

University of Pennsylvania  
The Wharton School  
Department of Management

Website: <https://webcafe.wharton.upenn.edu/eRoom/mgmtb/751-sp10-1>  
Office Hours: Tuesdays and Thursdays, 4:30-5:30pm or by appointment

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**MANAGEMENT 751**  
**The Strategic Management of Human Assets**  
**Version: January 14, 2010**

**Purpose and Course Description**

Successful firms often excel in the capability of employing and deploying human assets (resources) to achieve the effective implementation of business strategy. To understand this capability, this course will address two central themes: 1) How to think systematically and strategically about various aspects of managing the organization's human assets; and 2) What really needs to be done to implement these policies and achieve competitive advantage.

To order to think “systematically” about this topic for any particular organization, we will consider the bundles of work practices and human resources processes that make up the overall system for managing people and evaluate whether these are internally consistent and aligned (“internal fit”). To think “strategically,” we will then assess the relationship between practices/processes of managing people and the firm's strategy and strategic context, e.g. industry structure, competitive landscape, political, social, and economic environment -- for evidence of external fit. By paying attention to implementation, we will recognize that although many organizations recognize the importance of managing the workforce effectively (and even “know” what approaches have been effective elsewhere), firms and managers very often fail to implement these approaches.

The strategic management of human assets is only one source of competitive advantage. Yet many managers recognize (and many successful organizations embody) the reality that the competitive edge gained from the newest technology, the latest marketing strategy, or the most creative product design may be relatively short-lived as competitors rush to imitate and follow. Aligning human resource systems with business strategy is not easy, but once achieved, it seems to offer a more sustainable -- because more unique and difficult to imitate -- source of competitive advantage.

This course will not delve into the technical details of personnel management such as psychometric aspects of validating employment tests, the specifics of job evaluation methods, the mechanics of interviewing, the complexities of executive compensation, or the intricacies of employment law. Those topics are primarily relevant to those intending careers as human resource professionals. Instead, this course takes the position that the effective and ethical management of human assets is a general management responsibility. Hence we will adopt a general manager's perspective on the issues of this course and apply a strategic perspective to the questions of managerial action that will arise.

**Pre-requisites**

MGMT751 will build in particular on the core course MGMT621 “Managing People at Work,” which is a pre-requisite. You must either have completed MGMT621 or have waived it; otherwise, you must receive the instructor’s permission to take this course. You will also discover links to other courses that you have taken in the core curriculum, such as MGMT652 (Foundations of Leadership) and MGMT654 (Competitive Strategy), as well as other electives tied to the major or minor in Management.

**Curriculum**

The course’s orientation will be both analytical, in giving you concepts and frameworks with which to think about the deployment of human assets in organizations, and managerial, in considering the action plans and implementation approach necessary to put these practices and policies into effect and sustain them over time.

Every class will feature a case study that presents either a successful or struggling organization, supplemented by readings that supply concepts and frameworks. The case will provide an opportunity to apply the conceptual material.

**Life in the Classroom**

I shall rely heavily on your active participation in class discussions. Each of you has multiple years of work experience in one or more organizations. For every topic in the course, we will consider how what we are discussing differs across settings -- industry, customer segment, national or regional employment context, etc. Therefore, in addition to preparing assigned materials, please bring your own experiences and examples into the class discussion. Particularly valuable will be perspectives and illustrations from outside the U.S., to expand our sense of how the employment relationship can vary. Furthermore, both positive and negative experiences will be helpful to the discussion and to the learning process. If you have only experienced one kind of work environment (whether highly motivating or soul-deadening), you may find it difficult to imagine all the ways that organizations can differ in how they manage people. If you have experienced both, you surely can report on the differences.

