MGMT 5351: Strategic Human Resource Management
HR Case Study Narrative
Aligning HR Strategies within the Business Strategy of ALCem

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Case Study Background

ALCem is a large-scale chemical company located in Midland, Michigan. The Company consists of seven departments: 1) Marketing, 2) Logistics, 3) IT, 4) Operations, 5) Finance, 6) R & D, and 7) Human Resource Management. The Company produces industrial chemicals, which it sells on a global market to companies in several different industries.

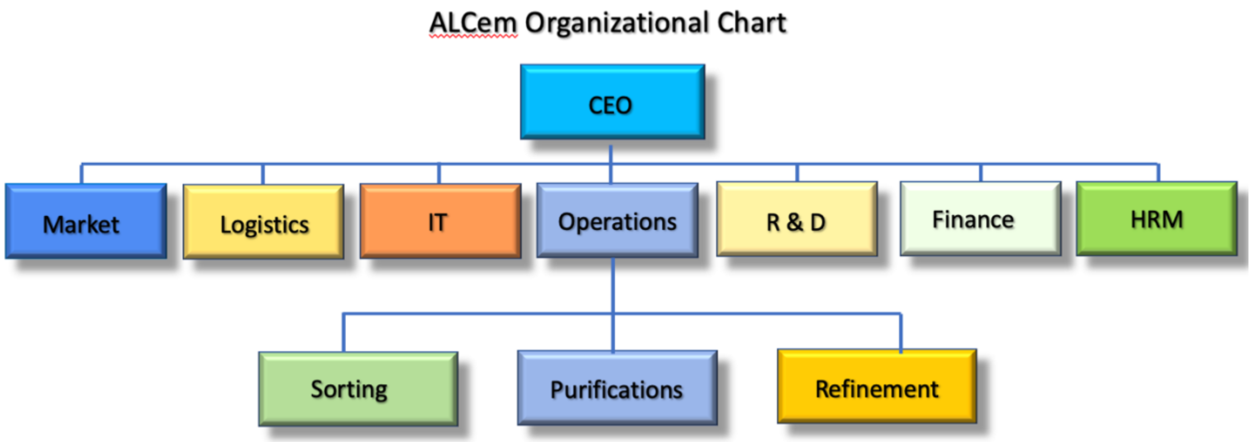

Figure 1: Organizational chart for ALCem.

Market conditions changed within the chemical production industry. China moved into the number one producer of phosphate and sulfur chemicals in the global market. The influence of China in the global market placed competitive pressure on *ALCem*.

Several political-legal changes occurred within the U. S. that influenced *ALCem*. Both the Federal government and Michigan State governments eased EPA regulations, which benefited *ALCem*. Moreover, the Michigan Supreme Court addressed the employment status of temporary workers, called "gig" workers[1]. The court rendered a decision that the classification for certain "gig" workers must change to "full-time" employment status. This court decision required *ALCem* to address the classification of certain employee groups. Lastly, the Equal Opportunity Commission issued several new guidelines concerning sexual harassment in the workplace. These new guidelines required *ALCem* senior leaders and HRM to address the

[1] Gig Worker: a gig worker is an individual working in a business who is outside of traditional, long-term employer-employee relationships, performing independent income-earning activities.

new guidelines and document the training of managers, supervisors, and front-line employees on the new sexual harassment guidelines.

However, the most significant impact to *ALCem* came from a shift in customer preferences. Customers preferred a higher quality of processed phosphates and sulfur chemicals. This shift in customer preference caused *ALCem* to lose 15% of its global orders and 12% of its U.S. orders. The drop-in sales came as a direct result of actions taken by i *ALCem's* rivals. Rivals had upgraded their production processes with new technology. The new technology improved the quality process output of phosphate and sulfur chemicals. Recent advancements in chemical process technology now provided *ALCem* with an opportunity to upgrade its chemical process operations with the latest technology.

These changes in the market and customers' quality preferences demanded that *ALCem* assess the effectiveness of its current business model. The CEO assembled the Company's strategic leadership team (SLT). The SLT comprised the seven department directors.

The SLT analyzed the effectiveness of *ALCem's* current business model. Their analysis determined that the current business model was ineffective and suggested the development of a new business strategy. The SLT recommended a strategic direction that separated *ALCem* from its rivals. The separation would be achieved by integrating new technology that produced a higher quality industrial chemical product.

