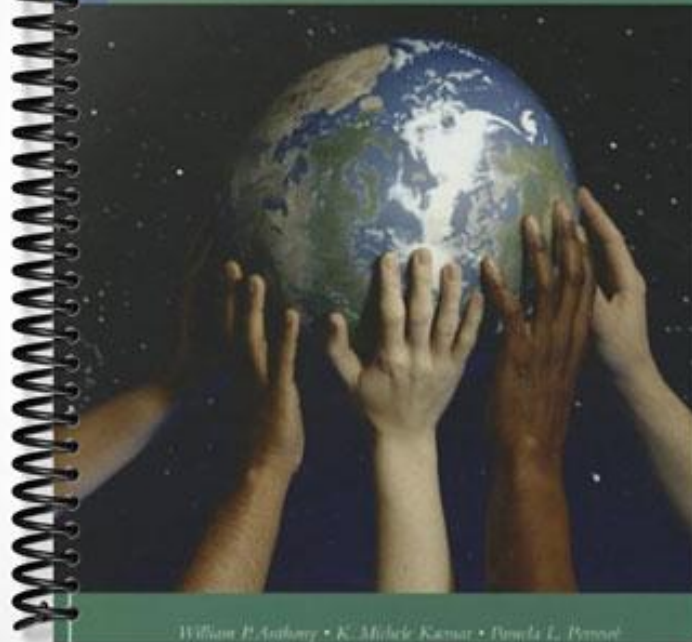


**TEST BANK**

HUMAN RESOURCE  
MANAGEMENT  
*A Strategic Approach*



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## Chapter 2

### Formulating a Corporate and Human Resource Strategy

#### True/False

1. When formulating a corporate strategy, managers must consider several strategic choices.

Answer: True      Page: 43      Easy

2. Three primary factors that influence strategy formulation are competitor actions, environmental opportunities and threats, and an organization's internal strengths and weaknesses.

Answer: True      Page: 43      Difficult

3. Future orientation is not a key concept in the strategy formulation process.

Answer: False      Page: 44      Easy

4. Strategy is goal oriented, and goals exist from the past.

Answer: False      Page: 44      Easy

5. Strategy is heavily laden with the personal philosophies and codes of ethics of key decision makers in an organization.

Answer: True      Page: 44      Moderate

6. Constituent groups are the same as stakeholders.

Answer: True      Page: 45      Moderate

7. An example of a stakeholder from outside the firm is a supplier.

Answer: True      Page: 45      Moderate

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8. Stakeholders' interests cause strategy formulators to compromise.

Answer: True Page: 46 Difficult

9. Societal forces do not play a role in the strategy formulation process.

Answer: False Page: 47 Difficult

10. Underlying societal forces heavily affect strategy formulation in individual organizations.

Answer: True Page: 48 Easy

11. One of the two key strategies for human resource management is decline, where management tends to recruit primarily at the entry level and promote from within.

Answer: False Page: 48 Difficult

12. When an organization adopts a political strategy that emphasizes cost cutting, the decision has a profound impact on human resource strategies in all phases of human resource activity.

Answer: False Page: 50 Moderate

13. Overall corporate strategy should drive functional, including human resource, strategies.

Answer: True Page: 53 Difficult

14. Human resource managers have only recently suffered from the staff- line conflict that tends to arise in many organizations.

Answer: False Page: 54 Difficult

15. Human resource managers have long enjoyed the success of being considered both a line and staff function.

Answer: False Page: 54 Difficult

16. A company should ensure that people who staff the human resource unit are competent, well trained, and experienced in the various human resource functions.