**Course Outline**

The first section of this course will introduce basic concepts of the strategic management of human assets (resources) as a source of competitive advantage for firms. We will address how human resource practices link to each other to form a system that is logically consistent and mutually reinforcing (“internal fit”) and how they link to broader corporate strategies (“external fit”). The second section of the course will explore three major models that guide the selection of HR practices: the “commitment model,” the “talent / performance” model, and the “knowledge / collaboration model.” In the third section, we will address a variety of perspectives and issues, including human capital viewed in terms of asset utilization; the formation and management of cross-functional, cross-national teams; how social contracts between organizations and employees are changing; and current developments in how compensation, benefits, and performance appraisals are used (and misused) as part of a firm’s HR system. The fourth section examines themes of culture, change, and leadership in connection with the changing employment relationship, considering how the firm can sustain its competencies in the face of large scale changes such as mergers, acquisitions, and downsizing.

## Required Readings

All course materials are available on Study.Net; for assistance, check with Wharton Reprographics. These readings include short articles from professional and academic journals, chapters from books, and case studies. There may be additional handouts throughout the course (e.g., Powerpoint slides, additional articles or cases) which will be billed at the end of the semester by the bursar. These supplementary handouts are expected to cost no more than \$10.00.

Our class has an “eRoom” in the Wharton School’s WebCafe System. All course handouts and memos about assignments will be posted there. In addition, team write-ups will be posted there for the benefit of the entire class. I will occasionally post news articles or web links that come to my attention during the course and which I think you will find useful. If you find anything relevant to the course that you feel would be appreciated by the entire class, send it to me to post.

## Course Requirements

Students will be evaluated on class participation, written work and a group assignment.

### Class Participation (25% of your grade)

This course requires a great deal of student involvement. Each class period will include intense discussion of the topics and issues at hand that will require students to be in-class and prepared. Students will be graded on the quality of their comments in class, not the quantity. Quality is judged based on your ability to add substantively to class discussions and your ability to link to others’ comments in the class or to advance the class discussion. I will occasionally call on students but will rely mostly on voluntary participation. Therefore, it is up to you to make sure your voice is heard.

### Individual Written Work (60% of your grade)

Everyone is required to write *two papers involving the application of course concepts to case analyses*. **Each paper should be 1,250 words in length** (+ or - 5% is OK).

The first paper (30%) will be a comparative analysis of cases. It will be due at the beginning of class on **Tuesday, February 9th**. Please put a word count (limit is 1250, + or - 5%) at the top of the paper.

For your analysis you will compare at least two of the three cases covered in sessions 5-7:

“Human Resources at Hewlett-Packard”

“Visionary Design System”

“Citibank e-Solutions”

The intent of the paper is to begin to apply some of the concepts from the early part of the course. I suggest that you consider the following key questions - this is not meant as a formal outline or strait-jacket, but as a set of issues to think about:

- Analyze the strategic challenges facing the firm
- Analyze their human assets / human resources (HA/HR) approach - their culture and the policies that support it
  - \* Do the policies and culture fit together well as a system?
  - \* Do the policies and culture help in meeting the strategic challenges?

\* Do the “models” we have discussed help in understanding these companies?

- Is one of the approaches better than the other? Or are they equally appropriate for their environments?
- Can you develop any *general* rules / approaches from these cases?

(2) For the second paper, you will analyze the “SAS Institute” case  
OR

You can propose to analyze the relationship between strategy and HR systems at an organization with which you are familiar. If you choose the latter option, you need to discuss your paper topic with me during office hours, no later than Thursday, February 18<sup>th</sup>. This paper is ***due by e-mail on Thursday, March 4th***

More details on these paper assignments, including specific questions to address in the case analyses, will be provided by the instructor during the course. Please see “Case Analysis Suggestions”, below, for general ideas about how to approach these assignments.

### **Team Assignment (15% of your grade)**

Your team assignment is to write a 3 -5 page double-spaced paper regarding the readings and case for that particular class session. **Please email me your paper by 5 pm the day (Mon. or Wed.) before the assigned class**

For this paper, I want you to dig into the readings and case: What intrigues you? What’s thought-provoking? What’s important? What don’t you quite buy, if anything? What issues do you think the class should grapple with? I’m looking for thoughtful commentary that reflects your team’s discussions of the assigned material – not a divide-and-conquer division of labor that simply summarizes it.