The CEO agreed with the strategic direction recommended by the SLT. Additionally, the CEO believed that integrating new technology within three process divisions would produce the output quality customers desired. The improved output quality would increase sales by attract previous customers as well as new customers. The potential of this growth would place the Company as a leader in its competitive market. Finally, this new technology would address two internal weaknesses in Operation Division: 1) improve product quality and 2) reduce production costs.

Additionally, the CEO sought to achieve a competitive advantage through improved performance both at the organizational level [the seven departments] and at the individual level [managers, supervisors, and front-line employees]. Furthermore, the CEO believed that department managers and front-line supervisors were key to successfully implementing the

Company's strategy. To successfully implement the Company's strategy, the CEO directed that department and division managers, and front-line supervisors would develop a new leadership role, the role as job-*performance coaches*. The CEO believed that managers and supervisors performing as job-performance coaches would create a positive Company workforce culture. Additionally, job-performance coaches would increase opportunities for managers and supervisors to share their knowledge with front-line employees and encourage continuous learning. Also, job-performance coaching would provide opportunities for front-line employee development. The two desired outcomes of job-performance coaching would be an increased employee engagement and the creation of high-performance work systems (HPWS). To this end, managers and front-line supervisors must learn and effectively apply the skillsets essential to perform as job-performance coaches.

To create change and direction, the CEO formulated the Company's strategic vision. The CEO stated: *I envision a Company that meets customers' expectations by producing the highest quality phosphate and sulfur chemicals. To this end, I envision leaders partnering with employees and promoting employees' engagement. Additionally, I envision a Company with a positive, productive work climate which becomes the Company's "employer brand" and our brand attracts and retains talented employees.*

To accomplish this strategic vision, the CEO formulated five Strategic Goals (SG) with one Critical Success Factors[2] (CSF) for each strategic goal.

Strategic Goal 1 (SG1)*: Within one year, the Operations Department achieves and sustains a quarterly production cycle output of 10 tons of phosphate and sulfur chemicals at a 99.1% quality rating.* ***SG1-Critical Success Factor 1 (SG1: CSF1):*** *Logistics, IT, Operations, and HRM Departments plan and conduct a seamless integration of the Computer Integrated Manufacturing (CIM) technology and the Manufacturing Requirements Planning Process (MRPP) technology into the three divisions within the Operations Department. The success of*

[2] Critical Success Factor (CSF): is a management term that identifies essential task activities linked to and affect the success of achieving goals, objectives, projects, or mission. CSFs require constant monitoring and careful attention from management.

this integration also requires coordination and cooperation with specialized activities within the Marketing Department.

Strategic Goal 2 (SG2): *Create an engaging and positive work climate that promotes continued workforce performance by recruiting and selecting employees that are aligned with our work culture**. SG2- Critical Success Factor 2 (SG2: CSF2):*** *HRM recruits applicants based on two criteria: competencies to perform job requirements and other job-related qualifications aligned with learning and development. Managers and supervisors develop competencies as employee job-performance coaches. Within the three division, managers and supervisors will coach the performance of new front-line employees in the effective operation of the new technology.*

Strategic Goal 3 (SG3): *Create high-performance work systems (HPWS) throughout the seven departments and produce a positive Company employer brand that attracts and retains talent.* ***SG3-Critical Success Factor 3 (SG3: CSF3):*** *HRM and management develop initiatives and programs that support employee security; HRM recruits applicants with potential for high performance and management includes high-performance criteria in the selection process. HRM and management develop employees to participate in division and department decision-making processes. HRM and management maximize the development of employees, and HRM, IT, and management create means which essential information is available for employees. Department managers and supervisors engage front-line employees through a top-down, bottom-up two-way communication approach, allowing employees to take an active role in job-related decision-making and providing innovative ideas to improve production.*

Strategic Goal 4 (SG4): *To remain competitive, HRM and managers design a flexible company structure and develop an adaptive culture that quickly adapts to changing market conditions.* ***SG4-Critical Success Factor 4 (SG4: CSF4):*** *Design flexibility into the organizational structure by incorporating technology and develop an adaptive organizational culture through continuous performance improvement, learning, and knowledge sharing*.

