Human Resource Management Gaining A Competitive Advantage 10th edition Noe Solutions Manual

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Chapter 2 Summary for Instructors

This chapter provides an introduction of the strategic management of HRM practices (i.e. strategic human resource management) and its role within a company's competiveness and competitive advantage. The chapter also juxtaposes how human resources (i.e. employees) are the most important asset to competitive advantage, but also the most costly and controllable asset, leading to a disconnect between personnel decisions and strategy. Within this chapter then is a discussion of how HRM practices contribute to competitive advantage and how to make such decisions. A chapter summary may be found on page 94.

This chapter provides instructors opportunity to illustrate how HRM contributes to strategy, and how to make strategic decisions within HRM. First, however, 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/Introduction to Business course and review different generic strategies such as low cost or differentiation. It may be helpful for instructors to emphasize internal and external analysis (p. 73, figure 2.2) 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; p. 74) and thus may require further integration of HRM and strategy formulation (LO 2-4). Discussion could include the difficulty HR has had over the years with being seen as secondary within strategy. Reviewing Figure 2.5 on page 77 can help emphasize how input from HR within all aspects of the strategic management process is important and thus a strategic necessity. Page 77 also includes examples of HR-related concerns that would need to be considered in the internal and external analysis to ensure viable strategy. It is important here to not just simply state that 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 are defined and how they may contribute is defined.

Society for Human Resource Management Body of Competency & Knowledge:
This chapter contains content, which may be identified within the following content areas:

- Structure of the HR Function
- Organizational Effectiveness & Design

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- Workforce Management
- Talent Acquisition & Retention
- Learning & Development
- Total Rewards
- Business & HR Strategy
- Employee 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 and PowerPoint Slides
Instructors should review both the available PowerPoint slides and CONNECT materials. The available PowerPoint slides may assist instructors by providing additional insight into the chapter materials, while expediting any classroom preparation. They may also provide visual reinforcement for students during classroom discussion.

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.

To assist in course review, instructors may also require students to periodically complete CONNECT chapters for previously read chapters. This may be beneficial to support students in preparation for exams, projects, or where new chapter material expands upon a previous chapter.

Further support for instructors in setting-up the CONNECT materials may be obtained by contacting McGraw-Hill.

Suggested Additional Exercise

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How was HR where you worked?

Exercise #1

Faculty may lead a discussion asking students to consider previous work experience and how HR was managed there. This can help students in understanding the information for this chapter. Both the Self-Assessment exercise and Discuss Question # 3 can help assist in this assignment.

-If students do not possess (or do not remember) the experience, the instructor may ask that they ask a friend/family member.

Chapter 2 – List of Cases

Enter the World of Business

Southwest Airlines Hits Middle Age (p 67)

Suggested Discussion Questions

What do you think of when you hear, "strategic human resource management?"

This could serve as an opening question to introduce students to the chapter. Responses should demonstrate a basic understanding of strategic management (internal/external analysis, SWOT analysis) and the need to allocate resources behind a chosen strategy. Students may then be engaged in conversation concerning how HRM practices, when aligned behind organizational goals, constitutes strategic human resource management. Within the example, the lower cost structure of labor coupled with strong labor relations (i.e. family culture) may be seen as aligning behind Southwest's strategy offer lower costs to consumers.

Instructors should note that at the end of Chapter 2 on page 94 there is a "Look Back" section, which revisits the Southwest Airlines case and asks 3 questions. Suggested guidance for each is as follows:

1) Students may focus on how the lower wage structure and strong labor relations helped to keep Southwest's prices for consumer tickets lower. In addition, students may also wish to discuss Southwest's different business model, and how these HRM practices helped to support its success.
2) Some challenges would include changing relations with labor unions, increased competition and pricing pressure from other airlines, potential changes of the company culture. Students may benefit from the instructor dividing this discussion into external challenges (threats) and internal challenges (weakness) and discussing this from a strategic management approach.
3) Answers may vary greatly, but students should be able to connect the general strategy of Southwest with the different approaches to HRM.

Competing through Globalization:

Facebook's European Privacy Policy Problems (p. 71)

Question Guidance

Instructors may wish to guide the discussion towards the assessment that organizations need to determine whether standardization or localization is the best

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approach to HR practices. This can be recognized within countries and locales, geographic regions as well as economic blocks (European Union). It may also be beneficial to reflect on how the legal environment is a component of external analysis, and this assessment may be an area HR could contribute to strategy formulation.

Competing through Technology:
The Rise of the Robot in China (p. 75)
Question Guidance
Instructors may wish to facilitate the conversation around labor and economic costs for both the country as well as the organization.

