priorities continue to be developing stronger client relationships, expanding industry specialty groups, and achieving maximum operating efficiency.

Organization of the Bank

Since CPIB is an extremely large organization with operations in over 30 countries, the overall structure of the bank is very complex and not easily depicted. It

FIGURE 1 Summary Financial and Employee Statistics

	This Year	Last Year	Year Before	3-Year Growth
Total revenue (\$000)	13,442,571	11,309,142	8,979,429	20.02%
Earnings before interest and tax (\$000)	3,980,571	2,806,286	2,435,143	26.16%
Profit/loss (\$000)	2,555,143	960,857	932,571	48.12%
Earnings per share	4.20	1.55	1.52	49.17%
Total assets (\$000)	183,786,000	155,855,140	140,444,570	18.18%
Dividends per share	0.62	0.57	0.48	
Return on equity	27.39	12.77	14.05	
Employees	25,059	26,594	24,500	

FIGURE 2 CPIB Operations

also varies somewhat from one country to another to better respond to the local realities and challenges.

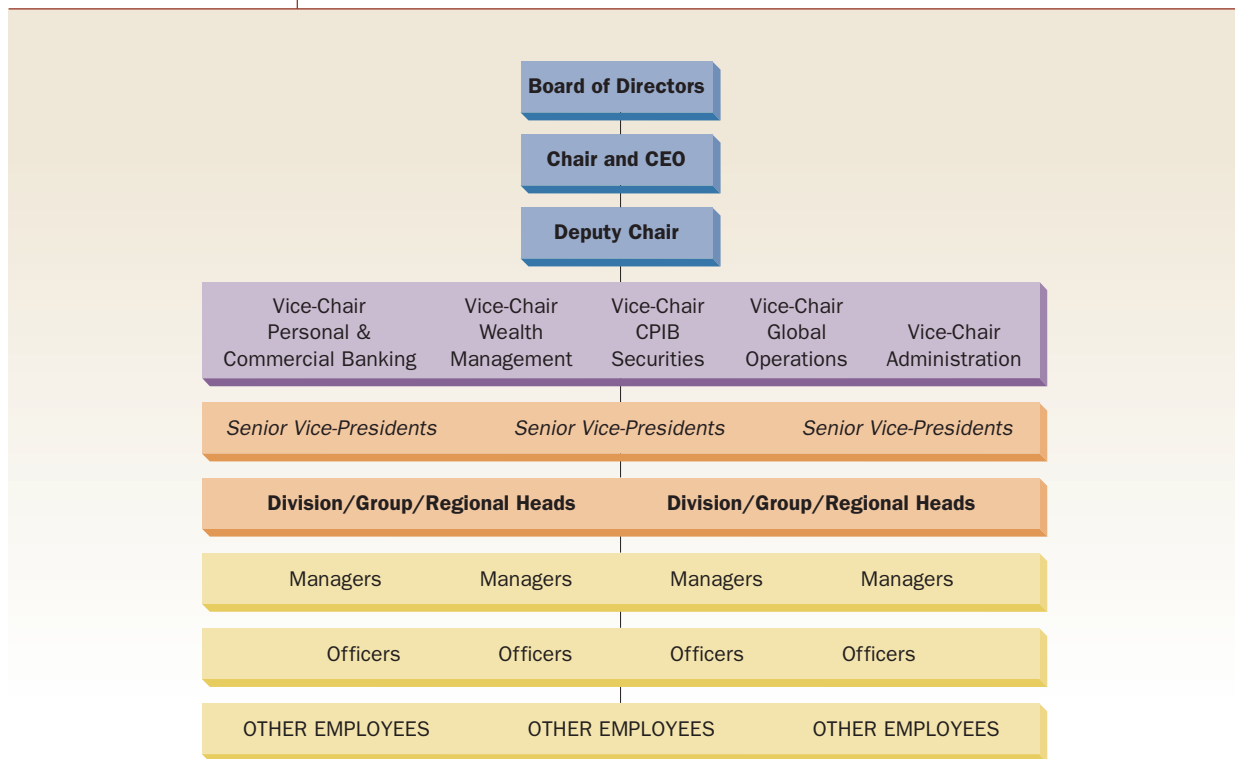
The chair and chief executive officer of the bank is Michael Bennett, who is also chair of the board of directors to which he is accountable. The 18-member board (17 men, 1 woman) represents a cross-section of top leaders in manufacturing and service industries and academic and professional institutions in Canada. The board has several committees entrusted with special tasks. Examples: *audit and risk management committee*, which among other duties, reviews the audited financial statements and approves policies related to risk and liquidity management and internal control; *management resources committee*, which reviews and approves senior office appointments and executive compensation plans; and *corporate governance committee*, which, among other activities, deliberates on the board composition and functioning. CPIB's hybrid organizational structure attempts to maximize the advantages of functional, product-based, and geographic structures (Figure 3). The bank has a 472-page manual that describes in detail the position descriptions and required competencies of various managerial positions.

