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The Future of Human Resource Management

Learning Objectives

After reading this chapter, you should be able to

- Relate recent trends and developments in HRM processes and to HRM in general
- Anticipate and be prepared for potential changes and developments that will likely influence the field of HRM in the near future
- Develop a future-oriented perspective to HRM

The field of HRM is characterized by continuous change and development. It has been necessary for each chapter of this textbook to address political, economic, social, demographic, legal, and technological trends that create opportunities and challenges in various HRM processes. This final chapter integrates the recent trends and developments discussed in each chapter with specific HRM functions such as HR planning, job design, recruitment, selection, training, compensation, and performance management. This chapter also offers a future-oriented perspective by discussing emerging general trends in HRM and preparing you for potential changes and developments that will likely influence the field of HRM in the near future.

10.1 Globalization and HRM

Recent global trends have changed the way organizations manage and leverage human capital. For example, in previous chapters, you learned about the increasing trends toward outsourcing and international assignments, as well as the resulting opportunities and challenges that employers and employees deal with in the United States and abroad. The challenges of globalization are further exacerbated by political and social unrest in many parts of the world, as well as the economic difficulties the world is currently witnessing. This section addresses several emerging trends in these areas.

The future of outsourcing

Recently, outsourcing has taken a new turn—away from an emphasis on cost reduction and toward adding value (Craumer, 2002). Organizations are no longer outsourcing to cut down on costs. In fact, many of the countries that employers used to target for cheap labor have experienced increases in labor costs due to high demand and exponential economic growth. These countries are now termed **emerging economies**; they include China, India, Malaysia, Bangladesh, Indonesia, Russia, the Czech Republic, and several other countries in South-east Asia, Eastern Europe, the Middle East, and Africa (Jain, 2006). India, for example, was once known for its inexpensive labor but is now one of the key global players in knowledge work. This change is due to the quality and reliability of its workforce and technological infrastructure, its high levels of English proficiency, and its progressive regulatory environment.



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Due to its exponential economic growth, China is now known as an emerging economy.

Consensus has not emerged on what countries have emerging economies or on what criteria distinguish emerging economies from developing countries. One widely acknowledged primary characteristic of emerging economies is their attractiveness for outsourcing based on the notion of adding value, and not just their being a low-cost provider. Organizations today are outsourcing strategic functions, not just peripheral tasks. Rather than micromanaging their outsourced functions, organizations are relinquishing control of many of their core operations to trustworthy third-party partners. Global organizations are now even starting to view outsourcing as a source of innovative ideas, as a catalyst for change, and as a way to transform business and industry dynamics (Craumer, 2002). How will these changes look in the long run? The value added from outsourcing will no longer come from establishing sweatshops in a country with a struggling economy and lax safety regulations to save a few percentage points on labor costs. It will come from building a strategic network of autonomous partners across the globe. In this network, knowledge can be more dynamically created, shared, and leveraged toward several beneficial ends. These ends include stronger forecasting of consumer needs and market trends; better management of resources; and more ethical, transparent, and sustainable business models.

International assignments and political instability

Until recently, international assignments were viewed as opportunities for exposure, building experience, and developing professionally; successfully completing these assignments also promised a fast track for advancement and growth. However, U.S. employers now experience significant apprehension about sending employees and their families abroad due to political turmoil in many regions of the world. This turmoil is especially prevalent in many of the emerging economies that offer the most promise in terms of globalization and market growth.

For example, in 2011, political revolts erupted in numerous developing countries; demands for more democracy and economic reform led to the successful ousting of regimes after decades of oppressive or ineffective leadership (Youssef, 2011). However, many of these political movements have subsequently paid dearly, at least in the short term, through slow economic growth and the destruction of physical, social, and institutional infrastructure. A case in point is Egypt, considered by many analysts to be a high-potential emerging economy. However, the 2011 revolution that led to the military's seizing power has also plunged the country into chaos in terms of government and legislation. In addition, the political instability and social unrest in Egypt and the whole Middle East region have compromised many economic resources such as tourism and the oil trade.

As a result, many organizations have had to protect expatriates' lives by pulling them out of politically unstable countries. For example, Libya is a country with a predominantly expatriate workforce; in 2011, it experienced several months of revolution and bloodshed. At the start of that period, governments of many countries immediately evacuated their citizens, and numerous organizations had to create emergency exit plans for their employees. Many foreign citizens were directed to locations where they boarded air force planes, naval ships, chartered planes, and ferries sent for their rescue by their countries or by their employers ("Countries and companies scramble," 2011). Hundreds of thousands of blue-collar migrant workers fled to the desert and were in limbo for days, surviving

on humanitarian aid in what resembled a mass exodus of human talent (Cohen & Otterman, 2011).

Although political, economic, and cultural differences have always been concerns in global HRM, recent events clearly present organizations with unique HRM challenges that penetrate every area of operation. HR is now in a prime position to shape critical strategic organizational decisions, including the following decisions:

- *Where to operate:*
HR planning should account for political conditions that would make it impossible or unsafe for the organization's members to travel, which would impact organizational goals and expansion plans.
- *Which modes of entry to select:*
Job analysis and job design can be adapted to ensure that operations in unstable countries can be run remotely, from safer hubs across the world, or in partnership with locals. This information can feed into organizational strategies for global operations such as joint ventures, outsourcing, franchising, or licensing.
- *Whom to send on international assignments and how to prepare them:*
Current political conditions require personality traits, skill sets, and coping mechanisms that will help expatriates and their families resiliently bounce back from adversity. These characteristics should be taken into account in the criteria used for the recruitment, selection, and training of employees for international assignments.
- *How to compensate employees for international assignments:*
Depending on the region and the country, accepting an international assignment today can be a much more risky endeavor than at any time in the past. This risk should factor into compensation and benefit decisions. Expatriation and premature repatriation can also have heavy tax implications (Ludwig, 2004), and wars or political upheavals can result in loss of wealth. HR should proactively protect employee wealth associated with foreign assignments—ensuring that the motivational impact of compensation, benefits, and other rewards is not compromised.



