Strategic Human Resources Planning (Canadian) 7th edition Belcourt Solutions Manual

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CHAPTER 2
Aligning HR with Strategy

Chapter Learning Outcomes

After reading this chapter, you should be able to:

- Understand the importance of strategic HR planning.
- Identify the risks associated with not planning.
- Discuss approaches to linking strategy and HR, including the barriers to becoming a strategic partner.
- List the characteristics of an effective HR strategy.

Chapter Summary

Strategic HRM is a set of distinct but interrelated philosophies, policies, and practices with the goal of enabling the organization to achieve its strategy. HR strategy is embedded in theories of the resource-based view of the firm, the behavioural perspective, and the human capital approach. By involving HR in the discussion of strategic policies, an organization has a better chance of being effective in its implementation. There are various approaches to linking HRM strategies to organizational strategies. We can begin with the corporate strategy that leads to the HR strategy, or starts with the HR competencies that lead to business strategy or use a blend of the interrelationship of the HR strategy with the corporate strategy. Aligning HR strategy with the corporate strategy and that of other functional areas is important.

Class Outline

Instructor's Teaching Notes	Students' Learning Activities
Strategic HRM Interrelated philosophies, policies, and practices that facilitate the attainment of organizational strategy. These values influence the organization's: *HR philosophies*—that specify the values that inform an organization's policies and practices.	*Learning Activity* From the chapter, read the opening vignette on "HR Structure at Johnson and Johnson" *Ask Students:* How does Johnson and Johnson work towards profitability? *Ans.* • Talent management. • Researches best indicators of success. • Implements best HR practices to use worldwide.

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HR policies—these direct and partially constrain the development of specific practices. *HR practices*—such as recruitment, selection, an appraisal. *Theories of the Strategic Management of Human Resources* *HRM Making Strategic Contributions* • Historically, HRM was called *personnel management*, where the focus was on its administration function. • In 1980s research was done on whether investment in HR would lead to higher financial performance. • Eventually, employees became viewed as human capital that could contribute to competitive advantage with best practices found in successful organizations. *Resource-based View* In order to determine whether an organization's resources will contribute to competitive advantage, four criteria must be satisfied: 1. Valuable—employees who have superior performance because of their skills, commitment, or flexibility. 2. Difficult to imitate by competitors. 3. Rare—a "talent war" describes fierce competition among firms. 4. Hard to substitute—a firm's human resources are more valuable for sustained competitive advantage than technological and physical resources.	*Learning Activity: Panel Discussion* Students can benefit greatly by hearing industry HR professionals at the senior decision-making level of an organization address the following questions: • How do employees provide your organization with a competitive advantage? • How do HR programs within your organization represent an investment? • What emphasis does your organization place on training and development of staff? • How do HRM strategies within your organization assist with improved goal attainment? *Learning Activity* *Ask students* to generate a list of everything that constitutes human capital. *Note:* Human capital is also synonymous with intellectual capital. *Learning Activity:* Think–Pair–Share individually, and then in pairs. *Ask students* to consider why it is important to plan for human resources strategically. 1. What are the advantages of planning? *Ans.* • So you have the right people when you need them and can take advantage of opportunities. • So that you can plan for extra efforts; e.g., the need to go to a recruiter for specialized IT skills. 2. What are the risks of NOT performing HR planning? *Ans.* • Might not have staff when employer needs them.

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Employees can provide a firm with competitive advantage: • If an organization manages its resources and capabilities, these advantages will result in competitive advantage. • Typical *resources* might include human resources, proprietary knowledge, and reputation. • Typical *capabilities* might include organizational adaptability, flexibility, and the speed of bringing new products to market.	*Ask Students:* 1. If they think knowledge-based jobs (e.g., IT workers, teachers, software engineers) will ever be replaced by machines. Why or why not? *Ans.* None of us knows for sure; however, currently the ability to implement new ideas and adapt while meeting demands of interpersonal interactions simultaneously, is a human characteristic.
The Contingency Perspective *Human capital theory:* the sum of employees' knowledge, skills, experience, and commitment invested in the organization. Human = Total Rev – (Op Exp – Total Comp Costs) Capital Total Compensation Costs	2. Some surgeons now complete operations remotely using robotic hands. Will this help the current shortage in health care staffing? *Ans.* It might, although nurses, orderlies, general practitioners, and management will still be necessary for other tasks and emergencies wherever the patient is physically located.
Behavioural Theory • Different strategies require varied behaviours from employees and thus different HR practices. • HR practices should always be linked to particular organizational behaviours and goals such as risk taking or rule following.	*Figure 2.1*—A Workforce Planning Continuum The columns represent the lowest to highest levels of complexity in HR planning. *Learning Activity:* Ask the class if there is a downside to NOT doing strategic HR planning. *Ans.* No, as long as the plan and employees are adaptable if things change.
Strategic HR Planning *The Importance of Strategic HR Planning*	*Strategy 1: Low-Cost Provider Strategy*