Answer: True Page: 55 Easy

17. Line-staff conflict can always be completely eliminated

Answer: False Page: 56 Moderate

18. A human resource audit often discovers unanticipated results.

Answer: True Page: 59 Moderate

19. An audit of the turnover rate would involve examining the company image in the community.

Answer: False Page: 59 Difficult

20. The formulation of a proper strategy for a particular firm is organization vague.

Answer: False Page: 59 Difficult

### **Multiple Choice**

21. Which of the following is true about Southwest Airlines, according to the case at the beginning of the chapter?

- a. It was following a retrenchment strategy.
- b. It recently had to develop a human resource unit.
- c. There is poor employee morale at the company.
- d. Its strategy could be characterized as one of high efficiency and good service.
- e. Many of its positions had to be changed from full to part time.

Answer: d Page: 40 Moderate

22. Customers seem to enjoy dealing with Southwest Airlines mainly because of the airline's commitment to

- a. bottom line.
- b. production capacity.
- c. the customer and to the company.
- d. competition and government.
- e. labor unions.

Answer: c Page: 41 Moderate

23. According to top management at Southwest Airlines, the company hires for attitude and
- a. creates a labor union.
  - b. trains for skills.
  - c. generates employee attrition.
  - d. manifests acquisitions and mergers.
  - e. initiates organizational developmental programs.

Answer: b            Page: 42            Easy

24. When formulating a corporate strategy, managers must consider several
- a. strategic choices.
  - b. recruiting procedures.
  - c. employment tests.
  - d. background checks.
  - e. interviewing techniques.

Answer: a            Page: 43            Moderate

25. When formulating a corporate strategy, managers must consider several strategic choices. To make the appropriate choice, the following should be addressed **except**
- a. improving its position in the marketplace.
  - b. ensuring continued sales growth.
  - c. ignoring its ever-changing environment.
  - d. determining its operating environment.
  - e. information required influencing its environment.

Answer: c            Page: 43            Difficult

26. In large organizations where the power is diffused, the philosophy and ethical values of decision makers shape
- a. labor unions.
  - b. competition.
  - c. governmental units.
  - d. strategy.
  - e. business agents.

Answer: d            Page: 44            Easy

27. For years, General Motors has been known as a company that widely distributes decision authority for strategy formulation among members of its
- a. executive committee.
  - b. staff consultants.
  - c. labor unions.
  - d. advisory committee.

Answer: a            Page: 44            Moderate

28. The personal values and ethics of individuals on the executive committee at General Motors come into play involving the following decisions **except**
- a. product safety.
  - b. product design.
  - c. labor costs.
  - d. fuel economy.
  - e. labor union formation.

Answer: e            Page: 44            Difficult

29. Employees want more wages and job security, stockholders want more dividends and higher stock prices and customers want
- a. higher prices.
  - b. increased productivity.
  - c. quality products and services at the lowest prices.
  - d. decreased competition.

Answer: c            Page: 46            Moderate

30. An individual or group who attempts to buy a majority share of a company's stock is a
- a. business agent.
  - b. corporate raider.
  - c. staff consultant.
  - d. human resource specialist.
  - e. management.

Answer: b            Page: 46            Easy

31. Societal forces are the trends in

- a. organizational strategies.
- b. culture.
- c. politics.
- d. b and c only
- e. all of the above

Answer: d          Page: 47          Moderate

32. What type of employees will be needed by firms in a growth mode?

- a. employees good at repetition and who are predictable
- b. employees who are risk takers and who are innovative
- c. employees at the entry-level who accept that promotion comes from within
- d. employees who are loyal and accept that length of service is rewarded

Answer: b          Page: 48          Moderate

33. Organizations try to

- a. ignore social forces.
- b. dramatically change social forces.
- c. position themselves to capitalize on social trends.
- d. avoid finding information about social trends.

Answer: c          Page: 48          Easy

34. Societal forces in organizations have a tremendous influence on

- a. formation of labor unions.
- b. calculated risk in the future.
- c. creation of advisory boards.
- d. strategy formulation.

Answer: d          Page: 48          Difficult

35. According to Cynthia Fisher, there are two growth strategies that impact human resource management. These strategies are classified as
- a. operating/tactical plans.
  - b. centralized/de-centralized authority.
  - c. growth/mature strategies.
  - d. closed/union shops.

