

## CHAPTER 2 – ALIGNING HR WITH STRATEGY

### MULTIPLE CHOICE

1. What is the primary reason that strategic HRM aligns HR policies, practices, and philosophies with organizational strategy?
  - a. to develop new methods to deliver training and orientation
  - b. to constrain undesirable behaviours within an organization
  - c. to ensure that the institutional memory remains current
  - d. to facilitate the attainment of organizational strategy

ANS: D                      REF: Page 33                      BLM: Higher Order

2. What is the purpose of strategic HRM?
  - a. to ensure the effective functioning and survival of the organization and its members
  - b. to implement the planning, timing, and delivery of an effective organizational strategy
  - c. to motivate and attract employees who will internalize the organization's culture
  - d. to emerge as an industry leader with numerous distinct competencies and a competitive advantage

ANS: A                      REF: Page 33                      BLM: Remember

3. To the HR practitioner, what does human capital incorporate?
  - a. knowledge, commitment, values
  - b. commitment, experience, culture
  - c. experience, knowledge, skills
  - d. skills, values, culture

ANS: C                      REF: Page 35                      BLM: Remember

4. What does it mean if an organization's human capital ROI is \$3?
- a. For every dollar an organization invests in human capital, the employees will generate \$3 in return.
  - b. For every dollar an organization invests in human capital, the employees will generate \$3 in revenue.
  - c. For every dollar an organization invests in human capital, the employees will generate \$3 in capital assets.
  - d. For every dollar an organization invests in human capital, the employees will generate \$3 in productivity.

ANS: A                      REF: Page 36                      BLM: Higher Order

5. If you accept the emerging view of HRM, into how many areas should HR be divided?
- a. Two
  - b. Three
  - c. Four
  - d. Five

ANS: A                      REF: Page 33                      BLM: Remember

6. According to concurrent strategy formulation, when does strategy development occur?
- a. prior to when HRM issues are considered
  - b. simultaneously when HRM issues are considered
  - c. subsequent to when HRM issues are considered
  - d. mutually exclusive of when HR issues are considered

ANS: B                      REF: Page 46                      BLM: Higher Order

7. According to Google, which of the following does NOT produce innovative behaviours from employees?
- a. selecting people with high creativity
  - b. providing employees with time and freedom to innovate
  - c. motivating innovation through incentive programs
  - d. stimulating opportunities for job enlargement

ANS: D                      REF: Page 37                      BLM: Higher Order

8. When the HR training department teaches individuals a new customer service computer program, the HR recruiting department must work together with the HR training department to hire individuals with comparable computer skills. What is this collaborative approach called?
- a. cross-functional HR practices
  - b. industry-consistent HR practices
  - c. exemplary HR practices
  - d. bundling HR practices

ANS: D                      REF: Page 50                      BLM: Higher Order

9. What two items does an organization match together in the human capital perspective of HRM?
- a. Values of employees and the organization's budget
  - b. capacity of employees and the organization's motivation
  - c. capabilities of employees and the organization's strategy
  - d. creativity of the employees and the organization's goals

ANS: C                      REF: Page 36                      BLM: Remember

10. At Sears, which of the following will NOT be an impact on customers if employees are trained to change their behaviours?
- a. customer satisfaction
  - b. customer retention
  - c. customer sales
  - d. customer appreciation

ANS: D                      REF: Page 37                      BLM: Higher Order

11. In the text, Sears demonstrates that there is a link between employee behaviour and the company's performance. What two employee attitudes had the greatest significance on employee retention and behaviour toward the company?
- a. perceptions about their value and about their compensation
  - b. perceptions about their jobs and about the company
  - c. perceptions about their performance and about their training
  - d. perceptions about their retention and about their career plans

ANS: B                      REF: Page 37                      BLM: Higher Order

12. Costs incurred in training, motivating, compensating, and monitoring employees can be viewed as investments in human capital which result in gains to productivity per worker. How does this type of investment yield such gains?
- a. by matching the business strategy to the external environment
  - b. by matching the capabilities of employees with the corporate strategy
  - c. by matching the needs of the employees to their desires for empowerment
  - d. by matching the HR strategy to the potential employee competencies

ANS: B                      REF: Page 36                      BLM: Higher Order

13. Which of the following is NOT a risk associated with strategic HR planning?
- a. losses in productivity
  - b. over-concern with employees' reactions
  - c. impossible commitments to employees
  - d. information overload

ANS: A                      REF: Page 40                      BLM: Remember

14. Payroll represents a routine activity which must be done for the organization to operate on a daily basis. What term best describes this type of activity?
- a. transitional
  - b. transactional
  - c. temporal
  - d. transformational

ANS: B                      REF: Page 33                      BLM: Higher Order

15. According to the textbook, which company did NOT modify its strategy when external environment conditions changed and went bankrupt?
- a. Marks and Spencer
  - b. Consumers Distributing
  - c. Eaton's
  - d. Woolco

ANS: B                      REF: Page 40                      BLM: Remember

16. Which of the following does NOT align human resources strategy with business strategy?
- a. Start with organizational strategy and create HR strategy.
  - b. Start with HR competencies and create corporate strategy.
  - c. Start with HR strategy and create HR competencies.
  - d. Start with business strategy and create HR strategy.

