

21E00051 “Strategic Human Resource Management” – Second exam: Spring 2022

The exam is divided into two tasks, A and B. Task A is a mini-case for which you need to write an essay providing solutions to the questions asked. Task B includes essay questions. Three questions are given. You must answer only two of them.

Important! All questions are essay questions and you are expected to respond accordingly. To pass the exam, each of your responses must meet the minimum level for an acceptable response.

TASK A: Mini-case

Read the Haier case and answer the following questions:

1. What are the distinctive features of Haier’s performance management system? What is Haier trying to achieve with this performance management system?
2. Does it work? If yes, why? If not, why not?

Your response should not exceed 1000 words. Feel free to apply any literature used in this course, or lectures.

Haier: An emerging Chinese multinational

One spring in early 1985, anyone visiting the facilities of Qingdao Refrigerator General Factory, a home appliance manufacturer in the northeastern Chinese city of Qingdao, would have been forgiven for thinking that company CEO Zhang Ruimin had taken leave of his senses. Just a few months after taking the helm of this virtually bankrupt company, at the age of 35, this former city official gathered all factory personnel in the factory courtyard. There, they watched a group of co-workers take sledgehammers to implement an order from their young CEO: “Destroy all refrigerators that have been found to be defective in even a minor way”. Zhang had a clear message: The company would no longer produce substandard products. Instead, a high quality of products and services would become the foundation of its global brand.

By 2008, Zhang had turned the small loss-making refrigerator factory into a group of more than 240 subsidiaries, 30 design centers, plants, and companies, employing over 50,000 workers. Haier (as the company is known today) was the world's fourth-largest maker of large kitchen appliances with US\$16.2 billion in revenues and a 6.3 percent global share with a particularly strong position in washing machines (#2) and refrigerators (#3). The company's products were sold in 160 countries, in 12 of the 15 top European retailers, and in all of the top 10 retail chains in North America.

A guiding principle of Haier's management system is OEC: Overall, Every, Control and Clear. "Overall" means that all performance dimensions have to be considered. "Every" refers to everyone, everyday, and everything. "Control and Clear" refers to Haier's end-of-work procedure each day, which states that employees must finish all tasks planned for that day before leaving work – they are responsible for managing their own workload and reporting to their supervisor.

To support OEC, Haier uses a variety of performance management and motivational tools. For example, a key aspect of Haier's performance management is the system used for performance evaluations and promotions – and demotions – based on the concept of racetrack. All employees can compete in work-related "races" such as job openings and promotions, but winners have to keep racing – and winning – to defend a title. There is no such thing as a permanent promotion. In keeping with this philosophy, every employee in the Haier Group is subject to frequent and transparent performance appraisals – going against the traditional Chinese culture in which "face" is extremely important.

However, accountability is not shared equally. According to Haier's 80:20 principle, superiors are responsible for 80 percent of results (good or bad) – subordinates for 20 percent. Each manager's performance is reviewed weekly. The criteria for the evaluation involve both achieving quantifiable goals and the degree of innovation and process improvement. At the end of the month, managers receive a performance grade of A, B, or C. The results of this evaluation are announced at a meeting for middle and upper-level managers on the eighth day of each month. Those judged as being ready to move to a higher position are transferred into the Haier talent pool. Selections for the talent pool are made every quarter. There is no philosophy of "once you're in, you're in" at Haier.

Managers' performance rankings are openly displayed at the entrance to the company cafeteria, with a green or red arrow indicating whether their score has gone up or down that month. This practice has been in place for over 20 years. Promotions and demotions are also published in the company's internal newspaper.

Haier has a formal policy for managing employees who do not meet set expectations. The consequence of continued performance in the bottom 10 percent after three negative reviews (either quarterly or annually), despite remedial training, is dismissal. The flip side of this approach is the emphasis on recognizing and rewarding success and creativity. If an

employee develops or improves a product, or suggests an efficient new procedure, the innovation carries the employee's name, and a notice to this effect is prominently displayed.

Another important feature of Haier's HR system is a close connection between performance measurements and compensation. The company provides each employee with "P&L book", which is updated daily and breaks down and quantifies the financial outcome of the employee's efforts. The bottom line is directly linked to the salary received by the employee. In Haier's language, employees do not receive salaries but their share of profits.

TASK B: Essay questions

Please choose two out of three questions below. Your answer for each essay should not exceed 500 words.

Tip: Define and use concepts that were used in the literature and lectures. Give examples from your research for group work/own work experiences to demonstrate your points. Feel free to apply any literature used in this course, or lectures, in any of your responses.

1. When is Human Resource Management strategic, and what does that mean in practice? Please discuss.
2. Building an organizational culture from the scratch vs. changing an existing organizational culture. Please discuss the necessary steps and key things to consider in one of these situations.
3. How to lead employee wellbeing and sustainable work in 2022?