

CHAPTER 2

CASE ANALYSIS: Hershey aligns Training with Strategy

Tips: Aligning training activities with the goals and strategy of the organization has been the top priority of HR and HRD leaders for many years. The Hershey Foods case presented exemplifies this process. Hershey realizes that doing this ensures that training dollars are put to the best use. Here are some questions you might want to discuss with the students after they have finished reading the case study and the section on Strategic Planning.

1. **What kind of strategy did Hershey use, a proactive strategy or a reactive strategy?**

Hershey used a proactive strategy, which focused on long term and used more analytical and decision-making tools. The purpose of Hershey's strategy was to build a good fit between the organization and its future environment.

2. **How should HRD be involved in shaping strategy in the Hershey case?**

The success of the strategy depended on the competencies of the workforce. Without knowing the competencies of the individuals, the organization does not know whether it has the capacity to successfully implement the change. The HRD unit should be involved in shaping strategy at all levels.

3. **Did Hershey choose a market leader strategy or a cost leader strategy? Why?**

Hershey chose a market leaders strategy by focusing on marketing and partnering with its shareholders. The strategic objective was not to be the low-cost provide in the industry, but to find and exploit new product and market opportunities. Success in a market leader strategy depends on the capacity of the organization to survey a wide range of environmental conditions, trends, and events and to move quickly into windows of opportunity

4. **What were the internal and external strategies for Hershey's Blue Chip?**

In the Hershey Foods case, the Blue Chip program was the external strategy. Internally, this meant that sales people would be required to negotiate effectively with their customers and that trade funding allocations would be based on new criteria. Thus, some of the internal changes required were the development of negotiating competencies for the sales force (training needs), the reward system that acted to reinforce the appropriate behavior of the sales force, and the decision-making system for allocating the trade funding dollars (nontraining needs). Two key factors in the internal strategy are the organization's core technology (how the principal products or services are created) and its structure (e.g., division of labor, policies, and procedures). Since the Hershey case didn't require changes in the product, but only in the behavior of employees, it was only the structure that needed to be changed to align with the new strategy.

CASE QUESTIONS

CASE ANALYSIS: Strategic Planning at MHC

Tips: This is a difficult case for many undergraduate students because of the lack of experience and education in the strategic planning area. Thus, you may wish to revise, modify, or otherwise change the types of questions you ask for this case. Should you go with the questions that we've provided, you might look at their ordering and decide if it creates the ordering of thought sequences that you would like your students to go through.

Our recommendations for how to effectively utilize the case method are covered in Chapter 7 of the text and in Section 1 of this instructor's manual. After the students have analyzed the case you might wish to share what actually took place in the case such as the following

- MHC's board of directors intervened two years after this case ended and developed a new strategic plan in which the subsidiaries were spun off as an independent corporation.
- The HRPS had been implemented down through the middle management level and during this process several presidents of the divisions retired or left for other opportunities.
- A standardized executive compensation system was developed which took into account the cost of living and level of responsibility.
- The HRD function was merged with the OD function into a new department called Organizational and Human Performance Systems, which was directed by Ms. Brown, reporting directly to the President and CEO.
- MHC returned to profitability two years following the board's intervention and is still operating as a successful health-care organization.

1. Describe MHC's strategy in terms of market position. Also, identify the type of external environment MHC is operating in and the degree to which the strategy matches the environment.

Issues for Analysis

Strategy: The strategy is to be both a market leader and a cost leader. The subsidiaries are to focus on development of new medical technologies (market leader) and transfer those technologies to the divisions. They will also transfer the costs of development. The divisions are to adopt a cost leader strategy, providing adequate services at the lowest possible cost. The link between the market leader side of this strategy and the corporate mission deserves closer examination. The strategic plan itself has some inherent contradictions. While these can be overcome with some restructuring of the organizations, the transfer of the new technologies and their associated development costs damages the cost leader strategy of the divisions. Under this

strategy the divisions must accept the costs they have no control over and will be unable to predict. Cost leader organizations are typically not the first to adopt new technologies or products, even if they lower costs in the long run. This is because the costs are much greater for initial adoption. Efficiencies are higher by waiting until the new technologies are proven and the technology has been offered to the broader market. Students should contrast these issues with their effects on the subsidiaries. MHC's strategy reduces the return on the subsidiaries new technology by requiring it to be first adopted in the divisions with only developmental cost paybacks. This increases the time until the subsidiaries are able to offer the technology on the open market where they will be able to realize substantial profit margins.

