SPHRi MODULE 1
BUSINESS LEADERSHIP

Senior Professional in Human Resources – International (SPHRi)

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Part One: Business Management

1. Essentials of Management

Management in all business and organizational activities is the act of getting people together to accomplish desired goals and objectives using available resources efficiently and effectively. The fundamentals of management is deciding what need to be done and getting it done through people in organization. Therefore, in most cases, people of an organization are the main resource that is needed by a manager to manage other resources in operating an organization.

1.1. Functions of Management

During early part of the twentieth century, Henri Fayol French industrialist proposed that all managers perform five management activities that are: plan, organize, command, coordinate, and control. But nowadays there management functions have been condensed to four: **planning**, **organizing**, **leading**, and **controlling**. Managers exist in every business. In fact, managers do the same types of tasks in all businesses. Whether a person manages a hair salon or a factory, the manager's job consists of similar tasks. Planning, organizing, leading and controlling all serve an important part in achieving management's vision. Each component is important and one cannot function well without the others.

1.1.1. Planning

Planning means identifying goals for future organizational performance and deciding on the tasks and use of resources needed to attain them. In other words, managerial planning defines where the organization wants to be in the future and how to get there.

1.1.2. Organizing

Organizing typically follows planning and reflects how the organization tries to accomplish the plan. Organizing involves assigning tasks, grouping tasks into departments, delegating authority and allocating resources across the organization.

1.1.3. Leading

Leading is the use of influence to motivate employees to achieve organizational goals. Leading means creating a shared culture and values, communicating goals to employees throughout the organization, and infusing employees with the desire to perform at a high level. Leading involves motivating entire departments and divisions as well as those individuals working immediately with the manager. In an era of uncertainty, global competition and a growing diversity of the workforce, the ability to shape culture, communicate goals and motivate employees is critical to business success.

1.1.4. Controlling

Controlling is the fourth function in the management process. Controlling is monitoring employees' activities, determining whether the organization is on target toward its goals, and making corrections as necessary. Managers must ensure that the organization is moving toward its goals. Trends toward empowerment and trust of employees have led many companies to place less emphasis on top-down control and more emphasis on training employees to monitor and correct themselves. Information technology is helping managers provide needed organizational control without strict top-down constraints.

1.2. Goals of Management

Management is the attainment of organizational **goals** in an effective and efficient manner through planning, organizing, leading and controlling organizational resources. Organizational effectiveness and organizational efficiency constitute organization **performance**. Organizational **effectiveness** is the degree to which the organization achieves a stated goal, or succeeds in accomplishing what it tries to do. Organizational effectiveness means providing a product or service that customers value. Organizational **efficiency** refers to the amount of resources used to achieve an organizational goal. It is based on how much raw materials, money and people are necessary for producing a given volume of output. Efficiency can be calculated as the amount of resources used to produce a product or service.

1.3. Levels of Management

In organizations, there are generally three different levels of managers: first-level managers, middle-level managers, and top-level managers. These levels of managers are classified in a hierarchy of importance and authority, and are also arranged by the different types of management tasks that each role does. In many organizations, the number of managers in every level resembles a pyramid, in which the first-level has many more managers than middle-level and top-level managers, respectively. Each management level is explained below in specifications of their different responsibilities and likely job titles.

1.3.1. Top-level managers

Typically consist of board of directors, president, vice-president, chief executive officers, etc. These individuals are mainly responsible for controlling and overseeing all the departments in the organization. They develop goals, strategic plans, and policies for the company, as well as make many decisions on the direction of the business. In addition, top-level managers play a significant role in the mobilization of outside resources and are for the most part responsible for the shareholders and general public.

1.3.2. Middle-level managers

These personnel typically consist of general managers, branch managers, department

managers. These individuals are mainly responsible to the top management for the functioning of their department. They devote more time to organizational and directional functions. Their roles can be emphasized as executing plans of the organization in conformance with the company's policies and the objectives of the top management, they define and discuss information and policies from top management to lower management, and most importantly they inspire and provide guidance to lower level managers towards better performance. Some of their functions are as follows:

- Designing and implementing effective group and intergroup work and information systems.
- Defining and monitoring group-level performance
- Diagnosing and resolving problems within and among work groups.
- Designing and implementing reward systems that support cooperative

1.3.3. First-level managers

Typically consist of supervisors, section officers, foreman, etc. These individuals focus more on the controlling and direction of management functions. For instance, they assign tasks and jobs to employees, guide and supervise employees on day-to-day activities, look after the quantity and quality of the production of the company, make recommendations, suggestions, and communicate employee problems to the higher level above, etc. In this level, managers are the "image builders" of the company considering they are the only ones who have direct contact with employees.

- Motivation
- Career planning
- Performance feedback

The importance for planning and controlling skill required in managers tends to reduce with reducing level in management hierarchy. However, importance for leading skills increases with reducing level of management hierarchy. Thus the first line managers, dealing directly with the operating personnel need very high leading skills to motivate, supervise and guide their subordinates. The importance of organizing skill does not change very much with hierarchical level, however, there is small drop in importance of organizing skill as we go down the organizational hierarchy.

1.4. Business Functions

In essence, management is the efficient and effective deployment of an organization's resources when they are needed. Such resources may include financial resources, inventory, human competencies, production resources, or information technology (IT), called business functions. A business function refers to a component of a business that

is responsible for one major area of the business' operations. For example, in a manufacturing enterprise, one of the most important such functions is production - the department that actually makes the product to be sold. Another important function is sales and marketing -- once a product has been manufactured, it must be sold for the company to realize any income or profit. Dividing an enterprise into business functions helps manage it better by setting clear-cut objectives and assigning distinct strategic goals for each function.

1.4.1. Research and Development (R&D)

Most people associate the research and development (R&D) function of a company with the invention of new products. Whilst this is very important, the development of existing products is of equal significance because consumer preferences are continually changing. The task of product research and development is to come up with the goods and services that meet the needs of tomorrow's customers.

1.4.2. Production and Operations

In addition to making the company's product, the production/operations function usually is responsible for many associated functions, such as acquiring raw materials, projecting production goals, monitoring costs within its own area, and keeping abreast of best practices so as to improve its own methods and procedures.

1.4.3. Sales and Marketing

Sales and marketing's business function generally goes beyond the physical sale of goods or placing them in suitable retail outlets. A great deal of this function is involved with market research and promotion, pricing and sales strategies. Sales and marketing teams take an active part in product development, often working hand in glove with production by providing advice on new product designs and product improvement..

1.4.4. Human Resources

Beyond recruiting and hiring, human resources addresses most employee statutory compliance issues such as ensuring that applicants are legally entitled to work in the labor market. It also looks after staff members' professional development and training, as well as monitoring workers' health and safety and conditions at work. HR is instrumental in establishing terms and conditions of employment, either as management's representative or in collective bargaining with labor organizations representing the workers.

1.4.5. Finance and Accounting

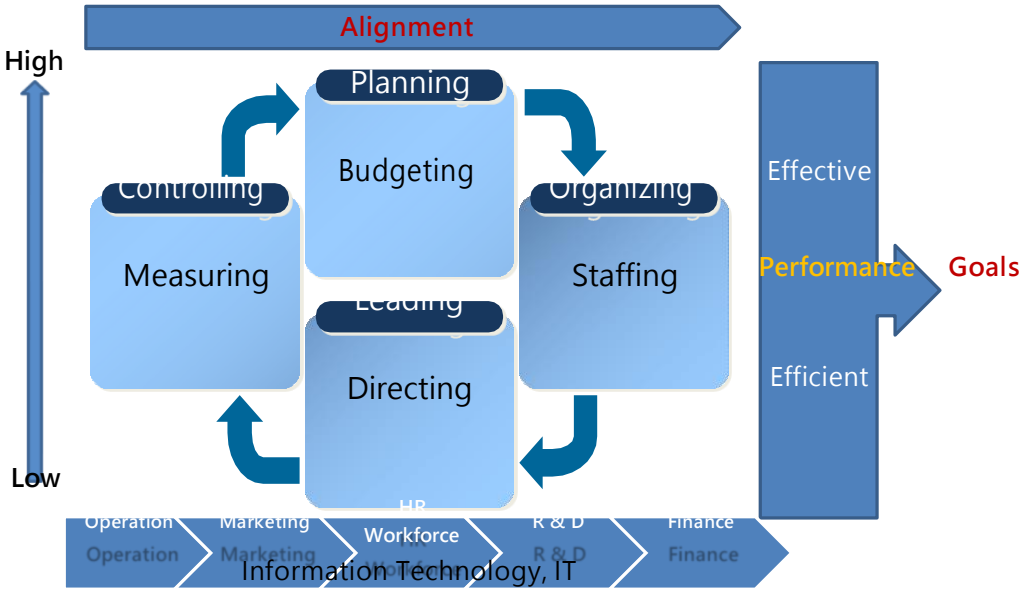
The finance and accounting function oversees the collection of revenues and payment of all invoives, and ensures that amounts received or paid are correct. It also includes cash flow management, preparation of accounting reports and raising financing when necessary, through issuing shares or borrowing. This function especially supports links with all other functional areas.

1.4.6. Information Technology

Information technology is all about storing, manipulating, distributing and processing information. Over the past few years, IT has replaced the conventional modes of businesses with innovative technological tools. In addition to the increased output and efficiency, IT has introduced new concepts such as e-commerce.

1.5. Alignment

Alignment is a managed process to make sure that everyone in an organization is on the same page with personnel down the hierarchy. In other word, alignment is applied to an organization to ensure that all its business functions and activities are set up in support of the organization's goals. Alignment is linking of organizational goals with the employees' personal goals. The goal congruence requires common understanding of purposes and goals of the organization, and consistency between every objective and plan right down to the incentive offers.



Source: Robbins, S.P. & Coulter, M. (2013). Management (12th Edition). Pearson.

2. Organizational Structure

Organizational structure is not simply an organization chart. Structure is all the people, positions, procedures, processes, culture, technology and related elements that comprise the organization. It defines how all the pieces, parts and processes work together (or don't in some cases). This structure must be totally aligned with strategy for the organization to achieve its mission and goals. Structure supports strategy.

If an organization changes its strategy, it must change its structure to support the new

strategy. When it doesn't, the structure acts like a bungee cord and pulls the organization back to its old strategy. Strategy follows structure. What the organization does defines the strategy. Changing strategy means changing what everyone in the organization does.

When an organization changes its structure and not its strategy, the strategy will change to fit the new structure. Strategy follows structure. Suddenly management realizes the organization's strategy has shifted in an undesirable way. It appears to have done it on its own. In reality, an organization's structure is a powerful force. You can't direct it to do something for any length of time unless the structure is capable of supporting that strategy.

Global organizations in the 21st century must compete with a much wider array of companies than their domestic counterparts do, and have therefore evolved several strategies to become as efficient and cost-effective as possible. The choice of organizational structure reflects where decisions are made, how work gets completed, and ultimately how quickly and cheaply the firm's products can be made. Organizational structure determines how the roles, power and responsibilities are assigned, controlled, and coordinated, and how information flows between the different levels of management.

2.1. Span of Control

Span of control (span of management or span of authority) is an upper limit to the number of subordinates who can be effectively supervised by one person. Beyond a certain number of subordinates, the effectiveness and efficiency of supervision decreases.

Flat organizational structures have relatively few levels from top to bottom. Thus, they have wide spans of control. Flat structures provide fast information flow from top to bottom of the organization and increased employee satisfaction. **Tall organizational structures** have many levels between top and bottom. Hence, they have relatively narrow spans of control. Tall structures are faster and more effective at problem resolution than flat structures because of increased frequency of interaction between superior and subordinate and the greater order imposed by the hierarchical structure.

2.2. Chain of Command

The delegation of authority creates a chain of command, the formal channel that defines the lines of authority from the top to the bottom of an organization. Chain of command specifies a clear reporting relationship for each person in the organization and should be followed in both downward and upward communication.

Centralization is the retention of decision-making authority by a high-level manager. Centralization concerns the concentration of authority in an organization and the degree and levels at which it occurs. Decentralization is the process of distributing authority throughout an organization. In a decentralized organization, an organization member has the right to make a decision without obtaining approval from a higher-level manager. Decentralization in the same way as delegation, that is, as a good way to improve motivation and morale of lower-level employees. Neither

centralization nor decentralization is good or bad in itself. The degree to which either is stressed depends upon the requirements of a given situation.

- Decisions cannot be decentralized to those who do not have necessary information, e.g., knowledge of job objectives or measures for evaluation of job performance.
- Decisions cannot be decentralized to people who do not have the training, experience, knowledge, or ability to make them.
- Decisions requiring a quick response should be decentralized to those near the action.
- Decentralization should not occur below the organizational level at which coordination must be maintained (e.g., each supervisor on an assembly line cannot be allowed to decide the reporting time for employees).
- Decisions that are of critical importance to the survival of the organization should not be decentralized.
- Decentralization has a positive influence on morale.

2.3. Bureaucracy

Bureaucracy is a term applied by German sociologist Max Weber (writing in the 1900s) to a type of organizational hierarchy characterized by clear rules, sharply defined lines of authority, and a high degree of specialization. It represents authority and responsibility within the organization.

Authority is the right or power assigned to a job holder in order to achieve certain organizational objectives. It indicates the right and power of making decisions, giving orders and instructions to subordinates. Authority is delegated from above but must be accepted from below i.e. by the subordinates.

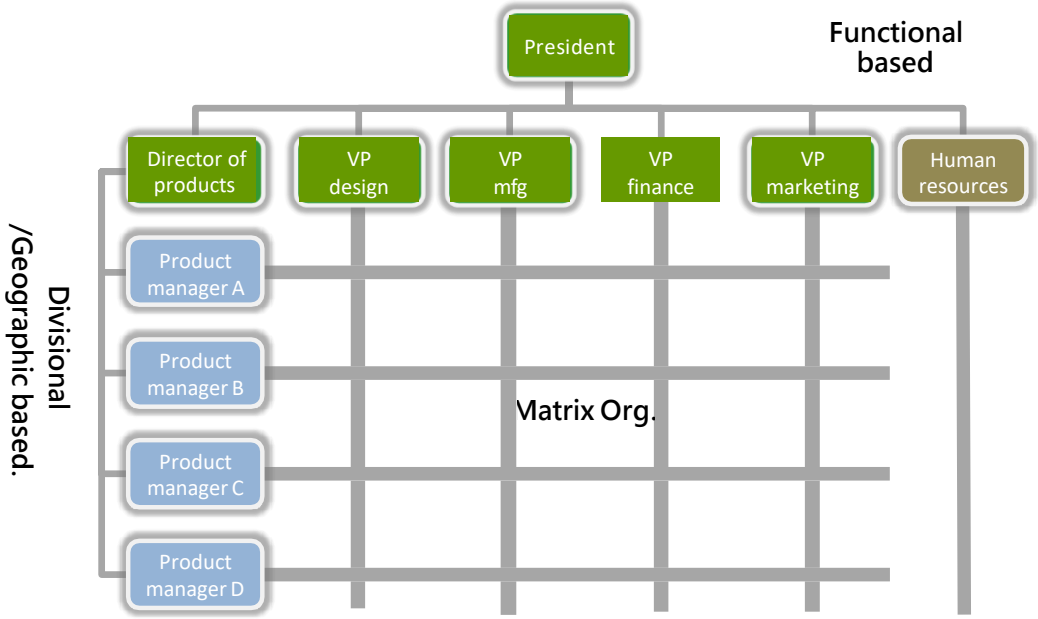
Responsibility indicates the duty assigned to a position. The person holding the position has to perform the duty assigned. It is his responsibility. The term responsibility is often referred to as an obligation to perform a particular task assigned to a subordinate. In an organization, responsibility is the duty as per the guidelines issued.

Accountability is the liability created for the use of authority. Accountability is the obligation of an individual to report formally to his superior about the work he has done to discharge the responsibility.

Responsibility may be bestowed, but accountability must be taken. In other words, responsibility can be given or received, even assumed, but that doesn't automatically guarantee that personal accountability will be taken. Which means that it's possible to bear responsibility for something or someone but still lack accountability.

2.4. Type of Structures

Developing an organizational structure involves defining the framework around which the business operates and provides guidance to all employees by laying out the official reporting relationships that govern the workflow of the company. It is therefore important for every organization to have a well-structured organization chart indicative of how an organization functions, how it is managed, how information flows and is processed within an organization, and how flexible or responsive the organization is.



Source: Daft, R.L. (2012). Organization Theory and Design. Cengage Learning.

2.4.1. Functional Structure

Organizations in the domestic and international stage of globalization are far more likely to have a functional structure than those in the later stages. The structure is most efficient in terms of economies of scale and fewer numbers of employees. The management approach to staffing in functional organizations is largely ethnocentric.

2.4.2. Product Structure

The world is viewed as one market and talent pool, and employee and systems cross borders to provide economies of scale in developing and distributing worldwide product. The approach to staffing is geocentric, and decision making is dispersed and decentralized to the product groups.

2.4.3. Geographic Structure

Each region or country has its own division, the staffing is polycentric or regiocentric, and decision making is decentralized. The region must be sufficiently large to support this structure. By being closer to markets, a geographic structure can tailor and localize products and services more easily than is possible using other organization designs.

In polycentric staffing, a company will hire host-country nationals for positions in the company from mail room clerks all the way up to the executive suites. Polycentric staffing is particularly feasible in developed countries, such as European countries, Canada, Australia and Japan, where highly educated and trained employees can be easily located.

Regiocentric staffing is a lot like polycentric staffing in that host-country nationals staff each foreign subsidiary to a high degree. However, company offices and facilities are grouped into regions and work as a single unit with a fair degree of autonomy from the home headquarters.

2.4.4. Hybrid Structure

The hybrid structure mixes elements of the functional, product, and geographic organizational structures. It is very likely that, during the domestic and international stage of globalization, an export department or international division will be attached to a functional organizational structure.

2.4.5. Front-Back Structure

The front-back structure is a form of hybrid structure, divides the organization into “front” functions, which are defined by geographic locations or customer types, and “back” functions, which are organized by product or business unit. The front end focuses on customers or market groups, while the back end designs and develops products and services. However, there is potential for conflict between "front" and "back" in this structure.

2.4.6. Matrix Structure

It is another form of hybrid structure and can be seen in global and transnational enterprises with geocentric approaches to staffing. The matrix has ties to both product and geographic divisions. It therefore attempts to balance local needs with global efficiencies and economies of scale. The worldwide matrix attempts to operate "think globally, act locally" and to balance the needs of both.

In this structure, decision making is decentralized and an employee participating in a project may have two bosses: one from the product side and one from the geographic side. The matrix structure requires a great deal of communication and coordination among managers because lines of authority are not always clear.

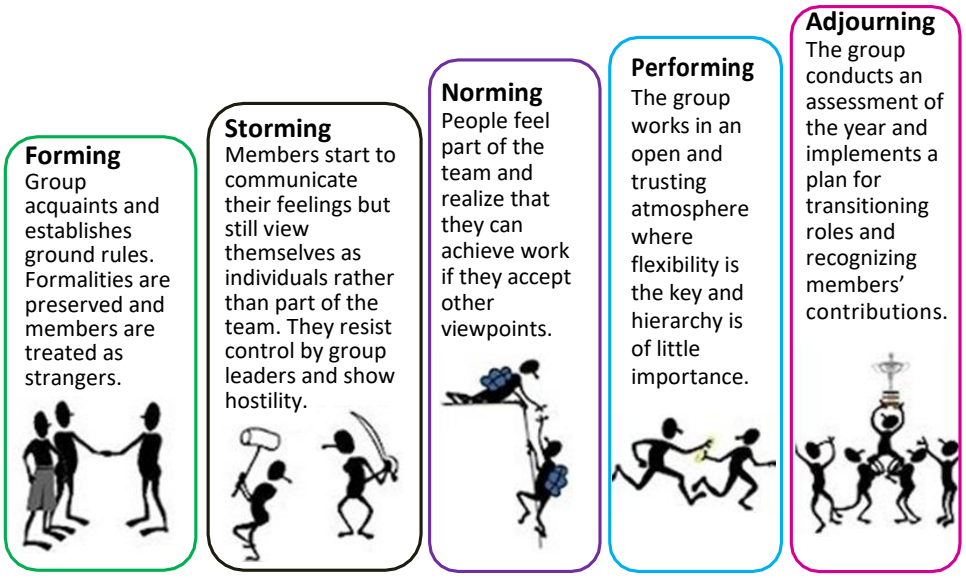
2.5. Organizational Charts

Organizational charts used to represent the organizational structure often resemble a pyramid, with the chief executive on top and the operating workforce on bottom. Recent trends in management, including increased span of control and decreased hierarchy, have resulted in flatter organizational charts.

3. Group Dynamic

In organizations, most work is done within groups. A group can be defined as several individuals who come together to accomplish a particular task or goal. In organizations, you may encounter different types of groups. **Informal work groups** are made up of two or more individuals who are associated with one another in ways not prescribed by the formal organization. For example, a few people in the company who get together to play tennis on the weekend would be considered an informal group. A **formal work group** is made up of managers, subordinates, or both with close associations among group members that influence the behavior of individuals in the group.

Forming a group takes time, and members often go through recognizable stages as they change from being collections of strangers to united groups with common goals. American organizational psychologist Bruce Tuckman first came up with the memorable phrase "forming, storming, norming, and performing" in his 1965 article, "Developmental Sequence in Small Groups." He used it to describe the path that most groups follow on their way to high performance. Later, he added a fifth stage, "adjourning" (which is sometimes known as "mourning").



Source: mindtools.com

3.1. Forming

In this stage, most group members are positive and polite. Some are anxious, as they haven't fully understood what work the team will do. Others are simply excited about the task ahead. As leader, you play a dominant role at this stage, because group members' roles and responsibilities aren't clear. This stage can last for some time, as people start to work together, and as they make an effort to get to know their new colleagues.

3.2. Storming

Next, the group moves into the storming phase, where people start to push against the

boundaries established in the forming stage. This is the stage where many groups fail. Storming often starts where there is a conflict between team members' natural working styles. People may work in different ways for all sorts of reasons, but if differing working styles cause unforeseen problems, they may become frustrated.

Storming can also happen in other situations. For example, group members may challenge your authority, or jockey for position as their roles are clarified. Or, if you haven't defined clearly how the group will work, people may feel overwhelmed by their workload, or they could be uncomfortable with the approach you're using.

Some may question the worth of the group's goal, and they may resist taking on tasks. Group members who stick with the task at hand may experience stress, particularly as they don't have the support of established processes, or strong relationships with their colleagues.

3.3. Norming

Gradually, the group moves into the norming stage. This is when people start to resolve their differences, appreciate colleagues' strengths, and respect your authority as a leader. Now that the group members know one-another better, they may socialize together, and they are able to ask each other for help and provide constructive feedback. People develop a stronger commitment to the team goal, and you start to see good progress towards it. There is often a prolonged overlap between storming and norming, because, as new tasks come up, the group may lapse back into behavior from the storming stage.

3.4. Performing

The group reaches the performing stage when hard work leads, without friction, to the achievement of the team's goal. The structures and processes that you have set up support this well. As leader, you can delegate much of your work, and you can concentrate on developing team members. It feels easy to be part of the group at this stage, and people who join or leave won't disrupt performance.

3.5. Adjourning

Many groups will reach this stage eventually. For example, project teams exist for only a fixed period, and even permanent teams may be disbanded through organizational restructuring. Team members who like routine, or who have developed close working relationships with other team members, may find this stage difficult, particularly if their future now looks uncertain. As a team leader, your aim is to help your people perform well, as quickly as possible. To do this, you'll need to change your approach at each stage.

3.6. Group vs. Team

The words 'group' and 'team' are, for the most part, interchangeable - at least most people use them that way. While all teams are groups of individuals, not all groups are teams. The key properties of a true team include collaborative action in which, along

with a common goal, teams have collaborative tasks. Conversely, in a group, individuals are responsible only for their own area.

The use of teams began to increase because advances in technology have resulted in more complex systems that require contributions from multiple people across the organization. Overall, team-based organizations have more motivation and involvement, and teams can often accomplish more than individuals. Groups differ from teams in several ways:

3.6.1. Task orientation

Teams require coordination of tasks and activities to achieve a shared aim. Groups do not need to focus on specific outcomes or a common purpose.

3.6.2. Degree of interdependence

Team members are interdependent since they bring to bear a set of resources to produce a common outcome. Individuals in a group can be entirely disconnected from one another and not rely on fellow members at all.

3.6.3. Purpose

Teams are formed for a particular reason and can be short- or long-lived. Groups can exist as a matter of fact; for example, a group can be comprised of people of the same race or ethnic background.

3.6.4. Degree of formal structure

Team members' individual roles and duties are specified and their ways of working together are defined. Groups are generally much more informal; roles do not need to be assigned and norms of behavior do not need to develop.

3.6.5. Familiarity among members

Team members are aware of the set of people they collaborate with, since they interact to complete tasks and activities. Members of a group may have personal relationships or they may have little knowledge of each other and no interactions whatsoever.

There are several types of temporary teams. An example of a temporary team is a **task force** that is asked to address a specific issue or problem until it is resolved. Other team may be temporary or ongoing, such as **product development teams**. In addition, matrix organizations have **cross-functional teams** in which individuals from different parts of the organization staff the team, which may be temporary or longstanding in nature. **Virtual teams** are teams in which members are not located in the same physical place. They may be in different cities, states, or even different countries. Often, virtual teams are formed to take advantage of distributed expertise or time—the needed experts may be living in different cities.

Top management teams are appointed by the chief executive officer (CEO) and, ideally, reflect the skills and areas that the CEO considers vital for the company. There are no formal rules about top management team design or structure. The top team often includes representatives from functional areas, such as finance, human resources, and marketing, or key geographic areas, such as Europe, Asia, and North America. Depending on the company, other areas may be represented, such as legal counsel or the company's chief technologist.

Self-managed teams are a new form of team that rose in popularity with the Total Quality Movement in the 1980s. Self-managed teams are empowered teams. The team manages itself but it still has a team leader. Research has shown that employees in self-managed teams have higher job satisfaction, increased self-esteem, and grow more on the job. However, self-managed teams may be at a higher risk of suffering from negative outcomes due to conflict, so it is important that they are supported with training to help them deal with conflict effectively. Special forms of self-managed teams are self-directed teams. The team makes all decisions internally about leadership and how work is done.

Designing an effective team means making decisions about team composition (who should be on the team), team size (the optimal number of people on the team), and team diversity (should team members be of similar background, such as all engineers, or of different backgrounds). Answering these questions will depend, to a large extent, on the type of task that the team will be performing. Teams can be charged with a variety of tasks, from problem solving to generating creative and innovative ideas to managing the daily operations of a manufacturing plant.

A key consideration when forming a team is to ensure that all the team members are qualified for the roles they will fill for the team. This process often entails understanding the knowledge, skills, and abilities (KSAs) of team members as well as the personality traits needed before starting the selection process.

When deciding team size, a good rule of thumb is a size of two to twenty members. Research shows that groups with more than 20 members have less cooperation. The majority of teams have 10 members or less, because the larger the team, the harder it is to coordinate and interact as a team. With fewer individuals, team members are more able to work through differences and agree on a common plan of action. They have a clearer understanding of others' roles and greater accountability to fulfill their roles. Some tasks, however, require larger team sizes because of the need for diverse skills or because of the complexity of the task. In those cases, the best solution is to create sub-teams in which one member from each sub-team is a member of a larger coordinating team.

Team composition and team diversity often go hand in hand. Teams whose members have complementary skills are often more successful, because members can see each other's blind spots. One team member's strengths can compensate for another's weaknesses. Diversity in team composition can help teams come up with more creative and effective solutions. The more diverse a team is in terms of expertise,

gender, age, and background, the more ability the group has to avoid the problems of groupthink.

4. Organization Climate and Culture

Culture has a pervasive impact on the management of human resources. Culture influences how blue- and white-collar workers respond to pay and non- pay incentives, how international firms are organized, the success of multinational work teams, and even how executives compose and implement business strategies.

Culture may be defined as a shared system of values, beliefs, and attitudes. It affects our own actions and the way we perceive the actions of others.

4.1. Type of Culture

4.1.1. National Cultures

National cultures comes a host of differences in assumptions, outlook, and rules that can challenge communication and comprehension.

4.1.2. Subcultures

There can be significant distances between subcultures within the same national culture. Subcultures may be defined by ethnicity, geographic region, race, religion, or class.

4.1.3. Organizational/Corporate Cultures

Organizational culture is defined by all of the life experiences, strengths, weaknesses, education, upbringing, and so forth of the employees. While executive leaders play a large role in defining organizational culture by their actions and leadership, all employees contribute to the organizational culture.

4.1.4. Industry Cultures

Industry cultures have shared assumptions based on technological and social histories of the industry.

4.1.5. Professional or Functional Cultures

Professional and functional cultures have shared assumptions based on specifics as they relate to a special function or occupation.

4.2. Layers of Culture

4.2.1. Level 1-Artefacts: Described as being the ‘easiest’ level to observe, called explicit culture.

4.2.2. Level 2-Espoused Values: To better understand and to help decipher why the initial observations in Level 1 are taking place, one needs to ask 'insiders' of the organization to try and explain.

4.2.3. Level 3-Shared Tacit Assumptions: To help understand this 'deeper' level of culture, one needs to investigate the history of an organization.

4.3. Values in Culture

The word "value" means worth. It also refers to an ethical precept on which we base our behavior. Values are basic convictions that people have regarding what is right and wrong, good and bad, important or unimportant. Values are shaped by the culture in which we live and by our experiences. However, there are values that are held high by most cultures. These include fairness and justice, compassion and charity, duties and rights, human species survival and human well-being.

Organizational culture and values are closely related because organizations are generally founded with certain values in mind. These values tend to influence the organizational structure, but they may change over time as different people take on different roles in the organization and the overall culture changes. Organizational culture and values, then, both affect each other over time and tend to change if a conflict exists between them.

4.4. Culture Analysis

Three important levels of cultural analysis in organizations are: observable culture, shared values, and common assumptions. These levels may be envisioned as layers. The deeper one gets, the more difficult it is to discover the culture.

4.4.1. Observable Culture

The first level concerns observable culture, or "the way we do things around here." These are the methods the group has developed and teaches to new members. The observable culture includes the unique stories, ceremonies, and corporate rituals that make up the history of a successful work group.

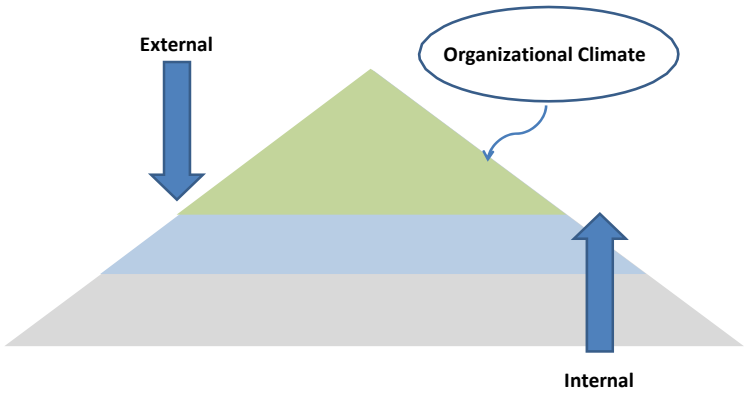
4.4.2. Shared Values

The second level of analysis recognizes that shared values can play a critical part in linking people together and can provide a powerful motivational mechanism for members of the culture.

Many consultants suggest that organizations should develop a "dominant and coherent set of shared values." The term shared in cultural analysis implies that the group is a whole. Every member may not agree with the shared values, but they have all been exposed to them and have often been told they are important. At Hewlett-Packard, for example, "quality" is part of everyone's vocabulary. The firm was founded on the belief that everyone could make a creative contribution to developing quality products.

4.4.3. Common Assumptions

At the deepest level of cultural analysis are common assumptions, or the taken-for-granted truths that collections of corporate members share as a result of their joint experience. It is often extremely difficult to isolate these patterns, but doing so helps explain why culture invades every aspect of organizational life.



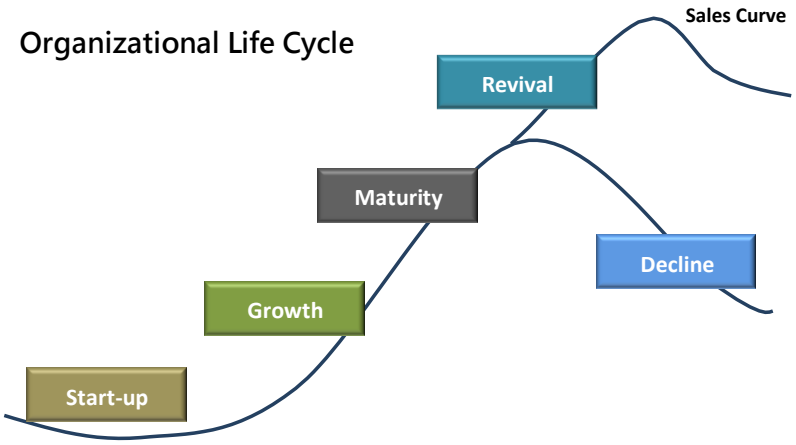
Source: Schemerhorn, J., Hunt, J., & Osbom, R. (2008). Organizational Behavior. Hoboken, NJ: John Wiley & Sons.