The chair, assisted by a deputy chair and five vice-chairs, approves all critical decisions affecting the bank's future. Three of the vice-chairs are in charge of personal and commercial banking, wealth management, and CPIB Securities; the fourth is in charge of global operations and the last one in charge of overall administration. The seven senior vice-presidents are in charge of retail banking, commercial banking, mutual funds and brokerage, investment management, corporate and investment banking, human resources, and global operations. Below the senior vice-presidents are heads of various divisions including human resources, economic analysis, securities and foreign exchange, retail banking, real estate operations, and risk management. There are 36 heads of divisions or groups or regions currently. With the bank's expansion into electronic banking and foreign markets, more group heads and even vice-presidents may have to be hired in the near future. The three foreign division heads are located outside Canada: Asian Division in Singapore, European Division in London, and Middle East and African Division in Istanbul.

For ease of administration and to better respond to customer requirements, the domestic banking is divided into five regions (head offices in parentheses): Atlantic (Halifax), Quebec (Montreal), Ontario (Toronto), Prairie (Winnipeg), and Pacific (Vancouver). The corporate head office is also located in Vancouver. Several other functions are centralized at the head office to reap economies of scale and facilitate communication. Example: CP Economics Division that monitors Canadian and world economic trends and prepares routine and special reports for use by the bank in its various investment and client divisions. Some of the other functions (e.g., CP Ombudsperson) are located at the head office but with strong regional presence and frequent meetings with staff at various regions and branches to better respond to their queries and proactively deal with emerging issues or likely problems.

Corporate Strategies

CPIB, which is known for its ability to capitalize on opportunities, was one of the first Canadian banks to enter Asian and Latin American markets, introduce automated tellers throughout Canada, begin a Web-based brokerage, and offer integrated wealth management and financial counselling services. Its extensive online delivery of wealth management and banking services has made CPIB a key player in the development of e-commerce and places it in the top dozen financial services firms in the world as measured by the number of online customer accounts. In a bid to dominate the

FIGURE 3 An Overview of CPIB Organization

market, CPIB recently acquired Maple Leaf Trust, a large trust firm with its head office in Toronto. CPIB is currently concluding negotiations for the acquisition of International Investors Inc., a large stock exchange brokerage firm located in New York. When completed (it is expected that the deal will be finalized in less than two months), the new investment arm of CPIB, namely Canadian and International Investors, will be among the top dozen financial services firms in the world. Reflecting its strategy of investing in the future of financial services, CPIB is entering the new millennium as a leader in online delivery.

CPIB has always prided itself on its record of enhancing shareholder value. Its consistently high net incomes (in some years, reflecting record growth for the entire banking industry in this country) and its focus on running a lean operation have resulted in considerable increase in shareholder value over the years. To finance its newer acquisitions, the firm plans to make initial public offerings (IPO) soon. Already, a number of large investors and brokerage firms have expressed considerable interest in the IPOs.

