

---

## **THE ECONOMY AND ITS IMPACTS ON THE CHALLENGES OF HUMAN RESOURCE MANAGEMENT**

**THOMAS LI-PING TANG**

Department of Management and Marketing, Jennings A.  
Jones College of Business,  
Middle Tennessee State University, Murfreesboro, TN  
37132 USA  
(615) 898-2005, e-mail: [ttang@mtsu.edu](mailto:ttang@mtsu.edu)

The United States of America (USA) and the whole world now face many new challenges. For the last two decades, the reunification of Germany, the restructuring of the former Soviet Union, the formation of the European Union (EU), the adaptation of a “common” currency, the Euro, on January 1, 2002 in 12 European countries involving more than 305 million people with “diverse” cultures, the expansion of EU to 25 countries in 2004 that created an economic superpower (with 415 million people and a \$9 trillion economy), economic developments of Pacific Rim countries, China's accession to WTO, and the provisions of the North American Free Trade Agreement (NAFTA) in 1994 and the Central American Free Trade Agreement (CAFTA) in late July of 2005 have removed many trade barriers and caused significant changes around the world. The growing integration of the world economy into a single, huge free market increases the intensity of competition.

Managers in the US and around the world are increasingly interested in reducing labor costs and increasing worker productivity and profits in order to compete in the competitive world market. In the global market, many large corporations in the US, Germany, and Japan have outsourced their production jobs to many developing countries such as China, Czech Republic, India, Mexico, Poland, and other countries. Furthermore, many IT-related technologies and telecommunication-related jobs have been outsourced to India.

The whole world has an economy of about US\$31 trillion. The US has an economy of about US\$11.6 trillion. The GDP per Capita for the US, according to the 2004 estimates, was about US\$39,731.65. Events, changes, and tragedies in one region may have profound impacts on not only that specific part of the world but also on all other countries around the world.

Despite of the recent tragic events of the September 11, 2001, the Iraq war, and huge disasters such as the Tsunami in Southeast Asia in 2004, Hurricane Katrina in New Orleans, the US, and earthquake in Pakistan in 2005, the US economy is on the road to a strong recovery and is still one of the strongest countries in the world.

In September of 2005, the unemployment rate has increased to 5.1 percent that reflects both the impact of Hurricane Katrina and ongoing labor market trends, according to the Bureau of Labor Statistics of the US Department of Labor. In fact, payroll employment grew by an average of 194,000 a month over the 12 months ending in August 2005.

Recently, the gasoline prices and fuel costs also have reached the all time high in the US. The costs for the production and transportation of goods

---

and services and for several specific industries (e.g., transportation and airlines) will be much higher than before. At the individual level, this may lead many people/consumers to cut their spending and to plan their daily trips and activities more carefully than before. It may have some indirect impacts on the economy, employment, and human resource management. It appears that in some locations, for example, there is a noticeable drop of traffic in shopping malls, retail stores, and restaurants, for example. Some retail stores may feel the pinch and adjust it accordingly. Others have been forced to close their doors and disappear from the market.

NAFTA, established in 1994, is supposed to be a win-win-win situation for the increased economic integration, development, and growth of Canada, Mexico, and the US. Under NAFTA, Mexico has experienced a dramatic expansion of "maquiladoras". Over a million Mexican workers are employed at over three thousand maquiladoras, or export assembly plants, near the United States-Mexico border. These manufacturing plants have contributed to 35 percent of all new manufacturing employment between 1995 and 1999 in Mexico (The Latin America Working Group, 2005). Although NAFTA has accelerated regional economic integration, some argue that workers' rights and working conditions in Mexico have not improved noticeably under NAFTA, despite the inclusion of labor provisions in the agreement. Further, these free trade agreements (NAFTA and CAFTA) may cause significant increase of migration, unemployment in rural agricultural areas, economic shifts, and may create a harsh blow to small and medium producers in the region. Recently, many jobs in maquiladoras near the United States-Mexico border have been lost, due to cheaper labor in China.