4.5. Culture and Climate

Organizational Culture is a system of shared meaning. Just as tribal cultures have rules and taboos that dictate how members will act toward each other and outsiders, organizations have cultures that govern how its members should behave. A strong organizational culture usually provides a sense of identity for employees and a commonality of values and goals that leads to effective change management and problem solving. Organizational climate, on the other hand, is often defined as the recurring patterns of behavior, attitudes and feelings that characterize life in the organization, while an organization culture tends to be deep and stable. Although culture and climate are related, climate often proves easier to assess and change.

5. Organizational Life Cycle

Organizations are not static, they change. Like children, organizations typically go through different phases. Discover the five phases of the organizational life cycle, from start-up to decline. The Organizational Life Cycle (OLC) goes through specific stages as a result of the company's success (or possibly lack of) in the market. Publications on this topic set the number of stages organizations go through anywhere from three to ten, with most settling on a basic set of four or five. Not surprisingly, the major stages are Start-up (or Birth), Growth, Maturity and Decline. A fifth stage, called Revival (or Diversification), can also occur between the Maturity or Decline stages.



Source: Lester, D., Parnell, J. & Carraher, S. (2003). Organizational life cycle: A five-stage empirical scale. International Journal of Organizational Analysis, 11(4), 339-354.

The stages are considered developmental in the life of the firm, much like a biological model, and are sequential, cumulative, imminent, not easily reversed, and involve a broad range of activities and structures. Once at maturity, the stages can become more circular from Maturity to Revival and possibly to Decline. This evolution is the result of three influences in an organization's life. First, administration of the organization becomes more complex as the size increases and more stakeholders become involved. Second, this increased complexity dictates the increased usage of more sophisticated organizational structures, information processing capabilities, and decision-making styles. Lastly, companies alternate between innovative phases and conservative ones - between stages that establish or renew organizational competences and those that exploit them through efficiencies.

The driver behind the OLC is that needs, opportunities and threats, both inside and outside the business, will predictably vary depending on the stage of development. For example, threats in the Start-up stage differ from those in the Maturity stage and changes in the environment exert pressure for change on the business. Organizations move from one stage to another because the firm and the needs of the environment are so misaligned that the company needs to adapt for basic efficiency or possibly even survival. Thus, different stages of the company's life cycle require changes in the firm's objectives, strategies, managerial processes, technology, culture and decision-making.

High tech companies present a unique situation because they can progress through the stages at a fairly rapid rate – from Start-up to Maturity in only a few years. An interesting side note is that firms tend to develop to a structure that mirrors the stage of the market they are in – for example, firms in a mature market will tend to be in a Maturity stage of development.

A complementary view of this model is that each stage represents a stable period of growth for the company - an evolutionary phase - but will reach a point where change is required, leading to a revolutionary or crisis period. It's the firm's ability to handle these

crisis periods appropriately that will dictate the future direction and possibly survival of the organization.

The five stages of OLC illustrate changes in organizational structure and managerial processes as the business proceeds through developmental stages. Each stage is discussed, with specific emphasis on the product creation and delivery aspects of the stage.

5.1. Start-Up Stage

At Start-up, firms exhibit a very simple organizational structure with authority centralized at the top of the hierarchy. The main purpose during this stage is for the firm to establish its distinctive competences and generate some initial product-market success.

This is achieved mainly by trial and error as efforts are made to change products and services in a manner that generates distinctive competences and creates a viable business model. This generally involves major and frequent product or service innovations and the pursuit of a niche strategy. Since the firm is small and has no established reputation, it must avoid direct confrontation with its more powerful competitors. It does this by finding gaps or niches in the market which are not being filled, and defends these niches by making extensive innovations.

Start-up firms cater essentially to one type of customer and sell one type of product and thus they face a (relatively) simple administrative task. An intuitive, rather than an analytical, mode of decision-making prevails. For example the owner-manager(s) makes almost all the key decisions, based in large part upon his/her intuitions about the situation.

The product development and delivery organization during the Start-up stage often involves staff wearing many hats. It is not uncommon in a high-tech start-up for at least one founder to be technical, and often multiple founders are. The leaders are involved at both a strategic and tactical levels in crafting and delivering the solution to initial customers. Key attributes of the environment are flexibility and lean management of resources and assets for continued existence. The organization will initially be very heavily weighted towards development staff and over time begins to fill in sparsely in marketing, sales, administration, and operations with an informal and overlapping structure.

Success in the Start-up stage is in finding a sustainable product/market niche that produces enough profit for the company to continue as a viable entity (either directly or with external financing). The Start-up stage, which involves growth through creativity and vision, eventually leads to leadership and organizational problems. More sophisticated and more formalized management practices must be adopted. If the founder(s) do not have the skills or desire to make this transition, then they often need to bring in an outsider and delegate authority to he/she to be able to continue to grow.

5.2. Growth Stage

The emphasis in the Growth stage is on sales growth and early product diversification. Product lines are broadened, but this generally results in a more complete array of products for a given market rather than new positions in widely varying markets. Efforts are also devoted to incrementally tailoring products to new markets, while less stress is placed on major or dramatic product innovations. Market segmentation begins to play a role, with managers trying to identify specific subgroups of customers and to make small product or service modifications in order to better serve them. In other words, the niche strategy is often abandoned as broader markets are addressed. The company may attain profitability during this phase, or the need for additional funding to meet the growth opportunity is often achieved with an IPO.

Typically, a functionally-based structure is established, some authority is delegated to middle-managers, and procedures are formalized. Decisions are now more influenced by customers as major stakeholders, and the goal becomes to fulfill a customer-facing function effectively rather than simply to cater to the wishes of the owner(s). A departmentalized, functionally-based structure is adopted where managers are appointed to head marketing, production, and perhaps accounting or development departments.

The owner-manager plays a less central role in routine administration. In the Start-up stage the owner-manager(s) could take all the risks he/she wanted, but in the Growth stage the delegated leaders cannot. Strategy is still focused at the top of the hierarchy, with input from within the organization. Also, the product innovation emphasis becomes incremental rather than dramatic as the market pull makes extremely dramatic moves less necessary.

fulfill demand. Due to the diversification of the product line and customer base, specialization is beginning to occur in responsibilities. In order to maintain control and direction of the firm, more formalized methods of information sharing are required as are cross-functional coordination activities. The formal emergence of project, program, and product managers will likely occur if they have not already appeared.

As indicated, drastic product innovation takes a back seat to incremental innovation. This is primarily the result of the growth of the existing product line being sufficient to drive the organizational success without taking significant risks. In addition, the existing customer base begins to influence the product evolution and resource allocation through smaller feature enhancements and product improvements.

One problem that can occur during the Growth stage is the crisis of autonomy. The limited decentralization of power coupled with less emphasis on major innovation activities makes the organization increasingly less responsive to market changes. The crisis that develops is driven by top-level managers' reluctance to delegate authority and creates the associated frustration at lower levels. The Growth stage officially begins

to end as sales start to slow.

5.3. Maturity Stage

At Maturity, sales levels stabilize due to a high level of competitive activity and possibly due to market saturation. The company may be highly profitable and have a cash-cow product. The goal then becomes smooth and efficient functioning to maximize profits in the wake of declining sales growth. Firms demonstrate more concern for internal efficiency and install more control mechanisms and processes. Structures are in some ways similar to those found in the growth phase.

Departmental, functionally-based structures prevail since they continue to suit the focused product-market scope. By now, firms are usually run by professional managers who are somewhat more in favor of a participative management approach. Nonetheless, firms do remain fairly centralized. There is less delegation of power than in the growth phase, perhaps because the simplicity and stability of operations make it easier for only a few key managers to dominate.

Firms in the Maturity stage are conservative with the level of innovation falling and a more bureaucratic organization structure established. Information processing activity changes in several key ways - there is more emphasis upon formal cost controls, budgets and performance measures. Companies also implement systems of coordination to enable their various business units and departments to work together. These efforts, however, tend to cause an influx of red tape. Coordination techniques such as product groups, formal planning processes, and corporate staff become, over time, a bureaucratic system that causes delays in decision making.

The Maturity stage shows a style of decision making which is less innovative, less proactive, and more risk averse than in any other phase. The aim is to not rock the boat and to focus upon efficiency rather than novelty. The tendency, more than in any other stage, is to follow the competition - to wait for competitors to lead the way in innovating and then to imitate the innovations if it proves to be necessary. The Maturity stage can persist for some period of time depending on the industry. As long as sales and profits are stable, there is not a huge incentive to change the status quo, even if industry threats loom on the horizon.

The product development and delivery structure is highly focused on analysis and cost control. In essence, the finance organization is running the product-based company. Development is primarily in a product sustaining or me-too development mode and justification of major activities is strongly tied to business case analysis. The marketing organization will be more focused on monitoring competition and on pricing and promotion strategies in a highly competitive and defined market versus finding innovative new offerings or markets. There may be some projects looking at potential future technologies and products, but they will tend to be underfunded and not prioritized as major initiatives.

Ultimately, the crisis that strikes the firm in the Maturity stage is the envisioned or actual progression to the Decline stage. While the realization may occur, the firm and

its managers are paralyzed by a combination of bureaucratic processes and lack of innovation capabilities.

5.4. Revival Stage

The Revival stage is optional and can occur during a Mature or Decline stage for a firm who recognizes and initiates drastic changes to alter their current trajectory. This is typically a phase of diversification and expansion of product-market scope. Firms pursue rapid growth through innovation, acquisition, and diversification and this involves a good deal of risk taking. New top-level leadership is often required to initiate or effectively implement this stage and it is also a period of necessarily increased investment.

It also encourages a focus on innovation rather than imitation of the strategies of competitors as in the Maturity stage. Risk is mitigated and informed by an analytical, reflective and participative approach to decision making. It is common for task forces and project teams to be formed to analyze major capital expenditures, innovations or acquisitions. Groups of experts come together to analyze problems and to generate and evaluate different solution alternatives in a systematic and scientific way. Some firms begin adopting divisional and matrix structures for the first time in order to cope with the more complex and heterogeneous markets. Decision-making needs to be accelerated, and thus typically pushed down lower in the organization and with fewer formal hurdles at an executive level.

Information processing also becomes much more diverse and expanded. Instead of a focus on financial controls and performance reporting, the need for information to inform about market and customer opportunities is required. Reorganizing data around markets and sub-segments is required, in addition to potential research into new trends and opportunities. In order to support an innovation mindset across the organization, information availability and sharing must be enabled.

Significant changes begin to take place in the product-market strategies being followed. For example, there are more major and minor product-line and service innovations than in any other period. Also, new markets are entered for the first time as firms seek to become more diversified. For the product development and delivery organizations, this can be a very exciting time and also very chaotic. The drivers and expectations are on rapid growth and opportunities are high, but analysis and internal coordination across a number of different functions is demanded. Acquisitions require due diligence activities in addition to post agreement product and system integration. Collaboration is key, both through formal structures and processes, and through informal networks and partnerships.

The crisis that results from the Revival stage can follow one of two paths: the revival itself was not successful and sales growth does not occur; or the revival was successful and maintaining continued high growth is challenging for such a diverse and large firm.

5.5. Decline Stage

The Decline stage is market by declining sales and profitability. It is often preceded by market stagnation and firms begin to decline with them. Profitability drops because of the external challenges and because of the lack of innovation. Firms in the decline stage react to adversity in their markets by becoming stagnant. Decision making is characterized by extreme conservatism. There is little innovation, an abhorrence of risk taking, and a reluctance even to imitate competitors' innovations, let alone lead the way.

Firms tend to conserve resources depleted by poor performance by abstaining from product or service innovation. Their sales are poor because their product lines are unappealing versus alternatives, such as new technology solutions. The market scope of declining firms is quite narrow as they begin to sell-off non-core or underperforming divisions, laying somewhere between that of firms in the Start-up and Growth stages. One of the most notable structural features of firms in the Decline stage is the absence of any well-developed information processing mechanisms. Finally, communications between hierarchical levels and across departments are poor.

The product development and delivery functions are likely minimal or non-existent. It's possible that a Revival stage will be initiated, but the reality may be that the company can no longer afford to invest due to the decline of the entire market. The cash cow is already ground beef.

6. Stages of Globalization

A borderless economy presents new challenges and new opportunities within organizations. No company can become a global giant overnight. Managers have to consciously adopt a strategy for global development and growth. Organizations enter foreign markets in a variety of ways and follow diverse paths. However, the shift from domestic to global typically occurs through stages of development. Successful domestic organizations follow four distinct and progressively complex stages of evolutionary growth before reaching, if ever, the final stage of the Transnational Corporation.

Four Stages of International Involvement

	I. Domestic	II. International	III. Multinational	IV. Global
Strategic Orientation	Domestically oriented	Export-orientated, multi-domestic	Multinational	Global
Stage of Development	Initial foreign involvement	Competitive positioning	Explosion	Global
Structure	Domestic structure, plus export department	Domestic structure, plus international division	Worldwide geographic, product	Matrix, transnational
Market Potential	Moderate mostly domestic	Large, multi-domestic	Very large, multinational	Whole world

Source: Daft, R.L. (2012). Organization Theory and Design. Cengage Learning.

6.1. Stage 1: Domestic

6.1.1. The product or service is developed in the home country and produced and sold there. The strategy focuses only on the home market; the organization is mono-cultural (as defined by the home country).

6.1.2. In this stage, the company is domestically oriented, but managers are aware of the global environment and may want to consider initial foreign involvement to expand production volume and realize economies of scale. Market potential is limited and is primarily in the home country. The structure of the company is domestic, typically functional or divisional, and initial foreign sales are handled through an export department. The details of freight forwarding, customs problems, and foreign exchange are handled by outsiders.

6.2. Stage 2: International

6.2.1. A company begins to export a product or service to foreign countries, call International Corporation. The company may open production facilities or service centers, but the product/service, processes, and strategy are developed in the home country.

6.2.2. In this stage, the company takes exports seriously and begins to think multi-domestically. Multi-domestic means competitive issues in each country are independent of other countries; the company deals with each country individually. The

concern is with international competitive positioning compared with other firms in the industry. At this point, an international division has replaced the export department, and specialists are hired to handle sales, service, and warehousing abroad. Multiple countries are identified as a potential market.

6.3. Stage 3: Multinational

6.3.1. The Multinational Corporations (MNCs) has its facilities and other assets in at least one country other than its home country. Gradually, perhaps in response to the needs of local markets, operations in host countries become more autonomous. The organization is a decentralized portfolio of subsidiaries. Knowledge is developed within the subsidiary and remains there. Many MNCs are staffed by host-country nationals, but key managers come from headquarters. Key decisions are made at headquarters as well.

6.3.2. In this stage, the company has extensive experience in a number of international markets and has established marketing, manufacturing, or research and development (R&D) facilities in several foreign countries. The organization obtains a large percentage of revenues from sales outside the home country. Explosive growth occurs as international operations take off, and the company has business units scattered around the world along with suppliers, manufacturers, and distributors.

6.4. Stage 4: Global

6.4.1. The global corporation views the world as a single, global market and offers global products that have little or no national variation or that have been designed with customizable elements. Strategy, ideas, and processes emanate from headquarters.

6.4.2. In this stage, the company transcends any single country. The business is not merely a collection of domestic industries; rather, subsidiaries are interlinked to the point where competitive position in one country significantly influences activities in other countries. Truly global companies no longer think of themselves as having a single home country, and, indeed, have been called stateless corporations. This represents a new and dramatic evolution from the multinational company of the 1960s and 1970s. Global companies operate in truly global fashion, and the entire world is their marketplace. However, the structural problem of holding together this huge complex of subsidiaries scattered thousands of miles apart is immense. Organization structure for global companies can be extremely complex and often evolves into international matrix or transnational model.

6.5. Transnational

The transnational corporation (TNC) blends standardization used by global organizations with the localization approach of MNCs. The result is “glocalization”-an organization with a strong global image but an equally strong local identity. The organization's production or service process becomes more globally dispersed and interconnected. Some facilities may become "experts" in certain areas. Strategy is developed globally; innovation and best practices are freely exchanged among

countries. Involved in strategy formulation, development and organizational, and development and change to support organization's strategic objectives.

7. Global Orientation

7.1. Global Integration and Local Responsiveness

Industries in which competition takes place on a country-by-country basis are known as multi-domestic industries. In such industries, each country tends to have a unique set of competitors. Companies in the food and beverage, consumer products, and clothing and fashion industries may often resort to a country by-country approach to marketing to specific needs and tastes, laws, and regulations.

By contrast, industries such as aerospace, automobiles, telecommunications, metals, computers, chemicals, and industrial equipment are examples of global industries, in which competition is on a regional or worldwide scale.

Formulating and implementing strategy is more critical for global industries than multi-domestic industries. Most global industries are characterized by the existence of a handful of major players that compete head-on in multiple markets.

Global integration refers to the coordination of the firm's value-chain activities across countries to achieve worldwide efficiency, synergy, and cross-fertilization in order to take maximum advantage of similarities between countries. The flexibility objective is also called local responsiveness. Local responsiveness refers to meeting the specific needs of buyers in individual countries.

The discussion about the pressures on the firm to achieve the dual objectives of global integration and local responsiveness has become known as the integration-responsiveness (IR) framework to help managers better understand the trade-offs between global integration and local responsiveness.

In companies that are locally responsive, managers adjust the firm‘s practices to suit distinctive conditions in each market. They adapt to customer needs, the competitive environment, and the local distribution structure. Thus, Wal-Mart store managers in Mexico adjust store hours, employee training, compensation, the merchandise mix, and promotional tools to suit conditions in Mexico. Firms in multi-domestic industries such as food, retailing, and book publishing tend to be locally responsive because language and cultural differences strongly influence buyer behavior in these industries.

In contrast, global integration seeks economic efficiency on a worldwide scale, promoting learning and cross-fertilization within the global network and reducing redundancy. Headquarters personnel justify global integration by citing converging demand patterns, spread of global brands, diffusion of uniform technology, availability of pan-regional media, and the need to monitor competitors on a global basis. Thus, designing numerous variations of the same basic product for individual markets will only add to overall costs and should be avoided. Firms in global industries such as aircraft manufacturing, credit cards, and pharmaceuticals are more likely to emphasize

global integration.

7.2. Global Integration Strategy

Global integration (GI) emphasizes consistency of approach, standardization of processes, and common corporate culture across global operations. The following steps help organizations achieve global integration:

7.2.1. Aligning decision making

This focus on alignment helps to ensure that even decisions made locally reflect the global perspective. Expatriates, employees sent from their home countries to work abroad, play a significant role in this global alignment, as do performance management systems.

7.2.2. Standardizing processes

Standardized processes are designed to achieve efficiencies, economies of scale, consistent expectations, and control over strategic parts of the value chain.

7.2.3. Socializing key individuals

This socialization effort ensures that top managers have a consistent perspective, whether at the headquarters or at dispersed field locations.

7.3. Pressures for Global Integration

Another set of factors compels the firm to coordinate its activities across countries in an attempt to build efficient operations. These are:

7.3.1. Economies of scale.

Concentrating manufacturing in a few select locations where the firm can profit from economies of mass production motivates global integration. Also, the smaller the number of manufacturing and R&D locations, the easier it is for the firm to control quality and cost.

7.3.2. Capitalize on converging consumer trends and universal needs.

Standardization is appropriate for products with widespread acceptance and whose features, quality, and cost are similar worldwide. Examples include computer chips and electronic components. Companies such as Nike, Dell, ING, and Coca-Cola offer products that appeal to consumers everywhere.

7.3.3. Uniform service to global customers.

Services are easiest to standardize when firms can centralize their creation and delivery. Multinational enterprises with operations in numerous countries particularly value service inputs that are consistent worldwide.

7.3.4. Global sourcing of raw materials, components, energy, and labor.

Firms face an ongoing pressure to procure high-quality input goods in a cost-efficient manner. Sourcing of inputs from large-scale, centralized suppliers provides benefits from economies of scale and more consistent performance outcomes. Sourcing from a few well-integrated suppliers is more efficient than sourcing from numerous loosely connected distributors.

7.3.5. Global competitors.

Competitors that operate in multiple markets threaten firms with purely domestic operations. Global coordination is necessary to monitor and respond to competitive threats in foreign and domestic markets.

7.3.6. Availability of media that reaches consumers in multiple markets.

The availability of cost-effective communications and promotion makes it possible for firms to cater to global market segments that cross different countries. For example, firms now take advantage of the Internet and cross-national television to simultaneously advertise their offerings innumerous countries.

7.4. Local Responsiveness Strategy

Local responsiveness (LR) emphasizes adapting to the needs of local markets and allows subsidiaries to develop unique products, structures, and systems. The following steps help organizations achieve local responsiveness:

7.4.1. Understanding diversity

Local responsiveness organizations must learn the cultures and institutions (e.g., legal, economic, educational) of the areas in which they operate, but they must also become more fully aware of their own cultural perspectives and how those may affect organizational decisions and practices.

7.4.2. Responding to diversity

Local culture and institutions should shape local strategy regarding where to internationalize and how to enter the local market and identifying what needs to be adapted.

7.4.3. Capitalizing on diversity

Local responsiveness strategies may blend perspectives and talents throughout the organization to create cultural synergy. They may also cluster functions geographically according to the availability of appropriate skills and resources and levels of local competition.

7.5. Pressures for Local Responsiveness

There are various factors that compel the firm to become locally responsive in the countries where it conducts business. These factors are:

7.5.1. ***Unique natural endowments available to the firm***. Each country has national endowments that the foreign firm should access.

7.5.2. ***Diversity of local customer needs***. Businesses, such as clothing and food, require significant adaptation to local customer needs.

7.5.3. ***Differences in distribution channels***. These vary considerably from market to market and may increase the need for local responsiveness. For example, small retailers in Japan understand local customs and needs, so locally responsive MNEs use them to distribute products in that country.

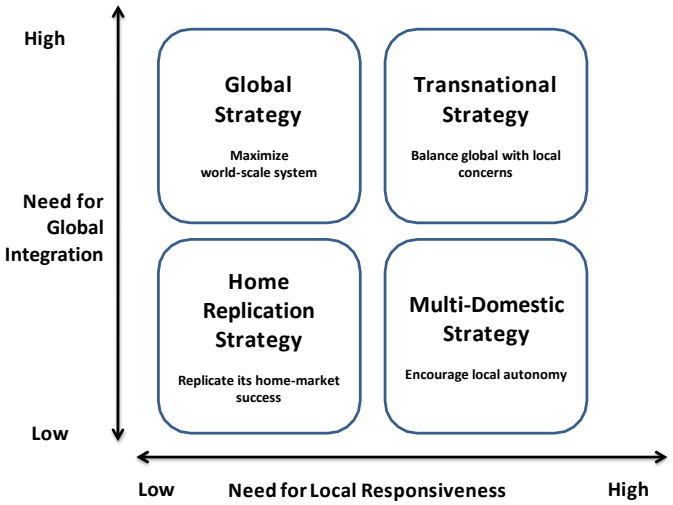
7.5.4. ***Local competition***. When competing against numerous local rivals, centrally controlled MNEs will have difficulty gaining market share with global products that are not adapted to local needs.

7.5.5. ***Cultural differences***. Cultural characteristics influence consumer buying decisions. The influence of cultural differences may vary considerably, depending on the type of product. For those products where cultural differences are important, such as clothing and furniture, local managers require considerable freedom from headquarters to adapt their product and marketing practices.

7.5.6. ***Host government requirements and regulations***. When governments impose trade barriers or complex business regulations, they can halt or reverse the competitive threat of foreign firms. The MNE may establish a local subsidiary with substantial decision-making authority to minimize the effects of protectionism.

7.6. Global Integration vs. Local Responsiveness

Globalized company achieves greater business efficiency, uniformity, and control of its brand and image. Localized company has more ability to be customer-focused and meet legal and cultural requirements. When the company becomes part of local networks, it is more likely to enjoy the support of authorities and public opinion, becomes active in local workforce development, and benefits from lower cost of operations. Moreover, the use of a local workforce is less expensive than use of a large expatriate workforce, and it reduces tensions between different workforces. The integration-responsiveness framework presents four distinct strategies for internationalizing firms as follows:

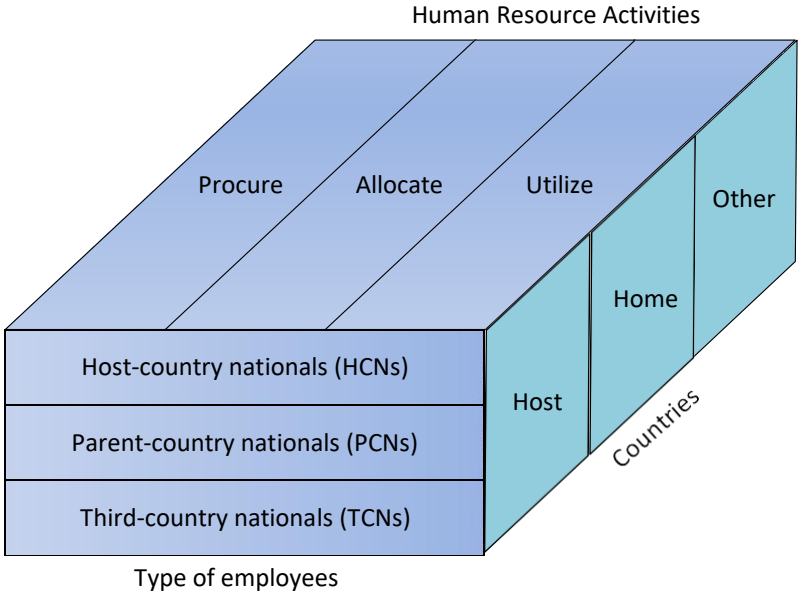


Global Integration/Local Responsiveness Grid

Source: Briscoe & Schuler (2011). International Human Resource Management

8. Global Workforces

In General, there are three types of global workforce as Parent-country nationals (PCNs), Third-country nationals (TCNs) and Host-country nationals (HCNs) classified by their source (Where to find).



Source: industryplayer.com

8.1. Parent-country nationals (PCNs)

Citizens of the organization's headquarters country who reside and work abroad with

the intent of returning to the home country.

8.2. Third-country nationals (TCNs)

Employees who are citizens of countries other than where they work or where the organization's headquarters resides.

8.3. Host-country nationals (HCNs) or local nationals

Employees working in their own country.

9. Purpose of Global Assignment

Researchers have shown that the reasons why expatriates are sent on assignment may have an impact on job performances, adjustment and roles performed although it is important to note that many assignments generally have more than one rationale while there may be few 'pure' cases whereby assignments have a singular purpose. Generally, there are three key motives for utilizing international transfers:

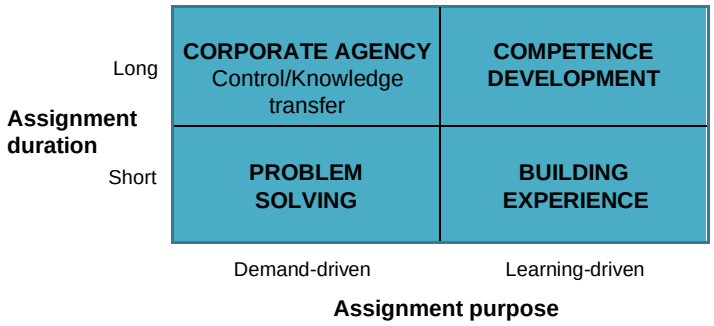
Firstly, when qualified local country nationals were not available, particularly in developing countries, expatriates were used to fill positions.

Secondly, organizations use international assignments (IAs)as a means of developing individual employees. This type of assignment is aimed at developing the global competence of the individual manager and indeed organizations utilizing this type of assignee are likely to do so regardless of the competence of employees in the host environment.

Finally, IAs could be utilized as a means of organizational development. In this instance IAs are used to transfer knowledge between subsidiaries and to modify and sustain organizational structure and decision process.

Scholars developed a framework for classifying the duration and purposes of international assignments; this is presented below (see the Figure). This differentiation is important because managerial development reasons for the assignment will foster expatriate personal change and role innovation, whereas control reasons will focus attention on the expatriate making personal changes and on role innovation in the subsidiary.

Thus, in learning-driven assignments, the expatriate changes his/her frame of reference to adapt to the new environment and indeed adapt his/her behavior to meet the requirements of the new environment. While in control-driven assignments, subordinates are expected to absorb the new demands of the expatriate manager and change their frames of reference, and further role requirements are adapted to meet the transferred manager's expectations.



Different objectives may require **differentiation** in the way international assignments are managed

The purpose of expatriation

Source: Evans, P., Pucik, P., & Barsoux, J.L. (2002). The global challenge: frameworks for international human resource management. New York: McGraw-Hill.

9.1. Corporate Agency

Traditionally, expatriate assignments were predominately demand-driven. Assignees of this type were considered either position fillers who acted as corporate agents by transferring knowledge or assisting in controlling newly established subsidiaries, or problem solvers. These assignments tend to be longer-term (that is, over three years' duration).

9.2. Problem Solving

Problem-solving expatriates perform similar roles but they are categorized as such by the singular purpose and duration of their assignment, which is determined by the length of time required to complete a specific task. These assignments are generally driven by short-term or startup problems. Demand-driven assignments are usually utilized where there is a lack of suitably qualified host-country national's (HCNs) and are teaching-driven.

9.3. Competence Development

Learning-driven assignments focus on learning rather than teaching. These assignments become more common as subsidiaries develop local managerial and technical capability, and the initial skills gap experienced by the firm reduces. Again learning-driven assignments can be categorized by duration and purpose. Assignments whose purpose is to increase cross-national, organizational coordination capabilities are generally longer-term assignments with the focus on developing a global mindset within the organization.

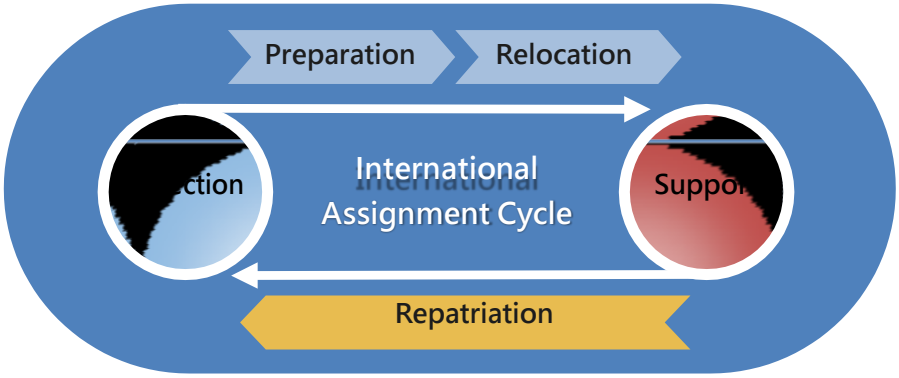
9.4. Building Experience

Finally organizations are increasingly identifying high potential employees who, as part of fast track career programs, are provided with the opportunity to gain international

experience through short-term foreign assignments. These assignments are aimed at enhancing the careers of the employees concerned. In examining the empirical evidence on the utilization of expatriates for demand-driven assignments we can point to a number of key trends.

10. Global Assignment Process

For ensuring every global assignment processed smoothly, we have to confirm all the necessary steps no matter at the stage of before, during and after the Assignment. There are several phases in the international assignment lifecycle, each with different opportunities and challenges. Companies should be aware of each phase so appropriate planning can be implemented. A failed assignment is expensive in many ways as described below:



Source: Heaps, W. (2012). International Human Resource Forum.

10.1. Selection: Identifying Business Need and Selecting Employee

Expatriate selection is a multi-faceted subject and that personality characteristics as well as interpersonal skills are very important. Scholars identified four groups of variables that contribute to success or failure on the job and hence should be used to guide selection:

10.1.1. Technical competence on the job.

As in the selection and placement of personnel in domestic operations, this factor is one of the primary determinants of success. It may be even more important for assignments abroad because the individual is located at some distance from the HQ, often the hub of technical expertise, and cannot consult as readily with his/her peers and superiors on matters related to the job.

10.1.2. Personal traits or relational abilities

This refers to the ability of the individual to deal effectively with his/her superiors, peers, subordinates, business associates and clients. In assignments abroad, this variable greatly influences the probability of successful performance. This factor is not

limited to simple knowledge of another culture. The crucial element is the ability to live and work with people whose value systems, beliefs, customs, manners and ways of conducting business may greatly differ from one's own.

10.1.3. Ability to cope with environmental variables

In domestic operations the ability to identify and cope with environmental constraints, such as governments, unions, competitors and customers, is crucial to effective performance. This same requirement is no less valid in assignments abroad, but the political, legal and socioeconomic structures which constitute the macro-environment in the host country may be very different from the systems with which the expatriate is familiar. This poses problems of adjustment. The expatriate has to understand these systems and operate within them.

10.1.4. Family situation

This refers to the ability of the expatriate's family (the partner in particular) to adjust to living in a foreign environment. Researchers and practitioners are becoming increasingly cognizant of the importance of this factor to effective performance abroad. The situation often becomes even more complex if the partner (male or female) has had to give up a job or even a career to accompany his or her partner abroad.

10.2. Preparation: Pre-assignment Planning

Your expatriate assignment is the start of an exciting and challenging phase of your working life. Along with this excitement, comes a range of important issues and opportunities that need to be carefully considered before you depart. That's why you need to plan for your expatriate assignment in advance. In order to prepare individuals, who have been selected for an international posting, and facilitate their adjustment to the foreign culture, diverse cross-cultural training programs have been developed. The content and focus of these programs are contingent upon factors such as:

10.2.1. Assignment cost projection

International assignments are a significant component of the total cost of your global business strategy. Cost projections and annual accruals or forecasting can increase awareness of the actual, real-time costs incurred and can identify anomalies more quickly, in order to make necessary changes before there's a significant cost overrun. Successfully implementing data analytics requires payroll and expense-management counterparts to work closely together to provide timely total cost reporting that can be segmented by level, department, length of assignment, or however the company needs it sliced and diced to make it meaningful.

