Human Resource Management 11th edition Noe Solutions Manual

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Chapter 2 – Strategic Human Resource Management

This chapter provides an introduction of the strategic human resource management, its role within a company's competiveness. It is important to ensure students are aware of strategic management (LO 2-1) and the general approaches to strategic management (LO 2-2). Here, instructors may be able to have students review previous material covered in a Principles of Management or an Introduction to Business course and review different generic strategies. It may be helpful for instructors to emphasize internal and external analysis as important steps to strategy formulation. As within Chapter 1, this can be integrated into a discussion of general business acumen for any manager or leader, not just those concerned with HRM.

Instructors may emphasize that strategic decisions and components of the process are all people-related (LO 2-3) and thus may require further integration of HRM and strategy formulation (LO 2-4). It is important here to not just simply state employees are important to consider, but to illustrate how these decisions may be informed through HRM as well as improved and enhanced for better strategy. LO 2-5 and LO 2-6 provides examples of how HRM practices would be chosen to align behind different organizational strategies. Throughout the discussion, different HRM practices and processes and how they may contribute is defined.

Learning Objectives

LO 2-1: Describe the differences between strategy formulation and strategy implementation.

LO 2-2: List the components of the strategic management process.

LO 2-3: Discuss the role of the HRM function in strategy formulation.

LO 2-4: Describe the linkages between HRM and strategy formulation.

LO 2-5: Discuss the more popular typologies of generic strategies and the various HRM practices associated with each.

LO 2-6: Describe the different HRM issues and practices associated with various directional strategies.

Society for Human Resource Management *Body of Competency & Knowledge*

This chapter contains content which may be identified within the following content areas identified in HR Expertise:

- HR Strategic Planning
- Talent Acquisition
- Employee Engagement & Retention
- Learning & Development
- Total Rewards
- Structure of the HR Function
- Organizational Effectiveness & Design

- Workforce Management
- Employee & Labor Relations

Human Resource Certification Institute's *A Guide to the HR Body of Knowledge*

This chapter contains content which may be identified within the following content areas:
- Business Management & Strategy
- Workforce Planning and Employment
- Human Resource Development
- Compensation and Benefits
- Employee and Labor Relations

Other Classroom Materials: CONNECT

There are CONNECT exercises available through McGraw-Hill, which can greatly assist student preparation for class and understanding of chapter concepts. Instructors may wish to structure the class, where students must complete the CONNECT exercises prior to class, thus, further reinforcing material and allowing instructors to expand and challenge student understanding during class time. CONNECT exercises may be set-up to be time-based, requiring students to practice chapter materials for a specific timeframe. It is the instructors' discretion how they desire to include this into the course grade, but a low-stakes grading system based on completion is suggested to help encourage student usage, while minimizing penalties for mistakes during completion.

The following activities are available in Connect for this chapter:
- Case Analysis – HRM: Strategy Linkage
- Case Analysis – Strategic Types & HRM Needs
- Click & Drag – Directional Strategies & HRM
- Click & Drag – HRM Practices
- Click & Drag – Strategy Formulation
- Click & Drag – Connecting HRM with Strategic Planning

Guidance to Discussion Questions and End of Chapter Sections

Discussion Question 1: Answers may vary widely, and so the instructor may wish to ensure rationale follows from strategy to human capital. For example, if a defensive strategy is identified, then human capital should be positioned to focus on defense. Instructors should also look to seek rationale behind strengths and weaknesses, and note the correct or incorrect identification.

Discussion Question 2: Instructors may look to play devil's advocate depending on the student's response. Larger organizations may have issues with bureaucracy, but have the resources to support large HR initiatives. Smaller organizations, on the other hand, may be flexible and more open to change, but not necessarily have the resources.

Discussion Question 3: Students should be able to present rationale that aligns the consistent HR practices with the strategy, while identifying how the inconsistent practices didn't align and may have hurt the organization. An example might be policy on the importance of employees, but poor (or lack of) training and low wages. This question may be integrated with the Self-Assessment Exercise for more robust classroom discussion.

Discussion Question 4: Students may identify that a) strategic management within the HRM department leads to leadership recognition of such decisions and thus a role in company strategic management process, and b) strategic management within HRM department provides the foundation for the department to contribute.

Discussion Question 5: Students should be able to recall the Competencies of HR Professionals from Chapter 1 and identify some of these skill sets. Some areas would be college, certification programs, and experience within companies.

Discussion Question 6: Any number of variables may be identified, some previously discussed in Chapter 1. Students should be able to rationalize those changes and their impact on HRM functions. For example, the aging workforce, changes healthcare and minimum wage laws may impact compensation and benefits practices. Focus should be on their ability to identify trends in the external environment and apply them to HRM practices.