Answer: c            Page: 48            Moderate

36. What type of incentive structure will exist in mature-defender—cost competitor firms?
- a. heavy use of performance incentives
  - b. profit sharing, stock options, and bonuses
  - c. hierarchical wage structures based on job evaluation
  - d. modest base salaries

Answer: c            Page: 48            Difficult

37. The cost-cutting strategies of the 1980s had an impact on all of the following human resource strategies **except**
- a. hiring.
  - b. placement.
  - c. pay.
  - d. layoffs.
  - e. production bottlenecks.

Answer: e            Page: 50            Difficult

38. What is true about corporate and functional/human resource strategy?
- a. Corporate strategy always drives functional strategies.
  - b. The formulation of corporate strategy is interactive with functional strategies.
  - c. The formulation of corporate strategy follows functional strategy formulation.
  - d. Functional strategies always drive corporate strategies.

Answer: b            Page: 50            Moderate



39. Human resource strategy is now considered to be closely allied or linked to overall
- a. corporate strategy.
  - b. business plans.
  - c. performance appraisal.
  - d. job analysis.

Answer: a            Page: 51            Moderate

40. No longer is human resource strategy simply personnel management strategy with operative employees driven by overall
- a. corporate strategy.
  - b. degree of responsibility.
  - c. chain of command.
  - d. degree of authority.
  - e. strategic operations.

Answer: a            Page: 53            Difficult

41. According to Michael Porter, the human resource management function can help an organization achieve a(n)
- a. labor cost increase.
  - b. competitive advantage
  - c. cost differential.
  - d. production bottle neck.

Answer: b            Page: 53            Easy

42. One of the key internal considerations for ensuring overall success of a company's strategy is
- a. economic conditions.
  - b. human resource management.
  - c. government regulations.
  - d. technological analysis

Answer: b            Page: 53            Difficult

43. A management consultant advises that the critical skills, capabilities, and efforts required of human resources should be reflected in a company's
- a. mission statement.
  - b. operating manual.
  - c. labor contract.
  - d. recruiting procedure.
  - e. standing plans.

Answer: a            Page: 53            Moderate

44. Human resources management is generally seen as a way to connect a company's upper level strategic decisions to the lower-level day to day
- a. business strategies.
  - b. objectives or goals.
  - c. tasks of employees.
  - d. organization policy.
  - e. procedures and rules.

Answer: c            Page 53            Moderate

45. An application that allows managers to set goals for each department and employee is a(n)
- a. computer program
  - b. standing policy.
  - c. operating rule.
  - d. labor contract

Answer: a            Page 53            Difficult

46. According to Hazel O'Leary, in an address to several hundred human resource professionals, she stated that all jobs are woven together to meet
- a. labor demands.
  - b. employee needs.
  - c. agency goals.
  - d. public awareness.
  - e. welfare concerns.

Answer: c            Page: 53            Moderate

47. In a study done by Mark Huselid, he discovered that a well-formulated human resource strategy and extensive management of human resources led to
- a. employer downsizing.
  - b. re-engineering of jobs.
  - c. job redesign.
  - d. improved company performance

Answer: d          Page: 53          Difficult

48. Extensive human resource management improves a companies use of
- a. labor turnover.
  - b. quality and performance of employees.
  - c. productive costs.
  - c. employee attrition.
  - d. fringe benefits.

Answer: b          Page: 53          Moderate

49. Proper human resource planning and management lead to improved employee performance and to
- a. downsized organization
  - b. discontinue human relations
  - c. develop responsibility gaps
  - d. decertify labor unions
  - e. improved company performance

Answer: e          Page: 53          Easy

50. A company's cost-cutting strategy would include
- a. many employees gaining promotion.
  - b. increased wages.
  - c. employees taking early retirement.
  - d. increased market share.
  - e. collective bargaining.