10.2.2. Tax planning opportunities

Tax laws may vary greatly between countries. Outside vendors have many opportunities to provide a full spectrum of individual international tax services to international

assignees with international operations. These services can include planning, compliance and assistance in mitigating the additional tax costs that employees generally incur during offshore assignments. Such work is tailor-made for an outside qualified practitioner. Companies generally do not have the internal expertise to handle the myriad complex issues. In addition, the tax adviser can serve as a third-party referee or arbitrator between the employer and employee. The globalization of the operations of multinational entities (which is likely to accelerate, rather than recede) represents a unique opportunity for tax practitioners to provide interesting, value-added services to clients (and potential clients).

10.2.3. Selecting global mobility partners

Moving your employees can be a daunting process — you need to know that your relocation services partner understands your business needs as well as it understands the mobility industry. A qualified partner of global mobility services can help both the employer and assignee prepare for international relocation through a single point of contact.

10.2.4. Evaluating employee/family needs

At the phase of pre-assignment planning, employers and their outsourced vendor should listen to the needs of the employee and family so they can get a head start on planning for a smooth and rewarding relocation. Moreover, prior to departure, the employee and accompanying dependents must undergo a complete medical examination.

Visas and work permits are required by most countries and can be obtained with the Company's assistance in the country of assignment. A business visa is for people who do tasks that can't be considered work or gainful employment. A work permit is meant for services that would be considered a job or labor of some sort. The point is that global work permits are meant for employment, contracted labor, or any activity that the country would interpret of worthy of income or compensation. Each country around the world has different requirements and follows different application processes to apply for a work permit. Although each country around the word has its own specific business visa and work permit requirements, the general difference between the two should be clear – one involves business inquiry or relations, the other allows foreign nationals to work or earn an income.

10.2.6. Pre-departure training

Pre Departure Training is very important for people who will be sent for the international assignment. To make sure people is already compatible with the company objectives. If it is run well then it will reduce the probability of early return of the expatriates and also keep the employee mindset true (for assignment not for vacation). Pre Departure Training will conducted by company to train the people who will be sent to the different country and make sure they can adjust with the new environment and

perform well. Pre Departure Training will conducted in the frameworks of cultural awareness (in daily life and work life), but the other factors also will be includes to support their performance .

10.3. Relocation

10.3.1. Transition to new location

Moving the expatriates' family, their business, their life to another country is a big challenge. Finding suitable accommodation for the expatriate and their family members will need to be done in advance. The agreement should specify the amount (in addition to salary and other benefits) which will be paid towards rent. The agreement may also specify whether the company is willing to pay for the services of a rent agency to find suitable accommodation. A outsourced agency can provide relocation services directs and manages the process of relocation including arranging necessary documents (visa, long-term stay permissions), finding a new house (accommodation), finding a school for children (education), finding a job for the partner or "trailing spouse", arranging a teacher for the family (language training) and introduce expatriates to the local culture.

10.3.2. Assignment briefings

A pre-assignment briefing on what the employee can expect in their new country will help them settle more quickly. Global HR team should undertake assignment briefings, and explain all compensation and technical elements, and act as first point of contact for assignees/HR/business managers on all assignment related issues.

10.3.3. Implementing pay delivery and reporting changes

An expatriate payroll ensures that the worker's benefits are kept the same as they are back in their country of origin. As well as salary, this can cover such areas as tax and holiday entitlement. A further service can include salary splitting, in which a salary can be paid across two forms of currency.

Moreover, to whom will the seconded employee report? Will they still report to their former manager in Headquarters? Or will they have a line manager in the host country, with a dotted line to Headquarters? Who will conduct appraisals? Who will performance manage an employee? What if there is a disciplinary issue? All of these things need to be considered and documented in advance of the employee being sent abroad.

Despite many organizations' stated policy aim that on-going career links with home country were encouraged and should be maintained, studies found that only one of the participants actually involved both the home and host country management in the annual performance review process and on-going objective-setting. The remainder all had performance appraisals conducted solely in the host location

10.3.4. Certificates of coverage

It is also important to help expatriates to review the policy benefits (what is covered) and exclusions (what is not covered) about their insurance. Global HR team should be able to obtain a "certificate of coverage" which will provide comprehensive details prior to the purchase. Often, some benefits are limited either by the amount of coverage provided for certain treatments or for a period of time. For example, maternity benefits are typically excluded for the first 12 months of coverage. Benefits may also be limited or excluded for travel to certain countries.

10.4. Support: Assignment Period

10.4.1. Tax reporting and compliance, including tax protection and equalization

In many cases, the expatriate is expected to fully comply with all applicable tax laws and regulations in the home and the host Countries. Additional responsibilities include: filing timely tax returns, filing final tax returns before departing from Host Country, making proper declarations, and providing accurate and timely documentation as required in support of such tax returns. The employers may enter into an agreement with an international tax service for assistance in tax consultation, tax compliance, or tax return preparation.

10.4.2. Equity award vesting

Changes to the taxation of share options and restricted shares held by expatriate should be altered. The expatriate's income arising on vesting or exercise should be outside the scope of home country income tax. Designing and operating shares schemes for expatriates are often fraught with tax risks and practical difficulties. Global HR team should get in touch with their vendor contact for expert advice on

10.4.3. Compensation accumulation

Compensation accumulation as well as preparation of wage statements includes international allocation of compensation and benefits. Global HR team can outsourced this work to vendors that can handle the collection and reporting of all direct payments made on behalf of the assignees (ex. housing, utility, and auto payments) as-needed by your local payroll and/or tax firm.

10.4.4. Employee tracking

For organizations that have employees facing considerable danger, safety is always at the top of the list. There are many ways for companies to increase safety, but one of the simplest is often overlooked. Implementing an employee tracking program is a very effective way to manage risk. An employee tracking program can let you know where each employee is at all times, which could be critical in the event of a natural disaster or political or military upheaval, as well as during a kidnapping incident.

Companies such as International SOS provide comprehensive services based on GPS tracking of employees that can assist "organizations in the design and implementation

of integrated risk mitigation solutions. These solutions are designed to proactively manage the medical and security risks associated with overseas travel or assignment.

10.5. Support: Post-assignment Planning

Post-assignment— it is as though top management is suffering from international assignments. Management doesn't quite know how to utilize that experience.

10.5.1. Identifying destination

Clarify objectives before the assignment as well as how knowledge can be used and what kind of job will be targeted upon return.

10.5.2. Comparing cost projection

As a liaison between expatriates and the rest of the company, HR must balance two sometimes conflicting aims: achievement of corporate goals versus implementation of reasonable and competitive pay packages. Closely analyzing and monitoring both necessary and discretionary expenditures involved in the assignment can help HR simultaneously satisfy top management and expatriate needs. In addition, reconciling estimated costs against actual expenditures allows the company to create a realistic budget for the years ahead and improve global staffing strategy.

10.5.3. Compensation adjustments

On top of the home-country salary, host-country cost of living adjustments are usually made. In many cases, such adjustments are made using the 'no loss' approach: expatriate compensation is adjusted upward for higher costs of living, but is not adjusted downward if the cost of living in the host country is less than in the home country.

10.6. Repatriation

Most executives who oversee expatriates view their return home as a nonissue. The truth is repatriation is a time of major upheaval, professionally and personally, for two-thirds of expats. Companies that recognize this fact help their returning people by providing them with career guidance and enabling them to put their international experience to work.

10.6.1. Preparation

Approx. 5-3 month before the expatriate returns to the home country, he or she should be taken through a re-entry phase, followed by actual repatriation . This involves developing plans for the future and collecting information about the new position the expat is likely to occupy after returning home. During the pre re-entry phase, the mentor can play an advisory role in finding the expat a suitable position within the organization. The company may provide a checklist of items to be considered while leaving the host country.

10.6.2. Physical Relocation

This stage involves removal of personal belongings, breaking ties with colleagues and friends and traveling to the next posting, usually the home country. Professional re-entry training should also be given to expat and his or her family that covers social cultural contrast orientation, an updated political and social issues and changes in the home country, job opportunities for the partner, an evaluation of the experiences in the host culture and the psychological aspects of repatriation.

10.6.3. Transition

Phase in which the expatriate and his or her family readjust to their return to the home country. Some companies hire relocation consults to assist in this phase also. Typical activities include acquiring temporary accommodation, making arrangements for housing and schooling, performing necessary administrative tasks (e.g. renewing driver's license, applying for medical insurance, opening bank accounts)

10.6.4. Readjustment

This phase involves coping with reverse culture shock and the expatriate's career demands on the organization. Generally, the more the host country culture differs from the home country culture, the more difficult the re integration process will be. Likewise, the more successful the expat was in the host culture, the more difficult it is to adjust to the work environment at the home base.

Part Two: Strategic Management

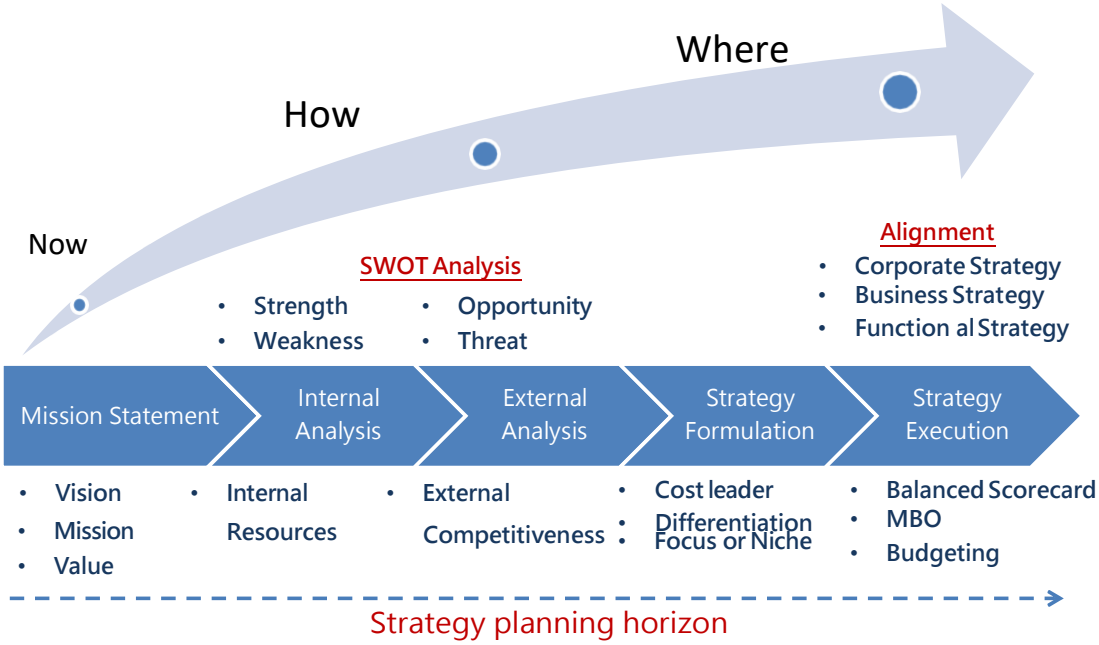
1. Strategy Planning

Strategy is about positioning an organization to have a competitive advantage by making choices about: 1).which countries/industries to participate in; 2).what products/services to offer; 3).how to allocate corporate resources.

The primary goal of strategy is creating value for shareholders and the other stakeholders by providing customer value. In a global organization, this may be a challenge, since stakeholder expectations may differ from one society to the next.

Strategic planning is a function of strategic management, which is the continuing process of pursuing a favorable competitive fit between the firm and its dynamic environment. A strategic plan is a document used to communicate with the organization the organizations goals, the actions needed to achieve those goals and all of the other critical elements developed during the planning exercise.

Change is an essential component of strategic planning. This involves moving the organization or program forward to create or change something. Some plans are created out of the need for the organization to move in a certain direction, and other plans develop organically. Vision, mission and value statements will be important to help communicate the goals of the plan to employees and the public.



Source: Mintzberg, H. (2014). The Strategy Process. Pearson.

Vision is a vivid, guiding image of the organization's desired future. Mission statement is a formal, written document that defines the organization's purpose in society. Core value is referring as the attitude and character of an organization, and often dictates employee behavior. Also, core value is at the heart of the culture of an organization.

In other word, knowing why you're doing what you're doing (your mission), where you're trying to go (your vision), and how you're going to go about it (your values) are the glue that holds an organization together. It is an essential part to building a company's strategic foundation and developing a strategy.

1.1. Vision, Mission, and Value

A mission statement is a guiding light for a business and the individuals who run the business. It is usually made up of three parts:

1.1.1. Vision (big picture idea of what you want to achieve)

Your vision communicates what your organization believes are the ideal conditions for your organization – how things would look if the issue important to you were perfectly addressed. This utopian dream is generally described by one or more phrases or vision statements, which are brief proclamations that convey the organization's dreams for the future. By developing a vision statement, your organization makes the beliefs and governing principles of your organization clear to the greater community (as well as to your own staff, participants, and volunteers).

1.1.2. Mission (general statement of how you will achieve your vision)

Developing mission statements are the next step in the action planning process. An organization's mission statement describes what the group is going to do, and why it's going to do that. Mission statements are similar to vision statements, but they're more concrete, and they are definitely more "action-oriented" than vision statements. The mission might refer to a problem without going into a lot of detail. They start to hint - very broadly - at how your organization might go about fixing the problems it has noted.

While vision and mission statements themselves should be short, it often makes sense for an organization to include its deeply held beliefs or philosophy, which may in fact define both its work and the organization itself. One way to do this without sacrificing the directness of the vision and mission statements is to include guiding principles as an addition to the statements. These can lay out the beliefs of the organization while keeping its vision and mission statements short and to the point.

1.1.3. Value (how you will behave during the process)

Whether written to be effective or ineffective, Mission Statements and Vision Statements are relatively common in this sector. But that is where most organizations stop. Vision and Mission Statements of where we are headed, and what we will do to get there. It is the rare organization that takes the time to then define HOW they will do that work - the talk they want to walk.

The only way we can create an amazing future for our communities is if we do our work in a way that reflects universally shared values. This ensures we do not squander our time and resources rationalizing our actions. It helps to ensure we are not potentially

squandering our community's goodwill.

Further, if your goal is to create the future of your organization - the lofty goals of your vision statement - then you will want to ensure your work reflects the values you want to see in your organization.

A Values Statement provides the tools for the organization to accomplish that. First, the Values Statement will look outside the organization, to the visionary outcomes you want to create for your community, such as “what values will need to be present in the community for your vision to come to pass?”, “what values would the community need to emphasize?”, and “what values would have to be the norm?”

From there, the Values Statement will look inside, to see how your own work will model those values, to teach those values by example: How will your work reflect those values? How will you ensure you are modeling those values to the community? When you have a tough decision to make, will you always err on the side of those values?

1.2. SWOT Analysis

The primary aim of strategic planning is to bring an organization into balance with the external environment and to maintain that balance over time. Organizations accomplish this balance by evaluating new programs and services with the intent of maximizing organizational performance. SWOT analysis is a preliminary
decision-making tool that sets the stage for this work.

SWOT analysis is an approach to consider global organizational strengths (S) and weaknesses (W) and their interactions with opportunities (O) and threats (T). Strengths and weaknesses are inherent in the organization’s internal environment; opportunities

and threats are aspects of the external environment.

The aim of any SWOT Analysis is to identify the key internal and external factors that are important to achieving the objective. These come from within the company’s unique value chain.

Internal Analysis: This team examines the capabilities of the organization (or of the strategy, if the group has already developed and prioritized strategies). This is done by identifying the strengths and weaknesses.

External Analysis: This team will examine the context or environment in which the organization operates, such as partner agencies, authorizing environment, stakeholders, and the influence of economic or other demographic trends. The purpose of this analysis is to identify external factors that could in the future create opportunities for the organization (or the proposed strategy) and those that pose threats or obstacles to performance.

1.2.1. Strengths

They are characteristics of the business or team that give it an advantage over others in

the industry. Strengths must focus upon what the firm can do with its internal resources. Any asset that the firm owns could certainly be classified as strength, but the degree of each asset's contribution to the competitive position of the firm may vary greatly. Newer assets such as state-of-the-art production line machinery would provide greater strengths to the firm than older assets such as an aging truck fleet. Not all strengths are physical in nature. A strong brand-name presence, recognized customer service excellence, and/or exclusive access to a strong supply chain network are all examples of nonphysical asset strengths.

One type of strength that is often overlooked is well-trained and experienced staff. Good employees can substantially benefit the firm. An example of an HR practice weakness could be if a firm has a poor reputation as an employer. This poor reputation will have a negative effect on recruitment activities and place the firm at a disadvantage when it comes to staffing.

1.2.2. Weaknesses

They are characteristics that place the firm at a disadvantage relative to others. Weaknesses can include any area in which the company lacks strength. Poor product positioning, deteriorating physical assets, out-of-date production equipment, and poor customer service all are among the weaknesses of the firm. High employee turnover that causes the firm to lose talented people can be a major weakness of the firm. Talent is hard to replace, especially in the innovative environment of today. Sometimes a strength can be a weakness, such as if the firm's physical plant is state of the art but saddles the firm with a large amount of debt that limits what the company can invest in to improve earnings.

Examples of new opportunities might include new geographic markets to recruit from or new technologies to improve recruitment efforts for example. A firm should try to use its strengths to capitalize on potential opportunities for HR practices. For instance, if a firm has strong technological capabilities, it may want to exploit new technological opportunities to improve its recruitment, such as building a database of potential recruits.

1.2.3. Opportunities

They are external chances to make greater sales or profits in the environment. Opportunities can be subject to interpretation. In general, any changes in the external environment can be an opportunity to the firm. If competitors are weakened by a poor cash-flow position, it is an opportunity for the firm to capture market share. Changes in tax structure, improvements in economic trends, or the passage of favorable laws can all be opportunities of which the firm should take advantage. Market positioning, new technologies and international trade agreements can provide substantial opportunities as well.

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1.2.4. Threats

They are external elements in the environment that could cause trouble for the business. Threats arise from a lack of opportunities or from the strengths of competitors that may place the firm at an extreme disadvantage. Changes in consumer preferences, new competitor innovations, restrictive regulations, and unfavorable trade barriers are all examples of threats. Loss of favorable distribution networks and the restrictions on the firm's cash flows can threaten the firm's market position. Changes in the economic climate can also put a substantial strain on the firm.

A threat to an HR practice is the possibility that the practice may no longer be viable. This can happen due to changes to the workforce, economic changes and even political changes. For example, if a firm uses the HR practice of recruiting highly educated university graduates, a threat to this practice could be a dwindling supply of qualified graduates or increased competition for graduates. Firms must be able to recognize these threats so that they can prevent them or adjust their HR practices accordingly.

Identification of SWOTs are essential because subsequent steps in the process of planning for achievement of the selected objective may be derived from the SWOTs. First, the decision makers have to determine whether the objective is attainable, given the SWOTs. If the objective is NOT attainable a different objective must be selected and the process repeated.

After completing the SWOT analysis, the firm should try to configure its overall position in the marketplace by seeking the best combination of strengths and opportunities that can optimize returns. Not every opportunity can be pursued, and not every strength can be defined as an advantage to the firm. Choices need to be made by the firm to take complete advantage of its position; likewise, the firm should seek to improve its weaknesses and minimize its threats.

1.3. Strategy Formulation

As the Company's vision, mission, core value statements, and SWOTs are defined, core strategy is specified. Michael Porter suggested that businesses can secure a sustainable competitive advantage by adopting one of three generic strategies as follows:

1.3.1. Cost leadership Strategy

Cost leadership is to drive cost down through all the elements of the production of the product from sourcing, to labor costs. This strategy involves the organization aiming to be the lowest cost producer and/or distributor within their industry. The organization aims to drive cost down for all production elements from the sourcing of materials, to labor costs. To achieve cost leadership a business will usually need large scale production so that they can benefit from "economies of scale". Large scale production

means that the business will need to appeal to a broad part of the market. For this reason a cost leadership strategy is a broad scope strategy. A cost leadership business can create a competitive advantage:

- by reducing production costs and therefore increasing the amount of profit made on each sale as the business believes that its brand can command a premium price or
- by reducing production costs and passing on the cost saving to customers in the hope that it will increase sales and market share

1.3.2. Differentiation Strategy

Differentiation is to focus its effort on particular segments and charge for the added differentiated value. To be different, is what organization striving for; companies and product ranges that appeal to customers and "stand out from the crowd" have a competitive advantage. Porter asserts that businesses can stand out from their competitors by developing a differentiation strategy. With a differentiation strategy the business develops product or service features which are different from competitors and appeal to customers including functionality, customer support and product quality. New concepts which allow for differentiation can be protected through patents and other intellectual property rights; however patents have a certain life span and organization always face the danger that their idea which gives them a competitive advantage will be copied in one form or another.

1.3.3. Focus (Niche) Strategy

Focus or Niche is to form a competitive advantage for this niche market and either succeeds by being a low cost producer or differentiator within that particular segment. Under a focus strategy a business focuses its effort on one particular segment of the market and aims to become well known for providing products/services for that segment. They form a competitive advantage by catering for the specific needs and wants of their niche market. A focus strategy is known as a narrow scope strategy because the business is focusing on a narrow (specific) segment of the market.

1.3.4. "Middle of the road" strategy

Some businesses will attempt to adopt all three strategies; cost leadership, differentiation and niche (focus). A business adopting all three strategies is known as "stuck in the middle". They have no clear business strategy and are attempting to be everything to everyone. This is likely to increase running costs and cause confusion, as it is difficult to please all sectors of the market. Middle of the road businesses usually do the worst in their industry because they are not concentrating on one business strength. In other word, try to do all three would become stuck in the middle and danger.

1.4. Strategy Execution

When companies fail to deliver on their promises, the most frequent explanation is that the CEO's strategy was wrong. But the strategy by itself is not often the cause. Strategies most often fail because they aren't executed well. Things that are supposed to happen don't happen. No worthwhile strategy can be planned without taking into account the organization's ability to execute it.

1.4.1. Balanced Scorecard (BSC)

The Balanced Scorecard concept was created by Drs. Robert S. Kaplan and David P. Norton and their colleagues at Palladium Group. It is the philosophical underpinning of the Palladium Execution Premium Process™ (XPP). Besides helping organizations articulate strategy in actionable terms, the Balanced Scorecard provides a road map for strategy execution, for mobilizing and aligning executives and employees and making strategy a continual process. We will discuss the BSC in following text.

1.4.2. Management by Objectives (MBO)

MBO was first introduced to businesses in the 1950s as a system called "management by objectives and self-control" by Peter Drucker. Drucker states that the basis for this system is that an organization will be more successful if: "their efforts ... all pull in the same direction, and their contributions... fit together to produce a whole, without gaps, without friction, without unnecessary duplication of effort…" This focus on goal alignment as a way to improve organizational performance was, at the time, thought to provide the best path to increased profitability. The management processes described for the Balanced Scorecard are very similar to the MBO system elements. In essence, both systems are based on goal congruence throughout an organization, and each detail an iterative process based on collaboration between and within all levels of an organization.

1.4.3. Budgeting

Budgeting has the potential to be one of the most productive and essential management activities in implementing strategy. Through it management can ensure that key strategic initiatives essential for success are properly resourced and can be implemented in agreed timescales. Once set, the budgeting system can then go on to warn if those activities are behind schedule; are not achieving the success envisaged; and can be used to safely allocate or redistribute resources to put plans back on track.

A budget is a plan that contains a quantitative statement of expected results. A budget may be defined as a quantified program, whereas budgets serve multiple functions, e.g., they quantify objectives and the means for achieving them and provide a means for communicating the organization's objectives to all levels of personnel.

The **master budget**, also called the comprehensive budget or annual profit plan, encompasses the organization's operating and financial plans for a specified period (ordinarily a year or single operating cycle). In the **operating budget**, the emphasis is on

obtaining and using current resources. In the **financial budget**, the emphasis is on obtaining the funds needed to purchase operating assets.

A **project budget** consists of all the costs expected to attach to a particular project, such as the design of a new airliner or the building of a single ship.

Activity-based budgeting (ABC) applies activity-based costing principles to budgeting. It focuses on the numerous activities necessary to produce and market goods and services and requires analysis of cost drivers. Activity-based management (ABM) is a method of identifying and evaluating activities that a business performs using activity-based costing to carry out a value chain analysis or a re-engineering initiative to improve strategic and operational decisions in an organization.

Zero-based budgeting (ZBB) is a budget and planning process in which each manager must justify his/her department's entire budget every budget cycle.

A **continuous (rolling) budget** is one that is revised on a regular (continuous) basis. Typically, a company continuously extends such a budget for an additional month or quarter in accordance with new data as the current month or quarter ends.

The Japanese term kaizen means continuous improvement, and kaizen budgeting assumes the continuous improvement of products and processes. Accordingly, **kaizen budgeting** is based not on the existing system but on changes yet to be made.

A **static budget** is based on only one level of sales or production. The level of production and the containment of costs are, though related, two separate managerial tasks. Contrast this with a flexible budget, which is a series of budgets prepared for many levels of activity. At the end of the period, management can compare actual performance with the appropriate budgeted level in the flexible budget.

A **life-cycle budget** estimates a product's revenues and expenses over its entire life cycle beginning with research and development and ending with the withdrawal of customer support. Life-cycle budgeting is intended to account for the costs at all stages of the value chain (R&D, design, production, marketing, distribution, and customer service).

1.4.4. Hierarchical level of Strategy

Strategy king is not just asking for top executives. Middle and lower level managers too must be involved in the strategic planning process to the extent possible. In a large company / firm actually four level of strategies (corporate level, divisional / business level, functional level and operational level) where as in small farm strategies are actually in three level – Company / Corporate, Business, and Functional or Operational level.

The Corporate/organization Strategy comprises a directional strategy through a corporate vision and a mission statement.

The Business Strategy ensures that individual business units are able to increase their effectiveness while remaining jived with the corporate strategy.

The Functional Strategy has to be customized to ensure the business strategy to succeed. These could be HR, Marketing and/or Finance strategy.

1.4.5. Strategic Planning Horizon

The term planning horizon refers to the time that elapses between the strategy formulation and the execution of a planned activity. In general, its length is dictated by the degree of uncertainty in the external environment: higher the uncertainty, shorter the planning horizon.

1.4.6. McKinsey 7-S

The McKinsey 7-S framework is a guide to the effective implementation of strategy, which involves seven interdependent factors which are categorized as either "hard" or "soft" elements. "Hard" elements are easier to define or identify and management can directly influence them; "Soft" elements, on the other hand, can be more difficult to describe, and are less tangible and more influenced by culture.

- Hard elements: Strategy, Structure, and Systems
- Soft elements: Shared Values, Skills, Style, Staff

1.4.7. Strategy Implementation Activities

- Establish short-term organizational objectives
- Develop action plans or tactics to achieve objectives
- Allocate resources
- Communicate and train employees

1.4.8. Location Considerations for Implementation

The Country: Traditionally, MNCs have invested in highly industrialized countries and research reveals that annual investments have been increasing substantially.

Once the MNC has decided the country in which to locate the firm must choose the specific locale. Common considerations include access to markets, proximity to competitors, availability of transportation and electric power, and desirability of the location for employees coming in from the outside.

The relative attractiveness of different country locations for a given activity and the firm-level strengths that can be leveraged in country-specific advantages (CSAs) and firm-specific advantages (FSAs). CSAs are based on natural resource endowments, the labor force, or less tangible factors; FSAs are unique capabilities proprietary to the firm.

1.4.9. Obstacles to Implementing a Global Strategy

Strategic obstacles result from a poor fit between the organization and the strategy it has chosen.

Organizational barriers include both structure and systems which are not fit in the global strategy. An organization's structure can have an enormous impact on strategy, especially in enterprises that are in the process of transforming from domestic to multinational, global, and international.

Interpersonal obstacles mean the extent to which a dominant culture is ingrained in key decision makers and managers. The strength of the marketing managers was difficult to manage in implementing a global strategy that required more flexibility in product development.

1.5. Strategy Evaluation

Strategic evaluation occurs as the final step in the final step in a strategic management cycle. Without it, a business has no way to gauge whether or not strategic management strategies and plans are fulfilling business objectives. Strategic evaluations provide an objective method for testing the efficiency and effectiveness of business strategies, as well as a way to determine whether the strategy being implemented is moving the business toward its intended strategic objectives. Evaluations also can help identify when and what corrective actions are necessary to bring performance back in line with business objectives. The process of Strategy Evaluation consists of following steps:

1.5.1. Fixing benchmark of performance

While fixing the benchmark, strategists encounter questions such as - what benchmarks to set, how to set them and how to express them. In order to determine the benchmark performance to be set, it is essential to discover the special requirements for performing the main task. The performance indicator that best identify and express the special requirements might then be determined to be used for evaluation. The organization can use both quantitative and qualitative criteria for comprehensive assessment of performance. Quantitative criteria include determination of net profit, ROI, earning per share, cost of production, rate of employee turnover etc. Among the Qualitative factors are subjective evaluation of factors such as - skills and competencies, risk taking potential, flexibility etc.

1.5.2. Measurement of performance

The standard performance is a bench mark with which the actual performance is to be compared. The reporting and communication system help in measuring the performance. If appropriate means are available for measuring the performance and if the standards are set in the right manner, strategy evaluation becomes easier. But various factors such as managers contribution are difficult to measure. Similarly divisional performance is sometimes difficult to measure as compared to individual performance. Thus, variable objectives must be created against which measurement of

performance can be done. The measurement must be done at right time else evaluation will not meet its purpose. For measuring the performance, financial statements like - balance sheet, profit and loss account must be prepared on an annual basis.

1.5.3. Analyzing Variance

While measuring the actual performance and comparing it with standard performance there may be variances which must be analyzed. The strategists must mention the degree of tolerance limits between which the variance between actual and standard performance may be accepted. The positive deviation indicates a better performance but it is quite unusual exceeding the target always. The negative deviation is an issue of concern because it indicates a shortfall in performance. Thus in this case the strategists must discover the causes of deviation and must take corrective action to overcome it.

1.5.4. Taking Corrective Action

Once the deviation in performance is identified, it is essential to plan for a corrective action. If the performance is consistently less than the desired performance, the strategists must carry a detailed analysis of the factors responsible for such performance. If the strategists discover that the organizational potential does not match with the performance requirements, then the standards must be lowered. Another rare and drastic corrective action is reformulating the strategy which requires going back to the process of strategic management, reframing of plans according to new resource allocation trend and consequent means going to the beginning point of strategic management process.

1.6. Strategy Evaluation Methods

1.6.1. Cost and Variance Measures

The static budget variance measures the difference between the static (master) budget amount and the actual results for a foreign subsidiary or affiliate. The static budget variance consists of two components:

The flexible budget variance measures the difference between the actual results and the amount expected for the achieved level of activity (the flexible budget).

The sales volume variance measures the difference between the static budget and the amount expected for the achieved level of activity (the flexible budget).

1.6.2. Responsibility Centers and Reporting Segments

- A well-designed responsibility accounting system establishes responsibility centers (also called strategic business units) within a global organization as follow:
- A cost center, e.g., a maintenance department, is responsible for costs only.
- A revenue center, e.g., a sales department, is responsible for revenues only.

- A profit center, e.g., an appliance department in a retail store, is responsible for revenues and expenses.
- An investment center, e.g., a branch office, is responsible for revenues, expenses, and invested capital.
- A segment is a product line, geographical area, or other meaningful subunit of the organization. Allocation of central administration (such as HR department) costs is a fundamental issue in responsibility accounting.

1.6.3. Financial Measures

- Return on investment (ROI): Net Income ÷ Average total Assets
- Residual income: Net Income-(Total Investment * Target rate of Return)
- Cost-volume-profit analysis: also called breakeven analysis (BEP), is a tool for understanding the interaction of revenues with fixed and variable costs. BEP is the level of output at which total revenues equal total expenses; that is, the point at which operating income is zero.
- Economic value added (EVA) can represent a foreign business unit's true economic profit primarily because a charge for the cost of equity capital is implicit in the cost of capital.

2. HR in Strategy Planning

Strategy is a plan for the organization to position itself vis-a-vis its competitors, and resolve how it wants to configure its value chain activities on a global scale. Its purpose is to help managers create an international vision, allocate resources, participate in major international markets, be competitive, and perhaps reconfigure its value chain activities given the new international opportunities.

2.1. HR in Communicating Vision and Mission

A company's vision and mission provide the direction for the business's future. By detailing the core values of the company, the vision and mission statements target the central ideas that every employee should focus on during their employment. Once the organization's vision and mission are created, the HR department is responsible to communicate the vision, mission, and core value to their employees. Executives and HR cannot assume employees automatically share their vision. They cannot assume they see the problems they face identically or would solve those problems the same way.

2.2. HR in SWOT Analysis

With careful consideration given to strategic plans and objectives, management team should conducts the SWOT analysis, which forward looking, and will make projections focusing on the next 3-5 years. Through separate SWOT analysis sessions with executives, managers, supervisors, and incumbents in Mission Critical Occupations, they will identify and link related SWOT aspects. From these linkages, HR should create

plans and action items to take advantage of strengths and opportunities and mitigate weaknesses and threats to the workforce and talent pipeline. To ensure agreement with these aspects throughout the workforce, HR should conduct a management verification panel ensure the information gathered during the SWOT Analysis sessions is accurate.