CPIB has a solid reputation as a good corporate citizen, having increased its charitable donations

by 9.2 percent to \$7.3 million last year. Two years ago, the bank created a slogan “Bank for Your Community” and began contributing 1 percent of pre-tax domestic income to improve the community. Its donations have primarily focused on children’s health and education, university scholarships (its Canadian University Scholarship is a coveted award), and donations for art and sports events (over 100 children attend minor league sports or the Canadian Conservatory of Music each year). The bank is a major sponsor of Save the Children Network, a network of hospitals serving over a million children across Canada. In the future, the bank wants to expand its community service to include foreign countries as well.

Immediate Challenges

CPIB recognizes that it has no time to rest on its laurels. To maintain and improve its competitive position, it must innovate and grow. Big competitors such as Royal Bank, TD Canada Trust, Canadian Imperial Bank of Commerce, Bank of Nova Scotia, and Bank of Montreal have been making fast inroads into electronic banking and foreign markets while smaller banks and credit unions, because of their small volumes, are able to provide more personal service compared to the large

banks. Standardization and automation brought in considerable predictability and efficiency in operations, but it was also fraught with the risk of impersonal service and bureaucratic red tape. How to improve efficiency and predictability while offering personal and custom service? How to reap the advantages of smaller organizations such as flexibility without losing the economies of scale? There seem to be no simple answers.

More recently, a large number of “virtual banks” have appeared on the scene. These banks pay 4 to 5 percent interest even on small balances irrespective of the type of accounts (most Canadian banks do not pay any significant interest on chequing accounts). Because of the absence of any overhead costs, these virtual banks have been able to offer premium interest rates on other types of accounts as well as offer loans at cheaper rates. How can the bank compete with the virtual banks without losing the advantages of traditional banking and sacrificing the security and reputation?

Some have predicted that future societies may be “money-free”—in an Internet age, where most commodities can be virtually traded (including air miles, bonus points issued by gas stations, Canadian Tire coupons, and gift certificates), there is no reason why people should continue to use only currency notes or bank cheques as medium of transaction.⁸⁴ If this scenario occurs, what will be the fate of traditional banks? No one quite knows.

While computerization and Internet trading have brought substantial benefits, they have also exposed banks and their systems to hackers and computer viruses that paralyze trading and, in some instances, wipe out entire computer memory. For instance, in early 2000, the “Love Bug” infected more than two million computer files around the world—over 90 percent of the sites being in North America—causing damage exceeding US\$1 billion.⁸⁵ In future, when banks increase their reliance on computerized trading, the risk element is only likely to grow.

In recent years, “shareholder democracy” has been gaining momentum. Organizations such as the Association for the Protection of Quebec Savers and Investors (APQSI) have been demanding a greater voice in bank decisions. In a recent Bank of Montreal shareholders’ meeting,⁸⁶ APQSI proposed a course of action that was accepted by majority shareholders—even when the bank management recommended voting against it. The banks have been the focus of activist efforts because they are all widely held national institutions with a

great deal of power. In the near future, there may be greater accountability of directors and senior bank executives to shareholders who are asking tough questions on all aspects of their operations. How can the bank respond to shareholder concerns without losing managerial authority and decision-making power? That is the question many bank managers ask themselves today.

Canada’s banks operate in a highly regulated environment. Among the various restrictions they face is the complicated approval process needed for any merger. (In 1999, when Royal Bank and Bank of Montreal wanted to merge, the necessary approval was not granted.) In early 2001, the federal government was drafting legislation that could impose an even more complicated approval process on any merger among the big banks.⁸⁷ When the legislation is complete, any banking merger would require extensive public hearings on practically every aspect of the deal—a factor causing considerable frustration for Canadian banks, which find that their global status is coming down (the U.S. and Japanese banks have considerable resources and opportunity for cross-ownership of banks). In Royal Bank CEO John Cleghorn’s words, “We are in a highly competitive game and we are hamstrung in our ability to deal with it.”⁸⁸ Canadian bankers have also been complaining about intrusive consumer regulations that risk putting them at a disadvantage in relation to their U.S. competitors. The existing and proposed regulations will restrict the banks from using their customer databases to sell products to a targeted audience, including selling insurance through the branches. This is especially worrisome since large credit card companies have no similar restrictions imposed on them in this regard. “I worry a bit about the propensity to put consumer-type safeguards on banks only,” Peter Godsoe, chairman of Bank of Nova Scotia, pointed out. “I think it has some dangers in it because database marketers can sit in the United States and sell the databases and all sorts of products.”⁸⁹

