

EXERCISE 5.4: HR PLANNING AT COMPTeCH*

Overview

How does a company plan and respond to its human resource needs? What are the steps necessary to ensure that the company will have the right people in the right jobs? As stated in Chapter 5, HR planning is the forecasting of human resource needs in accordance with the company's strategic business planning. Proactive HR planning can be used to more effectively implement business strategies and react more swiftly to threats and challenges that may be encountered. For this exercise you will create such a plan for the profiled company, COMPTeCH, INC.

Learning Objectives

After completing this exercise, you should be familiar with the process of HR planning, including

1. Using an environmental scan to identify internal and external strengths, weaknesses, opportunities, and threats.
2. Conducting labor supply forecasts, labor demand forecasts, gap analysis, action planning, and controlling and evaluating the HR plan as it unfolds.
3. Tying all aspects of the HR plan together so that they work seamlessly with the business at hand.

Procedure

Part A: Individual Analysis

Before class, read the COMPTeCH, INC., scenario and answer the questions on Form 5.4.1.

Part B: Group Analysis

The class should break into groups and then formulate an HR plan for COMPTeCH.

1. Each group should take one of the five steps in HR planning: environmental scanning, labor demand forecasting, labor supply forecasting, gap analysis, and action planning.
2. Each group should meet and determine issues relevant to their assignment and possible strategies for facing those issues.
3. After meeting separately, groups will then collaborate to complete an HR plan for COMPTeCH, INC.

Scenario

Background

Founded in 1980 by two "downsized" IBM software engineers, Maryland-based COMPTeCH is credited by many analysts as being the inventor of the personal computer

superstore concept. COMPTeCH is the leader in the discount computer retail sales industry and America's largest personal computer retail outlet. The company operates over 350 stores in the United States and Canada and employs over 10,000 full-time associates.

History

When Jordan Green and Kyle Brown lost their positions at IBM in 1980, the wave of corporate downsizings in the United States had just begun. Green and Brown received generous severance packages from IBM and decided to go it on their own rather than begin second careers in another corporate environment. Working out of Green's home, they marketed themselves as "computer odd jobbers," primarily through word of mouth among friends and associates. Their first contract was to handle the weekend relocation of a small architectural firm owned by one of Jordan's tennis partners.

The partners set to work on a Friday afternoon, confident that neither would miss his Sunday morning tea time. Unfortunately, the job proved to be more complicated than it would have been inside IBM's corporate headquarters. Reconfiguring the client's network in the new location required several additional port hubs and LAN adapters. The nearest retail outlet was 60 miles away and would not open until Monday at 10:00 A.M. Green and Brown recognized a need for a retail personal computer outlet to cater to small businesses and self-employed professionals. That weekend, COMPTeCH was born.

The first COMPTeCH retail store was opened in Somers, New York, in 1981 in leased warehouse space. The concept was promoted as a one-stop-shopping center for personal computer needs. The store carried personal computer equipment of all kinds and also offered installation, maintenance, training, and specialized technical services. Within 6 months, Green and Brown had a staff of eight and were looking for space to open a second location.

After opening their fifth store in the Northeast, the partners decided to expand nationwide. With financial backing from a venture capital group, they moved into every region of the United States. During the next 12 years, COMPTeCH experienced an average growth rate of 27 new stores per year. In 1990, the company acquired a chain of computer stores in Canada. By 2012, COMPTeCH employed over 10,000 personnel across the United States and Canada.

COMPTeCH went public in 1990 at \$2.00 a share—by 1994, the stock was selling at \$27.00 per share. In 2012, COMPTeCH realized gross annual sales in excess of \$10 billion. Exhibit 5.4.1 shows the company's domestic market share lead among its top competitors.

*Contributed by David Herst.

Exhibit 5.4.1
2012 U.S. Personal
Computer Retail Sales

Competitor	Gross Sales (\$ billions)
Dell.com	\$15
COMPTECH	10
Manufacturer direct sales	8
Warehouse chains	7
Mail order companies	5
Retail chains	3
Small computer stores	2
Total	\$50

The COMPTECH Retail Operation

Because COMPTECH strives to maintain uniformity in each of the retail stores, layout and appearance are very similar from store to store and region to region. Corporate headquarters is responsible for planning and choosing models for store presentation; retail managers have little discretion in terms of merchandising approaches. Monthly floor plans for the stores are developed by corporate merchandising and distributed through the district managers. The stores, which range in size from 15,000 to 20,000 square feet, are brightly lit and project a high-tech efficiency look. The product line includes a wide variety of personal computers, peripherals, printers, and software. In 2012, the average COMPTECH retail store stocked about 3,500 kinds of computers and computer-related items. Sales were divided among product categories as follows:

Product Group	Percent of 2012 Revenues
Stationary personal computers	30%
Portable personal computers	22
Printers	18
Software	12
Peripherals	10
Technical services	8

While the company's meteoric rise was sparked by the growth in the work-at-home market and decreasing prices for personal computers, the unique strategy of combining a warehouse atmosphere with the highest levels of customer service must be credited as well. The company continues to build on that winning strategy.

