

Solutions Manual for Human Resource Management 13th Noe

SOLUTIONS MANUAL SAMPLE PREVIEW

PUBLISHER

McGraw-Hill

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2023

ISBN

9781264188895

RESOURCE TYPE

Solutions Manual

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

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- 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

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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

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benefits practices. Focus should be on their ability to identify trends in the external environment and apply them to HRM practices.

Exercising Strategy

GE: Fall of an Iconic Company

- 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?
The culture and strategy of GE led to chronic success that calcified into a culture that would not question the judgment of the CEO expecting everything to work out because it always did. The framework that allowed GE to create so many great leaders failed to see that what GE did well was question the status quo and they failed to adapt. HR needed to be more integrated into the process of developing strategy and identify the negative aspects of the culture that developed over time.
- 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?
Answers may vary but should rely on the case for examples to support the response provided. GE is a good example of a company that failed to tend to its culture and that led to the ultimate downfall of this once great company.
- 3) Why do you think talent or people are critical to business success? In what ways do they need to be aligned to strategy?
Strategy sets direction and orients employees around a common articulate mission. Employees who know the expected outcome can direct their action toward that goal—allowing your people to use their talents is critical to success.

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

Auto Dealers Sold on Employee Satisfaction

- 1) How does low employee turnover enable high performance at an auto dealership?

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Trust brings people back for service and repeat sales, and 60% turnover makes it difficult to build trusting relationships. To migrate from a transactional to relationship-oriented business the dealers have to invest in programs that will provide employees with meaning and growth.

- 2) Briefly describe another way, besides the ones given, that human resource management could help make a dealership a high-performance organization. For ideas, you might consider the organizational conditions that contribute to high performance. Responses will vary by students but should focus on efforts that are cost effective, scalable, sustainable, and create impact..

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Guidance to Chapter Cases

A Look Back

Boeing's Challenges Going Forward

- 1) What do you think might have led Boeing to make poor strategic decisions? How might an HR executive influence those decisions to be better?
Boeing'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? How did this play out at Boeing?
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. Boeing's culture was dysfunctional and focused on the wrong measures of success.
- 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

Multinational Companies Supporting Slavery?

- 1) What does or should corporate social responsibility look like for firms doing business in China?
Answers will vary but should develop a principle that can be consistently applied. Any action is should be built on transparency and full disclosure.
- 2) If your company was doing lots of business with or in China, what would you suggest they should do?
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. The company would be well served by providing frequent social audits to verify their actions.
- 3) Should multinational companies ensure that they maintain a pure business focus, and not get involved in cross-country governmental issues? Why or why not?
Answers will vary by student but should take the negative position. We expect business to act in socially responsible ways and ignorance is not an excuse for being drawn into these actions. The adage that it is "just business" is a relic of yesterday and a great movie line.

Integrity in Action

What Enforcing Ethics Looks Like: BlackRock

- 1) Are you surprised that a company would be so transparent about the firing of executives and the reasons for those firings? Why or why not?
Answers will vary, in part depending on the students' age and experience. Younger students would expect a company to boldly act and be transparent implementing their policies. Many firms today would announce that the people had departed and for privacy reasons could not discuss that separation—that is a copout.
- 2) How important is it to you that the company you work for be one that you can believe in? In what ways is this important and why?
Responses will vary by student.

Competing through Technology*Robots to Replace People or to Help Them?*

- 1) While CEO Kennedy notes that Nephron's growth continues to create new jobs, the robot Smithers certainly eliminated some jobs. What should Nephron do with those employees? Automating jobs that can be automated allows the human capital to be deployed to its best use. Employees should be retrained to do the emergent jobs, but employees with high rates of absenteeism should be managed out of the organization.
- 2) Are you concerned that someday your job might be replaced with technology? If so, what can you do to ensure that either it will not happen or that you can find new employment?
Responses will vary by student.

Competing through Environmental, Social, and Governance Practices*The Risk of Recognizing Potential Mistakes*

- 1) Do you think that Mr. Sneader made the right decision to settle regarding the OxyContin issue, or should he have had McKinsey defend its work in court?
The mistake Mr. Sneader made was acting unilaterally and not consulting his partners in such a significant decision. It is not possible to determine what was or is the correct course of action but acting as an autocrat in a decentralized organization is a known problem. The manner in which this crisis was handled brings into question the executives' judgment.
- 2) What do you think of the firm's partners not voting to renew him as the Global Managing Partner? Was that the right decision? Why or why not?
Responses will vary based on the students, but the response should be based on the culture of the company not the preference of the student.

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

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Strategic Types and 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 and 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