

Chapter 2 – Strategic Human Resource Management

This chapter provides an introduction of strategic human resource management and its role within a company's competitiveness. It is important to ensure students understand the differences between strategy formulation and strategy implementation (LO 2-1) and the general components of strategic management (LO 2-2). Here, instructors may 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 provide examples of how HRM practices would be chosen to align behind different organizational strategies. Throughout the discussion, different HRM practices and processes are 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

Guidance to Discussion Questions and End of Chapter Sections

Discussion Question 1: Pick one of your university's major sports teams (like football or basketball). How would you characterize that team's generic strategy? How does the composition of the team members (in terms of size, speed, ability, and so on) relate to that strategy? What are the strengths and weaknesses of the team? How do they dictate the team's generic strategy and its approach to a particular game?

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: Do you think that it is easier to tie human resources to the strategic management process in large or in small organizations? Why?

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: Consider one of the organizations you have been affiliated with. What are some examples of human resource practices that were consistent with that organization's strategy? What are examples of practices that were inconsistent with its strategy?

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: How can strategic management within the HRM department ensure that HRM plays an effective role in the company's strategic management process?

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: What types of specific skills (such as knowledge of financial accounting methods) do you think HR professionals will need in order to have the business, professional-technical, change management, and integrative competencies necessary in the future? Where can you develop each of these skills?

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: What are some of the key environmental variables that you see changing in the business world today? What impact will those changes have on the HRM function in organizations?

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 and changes in 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

Amazon: From Digital to Brick-and-Mortar?

- 1) The chapter mentions that Amazon's culture has been described as quite difficult. Do you think the culture will need to change with this store format? If so, how, and if not, why not? Company cultures should relate to the value that customers seek from that company. The values sought from a brick and mortar store may be different than from the online site (low cost, predictable short time frame for delivery, and ease of working with them). For instance, face-to-face interactions require interpersonal skills, product knowledge, and service.
- 2) What will be the implications of Amazon's foray into brick-and-mortar stores for the talent that they will need?
Amazon will need to recognize that customers have different expectations when dealing with customer services reps in a store than online. As with the online platform, they will need technological skills and product knowledge, but they will also need to be able to interact with customers face-to-face.

Managing People

How Should Dell Respond to the HP Challenge?

- 1) What are the major competitive and strategic challenges Dell needs to deal with if it is to regain a position of strength within the industry?
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) What can HR do to help Dell re-establish its position as the leader in PCs? Assume you just got on the elevator with Michael Dell and want to explain how HR will aid him in regaining its pre-eminent position. What will you tell him in the 1 to 2 minutes you have?
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) How could a human resource manager help Radio Flyer get the maximum benefit from the motivational efforts described in this case?
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) Do you think outsourcing would be harder on employees in a small company such as Radio Flyer than in a large corporation? Why or why not? How could HRM help to smooth the transition?

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) What additional developments described in this chapter could help Radio Flyer live out the high value it places on learning and innovation?

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.

Guidance to Chapter Cases

A Look Back

GE's Challenges Going Forward

- 1) What do you think might have led GE to make poor strategic decisions? How might an HR executive influence those decisions to be better?
GE's culture had evolved into one that stifled dissent, which led to decisions being made by a select few without the constructive criticism that leads to more thoughtful decisions. An HR executive might implement a plan for incentivizing employees to get involved at the strategic level. Also, the HR executive should encourage other executives in the company to seek a broader spectrum of opinions before making important strategic decisions. As more employees have input, they will feel more a part of the company, increasing loyalty and keeping talent.
- 2) How important do you think culture is to the success of a business? In what ways can getting culture right contribute to the business and getting it wrong hurt the business?
Culture helps define how the firm interacts with customers and other stakeholders. Culture serves as the conduit to help attract and retain the right people with the right capabilities, as well as guide their behavior to help maximally deliver the customer value. A dysfunctional culture, on the other hand, does not drive organizational success and hurts a firm's reputation.
- 3) Why do you think talent or people are critical to business success? In what ways do they need to be aligned to strategy?
Human resources include the experience, skill, and intelligence of employees. Talent is crucial to the success of an organization, as are the people who possess the talent. HR executives need to be aware of know what types of employee skills, behaviors, and attitudes are needed to support the strategic plan, and then develop programs to ensure that employees have those skills, behaviors, and attitudes.

Competing through Globalization

The Potential for Corporate/Government Espionage?