Strategic Goal 5 (SG5): *Integrate the Company's long-term economic, environmental, and social aspects with the community while maintaining global competitiveness and brand reputation.* ***SG5-Critical Success Factor (SG5-CSF5):*** *Identify external and internal stakeholders* *that have a vested interest in our Company's long-term economic, environmental, and social aspects and development partnerships towards common social goals.*

Next, the CEO expressed concerns about creating the structure and employee performance changes needed to implement the new business strategy. The CEO continues with these comments:

As a Strategic Leadership Team, you collectively developed an effective business strategy that affords ALCem the potential for overcoming our rivals in the market. From our business strategy, I want each department to develop its department's strategic plan that aligns with the business strategy. The alignment of department strategies is important to successfully implementing our strategy.

I recently read a book titled: The Execution Premium, by Robert Kaplan and David Norton. I learned something I believe is significant as we align and implement our strategies. Kaplan and Norton reported that of the 500 businesses they studied, 90% of those businesses failed at implementing strategy. These businesses failed because their senior managers, managers, supervisors, and front-line employees, lacked performance competencies to implement their strategy. Additionally, Kaplan and Norton found that most businesses did not establish a formal monitoring system to adequately assess the implementation of their strategy.

What I found most disturbing in their findings was that more than 70% of these businesses did not establish a performance management system linked to strategic goals. These same businesses did not link incentive compensation initiatives to strategic goals. Finally, Kaplan and Norton found that fewer than 10% of employees within these businesses understood their Company's strategy and strategic goals. We will only succeed at implementing our strategy if leadership accomplishes five essential tasks:

1. *Establish an effective two-way communication strategy with employees.*
2. *Identify essential skillsets for managers, supervisors, and front-line employees that are linked to strategic goals. When employees develop the required skillsets, they will demonstrate the appropriate performance competencies.*

3. *Management aligns a performance management system with strategic goals. Employees' performance appraisals will accurately measure efforts towards designated goals.*
4. *Align performance incentives initiatives with the performance management system, which is aligned with strategic goals.*
5. *Three departments are crucial to the successful implementation of our strategy: The IT Department, the Operations Department, and the Human Resource Management Department.*

The Operations Department is central to this Company's strategy and purpose. The Operations Department receives new technology. The integration of this new technology must be seamless. Additionally, within the Operations Department, the three Division Managers and their Supervisors will develop and apply the skillsets to perform as employee job-performance coaches.

The IT Department plays a key role in the seamless integration of the new technology into the Operations Department. IT staff will work closely with the three division managers in Operations, and with HRM staff. Additionally, the HRM staff needs the knowledge of IT staff to develop the jobs needed to implement the new technology.

The Human Resource Management Division will develop an overall HR strategy to support the business strategy and will develop specific HR strategies, initiatives, and policies focused on five areas: 1) redesigning work process structure that integrate the new technology into the three divisions in Operations; 2) recruit qualified candidates for the new job positions within the three divisions; develop training initiatives for the three division managers and their superiors in the operations of the new technology; 3) throughout the Company, develop training initiatives for managers and to perform as job-performance coaches; 4) develop a formal performance management system and performance incentive initiatives linked to strategic goals and 5) developing a talent management strategy aimed at attracting, retaining, motivating, and developing talented employees.

The CEO identified that the success in implementing the new business strategy resided in the Operations Department. SG1 and CSF1 require a smooth integration into the Operations

Department's workflow processes to achieve and sustain quarterly production cycle goals. The CEO believed that the new technology addresses two internal weaknesses within Operations Division: 1) improve production quality output and 2) reduce production costs. By successfully addressing these two weaknesses, *ALCem* positions itself for growth opportunities that capture previous customers and attract new customers.

Finally, the CEO believes the Company can achieve a competitive advantage by continually improving employees' performance. He believes that job-performance coaching directly influences employees' performance. Additionally, coaching employees will accomplish three crucial tasks: 1) coaches will communicate how performance is linked to strategic goals, 2) coaches provide timely feedback in improving the performance of front-line employees towards strategic goals, and 3) coaches will solicit feedback from employees. As job-performance coaches, division managers and supervisors link employees' performance to strategic goals. The CEO also believes that coaching employees' performance and seeking employees' input through two-way communications will create a positive work climate. This positive work climate centers on valuing employees' input which will foster employee engagement. To this end and to enhance employees' performance towards strategic goals, the CEO approved the use of performance incentives.

The smooth integration of new technology and developing employees' competency to use the new technology requires a collaborative effort by the Director of Operations, the Director of IT, and the Director of Human Resource Management. The new technology will revise the workflow structure within the three divisions: The Sorting Division, the Purification Division, and the Process Refinement Division.