Integrity in Action:
3M Named One of World's Most Ethical Companies (p. 79)
Question Guidance
Student responses should focus on ethics as both a component of operations as well as a component of culture. Both ethical operations (i.e. actions/behaviors) and an ethical culture helps attract, retain and motivate the workforce as they work daily towards organizational goals.

Competing through Sustainability:
Starbucks Employees Go to School (p. 90)
Question Guidance
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. These all, however, must also be a component of larger strategy to have satisfied and engaged employees and cannot make-up for issues within those areas. Larger discussion can emphasize how an employer of choice initiative helps companies attract and retain employees, which are important to organizational strategy.

Answers and Guidance to End of Chapter Sections:
Discussion Questions (page 95), suggested guidance
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 not the specific correct or incorrect identification.

2) Instructors may look to play devil's advocate depending on the students' 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.

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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. Some examples might be policy on importance of employees, but poor (or lack of) training and low wages. This may be integrated with the Self-Assessment Exercise.

4) Student's 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

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.

6) Any number of variables may be identified, some previously discussed in Chapter 1. Students should be able to rationalize those changes in 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:
Strategy and HRM at Delta Airlines (p. 95)
Question Guidance
1) The CEO's strategy, while focused on financial performance, did not consider the impact on employees, those who would be responsibility for operational performance. For instance, it is difficult to excel in operational performance (strategy implementation) when the employees who are working for the company have very low morale, and the other competencies important to performance are outsourced. Strict adherence to financial performance led to inadequate consideration of other issues that existed, or could arise due to the strategy.
2) Students may identify employee morale, but should also consider employee morale as an important driver of union activity. Thus, initiatives to manage employee morale, as well as other internal HRM activities to improve employee performance and morale could be considered.

Managing People:
Is Dell too Big for Michael Dell? (pp. 96-97)
Question Guidance
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

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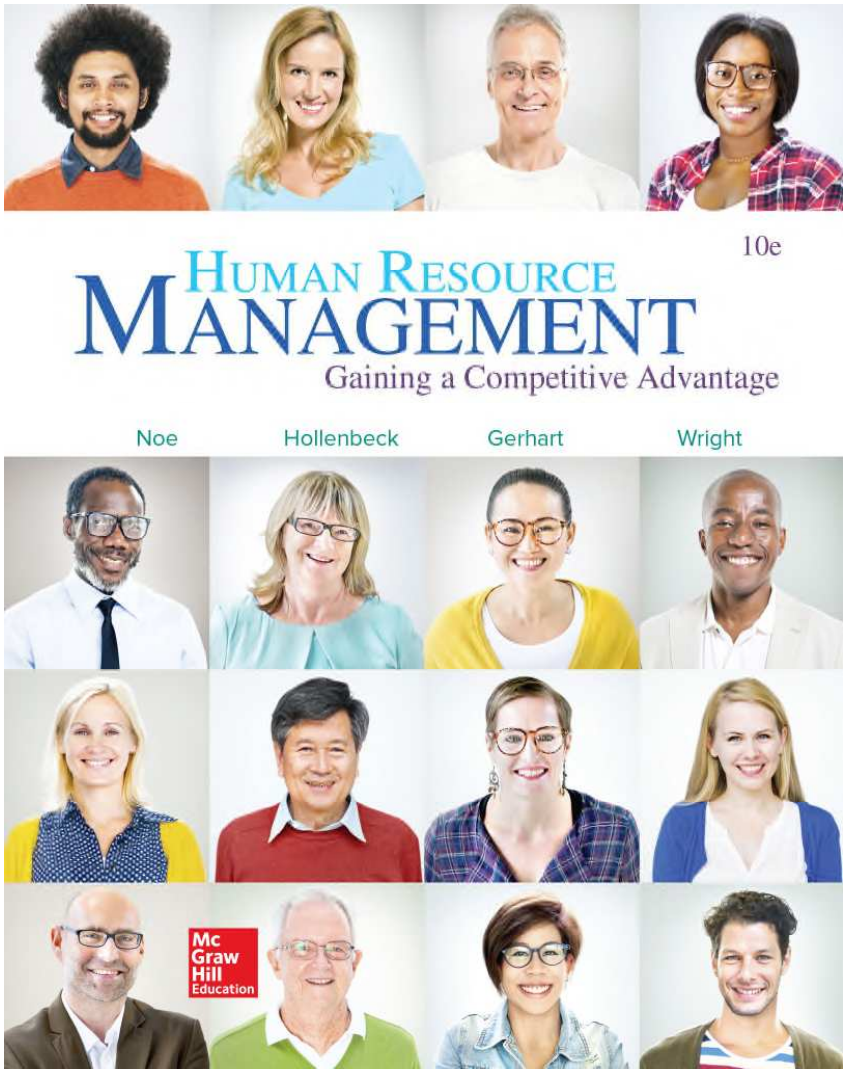
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issues with computer quality and customer service. Further as an example of "with what to compete," Dell does not seem to have much, as even with investments in R & D the margins would be hurt.
2) Leadership, customer service, R & D and manufacturing capabilities
3) 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 (pp. 97-98)
Question Guidance
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.