- 1) Do you think that Huawei might be working with the Chinese government to engage in some type of espionage? Why or why not?
Answers will vary, but should demonstrate the history of Huawei and allegations that have been made against it.
- 2) How can multinational companies ensure that they maintain a pure business focus, and not get involved in cross-country governmental issues?
This can be difficult, since governmental policies can interfere with a company's ability to do business in a foreign country. Focusing on the company's strategic goals will keep the company moving in the right direction.

Integrity in Action

Coming Clean on the Hype Regarding the "Gig" Economy

- 1) Do you think that the percentage of workers that want to work "gig" jobs will continue to grow, or do most workers really want to work for a single organization?
Answers will vary, in part depending on the students' age and experience. Older students may feel working for a company with benefits is the way to go, while younger students may appreciate the freedom and flexibility of working for oneself.

- 2) How important do you think it is for researchers to be willing to admit when they made a mistake? Why?
Research is an ongoing process that should be revisited and corrected as needed. Many factors affect outcomes in the job market and new evidence needs to be taken into account. Admitting that your results may not have been correct is an honest and professional reaction.

Competing through Technology

Technology Forces Honda to "Buy" Capabilities

- 1) Why do companies have to rely on other companies for technologies that might be central to their product? How would they make the decision as to building something in-house versus buying it from others?
Researching and creating everything in-house is expensive and time consuming. If the technology is already available, sometimes it makes sense to purchase it and not reinvent the wheel.

Competing through Environmental, Social, and Governance Practices

CEOs Focus on Culture and Talent

- 1) Why do you think CEOs have to focus so much on the talent around them?
It is important to get strategy, talent, and culture aligned and managed effectively. With the proper talent, the CEO can delegate much of the work to capable employees, freeing them to focus on strategy.
- 2) Why do you think they seem to be focused on the culture of their firms?
Most businesses have distinct cultures. If a culture does not align with the company's strategy, the company is likely to fail. In other words, a CEO must help "create a value-based culture with purpose."

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:

HRM-Strategy Linkage

Case Analysis

This activity demonstrates the importance of connecting strategy formulation with strategy implementation and describes how an optimal strategy can be created.

LO: 02-04 Describe the linkages between HRM and strategy formulation.

Difficulty: 2 Medium

Blooms: Apply

AACSB: Analytical Thinking

Topic: The Relationship between HRM and Organizational Planning; The Role of Human Resource Managers

Strategic Types & HRM Needs

Case Analysis

This activity reviews the two cost strategies companies may use, and then has students analyze and answer which one is the best fit based on this case.

LO: 02-05 Discuss the more popular typologies of generic strategies and the various HRM practices associated with each.

Difficulty: 2 Medium; 3 Hard

Blooms: Understand; Apply

AACSB: Analytical Thinking; Knowledge Application

Topic: Understand How to Formulate and Assess HR Strategies

Directional Strategies & HRM

Click & Drag

This activity asks students to identify the different HRM issues and practices associated with various directional strategies.

LO: 02-06 Describe the different HRM issues and practices associated with various directional strategies.

Difficulty: 2 Medium

Blooms: Apply

AACSB: Analytical Thinking; Knowledge Application

Topic: Integrating Human Resource Planning and Strategic Planning

The Strategic Role of HR

Click & Drag

This activity asks students to identify ways HR professionals can support organizational strategies for growth, quality, and efficiency.

LO: 02-04 Describe the linkages between HRM and strategy formulation.

Difficulty: 3 Hard

Blooms: Analyze

AACSB: Knowledge Application; Analytical Thinking

Topic: Techniques in Implementing Strategies

Connecting HRM with Strategic Planning

Click & Drag

This activity has students choosing the correct level of integration based on the specific issue involved.

LO: 02-04 Describe the linkages between HRM and strategy formulation.

Difficulty: 2 Medium

Blooms: Apply

AACSB: Knowledge Application; Analytical Thinking

Topic: Integrating Human Resource Planning and Strategic Planning

CHRO Conversations: Interview with Tim Hourigan, Executive VP of HR for The Home Depot

Video Case

This activity has students watch a video interview with the Executive Vice President of HR for The Home Depot and answer questions about the impact effective HR strategy has on organizational success.

LO: 02-01 Describe the differences between strategy formulation and strategy implementation.

Difficulty: 1 Easy; 2 Medium

Blooms: Remember; Understand

AACSB: Reflective Thinking

Topic: Techniques in Implementing Strategy