Here are more suggestions:

- ▶ Do demonstrate your in-depth analysis and discussion of the assigned readings and case. For example:

- What did you find most thought-provoking and valuable? Why?
- How do the readings apply to and illuminate the case, and vice-versa?
- What aspects of the case or readings generated debate in your team? Why?
- How do the readings and case relate to your own experiences as a team?
- How can and should business leaders – or current MBA students – put the ideas and insights you read about into practice to enhance their own or others’ effectiveness?
- What questions do you think we should discuss in class? Why?

- ▶ Do be personal, thoughtful, and analytical. Do use the word “we.”
- ▶ Do suggest video clips, songs, newspaper stories, etc. of relevance. (Since I may choose to use these in class, or arrange to distribute them to all students, please send me information about these as soon as you settle upon them.)
- ▶ Don’t summarize the readings and case. Don’t answer any study questions that I may have provided. The intention is thoughtful commentary on the materials, not a traditional summary and analysis.

I will provide a sign-up sheet on webCafé for this assignment. You can organize a team before signing-up, or you can join others who are signing up on that date. Team size will depend on the course enrollment; it will be specified on the webCafé sign-up sheet.

## **CASE ANALYSES SUGGESTIONS**

Here are some general “dos” and “don’ts” about the case analysis assignments.

- You can get into trouble if you spend too much time/space on case facts and do not provide adequate analysis. Use the facts of the case to back up your conclusions and ideas. Assume I’ve read the case and know the assignment.
- Be careful not to draw conclusions without the supporting arguments.
- Here’s an example: “XYZ’s process of [blank] did not support [concept A] and therefore failed to support [concept B].” This will work **ONLY** if the supporting framework is in place...”Why doesn’t the process support concept A? Why does not supporting A necessarily mean no support for B?” Support needs to come from both your analysis and the course materials.
- Start by identifying the problem/concept and build your arguments from the materials.
- Put the analysis that is running through your head onto the paper so I can see it.
- Look at both the big picture and the details...try to achieve a balance.
- Be careful not to look at only one side of the argument and ignore the other. Taking a balanced perspective will help you frame your arguments.
- Be consistent...taking on position in question #1 and then the opposite in question #2 is confusing to me. You cannot have it both ways.
- Strong writing, great examples, and cogent arguments are a plus.

## MANAGEMENT 751: COURSE OUTLINE

### \*\*\*\*\*SECTION I: Basics of Strategic HRM\*\*\*\*\*

#### **Class Session #1. Thursday, January 14**

##### **Introduction to the Course**

##### **The HR Function vs. Strategic HRM and the “Best Practices” Debate**

##### Readings:

1. Hammonds, K. H. “Why We Hate HR.” *Fast Company*, 97 (2005), pp. 40-48.
2. Lawler Edward E. III. “From Human Resources Management to Organizational Effectiveness.” In Losey, Michael, Sue Meisinger, and Dave Ulrich, *The Future of Human Resource Management*. New York: Wiley, 2005, pp. 144-52.
3. Case: Handout in class.

#### **Class Session #2. Tuesday, January 19**

##### **Sustained Competitive Advantage and HRM: Aiming for “Unique and Difficult to Imitate”**

##### Readings:

4. Pfeffer, Jeffrey. *The Human Equation: Building Profits by Putting People First*. Boston, MA: Harvard Business School Press, 1998, Chapter 2 “The Business Case for Managing People Right,” pp. 31-63.
5. *Background/Optional: Drucker, P. F. “The New Society of Organizations.” Harvard Business Review*, 70(5), 1992, pp. 95-104.
6. Case: “Southwest Airlines: Using Human Resources for Competitive Advantage,” Stanford University, Case #HR1A.