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Chapter 2

Strategic Human Resource Management

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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.

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Introduction

- Goal of strategic management is to deploy and allocate resources for a competitive advantage.
- HRM function must be integrally involved in the company's strategic management process.
- A **business model** is how the firm will create value for customers profitably.

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Business Model Accounting Concepts

- Fixed Costs
- Variable Costs
- Margins
- Gross Margin

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What is Strategic Management?

Strategic HRM is the pattern of planned HR activities and deployments 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.

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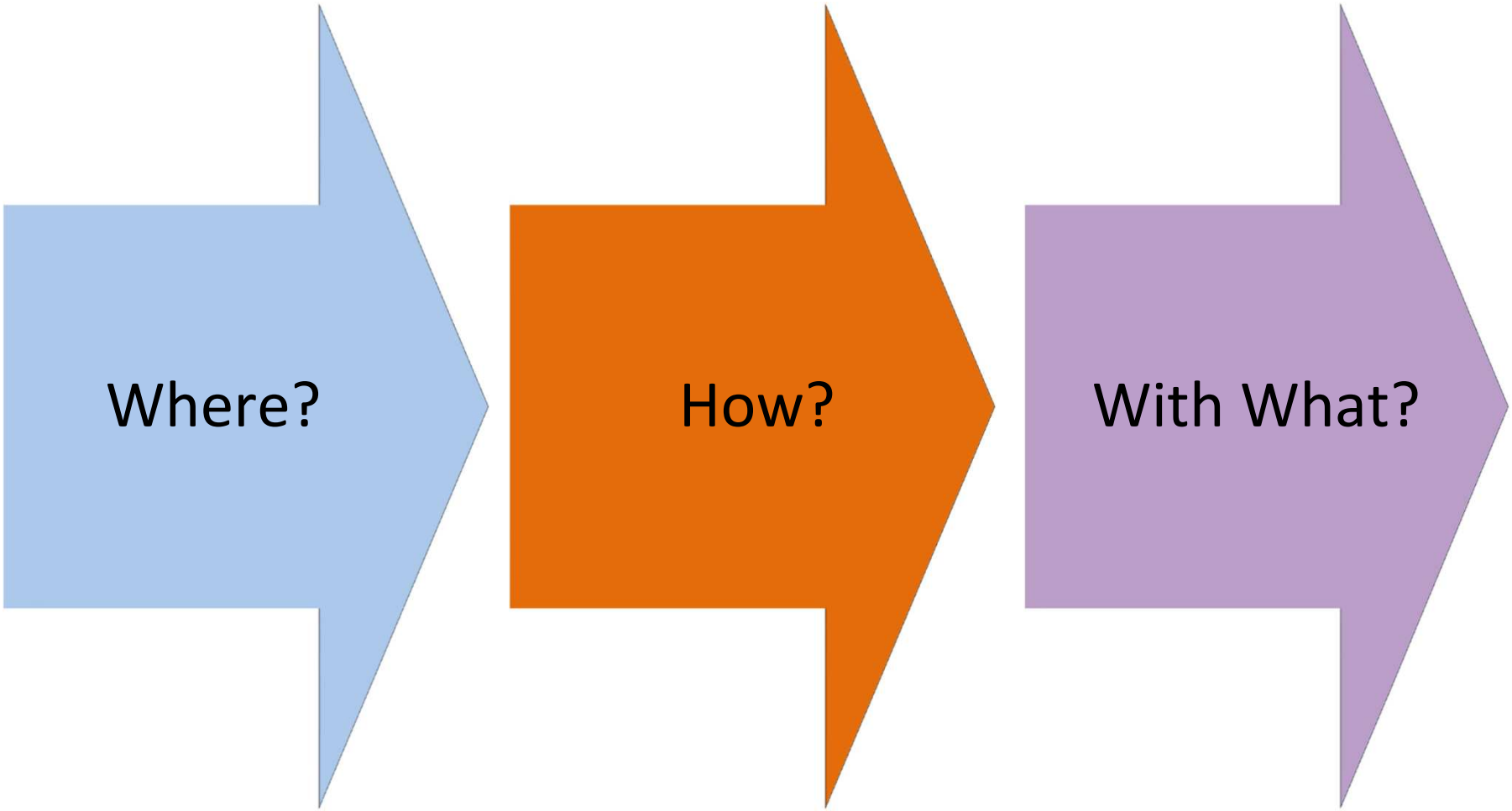
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Two Phases of Strategic Management

