CASE SUMMARIES AND STUDY QUESTIONS

This document contains summaries of and study questions for the nine (9) cases included in the Mgt. 469 course. It is intended to assist you in reading, analyzing and preparing for write-up, presentation and class discussion of the cases. Please note that the study questions are "suggested" questions; you may develop other key or "focal" questions as you go through the cases. Also note that, by themselves, the questions do not identify human resource management/organizational concepts that apply to case analysis. Rather, it is your job to apply such concepts to the cases, drawing on course readings for this purpose. It is also strongly recommended, though not required, that you prepare short summaries of each case to assist you in class discussion of the cases.

Case #1 – Southwest Airlines: Using Human Resources for Competitive Advantage (A)

Summary

This case emphasizes the importance of human resource strategy and management to the business performance of Southwest Airlines under the leadership of CEO Herb Kelleher. Despite having a very highly unionized work force, Southwest has had comparatively low operating costs and lost baggage rates, comparatively high service quality and on-time flight performance, and the strongest profitability record in the airline industry. The case highlights the "People Department" at Southwest as well as the company's hiring, training and compensation practices. Under these practices at Southwest, employee turnover has been very low and employee commitment very high. New competitive threats, however, pose questions about the continued success of the company's business and human resource strategies.

Study Questions

1. Which stage of the organizational life cycle is Southwest Airlines in at the end of the case?

2. What is the human resource management strategy of Southwest Airlines? What are the key human resource management practices at Southwest?

3. How have Southwest Airline's human resource management practices contributed to the company's performance?

4. What factors, if any, threaten the continued viability of Southwest Airlines' human resource management practices?

5. What recommendations would you make to Herb Kelleher and other senior executives at Southwest Airlines for changes in the company's human resource management strategy? Human resource management practices?

Case #2 – Human Resource Management at Levi Strauss: Techniques or Strategy?

Summary

Levi-Strauss and Company (LS&Co.) has one of the world’s best recognized brands, has also been well known for
its “progressive” human resource management and community involvement practices, and for most of its existence has had a strong record of financial performance. Under increasing global competitive pressures in the 1990s, however, LS&Co. undertook new human resource management initiatives that included a shift from piece-rate to team production in its apparel manufacturing plants, an incentive compensation plan covering all employees linked to LS&Co.'s achievement of a 5-year cumulative cash flow target, work force reductions among professional and manufacturing employees, the closing of many U.S. plants, and the shifting of apparel manufacturing work to other nations. It is unclear whether these and other initiatives will “turn around” LS&Co.'s declining business performance.

Study Questions

1. Does Levi Strauss have a human resource management strategy? If so, what is it? If not, why not?

2. Why did Levi Strauss replace its individually-oriented, piece-rate based production system with a team-based production system? What was the conceptual basis of the new team production system?

3. Assess the potential benefits and limitations of Levi Strauss' initiative to use cumulative cash flow as a new basis for incentive compensation. How is this compensation arrangement likely to be influenced by work force reductions at Levi Strauss? Explain.

4. How did Levi Strauss’ new human resource management initiatives affect the company's financial performance? What, if any, additional data do you need to answer this question?

5. What recommendations would you offer to Levi Strauss' senior management for revising (or formulating) its human resource strategy? Its business strategy?

Case #3 – Microsoft: Competing on Talent

Summary

This case describes the evolution of Microsoft’s human resource philosophies, policies, and practices and how they were used as a core of the company’s competitive advantage. In particular, the case focuses on how Microsoft used its organization culture, equity-based rewards, personal mentoring, and performance management practices to recruit, develop, motivate, and retain first class talent as it grew. The case also describes CEO Bill Gates’ and President Steven Ballmer’s heavy involvement in recruiting and promoting human talent at Microsoft. Triggered by high-profile senior-level departures in 1999, however, the company must decide if it is time to change the “hard core” organization and associated human resource management practices that many believe have been keys to the company’s competitiveness.

Study Questions

1. How have Microsoft’s various HR philosophies, policies, and practices contributed to the company’s performance?

2. What are the strengths and weaknesses of Microsoft’s initial approach to selecting and retaining employees? What are the pros and cons associated with the changes to these practices implemented in the late 1990s?

3. What do you see as Microsoft’s key challenges at the end of the case? How significant do you think the 1999 management turnover at Microsoft is?
4. How would you recommend that Microsoft address senior management turnover in terms of its human resource management policies and practices? What recommendations would you make about the more general set of challenges facing Microsoft?