Exercising Strategy:
Southwest Airlines Comes of Age

1) Responses may vary, but students may identify the pricing strategy, the position (if they have flown or are familiar with Southwest) or the employee relations. All or some of these may be acceptable, given question number 2.
2) Students should be able to identify increasing competition and continued labor/employee relations as issues. Responses to both #1 and #2 will probably be interrelated.
3) Student responses will vary dramatically, however should discuss the different HR practices discussed within the chapter, with illustrations as to how it would correct the problems. Students may employ table 2.3 in their responses. Further, they may identify how current employees may be utilized to solve problems, while developing new approaches to services.

Managing People:
How Should Dell Respond to the HP Challenge

1) The instructor may wish to draw attention to Dell's strategy of a direct-sales model, which needed to emphasize both customer service and quality in both consumer and business sales. It would seem that Dell's position has been eroded due to competitive pressure and weakness of customer service and computer quality. Further, leadership has been stumbling with no apparent leadership bench other than Dell now. Thus, lower price competition drove prices lower, causing issues with computer quality and customer service. Further as an example of "with what to compete," Dell does not seem to have much, as even with investments in R & D the margins would be hurt.
2) HR could help by initially assessing where internal workforce capabilities reside in the identified areas of leadership, customer service, R & D and manufacturing. HR could then provide an employer of choice branding strategy to help attract and retain talent who may be more interested in working for competitors.

HR in Small Business:
Radio Flyer Rolls Forward

1) Instructors may ask students to explore motivation and engagement issues within the company, and whether an HR manager would be able to further identify areas to engage

and motivate the workforce in the U.S. Instructors may also ask students how the motivation and engagement activities could then be used to brand the employer as a good place to work. Responses should focus on those areas.

2) Instructors may wish to point out that large or small, people have relationships within companies and outsourcing and the subsequent lay-offs are difficult because they a) sever relationships, and b) cause employees to wonder if they are next. Outsourcing may further hurt the employer's brand if manufacturing is tied to the location. HRM could help smooth the transition by preparing employees for the changes, identifying the appropriate employees/capabilities, and advising on the process. Student responses should reflect the above.
3) Students may emphasize the other engagement activities (reduction of carbon footprint) as another example of how Radio Flyer can leverage its learning and innovation value without it being directly tied to the outsourced manufacturing capability. Students should then discuss how HR can help put those out for employees to see and celebrate to increase the employer of choice brand and morale.

Chapter Cases: Discussion Guidance

Enter the World of Business:
Amazon: From Digital to Brick-and-Mortar?

Instructors should note that at the end of Chapter 2 is a "Look Back" section, which revisits the Amazon case and asks 3 questions. Suggested guidance for each is as follows:

1) Student responses should reflect the ability to identify how Amazon's original strategy of cheap and sales volume aided by the internet seems to be in direct contradiction with brick-and-mortar. Then, their responses should either note it is not, because that is not how they have become successful, or, it is, and the response demonstrates the combination of online and brick-and-mortar. For example, the ability to pick-up food after ordering it online, or how brick-and-mortar may provide the ability to deliver food faster.
2) Students may identify how Amazon may not have experience within brick-and-mortar, and thus identify how some of the HR practices specific to the brick-and-mortar management may not be possessed.
3) Answers may vary greatly, but students should be able to identify either a cost-based or a differentiation-based strategy.

Competing through Globalization:
Lowering Costs through Offshoring
Instructors may wish to emphasize the impact on both the United States and the other country. Impacts on wages, employment, cost of living should all be considered. Further, students may explore the ethical dilemma of the employee training the replacement, as well as if there may be potential for withholding information, or even sabotage.

Competing through Technology:
HR for the Gig Economy
Instructors may wish to ensure students recognize how the move may be within ADP's strategic position and competency. Students may identify how the positive is the need, however, the return and inconsistency associated with gig work may not generate the revenue necessary.

Integrity in Action:
From Hidden Emissions to Zero Emissions: Volkswagen's Correction
Student responses will vary based on their opinion. Different discussion points may a) identify how over time the reputation may build as people forget, b) some consumers may not care, c) the move helps to change some consumers' minds.

Competing through Sustainability:
IKEA Helps Parents
Traits may include attractive compensation and benefits packages, career development, training and skill development, education and certification attainment, reputation and brand recognition, work-life balance and company-specific perquisites such as recreational rooms. Larger discussion can emphasize how an employer of choice initiative helps companies attract and retain employees, which are important to organizational strategy. Responses should reflect the effectiveness of Ikea's approaches.

McGraw Hill Education

Chapter 2

Strategic Human Resource Management

Learning Objectives

LO 2-1 Describe the differences between strategy formulation and strategy implementation.