ANS: C                      REF: Page 40                      BLM: Higher Order

17. If IBM introduces a new software package in January, Microsoft can probably imitate or duplicate this package by February of the same year. However, if IBM technical support people are trained and motivated to provide “knock your socks off service”, Microsoft will have a difficult time imitating this service within a month. This is an example of how employees can provide a competitive advantage. What theory is being applied here?
- a. behavioural perspective
  - b. resource-based view
  - c. human capital
  - d. strategic management

ANS: B                      REF: Page 34                      BLM: Higher Order

18. In many ways, HR strategy generates the business strategy, and business strategy determines the HR strategy. What is the concept that describes this relationship?
- a. reciprocal strategy
  - b. reciprocal partnerships
  - c. reciprocal dependence
  - d. reciprocal interdependence

ANS: D                      REF: Page 46                      BLM: Higher Order

19. According to the textbook, which company does NOT support a low-cost provider strategy?
- a. Chapters
  - b. McDonalds
  - c. Zellers
  - d. Timex

ANS: A                      REF: Page 41                      BLM: Remember

20. What does McDonald's "no unique response" system mean?
- a. that employees are not expected to contribute ideas
  - b. that employees are not expected to communicate formally
  - c. that employees are not expected to accommodate customer inquiries
  - d. that employees are not expected to respond beyond a basic standard

ANS: A                      REF: Page 41                      BLM: Higher Order

21. Fit is an important consideration when designing HR programs. What is it called when an organization fits its HR strategy to its organizational strategy?
- a. internal fit
  - b. best fit
  - c. external fit
  - d. organizational fit

ANS: C                      REF: Page 50                      BLM: Remember

22. What kind of strategy is an organization using if it attempts to pay wages slightly below industry norms?
- a. Outsourcing
  - b. Compensation
  - c. Differentiation
  - d. Lag

ANS: D                      REF: Page 42                      BLM: Higher Order

23. What percentage of payroll do Canadian organizations typically pay for fringe benefits for their employees?
- a. 20%
  - b. 25%
  - c. 30%
  - d. 35%

ANS: C                      REF: Page 42                      BLM: Remember

24. According to the textbook, what is the annual turnover rate for organizations using a low-cost provider strategy?
- a. 100%
  - b. 200%
  - c. 300%
  - d. 400%

ANS: C                      REF: Page 43                      BLM: Remember

25. According to the textbook, which of the following does NOT use a differentiation strategy?
- a. BMW
  - b. Polo Ralph Lauren
  - c. Rolex
  - d. IBM

ANS: D                      REF: Page 43                      BLM: Remember

26. If a company uses a differentiation strategy, what is it more concerned with relative to equity with the external market?
- a. pay structures
  - b. compensation strategy
  - c. pay for performance
  - d. internal equity

ANS: D                      REF: Page 44                      BLM: Higher Order

27. According to classical economics, what are the three most important resources or inputs?
- a. labour, capital, land
  - b. capital, knowledge, land
  - c. knowledge, economics, land
  - d. economics, assets, land

ANS: A                      REF: Page 35                      BLM: Remember

**TRUE/FALSE**

1. Professional certification is NOT a human capital asset.

ANS: F                      BLM: Higher Order                      REF: Page 35  
(is)

2. The statistical technique in HR examining, demand forecasting, and resource supply is based on a linear relationship.

ANS: T                      BLM: Remember                      REF: Page 37

3. In order to retain valuable employees, Google gave all its employees a 20% raise in 2010.

ANS: F                      BLM: Remember                      REF: Page 32  
(10% raise + bonus)

4. A clearly written mission statement typically increases turnover.

ANS: F                      BLM: Remember                      REF: Page 39  
(decreases)

5. Recently HR departments have been required to move from demonstrating real value to articulating perceived value.

ANS: F                      BLM: Higher Order                      REF: Page 38  
(reverse)

6. Google established a human analytics function to study its human capital.

ANS: F                      BLM: Remember                      REF: Page 32  
(talent analytics)

7. The aggregate of all employees' knowledge is an example of human capital.

ANS: T                      BLM: Remember                      REF: Page 35

8. A possible drawback to strategic HR planning includes a greater amount of time required for decision making.

ANS: T                      BLM: Higher Order                      REF: Page 40



9. Traditionally the HRM program influenced the creation of the corporate strategy.

ANS: F  
(did not)

BLM: Remember

REF: Page 41

10. Human resources management used to be called the personnel department.

ANS: F  
(personnel management)

BLM: Remember

REF: Page 33

11. From the human capital perspective, companies should invest in their employees.

ANS: T

BLM: Higher Order

REF: Page 35

12. Human resources create competitive advantage for organizations, which reflects a resource-based view.

ANS: T

BLM: Higher Order

REF: Page 34

13. According to the resources-based view, the less a resource can be imitated, the more it contributes to competitive advantage.