Answer: c          Page: 54          Easy

51. The following are sources of staff-line conflict **except**
- a. in some organizations, human resource units are given too wide a latitude.
  - b. in some organizations, human resource units serve as police units.
  - c. in some organizations, human resource units are well trained and professional.
  - d. in some organizations, human resource units see themselves as not supporting line managers but rather directing them.

Answer: c            Page: 54            Difficult

52. In many organizations, human resource units serve as
- a. labor unions.
  - b. police units.
  - c. quality circles.
  - d. management teams.

Answer: b            Page: 54            Easy

53. To reduce line-staff conflict, the human resource unit's role should be clearly spelled out in the
- a. corporate policy.
  - b. operating procedure.
  - c. implicit rules.
  - d. marketing plan.
  - e. labor union contract.

Answer: a            Page: 55            Moderate

54. The following are reasons a human resource audit is done **except**
- a. to downsize the HR unit.
  - b. to downsize the operating units.
  - c. to determine if programs are performing as planned.
  - d. to get unanticipated results.

Answer: b            Page: 56            Moderate

55. Which of the following is NOT a way to do a human resource audit?

- a. through historical costs
- b. in-house
- c. using third-party consultants
- d. using lawyers

Answer: a            Page: 58            Moderate

56. The following are ways to collect data for a human resource audit **except**

- a. surveys.
- b. questionnaires.
- c. tacit knowledge.
- d. observation.
- e. data reviews.

Answer: c            Page: 58            Easy

57. A human resource audit measurement would include

- a. salary and benefits packages.
- b. market research analysis.
- c. production strategies.
- d. financial analysis.

Answer: a            Page: 58            Easy

58. An audit of recruitment and selection practices might give information about all of the following rates **except**

- a. error/scrap rate.
- b. job attendance rate.
- c. position vacancy rate.
- d. training and development rate.

Answer: b            Page: 58            Difficult

59. A human resource audit is done to determine the
- b. cost of human resource activities.
  - c. asset values of employees.
  - d. economic contribution of employee behavior.
  - e. effectiveness of human resource functions.

Answer: e            Page: 59            Easy

60. The main purpose of the human resource audit is to evaluate the effectiveness of the organization's
- a. production function.
  - b. corporate function.
  - c. industrial function.
  - d. human resource function.

Answer: d            Page: 59            Easy

### **Short Essay**

61. Identify some of an organization's internal stakeholders.

Answer:

- 1. employees
- 2. managers
- 3. boards of directors

Page: 45            Easy

62. Identify and explain the two key strategies for human resource management.

Answer:

- 1. Growth— Firms in the growth mode require creative, innovative, and risk-taking behavior from employees.
- 2. Mature defender firms need just the opposite kind of behavior— repetitive, predictable, and carefully specified.

Page: 48            Moderate

63. Describe four ways that an organization can reduce staff—line conflict and enhance credibility of staff positions.

Answer:

1. Ensuring staff managers and employees are well trained and competent.
2. Ensuring staff units understand that they serve a supportive role.
3. Encouraging staff employees to become familiar with line operations (walking around, making it known they are there to help).
4. Emphasizing to line managers that the staff function is critical to overall organizational success.

**Also possible:** spelling out the staff's role clearly, and encouraging staff and line to work together

Page: 55

Difficult

64. Describe the outline of a human resource audit.

Answer:

A human resource audit often is conducted when management perceives that certain programs or activities are not meeting the goals set for them or have other problems. The choice of who will conduct the audit must be made carefully. In-house staff, who are most familiar with the organization, may be selected, but their knowledge may perpetuate past errors and misconceptions. A third-party human resource consult may be employed. The advantage of having an outside perform the audit must be weighed against the possibility that the consultant may miss some subtleties of the organization's system or may bring a preconceived set of solutions to the project.

Page: 56

Moderate

65. How might a corporate strategy vary from one situation to another?

Answer:

The formulation of a proper strategy for a particular firm is firm specific. Thus, the strategy is contingent upon specific aspects of the firm. The proper strategy is determined by its unique internal characteristics and its specific environmental opportunities and threats.

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Moderate