LO 2-2 List the components of the strategic management process.

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LO 2-6 Describe the different HRM issues and practices associated with various directional strategies.

Introduction

Strategic management includes

- Having the goal to deploy and allocate resources for a competitive advantage
- Integrally involving the HRM function
- Using a business model to create value for customers

What Is a Business Model?

Accounting Concepts

- Fixed Costs
- Variable Costs
- **Margins**
- **Gross Margin**

What Is Strategic Management? 1 of 5

Strategic Management

- A process
- An approach to addressing the competitive challenges an organization faces
- Managing the "pattern or plan that integrates an organization's major goals, policies, and action sequences into a cohesive whole."
- Developing strategies for achieving the company's goals in light of its current environment

LO 2-1

What Is Strategic Management?

Strategic HRM

- "The pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals."
- **Strategic management** is a process to address the organization's competitive challenges by integrating goals, policies and action sequences into a cohesive whole.

What Is Strategic Management?

Components of the Strategic Management Process

- **Strategy Formulation**

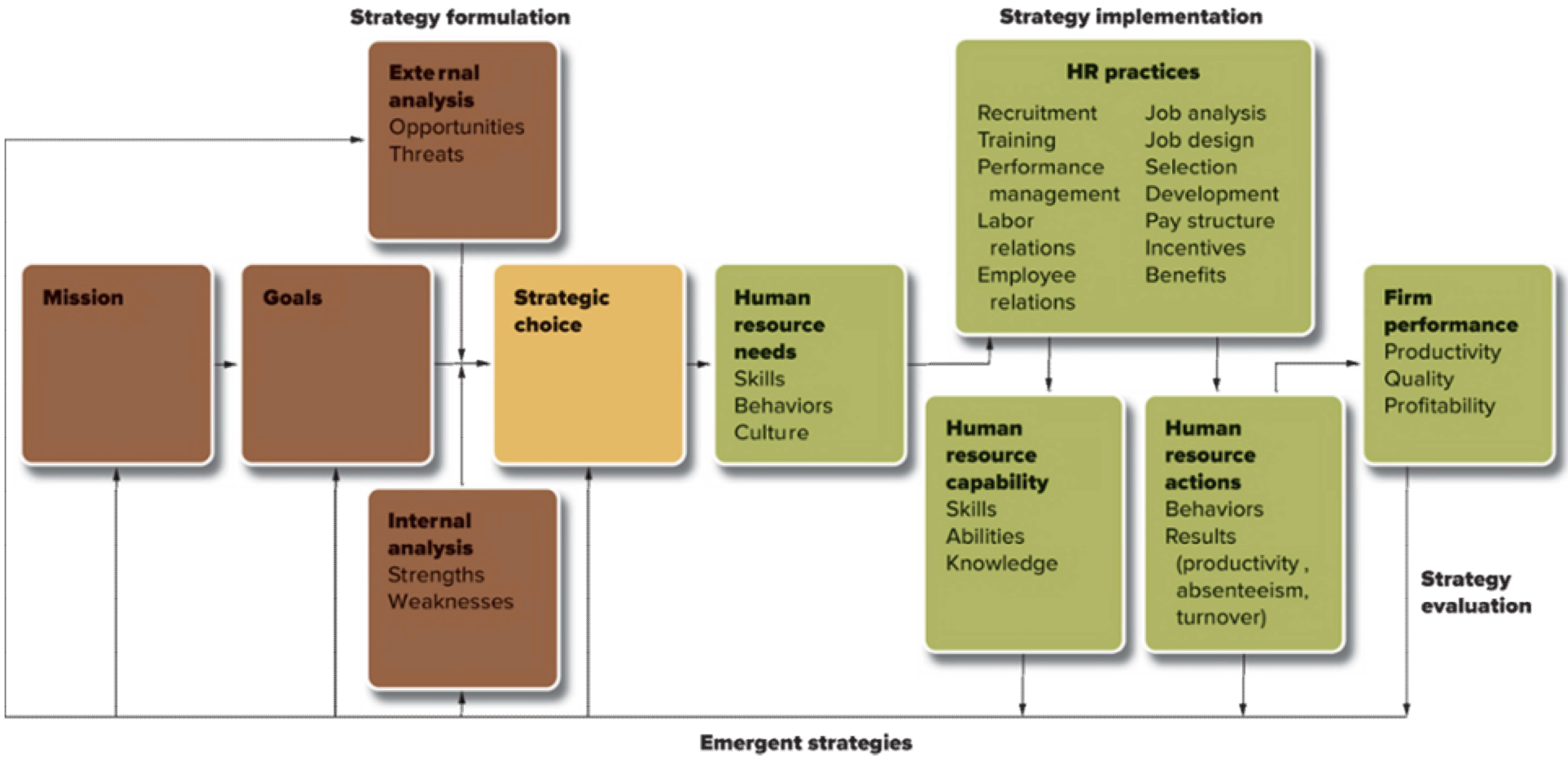
  Strategic planning groups decide on strategy

- **Strategy Implementation**

  Organization follows through on the strategy

LO 2-2

Figure 2.2 A Model of the Strategic Management Process



Jump to long description in appendix

What Is Strategic Management?

