

WOMEN'S UNIVERSITY IN AFRICA



Addressing gender disparity and fostering equity in University Education

FACULTY OF MANAGEMENT AND ENTREPRENEURIAL SCIENCES

BSc HONOURS DEGREE IN HUMAN RESOURCE MANAGEMENT

MAIN PAPER

HRM 421: STRATEGIC HUMAN RESOURCE MANAGEMENT

INTAKE 8: FOURTH YEAR SECOND SEMESTER

TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

Answer Question **1** and any other **three**

Question 1

Air National: Strategic Choice in the New Competitive Environment

Air National's (AN) 1986 Annual Report glowed with optimism. Bradley Smith, CEO, stated in his letter to shareholders, 'As a newly privatized company we face the future with enthusiasm, confident that we can compete in a deregulated industry.' By April 1988, however, the tone had changed with a reported pre-tax loss of \$93 million. The newly appointed CEO, Clive Warren, announced a major change in the company's business strategy that would lead to a transformation of business operations and HR practices in Europe's largest airline company.

Background

During the early 1980s, civil aviation was a highly regulated market and competition was managed through close, if not always harmonious, relationships between airlines, their competitors and governments. National flag carriers dominated the markets and market shares were determined, not by competition, but by the skill of their governments in negotiating bilateral 'air service agreement'. These agreements established the volume and distribution of air traffic and thereby Revenue. Within these markets AN dominated other carriers. Despite the emergence of new entrants, in 1983 AN's share of the domestic market, for instance, increased by 60 per cent.

The competition

In the middle of the 1980s, Air National's (AN) external environment was subjected to two sets of significant changes. First, in 1986, AN was privatized by Britain's Conservative government. This potentially reduced the political influence of the old corporation and exposed the new company to competitive forces. Preparation for privatization required painful restructuring and 'downsizing' of assets and the workforce, driven largely by the need to make the company attractive to initially sceptical investors.

Paradoxically, however, privatization also offered significant political leverage which AN was able to deploy to secure further stability in its key product markets. It was this factor, rather than the stimulus of market competition, that gave senior management the degree

of stability and security to plan and implement new business and HRM strategies. The second set of pressures, potentially more decisive, were generated by prolonged economic recession and the ongoing deregulation of civil aviation in Europe and North American.

With these environmental forces, AN attempted to grow out of the recession by adopting a low-cost competitive strategy and joining the industry-wide price war. Bradley Smith, CEO, when he displayed the following overhead transparency to his senior management team (SMT) in April 1986 stated that 'this strategy requires us to be aggressive in the market place and to be diligent in our pursuit of cost reductions and cost minimization in areas like service, marketing and advertising'.

Air National's strategic choices

The low-cost competitive strategy failed. Passenger numbers slumped by 7 per cent during 1988 contributing to a pre-tax loss. Following the appointment of a new CEO, AN changed its competitive strategy and began to develop a differentiation business strategy (Porter, 1980) or what is also referred to as an 'added-value' strategy.

Source: The case is based on Trevor Colling (1995) 'Experiencing turbulence: competition, strategic choice and the management of human resources in British Airways', Human Resource Management Journal, 5(5): 18–32

The CEO, Clive Warren, stated in a TV interview:

'In an industry like ours, where there are no assembly lines or robots, people are our most important asset and our long-term survival depends upon how they work as part of a team.'

Required:

- a) Critically analyse the applicability of Porter generic strategy in AN. [20]
- b) Using the relevant SHRM framework/model critically analyse CEO Clive Warren's TV interview statement. [20]

Question 2

Critically analyse the view that ‘the term human resource management’ implies that employees are simply being treated as factors of production to be manipulated by management and not as human beings. [20]

Question 3

Examine the utility of Ulrich’s Multiple Role Model of HR in strategic human resources management. [20]

Question 4

(a) Distinguish vertical from horizontal fit. [10]

(b) Examine the limitations of traditional HRM. [10]

Question 5

Critique the Resource Based View (RBV) of the firm. [20]

Question 6

Explain the following strategic human resources management terms:

a) HR architecture; [4]

b) HR bundling; [4]

c) High performance work systems; [4]

d) HR scorecard; and [4]

e) HR audit. [4]

END