2.3. HR in Strategy Formulation

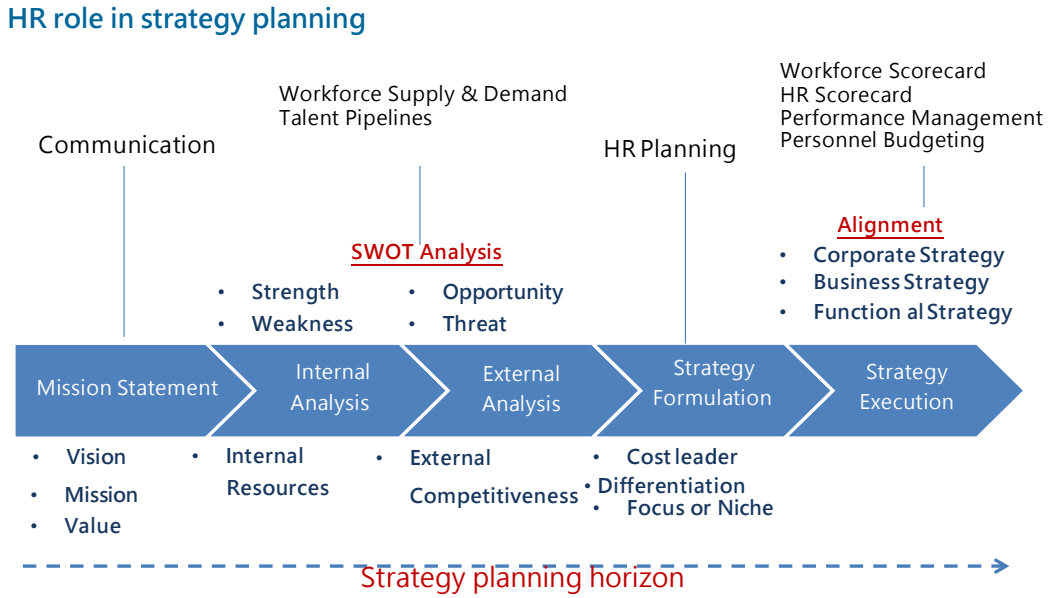
Since human resources functions and strategies are a means to achieve corporate ends, they need to be tied to, and driven by the corporate mission, vision and strategic goals, or else they simply end up as processes that add overhead, but down increase return. At this stage, Human Resource planning has been identified as an important means to develop a clearer focus of the function on the organization's business and it is a critical aid in identifying the areas in which it must excel in order to be successful.

The primary objective of traditional HR planning is to incorporate forecasts about the types and numbers of workers who will be needed to meet longer-term demands, taking into consideration various programs such as career development, executive training, external recruiting, succession planning, employee appraisal and retirement programs. In conjunction with the SWOT Analysis, HR should perform Scenario Planning to forecast future scenarios for targeted positions or occupations. Looking forward at workforce and workload factors, linkages are developed to build likely scenarios of the future workforce and its drivers.

2.4. HR in Strategy Execution

In strategy execution, HR can organize cross-functional teams to meet the strategic objectives. HR should manage the HR portfolio through identifying high-potential talent, prioritizing HR programs to align with the start-up strategy, developing talent, and tracking the need for succession planning and retirement. Then, HR should implement communication technology and processes to promote integration and execution of the organization's global strategy. Finally, HR should monitor and evaluate the effectiveness of the strategies.

All strategies are subject to future modification because internal and external factors are constantly changing. In the strategy evaluation and control process managers determine whether the chosen strategy is achieving the organization's objectives. HR can align strategy metrics included workforce metrics like leadership development, retention, worldwide employee satisfaction and diversity ratios, as well as, the global HR metrics such as customer satisfaction surveys, headcount, budget/employee ratios and host per hired should be included in the evaluation process.



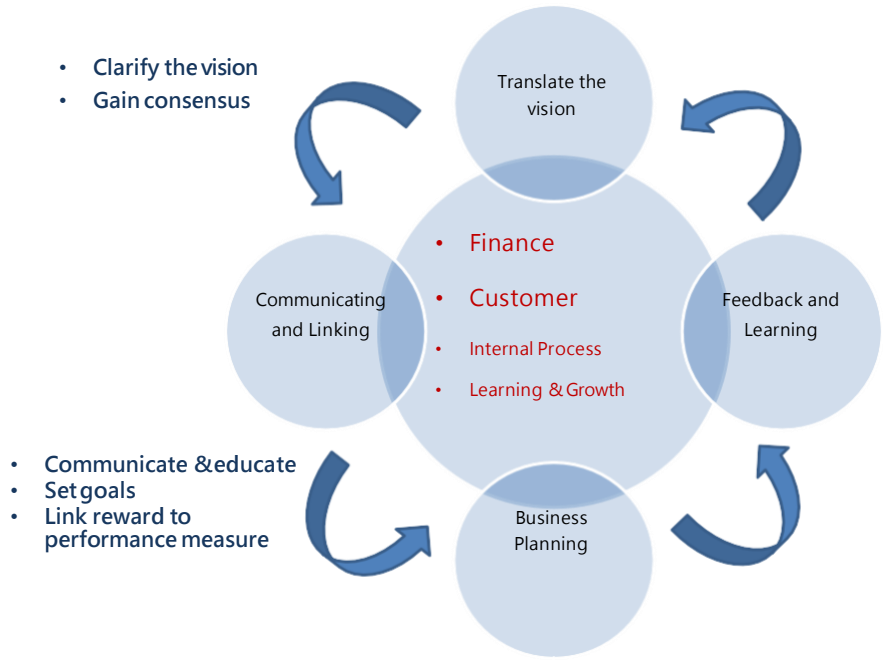
Source: Rothwell, W.J. & Kazanas, H.C. (2003). Planning and Managing Human Resources. HRD Press.

3. Strategy Implementation

In 1992, Robert S. Kaplan and David P. Norton's concept of the balanced scorecard revolutionized conventional thinking about performance metrics. By going beyond traditional measures of financial performance, the concept has given a generation of managers a better understanding of how their companies are really doing. These nonfinancial metrics are so valuable mainly because they predict future financial performance rather than simply report what's already happened. This article, first published in 1996, describes how the balanced scorecard can help senior managers systematically link current actions with tomorrow's goals, focusing on that place where, in the words of the authors, "the rubber meets the sky."

As companies around the world transform themselves for competition that is based on information, their ability to exploit intangible assets has become far more decisive than their ability to invest in and manage physical assets. Several years ago, in recognition of this change, we introduced a concept we called the balanced scorecard. The balanced scorecard supplemented traditional financial measures with criteria that measured performance from three additional perspectives—those of customers, internal business processes, and learning and growth. It therefore enabled companies to track financial results while simultaneously monitoring progress in building the capabilities and acquiring the intangible assets they would need for future growth. The scorecard wasn't a replacement for financial measures; it was their complement.

Recently, we have seen some companies move beyond our early vision for the scorecard to discover its value as the cornerstone of a new strategic management system. Used this way, the scorecard addresses a serious deficiency in traditional management systems: their inability to link a company's long-term strategy with its short-term actions.



Managing Strategy: Four Processes

Source: Kaplan, R.S. & Norton, D.P. (2007). Using the Balanced Scorecard as a Strategic Management System. Harvard Business Review, July, 75-85.

Most companies' operational and management control systems are built around financial measures and targets, which bear little relation to the company's progress in achieving long-term strategic objectives. Thus the emphasis most companies place on short-term financial measures leaves a gap between the development of a strategy and its implementation.

Managers using the balanced scorecard do not have to rely on short-term financial measures as the sole indicators of the company's performance. The scorecard lets them introduce four new management processes that, separately and in combination, contribute to linking long-term strategic objectives with short-term actions.

3.1. The first new process—translating the vision

It helps managers build a consensus around the organization's vision and strategy. Despite the best intentions of those at the top, lofty statements about becoming "best in class," "the number one supplier," or an "empowered organization" don't translate easily into operational terms that provide useful guides to action at the local level. For people to act on the words in vision and strategy statements, those statements must be expressed as an integrated set of objectives and measures, agreed upon by all senior executives, that describe the long-term drivers of success.

3.2. The second process—communicating and linking

It lets managers communicate their strategy up and down the organization and link it to departmental and individual objectives. Traditionally, departments are evaluated by

their financial performance, and individual incentives are tied to short-term financial goals. The scorecard gives managers a way of ensuring that all levels of the organization understand the long-term strategy and that both departmental and individual objectives are aligned with it.

3.3. The third process—business planning

It enables companies to integrate their business and financial plans. Almost all organizations today are implementing a variety of change programs, each with its own champions, gurus, and consultants, and each competing for senior executives' time, energy, and resources. Managers find it difficult to integrate those diverse initiatives to achieve their strategic goals—a situation that leads to frequent disappointments with the programs' results. But when managers use the ambitious goals set for balanced scorecard measures as the basis for allocating resources and setting priorities, they can undertake and coordinate only those initiatives that move them toward their long-term strategic objectives.

3.4. The fourth process—feedback and learning

It gives companies the capacity for what we call strategic learning. Existing feedback and review processes focus on whether the company, its departments, or its individual employees have met their budgeted financial goals. With the balanced scorecard at the center of its management systems, a company can monitor short-term results from the three additional perspectives—customers, internal business processes, and learning and growth—and evaluate strategy in the light of recent performance. The scorecard thus enables companies to modify strategies to reflect real-time learning.

4.1. Introduction

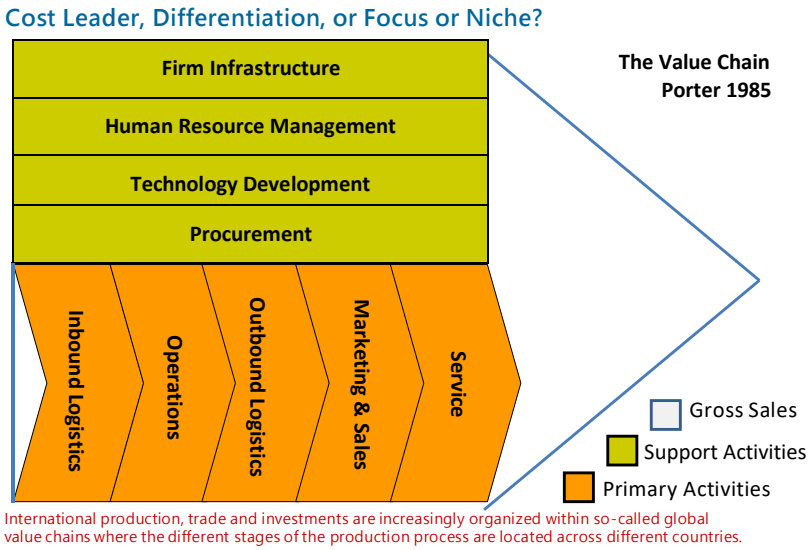
The value represents how well the organization has been able to accomplish its strategic goals-which may be higher profit margins or industry position. The key value that global HR contributes is the quality and availability of pivotal talent pools whose competencies are critical to organization's strategy.

The value chain represents the process by which an organization creates the product or service it offers to the customer. It is described as a chain because it represents the sequential and simultaneous contributions of a number of internal and external participants.

The chain consists of a series of activities that create and build value. The primary activities (which may vary according to the enterprise's activity) contribute directly to the value created, such as Operations, Logistics, Marketing and Sales, and Service. The secondary activities provide essential services to the line functions, such as Procurement, Technology, Infrastructure, and Human Resources.

4.2. Elements in Value Chain

As the following figure, Porter's Value Chain focuses on systems, and how inputs are changed into the outputs purchased by consumers. Using this viewpoint, Porter described a chain of activities common to all businesses, and he divided them into primary and support activities:



Source: Porter, M. (1985). Competitive advantage: creating and sustaining superior performance. The Free Press.

4.2.1. Primary Activities

Primary activities relate directly to the physical creation, sale, maintenance and support of a product or service. They consist of the following:\

Inbound logistics: These are all the processes related to receiving, storing, and distributing inputs internally. Your supplier relationships are a key factor in creating value here.

Operations: These are the transformation activities that change inputs into outputs that are sold to customers. Here, your operational systems create value.

Outbound logistics: These activities deliver your product or service to your customer. These are things like collection, storage, and distribution systems, and they may be internal or external to your organization.

Marketing and sales: These are the processes you use to persuade clients to purchase from you instead of your competitors. The benefits you offer, and how well you communicate them, are sources of value here.

Service: These are the activities related to maintaining the value of your product or service to your customers, once it's been purchased.

4.2.2. Support Activities

These activities support the primary functions above. In our diagram, the dotted lines show that each support, or secondary, activity can play a role in each primary activity.

Procurement (purchasing): This is what the organization does to get the resources it needs to operate. This includes finding vendors and negotiating best prices.

Human resource management: This is how well a company recruits, hires, trains, motivates, rewards, and retains its workers. People are a significant source of value, so businesses can create a clear advantage with good HR practices.

Technological development: These activities relate to managing and processing information, as well as protecting a company's knowledge base. Minimizing information technology costs, staying current with technological advances, and maintaining technical excellence are sources of value creation.

Infrastructure: These are a company's support systems, and the functions that allow it to maintain daily operations. Accounting, legal, administrative, and general management are examples of necessary infrastructure that businesses can use to their advantage.

Companies use these primary and support activities as "building blocks" to create a valuable product or service.

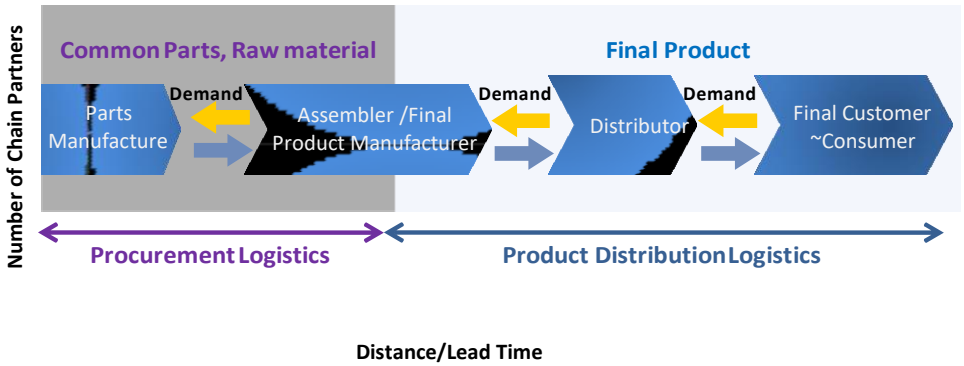
4.3. Stakeholders

An organization's stakeholders are the receivers of the organization's value, and they perceive that value in distinctive ways. Despite the difficulty in balancing stakeholder needs, many global organizations now reflect the stakeholder concept in their stated business objectives.

5. Supply Chain

A "supply chain" refers to the collection of steps that a company takes to transform raw material components into a final product that is delivered to customers. A supply chain is the network of all the individuals, organizations, resources, activities and technology involved in the creation and sale of a product, from the delivery of source materials from the supplier to the manufacturer, through to its eventual delivery to the end user. The supply chain segment involved with getting the finished product from the manufacturer to the consumer is known as the distribution channel.

The Ultimate Goal of Supply Chain Management
'Make every supply chain cycle "synchronized" with final customer's demand'



- With increased globalization and offshore sourcing, global supply chain management is becoming an important issue for many businesses.

Source: Harvey, et al. (2013). Aligning global organizations' human capital needs and global supply-chain strategies. Asia Pacific Journal of Human Resources, 51(1), 4-21.

Supply chain management (SCM) is the oversight of materials, information, and finances as they move in a process from supplier to manufacturer to wholesaler to retailer to consumer. Typically, supply chain management has five stages: plan, make, source, deliver and return. The three main flows of the supply chain are the product flow, the information flow and the finances flow. SCM involves coordinating and integrating these flows both within and among companies. The following definition of supply chain management from the Council of Supply Chain Management Professionals is employed:

Supply Chain Management encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and all Logistics Management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third-party service providers, and customers. In essence, Supply Chain Management integrates supply and demand management within and across companies.

Although most organizations recognize the importance of strategically managing their supply chains, they are less likely to capitalize on the fact that successful supply chain management rests on the performance of the people in the supply chain. At the same time, human resource practitioners have established practices and processes that improve worker and firm performance – but rarely do they consider the implications of those practices for the company's supply chain.

Traditionally, HR strategy involves developing flexible systems of HR best practices that promote an organization's business strategies. Applying these activities to the supply chain context produces these progressively broader benefits:

- Considering supply chain strategy, characteristics and partners when developing the HR strategy.

- Using HR systems (e.g. incentives, performance management, long-term relationships) to manage supply chain partners.
- Collaborating with the supply chain partners to develop and coordinate HR systems for the supply chain as a whole.
- Aligning recruitment practices among the supply chain firms.
- Sharing applicant pools.
- Forecasting labor demand and supply across the entire supply chain.
- Identifying training needs and objectives specifically for supply chain positions, and designing training to meet those needs.
- Identifying the training needs of the supply chain partners, and training those partners (or vice versa).
- Joint training and cross-organizational training of workers across the supply chain.
- Developing performance metrics for the supply chain.
- Aligning performance appraisal dimensions across supply chain partners.
- Learning from supply-chain partner feedback on individual and group performance.

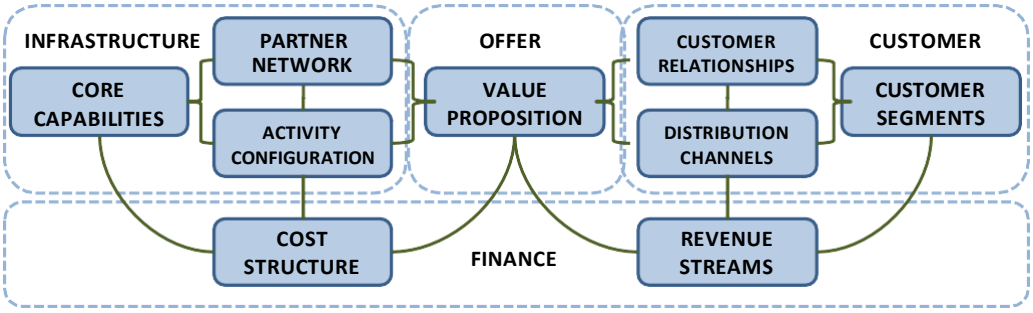
Today's increasingly complex business environments – which are characterized by shorter product life-cycles, product proliferation, ongoing outsourcing, and the globalization of the supply base and markets – magnify the challenges of human resource management in supply chain settings.

But meeting these challenges is well worth the effort. HRM practices can be used to encourage supply chain partners to develop valuable inter-firm relationships and to create knowledge-sharing routines. The result is a better coordinated, streamlined supply chain and, ultimately, new competitive advantage.

6. Business Model

A business model describes how an organization creates, delivers, and captures value. Framing a business model within the business model canvas, consisting of nine main building blocks, helps to increase the understanding of how a business operates, and encourages discussion, creativity and analysis. This factsheet describes the main components of the business model canvas and how they can be used to increase the strength of your business model.

Business Model Framework



Source: businessmodelgeneration.com

A business model describes the rationale of how an organization creates, delivers, and captures value. The business model canvas is a tool that can be used to translate a business model into nine building blocks that show the logic of how a company intends to make money. The main purpose of a business model canvas is to foster understanding, encourage discussion, creativity and analysis. There are nine main building blocks in a business model canvas:

6.1. Customer Segments (CS):

Defines the different groups of people or organizations an enterprise aims to reach and serve. The Customer Segments can be broken down into sub-segments if their needs require and justify a distinct offer (e.g. they are reached through different channels, they require different types of relationships, they have substantially different profitabilities, or they are willing to pay for different aspects of the offer).

6.2. Value Propositions (VP)

The Value Propositions represent the bundle of products and services that create value for a specific Customer Segment. The Value Propositions may be quantitative (e.g. price, speed of service) or qualitative (e.g. design, customer experience).

6.3. Channels (CH)

Channels describe how a company communicates with and reaches its Customer Segments to deliver their Value Proposition. Channels represent a company's interface with its customers, and can include communication, distribution, and sales.

6.4. Customer Relationships (CR)

Customer Relationships describe the types of relationships a company establishes with specific Customer Segments, and can range from personal relationships to entirely automated interactions. The Customer Relationships are a key issue in determining the overall customer experience.

6.5. Revenue Streams (RS)

The Revenue Stream describes how a company will generate cash from each Customer Segment. The Revenue Stream has to take into account how much customers will be willing to pay for the value the company delivers. There are two basic types of revenue stream: revenues from one-time customer payments, and recurring revenues from on-going payments.

6.6. Key Resources (KR)

The Key Resources describes the most important assets within a company that make a business model work. These generally include physical resources (e.g. buildings, vehicles, etc.), intellectual resources (e.g. brands, partnerships, proprietary knowledge, etc.), **human resources** (e.g. employees), and financial resources (e.g. cash, lines of credit, etc.)

6.7. Key Activities (KA)

The Key Activities describe the most important things a company must do to make its business model work. They can be activities to create and offer Value Propositions, reach markets, maintain Customer Relationships, and earn revenues. General categories for Key Activities include production, problem solving, and platform/networking.

6.8. Key Partnerships (KP)

The Key Partnerships describes the network of suppliers and partners that make a business model work. Partnerships are essential in most businesses to optimize their business models, reduce risk, or acquire resources. Partnerships can generally be categorized into: strategic alliances between non-competitors, strategic partnership between competitors, joint ventures to develop new businesses, and buyer-supplier relationships.

6.9. Cost Structure (CS)

The Cost Structure describes all costs incurred to operate a business model, for example in creating and delivering value, maintaining Customer Relationships, and generating revenue. Cost structures can be divided into fixed costs, variable costs, economies of scale, and economies of scope.

Part Three: Internal Analysis

1. Financial Report

Financial reporting is the process of producing the reports, called statements, which disclose an organization's financial status to management, investors and the government.

1.1. Income Statement

An income statement is one of the financial statements shown the company's revenues and expenses during a particular period. It indicates how the revenues (money received from the sale of products and services before expenses are taken out, also known as the "top line") are transformed into the net income (the result after all revenues and expenses have been accounted for, also known as "net profit" or the "bottom line"). It displays the revenues recognized for a specific period, and the cost and expenses charged against these revenues, including write-offs (e.g., depreciation and amortization of various assets) and taxes. The purpose of the income statement is to show managers and investors whether the company made or lost money during the period being reported. Please see below as an example of income statement:

HRCI CORPORATION
Income Statement
For the Year Ending December 31, 20X5

Revenues		$3,250,000	
Cost of goods sold		1,160,000	
Gross profit		$2,090,000	
Operating expenses			
Wages	$450,000		
Interest	100,000		
Depreciation	120,000		
Other operating expenses	270,000	(940,000)	
Gain on sale of land		150,000	
Income before income taxes		1,300,000	
Income taxes		300,000	
Net income		$1,000,000	bottom-line

1.2. Balance Sheet

The statement of financial position (balance sheet) "provides information about an entity's assets, liabilities, and equity and their relationships to each other at a moment in time." The items in the balance sheet represent the resources of the entity and claims to those resources.

Assets are probable future economic benefits obtained or controlled by a particular entity as a result of past transactions or events.

Liabilities are probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.

Equity or net assets are the residual interests in the assets of an entity that remains after deducting its liabilities.

HRCI CORPORATION
Balance Sheet
December 31, 20X9

	Assets		
	Cash		$192,000
	Accounts receivable		128,000
	Inventories		120,000
	Land		300,000
	Building		100,000
	Equipment		50,000
	Other assets		10,000
	Total assets		$900,000
	Liabilities		
	Salaries payable	$ 34,000	
	Accounts payable	166,000	
	Total liabilities		$200,000
paid-in capital	**Stockholders' equity**		
	Capital stock	$220,000	
	Retained earning	480,000	
	Total stockholders' equity		700,000
	Total liabilities and equity		$900,000

1.3. Statement of Cash Flows

The cash flow statement reports the cash generated and used during the time interval specified in its heading. The period of time that the statement covers is chosen by the company. Because the income statement is prepared under the accrual basis of accounting, the revenues reported may not have been collected. Similarly, the expenses reported on the income statement might not have been paid. You could review the balance sheet changes to determine the facts, but the cash flow statement already has integrated all that information. As a result, savvy business people and investors utilize this important financial statement.

Cash flow statements assess the amount, timing, and predictability of cash-inflows and cash-outflows, and are used as the basis for budgeting and business-planning. The accounting data is presented usually in three main sections:

- Operating-activities (sales of goods or services),
- Investing-activities (sale or purchase of an asset, for example), and
- Financing-activities (borrowings, or sale of common stock, for example).

QUARTZ CORPORATION Statement of Cash Flows For the Year Ending December 31, 20X9		
Operating activities		
Cash received from customers	$ 720,000	
Cash received for interest	15,000	
Cash paid for salaries	(240,000)	
Cash paid for rent	(115,000)	
Cash paid for other items	(300,000)	
Cash provided by operating activities		$ 80,000
Investing activities		
Purchase of land		(250,000)
Financing activities		
Payment of dividends		(35,000)
Decrease in cash		$(205,000)
Cash, January 1		397,000
Cash, December 31		$ 192,000

1.4. HR and Finance

HR professionals are dedicated to the efficient deployment of human capital, finance managers see themselves as a revenue generating center and often view human capital as a cost. The traditional roles of HR and finance are, however, shifting and they are finding that their focuses are overlapping more and more. Today's HR department is becoming a sophisticated bottom-line business partner that requires more input and collaboration from the finance department than ever before.

After all, from a CFO's perspective, profitability is the goal; however, that goal cannot be reached without a high-performing workforce devoted to meeting the same objective. Of course, there is no functional company without a functional workforce. And there can be no workforce without careful management of necessary salary, benefit, and tax-related expenditures.

Keeping a tight rein on personnel expenditures often means keeping the tension between finance and HR alive, and continuing to view employees as costs and disposable assets, rather than revenue sources and stakeholders in company success. At the end of the day, the most efficient and functional company will be one that can balance the conflicting interests of HR and finance and keep the two departments working seamlessly toward shared goals. As always, the key to a healthy relationship is communication. This, in this case, means open doors, smooth data sharing capability, and a clear mutual understanding of each department's needs and contributions.

Overall, as companies begin to realize that their largest expense and determinant of success is a healthy workforce – HR and Finance will find that their roles will evolve to work closely together to monitor and foster employee performance and company output. Technology is enabling each department to speak to one another in the universal language of metrics and data.

2. Marketing Mix

Marketing is the ability of a business to add more values for its customers than competitors and attain a position of relative advantage. It leads to a situation where a business has an advantage over its competitors by being able to offer better value, quality, and service. Philip Kotler defines marketing as “satisfying needs and wants through an exchange process”. Customers will only undertake the exchange, if they feel that their needs are being satisfied, clearly the transactional value cannot be more than the amount customers are prepared to pay to satisfy their need. According to American Marketing Association, Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

Accordingly, Marketing is the process of planning, pricing, promoting, and distributing goods and services to satisfy organizational objectives. Building lasting relationships with both customers and suppliers is the goal of marketing departments; this is commonly referred to as customer relationship management (CRM). The sales function is responsible for selling the organization's product to the marketplace. Sales depend on the research and data provided by the marketing function when planning sales approaches and strategies.

Marketing research is the function that links the consumer, customer, and public to the marketer through information-information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process. Marketing research specifies the information required to address these issues, designs the method for collecting information, manages and implements the data collection

After successful market analysis, planning, and strategy, marketers must design a marketing mix made up of factors the company can control to influence demand such as, product, price, place, and promotion (the 4Ps). Marketing mix is defined as the set of tactical marketing tools (4Ps) that a business blends to produce the response it wants in the target market.

2.1. Product

The first P, product, is a good or service that satisfies the wants of a company's target market. When determining what the product will be, it must answer questions such as, what problem this product will solve, is there a consumer need for this product, and/or what will be the components of this product? This includes all items used in production to create the final product or service. However, marketers must also consider who will purchase the product and what the customer wants. Correlating with product is the first C, customer solution/value. Businesses sell products; however, customers are buying value and solutions to problems.

2.2. Price

The second P, price, is the amount of money customers must pay to obtain the product. It is the amount charged by a business; for example, a bottle of shampoo that costs $6.99. Prices may be adjusted by the business through discounts, allowances, and/or credit terms. Customers are concerned with more than just the price of the shampoo bottle though. The second C, **customer cost**, refers to the total costs of obtaining, using, and disposing of a product.

2.3. Place

The third P, place, includes company activities that make a product available to target consumers. This includes distribution channels, logistics, transportation, and locations offered. A company could have many stores offering its products across the United States, but there are still locations with consumers who will not be able to access that company's products. This is most likely a loss to the company. The third C, **convenience**, is important to consumers. The more convenient a product or service is to the consumer, the better. Consumers will make purchases depending on where, when, and how it is convenient for them; so marketers must take into account the consumer's point of view here. For example, rather than businesses being concerned with locations of stores, it might be more beneficial to think of consumer convenience and offer online shopping.

2.4. Promotion

The last P, promotion, is defined as the activities that communicate the merits of the product and persuade target customers to buy it. Two major factors for promoting are advertising and special promotions. However, consumers want more from businesses than 30 second commercials on television and/or radio to buy products. Consumers want two-way communication and relationships with businesses which is the fourth C, **communication**. Consumers also want to be engaged and feel a part of the business.

2.5. HR and Marketing

Marketing and human resources aren't as separate as you might think. A company needs to attract profitable customers to achieve decent sales numbers, but getting top talent interested in your company is also critical to long-term success. Whenever you're trying to convince people to help you, whether you're after their dollars or their

working hours, you need to position and market your proposition so it looks attractive.

The word "branding" conjures up visions of market research reports, company logos and product positioning meetings. Your products and services aren't the only part of your company in need of promotion, though, especially if you want to attract and retain top talent. People want to work with a company that boasts a good reputation, which has a strong mission and vision. Showing people your company's personality is important, especially in the current economic climate.

The secret to attracting the people you want and need: align your HR strategy with your business plan. If you want to be a top application developer for smartphones, you need creative and educated talent. Start blogging about trends in the smartphone industry. Attend developer conferences. Hold information sessions at local colleges, and advertise HR policies that cater to young professionals, like flex time and the chance to brainstorm new ideas on company time.

While creating an image to attract top talent is important, you also need to sustain it. If your business can't afford to promise tuition reimbursements, but you do want to attract employees committed to learning, work lower-cost education opportunities into your company culture. Just like brands have to evolve to stay competitive, your employer brand has to change with employee expectations. You need to stay on top of basic trends, like salary data, but you also need to know what benefits your competitors are providing. Keep on top of news about the top places to work in your field. You may be too small to provide a gym in-house like a major corporate competitor, but maybe you could afford to offer fitness allowances.

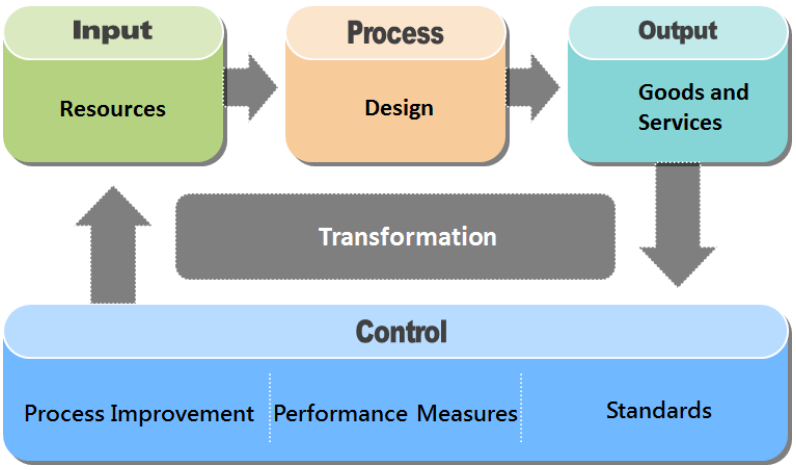
3. Operation Management

Operation management refers to management of processes that transform inputs into goods and services that add value for the customer. The goal of operations management is to maximize efficiency while producing goods and services that effectively fulfill customer needs. It considers the acquisition, development, and utilization of resources that firms need to deliver the goods and services their clients want.

Competitive operations management calls for research and improvement of operations processes on continuous basis and also monitoring of developments in competitor organizations. Benchmarking needs to be done periodically to understand the progress made by others and to initiate actions to catch up on parameters where there is a gap. Cost, product scope, product quality, delivery speed, delivery reliability, new product introductions are some of the operations related parameters in which competitors try to improve and gain competitive advantage.

The figure illustrates the basic concept of the operations function. Firstly inputs are transformed (converted) to outputs with the measurement of performance against a given quality standard. The quality standard has been predetermined by the determination of an operational strategy and suitable performance indicators (often referred to as key performance indicators or KPIs for short). The process is continuous with built-in pressure to meet performance targets and improve the design and performance or the 'system'

with efficient usage of resources consumed.



3.1. Input

Something fed into a process with the intention of it shaping or affecting the outputs of that process. (labor, capital, equipment, land, buildings, materials and information)

3.2. Process

A series of events to produce a result, especially as contrasted to product.

3.3. Output

Production; quantity produced, created, or completed. (goods and services)

3.4. HR and Operation Management

How well a firm manages its resources strategy ultimately determines its success. The production/operations management activity has a large role to play in achieving human resources objectives. The first objective is to achieve efficient use of human resources within the operations function; this is often a major goal of a firm because operations is usually the function with the highest labor cost, and labor is often the large part of the total cost of the product. The second objective is the design of jobs that are effective, safe and provide a reasonable quality of work life for the employee in an atmosphere of mutual respect.

