

Click Below To Download All Chapters

<https://moretestbank.com/product/managing-human-resources-18th-edition-solutions-manual-by-snell/>

CHAPTER 2

STRATEGY AND HUMAN RESOURCES PLANNING

CHAPTER OUTLINE

- 2.1 Strategic Planning and Human Resources Planning
 - 2.1a Strategic Planning and HR Planning: Linking the Processes
- 2.2 Step One: Mission, Vision, and Values
 - 2.2a Developing a Mission Statement
 - 2.2b HR's Role in Establishing and Reinforcing a Firm's Mission, Vision, and Values
- 2.3 Step Two: External Analysis
 - 2.3a The Business Environment
 - 2.3b The Competitive Environment
 - 2.3c HR's External Analysis
- 2.4 Step Three: Internal Analysis
 - 2.4a Core Capabilities
 - 2.4b Sustaining a Competitive Advantage Through People
 - 2.4c Types of Talent and Their Composition in the Workforce
 - 2.4d Corporate Culture
 - 2.4e Forecasting
 - 2.4f Assessing a Firm's Human Capital Readiness: Gap Analysis
- 2.5 Step Four: Formulating a Strategy
 - 2.5a Corporate Strategy
 - 2.5b Business Strategy
 - 2.5c HR Strategy
- 2.6 Step Five: Executing a Firm's Strategy
 - 2.6a HR's Role in Strategy Execution
- 2.7 Step Six: Evaluation
 - 2.7a Evaluating a Firm's Strategic Alignment

LEARNING OUTCOMES

After studying this chapter, students should be able to:

1. *Explain how human resources planning and a firm's mission, vision, and values are integrally linked to its strategy.*
2. *Understand how an organization's external environment influences its strategic planning.*
3. *Understand why it is important for an organization to do an internal resource analysis.*
4. *Explain the linkages between competitive strategies and HR.*

Click Below To Download All Chapters

<https://moretestbank.com/>

5. *Understand what is required for a firm to successfully execute a strategy and assess its effectiveness.*
6. *Describe how firms evaluate their strategies and HR execution.*

GENERATING INTEREST

Consider using a case study from the end of the chapter to generate interest and launch the discussion of this chapter. Guidance for the case studies is located at the end of the chapter in this guide.

DEALING WITH TROUBLE SPOTS

The goal of human resources planning can be described as having the right number of people with the right skills in the right place at the right time. Three factors that contribute to the challenging nature of this goal are employee turnover, absenteeism, and the cost of replacing employees. Use the chapter appendix, “Calculating Employee Turnover and Absenteeism” to focus on these issues.

LECTURE OUTLINE

Discussion Starter #1: Amazon.com has tested technology to deliver small packages to people's houses via drones.

ANSWER: Amazon.com's new drone delivery will have a massive effect on its competitive environment.

Customers. Amazon.com has stated that its Prime Air will “get packages to customers in 30 minutes or less.” For people who value speed in getting products, this could mean that Amazon.com may have more consumers doing business with the company in the future.

Rival Firms. With the introduction of Prime Air, Amazon.com's main competitors—Walmart and Target—may move into drone delivery to better compete. In fact, Walmart has already applied for a patent for drone delivery.

New Entrants. By using drone delivery, Amazon.com is making it difficult for new firms to enter the industry.

Substitutes. There will still be alternatives to use. For example, drones cannot make deliveries at nighttime or in inclement weather—something that a human driver for FedEx or UPS can do.

Suppliers. Amazon.com has Prime Air development centers in the United States, the United Kingdom, Austria, France, and Israel. Amazon.com has suppliers provide the parts for the workers at the development centers to build the drones.

Some of Amazon.com's HR practices that will be affected are recruitment and selection, training (it must train workers on how to operate the drones), and compensation.

2.1 Strategic Planning and Human Resources Planning

Figure 2.1

HR planning is an essential activity of organizations. **Strategic planning** is procedures for making decisions about the organization's long-term goals and strategies. **Human resources planning (HRP)** is the process of anticipating and providing for the movement of people into, within, and out of an organization. **Strategic human resources management** is the pattern of human resources deployments and activities that enable an organization to achieve its strategic goals.