In 2000, COMPTECH introduced its Newcomer's Club for customers buying their first computers. For a flat fee of \$75, the customer receives installation service and a one-hour in-home orientation training session. The Newcomer's Club helped boost personal computer sales by 5 percent nationwide during the holiday season. Last year, the company announced its trade-in program for personal computers. Customers will receive a credit of \$250 toward the purchase of a new COMPTECH computer package when they trade in their old computer—no matter what

make, year, or type. The computer packages consist of a computer, monitor, printer, and plus scanner, a small digital camera. COMPTECH is considering the possibility of developing warehouse-type outlets for sales of the used computer components.

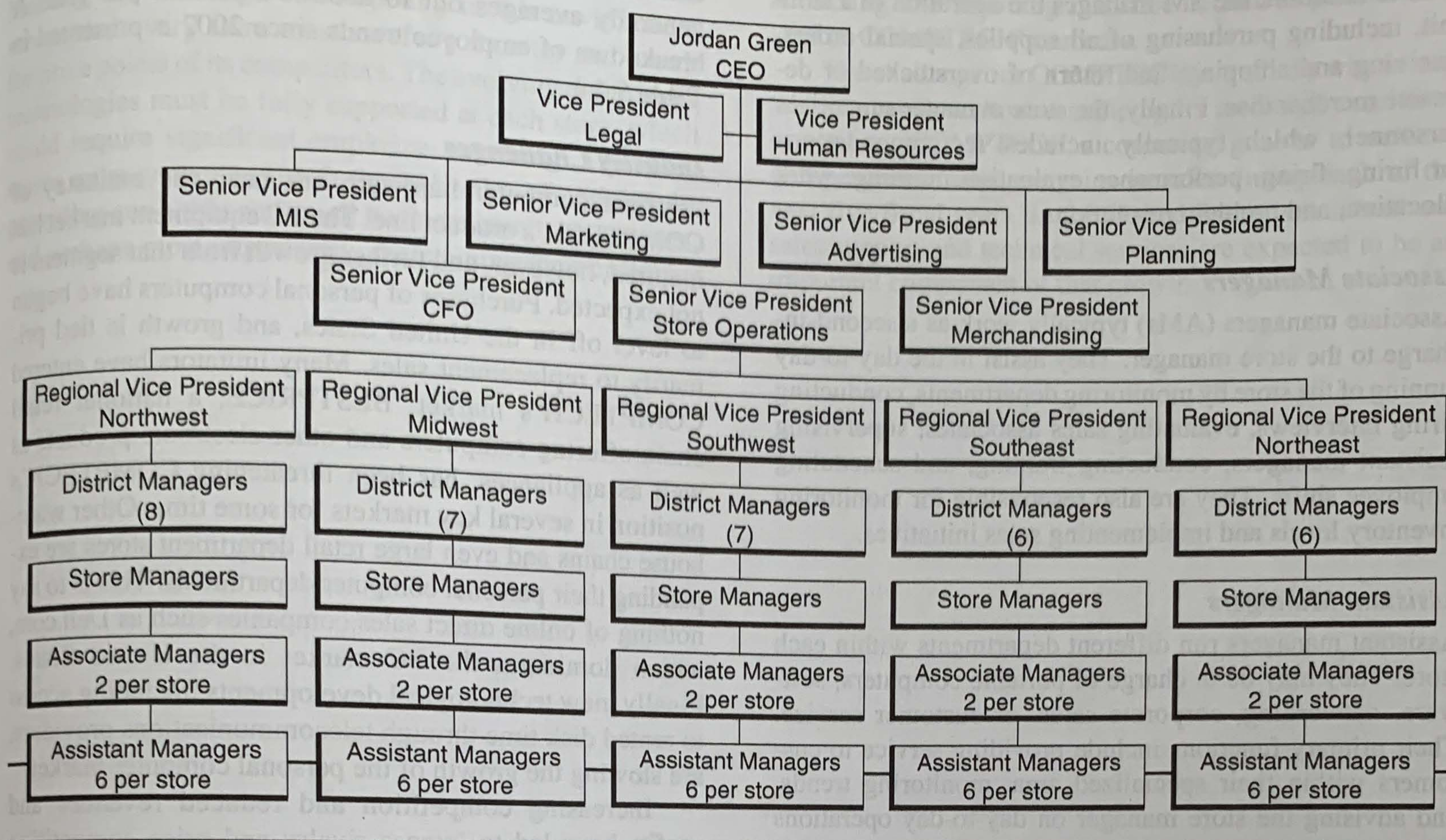
Shrinking margins on computer hardware and the success of the Newcomer's Club have prompted COMPTECH to expand into consumer services. This year the company plans to offer a service to install wireless home networking. A deal with the local cable and telephone companies to resell broadband Internet access has been in the works. COMPTECH plans on bundling the network installation with the reselling of broadband services. Management is also considering a comprehensive program aimed at the fast-growing telecommuting market. In addition, COMPTECH is pushing the high-margin printer cartridge business but is finding it hard to compete with online stores such as Dell.com, which has an advantage in overhead.