China, with about 1.2 billion people and 21 percent of the world population, has an economy of US\$6.6 trillion that is about two thirds of the US economy (Fishman, 2005). In China, the GDP per Capita was about US\$5,600 in 2004. By some calculations, China is expected to lead the world in manufacturing by 2012 and it could surpass the US as the world's largest economy in the year 2022 (Ludden, 2005). According to *China, Inc.*, Shenzhen was a sleepy fishing village, near Hong Kong, with about 70,000 people in 1985. For the past two decades, the population has increased to about 7 million (Fishman, 2005). More than 3 or 4 million people, mostly young female employees, are working in thousands of manufacturing facilities in Shenzhen, similar to the three thousand maquiladoras, or export assembly plants, near the United States-Mexico border. Due to this and other

related developments, several million Chinese have moved from far away rural villages and farms and migrated to manufacturing regions near to the coastline. Many of these workers may earn only about US\$.25 per hour, or about \$2.00 a day. Now China, like other developing countries, such as Mexico, have more concerns regarding the sustainability of economic development and growth, wage gap, the rights and welfare of employees, environmental pollution, social unrest, and other social and humanitarian issues than before.

Wal-Mart, the richest company in the world, has US\$288 billion in annual sales. If Wal-Mart were an official sovereign country, its GDP would be larger than that of 80 percent of the world's countries (e.g., Israel, Ireland, Sweden, etc.) (Dicker, 2005). The largest retailer in the US and around the world has played an important role in the US, many of these new developments in China, and in the competitive world market. China's success is not possible without the help of Wal-Mart; and Wal-Mart's success is simply not possible without China. About ten years ago, Wal-Mart imported only 5 percent of their goods from China or other countries. Now, about 75 percent of goods sold at Wal-Mart have some Chinese components in them. Wal-Mart's "always low prices, always" demands the lowest prices from all manufacturing organizations and suppliers and pushes the prices down, again and again.

American consumers have saved far more by purchasing cheap Chinese-made goods than they have from Bush administration tax cuts. The China effect, savings to consumers, has delivered to each American with an average saving of US\$550. President Bush's tax cut has provided each American family of four with \$1,100 (Ludden, 2005). For consumers in the US and around the world, it is a good thing to experience the China effect. However, on the other side of the same coin, several millions of high paying production/manufacturing as well as service jobs have been lost in the US and in some other countries, as a consequence.

Wal-Mart is *not* without problems. Low wages, benefits, high turnover rates, and high inventory shrinkage (inventory missing from the shelf or theft) may also hurt Wal-Mart's ability to provide good products and services to consumers. For example, Wal-Mart has about 1.2 million associates (employees). The turnover rate may vary from 44 percent to 56 percent a year. For the first three months of employment, the turnover rate may reach 70 percent (Dicker, 2005). All these changes may create significant impacts for all the citizens in the US. Almost everyone is directly or indirectly affected by these changes. Further, the pace of

---

these changes has picked up the speed in recent years.

This applies to researchers and managers of human resource management. A good theory in management, human resource management, organizational behavior, or other related fields has the following major elements: What, How, Why, Who, Where, and When. In a matter of four or five years, the changes in our immediate and global environments have created the China effect and the Wal-Mart effect that changed the way we do business, the way we think, the way we shop, the way we teach, and the way we live our lives.

Organizational commitment, the psychological contract, job satisfaction, and the Protestant work ethic, for example, have been important constructs as individual difference variables in the field of management and human resource management for several decades. Due to these aforementioned factors, it appears that the concepts of a professional career, a full-time job, job security, and the psychological contract have been changed. Organizational commitment, in particular, is changing and/or in transition. People used to have high organizational commitment to an organization. Nowadays, organizations have closed the manufacturing facilities and moved operations to Mexico, China, or other developing countries to save money. With one plant closing, all employees at the plant have lost their high paying jobs, income, and the way of life. In some large cities as well as rural areas, it may create a significant rippling effect to all the citizens.