5. What can business leaders of other enterprises learn from the Microsoft experience about recruiting, selecting, motivating and retaining human capital? Explain.

Case #4 – General Dynamics: Compensation and Strategy (A)

Summary

This case focuses on a controversial gain/sharing plan introduced by William Anders, CEO of defense giant General Dynamics (GD). Anders became CEO of GD in 1991 when the defense industry was saddled with excess capacity following the end of the Cold War. To better align the interests of managers and shareholders, Anders brought in a new management team and introduced a new compensation system, including a gain/sharing plan for top executives. The gain/sharing plan was designed to pay large cash bonuses for each $10 increase in the company’s stock price. However, the plan became widely criticized for allegedly rewarding top executives for manipulating stock prices through public announcements of divestitures and employee layoffs rather than improving the company’s long-term financial strength. By the end of 1991, bonuses averaging three times base salary were distributed to GD’s 25 top executives. At the beginning of 1992, a special shareholder meeting was called to consider revising or eliminating the controversial gain/sharing plan.

Study Questions

1. What specific compensation initiatives were introduced into GD by William Anders?

2. Was GD’s executive compensation strategy appropriate given the company’s market position at that time? In particular, did the gain/sharing plan achieve the stated objective of aligning the interests of managers and shareholders?

3. Evaluate the strengths and weaknesses of GD’s compensation initiatives in linking top executive pay to company performance.

4. In your opinion, how effective were GD’s compensation initiatives in motivating the company’s lower-level employees?

5. What recommendations would you offer to William Anders for revising GD’s compensation strategy? Why?
purposely recruited Parson to the firm to handle a difficult job, with the implicit promise of a fast track promotion. While Parson’s technical performance has been exceptional, his interpersonal skills are lacking. In light of Parson’s performance evaluations, Nasr must decide whether or not to promote his protégé. “Rob Parson (C)” describes Parson’s reaction to Nasr’s handling of this situation as well as relevant developments in the following year.

Study Question

1. What is your assessment of Morgan Stanley’s 360 degree performance evaluation process? Would you describe this process as valid? As reliable? Why or why not?

2. What is your own assessment of Rob Parson’s job performance? Should he be promoted? Why or why not?

3. Using the data in the case, please complete the Evaluation and Development Summary contained in Exhibit 3 of the Rob Parson (A) case.

4. If you were Paul Nasr, how would you conduct the performance appraisal feedback session with Rob Parson? What would your goals be? What issues would you raise, and why? How would you raise them?

5. If you were Rob Parson, how would you conduct yourself in the performance appraisal feedback session? What are your goals? How would you try to influence the process?

Case #6 – Gerald Weiss’ Stock Options

Summary

This case tells the story of Gerald Weiss, a successful Wall Street trader and managing director who is lured to a high-tech company, Medicode, in order to help manage Medicode’s relationship with Wall Street. Medicode is a very successful medical software company located in Silicon Valley, and is headed by the father-son combination of Joe Hart (father & CEO) and Andy Hart (son & CFO). Gerald is enticed to Medicode by, among other things, a very attractive stock option package with enormous upside potential, a special agreement that apparently provides him downside protection, and a promise to soon become CFO (with Andy Hart becoming president of Medicode). However, Gerald’s relationship with Andy deteriorates quickly, Gerald does not become Medicode’s CFO, and when the company’s stock price declines sharply Joe refuses to honor the financial protection agreement with Gerald. Thus, Gerald wonders whether he should leave Medicode and return to Wall Street.

Study Questions

1. What motivated Gerald Weiss to accept a position with Medicode?

2. If you were Gerald, would you have wanted your employment/compensation agreement with Medicode to be put in writing? Why or why not?

3. Do you agree with Gerald’s assessment that his stock option package with Medicode “was a really sweet deal?” Why or why not?

4. How, if at all, can the conflict between Joe and Gerald be resolved? If you were Frank Whinston, the interim president and CFO of Medicode, would you overtly seek to resolve this conflict?