COMPTECH continues to expand geographically with plans to enter the South American, Eastern European, and perhaps Chinese markets in the next 3 years. COMPTECH plans to sell some of the used computers collected through the trade-in program in these emerging markets as well as offer state-of-the-art equipment for the upscale buyer. The company has also developed a state-of-the-art website. Of the 150 million American households with computers, 120 million are equipped with modems and connected to the Internet. Of these, 40 million have high-speed, or broadband, Internet access. Because of low overhead associated with online sales, COMPTECH continues to push its web-based store. The assistance and online computer training for small businesses are additional opportunities that the company is considering.

Human Resources

The organization structure that evolved at COMPTECH is very similar to most other large retail operations in the United States. CEO Jordan Green is supported by seven senior vice presidents (SVPs) in various functional areas as well as vice presidents (VPs) for human resources and legal services. The five regional vice presidents (RVPs) are responsible for the Northeast, Southeast, Midwest, Northwest,

Exhibit 5.4.2



and Southwest. Under the regional vice presidents are the district managers (DMs). There are approximately 35 district managers. Each district manager is responsible for approximately 10 stores. Exhibit 5.4.2 shows COMPTECH's organizational structure for its U.S. operations.

The Vice Presidents

Vice presidents provide expert advice and strategic input to the president according to their functional area. They make sure that COMPTECH's information systems, marketing, store operations, advertising, merchandising, planning, and financing are all considered when developing and maintaining the business plan. They are directly responsible for providing expert knowledge within each functional area to the CEO on COMPTECH's strengths, weaknesses, opportunities, and threats. They are a vital part of both creating and implementing COMPTECH's business strategy.

The Regional Vice Presidents

Regional vice presidents (RVPs) are responsible for developing strategies and goals for the region and helping the district managers develop implementation plans and schedules. They work closely with the vice presidents to determine overall business strategy and to implement the strategy once it has been created. Regional vice presidents are directly responsible for all stores in their geographic area. They are also given some decision authority to pursue strategies tailored to their region.

The District Manager Job

The job of the district manager is to participate in the development of the regional and district strategy, communicate corporate directives, and supervise and monitor store operations. DMs and regional vice presidents work together to develop implementation plans for marketing, budgeting, and purchasing. The DM has full responsibility for ensuring that the plans are implemented at the store level by communicating directives and monitoring progress of store management.

DMs screen, select, and evaluate all store managers and associate managers and conduct regular inspections of all the stores within the district. The DM is responsible for following up on monthly store performance reports to identify problem areas and develop plans and final solutions. The DMs' oversight function is carried out primarily through conducting regular on-site visits, or "DM Audits," at each of the stores, which are an important component of the store managers' annual evaluations. The district manager is also responsible for selecting and evaluating the performance of all other management level personnel in the district.

The Store Manager Job

The store manager (SM) provides the administrative and functional supervision of a store unit, including inventory control, sales and returns, vendor relations, cash management, and related reporting. The SM supervises all regular

and/or temporary customer service and stock management staff. In addition, the SM manages the operation of a store unit, including purchasing of all supplies, special orders, receiving and shipping, and return of overstocked or defective merchandise. Finally, the store manager supervises personnel, which typically includes recommendations for hiring, firing, performance evaluation, training, work allocation, and problem resolution.

Associate Managers

Associate managers (AMs) typically work as a second-in-charge to the store manager. They assist in the day-to-day running of the store by monitoring departments, conducting hiring interviews, evaluating sales associates, supervising assistant managers, conducting training, and scheduling employee shifts. They are also responsible for monitoring inventory levels and implementing sales initiatives.

Assistant Managers

Assistant managers run different departments within each store. They may be in charge of portable computers, software, networking, corporate sales, or customer service. Their primary functions include providing service to customers within their specialized area, monitoring trends, and advising the store manager on day-to-day operations within the store.

Sales Associates

Sales associates are the first-line customer service and sales representatives for COMPTECH. They greet customers, assist them in making purchasing decisions, and advise them on their computer needs.