- Strategy Formulation
  - Strategic planning groups decide on strategy
- Strategy Implementation
  - Organization follows through on the strategy

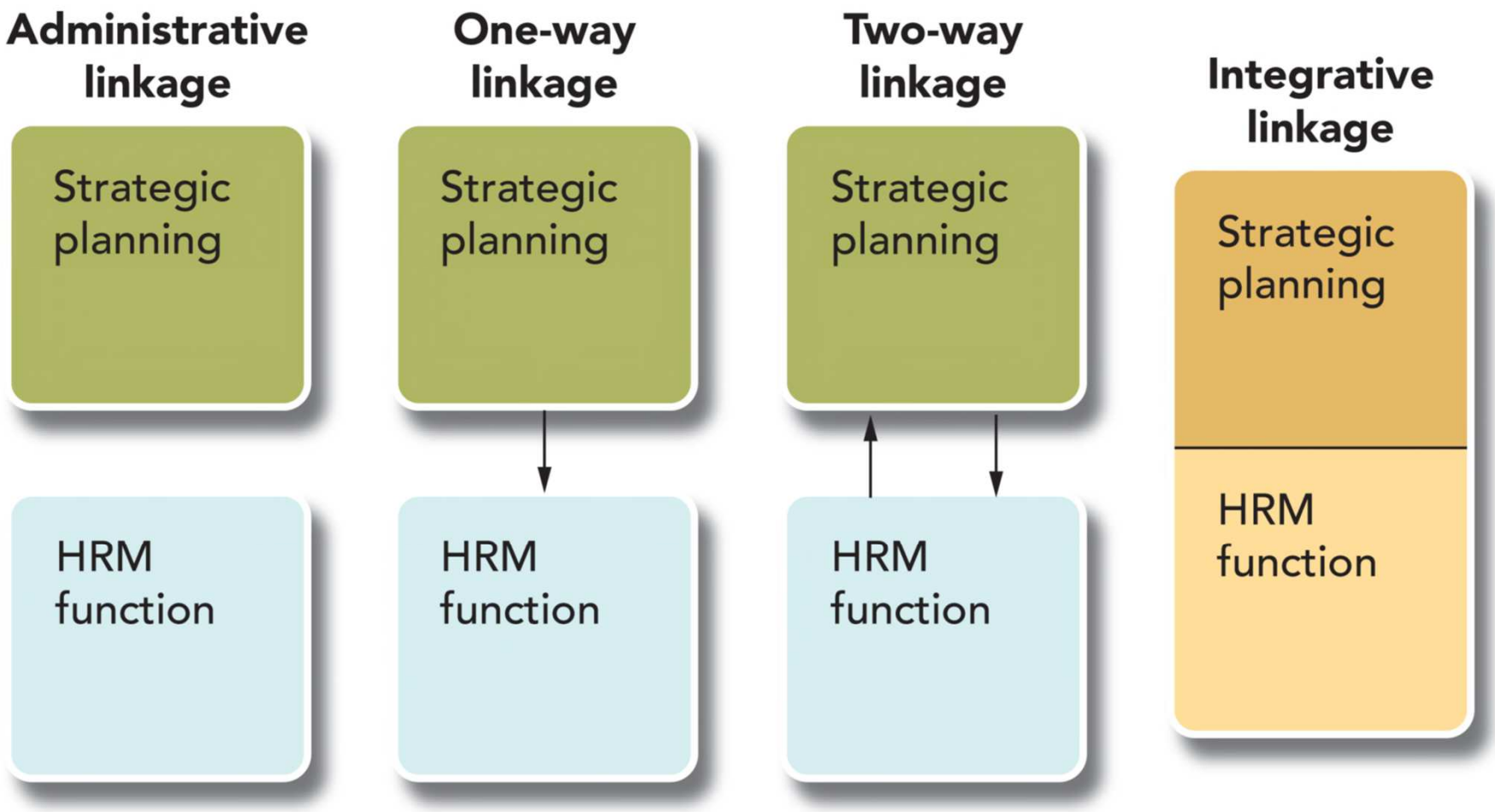
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Strategy – Decisions about Competition



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Linkages of Strategic Planning and HRM



