



**EASTERN UNIVERSITY, SRI LANKA**  
**FACULTY OF COMMERCE AND MANAGEMENT**  
**FOURTH YEAR FIRST SEMESTER EXAMINATION IN BUSINESS**  
**ADMINISTRATION/COMMERCE 2007/2008 (October 2008)**  
**Specialization in Human Resource Management**

HRM 4113- STRATEGIC HUMAN RESOURCE MANAGEMENT

Answer all questions.

Time: 3 hours

**01.CASE STUDY: *Mergers and Acquisitions***

In the past, the decision criteria for mergers and acquisitions were typically based on considerations such as the strategic fit of the merged organizations financial criteria, and operational criteria. Mergers and acquisitions were often conducted without much regard for the human resource issues that would be faced when the organizations were joined. As a result, several undesirable effects on the organizations human resources commonly occurred. Nonetheless, competitive conditions favour mergers and acquisitions and they remain a frequent occurrence. Examples of mergers among some of the largest companies include the following: Honeywell and Allied Signal, British Petroleum and Amoco, Exxon and Mobil, Lockheed and Martin, Boeing and McDonnell Douglas, SBC and Pacific Telecis America, America Online and Time Warner, Burlington Northern and Santa Fe, Union Pacific and Southern Pacific, Daimler-Benz and Chrysler, Ford and Volvo, and Bank of America and Nations Bank.

Layoffs often accompany mergers or acquisitions, particularly if the two organizations are from the same industry. In addition to layoffs related to redundancies, top managers of acquiring firms may terminate some competent employees because they do not fit in with the new culture of the merged organization or because their loyalty to the new management may be suspect. The desire for a good fit with the cultural objectives of the new organization and loyalty are understandable. However, the depletion of the stock of human resources deserves serious consideration, just as with physical resources. Unfortunately, the way that mergers and acquisitions have been carried out has often conveyed a lack of concern for human resources. A sense of this disregard is revealed in the following observations:

Post combination integration strategies vary from such "love and marriage" tactics in truly collaborative mergers to much more hostile "rape and pillage" strategies in raids and financial takeovers. Yet, as a cursory scan of virtually any newspaper or popular business magazines readily reveals, the simple fact is that the latter are much more common than the former.

The cumulative effects of these developments often cause employee morale and loyalty to decline, and feelings of betrayal may develop. Nonetheless, such adverse consequences are not inevitable. A few companies, such as Cisco Systems, which has made over 50 acquisitions, are very adept in handling the human resource issues associated with these actions. An example of one of Cisco's practices is illustrative. At Cisco Systems, no one from an acquired firm is laid off without the personal approval of Cisco's CEO as well as the CEO of the firm that was acquired.

- a. What are the reasons that favour mergers and acquisitions? (5 Marks)
  - b. Cisco Systems are very adept in handling human resources issues in its many successful acquisitions. What may be the human resource practices that have made Cisco's acquisitions successful? (5 Marks)
  - c. If human resources are a major source of competitive advantage and the key determinant of an organization's ability to pursue a given a strategy, why have the human resource aspects of mergers and acquisitions been ignored or handled poorly in so many instances in the past? (7 Marks)
  - a. Organizations are in need of change in a volatile competitive environment of today. Introduction of change almost always faces resistance. Explain briefly how you would overcome resistance to change. (7 Marks)
- (Total 24 Marks)

02. "Focus solely on investment in physical resources as opposite to human resources is shortsighted"

- a. Explain the concept of investment perspective of human resources. (9 Marks)
  - b. Briefly explain the factors that influence how 'investment oriented' an organization is. (03 Marks)
  - c. Explain clearly what sustainable competitive advantage is. (07 Marks)
- (Total 19 Marks)

03.

- a. Illustrate a value chain process where Human Resource Practices of an organization can be linked to ultimate market based outcome. (5 marks)
  - b. Differentiate among the terms 'Personnel Management', 'Human Resource Management' and 'Strategic Human Resource Management' (5 marks)
  - c. Distinguish between the terms 'group' and 'team' in the strategic human resource management context. (5 marks)
  - d. List the benefits of having cross-functional team in an organization. (4 Marks)
- (Total 19 Marks)



04.

- a. List the major factors affecting the Human resource Management in the new millennium. (3 Marks)
- b. When adopting a new technology an organization should consider strategic as well as strategic human resource issues for successful integration of that technology within it. Discuss in brief the human resource issues that would be considered in adopting a new technology. (6 Marks)
- c. An organization may follow a corporate strategy according to its internal as well as external assessment. Explain the human resource issues that would be considered if growth strategy is followed. (5 Marks)
- d. Explain briefly the differentiation strategy and the Human resource issues that should be considered if it is being contemplated as the business unit strategy of the organization to pursue. (5 Marks)
- (Total 19 Marks)

05.

- a. What do you understand by the terms 'reliability' and 'validity' in strategic selection of people? (5 Marks)
- b. What are five core job characteristics? Explain. (5 Marks)
- c. Explain the term 'outsourcing'. (4 Marks)
- d. Write short notes on the following terms in relation to redesign of work systems:
- Job enrichment
  - Vertical loading
- (5 Marks)
- (Total 19 Marks)