As an international organization, the bank is susceptible to all political and economic uncertainties in foreign countries. In the recent past, there was a significant slowdown in several Asian economies, resulting in, at times, massive losses to all major banks including CIBC. There were also instances where foreign governments suddenly changed their investment policies, prohibiting repatriation of capital and profits.⁹⁰ How can the bank expand without overexposing itself to risk? Clearly, there are no easy answers.

Human Resource Function

While its financial goals have been the driving force behind CPIB's externally focused strategies, management always recognized that it could not have achieved any of these results but for its highly competent and motivated employees—whether they are senior executives or clerks in remote branches. From its inception, the bank was committed to progressive human resource management practices in all its operations. It was one of the first banks to institute standardized selection and performance appraisal procedures, a well-designed human resource planning system, a detailed counselling system for employees, and financial assistance for university education for its employees. While occasional lay-offs and staff reduction have been inevitable to cut costs, this has been done as humanely as possible. Mary Keddy, senior vice-president—human resources, an MBA from Saint Mary's specializing in human resources with an outstanding performance record in the steel industry, joined the firm six years ago. Since her arrival, she has tried to introduce state-of-the-art techniques and systems to the management of human resources. Compared to other banks, the staff turnover rate in CPIB was 2 percent lower. Past employee surveys have indicated that staff morale is high and rising. In Keddy's words,

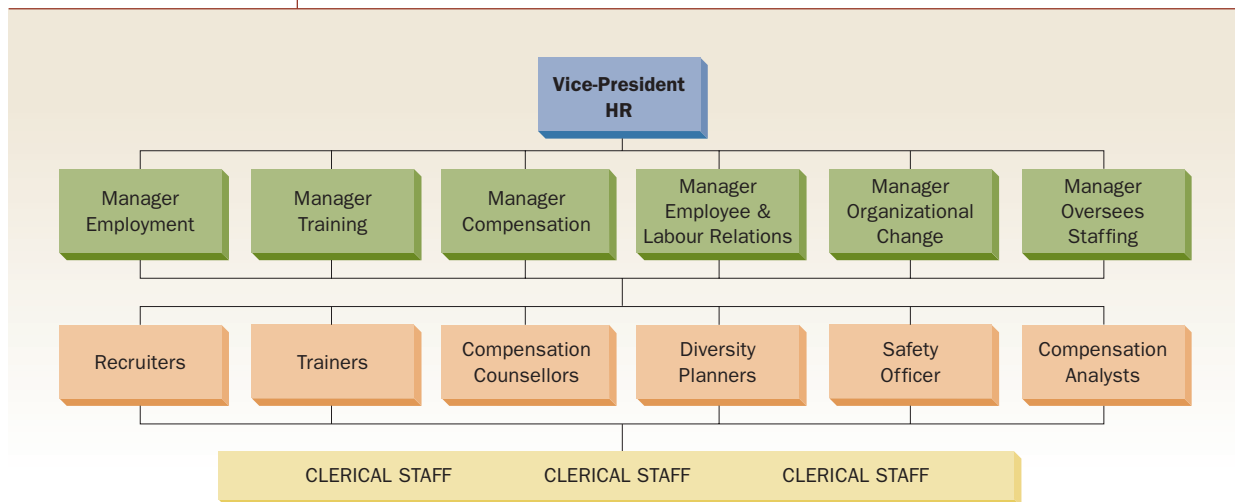
I know it is a cliché to say that “human resources are our most important assets.” Many organizations proclaim this as their policy, but then it is business as usual. Honestly, I do believe in the

maxim and what is fortunate for me, CPIB also believes in it. My predecessor, John Galsworthy, was a progressive human resource manager. He was one of those visionaries—he realized the potential of humans and was determined to tap that to the fullest extent. What is more, he genuinely cared for the employees. I am told that he knew several tellers in distant branches by their first names. Even a year before his retirement from the bank, he was found to spend long hours—often 12 to 13 hours—in his office to refine our HR practices. Fitting into his shoes, naturally, was a daunting task initially. But he also left a good system to build on. And that is what I have been doing: building on our strengths.