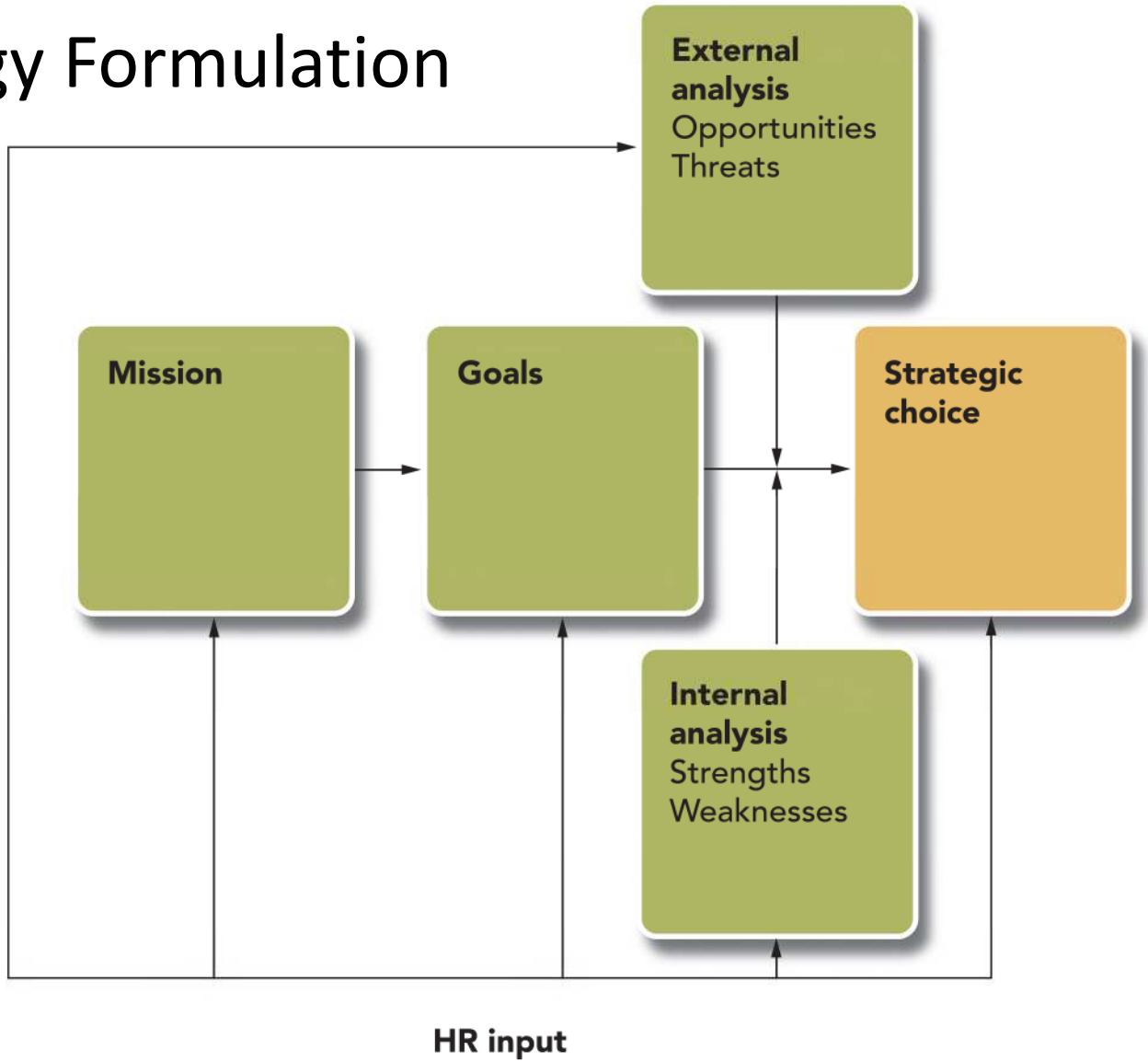
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Strategic Planning and HRM Linkages

- ✓ Administrative
- ✓ One-way
- ✓ Two-way
- ✓ Integrative

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Strategy Formulation



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Strategy Formulation

- Mission
- Goals
- External Analysis
- Strategic Choice
- Internal Analysis

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Table 2.2
SWOT Analysis for Google, Inc.

STRENGTHS	WEAKNESSES
Expanding Liquidity	Issues with Chinese Government
Operational Efficiency	Dependence on Advertising Segment
Broad Range of Services Portfolio	Loses at YouTube

OPPORTUNITIES	THREATS
Growing Demand for Online Video	Weak Economic Outlook
Growth in Internet Advertising Market	Invalid Clicks
Inorganic Growth	Microsoft-Yahoo! Deal

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Strategy Implementation Variables

- ✓Types of Information
- ✓Organizational Structure
- ✓Task Design
- ✓Select, Train, Develop People
- ✓Reward Systems