5. If you were Gerald, what would you do now, that is, at the end of the case?
Case #7 - Federal Express, Inc. (A) & (B)

Summary

The (A) case focuses on the Fred Smith-led creation of Federal Express in the early 1970s and the development of the company to a dominant position in the U.S. overnight delivery market throughout the 1980s. Emphasis is placed on the combination of innovative uses of technology (such as bar-coding and computer tracking of packages) and people (such as through a strong organizational culture, flexible work, and no employee unionization) to achieve high quality overnight delivery service and strong financial performance. The (B) case focuses on Federal Express’ global expansion, beginning with its acquisition (in 1989) of Flying Tigers. After three years of acquisition-fueled global expansion, however, Federal Express’ has failed to achieve high quality overnight delivery service abroad, and its financial performance has declined sharply. This seems to be due in large part to a misalignment of U.S.-based human resource management practices in Europe, Asia and elsewhere to which Federal Express expanded its business.

Study Questions

1. What were Federal Express’ (Fedex’s) main human resource management practices in its U.S. operations? How did these practices contribute to Fedex’s business performance?

2. What challenges to Fedex’s human resource management practices were presented by the Flying Tigers acquisition? Could this acquisition have been managed differently?

3. How did Federal Express’ human resource management practices “fit” countries to which it expanded? Be specific, using 2-3 specific human resource management practices and 2-3 countries. Is there an analytical framework that helps you answer this question? Explain.

4. Identify ways in which Federal Express could have obtained information about human resource management practices in countries to which it expanded prior to such expansion.

5. What do you recommend that Federal Express do now – that is, at the end of the (B) case?

Case #8 – The House that Branson Built: Virgin’s Entry into the New Millennium

Summary

This case tells the intriguing and highly entertaining story of the British-based Virgin Group, from its late 1960s launch as a record mail-order company to its 1999 position as holding company for a portfolio of differentiated and relatively autonomous businesses. In particular, the case describes the relationship between Richard Branson and the organization he founded – detailing the interaction between his leadership style, the unique organizational culture he cultivated, the business strategies he implemented, and the organization he built (along with the evolution of style, culture, strategies, and organization). At the point where the case picks up, Branson has sold Virgin Records to Thorn EMI for £560 million cash and begun the process of developing / implementing an organization-wide Virgin Charter. Within that Charter, he observes that “Over the years Virgin has evolved into something between a branded venture capital organization and a Japanese-style keiretsu (family of businesses).” Given Virgin’s reliance on Branson’s unique vision, flamboyant personality, and distinct management approach, it remains unclear how the organization will need to be structured and lead to assure its continued success in the new millennium.

Study Questions
1. Briefly describe Richard Branson's approach to business leadership. Then briefly assess the strengths and weaknesses of this approach.

2. Who else besides Branson has been important to the success of the Virgin Group?

3. In your judgment, can the Virgin Group survive and prosper once Branson is no longer on the scene? Stated differently, is leadership succession in place at Virgin?

4. Is there a distinctively “global” dimension of Branson’s (Virgin’s) approach to leadership? Explain.

5. Interpret the evolution of the Virgin Group in terms of leading and managing organizational change, including issues of leadership succession and ongoing organizational success.

Case #9 – Meg Whitman at eBay (A)

Summary

This case describes Meg Whitman's actions upon taking over from Pierre Omidyar, the company’s founder, as president and CEO of eBay, Inc. – the largest person-to-person trading site on the Internet. When Whitman joins eBay, the company is still privately held, with a relatively small staff, a clearly defined internal organization culture, and a devoutly loyal external constituency (its “community” of users) with a similar, clearly defined culture. Whitman must figure out how to lead the company through extremely rapid growth without compromising either the unique external customer culture or the internal corporate culture that are considered to be the company’s key success factors. Part of eBay’s growth has come through acquisitions, and Whitman is reviewing the final details of the proposed acquisition of Kruse International, an auctioneer of collector automobiles. She is concerned about how this acquisition will affect eBay’s own operations and culture and, therefore, how she should manage the process of organizational change in effectuating the acquisition.

Study Questions

1. What are eBay’s main strengths and weaknesses when Whitman joins the company? Explain.

2. What key organizational changes has Whitman implemented since becoming president and CEO of eBay? How would you describe Whitman’s approach to the management of organizational change?

3. What is your assessment of these key changes? In particular, evaluate both positive and negative aspects of Whitman’s actions with respect to eBay’s main constituencies (e.g., customers and employees).

4. What are the key challenges facing Whitman at the end of the case? Distinguish between short-term and long-term challenges.

5. What specific recommendations can you offer to meet those challenges? Be as specific as possible.