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The Conference Board of Canada names HR planning as the most important long-term HR priority. There are two main reasons it is important: 1. Employees help an organization achieve success because they are its strategic resources. 2. The planning process itself results in improved goal attainment. HR managers must consider what skills will be important for the organization in the future, not just the current time. *Improved Goal Attainment* • The goals of HRM strategies are to shape employee behaviour to be consistent with the organization's strategic plans. • Clear strategies provide direction and meaning to employees by offering consistency of purpose; i.e., a mission. This vision may increase motivation and performance, lower absenteeism and turnover, and increase stability, satisfaction, and involvement. *Linking HR Processes to Strategy* 1. Start with organizational strategy then create HR strategy. 2. Start with HR competencies and then craft corporate strategies based on these competencies. 3. Do a combination of both in a form of reciprocal relationship. *Corporate Strategy Leads to HR Strategy* Traditionally it was thought that HR programs always flow from corporate strategy (business plans); however, this can change when HRM is the key to competitive advantage.	*Learning Activity:* Using HR Planning Notebook 2.1—Practical and Perception Barriers to Workforce Planning. *Ask student groups* to discuss: 1. How might two of the listed practical barriers affect a business you have heard about in the news? 2. What effect might two of the listed perception and attitude barriers have? *Ask Students:* *To review* HR Planning Today 2.1—HR Alignment with Two Strategies. Both Timex and McDonald's use low-cost provider strategy. The two strategies to be discussed are: 1. Low-cost provider strategy 2. The differentiation strategy Each strategy is subdivided into the following categories; The Employee; HR Planning; Selection; Compensation; Training; Performance Evaluation; Labour Relations. *Ask Students:* What other business examples can you think of where the business did not reflect current day reality? *Ans.* Toys R Us, Target, Sears *Ask Students:* To discuss whether it is easier to change HR to fit the strategy or change the strategy to fit HR. *Ans.* All employees are not the same so a one-size-fits-all strategy does not work. 1. Using the example of a great coach, explain why all is not lost if some of the team members quit. 2. Describe the ways you would use HR programs to train waiters.

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HR Competencies Lead to Business Strategy *Reciprocal Interdependency between HR Strategy and Business Strategy* HR plans strategies based on business problems and goals, i.e., to be a leader in innovation a company would need highly educated and trained employees. *HR Becomes a Business Partner* **Note important term:** *Concurrent strategy formulation*—Strategy is developed at the same time HRM issues are considered. HR managers must understand the numbers language of business and outcomes expected. They must be able to understand analysis presented by marketing, financial, and operational managers. HR must be a full partner in the business to have total credibility. • HR professionals need to develop strong partnerships with line managers in the organization to best achieve business goals. *Strategic Partnering* *Becoming More Strategic* HR departments are restructuring in order to be able to do the basics right (compensation, training, etc.) while enhancing the performance of business units and supporting strategic moves.	3. HR Planning Notebook 2.1, Practical and Perception Barriers to Workforce Planning, outlines some barriers to HR planning. *Review* HR Planning Notebook 2.2—Are You a Strategic Partner? A facilitator can lead this debate to examine views on both sides. Emphasize that both sets of reasons are dilemmas within the HR profession. *Learning Activity* If there is a panel discussion and/or a guest speaker who is a senior HR professional, they could be asked which of the three models is reflected by their organization. *Strategy 2:* The Differentiation Strategy A firm can differentiate itself in many ways: • Quality products • Superior customer service • Convenient location • Proprietary technology • Offering valuable features • Unique styling • Brand-name reputation *Homework Assignment:* *Read* HR Planning Notebook 2.3—A Strategic Vision of HR. *Ans*. See pages 2–7 of the Instructor's Manual. 1. Identify the unique attributes of the following services of a strategic HR department, including Corporate HR, Services Inc., Solutions Inc., and Organization Capability Consultants.