Linkage Between HRM and the Strategic Management Process

- Strategic choice
  - Where to compete?
  - How to compete?
  - With what will we compete?

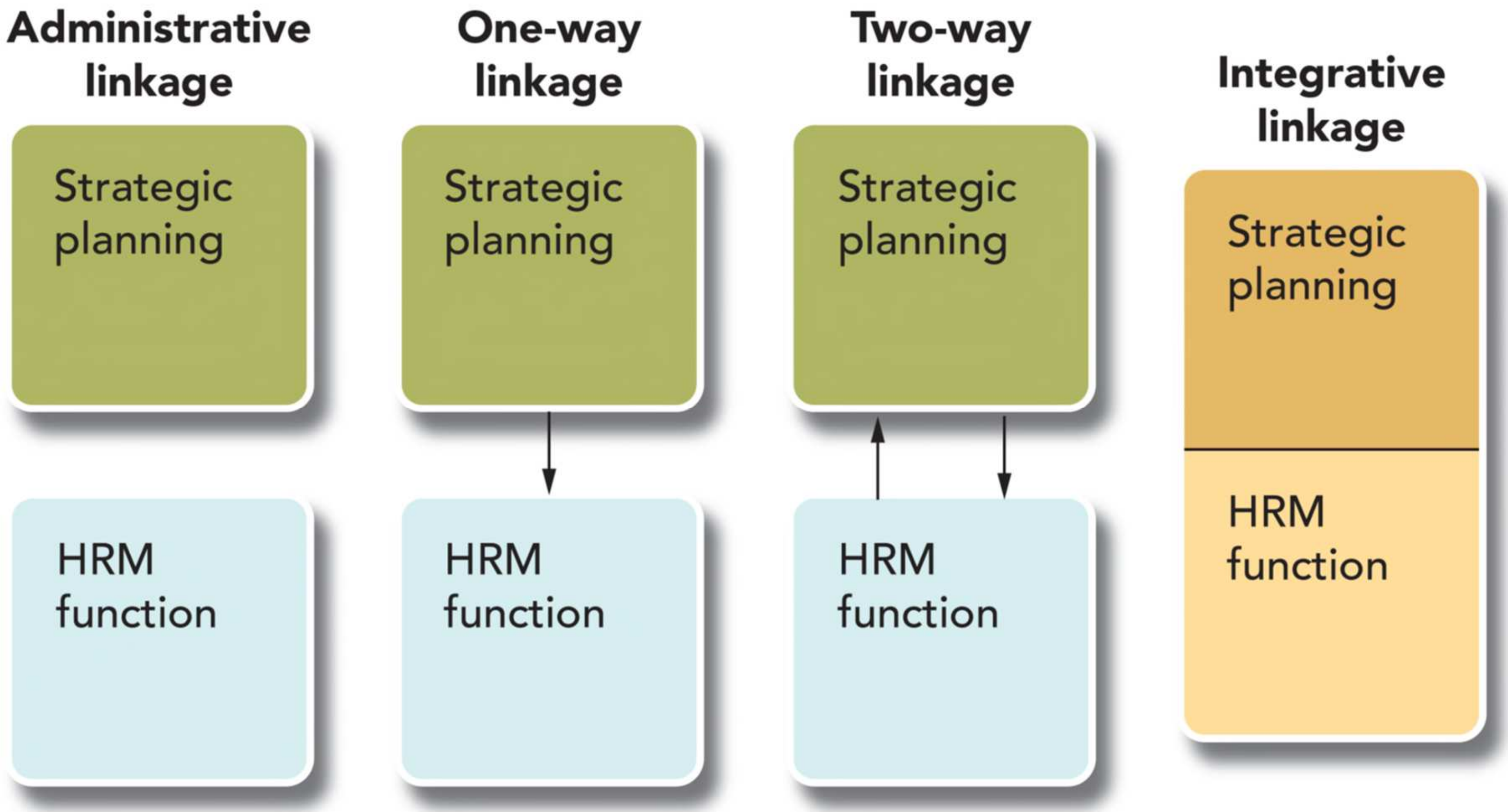
What Is Strategic Management?

