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Chapter #2: Strategy-Driven Human Resource Management

Case 2.1. The External Environment—What Happens When Your State Government Offers Early Retirement?

Case Summary

The Massachusetts state government developed a strategy to offer an early retirement package to their state employees. The goal was for the state to save money by reducing their workforce. Like all organizations, the state is impacted be external factors such as the impact of computers in the workplace, the movement of citizens (customers) into an out of the state, and the goal to be a financially stable organization. The risks involved in having too many employees accept an early retirement package is explored. Government, like all businesses and organization, has to develop different strategies to accomplish their goals and outcomes.

Case Analysis

This case is designed to help students realize that human resources is an important aspect of government institutions. Many textbooks in the field of business focus on for-profit companies. So, it is good for students to be aware their local, state, and national governments are also organizations where HR knowledge needs to be part of their strategic planning process.

Sample Answers to Case Questions

1. **Which force of the external environment has the greatest impact on the state of Massachusetts?**

   Answer: This case is a bit different since we tried to look at a public institution instead of a corporation. The case shows the government faces external financial and economic pressures that require downsizing and layoffs to balance the state budget.

2. **Which force would you select as the second greatest impact on the state?**

   Answer: The labor force or society would qualify as good second choices. The labor force is impacted because even as the state is looking for 4500 employees to retire—they still need to replace 20% of those employees in key positions that will now be vacant. Since 2870 employees elected for retirement—the total number retire might be less than 20%. Society is also a good second choice since the state has a large role in making sure

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societal issues such as opportunities for employment and creating a level of care in state offices is up to professional standards.

3. **Should the state be concerned if more than 4500 employees elected to retire?**
   Answer: An organization, such as Zappos or the State of Massachusetts, need to be aware that if too many people take early retirement, then the organization can lose the knowledge on how to manage the organization that these people possess.

4. **In regards to structure, how would you consider the state in regards to complexity, formalization, and centralization?**
   Answer: States tend to be quite complex because they have to provide services to all of their residents, they are formalized since rules are needed to keep order, and they are fairly centralized at the state level—although cities and towns do have a say in the affairs of their own area.

5. **If you were an employee of The State of Massachusetts, would you take early retirement?** Assume you qualify for the extra $10,000 incentive. You are currently 58 years old.
   Answer: Answers will vary based upon an individual's personal financial and family situation. A key issue will be how likely the employee will like being retired. Will the employee miss the friends they enjoy while at work? Some employees only analyze the financial impact of retiring when they should also be concerned with social issues such as the potential loneliness of staying home. What will it be like to wake up and not go to work at 58 years old? Will the amount of money in retirement be enough to enjoy life without work? Has the employee saved money in preparation for retirement?

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Chapter #2: Strategy-Driven Human Resource Management

Case 2.2. Strategy—Employees Matter at Costco

Case Summary

The mission of Costco is explored in regards to how they focus on employee happiness and providing cost savings by allowing customers to buy grocery items in bulk packaging. Members (customers at Costco have to pay a yearly membership) are the fortunate recipients of great products and low unit prices. However, customers also form friendships with the employees. These personal relationships are forged because Costco has always paid their employees well in regards to salary and benefits. Costco's strategy of treating employees very well means they stay with the company their entire career. Michael Porter's famous work developing the Five-Force Model and the concept of competitive advantage are used to analyze Costco's successful strategy.

Case Analysis

The case builds upon the need for companies to have well-developed strategies. In Costco's case they have focused on two key stakeholders—employees and the customers to increase the financial performance.

Sample Answers to Case Questions

1. **Costco has impacted the retail shopping industry. Use the Five-Force Model to outline how Costco impacted the grocery and nongrocery marketplace.**

   Answer: Costco is able to sell their own brand, Kirkland, while maintaining good relations with one main well known supplier of a food item. Thus, the Kirkland brand potato chips could be competing with the Frito-Lay chips. Costco is large enough to compete with the large suppliers it needs to stock their shelves.

   Consumers can switch to a regular supermarket, pharmacy store, etc. However, Costco customers pay about $100 to be a member which tends to keep their customers loyal.

   Costco was the threat of new entrant in 1983! At this point, the biggest threat is internet shopping along with competing in the physical world with Wal-Mart. Amazon is the largest online retailer and is already able to deliver food items to customers at their house in one or two days. Amazon has a goal to deliver items on

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the same day they are ordered. There is no real substitute for food. However, weight loss programs could reduce the demand for food items.

2. **How does Costco's approach to human resources provide them with a competitive advantage?**
   Answer: Costco has a competitive advantage in that they offer products in bulk packages at low costs. However, their motivated employees help to give them a sustainable advantage since customers enjoy their interaction with the employees.
3. **How do Costco's HR policies help the company to be successful?**
   Answer: Costco has written policies to help employees achieve incentives, offer high paying jobs, and offers healthcare programs mostly paid by Costco.
4. **Discuss how Costco creates a link between employees and customers.**
   Answer: Jim Sinegal said, "When employees are happy, they are your very best ambassadors." Customers can feel it when employees are treated well and happy.
5. **Does the mission of Costco impact HR?**

Answer: Yes. The mission of Costco was to sell food items in large boxes. To successfully sell food items in large amounts—took some learning to do on the part of the customer. However, Costco's ethical approach to retailing, is derived from their CEO who worked his way up from bag boy to owner!

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