Without these jobs, people can not afford to buy things, eat in a restaurant, pay the mortgage for the house, and do things that they used to do. Many other businesses in the region may also fail. Can organizations and managers expect employees to be loyal to the organizations when they are considering downsizing, re-engineering, or even outsourcing? It is a two-way street and depends on mutual trust and respect. Therefore, changes in Who, Where, and When do change the What, How, and Why in a theory. The construct of organizational commitment is becoming less *practical* than before. This is a new challenge. It also offers new opportunity to study and examine the issues of change in the changing global environment.

We all need to cope with the changing environment. The most difficult issue is that sometimes we are not aware of the changes in our environment because it is so small, insignificant, and trivial. It is not noticeable. Then, all of a sudden, it is becoming a huge Tsunami or sea change that we will be overwhelmed by it. It is already too late. Shopping at Wal-Mart actually may contribute to the success of Wal-Mart, the manufacturing jobs in

China, and the lost of jobs in the US. This directly and indirectly may lead to other social problems, e.g., the safety net of the society, crime, and social unrest. For example, in one southeast city of the US, robberies go up 16 percent from 2004 to 2005. The quality of life suffers.

One thing is for sure. That is, the future won't resemble the past. Human resource managers need to stay ahead of rivals and the competition in the following areas: being responsive to customers, innovation, quality, and efficiency.

Next, I will examine another critical issue in human resource management: social responsibility and business ethics. For the past several years, there has been an ever-expanding list of scandals and corruptions in large corporations in the US media. Media pundits speak of the lack of business ethics and standards. Why did it happen? How did it happen? Again, this is related to the global competition and making money for the organization.

In order to make more money for owners, many corporations have profit-sharing programs for top-level executives to align *management interests* with the owners' *value maximization goals* (Kochan, 2002). Profit-based mechanisms create *pressure* (maximization of profits) and *opportunity* (earning perverse bonuses) and may have some serious flaws (Tang & Weatherford, 2004).

For example, Enron's executives were provided with substantial bonuses in the form of stock options. "On a more sinister note, since managers typically control the financial reports, there is an incentive to *deceptively manipulate accounting procedures* solely to increase their bonus" (*The Daily Record*, 2003: 1, emphasis added). Given the size of the bonus payments, the incentives for unethical behavior are, in hindsight, disturbingly obvious. The opportunity exists in that environment. These unethical behaviors directly and indirectly cause executives' personal gains in the short run, but also causes the loss of employees' jobs, pensions (assets in Enron stock dropped from \$2.1 billion to about \$10 million) (Zolkos, 2003), reputation of the organization, and society's trust and confidence in business (Kleiner, 2005). The latter is difficult to quantify.

Many managers, including former Enron Corporation Chief Financial Officer Andrew Fastow and former CEO Jeffrey Skilling, have received their training at the Best Business Schools in the US (Merritt, 2002). Some scholars assert: It is not the lack of brains (intelligence), but lack of wisdom (Feiner, 2004) or virtue (Giacalone, 2004) that caused these scandals. Thus, it is also an important role for human resource managers to create an ethical culture/environment, establish code of ethics,

use role models, and manage social responsibility and managerial ethics in organizations successfully.

Recent research has investigated money (income), the Love of Money, Machiavellianism, and Evil (Propensity to Engage in Unethical Behavior) and treated Machiavellianism as a mediator of the Love of Money-Evil relationship and university student's major (Business vs. Psychology) and gender as moderators (Tang & Chen, 2005). A Machiavellian administrator employs aggressive, manipulative, exploitive, and devious methods to achieve goals without regard for feelings, rights, and needs of other people. Results suggest that Business students with intervention (a chapter on social responsibility and managerial ethics in the Principles of Management course) showed a significant pre- and post-difference in gamma change and a decrease in Theft, whereas Psychology students without intervention (students in the Basic Statistics for Behavioral Science course) did not have these changes. Gamma change is called the "second-order or frame-breaking change". Business students had re-conceptualized the notion of Evil. The Evil measure at Time 2 (after the intervention) was no longer comparable with the Evil measure at Time 1 (before the intervention). Thus, learning does occur among Business students, due to ethics training.