The company is known for its progressive human resource practices and emphasis on employee training. All COMPTECH sales associates receive a minimum of 3 weeks' intensive training on COMPTECH's entire product line before joining the floor sales staff. Sales associates receive a base salary as well as incentive pay based on their sales performance. COMPTECH employees earn 10 percent more than their peers in similar organizations. Approximately 90 percent of the workforce at COMPTECH

are full-time employees. Turnover in new stores averages about 40–50 percent for the first few months and then generally averages out to about 30 percent per year. A breakdown of employee trends since 2002 is presented in Table 5.4.1.

Industry Challenges

Personal computer hardware has been the mainstay of COMPTECH's product line. The PC equipment market has matured, however, and further growth from that segment is not expected. Purchases of personal computers have begun to level off in the United States, and growth is tied primarily to replacement sales. Many imitators have entered COMPTECH's market. BESTPRICE, a national retail chain offering computers and other electronic products as well as appliances, has been threatening COMPTECH's position in several key markets for some time. Other warehouse chains and even large retail department stores are expanding their personal computer departments. This is to say nothing of online direct sales companies such as Dell.com, which dominates the PC market in the United States. Finally, new technological developments, including access to rented disk time through telecommunications providers, are slowing the growth of the personal computer market.

Increasing competition and reduced revenues and profits have led to intense rivalry and price competition among computer retailers in the United States, and competition is increasing abroad as domestic companies begin to look beyond their home markets for new opportunities. The U.S. price wars that began in 1991 continue unabated, with suppliers forced to slash list prices, cut dealer margins, and introduce lower-cost lines aimed at the home-user market.

Another trend that has had a negative impact on COMPTECH's business is the increasing tendency of computer manufacturers to use alternative channels for distribution of their product. Mail order catalogues, television home shopping channels, direct customer sales through third-party (e.g., Dell.com) manufacturer websites, and telemarketing operations are becoming common distribution mechanisms for PCs.

Table 5.4.1

Employee Staffing Trends 2002–2012

Position	Staffing Levels	Sales Associate	Assistant Manager	Associate Manager	Store Manager	District Manager	Organizational Exit
Sales Associate	10,000	7,162	58				2,780
Assistant Manager	1,300		1,005	123			172
Associate Manager	780 ^a		16	686	24		54 ⁱ
Store Manager	450 ^b			9	408	7	26 ⁱⁱ
District Manager	42 ^c				3	35	2 ⁱⁱⁱ

^a580 whites, 110 blacks, 90 Hispanics.

^b360 whites, 40 blacks, 50 Hispanics.

^c32 whites, 6 blacks, 4 Hispanics (2 DMs became RVPs).

ⁱ10 whites, 32 blacks, 12 Hispanics.

ⁱⁱ4 whites, 6 blacks, 16 Hispanics.

ⁱⁱⁱ0 whites, 1 black, 1 Hispanic.

The decline in growth of the personal computer equipment business has serious implications for COMPTECH. Meeting the challenge of competing in this environment means that every store must carefully monitor and match the price points of its competitors. The evolving multimedia technologies must be fully supported at each store, which could require significant employee retraining. The retail stores must generate growth through sales of peripherals, providing consumer and small business computer services, and perhaps most importantly, maintaining their customer

base by providing a flawless level of customer service. Attracting and retaining qualified technical personnel is vital to COMPTECH's success.

The challenge for COMPTECH is to find a way to sustain its growth without sacrificing its record of excellence in service. COMPTECH's corporate goal is to achieve 4–5 percent same-store gains in sales during each of the next five fiscal years. In the United States, small business sales/support and technical services are expected to be an important component of that growth.

Name _____

Group _____

FORM 5.4.1

1. What are the major SWOTs at COMPTECH? Use information from the chapter to determine the internal issues that will need attention. Review recent business trends in the retail computer sales sector and in the labor market in general (both domestic and foreign) to help you complete the environmental scan.
2. Determine the external labor supply available this year in five different states by using statistics from the Bureau of Labor Statistics website (www.bls.gov) or some other source. Employment statistics can be found at the State and Local Employment link under the Employment and Unemployment section. *Hint:* After clicking on the link, scroll down until you see the link for Create Customized Tables. These will help you find the applicable statistics.
3. What type, or types, of HR planning analysis do you propose for the data presented in Table 5.4.1? How do you propose to assess the internal trends in employee movement? Indicate what positions will require more training/retention efforts and what positions will require greater recruitment/selection efforts.

FORM 5.4.1 (Continued)

Name _____

Group _____

4. How would you use gap analysis for dealing with immediate HR issues and for HR planning?
5. COMPTECH executives set the goal of increasing the diversity of COMPTECH, but there was no specificity to the goal. They have requested that you provide a game plan for achieving this goal. Provide a chronological outline of your strategy.
6. Given all of the data presented in the case, what is your chronological HR action plan for COMPTECH, INC.?