Role of HRM in Strategy Formulation

- With what will we compete?
- Four levels of integration between HRM and the strategic management function
  - **administrative linkage**
  - **one-way** linkage
  - **two-way** linkage
  - **integrative** linkage

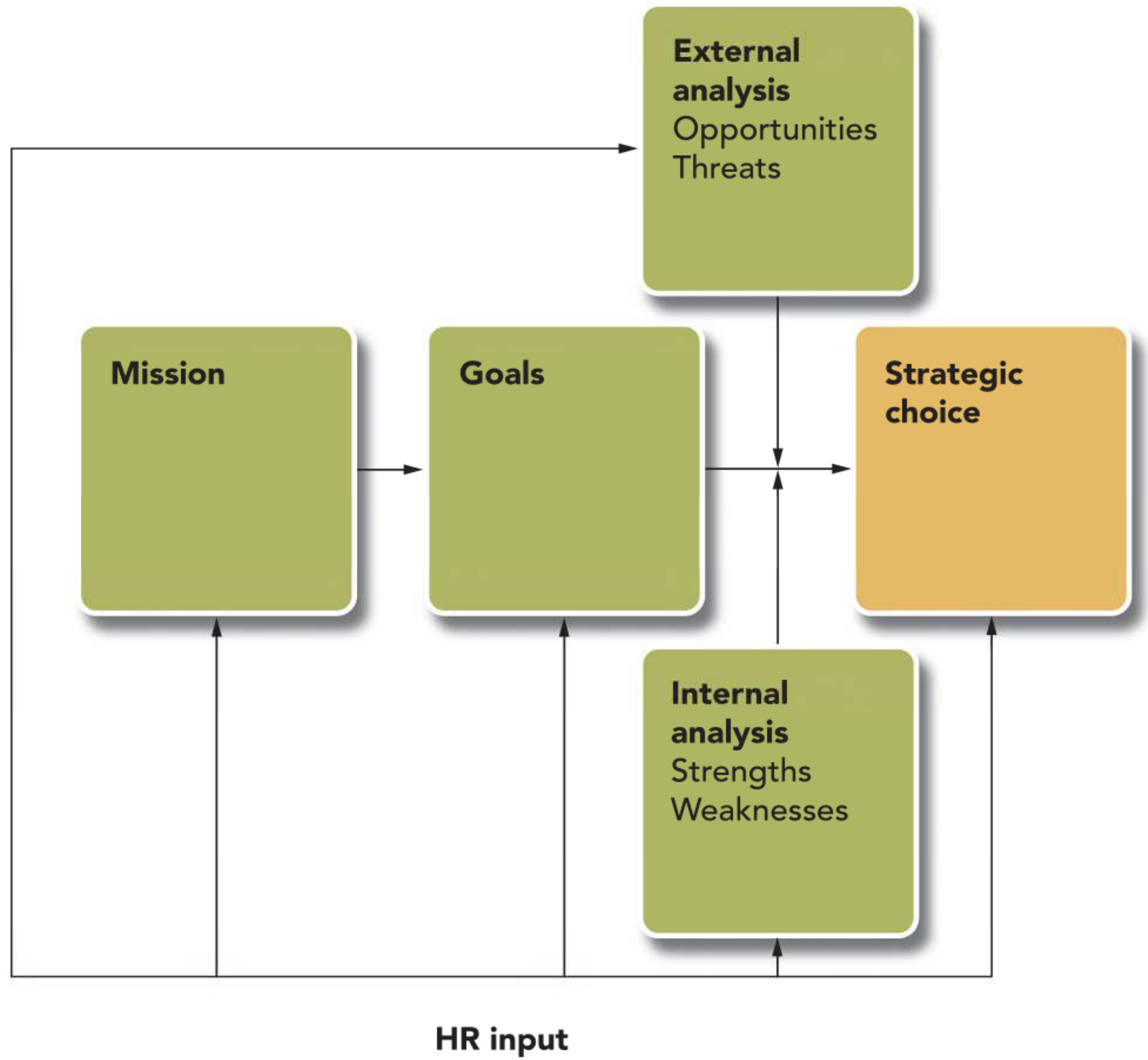
LO 2-3 and 2-4

Figure 2.4 Linkages of Strategic Planning and HRM



SOURCE: Adapted from K. Golden and V. Ramanujam, "Between a Dream and a Nightmare: On the Integration of the Human Resource Function and the Strategic Business Planning Process," *Human Resource Management* 24 (1985), pp. 429–51.