2.1a Strategic Planning and HR Planning: Linking the Processes

Good HR managers consider human resources planning and strategic planning together. Human resources planning provides a set of inputs into the strategic *formulation* process by determining whether a firm has the types and numbers of people available to pursue a given strategy. In strategy *implementation*, the company's executives must make resource allocation decisions to implement that strategy, including decisions related to the firm's structure, processes, and human capital.

Teaching Tip: Use Figure 2.1 to discuss the connection between strategic planning and HR planning. Discuss other activities that require planning such as going on vacation, making a major purchase, and earning a college degree. This figure also serves as a map of this chapter.

2.2 Step One: Mission, Vision, and Values

The first step in strategic planning in a firm is establishing a mission, vision, and values for the organization. The **mission** is the basic purpose of the organization as well as its scope of operations. The **strategic vision** is a statement about where the company is going and what it can become in the future. **Core values** are the strong and enduring beliefs and principles that guide a firm's decisions and are the foundation of its corporate culture.

Video Highlight #1: Section 2.2: Step One: Mission, Vision, and Values

VIDEO: What's the Difference Between Mission and Vision? (5:08)

Two of the most important and yet confusing strategic decisions a business has to make are, "What is our mission?" and "What is our vision?" This video provides an explanation of how radically different the two are from each other.

<https://www.youtube.com/watch?v=b2MyaR0gMo0>

TOPICS/CONCEPTS: mission, vision, strategic vision

2.2a Developing a Mission Statement

A manager or business owner can craft a mission statement by asking basic questions about the firm, its purpose, its customers, and its values.

2.2b HR's Role in Establishing and Reinforcing a Firm's Mission, Vision, and Values
HR managers help embody the firm's mission, vision, and values within the organization by communicating, recruiting and hiring, and behaving with those values in mind.

2.3 Step Two: External Analysis Figure 2.2
Figure 2.3
Figure 2.4

On an ongoing basis, firms analyze external opportunities and threats. A **SWOT analysis** is a comparison of one's strengths, weaknesses, opportunities, and threats for strategy formulation purposes. **Environmental scanning** is the systematic monitoring of the major external forces influencing the organization.

2.3a The Business Environment
A firm's **business environment** (sometimes called the remote environment) is the factors in the external environment that a firm cannot directly control but that can affect its strategy and performance. The business environment includes the following:

- economic changes (booms and recessions)
- ecological changes (climate change)
- technological changes (automation and Internet)
- demographic and social changes (labor market and social attitudes)
- legal and regulatory changes (laws and administrative rulings)

2.3b The Competitive Environment
The **competitive environment** consists of a firm's specific industry, including the industry's customers, rival firms, new entrants, substitutes, and suppliers. The more power each of these forces has, the less profitable (and therefore attractive) the industry will be. The following five factors affect the competitive environment:

- customers (create value customers want)
- rival firms (know the competition)
- new entrants (establish entry barriers)
- substitutes (adjust employee skill bases)
- suppliers (key inputs are raw materials, money, information, and people)

Teaching Tip: Use Figure 2.2 to discuss the five forces framework. Ask students to identify a local business and identify how the five forces are affecting it.

Stakeholders are key people and groups that have an interest in a firm's activities and that can either affect them or be affected by them. A firm has primary stakeholders with a direct stake in the firm and secondary stakeholders who can affect or be affected by the company.

Teaching Tip: Use Figure 2.3 to discuss the difference between primary and secondary stakeholders. What happens if primary stakeholders don't want to be involved or secondary stakeholders want to be too involved?

2.3c HR's External Analysis

Firms evaluate themselves against other firms. **Benchmarking** is the process of looking at a firm's practices and performance in a given area and then comparing them with those of other companies. Information can be categorized as human capital metrics and HR metrics.

Sources of information include the following:

- published documents (U.S. Department of Labor)
- hiring and recruiting metrics
- informal media (blogs, press releases, etc.)

Teaching Tip: Use Figure 2.4 to discuss the information that can be collected and how it is used.

Discussion Starter #2: What external forces influence a firm's strategy?

ANSWER: The external forces that influence a firm's strategy are customers, rival firms, new entrants, substitutes, and suppliers, as outlined in Figure 2.2.

Note: This question is identical to EOC Discussion Question #2.

EOC Discussion Question #2: What external forces influence a firm's strategy?