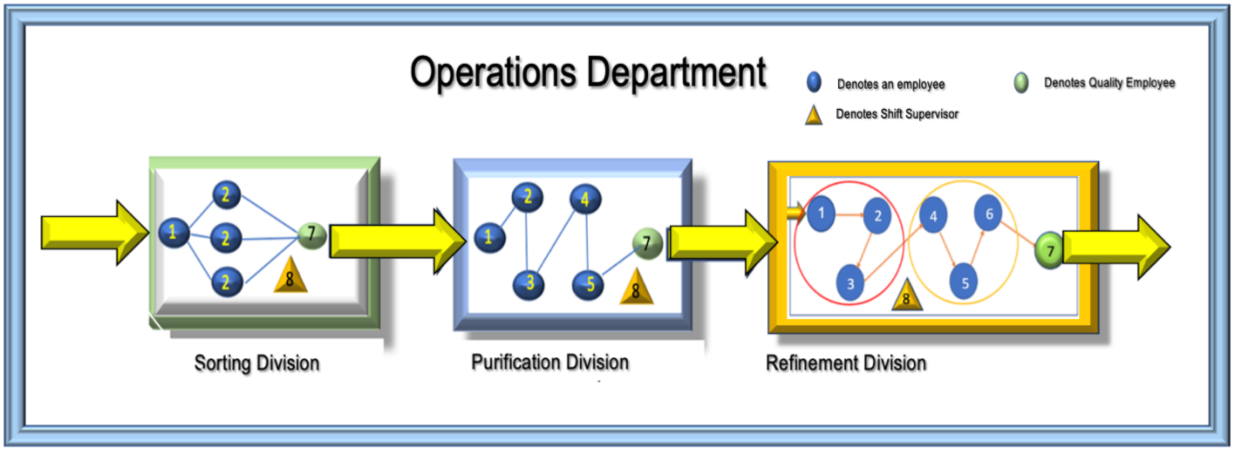

Figure 2: Workflow structure within the three divisions without new technology

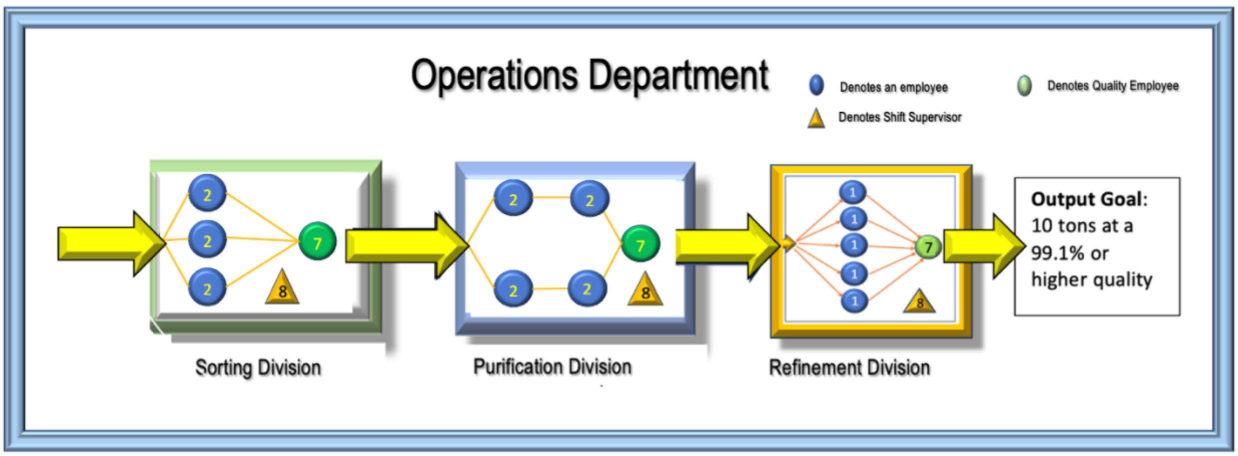

Figure 3: Workflow structure within the three divisions **with** the new technology

To support the Director of Operations, the Director of HRM placed an HR Business Partner with the Operations Division. The HR Business Partner will assist the division managers with the implementation of specific HR Strategies, initiatives, and programs.

With regards to SG2 and CSF2, the CEO believes that effective implementation requires managers and supervisors in all departments to engage employees in a *planned change process*[3]. Within a planned change process, the CEO expressed the importance of managers

[3] Planned Change Process: A planned change process is typically a plan with specific steps that change an organization's structure and employees' competencies required to implement a strategy. A change process also incorporates a means to evaluate the progress of change.

and supervisors effectively perform their new leadership roles as *employee job-performance coaches*.