Results of the whole sample supported the mediating effect: The Love of Money was indirectly related to Evil through Machiavellianism. This mediating effect existed for Business students, but not for Psychology students; for male students, but not for female students; and for male Business students, but not for female Business students. The Love of Money to Evil path alone was significant for Business students, but not significant for Psychology students. Thus, the love of money is directly and indirectly related to evil for Business students. This is quite disturbing for some.

Business schools, researchers, and managers in business organizations may consider (1) prevention: identify and reject business or MBA-applicants, job applicants, and employees who are "prone" to engage in unethical behaviors, (2) control: (a) the use of normative force--code of ethics, internal control systems, a role model, and a social norm and (b) instrumental force--proper checks and balances, electronic surveillance devices, and reward and punishment, and (3) deterrence: dismissing students in business programs, employees in organizations; or providing strong response to harmful misbehavior that will promote ethical behaviors and deter unethical behaviors (Ivancevich, Duening, Gilbert, & Konopaske, 2003; Merritt, 2003). Business schools need to invest in ethics education (Merritt, 2003),

support research on ethics, raise the bar for admission, sift for and expel bad apples, and satisfy all *stakeholders* in the society (e.g., business, student, media, AACSB International, and business school).

Business educators need to incorporate, in their ethics education, value orientation and virtue in a materialistic world: What is the purpose of life (Warren, 2002)? What is the most important matter in life? How can one do the right things and do the right things right? Who will judge and by whose standard (i.e., the world's standard or the highest creator's standard)? We need recognized moral imperatives or ethical foundations for students and employees. Students will learn the simple truth and what really matters in life: Productivity and profit are consistent with "virtuous behavior" (Giacalone, 2004: 417). Like a twist on John F. Kennedy's famous inaugural address, we may get our students to think: "Ask not what God can do for your life plan, ask what your life can do for God's plan" (Hudson, 2005). Regarding one's success at the highest level, we need to consider the following advice: Many are invited, but few are chosen (the Bible, Matthew, 22: 14). This is also a very significant challenge for the managers in the field of human resource management.

Thereby, the whole world can be considered as an open system that consists of the organization, external environment, input, transformation, output, and the unintended side products (e.g., environmental pollution, waste, social unrest, etc.). We are all living on the same planet earth. We are all in it together. When we change one thing in the system, it will affect everything in the open system.

"The true measure of a career is to be able to be content, even proud, that you succeeded through your own endeavors without leaving a trail of casualties in your wake."

-- Alan Greenspan

## REFERENCES

- The Daily Record*. 2003, April 5. Commentary: Education, ethics, and sentences for Enronizing financial reports, Baltimore, MD. 1.
- Dicker, J. 2005. *The united states of Wal-Mart*. New York: Jeremy P. Tarcher/Penguin.
- Feiner, M. 2004. *The Feiner points of leadership*. New York: Warner Business Books.
- Fishman, T. C. 2005. *China, Inc.: How the Rise of the Next Superpower Challenges America and the World*. Scribner.
- Giacalone, R. A. 2004. A transcendent business education for the 21<sup>st</sup> century. *Academy of Management Learning & Education*, 3 (4): 415-420.

Hudson, G. 2005. Editorial review. Retrieved September 28, 2005 from  
[http://www.amazon.com/gp/product/product-description/0310205719/ref=dp\\_proddesc\\_0/104-6190369-4502350?%5Fencoding=UTF8&n= 283155](http://www.amazon.com/gp/product/product-description/0310205719/ref=dp_proddesc_0/104-6190369-4502350?%5Fencoding=UTF8&n= 283155).