Environment: The environment that MHC operates in is relatively uncertain. Key external influences on the organization include the following: technology changes, regulatory changes, changing demands from customers, and changing rules from third party payers (insurers and government). The legal environment is also a major influence but few changes are occurring in this area. An issue for students to think about with respect to environment is that the environmental factors that are key to research and development companies are not the same as for health-care provider organizations. For example, the legal environment for health-care provider organizations centers on medical malpractice and employment law. That of medical R&D companies centers on testing and approval of new technologies and procedures. Students should recognize and describe how the differing environments will influence the effectiveness of the dual strategy and the ability of the organizations to work together.

2. *Identify the type of structure MHC currently uses in its primary businesses. Describe the fit between the structure and the competitive strategy. Describe any structural adjustments MHC should make to maximize the effectiveness of the strategy.*

Issues for Analysis:

Organizational Design

MHC has specific rules around setting up partnerships that prohibits setting up partnerships between the subsidiary and regional offices. The subsidiary corporations will have to pay for development and acquisition costs and the regional offices will have to pay to implement the technology and work out any problems with it. This creates a conflict of interest because eventually the subsidiaries will sell the product to competitors cheaper than they will be able to sell it to the regions. This will result in profits for the subsidiary corporations and losses for the regions. MHC needs to allow the subsidiaries to partner with regions or individual hospitals to provide equity and mutual gains. Alternatively, MHC could make the subsidiaries autonomous units that could partner with any other company, thus relieving the hospitals of the obligation to bear the developmental costs of the new technology.

Decision Autonomy

There is much decision making autonomy across the divisions resulting in different policies, office procedures and pay scales. While this is appropriate for a Market Leader strategy, it is not consistent with a Cost Leader strategy. Decision making needs to be more centralized in the divisions if the cost reduction strategy is to be successful.

Division of Labor

Labor is extremely divided with over 30 hospitals and four subsidiary corporations located in 17 states. There are over 10,000 employees and each hospital has its own functional staff with a CEO that reports to an EVP. Thus, labor is organized by geography and by hierarchical position within the health care side of the company. This is consistent with a Cost Leader strategy.

3. Identify any areas where current management KSAs are not aligned with effective implementation of the competitive strategy.

Issues for Analysis: According to the case, some MHC regional and divisional executives do not have the KSAs needed to implement the cost reduction strategy. In addition, some the people in the rural areas haven't kept up with technology advances. MHC has some managers who know about cost cutting and new technologies implementation, but unfortunately the HR Corporate department has not identified them. Also, the attitude toward the subsidiary corporations needs to change. Regions and divisions need to work together as partners to implement new medical technology innovations. HR processes have many deficiencies resulting in the lack of alignment of the KSAs throughout the organization with the strategic plan. People in the same position, but at different locations, have different skills, knowledge and attitudes and there is no system evaluating the KSA required for each position in one part of the corporation compared to another. Thus, the HR KSAs in the organization are deficient.

4. Describe how MHC should go about addressing the KSA deficiencies you have identified in the previous question. Your answer should be consistent with the mission and values of MHC.

Issues for Analysis: Answers to this question will depend on how the student has approached the previous questions. However, without a clear understanding of the current employee competencies, little can be done by way of matching employee KSAs to the needs of the competitive strategy. Thus, students should indicate that the development of the HRPS would provide critical data for the shaping of the HR strategy and tactics.

In addition the student should indicate that HRD should use the Training Process Model presented in Chapter 1 of the text. Using this model, MHC must first perform a need analysis to identify the training needs; then it must set the training objectives and design the training programs to facilitate learning and then develop the training so that it applies it to the relevant work activities needed to implement the MHC strategy. Finally, HRD has to evaluate the training results and determine if all the training objectives were met. If not met, then a process analysis needs to be performed to determine which aspects of the process need to be modified to reach the desired outcomes.

5. Assume that you are the HRD manager and the competitive strategy was given to you prior to its adoption. Using principles and concepts from the chapter, what recommendations would you give to the Strategic planning team?

Issues for Analysis: The student should indicate that the HRD manager should advise the Planning Team of the fact that many key players in the implementation of the strategy do not have the competencies needed to carry out the strategy. At the same time the manager needs to emphasize to them importance of implementing a system to identify KSA needs for carrying out the strategy. The HRD manager would need to provide the strategy team with timelines for likely completion of such a project. Additionally the manager needs to advise them of the time it will take to get a sufficient number of key people trained, so that the strategy can be implemented with some assurance of success.