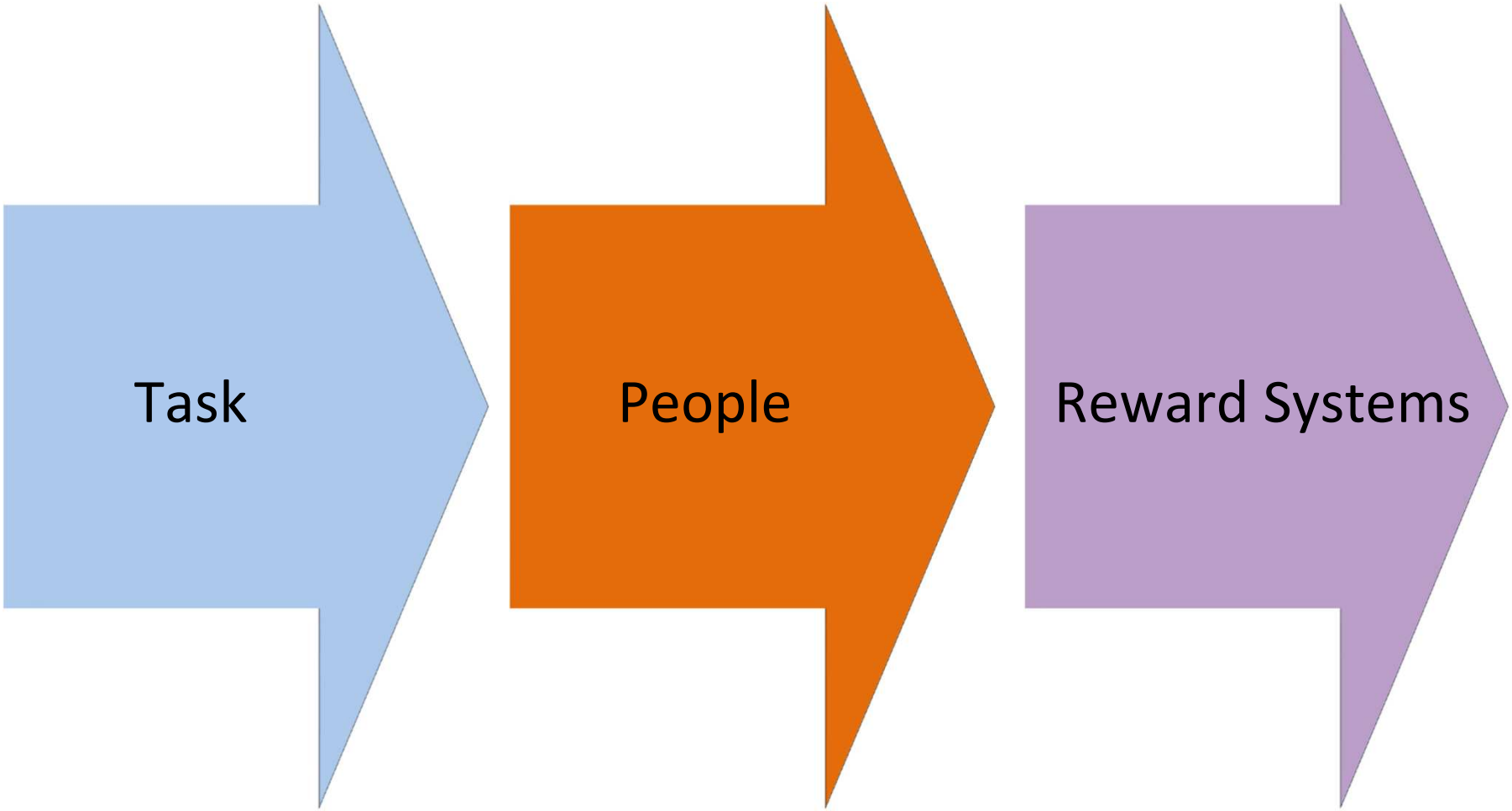
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Vertical Alignment

- ✓ HR practices and processes address the strategic needs of the business.
- ✓ Through recruitment, selection and placement, training and development and career management, HRM secures the proper number of people with the levels, knowledge and skills required in the strategic plan.
- ✓ HRM develops “control” systems that ensure that those employees are acting in ways achieve of the goals in the strategic plan.