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HR Strategy Differentiation Firms with more than one business strategy are likely to have more than one approach to HR strategy. • The challenge is to treat employees across divisions equitably while motivating different behaviours. • Equitable treatment of employees is important irrespective of their independent divisional strategies (e.g., 3M adopted HR practices that support innovation in the research and development branch while adopting policies that support low costs in the manufacturing branch. *Characteristics of an Effective HRM Strategy* The purpose of HR strategy is to capitalize on the distinctive competencies of the organization and to add value through the effective use of human resources. Effective HRM strategies include: • *External fit*—Fitting HR strategy to organizational strategy. • *Internal fit*—Linking the various HR programs to other functional areas and to each other. *Focus on results:* Strategy implementation must be tracked and measured to determine if the goals have been reached.	2. What are the advantages of this structure? 3. Would managers and employees of an organization prefer this model to the traditional functional structure? 4. Which structure do you think HR professionals would prefer? Why? *Ans.* HR might prefer the more traditional structure as easier to use and explain to others. *Read* HR Planning Today 2.2—How Canadian Companies Differentiate. *Ask Students:* How does Dollarama differentiate itself from its competitors to achieve high efficiency at low cost? *Ans.* Different stores tend to mostly have similar items, which helps customers find what they want. Many products are made by Dollarama, so the company can control cost and quality. *Learning Activity* *Ask students* to review the strategic HRM chain to determine whether they can think of any other activities that need to be incorporated into the chain. HR Program ↓ Employee Human Capital and Behaviours ↓ Organizational Strategy ↓ Organizational Outcome

HOMEWORK ASSIGNMENT

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Read HR Planning Notebook 2.3—A Strategic Vision of HR.

1. Identify the unique attributes of the following services of a strategic HR department, including Corporate HR, Services Inc., Solutions Inc., and Organization Capability Consultants.
   Ans.
   Services Inc.—the part of HR that is administrative, estimated to be 60 to 70%.
   Corporate HR—companies that have HR on executive team have twice the growth companies that do not.
   Solutions Inc.—subject-matter experts who have professional credentials.
   Organization Capability Consultants—Provide assistance to maximize effort.

2. What are the advantages of this structure?
   Ans.
   HR staff can focus on select area of expertise to best assist management.

3. Would managers and employees of an organization prefer this model to the traditional functional structure?
   Ans.
   Managers and employees may not understand where they should go for assistance in a non-traditional model. They may also question why so many different individuals are needed in HR.

4. Which structure do you think HR professionals would prefer? Why?
   Ans. HR professionals would prefer the above system because it allows them to focus on areas, developing and using specific expertise.

DISCUSSION QUESTIONS

1. "Employees are our biggest asset." "Yes, but they can walk out the door any time and all your investment in them will be lost." Explain why investments in human capital are important. Using the example of a great coach, explain why all is not lost if some of the team members quit.

Ans.
Investments in human capital are important. If looking at leaders, some tasks of coaches and managers such as recruiting, training, and managing performance of team members are similar. In this role a coach understands the different strengths and weaknesses of each team member and can encourage and develop them. This means that if one member of the soccer team (or business organization) chooses to leave, the role she served can be filled by another member of the team or someone hired.

3. You and your friend decide to open a high-end restaurant specializing in cuisine from your home country. This type of food may appeal to people in the neighbourhood, but you will

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need to differentiate this restaurant from others, and offer great service, with explanations, customization, etc. Describe the ways in which you would use HRM programs to train the waiters.

Ans.

Employing a differentiation strategy for a restaurant means that it must offer excellent service and customization. Some ways to work toward these using HR programs are:

- *Hiring* hosts, cooks, and servers with experience delivering service.
- *Paying wages* that recognize experience to hire the best workers.
- *Rewarding performance* that satisfies customers.
- *Training* staff in precise ways to greet customers, cook for customers, and serve customers.
- *Allowing* staff the ability to problem solve if a customer is unhappy, e.g., reducing a bill, replacing an order.