ANS: T

BLM: Higher Order

REF: Page 34

14. Michael Porter estimates that it takes approximately 5 years to duplicate a competitive edge in human resources.

ANS: F  
(7 years)

BLM: Remember

REF: Page 34

15. There is a negative relationship between the amount of money spent on training employees and the perceived value of human capital.

ANS: F  
(positive)

BLM: Higher Order

REF: Pages 35–36

16. Making decisions such as how to best use human capital is an example of a transactional activity in HR.

ANS: F  
(transactional = payroll)

BLM: Higher Order

REF: Page 33

17. The HR senior manager team moves from insider status to outsider status with strategic HRM.

ANS: F  
(reverse)

BLM: Higher Order

REF: Page 46

18. Almost 70% of Canadian organizations indicated they had difficulty recruiting quality candidates.

ANS: F  
(80%)

BLM: Remember

REF: Page 34

19. A resource-based view of HR involves the thinking that different strategies require different behaviours from employees, which in turn are influenced by different HR practices.

ANS: F  
(behavioural)

BLM: Higher Order

REF: Page 36

20. Human capital refers to the collective sum of the attributes, experience, knowledge, and commitment that employees choose to invest in their work.

ANS: T

BLM: Remember

REF: Page 35

21. A firm's human resources are more valuable for sustained competitive advantage than technological and physical resources.

ANS: T

BLM: Higher Order

REF: Page 35

22. There are NO risks to developing an HR strategy.

ANS: F  
(are risks)

BLM: Remember

REF: Page 40

23. Human resource professionals recognize the need to play a more strategic role within the organization, but many executives do not.

ANS: T

BLM: Remember

REF: Page 47

## SHORT ANSWER

1. *Define Strategic Human Resources Management and discuss some of the major elements it encompasses.*

ANS:

Strategic HRM is a set of interrelated practices, policies and philosophies whose goal is to enable the achievement of organizational strategy. These practices, policies, and philosophies form a system that attracts, selects, develops, trains, and motivates employees to ensure the effective functioning and survival of the organization and its members.

REF: Page 33      BLM: Remember

2. *What is human capital? What comprises human capital?*

ANS:

Human capital is the sum of employees' knowledge, skills, experience, and commitment invested in the organization. It is an intangible asset that is comprised of all the knowledge, education, vocation qualifications, professional certifications, work-related experience, and competence of an organization's employees.

REF: Page 35      BLM: Remember

3. *What employee skills do employers look for if they have a differentiation strategy?*

ANS:

- Creative behaviour
- Long-term focus
- Interdependent activity
- Risk-taking
- Ability to work in ambiguous and unpredictable environment
- Broad skills
- Highly involved
- Open communication
- Ability to communicate
- Willingness to accept feedback

REF: Page 43      BLM: Higher Order

4. *Identify and describe THREE ways that HR processes can be linked to business strategy.*

ANS:

I. Start with organizational strategy and then create HR strategy.

- a. Corporate strategy drives HR strategy — personnel needs are based on corporate plans (see McDonald's example in text).
- b. Resources are made to "fit" the corporate and business strategies. HR follows the corporate strategy.
- c. Employees are considered a means to an end, not part of the strategy formulation equation.

II. Start with HR competencies and then craft corporate strategies based on these competencies.

- a. This view argues that organizations cannot implement a strategy if they do not have the necessary human resources.
- b. Tap into employee capabilities to develop new products and services.

III. Do a combination of both in a form of a reciprocal relationship.

- a. HR strategy contributes to business-level strategy and *vice versa*.
- b. Senior HR Vice-Presidents are asked to provide input to strategic plans based on HR strategy and to generate the strengths and weaknesses for each plan.
- c. HR determines business strategy, and business strategy determines HR strategy (*reciprocal interdependence*).

REF: Pages 41–46 BLM: Higher Order

5. *What are the THREE ways in which HR becomes a strategic business partner?*

ANS:

- a. *Concurrent strategy formulation* — strategy development based on environmental analysis is conducted at the same time as HRM strategy.
- b. The HR senior management team moves from outsider status to insider status in terms of business decision-making.

- c. HR managers must understand the language of business or the outcome expectations of non-profit organizations. This includes analyses presented by marketing, financial, and operational managers.

**Note to instructors:** Stress this very important HR role to the students. HR must be a full partner in the business to have full credibility. HR professionals must develop strong partnerships with line managers in the organization to best achieve business goals.

REF: Pages 46–47 BLM: Higher Order