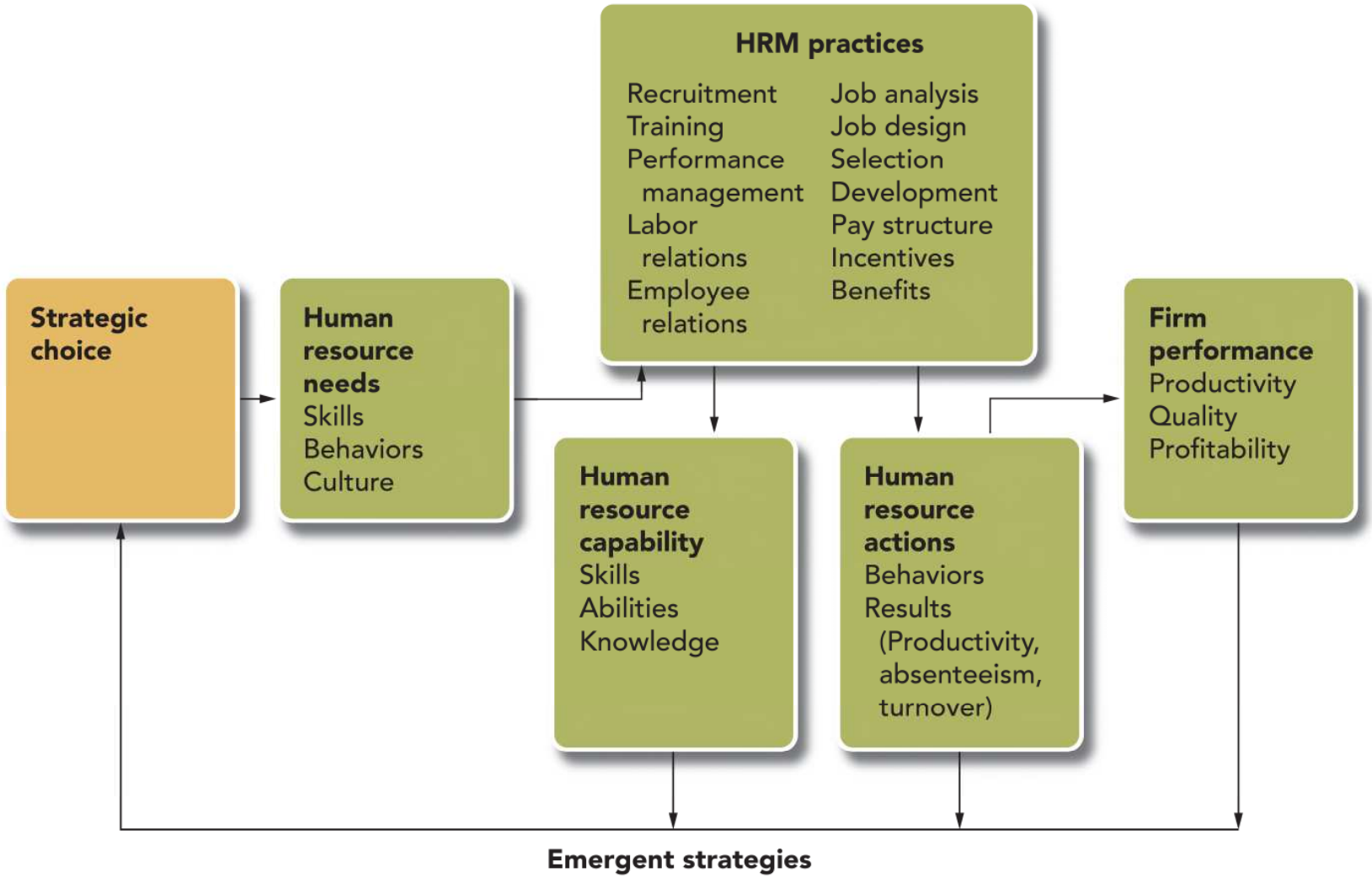
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HRM's Three Implementation Variables



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Strategy Implementation



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HRM Practice Options

Job Analysis/Design

Training/Development

Labor-Employee Relations

Recruitment/Selection

Pay Structure/Incentives/Benefits

Performance Management

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Pay Structure, Incentives, and Benefits

- Pay has an important role in strategies.
  - 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.