4. HR Planning Notebook 2.1 outlines some barriers to HR planning. In a group, can you think of ways to overcome or bypass these barriers?

Ans.

Some ways to overcome certain barriers to HR planning are:

Practical Barriers	
Leaders lack planning and business acumen	Train staff in these or reimburse specific courses.
Moving targets are not clear	Have regular interim meetings to adjust for changing trends, targets, and problems.
No budget, or not enough budget	Demonstrate to executive management and their staff the cost/benefit analysis of performing planning in terms of saved recruitment and training fees, more predictable compensation fees, more flexible to address challenges or take advantage of opportunities.
Perception and Attitude Barriers	
Lack of holistic approach	HR needs to be part of the senior management team, and emphasize its role of integrating HR planning with other departments to maximize benefits.
Considered to lack credibility OR It is hard to measure success	Train HR staff to use metrics to measure results, e.g., hiring, retention, training. Also use reports from other organizations that have successfully used HR planning to avoid problems and use opportunities.
Seen as important but not urgent	Guide or train HR and other managers to prioritize tasks including long-term planning instead of just putting out fires.

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SUGGESTED ANSWERS TO EXERCISES

1. Focus, resilience, patience, ability to adapt.

2. Beane thought high school players were undervalued in drafting. He also wanted to focus more on defensive skills. These supported the strategy of Oakland Athletics.

Note: Using statistics to find players has become the norm and is directly related to winning teams that are realizing their competitive strategies.

CASE STUDY: LINKING HR PRACTICES TO PERFORMANCE

Questions

1. Develop a list of the competencies (skills, knowledge, and attitudes) that employees of this hotel need to demonstrate in order to become excellent at customer service.

   Ans.
   a. Skills—Social, psychological, and emotional intelligence skills are required to deliver excellent customer service; also leadership, empowerment, and decision-making skills to "push down power and influence" departmental levels.
   b. Knowledge—The types of services that customers want and expect; determine the customer's perceptions of quality service and what types and level of service Five Star's competitors are offering.
   c. Attitudes—Change attitudes to accept the challenge of empowerment, leadership, and decision making relative to the over-supervised control models previously applied. Participatory culture needs to be cultivated.

2. Design the HRM selection, orientation, training, performance management, and incentive compensation program that will develop these competencies.

   Ans.
   HRM Selection
   - Assess experience in customer service.
   - Administer behaviour-based interview questions and rating scales.
   - Probe most difficult and most meaningful interactions with customers.
   - Pose situational questions.
   - Ask about improvements they have suggested that were implemented in previous positions.

   Orientation
   - Memorization of mission statement.

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- Focus on customer service.
- Autonomy to provide special services if a mistake has been made or if a customer is dissatisfied.
- Explanation of the performance appraisal process and incentive compensation program.

Training
- Layout of hotel and amenities.
- Job description.
- Expected performance standards.
- Role-playing of positive and negative customer experiences.

Performance Management
- Emphasis on customer service:
  - Punctuality.
  - Neat appearance.
  - Appropriate greeting to customers.
  - Sufficient knowledge for position.
  - Meets expected performance standards.
- Goals for training would be motivating and reward good performance.
- Employees should be encouraged to understand how job duties of different roles fit together to provide the best service.