Further, the fundamental function in production and operations management is organizing work. This required the manager to design jobs, establish job standards, and perform work measurement. In practice, methods analysis (job design) is followed by work measurement (establishing the job standard through measurement).

The traditional engineering approaches to job design have emphasized the use of

operational charts, activity charts, flow process charts and principles of motion economy. Considerations must also be given to worker psychology and environmental conditions as these affect job design. Such behavioral concepts as job rotation, enlargement and enrichment and redesign of job characteristics can enhance productivity and satisfaction. If managers use both traditional modeling and contemporary behavioral concepts in designing jobs, the result may be more effective and efficient.

4. Research & Development (R&D)

Research & Development (R&D) is the function within an organization that carries out technical and/or scientific research in the development of new or existing products, processes or services. For some companies, R&D implies its innovation capability. It is important for its survival and can help the business remain competitive in changing markets. Innovation can take many forms. It does not simply cover new product development. Innovation can be applied to product renewal or the design of new processing technologies. It is important to understand the difference between invention and innovation. Invention involves creating something new, but it only becomes an innovation if it is a practical and marketable application. R&D is very costly. However, it is an important investment. Money spent on R&D can secure the future of an organization.

The majority of its R&D activity involves the optimization of its manufacturing processes, material developments and the implementation of new manufacturing processes. One focus is on raising quality and reducing costs through improved methods of working. Another is on researching new materials and techniques in forging and heat treatment practices. However, R&D is not without its challenges. These include the risks associated with the costs, the timescales and technical issues in each project.

Because HR is a source of enterprise innovation, an enterprise needs to possess innovative HRM to effectively conduct R&D, produce innovative products, and expand into new markets. HRM can be used to search for and attract personnel; inspire and reward employees; design an open, sharing environment; and foster creative and innovative capabilities among employees. Internal HRM activities of an organization, such as training, knowledge sharing, or external training, can advance information knowledge communications and elevate innovative capabilities.

5. Information Technology

Information Technology (IT) refers to anything related to computing technology, such as networking, hardware, software, the Internet, or the people that work with these technologies. Many companies now have IT departments for managing the computers, networks, and other technical areas of their businesses. With information technology we refer to the development, installation and implementation of computer based systems in organizations to facilitate faster processing and access of information for decision making. Without IT, it would be difficult to process and store the high volumes of data that is generated on daily basis by organization. IT has enabled the integration of technology in business in order to meet multiple user needs.

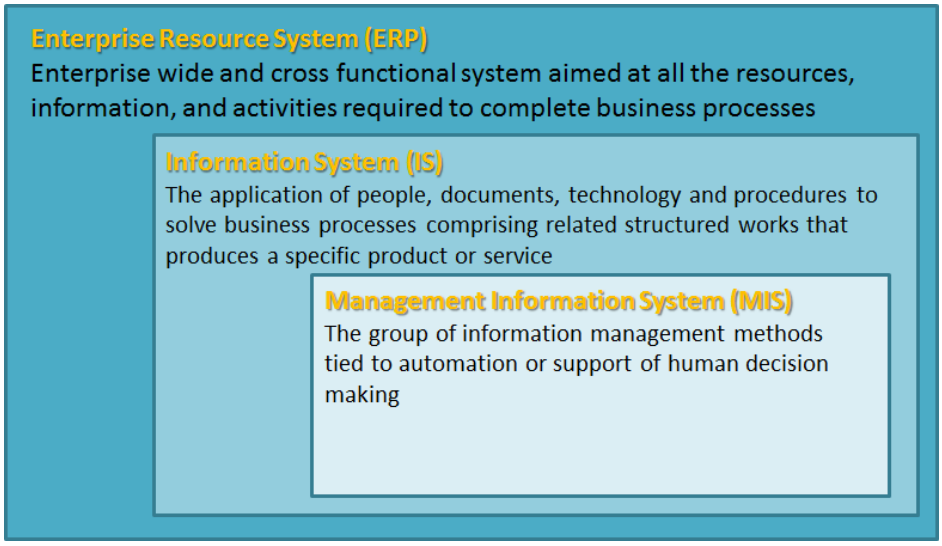
Most firms nowadays depend on IT. But personal computers (PCs) themselves will not improve organizational productivity: this only comes about if they are used efficiently and effectively. Putting in place the advanced technological systems needed to collect and sort data and employee information can be costly unless senior management controls the purchasing of the basic systems needed by different functional areas from the outset.

5.1. Management Information System

Management Information System (MIS) is basically concerned with processing data into information. Data collection involves the use of IT comprising: computers and telecommunications networks (email, Voice Mail, Internet, telephone, etc.).Computers are important for more quantitative, than qualitative, data collection, storage and retrieval; Special features are speed and accuracy, and storage of large amount of data. Telecommunications provide the means for one-way or two-way communication and for the transmission of messages. A combination of IT is used: telephone, computer, processor, printer, etc. A lot of time and money are saved and the security of data and messages is ensured. A MIS enables businesses to provide answers to managers in search of knowledge. MIS does this by combining raw data about the organization's operations (contained in its basic information technology systems) with information gathered from employees in expert systems that reflect the organization's procedures.

MIS is every system, which provides information for the managerial activities in an organization. The term "management information system" (MIS) is synonymous with computer based systems. Used broadly, it is seen as the system satisfying all the information needs of managers. MIS is the study of providing information to people who make choices about the disposition of valuable resources in a timely, accurate, and complete manner at a minimum of cognitive and economic cost for acquisition, processing, storage, and retrieval.

Despite the enormous investment in IT during recent years, demonstrating the effects of such investment on organizational performance has proven extremely difficult. MIS differ from regular information systems because the primary objectives of these systems are to analyze other systems dealing with the operational activities in the organization. In this way, MIS is a subset of the overall planning and control activities covering the application of humans, technologies, and procedures of the organization. Within the field of scientific management, MIS is most often tailored to the automation or support of human decision making. The following Figure shows the conceptually decomposing of the different management systems in an organization:



5.2. HR and Information Technology

The IT-driven automation and redesign of work processes certainly help reduce costs and cycle times as well as improve quality. Management information systems (MIS) can further help decision makers to make and implement strategic decisions. However, IT is only a tool and can only complement, not substitute, the people who drive it. Often, organizations mistake IT as a message and not the messenger and divert time, effort, and money away from long-term investment in people to developing and deploying information technologies. In fact, the critical success factors in information systems project implementation are nontechnical and are due more to social and managerial issues.

With the increasing use of information technologies in HR planning and delivery, the way people in organizations look at the nature and role of HR itself may change. With HR data and reports now being readily available on their desktop, would managers interact less with the HR department and see it as being less important? If that is so, how would it affect the attitude of HR professionals toward their jobs and profession? Would they resist adoption of technology if they perceive that technology lessens their status?

In traditional organizations with silo mentalities, turf wars between departments and functions acting as independent entities are common. Therefore, top management needs to be mindful of organizational politics in managing change. Through most of its evolution, HRM has had an administrative and caretaker focus in its delivery. With technology significantly decreasing the time required for administrative tasks, many HR professionals may find it difficult to redefine their jobs and may thus resist the change to an Human Resource Information System (HRIS). This calls for redefining and transforming the role of HRM through value-added, strategic initiatives and interventions. This also involves learning new skills for HR professionals and rethinking the way the HR department is organized and delivers its services. With the improved job skills of HR professionals, technology will be seen as HR's "partner in progress."

While having an advanced, full-fledged system will not automatically make HR a strategic business partner, it acts as a building block and an effective aid in the process.

5.3. Human Resource Information System (HRIS)

5.3.1. Definition of HRIS

Human Resource Information System (HRIS) is an information system (IS) used to acquire, store, manipulate, analyze, retrieve, and distribute information regarding an organization's human resources. The purpose of the HRIS is to provide service, in the form of accurate and timely information, to the "clients" of the system. As there are a variety of potential users of HR information, it may be used for strategic, tactical, and operational decision making (e.g., to plan for needed employees in a merger); to avoid litigation (e.g., to identify discrimination problems in hiring); to evaluate programs, policies, or practices (e.g., to evaluate the effectiveness of a training program); and/or to support daily operations (e.g., to help managers monitor time and attendance of their employees). All these uses mean that there is a mandatory requirement that data and reports be accurate and timely and that the "client" can understand how to use the information.

Because of the complexity and data intensiveness of the HRM function, it is one of the last management functions to be targeted for automation. This fact does not mean that an HRIS is not important; it just indicates the difficulty of developing and implementing it compared with other business functions—for example, billing and accounting systems. Powered by information systems and the Internet, today almost every process in every function of HRM is being computerized.

5.3.2. Benefits of HRIS

The systems and process focus helps organizations keep the customer perspective in mind, since quality is primarily defined and operationalized in terms of total customer satisfaction. Today's competitive environment requires organizations to integrate the activities of each functional department while keeping the customer in mind. An effective HRIS helps by providing the technology to generate accurate and timely employee information to fulfill this objective. There are several advantages to firms in using HRIS. They include the following:

- Providing a comprehensive information picture as a single, comprehensive database; this enables organizations to provide structural connectivity across units and activities and increase the speed of information transactions
- Increasing competitiveness by improving HR operations and improving management processes
- Collecting appropriate data and converting them to information and knowledge for improved timeliness and quality of decision making
- Producing a greater number and variety of accurate and real-time HR-related reports

- Streamlining and enhancing the efficiency and effectiveness of HR administrative functions
- Shifting the focus of HR from the processing of transactions to strategic HRM
- Reengineering HR processes and functions
- Improving employee satisfaction by delivering HR services more quickly and accurately to them

The ability of firms to harness the potential of HRIS depends on a variety of factors, such as:

- the size of the organization, with large firms generally reaping greater benefits;
- the amount of top management support and commitment;
- the availability of resources (time, money, and personnel);
- the HR philosophy of the company as well as its vision, organizational culture, structure, and systems; managerial competence in cross-functional decision making, employee involvement, and coaching; and
- the ability and motivation of employees in adopting change, such as increased automation across and between functions

In assessing the benefits and impact of an HRIS to an organization, typical accounting methods do not work with the HRM function. While there are several tangible benefits in implementing an HRIS, such as payroll efficiencies and reduction in labor costs due to automation, there are several intangible or hidden benefits as well. They include employee satisfaction with streamlined and efficient HR processes and freeing up HR from routine, administrative matters to focus on strategic goals.

Furthermore, HR practices can help organizations untangle the rigidity and inertia associated with the mechanistic, routine nature of enterprise resource planning (ERP). ERP software applications are a set of integrated database applications or modules that carry out the most common business functions, including HR, general ledger, accounts payable, accounts receivable, order management, inventory control, and customer relationship management. Obviously, HRM's emphasis on knowledge management, human capital stewardship, and relationship building can provide considerable assistance in the implementation and use of ERPs. Therefore, active engagement of HR professionals in the introduction and ongoing functioning of an ERP is important so that organizations can realize the strategic benefits associated with these systems.

5.3.3. Types of HRIS

There are multiple typologies for the classification of computer-based systems; however, we are going to define the most basic types of systems and then apply them to their development and use within an HRIS. One of the earliest books in the field of computer-based systems placed systems under three basic categories: Electronic Data

Processing (EDP), Management Information Systems (MIS), and Decision Support Systems (DSS). EDP is primarily electronic storage of information and was first applied to automate paperwork.

The EDP category of HRIS was the earliest form introduced in the HR field and fits in with the transactional level of HR activities. The EDP's basic characteristics include:

- A focus on data, storage, processing, and flows at the operational level
- Efficient transaction processing
- Scheduled and optimized computer runs
- Integrated files for related jobs
- Summary reports for management

The MIS type of HRIS emerged as technology improved over time, and it fits the traditional level of HR activities, such as recruitment, selection, and compensation. The characteristics of MIS include:

- An information focus, aimed at middle managers
- Structured information flows
- Integration of EDP jobs by business function (production MIS, marketing MIS ...)
- Inquiry and report generation (usually with a database- a collection of information that is organized so that it can easily be accessed, managed, and updated. In one view, databases can be classified according to types of content: bibliographic, full-text, numeric, and images.)

HRIS at DSS level began to emerge in the cost-effectiveness era of HRM development, and it fits the transformational level of HR activities—adding value to organizational processes. DSS are focused still higher in the organization, with an emphasis on the following characteristics:

- Decision focused, aimed at top managers and executive decision makers
- Emphasis on flexibility, adaptability, and quick response
- User initiated and controlled
- Support for the personal decision-making styles of individual managers

There is another type of HRIS which should be used in organizations to maximize the effect of computer-generated knowledge on managerial decision making. There are numerous reports generated on a regular basis from both the EDP and the MIS types of HRIS—for example, overtime and benefits usage. The critical question is: "how many of these reports are used by either line managers or HR professionals in their daily work, particularly in their decision-making capacity?" All HRIS software is designed to

generate a standard set of reports, but surveys and reports from both managers and HR professionals indicate that many of these reports are typically discarded. Thus, it is apparent that another type of HRIS exists—the human resources management decision system (HRMDS). This type of system could be described as the ideal system since it provides critical information for decisions involving the human resources of the company, and thus, should be used as a standard for the development and application of any HRIS. This type has the following characteristics:

- Report formation and generation based on identified managerial needs for decision making
- Categorization of reports by management level
- Timing of report generation based on frequency of managerial use: daily, weekly, monthly
- Historical information retained and reported in a timely manner so that managers and HR professionals can see the results of their use of the information in their previous decisions

5.3.4. Functions of HRIS

There are at least thirteen common human resource information subsystems.

Recruitment and Selection: The recruitment and selection system ensures that the list is current all the time and can be viewed by a prospective applicant anytime; generates various statistics like jobs with high turnover and the average time it takes to fill a vacancy; and tests and evaluates candidates' personality, knowledge, and skills at

Personnel Administration: The personnel administration subsystem warehouses information about employee names, birth dates, service dates, race, sex, salary, department code, job code, location code, and employment status.

Time, Labor, and Knowledge Management: The time, labor, and knowledge management subsystem tracks and identifies work schedule patterns, absenteeism, and tardiness, allocates resources, and determines procedures to administer either time-related or knowledge-related tasks or functions based upon an employee knowledge profile.

Training and Development: The training and development subsystem provides programmed instructions and self-paced training to employees; plans classes, sets up training schedules, organizes training courses' activities, and collects fees; and tracks the developmental plan of each employee within the company and their learning progress.

Pension Administration: The pension administration subsystem streamlines plan set-up, record keeping, pension calculations, and retiree payments and statements.

Compensation and Benefits Administration: The compensation and benefits administration subsystem provides information on flexible and non-flexible healthcare plans, short and long-term disability plans, savings plans, retirement plans, pension plans.

Payroll Interface: The payroll interface subsystem streamlines payroll and accounting by providing data on salary, wages, and benefits.

Performance Evaluation: The performance evaluation subsystem aids management with periodic evaluations of employees. This subsystem performs multiple review functions including auditing and analyzing employee competency; analyzing the congruence between employee performance and organizational objectives; and measuring and monitoring the employer's learning progress and performance.

Outplacement: The outplacement subsystem provides support information for discharged or displaced employees such as links to self-help books, career counselors, and training programs on job search techniques, resume development, interviewing strategies, and negotiating salary.

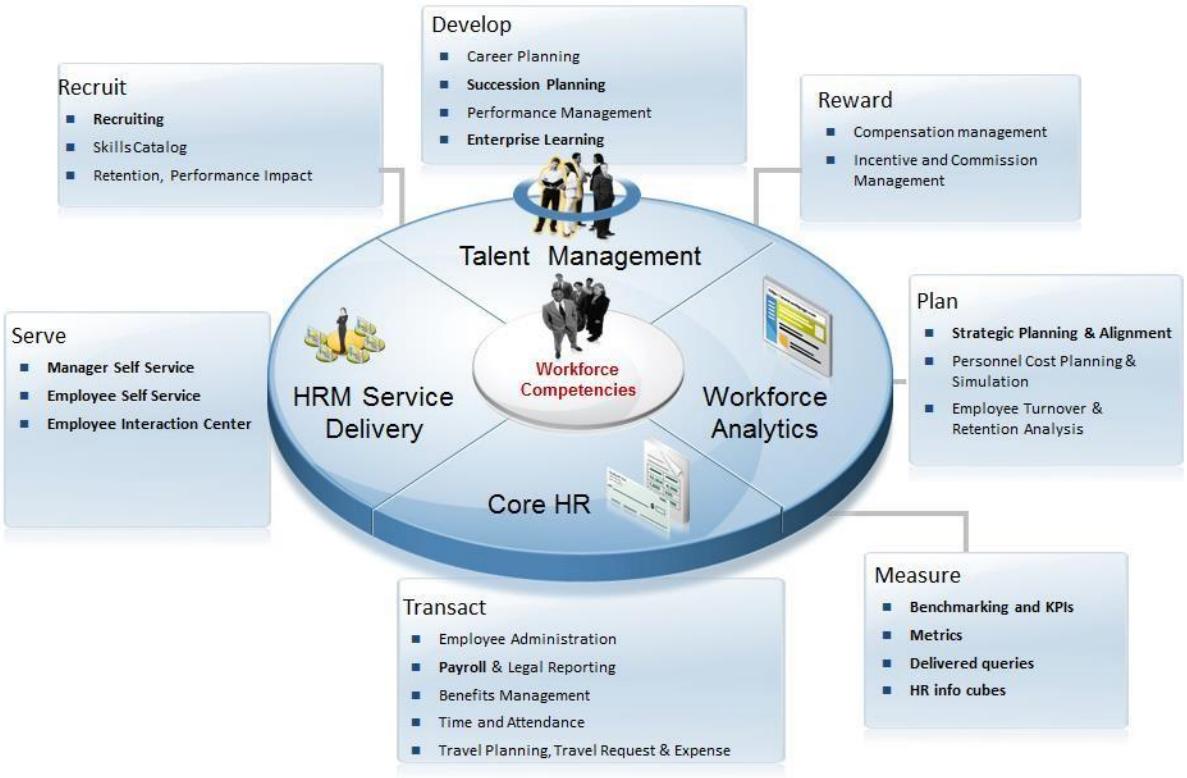
Labor Relations: The labor relations subsystem includes information about work policies on privacy, sexual harassment, and workforce diversity.

Expense and Travel Administration: The expense and travel administration subsystem facilitates and automates employee reimbursement for business expenditures on travel, entertainment, and supplies.

Organizational Management: The organizational management subsystem provides information about all job positions in a company, their hierarchy, and job descriptions; generates decisions on employee hiring, promoting, transferring, retiring, and firing; and reporting requirements of various employment laws.

Health and Safety: The health and safety subsystem provides information about the federal, state, and local health and safety regulations relevant to the organization or workplace as well as information on the company's safety record, injury/illness prevention plan, safety compliance procedures, and worker compensation.

Numerous organizations have shifted the responsibility of updating employee records from human resource staff to the employees themselves. Self-service systems require less direct management and more technological oversight and support. Web-based HRIS allow for global access for telecommuting and traveling employees. Common self-service web-based HRIS applications include Personal Information, Banking Information, Benefits Inquiries and Open Enrollment, Time Entry and Time Off, Cross Application Time Entry, Travel Expenses, Electronic Pay-stubs, Organization Directory, Employment and Salary Verification, Training Overview and Enrollment, and Change Password.



5.3.5. Development Process of HRIS

From the engineering and information processing literature, the formal design of any information processing system is supposed to follow a set of steps labeled the System Development Life Cycle (SDLC). However, the traditional SDLC is somewhat difficult to use as originally specified. But there is agreement that the SDLC has six general phases: (1) Requirement gathering and analysis, (2) design, (3) implementation, (4) Testing, (5) Deployment, and (6) maintenance.

Requirement gathering and analysis: Business requirements are gathered in this phase. This phase is the main focus of the project managers and stake holders. Meetings with managers, stake holders and users are held in order to determine the requirements like. Who is going to use the system? How will they use the system? What data should be input into the system? What data should be output by the system? These are general questions that get answered during a requirements gathering phase. After requirement gathering these requirements are analyzed for their validity and the possibility of incorporating the requirements in the system to be development is also studied. Finally, a Requirement Specification document is created which serves the purpose of guideline for the next phase of the model.

Design: In this phase the system and software design is prepared from the requirement specifications which were studied in the first phase. System Design helps in specifying hardware and system requirements and also helps in defining overall system architecture. The system design specifications serve as input for the next phase of the model.

Implementation: On receiving system design documents, the work is divided in modules/units and actual coding is started. Since, in this phase the code is produced so it is the main focus for the developer. This is the longest phase of the software development life cycle.

Testing: After the code is developed it is tested against the requirements to make sure that the product is actually solving the needs addressed and gathered during the requirements phase. During this phase unit testing, integration testing, system testing, acceptance testing are done.

Deployment: After successful testing the product is delivered / deployed to the customer for their use.

Maintenance: Once when the customers starts using the developed system then the actual problems comes up and needs to be solved from time to time. This process where the care is taken for the developed product is known as maintenance.

HR department can apply the main concepts and phases of the traditional SDLC to the HRM function. The HRIS development process refers to the steps taken from the time a company considers computerizing its human resources functions through the needs analysis, design, development, implementation, maintenance, evaluations, and improvement of the system.

In contrast to SDLC (called waterfall), the agile development approach uses iterative development as a basis but advocates a lighter and more people-centric viewpoint. Agile processes use feedback, rather than planning, as their primary control mechanism. The feedback is driven by regular tests and releases of the evolving software.

There are two critical points that should be emphasized the stages of waterfall or agile system development approach. One, the system development process begins when the company first begins to consider computerizing its HR functions. It is important to document this beginning of the process so that it can be considered when the system is being evaluated and maintained. The second critical point is the importance of the evaluation and, as needed, improvements to the system. This evaluation must be continuous and occur not only after the system has been implemented but also at every stage of the development. The quality of these evaluations of the system will depend heavily on the documentation of the stages of the entire system development process. The documentation of the planning and development of a system is one of the most important determinants of successful system implementation, and continued improvement.

6. Human Resource Management

Although there are many ways by which companies can gain a competitive advantage, one way often overlooked is through their human resource management (HRM) practices. HRM practices enable companies to gain a competitive advantage in two major ways: One is by helping themselves and the other is by helping others. So there appears to be a significant benefit from having HRM considerations represented in the strategy

formulation stage rather than only in the implementation stage. The major purposes of Human Resource Management practices traditionally have been to attract, retain, and motivate employees.

The result of effectively managing human resources is an enhanced ability to attract and retain qualified employees who are motivated to perform, and the results of having the right employees motivated to perform are numerous. They include greater profitability, low employee turnover, high product quality, lower production costs, and more rapid acceptance and implementation of corporate strategy. These results, particularly if coupled with competitors who do not have the right people motivated to perform, can create a number of competitive advantages through human resource management practices.

6.1. Recruitment & Selection

Recruitment & Selection has the ability to deliver enormous value to organizations through the HR team. It is through the process of recruitment and selection that organizations can identify strong performers, weed out weaker performers, and engage preferred applicants in an employment conversation.

6.2. Workforce Planning

Workforce planning is the start point for HR. It's where discussions about what kind of workforce and what skill-sets are required for the organization. Like most of us will write down a shopping list prior to getting the groceries, workforce planning is an employee shopping list.

6.3. Remuneration

Remuneration can make or break an organization, essentially its how much to reward employees financially (salary, wages, incentives). Yet its much more than simply a paycheck, paying too much or too little with dramatically increase costs, or place the organization in the position where it is unable to attract the talent it requires.

6.4. Job Analysis

Job Analysis is often referring to as the building blocks of HR, so many HR activities call on the information gained through a Job Analysis. For activities such as writing the job description, selecting the right applicant and career planning the information gained from Job Analysis is critical.

6.5. Training and Development

There's a common saying about getting from point 'A' to point 'B', HR has a variation on that saying, in HR Training and Development is all about getting employees from being 'B Players' to becoming 'A Players'. Training and Development can turn poor performers into solid performers, and good employees into great ones.

6.6. Employee Relations (ER)

Regardless of the currently in vogue title IR/ER is the legislative center of HR, providing

advice on employee legislation, drafting or consulting on policies, and managing risk for the organization.

6.7. Organizational Development

Change and progress are worlds apart – one happens regardless of our actions, while the other happens because of our actions. Organizational Development and Change Management are about planned progress, be it staying the course through rough seas or changing course completely to overcome new challenges and adopt to new opportunities.

6.8. HR Metrics

HR is constantly working with data to identify organizational wide indicators such as tenure, sick leave taken, annual leave taken, turnover rates and a variety of other factors that are typically recorded into the HRIS. However its actually much more exciting and interesting that I make it out to be. The basic premise of the “HR metrics” or people analysis is that accurate people management decisions are the most
important and impactful decisions that a firm can make. You simply can’t produce superior business results unless your managers are making accurate people management decisions.

7. Culture as a Competitive Advantage

In today’s competitive world, many companies are striving to differentiate based on cheaper prices and offering better products or services. However, it is becoming more and more difficult to differentiate based on these factors. Competitors quickly pick-up on what you are doing and replicate it; and sometimes they even do a better job than you can, stealing your competitive advantage and making it their own. One of the only things that

can’t be easily replicated is your company culture.

7.1. Organizational Culture

Organizational culture is influenced by the “surrounding society,” “personal value priorities of organizational members,” and “the nature of the organization’s primary tasks.” Organizations are embedded into societies, which can be defined by certain national culture values. Different tasks require different organization and execution of activities, that is, different strategies and structures. It seems obvious that a production company differs severely from a service provider, or a state agency from a private firm, not only with respect to final products but also with respect to their organizational culture. Simply put, organizational culture is the way we do things around here.

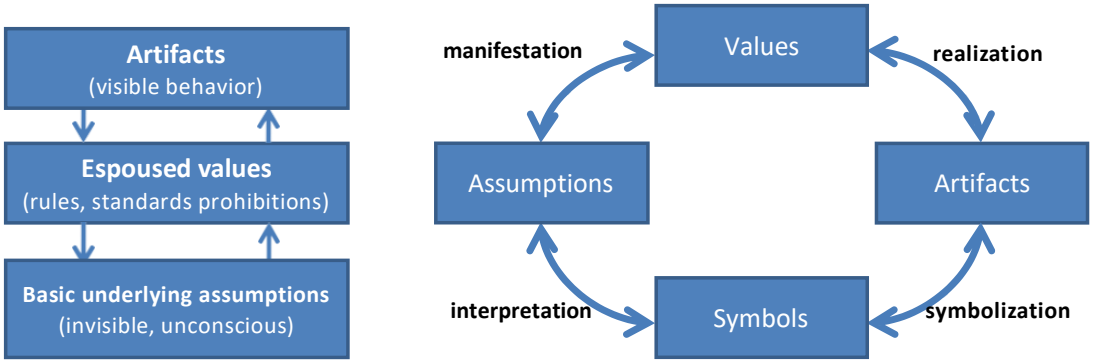
According to Edgar Schein, organizational culture mainly consists of three domains: (a) basic underlying assumptions (unconscious taken for granted beliefs and values: these are not visible), (b) espoused values (may appear through surveys), and (c) artifacts (visible behavior).

Artifacts are the easiest to notice, but yet their meanings may remain elusive to outsiders. Through a process of realization, artifacts take on the symbolic meaning of

the organization values. Only those that have been educated in the organization culture will know and understand the larger meaning behind the artifact.

Values form another integral part of organizational culture. When an organization faces a crisis, its leaders must formulate a plan to alleviate the danger posed. Successfully thwarting the crisis validates the plan and it becomes a shared value of the organization. When a similar crisis arises in the future, the organization will reuse the plan to avert catastrophe and right the ship. After repeated success, the value becomes an underlying assumption of the organization.

Mary Jo Hatch extended Schein's model by adding a fourth domain, called "symbols". She defines the processes that link each element of the organizational culture construct, which provides a somewhat better understanding of interdependencies between assumptions, values, artifacts, and symbols. Hatch assumes that there exist two possible ways how observable behavior emerges through underlying assumptions: (a) through "manifestation" into values and "realization" into artifacts or (b) through "interpretation" into symbols and through "symbolization" into artifacts.



Schein (1985) **Hatch (1993)**

Source: Dauber, D., Fink, G., & Yolles, M. (2012). A Configuration Model of Organizational Culture. Sage Open Journal.

These underlying assumptions form the basic core of all organizational culture. They are difficult to know and understand because they are rarely articulated. In order for one to determine the assumptions of an organization one must become immersed in the organization and its culture. Underlying assumptions manifest themselves through the perceptions, thoughts, emotions, and behaviors of members of the organization. When an idea is posited that does not conform to the underlying assumptions of an organization then that idea is rejected outright without any thought or debate. Any challenges to these assumptions will result in defensive behavior from the members. Therefore organizational culture can explain the resistance, fear, and sometimes irrational behavior that one encounters in any organization, especially when trying to implement change.

7.2. Climate and Culture

As discussed in the previous text, it is important to differentiate between climate and culture. Climate consists of the day to day feelings of the members of the organization and is highly susceptible to changes within the organization. The climate will be very good for a time if the staff receives raises or if the company is furnished with new equipment. Conversely, if budget cuts occur or the number of staff reduced the climate will suffer. These conditions are all temporary, whereas culture is more permanent and lasting. Culture can and does change, but at a much slower rate than climate. It is a powerful force that can encourage and support an individual effort or thwart them before they are started. Organizational culture can be used to both explain and create end results.

All companies have an organizational culture, which represents the intangible force that centers on a company's values and beliefs. Individuals typically work at a company with which their values match the most. One result of organizational culture is to develop a climate by which a company can measure successes attached to this intangible force. This starts the relationship between the organizational culture and climate. While organizational culture is often a naturally occurring phenomenon in organizations, the organizational climate often takes more work to implement.

A company's organizational culture and climate are not always static. As a company evolves, so does its culture. This often leads to changes in the organizational climate as managers and employees change, along with the values and beliefs in the business.

Following Schein, "organizational culture" represents underlying, unobservable assumptions, which constitute the basis for every organization. "Organizational strategy" provides rules, norms, and regulations, which are set into effect through organizational structures. Therefore, strategy belongs to an unobservable domain and can be allocated to "espoused values." "Organizational design, structure, and process" as well as "organizational behavior and performance" are those elements of an organization that are visible to its members as well as the external environment; that is, they represent artifacts.

Strategies are commonly defined as the overall orientation of an organization for reaching preset goals and objectives, that is, a long-term plan for maximizing profits or covering costs, in case of nonprofit organizations. Furthermore, organizational strategy "is an organization process, in many ways inseparable from the structure, behavior and culture of the company in which it takes place". Strategies influence the interaction between structures and behavior and vice versa. Researchers argued that "espoused values" have an impact on "artifacts," which in turn influence "espoused values." As organizational structures as well as behavior were identified as elements of organizational artifacts, both are affected by strategy. Different strategies require different structures. In contrast, structures provide the frame of reference for future

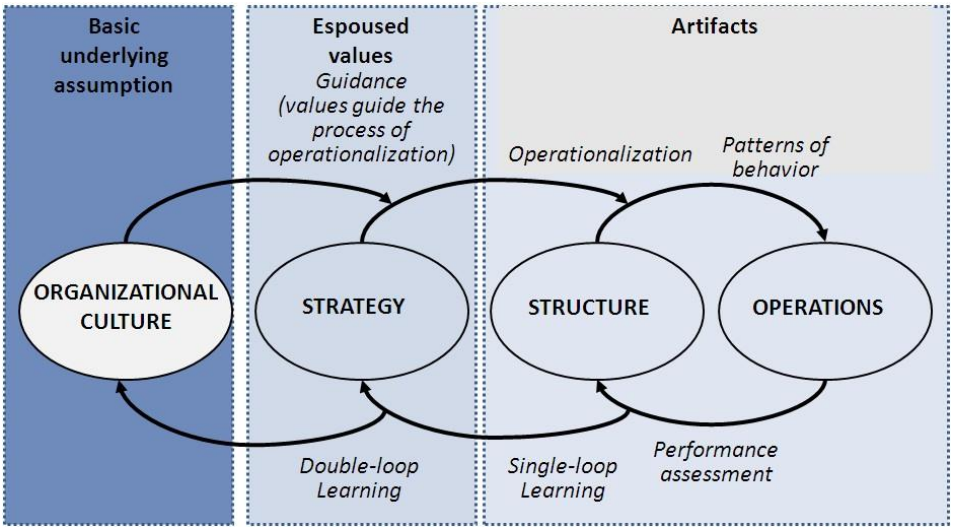
information processing and strategic decision making, commonly known as “reporting.” Thus, it is also true that structures have an impact on future strategies.

Processes that turn organizational strategies into action, commonly known as “operationalization,” “implementation of strategies,” or “strategy doing,” unfold through organizational structures and organizational activities. Strategies are put into effect through organizational structures and behavior.

Organizational structures and behavior constitute the observable manifestation of organizational strategies (espoused values). Structures build the frame of reference for running organizational operations and guide or cushion behavior of members of an organization, which translate into certain “patterns of behavior” supported by organizational structures. At the same time, behavior is also reversely linked to structures. Considering that organizations might need to change over time, for example, due to extensive internationalization via mergers and acquisitions (M&A), it may become necessary to restructure certain or even all parts of an organization. Especially in M&A, this seems of particular importance to align organizational behavior of new employees in such a way that strategic goals can be accomplished efficiently and economically via organizational tasks. Thus, structures need to change if organizational behavior does not lead to the expected performance.