Desrus Benedicte/AP

Events such as the political revolts throughout the Middle East in 2011 have led many organizations to question the decision to send employees and their families abroad.

Managing a global workforce from a distance

As we become a more global workplace, globalization is fueling the need for talent to expand beyond national borders. The new knowledge economy is driving demand for the best and the brightest, wherever they may be. This competition for talent will not come from around the corner but from around the world, as companies expand to all corners of the globe. Facilitated by ready access to information technology, this dispersion of talent can be viewed both as an opportunity and as a challenge. On the positive side, local talent can be hired and trained to run and integrate local operations, and access to global talent can help alleviate the need for and current risks of expatriation and international assignments. However, leading a global workforce from a distance can be very challenging for organizational decision makers and HR professionals.

Global leaders have been defined as “people in business settings whose job or role is to influence the thoughts and actions of others to achieve some finite set of business goals . . . usually displayed in large, multicultural contexts” (Gessner, Arnold, & Mobley, 1999, p. xv). According to Youssef & Luthans (2012), global leaders face at least three unique challenges: distance, cultural differences, and cross-cultural barriers.

- Distance can be in the form of **physical distance**, which is due to geographic dispersion of the workforce; **structural distance**, which is due to centralization, departmentalization, and span of control in the organization; and **psychological** or **social distance**, which is due to status or power differentials between the leaders and employees (Antonakis & Atwater, 2002; Napier & Ferris, 1993).
- Cultural differences and value system dissimilarities can hinder communication and collaboration, and they can exacerbate psychological or social distance in global settings. The most familiar models for cultural differences are those of Hofstede, Trompenaars, and the GLOBE project. Web links below provide further information on those three models.
- Cross-cultural barriers that are challenging for global leaders include language barriers, different time zones, corruption, and institutional deficiencies.

WEB LINKS

Hofstede’s cultural dimensions: <http://www.geert-hofstede.com/>

Trompenaars’ cultural dimensions: http://changingminds.org/explanations/culture/trompenaars_culture.htm

Trompenaars’ culture types: http://changingminds.org/explanations/culture/trompenaars_four_cultures.htm

The GLOBE project: <http://business.nmsu.edu/wordpress/wp-content/uploads/2010/05/Globe-2001-OrgDyn-Vol-29-No-4-PP-289-305-Cultural-Acumen-Lessons.pdf>

Discussion Questions

1. What are the similarities and differences between Hofstede's, Trompenaars', and the GLOBE models?
2. What are the HRM implications of these models' cross-cultural dimensions? How can these implications affect HR planning, job analysis, job design, recruitment, selection, training and development, compensation, benefits, and performance management?
3. What new lessons did you learn about other cultures from each of those models?
4. How can the lessons you learn affect you as a future leader and participant in a global workplace?

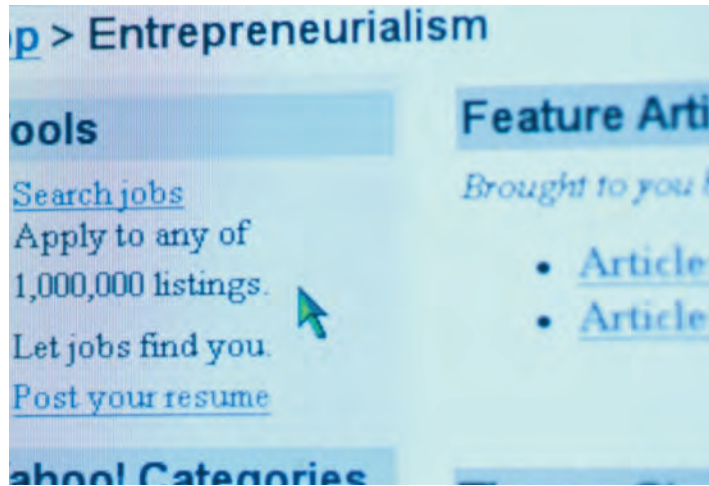
Managing a global workforce requires new models for the recruitment, selection, and training of global leaders who can manage and develop a global workforce. These leaders need to be capable of understanding, readily adapting to, and strategically integrating different cultural dimensions. They need to be able to maintain order in complex situations by constantly redefining and readjusting their perspectives, depending on the context, to achieve harmonious and inclusive interactions. These leaders should also be able to leverage information technology and a vast array of communication tools to buffer the negative effects of distance and cross-cultural differences and barriers. Chen and Miller (2010, 2011) call this type of leader **ambicultural**, because they can combine the best of many cultures while avoiding these cultures' limitations and biases. Bennett (1993) terms these leaders' perspective **ethnorelativity**. According to Youssef and Luthans (2012), ethnorelativity "allows positive global leaders to experience their own culture as one of many, identify complex and subtle cultural patterns, habitually express themselves through multiple culturally appropriate affective and behavioral systems, and eventually experience an expanded self-view that can readily move into and out of multiple worldviews." Applications of cultural dimensions to HRM practices are provided in the link below.

WEB LINK

Cultural dimensions and HRM practices: <http://business.nmsu.edu/wordpress/wp-content/uploads/2010/05/Globe-2004-EmplRel-Exploring-mutual-interaction-hrm-Vol-26-No-5-pp495-509.pdf>

10.2 Technology and HRM

As the Internet gained a global foothold in the early 1990s, recruiting took a new twist from the old job boards and searches through daily newspapers. The new online network has changed how employers and job seekers find one another. In the United States, over 50% of new hires now come from online application sources, and this process of online recruiting has taken over as the primary way to recruit future employees (Parry & Tyson, 2008).