Figure 2.5 Strategy Formulation



Adapted from K. Golden and V. Ramanujam, "Between a Dream and a Nightmare," *Human Resource Management* 24 (1985), pp. 429–51

Strategy Formulation

Mission

Goals

External Analysis

Internal Analysis

Strategic Choice

STRENGTHS
Expanding Liquidity
Operational Efficiency
Broad Range of Services Portfolio
OPPORTUNITIES
Growing Demand for Online Video
Growth in Internet Advertising Market
Inorganic Growth
WEAKNESSES
Issues with Chinese Government
Dependence on Advertising Segment
Loses at YouTube
THREATS
Weak Economic Outlook
Invalid Clicks
Microsoft-Yahoo! Deal

Table 2.2 SWOT Analysis for Google, Inc.

Strategy Implementation

Strategic implementation requires that

- "An organization has a variety of structural forms and organizational processes to choose from when implementing a given strategy"
- Five variables
  - organizational structure
  - HRM tasks
    - •task design
    - •selection, training, and development of people
    - •reward systems
  - types of information and information systems

LO 2-5

Figure 2.6 Variables to Be Considered in Strategy Implementation

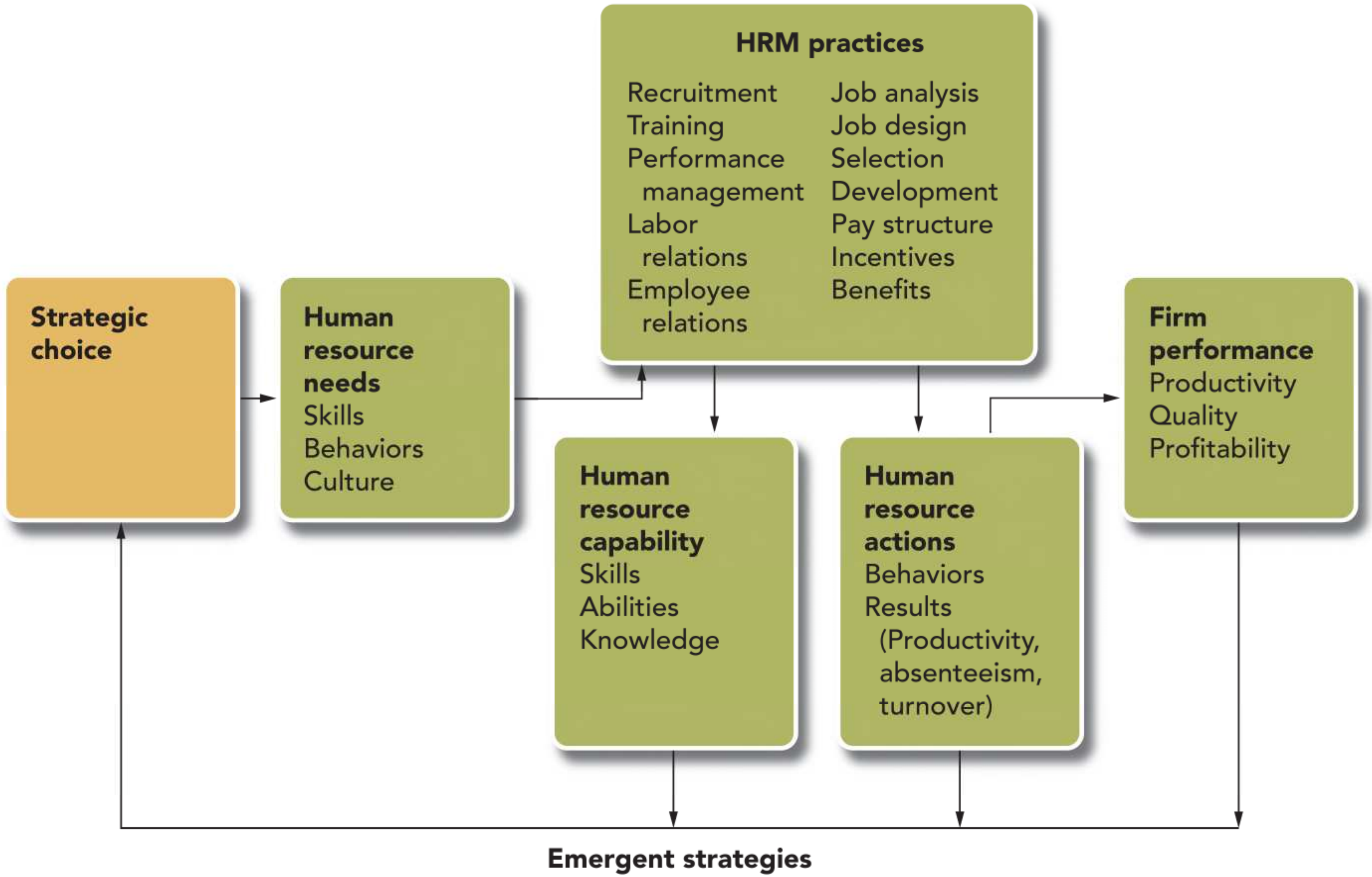
Jump to long description in appendix

Strategy Implementation

Vertical Alignment

- HR practices and processes address the strategic needs of the business.
- The link between strategy and HR practices is primarily through people.
    - Job analysis and design
    - Recruitment
    - Selection systems
    - Training and development programs
    - Performance management systems
    - Reward systems
    - Labor relations programs