Through performance assessment (i.e., inward-oriented operations), changes in strategy and structure can be triggered, but learning processes rely on favorable organizational conditions such as open communication structures, which would allow organizations to learn. Assessing the efficiency of operations represents a binding condition for organizational learning that leads to changes in strategy. Single-loop learning, as distinguished from double-loop learning, refers to the processes of detecting errors and adjusting existing strategies to meet new requirements. Double-loop learning, by contrast, refers to a more profound process of learning, where “underlying organizational policies and objectives”

Double-loop learning, questions existing underlying assumptions, that is, organizational culture, and may lead to more fundamental changes in strategies and their operationalization. Although single-loop learning is a precondition for double-loop learning, it would be wrong to assume that single-loop learning automatically effectuates double-loop learning. Many organizations are quite capable of single-loop learning, but fail to learn on a higher level, that is, double-loop learning.



Relationship between culture, strategy, structure, and operations

Source: Dauber, D., Fink, G., & Yolles, M. (2012). A Configuration Model of Organizational Culture. Sage Open Journal.

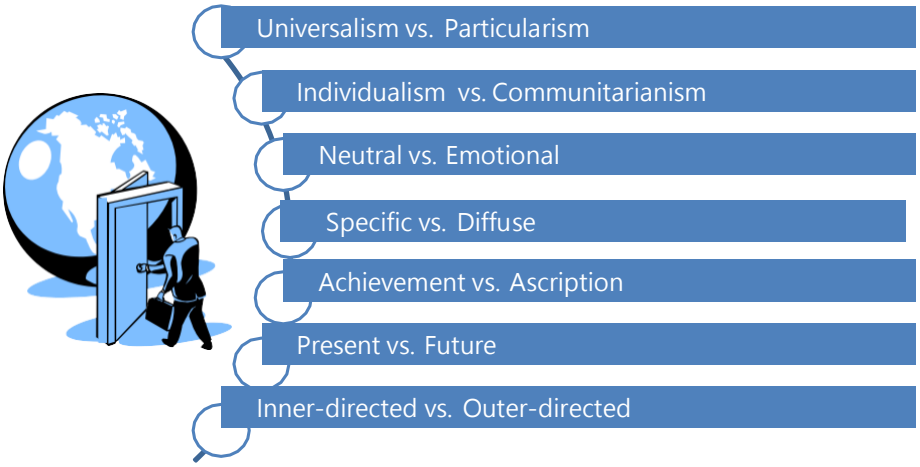
Understanding organizational processes = understanding organizational (culture) change = understanding organizational (culture) dynamics

In conclusion, (a) Operationalization has to stand in line with corporate values. (b) All domains—strategy, structure, and operations—are indirectly affected by culture. (c) Organizational values constitute the shared "ethics" of doing business. If the impact of organizational culture on operations unfolds through strategy (i.e., espoused values), which supports the idea of a "guiding" or moderating influence on organizations during operationalization. Organizational culture reflects internal processes of an organization, linking organizational culture, strategy, structure, and operations systematically to each other.

7.4. Managing Cultural Differences

it's important to understand the differences between cultures, so that we can work with people more effectively, and prevent misunderstandings. Trompenaars and Hampden-Turner's Seven Dimensions of Culture help us do this. The Seven Dimensions of Culture were identified by management consultants Fons Trompenaars and Charles Hampden-Turner, and the model was published in their 1997 book, "Riding the Waves of Culture." According to Trompenaars, culture is a way a group of people act to solve problems.

From three basics which are the relationship with others, time and environment, Trompenaars identifies seven fundamental dimensions of culture. His definition of culture is a mix between organizational and national cultures.



Cultural Dimensions

Source: Trompenaars, F. & Woolliams, P. (2004). Business Across Cultures. Capstone.

7.4.1. Universalism vs. Particularism (Rules Versus Relationships)

Universalism implies that correct behavior can be defined and always applies, while particularism suggests that relationships are more important than abstract social codes. In universalistic cultures, people place a high importance on laws, rules, values, and obligations. They try to deal fairly with people based on these rules, but rules come before relationships. On the contrary, in a particularistic culture, People believe that each circumstance, and each relationship, dictates the rules that they live by. Their response to a situation may change, based on what's happening in the moment, and who's involved.

Typical universalistic cultures include the U.S., Canada, the U.K, the Netherlands, Germany, Scandinavia, New Zealand, Australia, and Switzerland. Typical particularistic cultures include Russia, Latin-America, and China.

7.4.2. Individualism vs. Communitarianism (The Individual Versus The Group)

Individualism refers to people as individuals; Communitarianism (Collectivism) refers to people regard themselves as part of a group. In individualistic cultures, People believe in personal freedom and achievement. They believe that you make your own decisions, and that you must take care of yourself. In the second case, people believe that the group is more important than the individual. The group provides help and safety, in exchange for loyalty. The group always comes before the individual.

Typical individualist cultures include the U.S., Canada, the U.K, Scandinavia, New Zealand, Australia, and Switzerland. Typical communitarian cultures include countries in Latin-America, Africa, and Japan.

7.4.3. Neutral vs. Emotional (How People Express Emotions)

Neutral refers to culture in which emotions are not shown; Emotional refers to emotions are expressed openly and naturally. In neutral culture, people make a great effort to control their emotions. Reason influences their actions far more than their feelings. People don't reveal what they're thinking or how they're feeling. In emotional culture, people want to find ways to express their emotions, even spontaneously, at work. In these cultures, it's welcome and accepted to show emotion.

Typical neutral cultures include the U.K., Sweden, the Netherlands, Finland, and Germany. Typical emotional cultures include Italy, France, Spain, and countries in Latin-America.

7.4.4. Specific vs. Diffuse (How Far People Get Involved)

Specific refers to large public space shared with others and small private space guarded closely; Diffuse refers to public and private spaces similar size, public space guarded because shared with private space; people indirect and introverted, work/private life closely linked. In specific culture, people keep work and personal lives separate. As a result, they believe that relationships don't have much of an impact on work objectives, and, although good relationships are important, they believe that people can work together without having a good relationship. In diffuse culture, people see an overlap between their work and personal life. They believe that good relationships are vital to meeting business objectives, and that their relationships with others will be the same, whether they are at work or meeting socially. People spend time outside work hours with colleagues and clients.

Typical specific cultures include the U.S., the U.K., Switzerland, Germany, Scandinavia, and the Netherlands. Typical diffuse cultures include Argentina, Spain, Russia, India, and China.

7.4.5. Achievement vs. Ascription (How People View Status)

Achievement culture refers to people are accorded status based on how well perform functions; Ascription culture refers to status based on who or what person is. In achievement culture, people believe that you are what you do, and they base your worth accordingly. These cultures value performance, no matter who you are. In ascription culture, people believe that you should be valued for who you are. Power, title, and position matter in these cultures, and these roles define behavior.

Typical achievement cultures include the U.S., Canada, Australia, and Scandinavia. Typical ascription cultures include France, Italy, Japan, and Saudi Arabia.

7.4.6. Sequential Time vs. Synchronous Time (How People Manage Time)

Sequential refers to only one activity at a time; appointments kept strictly, follow plans as laid out; Synchronous refers to multi-task, appointments are approximate, schedules subordinate to relationships; Future more important in some countries, whereas present is more important in some countries. In sequential time oriented culture,

people like events to happen in order. They place a high value on punctuality, planning (and sticking to your plans), and staying on schedule. In this culture, "time is money," and people don't appreciate it when their schedule is thrown off. In synchronous time oriented culture, people see the past, present, and future as interwoven periods. They often work on several projects at once, and view plans and commitments as flexible.

Typical sequential-time cultures include Germany, the U.K., and the U.S. Typical synchronous-time cultures include Japan, Argentina, and Mexico.

7.4.7. Inner-directed vs. Outer-directed (How People Relate to Their Environment)

Inner-directed refers to people believe in control of outcomes; Outer-directed refers to people believe in letting things take own course. In inner-directed culture, people believe that they can control nature or their environment to achieve goals. This includes how they work with teams and within organizations. In outer-directed culture, people believe that nature, or their environment controls them; they must work with their environment to achieve goals. At work or in relationships, they focus their actions on others, and they avoid conflict where possible. People often need reassurance that they're doing a good job.

7.5. Diversity Cultures

If you have ever walked into an office and thought to yourself, “this feels really different,” you are familiar with the diversity of corporate cultures. Dr. Fons Trompenaars brought us a great model for quickly describing and categorizing these differences in his “Four Types of Corporate Culture” model.

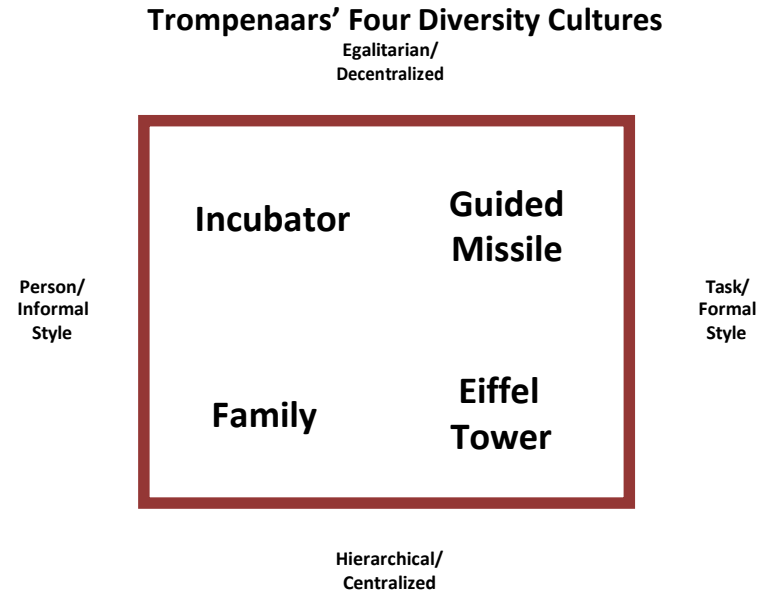
As the figure shown below, Trompenaars model of culture is based on two axes: on the horizontal axis, is an assessment of whether a culture is person oriented, or task oriented; on the vertical axis, is assessment of whether a culture is hierarchical, or egalitarian. Combined, this model divides into four quadrants or typologies of organizational culture:

7.5.1. Family

The Family organizational culture is marked by a parent-child dynamic in which personal relationships and getting along together are extremely important. Power rests in key leaders, who guard it carefully. Success often depends on one's ability to manipulate and build on relationships. This culture occurs most frequently in countries like Japan, France, and Spain.

7.5.2. Eiffel Tower

The Eiffel Tower concept refers to a hierarchical structuring of relationships. Power and decision-making responsibility increase as one move toward the top of the organization. There may be elaborate rules, strictly respected job definitions and responsibilities, and a reliance on planning. These kinds of organizations are generally found in Germany, Denmark, and the Netherlands.



Trompenaars' Four Diversity Cultures

Source: Trompenaars, F. & Woolliams, P. (2004). Business Across Cultures. Capstone.

7.5.3. Incubator

The Incubator describes organizations that are relatively flat, in which individuals can exert power and gain recognition. The culture believes that rules inhibit invention. To an outsider (and certainly to someone from an Eiffel Tower organization), incubators may seem chaotic or anarchic. From a national perspective, Sweden tends to produce Incubators; from an industrial perspective, Incubators are often software companies.

7.5.4. Guided Missile

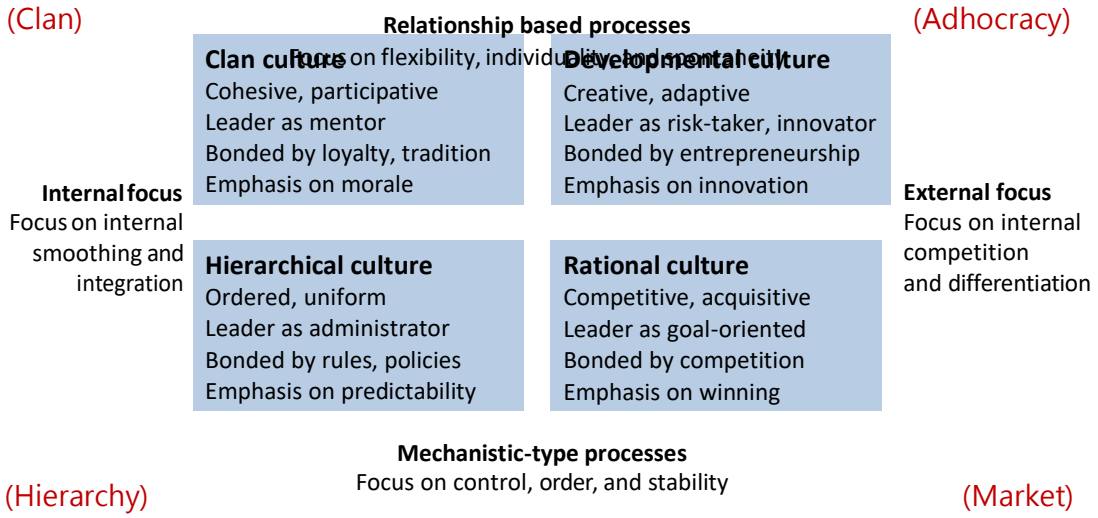
The Guided Missile organization is highly focused on the achievement of specific objectives, often those that deliver value in a short time frame. Power is gained through expertise. Value to the organization is measured by results and is rewarded. This type of corporate culture characterizes many organizations in the United Kingdom, the United States, and Canada.

Some companies, including stereotypical Silicon Valley organizations are commonly referred to as being an incubator type of company culture. Engineering firms that focus on specific projects and tasks are known as guided missile cultures. The business of running the US armed forces with specific hierarchies, rules and procedures is the Eiffel tower type of culture. Finally, companies where power is concentrated in specific leaders, and the leader has deep concern for all employees, is thought of as a family culture.

Other than the four types of Trompenaars model of culture, organizations of "control culture" compare, observe, and decide to assure that day-to-day actions are consistent with established standards, and improve capacity utilization.

7.6. Types of Organizational Culture

Organizational cultures are difficult to assess because their shared beliefs, values, and assumptions are not always explicit. According to Kim S. Cameron and Robert E. Quinn at the University of Michigan at Ann Arbor, there are four types of organizational culture: Clan, Adhocracy, Market, and Hierarchy.



Source: Cameron, K. S., & Quinn, R. E. (1999). Diagnosing and changing organizational culture. Reading: Addison-Wesley.

7.6.1. Clan

Clan oriented cultures are family-like, with a focus on mentoring, nurturing, and "doing things together."

7.6.2. Adhocracy

Adhocracy oriented cultures are dynamic and entrepreneurial, with a focus on risk-taking, innovation, and "doing things first."

7.6.3. Market

Market oriented cultures are results oriented, with a focus on competition, achievement, and "getting the job done."

7.6.4. Hierarchy

Hierarchy oriented cultures are structured and controlled, with a focus on efficiency, stability and "doing things right."

There's no absolute correct organizational culture for an organization. All cultures promote some forms of behavior, and inhibit others. Some are well suited to rapid and repeated change, others to slow incremental development of the institution.

For example, Quinn and Cameron associate the lower two cultures (Hierarchy and Market) with a principal focus on stability and the upper two (Clan and Adhocracy) with flexibility and adaptability. A Hierarchy culture based on control will lead mainly to incremental change, while a focus on Adhocracy will more typically lead to breakthrough change.

The right culture will be one that closely fits the direction and strategy of a particular organization as it confronts its own issues and the challenges of a particular time.

7.7. Types of National Culture

The values that distinguished countries (rather than individuals) from each other grouped themselves statistically into four clusters. They dealt with four anthropological problem areas that different national societies handle differently: ways of coping with inequality, ways of coping with uncertainty, the relationship of the individual with her or his primary group, and the emotional implications of having been born as a girl or as a boy. These became the Geert Hofstede dimensions of national culture: Power Distance, Uncertainty Avoidance, Individualism versus Collectivism, Masculinity versus Femininity, and Long-term orientation versus Short-term orientation.

7.7.1. Individualism vs. Collectivism

Individualism is the tendency of people to look after themselves and their immediate family only; Individualism is the preference of people to belong to a loosely knit society where importance is placed on the self and autonomy. In opposition, collectivism is the tendency of people to belong to groups or collectives and to look after each other in exchange for loyalty. Collectivist structures place importance on interdependent social units such as the family, rather than on the self. In individualist societies, employees require the freedom to work independently and desire challenging work (which is more important than personal relationships) that will help them reach self-actualization. In collectivist cultures, unquestioned management structures are responsible for the organization of teams of employees and the cohesion of the collective.

7.7.2. Masculinity vs. Femininity

Masculinity is a culture in which the dominant values in society are success, money, and that score high on masculinity; masculinity represents cultures with distinct gender roles where men focus on success, competition and rewards while women focus on tender values such as quality of life and modesty. Femininity represents cultures where gender roles overlap. Femininity is a culture in which the dominant values in society are caring for others and quality of life scores high on femininity. In masculine cultures managers are defined as more assertive and decisive, whereas feminine cultures breed more intuitive managers who negotiate disputes and encourage participation in decisions.

Hofstede's Cultural Dimensions

Individualistic/Collectivistic	How personal needs and goals are prioritized vs. needs and goals of the group/clan/organization.
Masculine/Feminine	Masculine societies have different rules for men and women, less so in feminine culture.
Uncertainty Avoidance	How comfortable are people with changing the way they work or live (low UA) or prefer the known systems (high UA)
Power Distance	The degree people are comfortable with influencing upwards. Accept of inequality in distribution on power in society.
Time Perspective	Long-term perspective, planning for future, perseverance values vs. short time past and present oriented.
Indulgence/Restraint	Allowing gratification of basic drives related to enjoying life and having fun vs. regulating it through strict social norms.

Source: Hofstede, G. (1993). Cultures and Organizations: Software of the Mind. Administrative Science Quarterly, 38 (1), 132-134.

7.7.3. Uncertainty Avoidance

Uncertainty avoidance is the degree to which members of a culture feel threatened or uncertain in unfamiliar situations. Thus in high uncertainty avoidance cultures, people prefer a structured environment with rules and policies in place. Hard work is embraced, and there is a greater sense of anxiety amongst the workforce. In contrast, in weak uncertainty avoidance cultures rules create discomfort, almost fear, and exist only where absolutely necessary. People tend to be more relaxed in these cultures, and work at a slower pace. High uncertainty avoidance favors precise rules, teachers who are always right and superiors who should be obeyed without question. Low uncertainty avoidance favors flexibility, discussion and delegation of decision making.

7.7.4. Power Distance

Power distance is the extent to which less powerful members of institutions and organizations accept that power is distributed unequally. In high power distance cultures, children are raised with a great emphasis on respecting elders, which is carried through to adulthood. Therefore organizations are more centralized, employees prefer a more autocratic leadership style where subordinates are expected to be told what to do and there are wide wage gaps in the hierarchical structure. On the other hand, in low power distance cultures inequality is not desired, employees prefer to be consulted with regards to decision making and thus prefer a more resourceful and democratic leader.

7.7.5. Time Perspective

Following Hofstede, a subsequent study based on Chinese Confucian Theory revealed a fifth dimension referred to as long-term orientation. This describes the extent to which people have a dynamic, future-oriented perspective. It describes societies' time horizon. Long-term oriented societies attach more importance to the future. They foster pragmatic values oriented towards rewards, including persistence, saving and capacity for adaptation. In short term oriented societies, values promoted are related to the past and the present, including steadiness, respect for tradition, preservation of one's face, reciprocation and fulfilling social obligations.

7.7.6. Indulgence/Restraint

Indulgence societies tend to allow relatively free gratification of natural human desires related to enjoying life and having fun whereas Restraint societies are more likely to believe that such gratification needs to be curbed and regulated by strict norms. Indulgent cultures will tend to focus more on individual happiness and well-being, leisure time is more important and there is greater freedom and personal control. This is in contrast with restrained cultures where positive emotions are less freely expressed and happiness, freedom and leisure are not given the same importance.

7.8. Intercultural Communication

Intercultural communication is necessary in business today and is a skill that will become increasingly required as businesses expand globally. Understanding a culture includes respecting it’s customs, traditions and etiquette. An ideal intercultural communicator is able to recognize examples of cultural differences in both verbal and nonverbal behaviors, and use that information to better communicate with others.

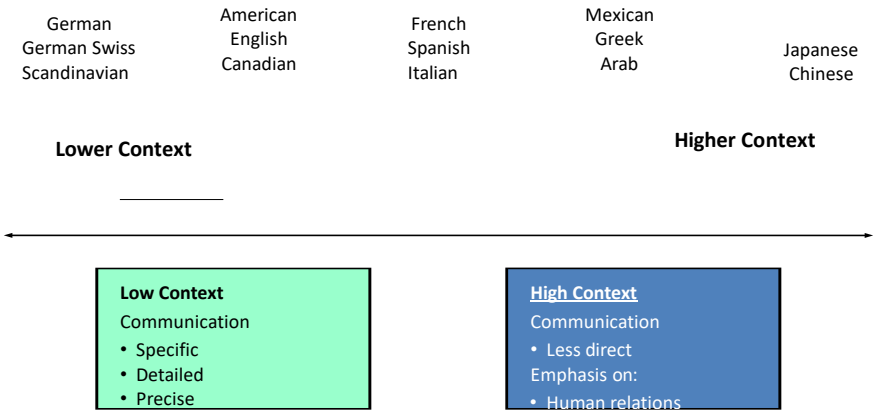
It is possible to communicate effectively with people from different cultures but not without effort. To be an ideal intercultural communicator you must understand that there is not a "right way" for a culture to interact. This hub will focus on the differences between high context and low context communication, the degree to which the speaker relies on other factor than explicit speech to interpret meanings.

High-context culture and the contrasting low-context culture are terms presented by the anthropologist Edward T. Hall in his 1976 book “Beyond Culture”. It refers to a culture's tendency to use high-context messages over low-context messages in routine communication. This choice of speaking styles translates into a culture that will cater to in-groups, an in-group being a group that has similar experiences and expectations, from which inferences are drawn. In a higher-context culture, many things are left unsaid, letting the culture explain. Words and word choice become very important in higher-context communication, since a few words can communicate a complex message very effectively to an in-group (but less effectively outside that group), while in a low-context culture, the communicator needs to be much more explicit and the value of a single word is less important.

Low context refers to societies where people tend to have many connections but of shorter duration or for some specific reason. In these societies, cultural behavior and beliefs may need to be spelled out explicitly so that those coming into the cultural

environment know how to behave.

High context refers to societies or groups where people have close connections over a long period of time. Many aspects of cultural behavior are, not made explicit, because most members know what to do and what to think from years of interaction with each other. High context is more common in Eastern cultures than in Western cultures.



Hall's Theory of High and Low Context Culture

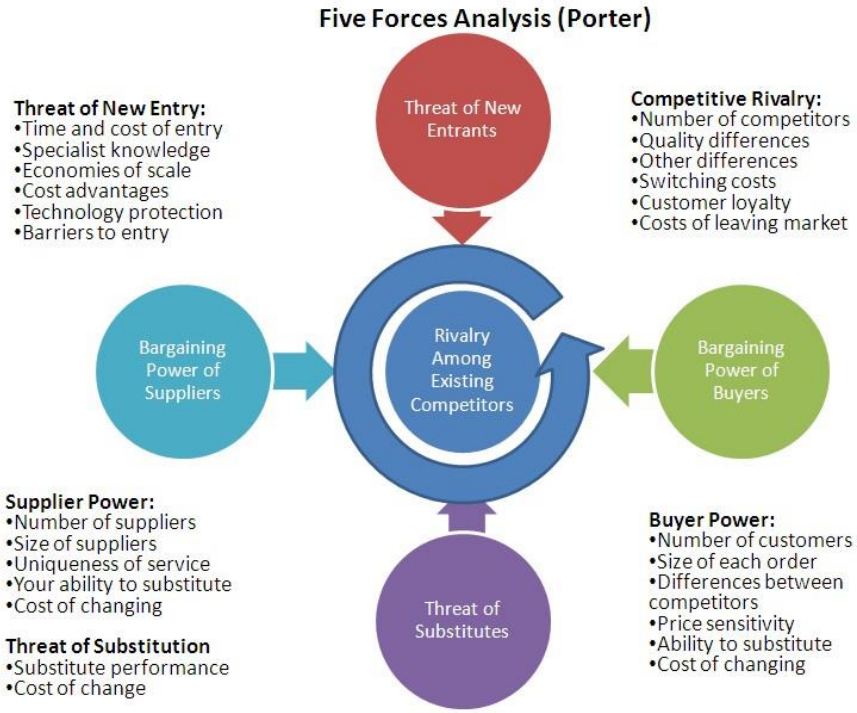
Part Four: External Analysis

1. Competitive Analysis

Competitiveness advantage is a comparative concept of the capability and performance of a firm, sub-sector or country to sell and supply goods and/or services in a given market.

1.1. Five Forces Model

According to Michael Porter's Five Forces Model, firms create competitive advantage by lower cost or differentiation (or innovation) compared with the competitors. These five forces are summarized as following: 1). Barriers to Entry, 2).Bargaining Power of Suppliers, 3). Threat of Substitutes, 4).Bargaining Power of Buyers, and 5).Rivalry Determinants.



Source: Porter, M.E. (2008). The Five Competitive Forces That Shape Strategy. Harvard Business Review. Available on hbr.org.

1.1.1. *The threat of entry*: competitors can enter from any industry, channel, function, form or marketing activity. How best can the company take care of the threat of new entrants?

1.1.2. *Supplier power*: what is the power of suppliers in this industry? How will their actions affect costs, supplies and developments? If there are a few suppliers, power is in their favor and cost of switching may be prohibitive; vice versa for a situation with lots of suppliers. There may be too many buyers from too few suppliers.

1.1.3. *Buyer power*: there may be few buyers for the product, which could mean that they would drive down prices and dictate business terms. What is their effect on the

business? If there are many buyers, sellers could decide not to supply to a few, because other buyers will step in.

1.1.4. *Threat of substitutes*: can another substitute the product? Tea for coffee; email for fax? What is the likely possibility of this and what is its impact?

1.1.5. *Competitive rivalry*: all the four forces may come together to produce this force. All the resources at a company's disposal may be put in to maintain market shares and sales. How intense is competitive action, can it be countered?

Porter describes three choices of strategic position that influence the configuration of a firm's activities:

- Variety-based positioning: It is based on producing a subset of an industry's products or services; involves choice of product or service varieties rather than customer segments. It makes economic sense when a company can produce particular products or services using distinctive sets of activities.
- Needs-based positioning: It is similar to traditional targeting of customer segments. Arises when there are groups of customers with differing needs, and when a tailored set of activities can serve those needs best.
- Access-based positioning: It is segmenting by customers who have the same needs, but the best configuration of activities to reach them is different.

All the activities in the value chain contribute to buyer value, and the cumulative costs in the chain will determine the difference between the buyer value and producer cost.

1.2. Resource Based Model

According to the Resource-Based model, a company's resources and capabilities are more critical to determining the appropriateness of strategic actions than are the conditions and characteristics of the external environment. The potential to achieve a sustainable competitive advantage will be realized when company resources and capabilities are:

1.2.1. Valuable, allowing the company to exploit opportunities or neutralize threats in the external environment.

1.2.2. Rare or possessed by few, if any, current and potential competitors.

1.2.3. Costly to imitate such that other companies will be able to obtain them only at a cost disadvantage relative to companies that already have them.

1.2.4. Non-substitutable as there are no strategic equivalents.

1.3. Transient Advantage

Rita Gunther McGrath argued that for too long the business world has been obsessed

with the notion of building a sustainable competitive advantage. That idea is at the core of most strategy textbooks; it forms the basis of Warren Buffett's investment strategy; it's central to the success of companies on the "most admired" lists. I'm not arguing that it's a bad idea—obviously, it's marvelous to compete in a way that others can't imitate. And even today there are companies that create a strong position and defend it for extended periods of time. But it's now rare for a company to maintain a truly lasting advantage. Competitors and customers have become too unpredictable, and industries too amorphous. The forces at work here are familiar: the digital revolution, a "flat" world, fewer barriers to entry, globalization.

Strategy is still useful in turbulent industries like consumer electronics, fast-moving consumer goods, television, publishing, photography, and…well, you get the idea. Leaders in these businesses can compete effectively—but not by sticking to the same old playbook. In a world where a competitive advantage often evaporates in less than a year, companies can't afford to spend months at a time crafting a single long-term strategy. To stay ahead, they need to constantly start new strategic initiatives, building and exploiting many transient competitive advantages at once. Though individually temporary, these advantages, as a portfolio, can keep companies in the lead over the long run.

Any competitive advantage—whether it lasts two seasons or two decades—goes through the same life cycle. But when advantages are fleeting, firms must rotate through the cycle much more quickly and more often, so they need a deeper understanding of the early and late stages than they would if they were able to maintain one strong position for many years.

A competitive advantage begins with a launch process, in which the organization identifies an opportunity and mobilizes resources to capitalize on it. In this phase a company needs people who are capable of filling in blank sheets of paper with ideas, who are comfortable with experimentation and iteration, and who probably get bored with the kind of structure required to manage a large, complex organization.

In the next phase, ramp up, the business idea is brought to scale. This period calls for people who can assemble the right resources at the right time with the right quality and deliver on the promise of the idea.

Then, if a firm is fortunate, it begins a period of exploitation, in which it captures profits and share, and forces competitors to react. At this point a company needs people who are good at Merger and Acquisition (M&A), analytical decision making, and efficiency. Traditional established companies have plenty of talent with this skill set.

Often, the very success of the initiative spawns competition, weakening the advantage. So the firm has to reconfigure what it's doing to keep the advantage fresh. For reconfigurations, a firm needs people who aren't afraid to radically rethink business models or resources.

In some cases the advantage is completely eroded, compelling the company to begin a

disengagement process in which resources are extracted and reallocated to the next-generation advantage. To manage this process, you need people who can be candid and tough-minded and can make emotionally difficult decisions.

For sensible reasons, companies with any degree of maturity tend to be oriented toward the exploitation phase of the life cycle. But they need different skills, metrics, and people to manage the tasks inherent in each stage of an advantage's development. And if they're creating a pipeline of competitive advantages, the challenge is even more complex, because they'll need to orchestrate many activities that are inconsistent with one another.

In a world that values exploitation, people on the front lines are rarely rewarded for telling powerful senior executives that a competitive advantage is fading away. Better to shore up an existing advantage for as long as possible, until the pain becomes so obvious that there is no choice. To compete in a transient-advantage economy, you must be willing to honestly assess whether current advantages are at risk.

Companies that want to create a portfolio of transient advantages need to make eight major shifts in the way that they operate:

1.3.1. Think about arenas, not industries.

One of the more cherished ideas in traditional management is that by looking at data about other firms like yours, you can uncover the right strategy for your organization. Indeed, one of the most influential strategy frameworks, Michael Porter's five forces model, assumes that you are mainly comparing your company to others in a similar industry. In today's environment, where industry lines are quickly blurring, this can blindside you.

Today strategy involves orchestrating competitive moves in what McGrath called "arenas." An arena is a combination of a customer segment, an offer, and a place in which that offers is delivered. It isn't that industries aren't relevant anymore; it's just that industry-level analysis doesn't give you the full picture. Indeed, the very notion of a transient competitive advantage is less about making more money than your industry peers, as conventional definitions would have it, and more about responding to customers' "jobs to be done" in a given space.

1.3.2. Set broad themes, and then let people experiment.

The shift to a focus on arenas means that you can't analyze your way to an advantage with armies of junior staffers or consultants anymore. Today's gifted strategists examine the data, certainly, but they also use advanced pattern recognition, direct observation, and the interpretation of weak signals in the environment to set broad themes. Within those themes, they free people to try different approaches and business models.

1.3.3. Adopt metrics that support entrepreneurial growth.

When advantages come and go, conventional metrics can effectively kill off innovations by imposing decision rules that make no sense. The net present value rule, for instance, assumes that you will complete every project you start, that advantages will last for quite a while, and that there will even be a “terminal value” left once they are gone. It leads companies to underinvest in new opportunities.

Instead, firms can use the logic of “real options” to evaluate new moves. A real option is a small investment that conveys the right, but not the obligation, to make a more significant commitment in the future. It allows the organization to learn through trial and error. Consider the way Intuit has made experimentation a core strategic process, amplifying by orders of magnitude its ability to venture into new spaces and try new things.

1.3.4. Focus on experiences and solutions to problems.

As barriers to entry tumble, product features can be copied in an instant. Even service offerings in many industries have become commoditized. Once a company has demonstrated that demand for something exists, competitors quickly move in. What customers crave—and few companies provide—are well-designed experiences and complete solutions to their problems. Unfortunately, many companies are so internally focused that they’re oblivious to the customer’s experience. You call up your friendly local cable company or telephone provider and get connected to a robot. The robot wants to know your customer number, which you dutifully provide. Eventually, the robot decides that your particular problem is too difficult and hands you over to a live person. It’s symptomatic of the disjointed and fragmented way most complex organizations handle customers. Companies skilled at exploiting transient advantage put themselves in their customers’ place and consider the outcome customers are trying to achieve.

1.3.5. Build strong relationships and networks.

One of the few barriers to entry that remain powerful in a transient-advantage context has to do with people and their personal networks. Indeed, evidence suggests that the most successful and sought-after employees are those with the most robust networks. Realizing that strong relationships with customers are a profound source of advantage, many companies have begun to invest in communities and networks as a way of deepening ties with customers. Intuit, for example, has created a space on its website where customers can interact, solve one another’s problems, and share ideas. The company goes so far as to recognize exemplary problem solvers with special titles and short profiles of them on the site.