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Over 50% of new hires in the United States come from online application sources.

Today, most prospective employees apply for jobs on an organization's website. They have a great deal of important information about the company available in front of them before they apply. Website aesthetics can play a role in getting an applicant to spend time on the site and learn about the organization and its culture (Ryan & Huth, 2008). Traditional channels of recruiting include agencies, public job websites, advertising, and direct recruiting; these channels still have a small place in the recruiting process, but online recruiting is now the norm.

Online recruiting has given employers several advantages over more established methods of recruiting. Advantages for online recruiting include cost effectiveness, access to a larger group of potential candidates, the ability to locate the right target audience, access to applicants who have the needed technological skills, a faster turnaround time on both ends, and ease of access and portability (Parry & Tyson, 2008).

Social recruiting is also gaining momentum; it is a process where both online and offline social and professional networks of individuals and organizations connect and communicate to match jobs with the right candidates. Social recruiting has taken many forms, such as the sourcing of candidates on such social networks as Facebook, LinkedIn, YouTube, Twitter, and others (Meister & Willyerd, 2010). As employers search globally to infuse their organizations with talent, many recruiters will increasingly rely on social relationships through online communities.

For a long time, personal referrals have been the major source of hiring; getting jobs has always been about networking, whom you know, and who knows you. Social media has taken the referral business to a new level. The Internet and social media have become great ways to search for jobs—both for people who are actively searching for jobs and for people who aren't engaged in a job search but who are always interested in hearing what others have to say. Employers can use the growing new platform of social media to attract candidates, help their organizations grow, or gain a competitive advantage in their industries. Social media can be used to reach out to candidates in a forum that's both natural to them and in an area of interest for the organization.

In an age of instant communication, managers must be part of the social networking process, and social recruiting must be part of organizations' recruiting strategy. This strategy has never been more evident than in a 2008 PricewaterhouseCoopers study, in which 86%

of college students said that they belong to a social networking site. Younger generations are using social networking to send personal messages to one another via multiple platforms, and they look for future employers' utilization of the same kinds of communication and technology. Employers can use social media to find potential strengths in future employees by gathering information from their social networking profiles. Employers can also help ensure a good fit with a job and the organizational culture by understanding candidates' motivations, interests, and hobbies. This information sharing goes both ways, as job candidates know as much about employers as employers know about candidates through their own social network connections.

10.3 HR Legislation and the Future of HRM

The legal environment of HR continually changes to best serve the needs and protect the rights of a growing, diverse workforce. Several important developments in the area of HR legislation were highlighted in a recent report by Business and Legal Resources, a consulting firm that helps organizations comply with federal and state employment, safety, and environmental laws and regulations (Brady, 2011):

- Health care costs, adequate coverage, and quality health care in general are becoming a national concern for the U.S. government, employers, employees, and society at large. Major developments are expected to take place over the next several years based on the **Patient Protection and Affordable Care Act (PPACA)** of 2010. The two most prominent reforms are the individual mandate and the employer mandate, expected to take full effect in 2014. The **individual mandate** requires U.S. citizens and legal residents to have qualifying health care coverage, and imposes penalties on those who do not. The **employer mandate**, also referred to as the *pay-or-play mandate*, requires employers with 50 or more employees to subsidize health insurance premiums for low-income employees, to pay a fee for every employee who receives a tax credit for health insurance coverage, or to offer subsidies and also pay a fee. This act also sets higher standards for care improvement, provides subsidies for small businesses and low-income individuals and families to increase the



Alex Brandon/AP

U.S. Health and Human Services Secretary Kathleen Sebelius discusses the implementation of the Patient Protection and Affordable Care Act.

- affordability of coverage, and provides incentives for participation in wellness programs. The act exempts more health care services and preventative care from co-pay, co-insurance, and deductible requirements; it also prohibits the exclusion of pre-existing conditions.
- FMLA grants employees only 12 weeks of unpaid leave for qualifying family and medical reasons; it also ensures job security upon return. Several states have also added mandates that require employers to pay their employees while they are on leave for those reasons, allow them to use their paid time off for leave, or use state-run insurance programs that provide compensation for employees while they are on leave. The 2010 Administrator's Interpretation of FMLA added the **In Loco Parentis Rule** (*in loco parentis* means "in the place of a parent"). This rule expands the definition of parenting, for FMLA eligibility purposes, to include extended family, same-sex partners, and other nontraditional family arrangements that contribute to the care of a child.
 - The exponential growth in corporate scandals and known instances of corporate officials' unethical conduct led to the creation of the **Sarbanes-Oxley Act (SOX)** of 2002. SOX regulates the financial reporting requirements of publicly traded companies to protect investors' rights. It also prohibits retaliation against **whistleblowers**, employees who report ethically questionable or fraudulent financial reporting. Recently, the **Dodd-Frank Wall Street Reform and Consumer Protection Act** (the Dodd-Frank Act) was created to expand whistleblower protections, simplify the reporting of irregularities, and even provide financial incentives to whistleblowers that range between 10% and 30% of the penalties and fines recovered that exceed \$1 million. The act also provides for double back pay, attorney's fees, and other costs.
 - Social networking and blogging have become highly active areas for litigation as technology use has increased. On the one hand, employers peruse information posted on social networking websites or blogs as a basis for employment or discipline. This perusal can be found to be in violation of applicants' or employees' rights to privacy and freedom of speech. This perusal can also be found to be discriminatory based on race, color, religion, gender, national origin, sexual orientation, age, disability, or other factors unrelated to the job that the applicant or employee may have disclosed on the Web. On the other hand, information employees post on websites may be found to be harassing or defamatory to others or in violation of intellectual property rights—factors that may cause significant hardships for the organization and expose it to legal action. Thus, employees are entitled to post content to the Web on their own time, as long as this Web use is not in violation of company policies. These policies should be clearly delineated to avoid problems.
 - The EEOC and the Department of Labor (DOL) have recently increased their general scrutiny and heightened their enforcement of various established labor laws. Specific areas receiving more attention include discrimination based on sexual orientation and gender identity based on the **Employment Non-Discrimination Act (ENDA)** of 2009, background checks, retaliation claims, FLSA classifications, and wage and hour violations.
 - The **Americans with Disabilities Act Amendments Act (ADAAA)** of 2008 expanded the definitions of *disability* formerly adopted by the ADA. However, there are still numerous unresolved issues regarding what constitutes a disability. For example, is obesity a disability? On the one hand, there is scientific evidence that obesity has genetic foundations, and it can impair one's ability to perform vital life functions. These facts have led the EEOC to consider obesity a form of