2.4 Step Three: Internal Analysis

Figure 2.5

Figure 2.6

Figure 2.7

Figure 2.8

Figure 2.9

Figure 2.10

Organizations analyze their own strengths and weaknesses.

2.4a Core Capabilities

Core capabilities are integrated knowledge sets within an organization that distinguish it from its competitors and deliver value to customers. **Value creation** is what a firm adds to a product or service by virtue of making it; the amount of benefits provided by the product or service once the costs of making it are subtracted. Value creation as a cost–benefit scenario is value = benefits – costs.

Core capabilities can consist of a combination of three resources: (a) processes (standard routines for how work will be done), (b) systems (technologies), and (c) people.

2.4b Sustaining a Competitive Advantage Through People

Organizations can achieve a sustained competitive advantage through resources—people—if they meet the following criteria:

- The resources must be valuable.
- The resources must be rare.
- The resources must be difficult to imitate.
- The resources must be organized.

***EOC Discussion Question #3:** What criteria must be met if firms are to achieve a competitive advantage through their employees?*

2.4c Types of Talent and Their Composition in the Workforce

Managers make personnel decisions based on skill groups that can be classified according to the degree to which they create strategic value and are unique to the organization. The following segments are represented in Figure 2.5:

- Strategic knowledge workers (unique skills linked to the company's strategy that are difficult to replace—sales and finance in Figure 2.5)
- Core employees (valuable skills that are not unique—customer service and quality control in Figure 2.5)
- Supporting workers (less central skills that are generally available—distribution and manufacturing in Figure 2.5)
- Complementary (external) partners (external workers with unique skills not related to the company's core strategy—management, R&D partners, and legal in Figure 2.5)

Teaching Tip: Use Figure 2.5 to discuss the types of workers and examples of each type. Ask students the job tasks that might be unique, valuable but not unique, and generally available.

2.4d Corporate Culture

Cultural audits are audits of the culture and quality of work life in an organization. They can help firms decide upon the strategic investments and maneuvers to which their cultures lend themselves.

To conduct a cultural audit, a firm asks its employees how they feel about several issues. The most widely used cultural audit questionnaire is the Organizational Cultural Assessment Instrument (OCAI). It helps identify four distinct types of corporate culture shown in Figure 2.6:

- “Clan” culture (closely knit, concerned for one another and their customers, loyal and cohesive)
- “Adhocracy” culture (risk-taking, innovation, and entrepreneurial)
- “Market” culture (competitive and result-oriented)
- “Hierarchical” culture (formal structures and procedures, efficiency, and stability)

Teaching Tip: Use Figure 2.6 to discuss the types of organizational culture. Ask students how an organization's culture affects customers.

2.4e Forecasting

Managers focus on forecasting at least three key elements: (a) forecasting the demand for labor, (b) forecasting the supply of labor, and (c) balancing supply and demand considerations. Figure 2.7 will be useful to initiate a classroom discussion on forecasting.

Teaching Tip: Use Figure 2.7 to discuss the techniques and considerations involved when forecasting supply and demand. Ask students to evaluate local supply and demand for different jobs.

Forecasting a Firm's Demand for Employees

The two approaches to HR forecasting are quantitative and qualitative.

- Quantitative approaches involve the use of statistical or mathematical techniques. **Trend analysis** is a quantitative approach to forecasting labor demand based on a factor such as sales.
- Qualitative approaches are less statistical. **Management forecasts** are the opinions (judgments) of supervisors, department managers, experts, or others knowledgeable about the organization's future employment needs.

Ideally, forecasting should include the use of both quantitative and qualitative approaches. Numbers without context are less useful.

Forecasting the Supply of Employees

An organization must determine whether sufficient numbers and types of employees are available to staff the openings it anticipates having.

Teaching Tip: Use Figure 2.8 to discuss the Markov analysis method. Ask students to suggest the advantages and disadvantages of using only Markov analysis. For example, it is based on actual data, but it doesn't consider management's experience to evaluate the data.

Several methods are available, including the following tools:

- Staffing Tables and Markov Analyses—These tools focus on the number of employees. A **staffing table** is a table that shows a firm's jobs, along with the numbers of employees currently occupying those jobs and future (monthly or yearly) employment requirements. A **Markov analysis** is a method for tracking the pattern of employee movements through various jobs in a firm. **Quality of fill** is a metric designed to measure how well new hires that fill positions are performing on the job.