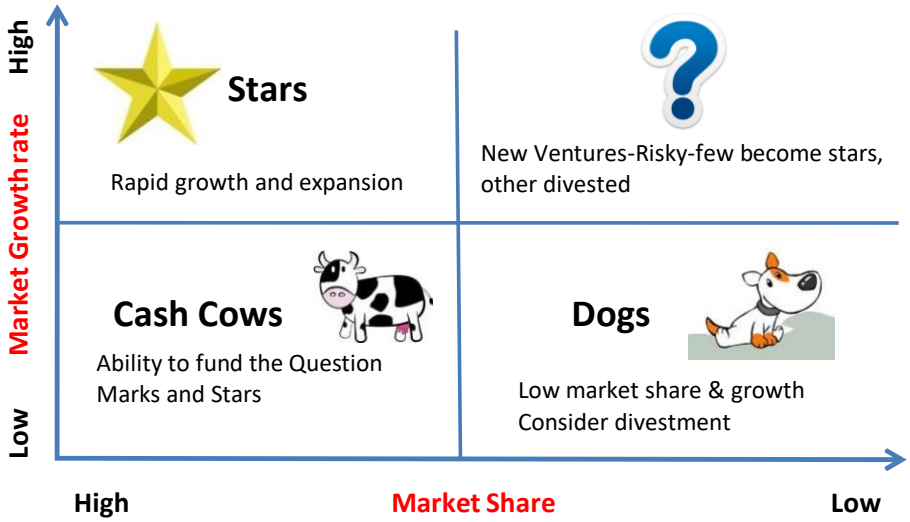
2. BCG Matrix

If you are working with a product portfolio you have a range of tools at your disposal to determine how each one or a group of the products are doing. You could consider using the Product Life Cycle but if you need a current “snap shot” of how the products are doing you would benefit more from using the Boston Consulting Group Matrix.

Back in 1968 a clever chap from Boston Consulting Group (BCG), Bruce Henderson, created this chart to help organizations with the task of analyzing their product line or portfolio.

The matrix assesses products on two dimensions. The first dimension looks at the products general level of growth within its market. The second dimension then measures the product's market share relative to the largest competitor in the industry. Analyzing products in this way provides a useful insight into the likely opportunities and problems with a particular product.

Products are classified into four distinct groups, Stars, Cash Cows, Problem Child and Dog. Let's have a look at what each one means for the product and the decision making process.



Source: David, F.R. & David, F.R. (2014). Strategic Management: A Competitive Advantage Approach, Concepts & Cases. New Jersey (USA): Prentice Hall.

2.1. Stars (high share and high growth)

Star products all have rapid growth and dominant market share. This means that star products can be seen as market leading products. These products will need a lot of investment to retain their position, to support further growth as well as to maintain its lead over competing products. This being said, star products will also be generating a lot of income due to the strength they have in the market. The main problem for product portfolio managers is to judge whether the market is going to continue to grow or whether it will go down. Star product can become Cash Cows as the market growth starts to decline if they keep their high market share.

2.2. Cash Cows (high share, low growth)

Cash cows don't need the same level of support as before. This is due to less competitive pressures with a low growth market and they usually enjoy a dominant position that has been generated from economies of scale. Cash cows are still generating a significant level of income but are not costing the organization much to maintain. These products can be "milked" to fund Star products.

2.3. Dogs (low share, low growth)

Product classified as dogs always have a weak market share in a low growth market. These products are very likely making a loss or a very low profit at best. These products can be a big drain on management time and resources. The questions for managers are whether the investment currently being spent on keeping these products alive, could be spent on making something that would be more profitable. The answer to this question is usually yes.

2.4. Problem Child (low share, high growth)

Also sometime referred to as Question Marks, these products prove to be tricky ones for product managers. These products are in a high growth market but do not seem to have a high share of the market. This could be a reason for this such as a very new product to the market. If this is not the case, then some questions need to be asked. What is the organization doing wrong? What are competitors doing right? It could be that these products just need more investment behind them to become Stars.

A completed matrix can be used to assess the strength of your organization and its product portfolio. Organizations would ideally like to have a good mix of cash cows and stars. There are four assumptions that underpin the Boston Consulting Group Matrix:

2.4.1. If you want to gain market share you will need to invest in a competitive package, especially through investment in marketing

2.4.2. Market share gains have the potential to generate a cash surplus due to the effect of economies of scale.

2.4.3. The maturity stage of the product life cycle is where any cash surplus is most likely to be generated

2.4.4. The best opportunities to build a strong market position usually occur during a market's growth period.

3. Ansoff Matrix

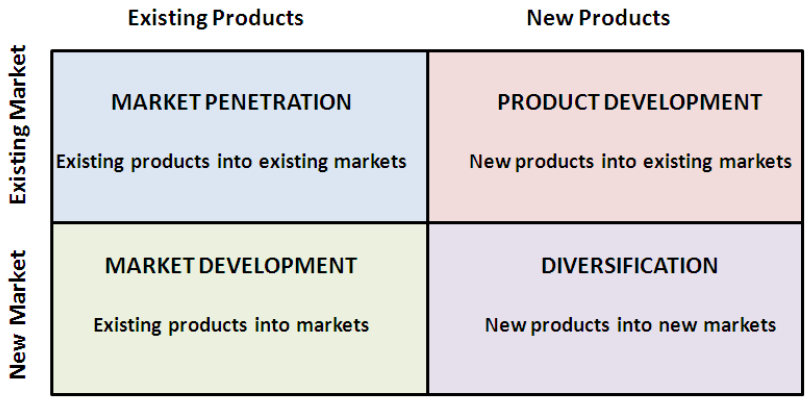
The definition of Ansoff Matrix is "The Ansoff growth matrix assists organizations to map strategic product market growth."

The Ansoff Matrix also known as the Ansoff product and market growth matrix is a marketing planning tool which usually aids a business in determining its product and market growth. This is usually determined by focusing on whether the products are new or existing and whether the market is new or existing.

The model was invented by H. Igor Ansoff. Ansoff was primarily a mathematician with an expert insight into business management. It is believed that the concept of strategic management is widely attributed to the great man.

The Ansoff Matrix has four alternatives of marketing strategies; Market Penetration,

product development, market development and diversification.



Source: David, F.R. & David, F.R. (2014). Strategic Management: A Competitive Advantage Approach, Concepts & Cases. New Jersey (USA): Prentice Hall.

3.1. Market Penetration

When we look at market penetration, it usually covers products that are existence and that are also existent in an existing market. In this strategy, there can be further exploitation of the products without necessarily changing the product or the outlook of the product. This will be possible through the use of promotional methods, putting various pricing policies that may attract more clientele, or one can make the distribution more extensive.

In Market Penetration, the risk involved in its marketing strategies is usually the least since the products are already familiar to the consumers and so is the established market. Another way in which market penetration can be increased is by coming up with various initiatives that will encourage increased usage of the product. A good example is the usage of toothpaste. Research has shown that the toothbrush head influences the amount of toothpaste that one will use. Thus if the head of the toothbrush is bigger it will mean that more toothpaste will be used thus promoting the usage of the toothpaste and eventually leading to more purchase of the toothpaste.

3.2. Product Development

In product development growth strategy, new products are introduced into existing markets. Product development can differ from the introduction of a new product in an existing market or it can involve the modification of an existing product. By modifying the product one would probably change its outlook or presentation, increase the products performance or quality. By doing so, it can appeal more to the already existing market. A good example is car manufacturers who offer a range of car parts so as to target the car owners in purchasing a replica of the models, clothing and pens.

3.3. Market Development

The third marketing strategy is Market Development. It may also be known as Market

Extension. In this strategy, the business sells its existing products to new markets. This can be made possible through further market segmentation to aid in identifying a new clientele base. This strategy assumes that the existing markets have been fully exploited thus the need to venture into new markets. There are various approaches to this strategy, which include: New geographical markets, new distribution channels, new product packaging, and different pricing policies. In New geographical markets, the business can expound by exporting their products to other new countries. It would also mean setting up other branches of the business in other areas that the business had not ventured yet. Various businesses have adopted the franchise method as a way of setting up other branches in new markets.

A good example is Guinness. This beer had originally been made to be sold in countries that have a colder climate, but now it is also being sold in African countries. The other method is via new distribution channels. This would entail selling the products via e-commerce or mail order. Selling through e-commerce will capture a larger clientele base since we are in a digital era where most people access the internet often. In New Product packaging, it means repacking the product in another method or dimension. That way it may attract a different customer base. In Different pricing policies, the business could change its prices so as to attract a different customer base or so create a new market segment. Market Development is a far much risky strategy as compared to Market Penetration. This is so as it is targeting a new market and one may not quit tell how the outcome may be.

3.4. Diversification

The last strategy is Diversification. This growth strategy involves an organization marketing or selling new products to new markets at the same time. It is the most risky strategy among the others as it involves two unknowns, new products being created and the business does not know the development problems that may occur in the process. There is also the fact that there is a new market being targeted, which will bring the problem of having unknown characteristics. For a business to take a step into diversification, they need to have their facts right regarding what it expects to gain from the strategy and have a clear assessment of the risks involved.

There are two types of diversification. There is related diversification and unrelated diversification. In related diversification, this means that the business remains in the same industry in which it is familiar with. For example, a cake manufacturer diversifies into a fresh juice manufacturer. This diversification is in the same industry which is the food industry. In unrelated diversification, there are usually no previous industry relations or market experiences. One can diversify from a food industry to a mechanical industry for instance.

A good example of the unrelated diversification is Richard Branson. He took advantage of the virgin brand and diversified into various fields such as entertainment, air and rail travel foods etc. Another example is the easy jet which has diversified into car rentals, gyms, fast foods and hotels. Though diversification may be risky, with an equal balance between risk and reward, then the strategy can be highly rewarding. Another advantage of diversification is that in case one business suffers from adverse

circumstances the other line of businesses may not be affected.

Some schools of thought believe that the use of strategic management tools such as the Ansoff Matrix can result in an overuse of analysis. In fact, Ansoff himself thought about this and it was he who first mentioned the now famous phrase "paralysis by analysis". Make sure that you do not fall victim to procrastination caused by excessive planning.

4. Labor Supply and Demand

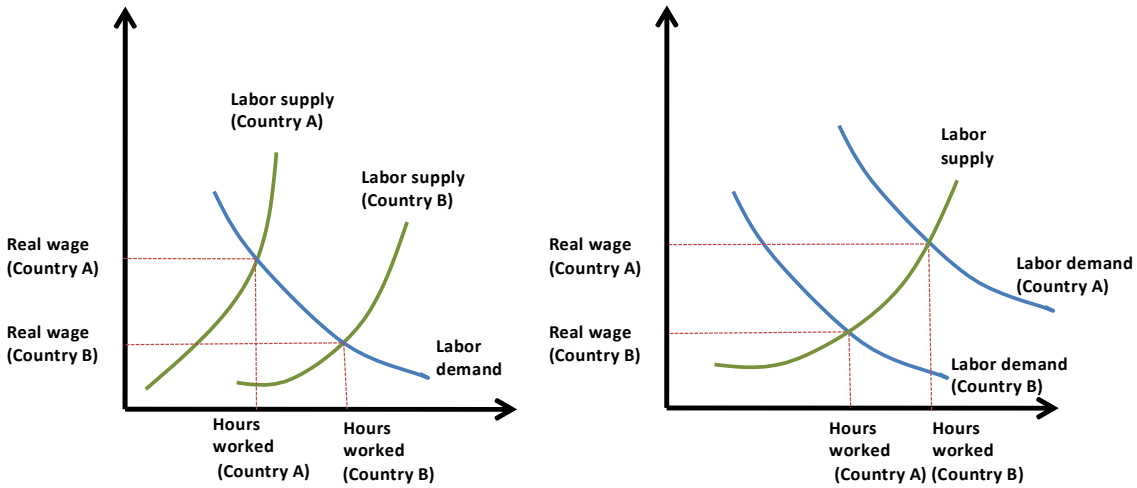
A labor supply curve shows the number of workers who are willing and able to work in an occupation at different wages. You can easily demonstrate that the labor supply curve has a positive slope by deriving one with anyone. Just pick an occupation—say, phone solicitor—and ask people if they'd be willing to enter it for $10,000 a year. Plot the quantity of labor supplied at those earnings as a point on a graph. Continue raising the earnings in $10,000 increments—and plotting points—until almost everyone has been enticed to enter the occupation. Draw a curve through the points to show the labor supply curve.

A labor demand curve shows the number of workers firms are willing and able to hire at different wages. As a rule, a firm will hire a worker only if the additional revenue it gets from doing so covers the additional cost. It simply doesn't make sense to hire someone for $10 an hour if that person can only bring in an extra $5 an hour. The additional revenue a worker brings to a firm, in turn, depends on both the additional output he or she contributes to the firm and the price of that output. If a worker on a fishing boat, for example, contributes five additional pounds of fish per hour to a firm's output and the price per pound is $1, then the value of that worker's contribution to the firm—called the marginal revenue product—is $5 per hour.

Labor demand curves slope downward because of the law of diminishing returns. As a firm hires more and more workers, each additional worker contributes less and less additional output—and revenue—to the firm.

Anything that changes either the amount of output workers can produce or the price of that output will shift the labor demand curve. Fishers, for example, would be more productive if they were provided with better training, more equipment, or improved technology, so all of these things would tend to increase the demand for them. So would a new diet craze that calls for people to eat more fish, since that would tend to increase the price of fish.

We must put the supply and demand curves together to explain why workers in different occupations earn different amounts as the below figure.



For example that nurses earn more than hotel clerks is that they tend to be better educated and therefore more productive. This makes the demand for nurses relatively high. The supply of nurses, on the other hand, is relatively low—not many people are willing and able to go through the difficult and lengthy training it takes to enter nursing.

Differences in education and training explain many of the differences in earnings we see between occupations. In 2000, the median earnings of males in the age group 25-34 who graduated from college were 60 percent higher than those who had only completed high school or a GED, while those of females were 95 percent higher. These earnings differences help explain why so many people choose to get more training and education after high school—more education is often well rewarded with higher pay.

There are, of course, other things besides education that explain wage differences. For example, it normally takes only a high school diploma to become a fitness trainer or a hazardous materials removal worker. But the median hourly earnings of hazardous materials removal workers were apparently higher. This raises a question: Why don't fitness trainers quit their jobs to become hazardous materials removal workers? If they did, then the supply of fitness trainers would decrease and the supply of hazardous materials removal workers would increase. If earnings were the only thing that mattered, then we'd expect this process to continue until workers in both occupations earned roughly the same. But it isn't happening—people apparently enjoy being fitness trainers more than they do hazardous materials removal workers, even with lower pay.

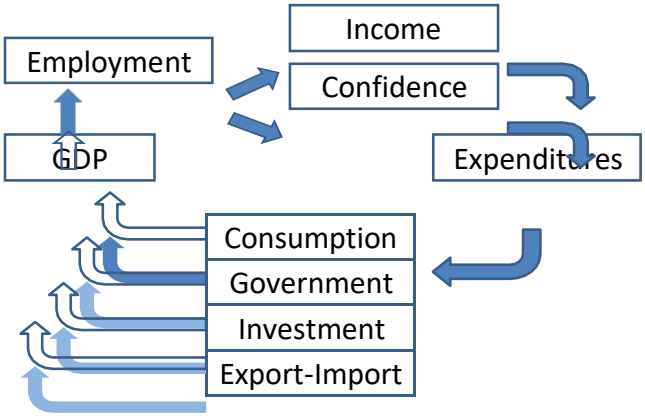
High wages can persist in any occupation as long as potential workers can't or won't enter it to drive down the wage. Many of us would love to become professional athletes, entertainers, or supermodels, but lack the necessary talents or attributes to do so. This keeps the earnings of the people in these occupations high. People are also reluctant to enter occupations that are risky, like logging, or unpleasant, like port-a-potty cleaning. Discrimination can also prevent people from entering certain occupations.

Luck can also play a role in determining wages, though your students may exaggerate its importance. Ask them to provide examples of people who they think are receiving high earnings because of luck. After discussing these examples, people may discover that luck

has less to do with success than they initially thought.

5. Employment and Economic Growth

Economic growth and unemployment are related because the two concepts are intertwined. The level of unemployment in an economy may affect the rate of economic growth, while the level of unemployment is also an indicator of the state of the economic growth of an economy. If economic growth is to be sustained, the general level of employment must not fall below a determined level. The moment the level of unemployment falls beyond this desired level, it becomes a detriment to economic growth.



This link between economic growth and unemployment can be explained in terms of the necessary output of services provided by employees needed to sustain an economy and to promote economic growth. When there is a high level of unemployment, the level of output also decreases due to the reduction in the number of workers contributing to the output. This correlation can be drawn from the fact that the level of unemployment is highest during periods of economic downturns. The opposite is in the case where there is a boom, or period of growth, in the economy.

Another link between economic growth and unemployment is the fact that unemployment is one of the macroeconomic factors used by economists and other interested parties to measure the rate of growth or the current health of the economy. When the unemployment level starts to drop, it is usually in connection to other macroeconomic factors like an increase in demand for goods and services, which serve as the catalyst for the increase in employment. For example, when customers start to place a lot of order for products, a manufacturing company will hire more workers to keep up with the pace of demand. When the demand drops, these workers will be laid off as the company sheds unnecessary weight in order to conserve resources.

The relationship between economic growth and unemployment can also be seen in the manner in which unemployment deprives the government of necessary resources needed to develop the economy. When workers are unemployed, they will not earn any money, and the government will lose the income tax it would normally gain from such workers. Instead, the government might have to expend resources that could have been allocated to other developmental projects in the form of various types of welfare for the upkeep of the unemployed workers. Such welfare may be in the form of unemployment checks, food

stamps and medical care.

There is always some unemployment. As the allocation of resources change in the economy, based on what people are buying, some companies go out of business while others that produce the things that are in demand will be expanding. This allows a flow of labor from losing to winning industries but it is not an instantaneous process. Others may leave their jobs by choice. That means there is always some amount of unemployment built into the economic structure, which is often termed the “natural” level of unemployment.

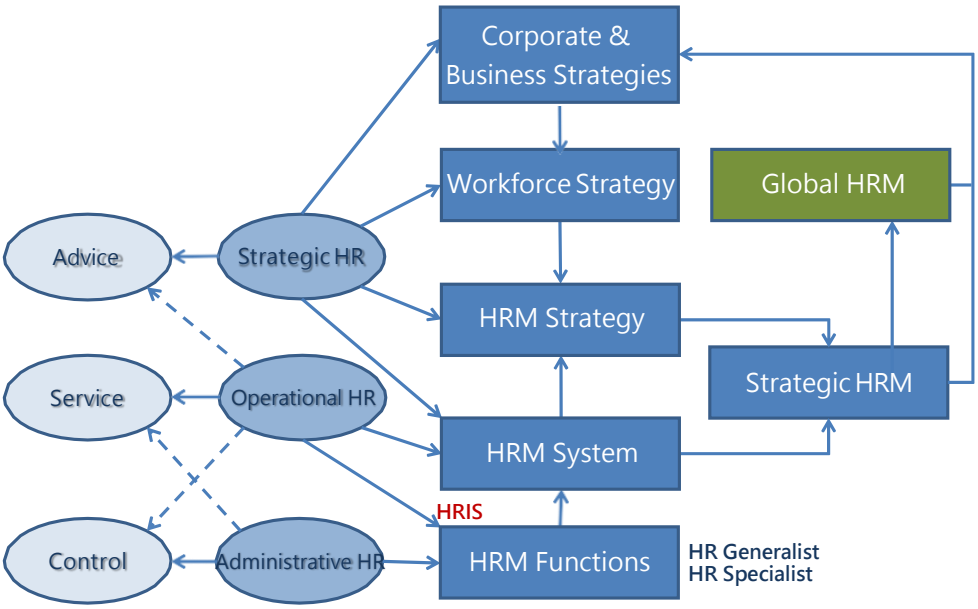
The natural level of unemployment is the point where any drop below that figure creates conditions that will drive up inflation (as companies bid up wages to attract the scarce workers). There is always some disagreement as to what the “natural” level of unemployment is for the US economy. For one thing, it changes over time as the nature of the economy changes.

What might cause this kind of change? A paper a couple years ago from the Brookings Institute cited some factors that they estimated have reduced the natural rate by about 1%. Accounting for about 0.4% of that is the aging of the population; older people tend to be more fully employed. The growth of temporary staffing firms that rapidly match job-seekers with employers could account for 0.2-0.4%. Finally, the doubling of the prison population probably accounts for about 0.2% of the reduction, by removing from the labor force people who are less likely to be employed.

Part Five: Strategic Human Resources

1. HR Roles and Responsibilities

Human resource management deals with any aspects of a business that affects employees, such as hiring and firing, pay, benefits, training, and administration. Human resources may also provide work incentives, safety procedure information, and sick or vacation days.



1.1. Human Resource Management (HRM)

Micro HRM covers the functions of HR policy and practice and consists of two main categories: one with managing individuals and small groups (e.g., staffing, training and development, performance management, and total rewards) and the other with managing work organization and employee voice systems (including union-management relations).

1.2. Strategic Human Resource Management (SHRM)

Strategic human resource management (strategic HRM, or SHRM) may be regarded as an approach to the management of human resources that provides a strategic framework to support long-term business goals and outcomes. The approach is concerned with longer-term people issues and macro-concerns about structure, quality, culture, values, commitment and matching resources to future need. SHRM covers the overall HR Strategy and Human Resource Management System adopted by business units and companies, and impacts the business performance.

1.3. International Human Resource Management (IHRM)

International Human Resource Management (IHRM), called Global HRM, covers HRM in companies operating across national boundaries. International Human Resource Management (IHRM) as 'concerned with the human resource problems of

multinational firms in foreign subsidiaries (such as expatriate management) or more broadly, with the unfolding HRM issues that are associated with the various stages of the internationalization process.

1.4. Human Resource Strategies

HR strategies define how the HRM function and the organization's human resources are to contribute to the attainment of organizational goals and objectives. The degree of vertical structural alignment (vertical linkage) is expected to be greatest when HRM provides feedback and input regarding the ability of SHRM to contribute to the attainment of the goals.

1.5. Human Resource Management System

Horizontal structural alignment (horizontal linkage) is enhanced when an organization implements, via its HRM systems (i.e., the actual HRM activities and deployments of the organization), unified sets of HRM practices that staff, develop, retain, and motivate the organization's human resources to exhibit those behaviors (i.e., produce those outcomes) which enable the organization to enact their strategies and meet organizational goals and objectives.

1.6. HR roles

1.6.1. Strategic

Involved in strategy formulation/development and organizational development

Involved in day-to-day traditional HR tasks, such as recruiting, compensation, training, performance management, and employee relations

1.6.3. Administrative

Involved in compliance issues and personnel record keeping through technology, such as human resource information systems, (HRIS)

1.6.4. Generalist versus Specialist

A HR professional who is responsible for one domain area is an HR specialist. HR Generalist is responsible for two or more major HR functions

1.7. HR Responsibilities

1.7.1. Advice

Gathering information, diagnosing problems, providing solutions, and offering objective assistance and guidance on HR issues

1.7.2. Service

Serving personnel day-to-day administration and answering questions

1.7.3. Control

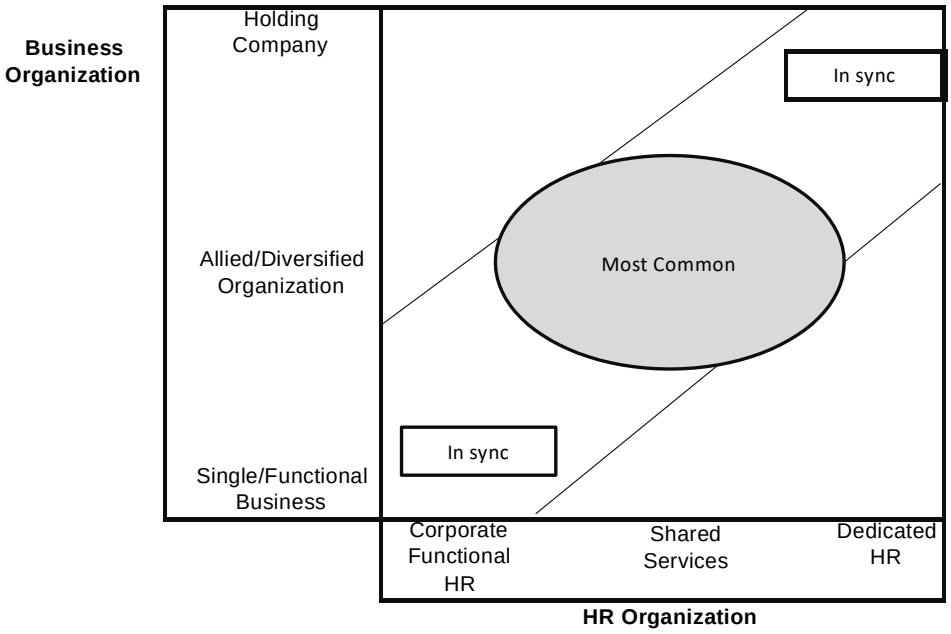
Designing and evaluating workforce performance management system to make sure the required objectives should be met and aligned with corporate strategy

2. HR Organization

As a business within a business, the HR organization should be structured to reflect the structure of the larger business. Business organizations align with the strategies of the business they support, and HR should follow suit. According to Dave Ulrich et al., companies typically organize along a grid of centralization - decentralization, which leads to three basic ways in which a company operates holding company, allied/diversified organization, or single/functional business.

When the company is a single business, it competes by gaining leverage and focus. HR's role in the single/functional business is to support that business focus in its people practices. Generally, start-ups and small companies have little or no HR staff. Until a company has 50 to 75 employees, it hardly needs a full-time HR professional; a line manager can usually handle required basic HR activities. As the business grows, so does the HR workload. The business eventually hires someone to oversee HR; set basic policies and practices for hiring, training, and paying employees; and perhaps also run the office and administrative side of the business. This HR generalist will normally be part of the management team and will be consulted on organization needs and changes.

As companies grow, HR departments and staffs grow as well. But as long as the organization remains primarily a single line of business, HR expertise most logically resides at corporate, establishing companywide policies, with HR generalists implementing these policies in the plants or divisions since there is no meaningful differentiation between the business and the corporation.



Alignment of Business Organization and HR Organization

Source: Ulrich, D., Young, J., & Brockbank, W. (2008). The twenty-First-Century HR Organization, Human Resource Management, 47(4), 829-850.

2.1. Single/Functional Business

In a single/functional business organization, a strong HR functional organization usually makes the most sense. This means identifying staff specialists who can design HR practices that match the needs of the business and deliver them to all corners of the company. Employees who move from site to site want to find familiar terms and work conditions. Managers want to know what is expected of them regardless of where they work. HR professionals in local plants or operations need a solid line to their HR hierarchy while supporting the business leaders in these local plants or operation.HR departments in single/functional business companies are susceptible to the following common mistakes:

2.1.1. Hyper-flexibility.

Many HR professionals want their work to be flexible, with unique HR systems and practices for their unit rather than standardized, even though flexibility can do more harm than good when the basic business is similar across the organization. Flexibility in HR should match diversity of business operations.

2.1.2. Separating corporate and operating-unit HR.

As single businesses expand, the increasing workforce seems to generate a need for operating-unit HR specialists. Both corporate and operating units add HR staff, creating a financial and administrative burden and leading to unnecessary proliferation and redundancy of HR practices.

2.1.3. Isolation.

Corporate staff specialists who distance themselves from business realities respond slowly to business changes. Barricaded in corporate offices, they are at risk of designing HR practices that worked in the past but not for the future.

2.1.4. Disintegration.

Functional HR specialists often settle into silos that separate them from one another. When recommendations for new HR policies and/or procedures come from separate specialties, it may become difficult to weave the resulting practices into a unified whole. Too many companies hire based on one set of criteria, train based on a different set, and evaluate performance on yet a third. Then, their leaders wonder why employees lack a common set of goals and objectives.

The HR functional organization suits a single business strategy. It should not be abandoned in favor of the more popular shared service organization unless the structure and strategy of the business mandate the choice. We see only about 10% of large organizations following this functional organization alignment.

2.2. Holding Company

A company composed of multiple, unrelated, independently managed businesses is best described as a holding company. In a holding company, there is often little or no HR at a corporate level and little impetus to implement HR. Each business is expected to create and manage its own autonomous HR practices based on the specific needs of the business. Therefore, HR is embedded within the businesses. Realistically, as long as the corporation is managed as a group of independent businesses tied together only by a common treasury function (how investment funding is raised) and perhaps investor relations (if the company is publicly traded), HR requirements and the benefits of interaction among subsidiary HR groups are minimal. Even in those cases where there is a corporate HR function, it is likely to be small and focused primarily on executive talent recruiting and managing executive compensation.

While each independent organization may work well, the corporate value is by definition no more (and often less) than the sum of the independent parts. If organizing HR for a holding company, the requirement is to embed dedicated HR departments within business units and ensure they are appropriately focused and well led. Here are some of the common mistakes to avoid:

2.2.1. Corporate interference.

A true holding company should have limited corporate involvement in the HR work done at the business-unit level. Corporate should set general directions and philosophy, but HR policies, practices, and priorities belong to the business units.

2.2.2. Lack of sharing.

Diverse business units find it easy to slide from autonomy into isolation. In the absence of a business imperative for coordination, HR leaders and professionals need to make extra efforts to stay in touch with one another, sharing lessons through learning communities, technology, or other forums. Without a corporate HR function to host and sponsor such meetings, HR departments within independent businesses need to take extra efforts to avoid the "out of sight, out of mind" trap.

2.2.3. Repatenting the wheel.

Even when business-unit HR departments are in touch with one another, they often prefer to develop programs on their own. In the holding company context, the "not invented here" syndrome is especially alive and well, and many professionals are reluctant to utilize programs they did not create. Business HR units in holding companies should consider some form of regular communication that facilitates coordination in areas when unique business solutions are not needed.

2.2.4. Linearity.

A danger for HR professionals in holding companies is that they may become overly focused on the short-term needs of the business and may overlook long-term business implications of HR's involvement and potential for contribution. HR must not only focus on those issues central to market share growth and short-term profitability, but must also ensure that the business is operating within a long-term vision and strategy and is complying with regulatory mandates such as domestic labor law.

2.3. Allied/Diversified Businesses

The choice between functional and dedicated HR is often put as an either/or question: HR exists either at corporate or business-unit levels; is centralized or decentralized; efficient or effective; standardized or flexible. Business units have similar or dissimilar HR practices: the flow of decision making and operational influence is top-down or bottom-up, and so forth. In the kind of reorganization that only looks like progress in aligning the structure with business requirements, companies often shift from one extreme structural configuration to another, not realizing that the key requirement is not the appearance of structural improvement per se but, rather, organizing to reflect the requirements of the business organization.

2.4. Types of HR Organization

Most large companies are not pure and single businesses and do not operate as holding companies. They lie somewhere in between, either in related or unrelated spectra of diversification. They create operating units or business units to compete in different markets yet try to find and exploit the synergies among them. The best of these organizations align their portfolio of businesses around a core set of strategic capabilities that are leveraged across operations. For these business organizations, a

relatively new way to organize HR resources has emerged called shared services. From a distance, shared services looks a lot like centralization, but it is not. The following table points out some of the ways functional HR, shared services, and dedicated HR differ from one another.

Types of HR Organization

Dimension	Functional	Shared Services	Dedicated
Business organization	Single business	Related or unrelated diversification	Holding company
Design of HR policies	Performed by corporate functional specialists	Alternatives created by specialists in centers of expertise	Designed and delivered by functional specialists within a business
Implementation of HR practices	Governed by corporate specialists	Governed by local HR professionals who select options from center of expertise menu	Governed by local HR specialists embedded in the business
Accountability	Corporate HR	Split between operations and HR	Local business leader
Services orientation	Standardized services across the corporation	Tailored to business needs with consistency through learning and sharing	Unique services for each business
Flexibility	Mandates use of internal resources	Has flexibility as governed by the centers of expertise	Each business creates what is required
Charge backs	Business units pay an allocation of HR costs	Business units pay for use of service	Business units fund their own HR costs
Location	Strong corporate presence with HR generalists on site	Wherever it makes sense	Small (or no) corporate HR office, with HR staff at the local business level
Skill requirements for HR	Technically expert in functional design and delivery	Design expertise but also consulting and support	Business expertise and technical specialty in business
Wealth creation criteria	Corporate shareholder value	HR value creation for line managers, employees, customers, and investors	Business-unit growth and profitability

Source: Ulrich, D., Young, J., & Brockbank, W. (2008). The twenty-First-Century HR Organization, Human Resource Management, 47(4), 829-850.

2.5. Shared Service Center

Shared services became popular among most staff groups, not just HR, beginning in the late 1990s as a response to general cost pressures. Staff leaders could not simply choose the cheapest and most efficient approach—centralize and standardize all processes—because centralized staff work cannot keep up with the differentiated needs of units within a diversified/allied business. In a world where corporate growth and industry consolidation lead to the increased presence of diversified/allied organization structures, shared services has become a useful means by which organizations balance the efficiencies of centralization with the flexibility required for competing in different markets and/or geographies.

The HR organization is positioned to create value and deliver strategically relevant organization capabilities when it reflects the structure of the business. This leads to questions about how to specifically organize an HR department to fulfill these needs.