The CEO stated: *Employee coaching in ALCem well be focused on improving each employee's performance as measured by Key Performance Indicators[4] (KPI) that are linked to CSFs that are linked to SGs. Employee job-performance coaching will also focus on performance management, talent management, and talent retention. Our managers will no longer act in an authoritarian manner; instead, managers will collaborate with their employees by identifying, targeting, and developing performance through individual development plans (IDP)[5] focused on KPIs. Additionally, as employee job-performance coaches, managers and supervisors will coach both for performance improvement, employee development, and employee engagement.*

With regards to SG3 and CSF3, the CEO provides these comments: *Managers and supervisors focused on coaching employees' performance will accomplish two important tasks; first, the act of coaching will build trusting relationships with employees. This trusting relationship helps employees understand and support performance improvements and directs performance to implement our strategy successfully. Second, employee job-performance coaching lays the foundation for building a positive work climate. A positive work climate within ALCem encourages employees to take an active role in job-related decision-making and providing innovative ideas to improve operations further. These actions contain the ingredients necessary for creating high-performance work systems and a positive employer Brand.*

With regards to SG4 and CSF4, the CEO provides these comments: *Essential for the success of ALCem's strategy is creating a culture that can quickly adapt to changing market conditions. Our strategy's foundation is creating a positive work climate where management and employees work as partners. This partnership must be built upon trust and mutual respect. From a partnership of trust and mutual respect, we will create a culture that adapts to changing*

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[4] Key Performance Indicators (KPI): A quantifiable measurement approach used to evaluate the success of an organization's workflow processes and employees' performance towards an organization's strategic goals or objectives.

[5] Individual Development Plan (IDP): IDP is a tool to assist employees in career and personal development. The primary purpose of the IDP is to identify development goals and activities and resources to achieve development goals. Supervisors use the IDP to improve an employee's current job performance.

market conditions. Company leadership, through job-performance coaching and two-way communication build an adaptive learning culture.

With regards to SG5 and CSF5, the CEO provides these comments: *ALCem must act ethically at all levels of the Company. We must demonstrate to the community that we are good stewards of the environment. Additionally, the Company must participate in environmentally friendly initiatives and projects aimed at inclusion of the community. Managers and HRM will develop programs that educate employees on community involvement and develop incentives for employees to participate in community activities.*

Before concluding the SLT meeting, the CEO instructed the seven department directors to develop their department strategies that align with the company's strategy. In response to the CEO, the Director of Operations and the Director of Human Resource Management developed their respective Department Strategic Goals (SG) and Critical Success Factor (CSF) and provided their respective department strategic goals below.

The Director of the Operations Department developed the following four Department Strategic Goals with four Critical Success Factors in support of *ALCem's* strategic goals:

Operations SG1 (OSG1): *The three chemical divisions (Sorting, Purification, and Refinement) integrate the new technology, and achieve and sustain a quarterly production cycle output of 10 tons of chemicals at a 99.1% quality standard.* ***OSG1-CSF1:*** *In each division, manager will facilitate a smooth integration of the Computer Integrated Manufacturing (CIM) technology and the Manufacturing Requirements Planning Process (MRPP) technologies. Essential with this smooth integration is effective coordination and collaboration with the IT and HRM Departments.*

Operations SG2 (OSG2): *Collaborate with HRM for the acquisition of qualified new employees to effectively operate the new technology within the Operations Department. Devise training initiatives for the new employees, managers, and supervisors in developing the competency to achieve and sustain a quarterly production cycle output of 10 tons of chemical at a 99.1% quality standard.* ***OSG2-CSF2:*** *The key to successfully implementing the new technology will be the screening and selecting of qualified employees. The new technology will* *require a revision of workflow through the three divisions. The revised workflow will require integrating of new jobs and trained employees to perform in these new jobs.*

Operations SG3 (OSG3): *Division Managers and Supervisors develop the competencies to effectively coach and engage division employees to achieve and sustain a quarterly production cycle output of 10 tons of chemicals at a 99.1% quality standard. Managers and supervisors will implement programs and initiatives designed to create a High-Performance Work Systems (HPWS) within the three divisions.* ***OSG3-CSF3:*** *Managers and supervisors will develop the skillsets necessary to perform as job-performance coaches for employees. Managers will use Key Performance Indicators (KPI) within the three CSFs to coach the performance necessary for employees to implement and sustain the Company's strategy.*