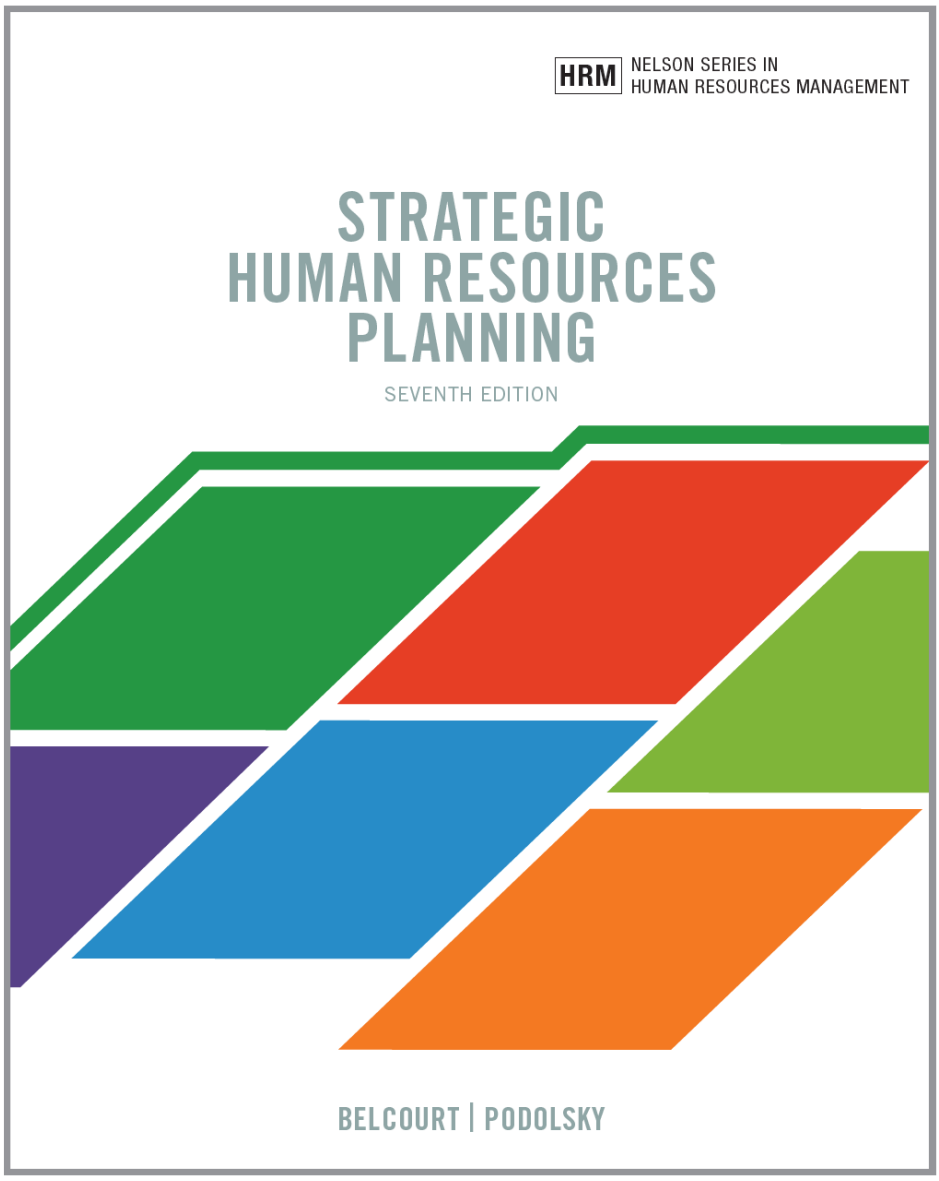
Incentive Compensation Program
- Raises based on twice annual performance reviews depending on feedback from supervisor, co-workers, and customers.

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CASE NOTES

to accompany



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Case Notes to accompany
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CHAPTER 1
Strategic Management

CASE STUDY: LOBLAW COMPANIES LTD.

Question

1. Conduct a SWOT analysis for Loblaw. As a group, assess the company against the strengths, weaknesses, threats, and opportunities contained in the SWOT matrix below.

Ans:

Strengths • Cost control and efficiencies due to economies of scale for products, not employees. • Differentiated private-label products like President's Choice and Joe Fresh. • Canada's largest food distributor. • Proven capability in food-retailing sector. • Well-established supply chain. • Strong reputation and corporate image.	***Weaknesses*** • Poor external environment scanning for upcoming competitors like Walmart. • Behind on the technological strengths of inventory management systems used by competitors. • Wages and salaries escalation increasing faster than those of competitors—wage inflation due to unionized employees.
Opportunities • Brand banners like Fortinos, No Frills, Provigo, Zehrs, Wholesale Club, Atlantic Superstore, and Great Canadian Superstore will help to achieve 5 percent growth per year. • Serve additional customers beyond Loblaw stores. • Growth strategy. • Expand product line. • Control costs through private-label brands like President's Choice, No Name, Organics PC, and Joe Fresh.	***Threats*** • Walmart—This industry giant has achieved enormous economies of scale, worldwide penetration, lower costs, and technological advancements, and therefore has caused Loblaw to lose market share nationally and internationally. • Sobeys, Metro, Costco, and Canada Safeway are more regionalized threats that can cater to local tastes.

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CHAPTER 2
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Performance Management

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