Figure 2.7 Strategy Implementation



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Strategy Implementation

HRM Practices
Job Analysis/Design
Recruitment/Selection
Training/Development
Performance Management
Pay Structure/Incentives/Benefits
Labor-Employee Relations

Strategy Implementation

Pay Structure, Incentives, and Benefits

- High pay and/or benefits relative to competitors can help company attract and retain high-quality employees, but might have a negative impact on overall labor costs.
- Tying pay to performance can elicit specific activities and levels of performance from employees.

Strategy Implementation

Labor and Employee Relations

- Employees – asset or expense?
- How much should employees participate in decision making?
- What rights do employees have?
- What is the company's responsibility to employees?
- The approach a company takes in making these decisions can result in successfully achieving its short and long-term goals or ceasing to exist.

Strategy Implementation

Strategic Types

- Porter's Cost and Differentiation
  - Value can be created by reducing costs.
  - Value can be created by differentiating a product or service so the company can charge a premium price relative to its competitors

Strategy Implementation

HRM Needs in Strategic Types

Role behaviors

- Behaviors required of an individual in his or her role as a job holder in a social work environment
- Cost strategies – companies define the skills they require and invest in training employees in these skill areas.
- Differentiation strategies - Employees are expected to exhibit role behaviors that include cooperating with others, developing new ideas, and taking a balanced approach to process and results.

Strategy Implementation 8 of 12

Directional Strategies

- Concentration
- Internal Growth
- Mergers and Acquisitions
- Downsizings

LO 2-6

Strategy Implementation

Concentration Strategies

- Require that the company maintain the current skills that exist in the organization
- Need for skill-based training and fair compensation

Strategy Implementation

Internal Growth Strategies

- Companies must constantly hire, transfer and promote individuals.
- Compensation weighted towards achievement
- Joint ventures require conflict resolution

Strategy Implementation

Mergers and Acquisitions

On the increase

HR needs to be involved

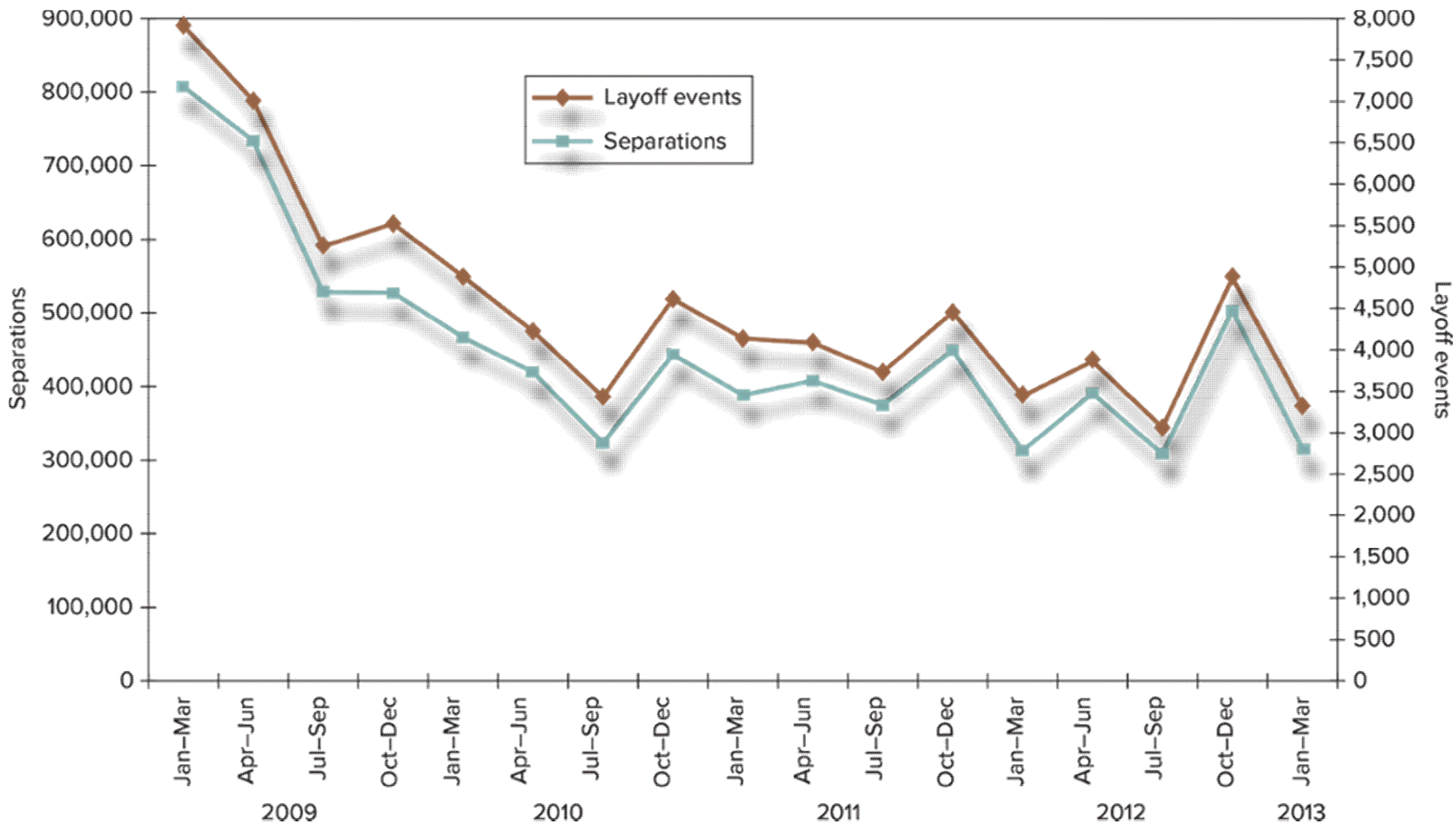
- People issues can cause problems
- Different organizational cultures
- Conflict resolution