Operations SG4 (OSG4): *Operations will ensure that the production of chemicals meets EPA guidelines, address community concerns, and provide for the long-term economic, environmental, and social aspects of our business' brand reputation.* ***OSG4-Critical Success Factor (OSG5-CSF4):*** *Identify external and internal stakeholders that have a vested interest in long-term economic, environmental, and social aspects of our business.*

The Director of the Human Resource Management Department developed five Strategic Goals with five Critical Success Factors in support of the *ALCem's* strategic goals:

HRM-SG1: *Integrate the new technology and new employees into the three divisions within the Operations Department.* ***HRMSG1*** *-* ***CSF1:*** *Restructure the workflow processes and jobs within the three divisions. Develop and implement HR strategies that assist in developing the skillsets and performance to implement the business strategy*

HRM-SG2*: Conduct accurate job analyses for the new jobs required to operate the new technology.* ***HRMSG2-CSF2:*** *Use information from job analysis to identify and select qualified applicants to fill new jobs. Use job analysis to modify managers and supervisors' jobs to perform as job-performance coaches. Screen employees in those jobs that will be deleted to identify employees who possess the capacity to learn new technology.*

HRM-SG3: *Train managers and supervisors to the skillsets required to perform as job-performance coaches effectively**.*** *Develop specific HR strategies that support managers, supervisors, and employees designed to create High-Performance Work Systems.* ***HRMSG3****-*

CSF3: *The CEO sees this leadership role as critical in guiding employees' performance towards implementing the business strategy. HRM will modify all managers' and supervisors' job descriptions and specifications to incorporate the skillsets of a "job-performance coach." HRM will assist managers and supervisors in identifying job-performance coaching skillsets and assist managers and supervisors with developing Individual Development Plans (IDP) with developing coaching skillsets.*

HRM-SG4*: Monitor HRM Initiatives directed towards developing High-Performance Systems towards achieving the business's strategic goals.* ***HRMSG4-CSF4****: HRM links specific Key Performance Indicators (KPI) to monitor progress towards CEO's four CSFs and the CSFs of the other four divisions.*

HRM-SG5*: Develop specific HR strategies that support managers, supervisors, and employees that support the Company's long-term economic, environmental, and social aspects with the community while maintaining global competitiveness and brand reputation.* ***HRMSG5-CSF5****: HRM links specific Key Performance Indicators (KPI) to monitor progress towards CEO's four CSFs and the CSFs of the other four divisions.*

The CEO concluded the Strategic Leaders meeting by identifying three imperatives essential for Alfa Chemical to achieve a "competitive advantage."

1. **Two-way communication** - Managers and supervisors continue to meet regularly with their respective employees. At these meetings, managers and supervisors provide performance feedback associated with the Company's strategic direction and outcome goals. Employees provide feedback on ideas and issues to improve performance. The two-way communication shares information from management's and employees' perspectives. These meetings provide a platform for employees to voice their contributions to the Company's strategy.
2. **Coaching for Performance Meeting** –Exceptional job performance coaching will increase employee engagement, improve productivity, and accelerate the achievement of business results. Job-performance coaching promotes high-performing work systems (HPWS). Senior management will meet with managers monthly to provide performance feedback on coaching proficiency and identify

skillsets to further develop. Managers will meet weekly with supervisors to provide performance feedback on front-line employee coaching proficiency and identify skillsets to further develop.

3. **Performance Meetings** – Managers and supervisors will meet monthly with employees to share monthly performance results, review action plans, set a process for regular follow-up, and seek information from employees on methods or means to improve performance.

The CEO views HRM as an essential staff department in achieving a competitive advantage. He believes an effective overall HR strategy with specific HR strategies, initiatives, and iprograms will develop managers and employees, particularly in such areas of talent management and employee engagement. Additionally, the CEO views HRM as a strategic partner that can assist in developing High-Performance Work Systems (HPWS) throughout the Company. These HPWS provide the best approach to gain a competitive advantage through employees. The partnership of managers and HR partners, working together to implement HRM initiatives and programs, will produce a higher level of performance to achieve HPWS and achieve a competitive advantage.

Strategic HR Case Study Narrative
This Strategic HR Case Study Narrative ONLY provides information on the *ALCem*. The requirements for this case study will be made available in Session tab #6 beginning with week 6 of the term. This Strategic HR Case Study narrative will be used to answer the case study requirements.