Keddy's views on the importance of human resources are echoed by several senior executives, including the CEO. At a time when several Canadian banks had their HR function represented only at the divisional or group level, CPIB raised its status to a vice-president level. In the foreseeable future, especially if the present expansion and merger plans proceed according to plans, HR may be elevated to vice-chair level, adding organizational change to the function.

Most of the specialized HR functions are located at the Vancouver head office. The regional offices do have their own HR managers and staff, but all major policy decisions are made at the head office—of course, after extensive consultations with all concerned (see Figure 4).

FIGURE 4 Structure of HR Function at CPIB Head Office



According to Keddy, some areas that HR is currently investigating are:

While the bank has been a progressive employer, the number of female senior managers in its ranks continues to be low. At the junior levels of management, the ratio between male and female managers is currently 65:35; however, as one goes up the hierarchy, the ratio changes drastically in favour of the males. Of the eight vice-presidents, only one is a woman; of the remaining senior managers, less than 5 percent are women. While the bank has been aware of the situation and would like to correct it, it has not been easy. There is also a larger turnover among female managers, making the task even more difficult. An examination of the employee records does not show any significant differences between males and females either in terms of educational qualifications or prior work experience. Also, at lower levels, in many branches, female employees seem to score higher on tenure and overall productivity. The situation, thus, is somewhat perplexing.

In many large cities such as Toronto and Vancouver, the percentage of visible minorities in the general population and labour market has been significant—often totalling 40 percent of the workforce. CPIB has also a number of clerks and lower-level staff who belong to this group. However, even at the supervisory and junior managerial level, the percentage of minorities has been insignificant (often less than one-tenth of 1 percent). The bank would like to encourage more minorities and people with physical disabilities to reach middle-level and senior managerial levels.

After the merger with Investors, all duplication in services needs to be eliminated, which is likely to result in some job losses. How can the bank minimize job losses and employee anxiety? Keddy is currently heading a human resource steering committee that is looking into this matter and deliberating on staff reductions. She also wants to regularize communication flow to the employees on the matter to minimize rumours. The new employees from Investors also need to be socialized into CPIB's culture.

In recent months, Keddy and some of her senior colleagues have been seriously debating an ethical issue. Several manufacturers in developing economies employ young children (often aged seven or eight years) at very low wages (some times as low as less than a dollar per day) for long hours (12 hours and more in some

cases) to produce cheap products such as soccer balls and volleyballs, jeans, and shoes. These manufacturers are important customers of the bank—often accounting for 25 percent or more of its loans in some regions. Keddy believes that the bank has a moral responsibility to do what is ethically right, but is not sure how it can influence the events in other countries.

Finally, how to reduce labour costs while minimizing the adverse impact on employee morale and customer satisfaction? Automation and computerization can reduce labour costs significantly, but could also result in layoffs, lower employee morale, and longer waiting lines for customers in some cases. What is the optimal tradeoff between efficiency and morale?

Immediate Goals

For the next year, the bank has the following financial objectives:

Efficiency ratio: This ratio (also called “productivity” ratio) measures non-interest expenses as a percentage of revenue; the lower the percentage, the greater the efficiency. The bank aims to maintain an efficiency ratio of 58 percent (the six other major Canadian banks have productivity ratios ranging from 63 to 68 percent) compared to 61.6 percent last year and 63.8 percent two years ago.

Earnings on share: The bank aims to generate growth in earnings per common share from the present \$4.20 to \$4.62, or a 10 percent increase.

