

Name: \_\_\_\_\_ Class: \_\_\_\_\_ Date: \_\_\_\_\_

**chapter 2**

*Indicate whether the statement is true or false.*

1. Google established a human analytics function to study its human capital.
  - a. True
  - b. False
  
2. Traditionally, the HRM program influenced the creation of the corporate strategy.
  - a. True
  - b. False
  
3. There is a negative relationship between the amount of money spent on training employees and the perceived value of human capital.
  - a. True
  - b. False
  
4. The advantages of an organization with effective HR practices may come from having better resources, but it also comes from making better use of these resources
  - a. True
  - b. False
  
5. Making decisions, such as how to best use human capital, is an example of a transactional activity in HR.
  - a. True
  - b. False
  
6. There are NO risks to developing an HR strategy.
  - a. True
  - b. False
  
7. According to the resources-based view, the less a resource can be imitated, the more it contributes to competitive advantage.
  - a. True
  - b. False
  
8. Human resources management used to be called the personnel department.
  - a. True
  - b. False
  
9. A clearly written mission statement typically increases turnover.
  - a. True
  - b. False
  
10. The statistical technique in HR examining, demand forecasting, and resource supply is based on a linear relationship.
  - a. True
  - b. False

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11. 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.
- a. True
  - b. False
12. The HR senior manager team moves from insider status to outsider status with strategic HRM.
- a. True
  - b. False
13. Almost 70 percent of Canadian organizations indicated they had difficulty recruiting quality candidates.
- a. True
  - b. False
14. Michael Porter estimates that it takes approximately five years to duplicate a competitive edge in human resources.
- a. True
  - b. False
15. A firm's human resources are more valuable for sustained competitive advantage than technological and physical resources.
- a. True
  - b. False
16. In order to retain valuable employees, Google gave all its employees a 20 percent raise in 2010.
- a. True
  - b. False
17. Human resource professionals recognize the need to play a more strategic role within the organization, but many executives do not.
- a. True
  - b. False
18. From the human capital perspective, companies should invest in their employees.
- a. True
  - b. False
19. Recently HR departments have been required to move from demonstrating real value to articulating perceived value.
- a. True
  - b. False
20. "Human capital" refers to the collective sum of the attributes, experience, knowledge, and commitment that employees choose to invest in their work.
- a. True

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b. False

21. The goals of these HRM strategies are to shape employee behaviour so that it is consistent with the direction the organization identifies in its strategic plans.

- a. True
- b. False

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

- a. True
- b. False

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

- a. True
- b. False

24. Professional certification is NOT a human capital asset.

- a. True
- b. False

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

- a. True
- b. False

*Indicate the answer choice that best completes the statement or answers the question.*

26. 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

27. 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

28. According to the textbook, what is the annual turnover rate for organizations using a low-cost provider strategy?

- a. 100 percent
- b. 200 percent
- c. 300 percent

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d. 400 percent

29. Selective hiring, extensive training, and competitive pay are HR practices that could make an organization more successful. What term best describes this type of activity?

- a. transitional
- b. transactional
- c. high-performance
- d. transformational

30. 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

31. 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

**32. Swimco**

*Swimco is a beach- and resort-wear retailer based in Calgary, Alberta, with operations in 22 retail stores across Western Canada. In 2014, it launched its web store. It believes that everyone deserves to feel good in a swimsuit. Swimco provides a unique "fit expert" customer service that permits the store to support a customer value-pricing strategy. To achieve this strategy, the product is a unique mix-and-match swimsuit design that gives customers the ability to create a swimsuit that fits perfectly. The company also provides a real-time "live chat" that is staffed with experienced fit consultants so customers always receive quality service.*

What is the primary reason that Swimco's HRM leadership team aligns their HR policies, practices, and philosophies with their organizational strategy?

- a. to facilitate the attainment of top talent
- b. to ensure that the HR system remains current with the internal environment
- c. to ensure that the HR system remains current with the external environment
- d. to facilitate the attainment of organizational strategy through their HR systems

33. What does it mean if an organization's human capital return on investment 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.

**34. Swimco**

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Through its e-commerce initiative, Swimco is transitioning from local to national in its market position. What type of strategy is Swimco adopting?