6. Given the strategy, what tactical activities can the HR unit in general, and HRD specifically, develop to support the strategy (be sure to include the implementation of the HRIS)? Identify sources of support and sources of resistance to these tactical activities and point out any areas in which collaborating with the OD unit would be advisable.

Issues for Analysis: First, HR will need to implement an HRIS system that will help keep track of employees, positions, job descriptions, salary, and performance evaluation data across the regions. Second, they need to create a recruitment and selection process that will also include succession planning. Third, they need to develop the goals, job barriers, and competency requirements for all positions in the organization. Fourth, they will need to complete the training process model which includes a training needs analysis, design, development, implementation, and evaluation. There will be support from non-management employees because they will now have the ability to apply for other positions instead of feeling held back or overlooked. There will be resistance from management because they may feel their positions or power will be threatened while MHC tries to create equitable employment and personnel practices. Organizational Development will be essential in the implementation of the new strategy because it will require a slight culture change within MHC. Technical design, cultural, and political issues will be apparent throughout the strategy implementation and Organizational Development should be involved from the first step.

The second half of the case provided information related to support and resistance to changes being planned. In particular the discussion surrounding the survey of the Corporate, Regional and hospital top management demonstrated their differing views related to the HRIS (e.g., who has access, who makes decisions, etc.) and indicated that hospital CEOs were resistant to a HRIS system as this would reduce areas under their control. In addition driving forces for change are the rapid advancement in medical technologies that reduce the need for in-patient healthcare resulting in an increase of outpatient services and the history of MHC operating losses. These forces create support from the corporate executives. Barriers or restrainers to the new strategy include current organizational structure and the undefined needs of the workforce. A major force restraining change is the changing criteria for executive level performance and promotions.

EXERCISES

1. *Conduct an analysis of HRD's environment at the company you work for (if you're going to school and don't work use the school's environment). What are the opportunities and threats to HRD in that environment? What demands is the environment making on the HRD department?*

Tips: This is best used as an individual exercise. After students have conducted the analysis, have them share their results with the rest of the class or within small groups. As the student identifies the characteristics of the environment, record them into categories (regulatory, legal, market, technology, etc.) Note the degree to which that aspect of the environment is changing. Based on the number of factors and rate of change, have the group reach consensus on the level of certainty in the environment by using the following scale

1	2	3	4	5	6	7	8	9	10
Very				Somewhat					Very
Uncertain				Uncertain					Certain
Unpredictable								Unpredictable	

Have the student(s) identify the opportunities and threats for the HRD department. Place these on a flip chart or board under one of the following headers reflecting the organization's environment: "Uncertain", "Moderate", and "Certain." After a number of these have been completed (or, if in small groups, all of them) have the students identify any relationships they see between type of environment and types of threats and opportunities.

2. *Form groups of 3-5 people with one of them being a person who has been provided with training by their employer within the last two years. Have this person explain the company's mission to the rest of the group. Then have the person describe the type of training they received. The group's task is to try to determine the linkage between the training and the mission.*

Tips. This exercise is intended for participatory learning rather than student evaluation. First you will need to determine who has been provided with training by their employer in the last year. You will hope that you have enough people to form groups of 3-5 people, one of whom has had the training. In some cases the student may not know the mission statement and in others the student may work for a company without a mission statement. This itself is good information for discussion. How is training perceived when there is no mission? Sometimes it is useful to have students develop "what the mission should be" based on the training. This, of course is backwards, but it reinforces the need for the link between mission and training. If there are not enough people who have been trained in the last year to form small groups, you may want to do this with larger groups or as a full class exercise.

3. *Identify two organizations that have different environments and core technologies. Describe what these differences are. Indicate how the HRD strategies of these companies might be similar or different. Provide a rationale for your conclusions based on the concepts in this chapter.*

Tips: This is a repeat of the exercise in Chapter 1. The idea this time is to see if the student's depth of understanding of these issues has increased after reading the chapter. If the exercise in

Chapter 1 was not assigned, this can be used anyway. If the assignment is graded, focus should be placed on the student's/group's ability to display an understanding of the connections between environment, core technology, and HRD strategy. Comparisons students have come up with include Disney and a community college and Wal-Mart vs. Motorola. Students usually like this exercise, especially if they can work in groups and choose among several different examples. If done in groups, the individual members should be assigned to each bring in a different company and complete the analysis. These are then shared among the group members and two are selected for presentation to the class (or turned in to the instructor or both).

4. Examine the mission at the institution you are attending. Examine the one for your area of study (if it has one). Do the two relate? On the basis of the mission and objectives, do a SWOT analysis using interviews with administrators or using your own expertise. What major changes are indicated? How will they affect the way courses will be taught? What training might be necessary to meet these changes?