Return on equity: The bank wants to maintain its earning premium over risk-free Government of Canada Bonds, which presently translates into a return on equity (on cash basis) to about 17 percent. The bank wants to improve its overall return by one percentage point.

Provision for credit losses: Most Canadian banks average 0.37 percent (some banks with as high a rate as 0.5 percent) of net average loans as provision for credit losses. CPIB would like to keep it at 0.40 percent. CPIB had found that the bank's previous year's credit losses were far higher than normal because of the meltdown of the high-tech and telecom sectors and the general downturn of the U.S. and foreign economies in 2001–2002. The bank had also made significant loans to firms operating in Argentina, Japan, and Brazil—all of which had considerable loan defaults in the immediate past.

Market ratings for debt: The bank's credit ratings from Moody's and Standard Poor are strong at AA3 and AAMinus respectively. The bank would like to improve these.

Discussion Questions

1. What are some major challenges facing CPIB?
2. What are the specific implications for the human resource function?
3. What suggestions do you have for the current challenges faced by the HR function?

PART ENDING VIDEOS

Under the Radar

APPENDIX A**Origins of Human Resource Management**

The origins of human resource management are unknown. Probably the first cave dwellers struggled with problems of utilizing human resources. Even the Bible records selection and training problems faced by Moses. Moses was confronted with one of the earliest recorded personnel challenges when Jethro, his father-in-law, advised: “And thou shalt teach them ordinances and laws, and shalt shew them the way wherein they must walk, and the work they must do. Moreover, thou shalt provide out of all the people able men ... to be rulers” (Exod. 18: 20–21).

During the thousands of years between Moses and the Industrial Revolution, there were few large organizations. Except for religious orders (the Roman Catholic Church, for example) or governments (particularly the military), small groups did most of the work. Whether on the farm, in small shops, or in the home, the primary work unit was the family. There was little need for formal study of human resource management.

The Industrial Revolution changed the nature of work. Mechanical power and economies of scale required large numbers of people to work together. Big textile mills, foundries, and mines sprung up in England and then in North America. Collectively, people were still an important resource, but the Industrial Revolution meant greater mechanization and unpleasant working conditions for many workers.

By the late 1800s, a few employers reacted to the human problems caused by industrialization and created the post of welfare secretary. Welfare secretaries existed to meet worker needs and to prevent workers from forming unions. Social secretaries, as they were sometimes called, helped employees with personal problems such as education, housing, and medical needs. These early forerunners of human resource specialists sought to improve working conditions for workers. The emergence of welfare secretaries prior to 1900 demonstrates that the personnel activities in large organizations had already become more extensive than some top operating managers alone could handle. Thus, social secretaries marked the birth of specialized human resource management, as distinct from the day-to-day supervision of personnel by operating managers.

Scientific Management and Human Needs

The next noteworthy development was scientific management. The scientific management proponents showed the world that the systematic, scientific study of work could lead to improved efficiency. Their arguments for specialization and improved training furthered the need for HR management. The first decades of this century saw primitive “personnel departments” replace

welfare secretaries. These new departments contributed to organizational effectiveness by maintaining wages at proper levels, screening job applicants, and handling grievances. They also assumed the welfare secretary's role of improving working conditions, dealing with unions, and meeting other employee needs.

By the First World War, personnel departments were becoming common among very large industrial employers. But these early departments were not important parts of the organizations they served. They were record depositories with advisory authority only. At that time, production, finance, and marketing problems overshadowed the role of personnel management. The importance of personnel departments grew slowly as their contribution and responsibilities increased.

From the end of the First World War until the Great Depression of the 1930s, personnel departments assumed growing roles in handling compensation, testing, unions, and employee needs. More and more attention was paid to employee needs. The importance of individual needs became even more pronounced as a result of the research studies in the United States at Western Electric's Hawthorne plant during this period. These studies showed that the efficiency goals of scientific management had to be balanced by considerations of human needs. These observations eventually had a profound impact on personnel management. But the Depression and the Second World War diverted attention to more urgent matters of organizational and national survival.