disability. On the other hand, obesity has been repeatedly rejected in court as a basis for discrimination that requires accommodation by employers. Similarly, the distinction between mental disability and low intelligence levels continues to be vague. Through the same logic and the broadened definition of *disability* now adopted through the ADAAA, similar arguments can be made regarding various personality traits such as conscientiousness and introversion. As discussed in chapter 5, these personality traits are stable and genetically based, or “hard-wired” in the brain at an early age. They have also been shown to relate to performance. Does a person who lacks those traits have a disability that employers should accommodate, or is an absent or minimally present trait a basis for rejecting a job applicant? These and similar questions create challenges for HR managers and professionals.



Paul Damien/Getty Images

One of the unresolved issues regarding the Americans with Disabilities Act Amendments Act is whether obesity should be considered a type of disability.

10.4 The Future of Unions

Union membership has significantly declined in the United States over the last several decades, creating significant uncertainty about the future of unions in the United States and around the world. Blanchard Olivier is a well-known MIT/Harvard economist; in a thought-provoking article, he analyzes this trend and makes predictions about the future of unions. According to Olivier (2000), unions have historically served four distinct functions: they

- provided what resembled an insurance policy for when their members were in need
- protected workers from being exploited
- represented the interests of workers in various economic, social, and political forums
- extracted “rent” (surplus) from employers and the government

Olivier’s analysis shows that either these functions are gradually ceasing to exist, or other entities are gaining competitive advantages at serving those functions—rendering unions less efficient and effective at those roles. For example,

- Numerous countries' governments now provide unemployment insurance, and they realize significant economies of scale in doing so in comparison to unions' provisions of insurance.
- Laws and regulations protect workers from exploitation in numerous employment-related areas such as pay, benefits, working conditions, health, and safety. These protections lead to fairer, more consistent practices and less need for negotiation and bargaining.
- Unions can continue to represent the interests of workers, but a new and more market-driven approach is appropriate, in collaboration with a sound monetary policy. Simply lobbying for higher wages and better working conditions can only lead to inflation and unemployment if these actions are inconsistent with market realities.
- Organizations today operate at such low profit margins that the available "rent" to be extracted is simply drying up—limiting unions' bargaining power.

A more recent analysis by the Society for Human Resource Management (Schramm, 2005) supports Olivier's predictions but expands on the evolving nature of unions and labor relations. The report highlights what unions can contribute in the future. For example, unions' future emphasis should be on representing the rights of a diverse workforce and on recruiting more women, minorities, younger workers, and people who work in the service sector. As discussed later in this chapter, the demographic trends are staggering, and unions have not kept up with the realities of the workforce. Unions need to better understand the needs of these diverse groups so that they can better serve these groups.

Labor relations within the realities of a global economy is another major potential area for unions to contribute to. Global corporations employ workers around the world, but the extent to which these workers' rights are represented varies from one country to another. This fact leaves significant room for "rent extraction" (exploitation) across borders. A promising but sensitive area in which unions might contribute is collaboration with multinational corporations and governments to cross national boundaries and prevent this exploitation. This work will require unions to be prepared to show significant sensitivity and cultural understanding. For example, in many countries, strikes and other forms of collective demands are illegal or frowned on, and these actions can turn violent.

Finally, unions may need to focus on becoming an independent voice for workers, rather than supporting a specific political party. Significant time, energy, and financial resources are spent on politically motivated actions such as campaigning. Though important, these actions can detract from the primary goals that unions should serve and compromise their value to potential and actual members.

10.5 The Characteristics and Expectations of the 21st-Century Workforce

The field of HRM is taking a new turn as employers realize that the philosophies and models they used to attract, retain, motivate, and develop previous generations of employees are not as effective with the younger generations entering the workforce.

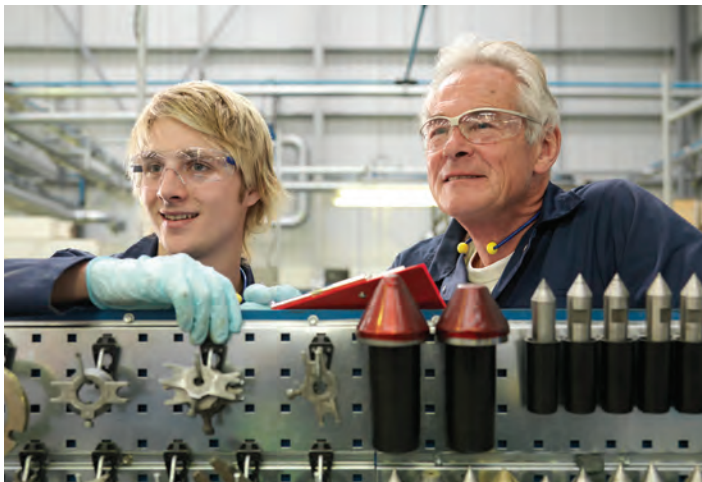
Generational differences

As employers look to next year and beyond for future talent, they will most likely see five generations of workers concurrently participating in the workforce:

- The **traditionalists** or **matures**, born before 1946
- The **baby boomers**, born between 1946 and 1964
- **Generation X**, born between 1965 and 1976
- **Generation Y** or the **Millennials**, born between 1977 and 1997
- **Generation Z**, born after 1997 (Meister & Willyerd, 2010)

Generational groups develop similarities in attitudes and beliefs founded on shared life experiences. These shared beliefs shape their values and attitudes toward work. It is important for employers to understand these values, beliefs, and attitudes so they can design effective approaches to attract and retain members of these diverse generations. There are major organizational challenges in managing five different generations in the workforce, as well as ensuring explicit and tacit knowledge transfer as the boomers and traditionalists retire. These challenges make understanding generational diversity critical for an organization's success (Joshi, Dencker, Franz, & Martocchio, 2010).

The baby boomers are currently the largest generational group in the work force. Due to increased life expectancy and economic uncertainty, this group of individuals are expected to continue to work well after retirement age, as many of the traditionalists do today. According to a review of literature by Wong and colleagues, baby boomers value job security and a stable working environment, making them excellent consensus builders and mentors for younger generations (Wong, Gardiner, Lang, & Coulon, 2008). Baby boomers are also the best educated of these generations and continue to be driven by both personal and professional development. They are characterized by long hours of hard work,



Monty Rakusen/Digital Vision/Getty Images

Managing different generations in the workforce is an organizational challenge.

extrinsic motivation, and loyalty and commitment to their employers at the expense of work-life balance (Cennamo & Gardner, 2008). Baby boomers were also impacted by the Kennedy and King assassinations, the moon landing, and the Vietnam War (Twenge, Campbell, Hoffman, & Lance, 2010); these events played into their desire for freedom, self-fulfillment, creativity, and idealism (Collins, Hair, & Rocco, 2009; Dries, Pepermans, & De Kerpel, 2008).

Generation X has grown up around change and diversity. Due to economic uncertainty, the AIDS epidemic, the fall of

the Soviet Union, and watching parents lose their jobs, Generation X members are rarely loyal to any one organization. They seek better opportunities—whether through a higher salary, improved benefits, or better working conditions (Collins et al., 2009; Twenge et al., 2010; Wong et al., 2008). The events they witnessed also helped drive the values of individualism, skepticism, and the desire to enjoy life. This joy for life is centered on a desire for work-life balance, after watching their parents work many long hours (Dries et al., 2008, Collins et al., 2009).

Members of Generation Y have had technology at their fingertips since they were born. This generation was particularly affected by the fall of the Berlin Wall, the rise of the Internet, and the war on terror. This generation is very comfortable with technology and change and worries less about job security and job commitment (Twenge et al., 2010). Generation Y members like to be challenged by new opportunities and self-development. This generation has seen the devastation that unethical companies such as Enron, Tyco, and Arthur Anderson have caused to families and careers, so they seem to be more concerned with the values of the organization than with any other factor. They are civic minded and include a sense of moralism in all aspects of their lives (Dries et al., 2008). They demand greater transparency and social responsibility from their employers. For example, the 2008 PricewaterhouseCoopers study showed that 86% of Millennials would consider leaving an employer whose behavior no longer met their corporate responsibility expectations.

A number of studies support these intergenerational differences. For example, Dries, Pepermans, and De Kerpel (2008) found that career types varied by generations in Belgium. In a study of younger European supervisors, D'Amato and Herzfeldt (2008) found that organizational commitment was impacted by the relationship between learning provided by an organization and the young workers' intention to stay with the organization for a long period of time. Twenge and Campbell (2008) noted that when compared to older generations, Generation Y had higher self-esteem, narcissism, and anxiety.

Although there are many differences among generations, there are also similarities. Wesner and Miller (2008) suggest that when boomers entered the workforce, they wanted meaningful work and successful careers, much as Millennials do today. Wong and colleagues (2008) did not find support for the generational stereotypes of motivation in their Australian study. Johnson and Lopes's 2008 study showed that the level of commitment was the same across generations, but that younger generations tend to take more risks.

The challenge for employers is that as record numbers of baby boomers retire, the available Generation X population is only about half that size (Collins et al., 2009). The next group to step in will be the Millennials, who are starting to enter the work force in large numbers. Today the Millennials make up 22% of the workforce; by 2014, they will make up almost 47% of the workforce (Tapscott, 2009). Regardless of how strong or weak the economic situation is, the problem is that a gap in talent is being created, and this gap will not be filled by Generation Y (Millennials) for several years to come.

Changing employer and employee expectations

Over the last few years, globalization, organizational restructuring, and the growth of the knowledge economy have changed the way careers are looked at by prospective candidates. Two decades ago, people expected to find a job that had a linear career path. People

went looking for work with a company they could someday retire from, and they looked for a career that focused on progressive steps up an organizational hierarchy until they reached the top of the ladder. Today, most people look for a nonlinear career that will evolve and change, including stops at several companies over a period of years and multiple career paths toward the meaningful utilization of their talents and the realization of their passions and full potential.

Employers are finding it necessary to shun traditional “climb the ladder” career opportunities with carrot and stick approaches, instead opting to equip and allow employees to climb the ladders of their choice with intrinsic motivators. Younger generations do not want a slow trip up the corporate ladder that includes a midyear evaluation, a yearly evaluation, and other traditional measures. They look for nonmonetary rewards such as increased flexibility, work-at-home options, control over their schedules, and additional opportunities to develop their knowledge and skills during work hours or through employer-financed educational or learning opportunities (D’Amato & Herzfeldt, 2008).