Strategy Implementation

Downsizing

- Trend has slowed since 2008
- Tends to fall short of meeting companies' financial and organizational objectives, and has negative effects on employee morale and productivity
- The HRM function must "surgically" reduce the workforce by cutting only the workers who are less valuable in their performance
- Early retirement programs usually result in rehiring
- Survivor morale issues

Figure 2.9 Layoff Events and Separations 2009–2013



Jump to long description in appendix

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, "Mass Layoffs Summary," May 13, 2013, www.bls.gov/news.release/mslo.nr0.htm.

The Role of Human Resources in Providing Strategic Competitive Advantage 1 of 2

Emergent Strategies

- Consist of the strategies that evolve from the grassroots of the organization
- Can be thought of as what organizations actually do, as opposed to what they intend to do
- Usually identified by those lower in the organizational hierarchy

Intended Strategies

- The result of the rational decision-making process used by top managers as they develop a strategic plan.

The Role of Human Resources in Providing Strategic Competitive Advantage 2 of 2

Enhancing Firm Competitiveness

- Develop a human capital pool that gives the company the unique ability to adapt to an ever-changing environment.
- Learning organization

Appendix of Image Long Descriptions

Appendix 1 Figure 2.2 A Model of the Strategic Management Process

The process involves strategy formulation, which includes the firm's mission, goals, external analysis (opportunities and threats), and internal analysis (strengths and weaknesses). These lead to strategic choice and human resource needs (skills, behaviors, and culture). These, in turn, result in strategy implementation, including HR practices (recruitment, training, performance management, labor relations, employee relations, job analysis, job design, selection, development, pay structure, incentives, and benefits), human resource capability (skills, abilities, and knowledge), human resource actions (behaviors, and results – productivity, absenteeism, turnover), and firm performance (productivity, quality, and profitability). Emergent strategies can impact each of these areas. The final step is strategy evaluation.

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Appendix 2 Figure 2.6 Variables to Be Considered in Strategy Implementation

A diagram shows HRM has primary responsibility for three of the five implementation variables: task, people, and reward systems. In addition, HRM can directly affect the two remaining variables: structure and information and decision processes. These variables are affected by product market strategy and performance.

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Appendix 3 Figure 2.7 Strategy Implementation

Strategic choice

Human resource needs, including skills, behaviors, and culture

HRM practices, including recruitment, training, performance management, labor relations, employee relations, job analysis, job design, selection, development, pay structure, incentives, and benefits

Human resource capability, including skills, abilities, and knowledge

Human resource actions, including behaviors and results (productivity, absenteeism, and turnover)

Firm performance, including productivity, quality, and profitability

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Appendix 4 **Figure 2.9** Layoff Events and Separations 2009–2013

The graph shows a high of 8,000 layoff events and 800,000 separations in the first quarter of 2009, to a low of 3,000 layoff events and 350,000 separations in the third quarter of 2012.

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