Modern Influences

The Depression of the 1930s led citizens to lose faith in the ability of business to meet society's needs. They turned to government. Government intervened to give workers minimum wages and the right to join labour unions. In 1940, Canada started an unemployment insurance program to help alleviate financial problems during the transition from one job to another. In general, the government's emphasis was on improving employee security and working conditions.

This drafting of legislation during the 1930s helped to shape the present role of personnel departments by adding legal obligations. Organizations now had to consider societal objectives and the need for legal compliance, which elevated the importance of personnel departments. In practice, personnel departments were made responsible for discouraging unionization among employees. But with newfound legal protection, unions grew dramatically. These organizing successes startled many organizations into rethinking their use of paternalism, their "management knows best" approach to employee welfare. Personnel departments began replacing a paternalistic approach with more proactive approaches that considered employee desires. When workers did organize, responsibility for dealing with unions also fell to the personnel department, sometimes renamed the industrial relations department to reflect these new duties.

Personnel departments continued to increase in importance during the 1940s and 1950s. The recruiting and training demands of the Second World War added to the credibility of the personnel departments that successfully met these challenges. After the war, personnel departments grew in importance as they contended with unions and an expanding need for professionals such as engineers and accountants. The increasing attention given to behavioural findings led to concern for improved human relations. These findings helped underscore the importance of sound personnel management practices.

In the 1960s and 1970s, the central influence on personnel was again legislation. Several laws were passed that affected the working conditions, wage levels, safety, and health and other benefits of employees. These acts began to provide personnel department managers with a still larger voice—a voice that began to equal that of production, finance, and marketing executives in major corporations.

Human resource management—as the personnel function is known today—did not emerge until recently. It is only very recently that human resource specialists have started to exert great influence on organizational strategy or have been chosen as chief executives. But today, in many organizations, there is a genuine recognition that human resources spell the difference between strategic success and organizational decline. The emphasis placed on strategic human resource management and formal certification of HR specialists are evidence of this growing role of human resource management.

ROLE-PLAY 1: IMPORTANCE OF HR MANAGEMENT ACTIVITIES**Time required: 40–50 minutes****Objectives of the Role-Play**

1. To sensitize the student to differences in perceptions of the importance of HR activities in organizations
2. To enhance their negotiating skills as future HR managers during budget negotiations
3. To enhance their communication skills in conveying HR priorities

Prior Preparation

1. Study Chapter One of the text.
2. Read descriptions of Maple Leaf Shoes Ltd at the ends of Chapters One and Two in the text.

Guidelines for Conducting the Role-Play

The role-play enacts a meeting between Jane Reynolds, Special Assistant to the Human Resource Manager, with Tim MacDonald, General Manager of Finance. Ms. Reynolds is requesting an increase in the budget for training and HR system improvement. Ms. Reynolds and Mr. MacDonald hold differing views on the role of HR management in the company.

1. Two students, one for the role of Jane Reynolds and the other for Tim MacDonald, should be identified.
2. Students should read their own role description in the Instructor Resource Manual along with the company details given at the ends of Chapters One and Two.
3. The instructor should signal the beginning and the end of the meeting. The meeting will last a maximum length of 30 minutes. It may be ended earlier.
4. The remainder of the class time is used for discussion of the behaviours observed during the role-play and outcomes.
5. Observers should be asked to make notes against the questions listed below and discuss their findings at the end of the role-play.
6. Instructor should sum up by highlighting the differing HR strategies and their implications for organizational practices and outcomes.

Instructions for Observers

As you observe the meeting between Jane Reynolds and Tim MacDonald, make notes against each of the questions below. Pay particular attention to the behaviours and verbal and nonverbal expressions of each person.

1. Are there differences in the assumptions of the two parties about the role and importance of HR? How?
2. How did Jane begin the meeting?
3. Was there open communication between the two?
4. Did Jane get what she wanted?
5. Is there anything Jane could have done to change Tim's attitude? What?
6. Would you have done anything differently? If so, what?