Ivancevich, J. M., Duening, T. N., Gilbert, J. A., & Konopaske, R. 2003. Deterring white-collar crime. *Academy of Management Executive*, 17: 114-127.

Kleiner, A. 2005. Daniel Yankelovich: The thought leader interview. *Strategy + Business*, Issue 40, 1-7. Retrieved on October 10, 2005: [http://www.strategy-business.com/media/file/sb40\\_05309.pdf](http://www.strategy-business.com/media/file/sb40_05309.pdf).

Kochan, T. A. 2002. Addressing the crisis in confidence in corporations: Root causes, victims, and strategies for reform. *Academy of Management Executive*, 17: 139-141.

The Latin America Working Group. 2005. Fair trade or free trade? Understanding CAFTA. NAFTA in Mexico: Lessons for a Central American Free Trade Agreement. Retrieved on October 10, 2005: [www.wola.org/economic/cafta\\_briefing\\_packet\\_final\\_dec03.pdf](http://www.wola.org/economic/cafta_briefing_packet_final_dec03.pdf)

Ludden, J. 2005, February 12. Book takes look at "China, Inc.". *National Public Radio*: All Things Considered.

Merritt, J. 2002, October 21. The best B-schools. *Business Week*, 85-100.

Merritt, J. 2003, January 27. Why ethics is also B-school business. *Business Week*, 105.

Tang, T. L. P., & Chen, Y. J. 2005. Is the love of money the root of evil? Machiavellianism as a mediator and college major and gender as moderators. Paper submitted to *Academy of Management Learning & Education*.

Tang, T. L. P., & Weatherford, E. J. 2004. Ethical decision making. *Psihologia Resurselor Umane (Human Resources Psychology)*, 2 (1): 10-20. (English/Romanian).

Merritt, J. 2002a, October 21. The best B-schools. *Business Week*, 85-100.

Warren, R. 2002. *The purpose driven life: What on earth am I here for?* Grand Rapids, MI: Zondervan.

Zolkos, R. 2003, June 30. U.S. sues Enron, former execs over employees' pension losses. Chicago: *Business Insurance*, 37 (26): 4.

## Teste psihologice

Testele psihologice se supun dreptului de copyright. În conformitate cu standardele și legile internaționale, precum și cu legile speciale emise de statul român cu privire la protecția drepturilor de autor, utilizarea în orice scop, publicarea sau comercializarea neautorizată a acestor teste se consideră a fi furt calificat și se sancționează penal.

Vă indicăm dreptul de comercializare în România a unor instrumente de evaluare psihologică care pot fi achiziționate sub licență.

## D&D Consultants, București

[www.ddconsultants.ro](http://www.ddconsultants.ro)



### În prezent avem:

California Personality Inventory™ 462  
 California Personality Inventory™ 434  
 California Personality Inventory™ 260  
 Leadership Descriptor™ (calculat în baza CPI 260)

### În curând vor fi disponibile:

NPQ™ (Nonverbal Personality Questionnaire)  
 FFNPQ™ (Five-Factor Nonverbal Personality Questionnaire)  
 STAI™ (State-Trait Anxiety Inventory)  
 STAIC™ (State-Trait Anxiety Inventory for Children)  
 STAXI-2™ (State-Trait Anger Expression Inventory)  
 F-JAS™ (Fleishman Job Analysis Survey)  
 JVIS™ (Jackson Vocational Interest Survey)  
 SWS™ (Survey of Work Styles)  
 SAS™ (Social Axioms Survey)  
 MLQ™ (Multifacet Leadership Questionnaire)  
 FPI-R™ (Freiburg Personality Inventory, Revised)  
 ASSET™ (A Short Stress Evaluation Tool)