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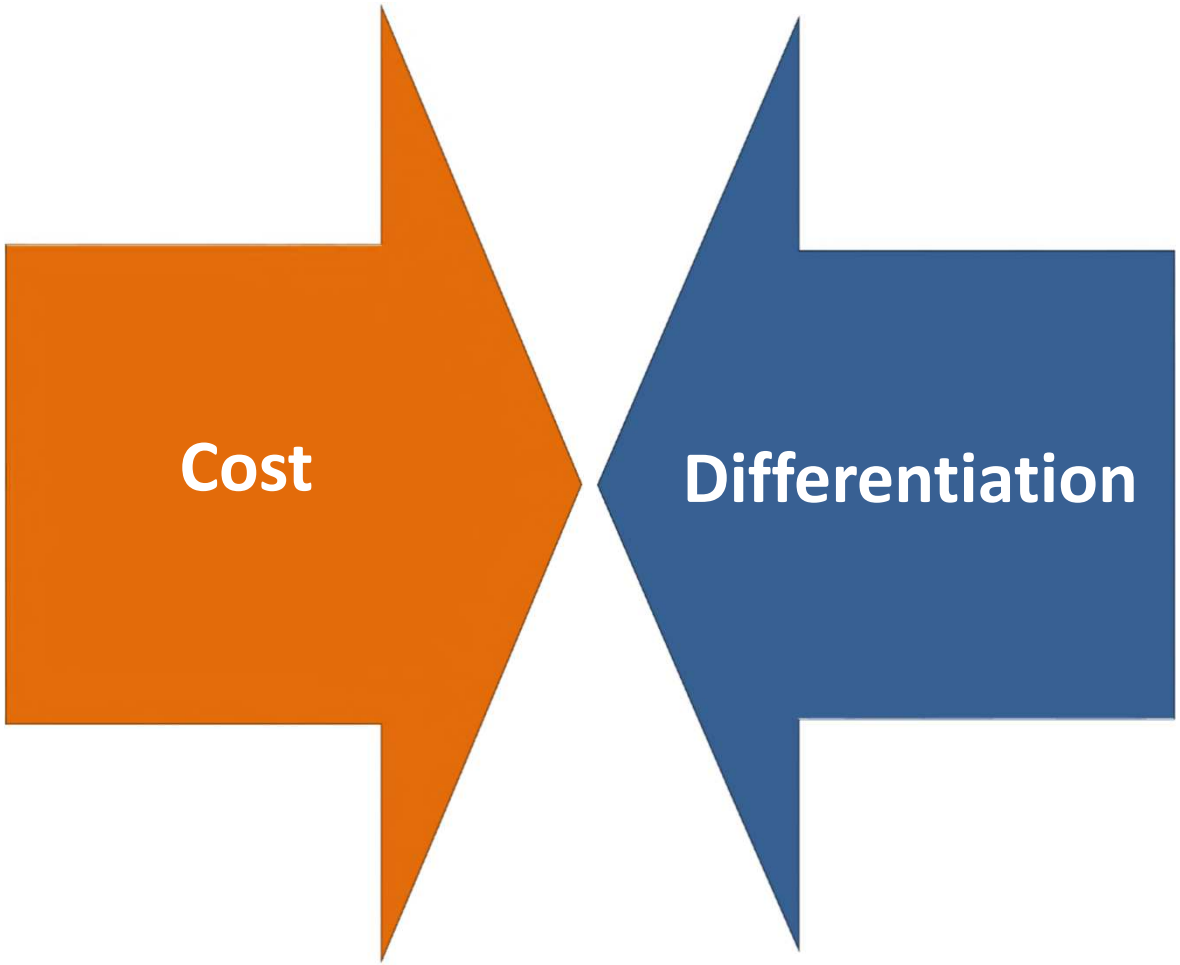
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Labor and Employee Relations

- Companies can choose to treat employees as an asset or as an expense.
- HRM must make choices about how much employees participation in decision making, what rights employees have, and what company's responsibility is to them.
- The approach a company takes in making these decisions can result in it either successfully achieving its short and long-term goals or ceasing to exist.

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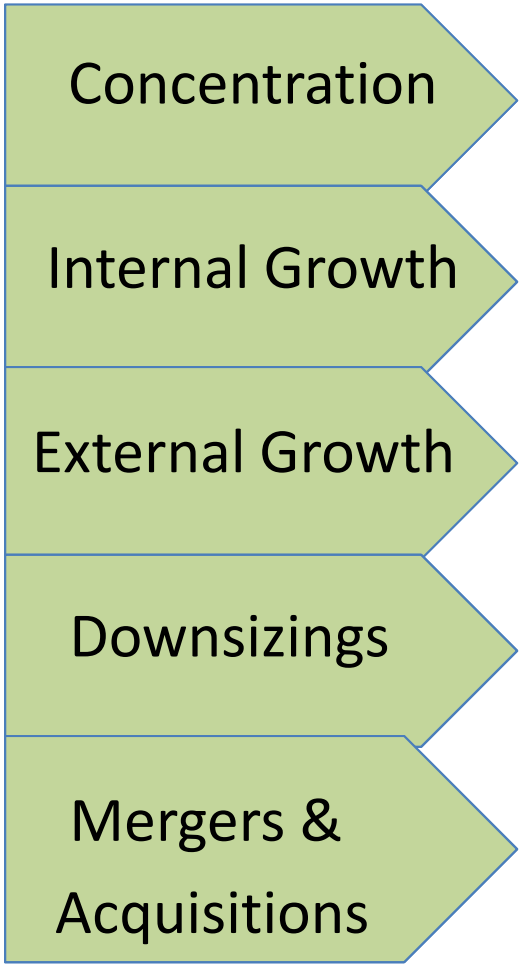
Porter's Strategies



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Five Categories of Directional Strategies



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HR's Role – Strategic Competitive Advantage

- Strategic Competitive Advantage
  - Emergent Strategies
  - Enhancing Competitiveness

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Summary

HR – most important asset and single largest most controllable cost within the business model.

HR professionals must develop business, professional-technical, change management and integration competencies.

HRM has a profound impact on strategic plan implementation by developing and aligning HRM practices that ensure the company has motivated employees with necessary skills.

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