- Skill Inventories and Management Inventories—These tools focus on the types of employees. **Skills inventories** are files of personnel education, experience, interests, skills, and so on that allow managers to quickly match job openings with employee backgrounds.
- Replacement Charts and Succession Planning—**Replacement charts** are listings of current jobholders and people who are potential replacements if an opening occurs. **Succession planning** is the process of identifying, developing, and tracking key individuals for executive positions. **Talent reviews** are strategic meetings to determine if a company has the human resources it needs to compete in the future.

Teaching Tip: Use Figure 2.9 to discuss replacement charts. Ask students how replacement and succession planning provide security for an organization.

EOC Discussion Question #1: Identify the three key elements of the human resources planning model and discuss the relationships among them.

2.4f Assessing a Firm's Human Capital Readiness: Gap Analysis

Human capital readiness is the process of evaluating the availability of critical talent in a company and comparing it to the firm's supply.

Teaching Tip: Use Figure 2.10 to discuss the assessment of human capital readiness and how it is used. The example demonstrates the information considered when assessing readiness.

2.5 Step Four: Formulating a Strategy

Figure 2.11

Managers use a SWOT analysis to formulate a corporate strategy.

Teaching Tip: Use the information about Liz Claiborne in Figure 2.11 to discuss the process of creating a corporate strategy from a SWOT analysis.

2.5a Corporate Strategy

A firm's corporate strategy includes the markets in which it will compete, against whom, and how. A concentration strategy focuses on a portion of the industry.

Growth and Diversification

Strategy execution differs based on the company's maturity. Growth requires the following elements:

- increased employee productivity
- a greater number of employees
- employees developing or acquiring new skills

Mergers and Acquisitions

Merging companies often streamline their costs by eliminating duplicate functions. Failures can be caused by cultural inconsistencies and conflicts among the managers of each firm.

Strategic Alliances and Joint Ventures

Sometimes, firms pursue cooperative strategies such as a strategic alliance or joint venture. HR assesses culture compatibility, identifies potential problems, helps the companies work together, and designs performance assessment and mutual incentives for the alliance.

2.5b Business Strategy

Business strategy is more focused than corporate strategy on how the company will compete against rival firms to create value for customers.

Low-Cost Strategy: Compete on Productivity and Efficiency

A low-cost strategy means keeping costs low enough so that a company can offer an attractive price to customers relative to its competitors. This strategy focuses on efficiency, productivity, and minimizing waste. HR planning is involved in several ways:

- Increase productivity.
- Outsource to companies that can perform activities or services equally well (or better) at a lower cost.

Differentiation Strategy: Compete on Unique Value Added

Compete by providing something unique and distinctive to customers. A differentiation strategy is often based on delivering a high-quality product, innovative features, speed to market, or superior service.

2.5c HR Strategy

HR strategy must work with corporate and business strategies. The firm must focus on its workers and how they mesh. HR managers should analyze the subcultures in the company and ensure that they work together with the right corporate strategies to succeed.

Discussion Starter #3: Explain the difference between a firm's corporate strategy and business strategy. Why do firms need to look at both aspects?

ANSWER: Corporate strategy can be thought of more as domain selection, whereas a firm's business strategy is more focused on navigation of the domain in which the company competes. The firm's ability to do well ultimately depends on the choices it makes in both arenas. Therefore, both strategic focuses need to be honed.

Note: This question is identical to EOC Discussion Question #4.

EOC Discussion Question #4: Explain the difference between a firm's corporate strategy and business strategy. Why do firms need to look at both aspects?

2.6 Step Five: Executing a Firm's Strategy

Figure 2.12

Strategy execution, not the strategy itself, determines a firm's success. The "4As" are required for successful strategy execution:

- Alignment (shared performance expectations and accountability)
- Agility (proactive in the face of change)
- Architecture (structures, processes, and systems)
- Ability (talent capacity)

Teaching Tip: Use Figure 2.12 to discuss the 4As framework of execution capability. Ask students what happens if one of these requirements is missing.

2.6a HR's Role in Strategy Execution

Managers translate strategic priorities into functional areas of the organization.