Although many established approaches have been discussed in previous chapters, the truth is that there is no easy answer to an organization’s challenges of attracting, retaining, motivating, and developing talent. Talent has become more important than ever before in this new knowledge-based global economy, in which organizations all fight for highly qualified individuals who will make a difference for their organizations. The speed of change in the next decade due to technology, globalization, and demographic shifts will only increase the obstacles to recruiting the right talent and will only make it more important for organizations to bring the right talent on board.

The recent economic recession has also added to this challenge. The constant fear of downsizing, pay cuts, and relocations have made employees uneasy as they scour the landscape for a more secure opportunity. As the economy has struggled to get back on its feet, organizations have reduced their workforces and firms have become even more reliant on their top talent to grow and be profitable (Chen, Ployhart, Thomas, Anderson, & Bliese, 2011). This uneasiness has affected employee commitment and motivation while throwing a curveball to employers who are trying to attract future employees while also retaining the employees who are already aboard.



Keith Brofsky/Blend Images/Thinkstock

Younger generations are enticed by nonmonetary rewards such as employer-financed educational opportunities.

Large-scale changes in the demographic makeup of the U.S. population have made the American labor force's incoming generation the most diverse in history. At the same time, this generation is the least educated—leading to a dire forecast for the nation's global competitiveness (Collins et al., 2009, Meister & Willyerd, 2010). For example, a recent study completed by Ernst & Young (2010) included more than 340 of the largest employers from around the globe. The study showed that many organizations are starting to see shortages of skilled workers. When the respondents were asked whether their organizations expect a talent or knowledge gap in the near future, more than one in five respondents (22%) said that they do, and more than one in four (27%) said that the combination of upcoming retirements and skill shortages will likely cause a talent gap in their organizations sometime in the foreseeable future.

Based on the 2008 census, the U.S. workforce is in the middle of an extensive demographic revolution. Between 2010 and 2050, the United States is projected to experience substantial growth in its older population. In 2050, the number of Americans aged 65 or older is projected by the Census Bureau to reach over 88 million, which is double the number of seniors in 2011. Concurrently, the U.S. population is projected to grow from 310 million to 439 million, an increase of 42%. The nation will also become more racially and ethnically diverse. By 2042, the U.S. population will be more non white than white, resulting in a minority population (U. S. Census, 2010).

In a recent SHRM article, Maurer (2010) noted that the demographic shift was due to two primary changes. First, baby boomers continue to age and retire, and the increase in immigration from residents of Latin America and Asia will drive the largest changes in the American labor force. Second is the shift in education in our society. Maurer (2010) observed that only 39% of Hispanics in America in 2010 had a high school education, and only 13% were college graduates. This shift in demographics among America's young adults, and the retirement of the baby boomers, carry the likelihood of making the American workforce less educated. This probable decline in educational levels overlaps with the continued growth of the knowledge-based economy that requires most workers to have high levels of education—a discrepancy that can create large-scale problems for potential employers. With the generational population disparities over the next decade, employers are waiting for Generation Y to mature into leadership positions.

Organizations are looking to branding as one way to be more attractive to prospective and current employees. To attract different generations, the role of extrinsic, intrinsic, and altruistic rewards in motivating these diverse groups needs to be thoroughly reviewed. Extrinsic rewards such as pay, possessions, and prestige are reasons why individuals go to work each day, and these factors play a role in what attracts people to work for and stay with an organization (Twenge et al., 2010):

- Baby boomers seem to be the most extrinsically focused of the generations, with Generation X not far behind. On the other hand, Generation Y tends to believe that there is more to life than a paycheck, but that everyone is motivated to make money—for instance, when young people work to pay off ever-increasing college debts, or two parents work to pay off a mortgage.
- Intrinsic rewards are increasingly prominent for Generations X and Y. Workers in both generations look for a job that is interesting and offers a challenge—a job they truly enjoy, with pay being a secondary factor.

- Altruistic work rewards have also played an important role as Generations X and Y have entered the workforce. Despite the younger generation's supposed tendencies toward individualism and narcissism, many organizations are finding that altruistic rewards are effective in attracting these socially conscious generations to join their organizations (Twenge et al., 2010).



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Members of Generations X and Y are motivated to find jobs that are interesting, challenging, and enjoyable.

Organizations will need to tailor human capital management practices to attract, retain, and motivate the different generations in the workforce (Cheese, Thomas, & Craig, 2008). For example, in order to attract Generation Y applicants, the employment process must start with an online application process that engages them. Sujansky and Ferri-Reed (2009) observe that this is the central challenge for organizations to stay competitive in attracting, recruiting, and retaining future workers. If organizations do not have effective processes to interact with a technology-driven generation, they will lose billions of dollars in subsequent turnover costs.

Internships are another point of attraction for younger workers. Interns are an ideal pool of job candidates because they are often educated and have many job- and organization-specific skills and knowledge. Internships also offer hands-on opportunities for both the organization and the intern to make informed decisions about their fit with one another (Zhao & Liden, 2011).

Cultural aspects are also critical in matching the right candidates to the culture of the organization and its various business units (Ryan & Huth, 2008). Various organizational characteristics and values attract different candidates because individual job seekers prefer to fill their needs in different ways. Fulfilling these needs helps drive employees' commitment and job performance through their attitudes and behaviors (Greguras & Diefendorff, 2009). Research has shown that *job embeddedness* takes hold after individuals join an organization: they then start to develop relationships with other employees and with the organization. Over time, a bond forms that makes turnover less likely: the more time employees spend with an organization, the larger the sense of sacrifice they feel when they consider leaving (Weller, Holtom, Matiaske, & Mellewigt, 2009).