#### **Class Session #3. Thursday, January 21**

##### **Strategy and HRM: Pursuing External Fit**

##### Readings:

7. Barney, Jay. “Looking Inside for Competitive Advantage.” In Susan Jackson and Randall Schuler(eds.), *Strategic Human Resource Management*, 1999, pp. 128-141.
8. Schuler, Randall and Susan Jackson. “Linking Competitive Strategies with Human Resource Management Practices.” In Susan Jackson and Randall Schuler (eds.), *Strategic Human Resource Management*, 1999, pp. 159-176.
9. Case: “Big Spaceship: Ready to Go Big?”, HBS Case #9-409-047.

**Class Session #4. Tuesday, January 26**  
**Strategy and HRM: Achieving Internal Fit**

Readings:

10. Pfeffer, Jeffrey. *The Human Equation: Building Profits by Putting People First*. Boston, MA: Harvard Business School Press, 1998, Chapter 3 “Seven Practices of Successful Organizations,” pp. 64-98.
11. Miller, Danny and J.O. Whitney. “Beyond Strategy: Configuration as a Pillar of Competitive Advantage,” *Business Horizons*, 1999, May-June, pp. 5-17.
12. Case: “Portman Hotel”, HBS #9-489-104.

\*\*\*\*\*SECTION II: THREE MODELS OF HR SYSTEMS\*\*\*\*\*

**Class Session #5. Thursday, January 28**  
**Competitiveness and HRM: The Commitment Model**

Readings:

13. R. E. Walton. “From Control to Commitment.” *Harvard Business Review*, 63 (1985), pp. 76-84.
14. Gephart, M. and Van Buren, M. “Building Synergy: The Power of High Performance Work Systems.” *Training & Development*. 50(10), 1996, pp. 21-32.
15. Background/Optional: MacDuffie, John Paul. “Human Resource Bundles and Manufacturing Performance: Organizational Logic and Flexible Production Systems in the World Auto Industry.” *Industrial and Labor Relations Review*, Vol. 48(2), 1998, pp. 197-221.
16. Case: “Human Resources at Hewlett-Packard (A)”, HBS Case, #9-495-051.

**Class Session #6. Tuesday, February 2**  
**Competitiveness and HRM: The Talent Model**

Readings:

17. Guthridge, Matthew, Asmus B. Komm, and Emily Lawson. “Making Talent a Strategic Priority.” *The McKinsey Quarterly*, January 1998.
18. Lewis, Robert E., and Robert J. Heckman. “Talent Management: A Critical Review.” *Human Resource Management Review*, 16(2), 2006, pp. 139-154.
19. Background/Optional: Chambers, E. G., Foulton, M., Handfield-Jones, H., Hankin, S. M., & Michaels III, E. G. “The War for Talent.” *McKinsey Quarterly*, 3, August 1998, pp. 44-57.
20. Case: “Visionary Design Systems: Are Incentives Enough?” HBS Case #9-495-011.

**Class Session #7. Thursday, February 4**  
**Competitiveness and HRM: The Collaborative Model**

Readings:

21. Foote, N. W., Galbraith, J., Hope, Q., & Miller, D. "Making Solutions the Answer." *McKinsey Quarterly*, 3, 2001, pp. 84-93.
22. Galbraith, J. "Organizing to Deliver Solutions." *Organizational Dynamics*, 31(2), 2002, pp. 194-207.
23. Case: "Citibank e-Solutions." Ch. 3 in Heckscher, C. *The Collaborative Enterprise: Managing Speed and Complexity in Knowledge-Based Businesses*. Yale University Press, 2007.

\*\*\*\*\*SECTION II: PERSPECTIVES AND ISSUES\*\*\*\*\*

(Note: Sequence of these classes may change due to guest speaker scheduling)

**Class Session #8. Tuesday, February 9**

**\*\*\*First paper assignment due at the start of class today\*\*\***

**Human Capital: The Asset Utilization Perspective**

Readings:

24. Becker, Brian, Mark Huselid, and Dave Ulrich, D. *The HR Scorecard: Linking People, Strategy, and Performance*. Boston: Harvard Business School Press. Chapter 4, "Cost-Benefit Analyses for HR Interventions", 2001, pp. 79-105.
25. Jeanne DiFrancesco. "Managing Human Capital as a Real Business Asset." *IHRIM Journal*, March 2002, pp. 7-16.
26. Case: To be determined.