Remaining Agile

HR agility is achieved in two ways:

- Coordination agility (ability to rapidly reallocate resources to new or changing needs)
- Resource agility (resources that can be used in different ways and people who can perform different functions in different ways)

Reconciling Supply and Demand

Demand for a firm's products is based on business forecasts. Supply considerations involve filling employee vacancies to meet the forecasted demand for products. Organizations can hire, outsource, and lay off employees or adjust work hours in a variety of ways.

EOC Discussion Question #5: Why is it often difficult for a firm to match its strategy to HR deliverables?

2.7 Step Six: Evaluation

Figure 2.13

Figure 2.14

Reevaluation and assessment are important for business. To evaluate their performance, firms need objectives and metrics.

2.7a Evaluating a Firm's Strategic Alignment

HR and the requirements of an organization's strategy must be aligned. Fit can be vertical or horizontal.

Vertical Fit/Alignment

Vertical fit (or *vertical alignment*) focuses on the alignment of the business's objectives with the major initiatives undertaken by HR. Their capabilities must be aligned with its value proposition.

Horizontal Fit/Alignment

HR practices should be aligned with one another internally to establish a configuration that is mutually reinforcing. All of HR's practices need to focus on the same objectives.

Teaching Tip: Use Figure 2.13 to discuss horizontal alignment. Ask students which elements might need to be adjusted.

Strategic Alignment and the Balanced Scorecard

A **balanced scorecard** ((BSC)) is a measurement framework that helps managers translate strategic goals into operational objectives. The model uses four related fields:

- Financial
- Customer
- Processes
- Learning

Teaching Tip: Use Figure 2.14 to discuss balanced scorecards. Ask students how the fields are related.

Video Highlight #2: Section 2.7a: Evaluating a Firm's Strategic Alignment

VIDEO: Communicating Strategy with the Balanced Scorecard (3:23)

Robert S. Kaplan is the Marvin Bower Professor of Leadership Development, Emeritus at the Harvard Business School. In this video, Kaplan explains the importance of using the balanced scorecard to communicate a company's strategy to its employees. Kaplan uses examples of real-world companies in his discussion.

<https://www.youtube.com/watch?v=QM9SLX4icu0>

TOPICS/CONCEPTS: strategic, balanced scorecard, strategic alignment

EOC Discussion Question #6: *What steps does the firm need to take to execute its strategy and measure the results?*

ANSWERS TO END-OF-CHAPTER DISCUSSION QUESTIONS

1. Managers focus on (at least) three key elements: (1) forecasting the demand for labor, (2) forecasting the supply of labor, and (3) balancing supply and demand considerations. Employment forecasting estimates the numbers and types of people needed to meet organizational objectives. Supply analysis then determines if the numbers and types of people needed are available either externally or internally. The final step in HRP is to balance the required number of employees with those available. If inconsistencies exist, changes in the staffing requirements or firm's strategy may be needed.
2. The external forces that influence a firm's strategy are customers, rival firms, new entrants, substitutes, and suppliers, as outlined in Figure 2.2.
3. The human capital must be valuable, rare, difficult to imitate, and organized in a way that enables their talents to be combined and deployed to work on new assignments at a moment's notice.
4. While we think about corporate strategy as domain selection, business strategy is viewed in terms of domain navigation. It is more focused on how the company will compete against rival firms to create value for customers. A firm's HR strategy must work in tandem with its corporate and business strategies. Getting the right number and kinds of people in the right places at the right times doing things that benefit them and the firm is no small task. Therefore, both strategic focuses need to be honed.
5. Strategy alone does not differentiate high- from low-performing firms. The true differentiator between winners and losers turns out to be, not what their strategies were, but how well the strategy was executed. The 4As—alignment, agility, architecture, and ability—are required to successfully execute a strategy.
6. HR managers first gauge demand based on forecasted trends in business activity using both quantitative and qualitative methods. The *Monthly Labor Review* and *Occupational Outlook Handbook*, published by the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor, as well as local chambers of commerce and individual state development and planning agencies compile labor market analyses (quantitative). The firm's functional managers should also provide a qualitative assessment of the labor supply the firm will need. This involves both tracking current staffing levels and making projections about the levels the firm will have to compete strategically in the future. Tools like staffing tables, Markov analysis, skills inventories, replacement charts, and succession planning charts can help managers with this process. Balancing the two—labor supply and demand—then requires HR managers to take action—either by actively recruiting full- or part-time employees with the skills the firm believes it will need, hiring temporary employees, trimming back employees via attrition or downsizing, or outsourcing and offshoring employees.