Finally, there is a significant increase in emphasis on employee well-being. Employers and employees are increasingly realizing that well-being is not equivalent to freedom from pathological symptoms, workplace accidents, somatic complaints, or workers' compensation claims. Well-being also includes physical health, emotional wellness, intellectual



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Employee well-being includes emotional wellness, job satisfaction, and social relationships.

stimulation, job satisfaction, social relationships, and even spirituality (Brady, 2011). In psychology, there is a strong reorientation toward what is now widely recognized as “positive psychology.” Research in this area has expanded into the workplace, and it has shown that organizations need to focus on distinctly positive initiatives such as increasing job meaningfulness, creating a sense of community among workers, adopting environmentally sustainable practices, and encouraging diverse forms of learning and growth (Luthans, Youssef, & Avolio, 2007).

Five generations and a great diversity of individuals are in the workforce; these facts can create opportunities and challenges in creating strategic plans to attract, retain, and motivate talented employees. Organizations will need to offer a plethora of options to their employees to create the working relationships that employees look for. Organizations will need to find ways to balance employees’ expectations for financial rewards, work-life balance, benefits, social responsibility, job status, and career opportunities

(Cheese et al., 2008). It may be difficult to offer all things to all employees at once, but employers must find common ground or run the risk of alienating a demographic group of future employees.

The 21st-century market calls for talent who will need to be willing and able to develop new routines, competencies, and technologies—all of which will drive the knowledge economy. Organizations will need to be equally innovative and savvy in building unique HRM practices that can attract, retain, motivate, and develop the right talent and then align that talent with an organization’s culture and values.

10.6 Future Trends in Human Capital and Talent Management

Built-to-change organizations

Most classic organizational change theories view change as moving an organization from its current state to a desired future state of higher efficiency, effectiveness, or both. In this paradigm, change is a goal-oriented process with specified performance standards and outcomes that would add value to specific stakeholders. For example, HRMs may need to assess the breadth and depth of the KSAs of the current workforce in relation to market trends and predicted talent needs and design ways to develop the competencies and capabilities of the workforce accordingly. Similar processes may be applied to develop material, technological, and other more tangible types of resources.

This structured approach to change is necessary and can be effective in meeting organizational goals; however, it may also hinder the organization's ability to change in the future. For example, many years ago, Kurt Lewin's 1951 force field theory emphasized that after an organization is "unfrozen" and change is implemented, the organization must be "refrozen" at a new, more desirable state in order to sustain the implemented change. Refreezing can occur through implementing and reinforcing new structural, cultural, or process dimensions that would better fit the desired state. However, these new dimensions may create new resistances to subsequent change, and while they can yield higher equilibrium levels, they may not increase the organization's future flexibility and adaptive capacity (Lawler & Worley, 2006).

Episodic change may be appropriate for steady, predictable environments, or as a normal part of any organization's life cycle (Jawahar & McLaughlin, 2001). On the other hand, today's "edge of chaos" business environment (Buckley & Monks, 2008) places a higher emphasis on organizational agility. Survival and success in this environment require organizations that are able to build sustainable competitive advantages by implementing evolutionary and revolutionary change. Furthermore, organizations must be **built to change**—i.e., have robust strategies that prepare them to quickly and effectively respond to multiple environmental scenarios, stringing a series of temporary competitive advantages (Lawler & Worley, 2006).

In this setting, talent management becomes central to organizational development and change (Bartlett & Ghoshal, 2002). Human resources have always been viewed as integral to change, yet the predominant approach to this relationship has been negatively oriented, viewing people as fundamentally resistant to change (Ford, Ford, & D'Amelio, 2008; Kegan & Lahey, 2001). On the other hand, many organizations meet the challenges of fast-paced, dynamic, hard-to-predict environmental change by choosing to become more centered on human capital than on structure. A **human capital-centric organization** can be defined as an organization that "aligns its features (reporting systems, compensation, division and department structure, information systems, and so on) toward the creation of working relationships that attract talented individuals and enable them to work together in an effective manner" (Lawler, 2008, p. 9). This treatment of talent as an "obsession" and a critical differentiator goes beyond just being *talent intensive*, or relying on the quantity and quality of human resources, as most organizations are in today's service economy.

The direct, reciprocal correspondence between strategy and talent management in a human capital-centric organization can help it experience and intentionally learn from **virtuous spirals**, which are periods of dynamic alignment with the environment when the organization is able to seamlessly string together a series of temporary competitive advantages. Furthermore, individual members of an organization can experience virtuous spirals (Lawler, 2003), leading to a strong employer and leadership brand (Ulrich & Smallwood, 2007). In turn, this process can sustain the organization's human capital-centric identity and strategic intent.

Accounting for human capital: HR metrics for Wall Street

The American National Standards Institute (ANSI) recently designated SHRM to develop standards for critical human-related areas such as workforce planning, staffing,

performance, and diversity management. Metrics and measures are also being developed to facilitate a quantifiable demonstration of HR's value and its return on investment. Investors and financial analysts can readily understand and accurately interpret these quantifiable methods. ANSI is the entity that sets all U.S. standards in a wide range of fields, including medicine, engineering, energy, agriculture, production, and others; ANSI's work will make human resources standards and measures comparable to those "hard sciences." Investors will be able to evaluate organizations not only based on their physical productive capacities, but also based on the effectiveness of their HRM.



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The American National Standards Institute is the standard-setting entity for all U.S. standards in a wide range of fields.

Work is also underway to create global HRM standards that can be used by the International Standardization Organization (ISO), the world's most widely recognized standard-setting entity. The long-term goal is to influence the Generally Accepted Accounting Principles (GAAP), which are required as the standards for accounting and financial reporting, so that human capital value can be reflected in financial statements. If these goals are successfully accomplished, HR's role as a strategic partner will be more critical than ever before. These are some of the exciting opportunities in the future of HRM.