- a. restructuring
- b. divestiture
- c. business
- d. growth

35. According to Google Inc., 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

36. Payroll represents a routine activity that 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

### **37. Ten Tree Apparel**

*Ten Tree Apparel is a Regina-based company devoted to producing all its clothing responsibly and locally. It uses only 100 percent organic cotton and unprocessed hemp to create premium-priced contemporary clothing that is unique. Ten Tree Apparel’s clothing comes with a distinctive environmental bonus. For every piece of clothing a customer purchases, Ten Tree Apparel plants ten trees. The brand believes in a social enterprise model of business that can inspire a new group of consumers to tackle environmental challenges through reforestation efforts.*

Ten Tree Apparel is most likely to gain a sustained competitive advantage through its people by using which of the following programs?

- a. market niche with lower cost
- b. broad differentiation
- c. low-cost provider
- d. market niche with differentiation

38. 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?

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- 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

**39. Ten Tree Apparel**

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Why is strategic HR planning important to Ten Tree Apparel?

- a. The planning process itself results in improved goal attainment.
- b. The implementation results in an effective organizational strategy.
- c. It motivates and attracts high-performing employees.
- d. It helps achieve competitive advantage through distinct employee competencies.

40. Which of the following is NOT a risk associated with strategic HR planning?

- a. losses in productivity
- b. overconcern with employees' reactions
- c. impossible commitments to employees
- d. information overload

41. Which of the following does NOT align human resources strategy with business strategy?

- a. starting with organizational strategy and then creating HR strategy
- b. starting with HR competencies and then creating corporate strategy
- c. starting with HR strategy and then creating HR competencies
- d. starting with business strategy and then creating HR strategy

42. 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

**43. Swimco**

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*a unique “fit expert” customer service that permits the store to support a customer value-pricing strategy. To achieve this strategy, the product is a unique mix-and-match swimsuit design that gives customers the ability to create a swimsuit that fits perfectly. The company also provides a real-time “live chat” that is staffed with experienced fit consultants so customers always receive quality service.*

Why might Swimco’s current focus on quality online customer service be an effective strategy for the retailer?

- a. Swimco’s online quality customer service is a low-cost, low-price, basic design strategy.
- b. Swimco’s online quality customer service is variable and substitutable like the strategies it applies.
- c. Swimco’s online quality customer service is inspirational to both its customers and its employees.
- d. Swimco’s online quality customer service is unique, and strategic mimicry by other swim wear retailers is difficult to achieve.

44. 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

45. 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

46. According to the textbook, which company did NOT modify its strategy when external environment conditions changed and subsequently went bankrupt?

- a. Marks & Spencer
- b. Consumers Distributing
- c. Eaton’s
- d. Woolco

47. Costs incurred in training, motivating, compensating, and monitoring employees can be viewed as investments in human capital that 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

### **48. Swimco**

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*fits perfectly. The company also provides a real-time “live chat” that is staffed with experienced fit consultants so customers always receive quality service.*

“Our company is committed to making our customers feel confident in swimwear so they can be free to enjoy some of the best experiences of their lives.” What type of statement is this quote an example of?

- a. attitude
- b. policy
- c. strategic
- d. value

49. What percentage of payroll do Canadian organizations typically pay for fringe benefits for their employees?

- a. 20 percent
- b. 25 percent
- c. 30 percent
- d. 35 percent

50. 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

### **51. Ten Tree Apparel**

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Ten Tree Apparel is most likely to gain a sustained competitive advantage through its people by using which of the following programs?

- a. one in which employees are motivated through training and reward initiatives
- b. one in which employee talent is organized, difficult to imitate, rare, and valuable
- c. one in which employees are empowered and engaged in their work
- d. one in which employees have skills and knowledge that are transferable to many positions.

### **52. Swimco**

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It is particularly important for Swimco to define and develop the behaviours necessary to achieve their organizational capabilities of innovation and customer care. What theory is Swimco applying to its strategic management?

- a. behavioural perspective
- b. resource-based view
- c. human capital
- d. strategic management

53. 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

54. Four Seasons Hotels competes on service excellence. It invests in HR systems for service quality, such as selecting, training, and rewarding employees' service-related skills. What theory is being applied by Four Seasons Hotels.

- a. service quality
- b. resource-based view
- c. human capital
- d. behavioural

55. 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

56. 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

57. 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

### **58. Swimco**

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Which of Porter’s competitive business strategies is Swimco applying?