Tips: This can be an individual or group exercise, but given its scope is probably best done as a group exercise. The purpose is to get the students to

- 1) Look at the connection between the mission of the institution (e.g., university) and the mission of the area of study (e.g., business school). The lack of convergence between the two suggests the area of study might be less able to assist in meeting the mission of the institution.
- 2) Experience what it is like to conduct a SWOT analysis and draw conclusions about what actions are indicated. An example would be the emergence of online programs from private and public institutions as a potential threat to the university

or area of study. An internal analysis of strengths and weaknesses would show whether the institution and area of study were prepared to compete in this area. The training recommended by the students should address the weaknesses with respect to opportunities and threats.

5. Identify (through personal knowledge or research) an organization that uses HRD as a part of its competitive strategy. What role does HRD play in that strategy and how is HRD involved in implementing the strategy?

Tips: Here we are looking for the student's ability to identify HRD components in an organization's competitive strategy. A reasonable example, though a bit dated, is provided below.

Ford Motor Company relied on their HRD organization in the construction of their Ford 2000 competitive strategy. Ford 2000 was developed because the company's leadership believed that a new approach was needed for building cars and trucks. To accomplish this strategy, employees would need to learn how to work in teams, cooperate cross-functionally, and use advanced techniques for operating processes (e.g., quality, inventory, and efficiency). Most of the support for Ford 2000 has come from the company's Process Leadership Office. Many of those are HRD professionals.

Ford's HRD organization has been heavily involved in a variety of task designed to support the company's strategies. HRD's involvement has included assisting in the redesign of the

company's organizational structure. They have identified the KSA deficiencies, and worked to eliminate these by bringing in outside expertise to assist in the design and delivery of all strategy related training. HRD has also participated in the launch of a new, global Human Resource Management system. During the last two years a team of HRD and Information System professionals have worked to customize software to meet HRM and HRD needs. It is clear that Ford sees HRD as a critical component to achieving its competitive strategy.

QUESTIONS FOR REVIEW

1. Why is the external environment important to an enterprise and its people? Can changes in the external environment be avoided? Explain with suitable examples.

The external environment consists of elements that are critical to strategy formulation. These include the economy, competitors, social norms and values, legal requirements, availability of raw materials, and use of technology. The nature, complexity, and stability of the environment determine the level of certainty that the organization operates with. The more complex and changing the environment is, the more flexible organizations must be to adapt to it. Hence, the external environment cannot be directly controlled by organizations, but, by choosing the right market strategy, the organizations can minimize the impact of changes in the environment. For example, with the advent of social networking sites as an important source of news and record of happenings, even the television media has become a mite slower in providing information about the latest happenings. The common man now has the power to record and report incidents, which only reporters could do earlier. Rather than competing with these individuals, news channels have to be more innovative in identifying them and procuring information through them.

2. What are the major factors influencing the alignment of internal strategies to external strategies?

An external strategy relates to the market factors, and is determined by the mission of the organization. The organization needs to make changes to its strategy while remaining true to the overall mission. The internal strategy has to be aligned to the external strategy, and includes changes to the technology and structure. Technology is the way in which work is done in the organization; it includes the tools and processes used, as well as the manner in which it is done. Structure is the way in which the firm is organized: hierarchy levels, rules, policies, and procedures, and the level of decision-making given to the employees.

3. In what ways does HRD play a significant role in improving strategy development and choice?

An organizational strategy is based on the demands of the external environment. Hence, the HR strategy can be ascertained from the overall strategic plan. The HR strategy determines the development strategy in an organization, and hence, the training strategy. Large organizations having a stable environment where training needs do not change rapidly often choose to do the training themselves. So, there is an 'in-house' training strategy that is developed and provided by the HRD department. An approach to reducing centralization and cost is to use technology and provide electronic or online training. Another important decision is whether the training function needs to be outsourced. The outsource strategy is more appropriate for organizations whose

training needs vary continuously and—to a large extent—over short periods of time, or where the business unit is too small to have a separate training function. The mixed strategy is to use a combination of both the above strategies: to have a small training team, and outsource some of more complex training requirements that need specialized skills.

4. How can a training requirement be determined from a strategic plan?

Training activities need to be aligned with the organization strategy in order to be effective. Training focuses on planned changes in order to make employees capable of meeting strategic requirements. Hence, the training requirement focuses on building capability that helps employees perform well. The strategic plan determines the type of KSAs required by employees to meet those plans.