Chapter Summary

- Recent global trends have changed the ways organizations manage and leverage human capital. The emphasis of outsourcing is shifting away from cost reduction and toward adding value. Especially in emerging economies, there is significant apprehension about sending expatriates and their families to foreign countries due to the political turmoil recently experienced in many regions of the world, and global business leaders will face numerous challenges as they lead a global workforce from a distance.
- Technology is increasingly important to business, especially in the forms of online and social recruiting.
- A number of new and recently amended laws and regulations will shape the future of HR, including the Patient Protection and Affordable Care Act, state-added mandates to FMLA, the Dodd-Frank Wall Street Reform and Consumer

- Protection Act, the Employment Non-Discrimination Act (ENDA), and the Americans with Disabilities Act Amendments Act (ADAAA).
- Union membership has significantly declined in the United States over the last several decades, creating significant uncertainty about the future of unions in the United States and around the world.
 - As employers look to next year and beyond for future talent, they will most likely see five generations of workers concurrently participating in the workforce, each with its own needs, expectations, and value system. They are the *traditionalists* or *matures*, born before 1946; the *baby boomers*, born between 1946 and 1964; *Generation X*, born between 1965 and 1976; *Generation Y* or *Millennials*, born between 1977 and 1997; and *Generation Z*, born after 1997.
 - By 2042, the U.S. population will be more nonwhite than white, resulting in a minority population. Organizations will need to tailor human capital management practices to the different demographics in the workforce if organizations are to positively impact the HR practices needed to attract, retain, and motivate top talent.
 - Today's business environment places a high emphasis on organizational agility through robust strategies that prepare organizations to respond quickly and effectively to multiple environmental scenarios. Organizations that are built to change can string together a series of temporary competitive advantages suited to dynamically changing situations. In this setting, talent management becomes central to organizational development and change—making it necessary to center organizations on human capital rather than on structure.
 - Metrics and measures are being developed to make it easier to quantify human resources and thus demonstrate their value and return on investment. Investors and financial analysts can readily understand and accurately interpret these methods.

Key Terms

ambicultural leaders: Leaders who can combine the best of many cultures while avoiding these cultures' limitations and biases.

Americans with Disabilities Act Amendments Act (ADAAA): An act that expands the definitions of *disability* formerly adopted by the ADA.

baby boomers: The generation born between 1946 and 1964.

built-to-change organizations: Organizations with robust strategies that prepare them to quickly and effectively respond to multiple environmental scenarios, stringing together a series of competitive advantages appropriate to various situations.

Dodd-Frank Wall Street Reform and Consumer Protection Act: An act that expands whistleblower protections, simplifies reporting of irregularities, and provides financial incentives to whistleblowers.

emerging economies: Although consensus has not been established on what general criteria distinguish emerging economies from developing countries, one of the primary

characteristics of emerging economies is their attractiveness to outsourcing from developed countries based on value added, rather than these countries' merely providing low-cost goods or services.

employer/"pay-or-play" mandate: The PPACA mandate that requires employers with 50 or more employees to subsidize health insurance premiums for low-income employees, pay a fee for every employee who receives a tax credit for health insurance coverage, or do both.

ethnorelativity: An approach that allows positive global leaders to experience their own culture as one of many; identify complex and subtle cultural patterns; habitually express themselves through multiple, culturally appropriate affective and behavioral systems; and eventually experience an expanded self-view that can readily move into and out of multiple worldviews.

Employment Non-Discrimination Act (ENDA): An act that prohibits discrimination based on sexual orientation and gender identity.

Generation X: The generation born between 1965 and 1976.

Generation Y or Millennials: The generation born between 1977 and 1997.

Generation Z: The generation born after 1997.

global leaders: People in business settings whose role is to influence the thoughts and actions of others to achieve some finite set of business goals, usually displayed in large, multicultural contexts.

human capital-centric organization: An organization that aligns its features toward attracting talented individuals and enabling them to work together effectively.

individual mandate: The PPACA mandate that requires U.S. citizens and legal residents to have qualifying health care coverage; it imposes penalties on those who do not.

in loco parentis rule: *In loco parentis* means "in the place of a parent"; this rule is an Administrator's Interpretation of FMLA that expands the definition of parenting for FMLA eligibility purposes to include extended family, same-sex partners, and other nontraditional family arrangements that contribute to the care of a child.

Patient Protection and Affordable Care Act (PPACA): A federal law that regulates health care reform in the United States to increase coverage and accessibility.

physical distance: The geographic dispersion of an organization's leaders and employees.

psychological or social distance: Status or power differentials between organizational leaders and employees.

Sarbanes-Oxley Act (SOX): An act that regulates the financial reporting requirements of publicly traded companies to protect investors' rights and prohibits retaliation against whistleblowers.

social recruiting: A process where both online and offline social and professional networks of individuals and organizations connect and communicate—matching jobs with the right candidates.

structural distance: Distance between leaders and employees caused by organizational structure decisions such as centralization, departmentalization, and span of control.

traditionalists or matures: The generation born before 1946.

virtuous spirals: Periods of dynamic alignment with the environment when the organization is able to seamlessly string a series of temporary competitive advantages.

whistleblowers: Employees who report ethically questionable or fraudulent financial reporting.

Critical Thinking Questions

1. Should all expat assignments pay more, even if the cost of living is less or the assignment is in a desirable location?
2. For one of the trends outlined in the text, discuss in detail at least one way the trend will impact each functional area of HR (i.e., recruiting & selection, training and development, compensation and benefits).
3. Which skill sets would you look for in hiring someone for a “built-to-change” organization?
4. Which areas of HR will be most affected by the trends discussed in the text?
5. Use the link in the text to read about Hofstede’s cultural dimensions. How would these affect different cultures’ expectations of HR processes/policies that are typically found in the United States?