HRM EXPERIENCE

Customizing HR for Different Types of Human Capital

To understand the different roles that employees play in an organization's strategy, divide into groups of three and ask each student to role-play the three employees described. Each student should include the strategic importance of the employee. How would the absence of a position affect the organization?

NOTES FOR END-OF-CHAPTER CASE STUDIES

Case Study 1: How a Strategy Change Led to Nike's Formation

1. Management is ultimately responsible for formulating strategy, but they use input from employees. Therefore, students could argue that both are responsible.
2. Students could suggest a variety of problems, such as the lack of financial resources, finding a manufacturer, and making Onitsuka into a rival.

Case Study 2: Domino's Tries to Get Its Strategic Recipe Right

1. Domino's was able to offer a different value proposition than anyone else was offering as well as align its people, processes, and systems to "deliver" against that promise. This is unlike anything else offered by any other company. For this reason, Domino's was able to set itself apart from its competition.
2. Yes, Domino's approach is working as the turnover has dropped and customer satisfaction has increased. This is because Domino's invested in training and retaining good store managers who were able to motivate their team and produce good results. Additionally, Domino's was able to create a new value proposition for its food, for example, introducing a wide variety of new products.

FLIP TIPS

Group Activity

To understand the important relationship between HR functions and competitive advantage, divide into groups of three and answer the following questions:

- Why are HR functions important?
- What do you understand from the term *competitive advantage*?
- What is the relationship between HR functions and competitive advantage?

- How can HR functions be used to gain competitive advantage in a market? Cite examples.

APPENDIX

CALCULATING EMPLOYEE TURNOVER AND ABSENTEEISM

This appendix shows students how to measure employee turnover and absenteeism to manage their impact on the firm.

A.1 Employee Turnover Rates

Employee turnover is the movement of employees out of an organization.

A.1a Computing the Turnover Rate

Method 1 to calculate the turnover rate:

$$\frac{\text{Number of separations during the month}}{\text{Total number of employees at midmonth}} \times 100$$

Method 2 to calculate the turnover rate:

$$\frac{S - US}{M} \times 100 = T(\text{turnover rate})$$

S is avoidable separations; US is unavoidable separations; M is total number of employees at midmonth

A.1b Determining the Costs of Turnover

The costs of turnover can generally be broken down into three categories:

- separation costs for the departing employee
- replacement costs
- training costs for the new employee

These costs are conservatively estimated at two to three times the monthly salary of the departing employee.

Teaching Tip: Introduce the notion of “unavoidable separations.” Is there ever a case in which firms might want to induce turnover? Ask students to suggest examples.

A.2 Employee Absenteeism Rates

The absenteeism rate is how frequently employees are absent from their work.

Absenteeism causes direct costs. Indirect costs may underlie excessive absenteeism.

A.2a Computing Absenteeism Rates

“Absence” does not have a universally accepted definition or a standard formula for computing absenteeism rates. The method most frequently used is that recommended by the U.S. Department of Labor.

$$\frac{\text{Number of worker-days lost through job absence during period}}{\text{Average number of employees} \times \text{number of workdays}} \times 100$$

A.2b Comparing Absenteeism Data

Comparison with other organizations may be made by referring to Bureau of Labor Statistics data reported in the *Monthly Labor Review*.

A.2c Costs of Absenteeism

The cost of each person hour lost to absenteeism is based on the hourly weighted average salary, costs of employee benefits, supervisory costs, and incidental costs.

A.2d Absenteeism and HR Planning

HR managers should study their firm’s absenteeism statistics to determine whether there are patterns in the data. This way, line managers can determine where and how to improve attendance.

Teaching Tip: Show students how to calculate absenteeism rates based on the U.S. Department of Labor’s formula shown in this section in the appendix. Then show them a copy of the absenteeism statistics in the *Monthly Labor Review*. Do the statistics surprise them? As HR managers, have them discuss what actions they could take if they found absenteeism to be too high in their firms or different areas of their firm.