**Class Session #9. Thursday, February 11**  
**Changes in Work: Managing Cross-(Functional/Country/Organization) Teams**

Readings:

27. Govindarajan, V., & Gupta, A. K. (2001). "Building an Effective Global Business Team." *MIT Sloan Management Review*, 42(4), 63-71.
28. Donnellon, Ann (1993). "Cross Functional Teams in Product Development: Accommodating the Structure to the Process". *Journal of Product Innovation Management*. 10: 377-392
29. Case: "Michael Fernandes at Nicolas Piramel." HBS case #9-408-001.



**Class Session #10. Tuesday, February 16**  
**The Employment Relationship: Changing Workers, Changing Contracts**

Readings:

30. Cappelli, Peter. "Managing Without Commitment." *Organizational Dynamics*, 28(4), 2000, pp. 11-24.
31. Barley, Stephen and Gideon Kunda. "Contracting: A New Form of Professional Practice." *Academy of Management Perspectives*, 20(1), 2006, pp. 45-66.
32. *Background/Optional: Rousseau, Denise* "Changing the Deal While Keeping the People." *Academy of Management Executive*, 10 (1), 2006, pp. 50-58.
33. Case: "MacTemps: Building Commitment in the Interim Workforce," HBS Case #9-497-005.

**Class Session #11. Thursday, February 18**  
**Uses (and Misuses) of Compensation, Benefits, and Appraisal**

Readings:

34. Hall, B. J. "Incentive Strategy Within Organizations." Boston, MA: Harvard Business School, 2002
35. Pfeffer, J. and R. Sutton. "Do Financial Incentives Drive Company Performance? An Evidence-Based Perspective on Motivation and Performance." Chapter 5 from *Hard Facts, Dangerous Half-Truths, and Complete Nonsense: Benefiting from Evidence-Based Management*, Harvard Business School Press, 2006.
36. Case: "Compensation & Performance Evaluation at Arrow Electronics." HBS case #9-800-290.

**\*\*\*\*\*SECTION IV: CULTURE, CHANGE, AND LEADERSHIP\*\*\*\*\***

**Class Session #12. Tuesday, February 23**  
**Culture and Change**

Readings:

37. Hamel, Gary. "Waking Up IBM: How a Gang of Unlikely Rebels Transformed Big Blue." *Harvard Business Review*, July-Aug 2000, pp. 5-12.
38. Interview with Sam Palmisano. "Leading Change When Business Is Good." *Harvard Business Review*, December 2004, pp. 60-70.
39. Case: "IBM's Decade of Transformation: The Turnaround." HBS Case #9-805-130.

**Class Session #13. Thursday, February 25**

**Organizational Discontinuities: Dealing with M&A, Restructuring, and Downsizing**

Readings:

40. Beer, Michael and Nohria, Nitin. "Cracking the Code of Change." *Harvard Business Review*, May-June 2000, pp. 133-141.
41. Cascio, Wayne. "Strategies for Responsible Downsizing." *Academy of Management Executive*, 16(3), 2002, pp. 80-91.
42. Case: "Hewlett-Packard: Culture in Changing Times." HBS case #9-404-087.

**Class Session #14. Tuesday, March 2**

**Strategic HRM, Leadership, and Change**

43. Case: "Kent Thiry and DaVita: Leadership Challenges in Building and Growing a Great Company." Stanford University, Case OB-54.
44. Case: SAS Institute, Chapter 5 from O' Reilly, Charles and Jeffrey Pfeffer, *Hidden Value: How Great Companies Achieve Extraordinary Results with Ordinary People*, Harvard Business School Press, 2000, pp. 99-117.

**\*\*\*Second Paper Assignment Due by e-mail on Thursday, March 4<sup>th</sup>\*\*\***