- a. low-cost provider
- b. broad differentiation
- c. market niche with lower cost
- d. market niche with differentiation

59. Fit is an important consideration when designing HR programs. What is it called when an organization fits its HR strategy to other functional areas?

- a. internal fit
- b. best fit
- c. external fit
- d. organizational fit

60. 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

61. According to the textbook, which of the following does NOT use a differentiation strategy?

- a. BMW
- b. Polo Ralph Lauren
- c. Rolex
- d. IBM

### **62. Swimco**

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When planning, Swimco’s corporate leadership team reviewed the company’s business plans not only to ensure consistency with their HR strategy but also to provide input to their strategy, based on HR strengths and weaknesses.

What approach is Swimco using to link its HR processes to their strategy?

- a. It is starting with organizational strategy and then creating HR strategy.
- b. It is starting with HR competencies and then creating corporate strategy.
- c. It is starting with HR competencies and then creating corporate strategy.

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- d. It is doing a combination of both business strategy and HR strategy in a form of reciprocal relationship.
63. 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
64. The purpose of HR strategy is to capitalize on the distinctive competencies of the organization and add value through the effective use of human resources. Effective HRM strategies include external and internal fit, and a focus on results. Explain external and internal fit.
65. What are the three ways in which HR becomes a strategic business partner?
66. What employee skills do employers look for if they have a differentiation strategy?
67. What is human capital? What comprises human capital?
68. Identify and describe three ways that HR processes can be linked to business strategy.
69. Identify an organization you are familiar with (such as from your work experience or from the course textbook). Describe one reason why strategic planning is important to your chosen organization. Provide an example.
70. Define “strategic human resources management” and discuss some of the major elements it encompasses.
71. Describe two reasons why strategic planning is important to organizations.

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**Answer Key**

1. False

2. False

3. False

4. True

5. False

6. False

7. True

8. False

9. False

10. True

11. False

12. False

13. False

14. False

15. True

16. False

17. True

18. True

19. False

20. True

21. True

22. True

23. True

24. False

25. True

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26. c

27. b

28. c

29. c

30. c

31. a

32. d

33. a

34. d

35. d

36. b

37. b

38. b

39. a

40. a

41. c

42. b

43. c

44. d

45. d

46. b

47. b

48. d

49. c

50. d

51. b

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52. a

53. a

54. c

55. d

56. c

57. a

58. b

59. a

60. d

61. d

62. d

63. d

64. HR programs must align with, or fit, the overall strategy of the organization. If the business strategy is to differentiate from competitors based on superior service, then selection and training programs should be developed to hire and train people in the skills and behaviours necessary to deliver superior service.

We look at two types of internal fit: a fit with other functional areas, such as marketing, and a fit among all HR programs. Fit with other functional areas is important. If the marketing department is developing an advertising plan that promises 24-hour access to customer service representatives, but the HR plan does not include compensation differentials for shift work, the overall marketing strategy might fail. HR programs must also be consistent with each other; that is, training, selection, and appraisal must work together to support a strategy. If the training department decides to teach employees to use the Internet to handle customer service, the staffing department must hire people who either are computer literate or who have the kinds of intelligence that enable them to learn computer skills rapidly.

65. 1. *Concurrent strategy formulation* – strategy development based on environmental analysis is conducted at the same time as HRM strategy.

2. The HR senior management team moves from outsider status to insider status in terms of business decision-making.

3. 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.

66. · creative behaviour

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- 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

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

68. 1. 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.

2. 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.

3. 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 into 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*).

69. There are at least two reasons that strategic HR planning is so important: (1) employees help an organization achieve success because they are strategic resources, and (2) the planning process itself results in improved goal attainment.

Example: Strategic HRM can improve an organization's performance. The goals of these HRM strategies are to shape employee behaviour so that it is consistent with the direction the organization identifies in its strategic plans. An articulated vision for the future may result in a more effective organization through increased motivation and performance, lowered absenteeism and turnover, and heightened stability, satisfaction, and involvement. HR Planning Today 2.2 illustrates how HSBC Canada used HR planning to facilitate a strategic change.

70. 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.

71. There are at least two reasons why strategic HR planning is so important: (1) employees help an organization achieve success because they are strategic resources, and (2) the planning process itself results in

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improved goal attainment.