Service centers emerged in the late 1990s as HR leaders (and other functional organizations such as purchasing) realized that many administrative tasks are more efficiently performed in a centralized, standardized way. The maturation of information technology has also contributed to the growth of service centers and the ability to locate them in lower-cost geographies (e.g., Southeastern Asia). There is no real limit to centralization. Technology enables these centers to access employees and meets basic transactional needs as well or better than other methods.

Service centers enjoy economies of scale, meeting employee needs and resolving concerns by fewer dedicated HR resources. In addition, service centers require a standardization of HR processes, thus reducing redundancy and duplication. For example, a global oil services firm had more than ten separate ways to register for training; its new service center created a single, standard procedure that increased efficiency and reduced costs. Because of technology, service centers can also be accessible 24 hours a day, 7 days a week, from inside or outside the company. This enhances the service level to employees and retirees.

Service centers offer new ways to do traditional HR work such as employee assistance programs, relocation administration, benefits claims processing, pension plan enrollment and administration, applicant tracking, payroll, and learning administration. Employee-related transactional processes need to be performed well; performed poorly they have the potential to damage employee morale and destroy HR's reputation. (As one HR executive pointed out, "If we drop the ball on paying people, we will have a very difficult time recovering.") But it is work that we think of as "table stakes," work that must be done to be in the game but certainly not work that is the basis of winning the game. HR organizations are increasingly addressing their transactional needs primarily through technology-enabled employee self-service and through outsourcing.

Properly designed technology enables employees to manage much of their own HR administrative work. The popular emerging term for this trend is self-service. They can access HR policy and usage, such as vacation days allotted, and take retirement provisions, career opportunities and qualifications; and their own skill levels (via self-assessment surveys). They can also take care of many routine transactions whenever they wish, because automated systems don't keep office hours.

Relying on technology to perform HR transactions offers a number of benefits. First, it requires standardized HR practices, which avoids duplication, reduces costs, and ensures consistency. Since employees can access HR transactions at their convenience, their perception of service quality also increases. In addition, accuracy improves because employees update and modify their own records. As a result, managers have access to personnel information (such as training and salary history) and are often able to make better decisions about personnel-related matters. As technology-based solutions to routine HR administration increase, a few trends are worth considering—and some emerging pitfalls are well worth avoiding:

Building from scratch or excessive customization. Companies often regard themselves as unique, but it is best to avoid designing and implementing a unique HR data portal and service or to significantly customize one. One company spent thousands of hours creating its unique human resources information technology (HRIT) system only to find that it did not match the capabilities of available marketplace systems. There are many effective HRIT products on the market, and adapting one of them is much simpler and less expensive than building something new or massively customizing a purchased system.

Believing that channel is content. Occasionally, IT specialists become more enamored with the design and implementation of their technology than with the business success that they should be trying to create. This was a fundamental cause in the dot-com boom and bust of the late 1990s. They fail to remember that information technology is a channel for providing and disseminating information, but the information itself ultimately drives business performance. They need to maintain their business focus and not just their technology focus.

Forgetting the importance of the employee relationship. The employee's goal for many HR transactions is to finish as quickly and easily as possible. Nonetheless, HR is not like retail banking where customers happily manage transactions by ATM and do not want a personal relationship with the bank. It is more like investment banking where relationships still offer the best long-term approach to customer share. Relationship HR, designed to build loyalty between individual employees and the firm, likewise offers the best long-term approach to employee care.

Data without insight. One clear benefit of self-service is the ability to collect data on trends and needs. For example, knowing the differences between how many younger and older employees use e-learning can help in planning and employee communication. But data does not improve decision making unless it is used. Data that is warehoused in files and never fully deployed might as well not exist. Good business decisions start

with good questions that require managerial insight and foresight; then, data collected through technology-based self-service can be used to assess alternatives and test hypotheses.

Intrusiveness. Concerns over privacy continue to be a major challenge. The more data accumulates, the more the firm knows about the employee, and the harder it is to keep the data secure. As useful and convenient as 24/7 access to employee data can be, it blurs the boundaries between work and social life. While each employee needs to find ways to manage this balance, technology may become increasingly intrusive and inhibit work-life balance that helps to give employees purpose and meaning at work and at home.

Even with these concerns and challenges, technology will increasingly be used to facilitate employee transactions. As the technology becomes more user-friendly and accessible, it will help employees manage their personal careers and will help leaders use employee data and resources to produce value for the company.

Organizations are taking two distinct approaches to dealing with routine transactional HR tasks. The preceding section describes how organizations insource HR transactions through technology-enabled self-service. Other firms use outsourcing.

Outsourcing draws on the premise that knowledge is an asset that may be accessed without ownership. HR expertise can be shared across boundaries by alliances in which two or more firms create a common service or by outright purchase from vendors who specialize in offering services.

Vendors take advantage of economies of knowledge and scale. Economy of knowledge allows them to keep up with the latest research on HR issues and with the latest technology to offer transaction support that accesses the most recent ideas and is delivered in the most efficient way. Economies of scale make it possible to invest in facilities and technologies beyond what is realistic for a single company.

Companies using HR outsourcing increasingly seek integrated solutions rather than isolated practices. For example, HR information systems (HRIS) can identify the skills required in hiring for certain jobs and then use these skills to source and screen talent. When considered as an integrated solution, the skill requirements can also be applied to training, compensation, and job assignments. Integrated solutions require vendors with expertise in multiple HR practice areas. Though outsourcing on this scale is too new for results to be definitive, these firms have experienced several potential benefits of outsourcing:

Cost savings. Savings have been in the 20 to 25% range—a substantial amount for large companies, which spend an average of $1,600 per employee, per year on administration. Firms with 10,000 employees, for example, could estimate saving $3,200,000 per year (20% of $1,600 per employee × 10,000 employees).

Standardization. Outsourcing requires consistent HR transactions. Many large firms

have grown through mergers and acquisitions, accumulating diverse HR systems. Simply contracting out this work forces a level of consistency that might have taken years to accomplish internally.

Increased speed and quality of service. As we mentioned, outsourcing vendors generally rely on technology and have the economies of scale to stay up to date with new developments that continuously improve their services. Employees often perceive service as actually improving with effective outsourcing.

HR focus. Outsourcing enables HR professionals to focus on more strategic work. Thus, outsourcing increases the likelihood that HR professionals will become more strategic in thought and action.

These benefits need to be analyzed over a longer period to assure the value of outsourcing. Nonetheless, while early indicators suggest that outsourcing offers positive returns, exist risks and pitfalls as well:

Picking the wrong vendor. As with any new business, not everyone who offers the service is really able to deliver excellent work, keep up with the volume, and ensure continuity of service. However, it seems likely that increasing competition will winnow vendors to those who can meet these criteria.

Unbalanced contracts. The contract between the outsourcing provider and the organization may be skewed toward one party or the other, and contractual terms may make dispute resolution difficult. It is essential to specify current and desired service levels in mutually agreeable terms, outline a procedure for dispute resolution that both parties find fair and equitable, and include incentives for performance for the vendor and cooperation for the company.

Lack of change management. The changeover from internal to external vendors is often difficult, time-consuming, prone to early errors, and therefore upsetting to employees, line managers, and HR professionals. While some confusion is inevitable, change processes that plan for alternative scenarios, engage employees and other affected parties in the process, and learn from self-correcting systems are important in increasing the probability of successful change.

Sprawling efficiency. Outsourcing firms that want to expand their revenues sometimes do so by convincing a line manager who has an antiquated view of HR that the outsourcing firm should take over all of the HR functions and design and implement them against the primary criterion of transactional efficiency instead of business sensitivity. Such thinking moves HR back a generation when we saw ourselves as a cost to be reduced instead of partners who drive the business. Internal HR professionals should be on guard for this tendency among some HR outsourcing firms.

HR role conflict. Outsourcing changes HR‘s role in the company. Employees who used to know who to see and how to get things done now have to rewire their expectations and work norms. HR professionals who developed an identity and reputation based on effectively serving the transactional needs of employees and managers now need to

reorient themselves to higher value-added activities and agendas.

Loss of control. The firm surrenders control of outsourced transactions—but the need for the transactions will not diminish. If outsourcing vendors have business problems, they will dramatically affect the firm‘s ability to relate to its employees.

Despite these risks, large firms will continue to outsource bundles of HR transactions to increasingly viable vendors. Smaller firms will probably outsource discrete HR practices such as payroll and benefits administration. Both types of outsourcing reflect the collaborative work across boundaries that will characterize the organizations of the future.

2.6. Corporate HR

HR professionals who perform corporate HR roles address six important areas of need within the emerging HR organization as follows:

- They create a consistent firm wide culture face and identity.
- They shape the programs that implement the CEO‘s agenda.

  They ensure that all HR work done within the corporation is aligned to business goals.
- They arbitrate disputes between centers of expertise and embedded HR.
- They take primary responsibility for nurturing corporate level employees.

  They ensure HR professional development.

First, corporate HR professionals create a consistent cultural face and identity for the corporation. No matter how diversified the business strategy, a variety of important external stakeholders form broad relationships with the entire firm. Shareholders tend to care mainly about overall performance, and large customers who do considerable business with the firm tend to engage with many different divisions. Likewise, the image of the entire firm is often what attracts potential employees to specific divisions. Corporate HR professionals build the firm’s culture and reputation by focusing on values and principles.

Second, corporate HR professionals shape the programs that implement the CEO’s agenda. Most CEOs have a corporate strategic agenda—for example, globalization, product innovation, customer service, or social responsibility. Corporate HR professionals are expected to convert this agenda into a plan for investment and action and build organizational readiness to deliver this agenda through a three-step process:

Step 1. Determine what capabilities are required to deliver the strategy.

Step 2. Choose HR practices from the flows of people, performance management, information, and work that would best deliver those capabilities.

Step 3. Build an action plan for designing and delivering those HR practices throughout the organization.

This action plan does not involve corporate HR in doing all the work or even in refining all the details. Instead, it will call on centers of expertise to create menus of specific choices, embedded HR professionals to appropriately tailor solutions to each business, and line managers to accomplish strategic goals through the HR service. However, corporate HR ensures that the work is done well and coordinated effectively to achieve the goals.

Third, corporate HR has responsibility to make sure that all HR work done within the corporation is aligned with business goals. This means that corporate HR should not mandate business-unit initiatives since they probably do not understand the business-unit realities as well as the embedded HR professionals. But they should mandate a clear and definitive linkage between business strategy and HR within the business units. One metaphor we have found helpful is to describe corporate HR as playing the role of devil's advocate for strategic HR, challenging the need for both sameness and difference in HR practices across operations and specific businesses. In addition, corporate HR should ensure that business-unit HR is involved in setting measurable objectives. They should also be actively involved in facilitating the measurement process to eliminate the conflict-of-interest problems that would occur in business-unit HR doing its own measurements.

Fourth, corporate HR professionals arbitrate disputes between centers of expertise-CoE (HR program ownership, policy and process development and oversight, and vendor management) and embedded HR (HR professionals within the businesses or operations). The former naturally lean toward consistency; the latter prefer flexibility and choice. Corporate HR will not have a magic answer or uniform formula for deciding when to standardize practices and when to vary them, but it can focus on value creation for multiple stakeholders and shift HR practices to create that value in each specific instance. We call this managing the push (centers of expertise) and pull (embedded HR) that requires conversation and, at times, arbitration.

Fifth, corporate HR professionals take primary responsibility for nurturing corporate level employees—a role both like and unlike that found elsewhere in the firm. Like all employees, corporate employees should perform their transaction HR work through service centers or technology. However, some corporate employees are unique in that their relationship with the firm is visible and symbolic. Public reports of executive compensation, for example, require extra care to ensure the right messages are communicated to all internal and external stakeholders. Senior HR professionals also frequently play significant roles in coaching senior executives, offering advice ranging from personal leadership style to dealing with key employee transitions and succession issues to observations and assistance in evolving the corporate culture.

Finally, corporate HR is responsible for HR professional development. Too often, HR professionals are the cobbler's barefoot children—designing learning experiences for others, for example, while going without a similar investment in their own

development. HR corporate staff should help HR professionals grow, unlearn their old roles, and learn new ones. This may require hiring a new type of HR professional with new knowledge, skills, agendas, and aspirations. This may require moving established HR professionals to different roles and increasing investment in HR development and training.

2.7. Embedded HR

In shared service organizations, some HR professionals work in organization units defined by geography, product line, or functions such as research and development or engineering. These HR professionals, whom we call “embedded HR,” go by many titles: relationship managers, HR business partners, or HR generalists. Whatever their specific title, they work directly with line managers and each organizational unit leadership team to clarify strategy, perform organization audits, manage talent and organization, deliver supportive HR strategies, and lead their HR function. Embedded HR professionals play a number of important roles that include the following:

- They engage in and support business strategy discussion.
- They represent employee interests and implications of change.
- They define requirements to reach business goals and identify where problems may exist.
- They select and implement the HR practices that are most appropriate to the delivery of the business strategy.
- They measure and track performance to see whether the HR investments made by the business deliver the intended value.

In the first role, embedded HR professionals engage in and support business strategy discussions, offering insights and helping leaders to identify where their organization can and should invest resources to win new business ventures or increase existing investments’ performance. They should help to frame the process of business strategy development, should be proactive in providing insights into business issues, and should facilitate effective strategy development discussions within the management team. From the results of the most recent HR competency survey, this role reflects a competency we have elsewhere called the “strategic architect”.

In supporting strategic decision making, HR professionals also represent employee interests and highlight implications that follow from the inevitable changes or developments as a result of strategy decisions and changes. For example, how much of the workforce needs to be retrained, reorganized, or resized? HR professionals help develop a clear strategic message that can be communicated to employees and translated into action. In the process, they watch out for the tendency to groupthink, encouraging everyone to participate and clearly valuing dissent while seeking consensus.

As strategies are being set, and once they are established, embedded HR professionals

are to audit the organization to define what is required to reach the goals and where problems may exist. Sometimes this is an informal process whereby HR professionals reflect on and raise concerns about strategy delivery. Other audits may involve a formal 360° to determine what capabilities are required and available given the strategy. These audits will help to identify if the corporate culture on the inside is consistent with the culture required to make customers happy on the outside. In doing these organization audits, embedded HR business partner with line managers and collect data that lead to focused action.

Based on organization audit information, embedded HR professionals select and implement the HR practices most appropriate to delivering business strategy. In doing so, they are expected to bring their unique knowledge of the business and its people in selecting practices that add value, integrating them to deliver capabilities, and sequencing them to ensure implementation. Embedded HR professionals acquire guidance and support from HR specialists who reside in centers of expertise and adapt both to the requirements of the business. This process of accessing rather than owning resources means that embedded HR professionals must be adept at influencing and working collaboratively with colleagues, because centers of expertise have corporate agendas. They must be effective at managing temporary teams, and often multiple teams.

Finally, embedded HR professions measure and track performance to see whether the HR investments made by the business deliver their intended value. In essence, embedded HR professionals diagnose what needs to be done; broker resources to get these things done; and monitor progress to ensure things are accomplished.

2.8. Centers of Expertise (CoE)

Centers of Expertise or Center of Excellent operate as specialized consulting firms inside the organization. Depending on the size of the enterprise, they may be corporate wide or regional (e.g., Europe) or country-based (e.g., Germany). They often act like businesses that have multiple clients (business units) using their services. In some cases, a fee for use or a “chargeback” formula plus an overhead charge for basic services may fund them. The financing of centers of expertise is sometimes set to recover costs and, in other cases, is comparable to market pricing. Typically, businesses— through their embedded HR units—are directed to go to the center before contracting for independent work from external vendors. If, in working with the center experts, the business decides to go to outside vendors, the new knowledge the vendors provide is then added to the current menu for use throughout the enterprise. Centers are demand-pull operations—if businesses do not value their services, they will not continue. Center of expertise HR professionals play a number of important roles:

- They create service menus aligned with the capabilities driving business strategy.
- They diagnose needs and recommend services most appropriate to the situation.
- They collaborate with embedded HR professionals in selecting and implementing the right services.

- They create new menu offerings if the current offerings are insufficient.
- They manage the menu.
- They shepherd the learning community within the organization.

As internal design and process consultants, HR professionals in centers of expertise create menus of what can be done that are aligned with the capabilities driving business strategy. The menus are finite. Embedded HR professionals are expected to choose from these menus, which legitimizes the HR practices in use companywide. Process experts consult with embedded HR to help pick the options that best solve specific business problems.

This also points out the second role of the center of expertise HR professional—to work with embedded HR professionals to select the right practice or intervention for a particular situation. For example, say an embedded HR generalist realizes the need for a first-line supervisory training program in his/her organization. The center of expertise should already have a menu of choices, perhaps including an in-house workshop, relationships with externally provided workshops (through consultants or a local university), a video program, a self-paced computer learning exercise, a 360° feedback exercise, and other development experiences. If a current menu doesn't exist, the design experts will assemble one based on their knowledge of the field and the company. A process expert takes this menu to the embedded HR professional and helps him or her diagnoses the need and select the services most appropriate for the business and situation, offering advice on how to implement the selected choices.

The embedded HR professional is responsible for the selecting and implementing the right development experiences to improve first-line supervision. However, as a third important role, the center is expected to collaborate in making the selection and in supporting the implementation.

If the embedded HR and center expert agree that existing menu items are not sufficient, the design experts create new solutions that will then be added to the menu for the enterprise. Hence, the fourth role is the creation of new offerings when the current slate is insufficient or inadequate for the need. In many cases, the need for additional menu offerings will be prompted by a company acquisition or decision to diversify and invest in new businesses.

This points out the next role of the center of expertise—to manage the size and breadth of the process or service menu. In general, the size of the menus will depend on the degree of business diversification. In related diversification, the menus will be smaller, ensuring that different businesses use similar management practices; in unrelated diversification, the menus will be larger, allowing more flexibility. In all cases, there is an important need for the center of expertise to manage the boundaries of what is helpful, acceptable, and permitted.

Finally, centers of expertise also shepherd the learning community within the enterprise. They initiate learning when design experts generate new ideas for the menu;

then, process experts generalize learning by sharing experiences across units. For example, they share the experiences of supervisory training from one unit to another so that each business does not have to recreate its own training programs. The process experts may transfer the learning, or they may have the requesting organization unit communicate directly with those who have previously done the work.

Centers of expertise provide a number of very important benefits to the HR organization and can be found in many companies. However, they also create a number of risks that the HR leadership teams need to manage:

One size fits all. Center experts tend to fall into routines and push programs that are familiar to them; left to themselves, they may fail to adapt their programs to the needs of each business. It takes careful attention to the needs of the business and to state-of-the-art HR practices in order to ensure that menus continue to evolve.

Out of touch with reality. If center experts isolate themselves from day-to-day business problems, their menus are apt to offer solutions that are academically rigorous but irrelevant to business needs. HR functional experts must bridge future ideas to present problems. They need to turn theory and best practice into effective action. The centers need to bring more than a fixed menu. They need expertise, knowledge base, and foresight to address specific issues (i.e., loss of talent in quickly and unpredictably developing markets such as China and India, for instance). Their work and contribution have to be differentiated enough from the normal solution so that the "We have already done this. What else can you bring?" syndrome does not emerge.

Canned solutions. It is much easier to have a solution in search of a problem than to design a solution for a problem. Like independent consultants, center experts are often tempted to craft single solutions that they sell to multiple businesses. This is particularly true when centers service global operations. Tailoring solutions to diverse global markets requires agility and thoughtfulness.

Not invented here. Embedded HR professionals who worry more about personal credibility than impact may be reluctant to use the best practices proposed by center experts. If either center experts or embedded HR professionals declare themselves more important to the business and are, therefore, now willing to learn from each other, then the entire process falters.

Unquestioned authority. When business units are required to use the center, the experts there find it easy to assume the units are happy to do so. They need to monitor their customer service scores as measured by embedded HR professionals and pay attention to the response.

Excess demand. Given that centers serve multiple businesses, demand can easily exceed capacity, leaving neglected businesses to flounder on their own or reinvent the wheel on the fly.

Seduction of power. In some HR functions, centers of expertise have had a tendency to become a law unto themselves. That is, instead of framing their role as consultants

whose role it is to help embedded HR drive business-unit agendas, they may be inclined to arrive in the business units brandishing corporate authority and the intent to drive their functional agenda instead of the business units' needs.

While none of these risks is insurmountable, they indicate that centers will inevitably evolve as they refine their approach to delivering HR resources.5.9.

2.9. Operational Executors

A large number of HR departments have attempted to operationalize the above model with shared services (service centers and centers of expertise) and embedded HR. But many of these departments are finding that some work continues to fall through the cracks.

While embedded HR professionals are asked and expected to be strategic and conduct organization diagnosis, they often find themselves overwhelmed by operational HR work that conflicts with their main purpose. This renders them unable to make time to be strategic. They report that they spend a growing amount of time doing individual casework (e.g., handling disciplinary issues), performing operational tasks (e.g., setting up and attending recruiting interviews), doing analysis and reporting (e.g., managing compensation reviews), delivering initiatives (e.g., creating development experiences), or implementing business initiatives (e.g., doing the analysis and execution for a new organization structure).

Service centers typically do not perform these operational tasks because they require personal attention; centers of expertise do not do them because they usually require deep and unique knowledge of the business and strong internal business relationships. Line managers do not do them because they lack the technical expertise. Hence, embedded HR professionals feel drawn into this operational work by the volume of it, even when they have the skills and self-confidence to be more strategic and are encouraged to focus on their transformational role.

A second driver is the velocity of program change emanating from corporate HR or centers of expertise. Particularly in times of corporate change and transformation, embedded HR professionals are expected to keep up with a wide number of corporate initiatives—from new measures and measurement to required corporate training and communication programs to new modifications to the performance management and development system. As a result, many embedded HR people are encouraged to do strategy by their line management but required to do implementation by corporate HR. Some HR executives might be led to say, "We are asked to be business partners and strategists, but we end up acting as 'pairs of hands' for corporate HR."

It is also the case that often these embedded HR professionals come from an implementation background and lack the skill or self-confidence (or both) to comfortably function at a more strategic level. For these individuals, the urgency (and comfort) of immediate operational requirements outweigh the importance (and developmental interest) of the more strategic future. Too often HR professionals in centers of expertise offer insight and menus of choice, but they do not facilitate or

partner in the operational implementation of these ideas. Service centers deal with administrative challenges, but they, too, do not deal with implementation of new administrative systems and practices at the business level.

What has been missing in some HR restructurings is the capacity to deliver and implement the ideas from the center, while maintaining focus on the business and its customers. While this work ideally occurs through an integrated team, someone needs to be charged with this team and how it works. We are finding that companies are responding to these missing implementation requirements in different ways:

One company established the role of junior business partners to be assigned to the HR generalists or business partners. These individuals would be required to turn the strategic ideas into operational practice within the business.

Another company created a team of HR operational consultants who were assigned to a business to help turn the strategy into action. They were focused on project work with an emphasis on implementing specific projects within the business. The consulting pool had HR professionals who were gifted at making HR initiatives happen, and it secondarily served as a preparatory and testing ground for individuals slated as potential incumbents for senior embedded HR professional roles.

Another company uses a case advisor who comes from the service center to follow through on employee requests.

As an international company transforms into a truly global company, there is a greater need for common practice in how people are developed for succession management and for the development of leadership competencies. Thus, the centers of excellence deliver a steady flow of innovative HR practices with the expectation that embedded HR groups within business units will implement them. But embedded groups are already extremely busy managing the strategic and day-to-day requirements of their business units. Tensions have inevitably arisen. The company may begin to think through how it might establish an operations HR unit that would provide support to both the centers of expertise and to embedded HR units.

Some companies create a fifth leg called the HR consulting pool. The consulting pool operates as a team of high-performing midlevel HR professionals and is managed as a cohesive unit. The unit reports to the head of regional (e.g., embedded) HR. Team members are deployed to assist joint center and embedded HR teams to implement solutions to important HR projects—for example, to develop and implement a strategy to reduce workforce turnover rate. Historically, center and embedded HR professionals would have worked together to scope the need but would not have had the resources to actually implement. Inevitably, the problem—while well defined—would not be effectively addressed and would often be delegated to line management, the worst possible outcome. The operational HR pool solves this problem and has been responsible for a number of important deliverables.

Each of these companies, and many others, are experimenting with how to solve this common problem: how to make sure that HR implements state-of-the-art strategies

tailored to the needs of the business. Dave Ulrich and the other scholars call this an operational executor role. These HR professionals will be required to meld what the business requires for success (driven by the embedded HR professionals) with innovative and state-of–the-art HR practices (driven by the centers of expertise) into an operational plan that can be executed in a timely way.

Operational HR roles require a particular set of competencies. These roles are best for people who are execution and implementation oriented rather than focused on strategic relationships (embedded HR) or new knowledge creation (centers of expertise). However, operational HR roles can also be excellent developmental opportunities for both embedded and center professionals. Over time, HR organizations will find that operational HR is best considered a mix of long-timers (people who like to do this work) and rotational resources. The following indicates the skill sets that will be required of HR professionals in operational roles.

Applying project management skills. Project and implementation management skills are crucial for operational HR professionals. They will need team skills to bring together the relevant players to create operational results. They must quickly understand what is expected; bring together the embedded, business, and center HR professionals in clarifying goals, roles, specific actions, and measures; and make the changes happen. Some diagnostic skills are also important; the structure of a project plan must, for example, be cognizant of situational (and often political) dynamics, and mindful of other competing activities. Operational HR resources should not be seen as simply pairs of hands to implement but rather as involved early in the development of solutions.

Managing priorities and workloads. Choosing what projects are appropriate for operational HR is an important process task. HR does not have infinite resources, and it could be easy for HR to use its precious operational resources on lower-priority work that other HR professionals do not want to do. This would be a mistake and would both trivialize the operational HR work and operational HR resources. As a result, these resources would leave. It would also be a mistake to employ operational HR resources for implementation when the involvement of line leaders and employees builds commitment to the goals of the intervention.

Maintain business focus. In all considerations, operational HR must maintain an unrelenting focus on a business logic that is consistent with the logic of the corporate business portfolio. Regardless of whether the corporation is a single business unit, diversified, or a holding company, HR should maintain its focus on making the corporate business logic successful.

Getting the structure right. Organizations are trying out different structures for operational HR. Sometimes they are a distinct unit, other times they are distributed in embedded HR as junior professionals or in centers of expertise. Smart organizations have found ways to connect these resources to one another and provide common training and teambuilding experiences.

Measuring contribution. Because operational HR is project- and

implementation-oriented, how performance is measured should also be project-based and implementation-based.

This operational executor role will continue to become clearer as HR professionals ensure that HR investments turn into capabilities that deliver on HR's vision and goals.

3. HR Outsourcing

Once upon a time, most HR departments provided one-stop shopping for employees with questions or concerns about benefits, hiring, training, complaints, colleagues, etc. For leaders, HR was the place to go for recruitment, retention and terminations. HR is a critical function and most companies handled it in-house. That's all changing very rapidly. More and more companies outsource all or part of their HR needs.

3.1. Outsourcing

Managing different aspects of employee management processes on a day-to-day basis is a complicated task—one that requires a substantial amount of energy, time, and expertise. By adopting a sound and cost-effective human resources outsourcing solution, HR can transfer this responsibility to a third party and focus solely and completely on what HR do best- managing and growing your business!

Many large and midsized companies turned to outsourcing as a way to realize the future state of HR service delivery. They transferred a large portion of the HR department's processes, technology, and people to outsourcing providers with the expectation that those firms would effectively transform the delivery of HR by providing an outsourced shared services model.

3.2. Offshoring

Outsourcing HR is gaining momentum both locally and overseas. Offshoring is the process by which companies undertake some activities at offshore location instead of in their country or origin. The biggest reasons for outsourcing offshore are lower administrative costs and increased access to a highly skilled workforce. More and more organizations are handing over back office operations and transactions processes, offshoring payroll, paperwork, processing and administration, among other HR functions. Among the factors that often attract companies to offshore outsourcing is the opportunity to access best HR practices, as well as critical mass expertise and technology.

Not surprisingly, global outsourcing is not without controversy – and consequently not without risks. Exchange rates can be volatile so cost advantages often fluctuate along with them. Also, one of the biggest issues companies face is potential backlash from the public and unions, as well as opposition from politicians. People are fearful of job losses and offshoring can sometimes create a publicity nightmare.

And sometimes the day-to-day running of the business can also be difficult from abroad. There can be issues with infrastructure in terms of finding consistent telephones and power and water supplies that are reliable. With offshoring there's a

number of key decisions that have to be made, ranging from deciding where best to locate the offshore operation to how best to resource and manage it and how best to operate and deliver the services.

Extensive research, transparency, a solid understanding of the scope of the project, the capabilities of the workers and the global reach and a well-planned transitional approach are keys to making offshore outsourcing run smoothly.

3.3. HR outsourcing services

HR outsourcing services generally fall into four categories: PEOs, BPOs, ASPs, or e-services. The terms are used loosely, so a big tip is to know exactly what the outsourcing firm you are investigating offers, especially when it comes to employee liability.

3.3.1. Professional Employer Organization (PEOs)

A Professional Employer Organization (PEO) assumes full responsibility of your company's human resources administration. It becomes a co-employer of your company's workers by taking full legal responsibility of your employees, including having the final say in hiring, firing, and the amount of money employees make. The PEO and business owner become partners, essentially, with the PEO handling all the HR aspects and the business handling all other aspects of the company.

By proper definition, a service is only a PEO when it takes legal responsibility of employees. But take note--some HR outsourcing services like to use the recognized term "PEO" when they handle the primary aspects of HR like payroll and benefits, yet they do not take this legal partnership.

3.3.2. Business Process Outsourcing (BPOs)

Business Process Outsourcing is a broad term referring to outsourcing in all fields, not just HR. A BPO differentiates itself by either putting in new technology or applying existing technology in a new way to improve a process. Specifically in HR, a BPO would make sure a company's HR system is supported by the latest technologies, such as self-access and HR data warehousing.

3.3.3. Application service providers (ASPs)

Application service providers host software on the Web and rent it to users-some ASPs host HR software. Some are well-known packaged applications (People Soft) while others are customized HR software developed by the vendor. These software programs can manage payroll, benefits, and more.

There are no clear-cut price ranges with HR outsourcing. The fees range greatly between services, as well as within the services. Aspects like number of employees, the options you choose to use, and even geography, will affect your overall cost. Contracts with HR outsourcing firms will usually run a year. But you should work in a clause in

which you can give 30 days' notice to break the contract if you are dissatisfied with the services or don't need the services anymore.

There are some definite drawbacks to not having an HR manager in-house. An in-house HR person handles perks that you can't necessarily count on an outsourcing service to carry out-like looking into group offerings, building employee incentive programs, even taking care of recognition for employees' birthdays. And employees may want someone in-house--an impartial co-worker they can trust and see daily--to turn to if they have a work-related problem or dispute with another co-worker.

Because an in-house HR person interacts daily with your employees, they will likely have more of an interest in your employees. Also, in the case of using a PEO, giving up the right to hire and fire your employees may not be desirable for your particular business. Most PEOs insist that they have the final right to hire, fire, and discipline employees. While having the extra time and not having to deal with the stress of this may be appealing, you may not want this responsibility out of your hands.

If you have fewer than 100 employees, you should consider outsourcing HR. At this size, you often don't have the resources for an in-house HR staff, so outsourcing is just right for you. You don't have to worry about managing all the details that are so critical to HR in your business, and most small-business owners just don't have the skills and experience to do so. Remember, HR functions must be handled correctly as close to 100 percent of the time as possible; slip-ups can cause your business major problems.

If you're uncertain about outsourcing everything but know you don't have the staff or experience to keep it in-house, try outsourcing only certain parts, such as payroll and benefits. You can also purchase HR software right off the shelf to support any in-house efforts. And if you decide to use an e-service, the same issues you'd have with any ASP remain. When everything is stored and handled online, there are concerns about security as well as potential crashes, both of which can be detrimental to your business.

3.4. Cosourcing and Insoucing

Cosourcing arrangement refers to an enterprise outsources only one part of a function. Co-sourcing is a way of attacking the problem by providing a service without having to be fully outsourced RPO.

Insourcing refers to contracting a function out to another entity that manages and performs the function on-site, transferring a previously outsourced function back in-house, or the hiring of local workers by foreign companies operating subsidiaries locally. Open sourcing is a way of eliciting innovative ideas from nonemployees or contractors.

3.5. Outsourcing Process

3.5.1. Analyze needs and objectives

A thoughtful needs analysis is the most critical stage in which project goals and

expectations of the potential third-party contractor are defined.

3.5.2. Plan the budget

Know what can be spent for the outsourced service and what it costs to provide that service ill-house. This information provides a look at the expected financial return on investment.

3.5.3. Develop request for proposal (RFP)

An RFP is a written request asking contractors to propose solutions and prices that fit the customer's requirements. The purpose of all RFP is not only to ensure that responses actually meet HR's needs but also to ensure some consistency among responses so that the responses may be more easily compared.

3.5.4. Forward RFPs to potential vendors

Instructions on the manner and date for submission should be included in this request.

3.5.5. Evaluate vendors

These variables differ based on the organization's size, priorities, and industry. For procuring HRIS, their ability to meet specifications, customization options, and price should be considered.

3.5.6. Choose vendor

Get the names of possible contractors, state contractor licensing, ask to see their certificates for insurance, and assess their business longevity.

3.5.7. Set up contract

This written contract will describe not only the key deliverables of the project but will include additional information such as implementation time frames, payment terms, performance standards, training expectations, and upgrade costs and responsibilities.

3.5.8. Develop and execute project plan

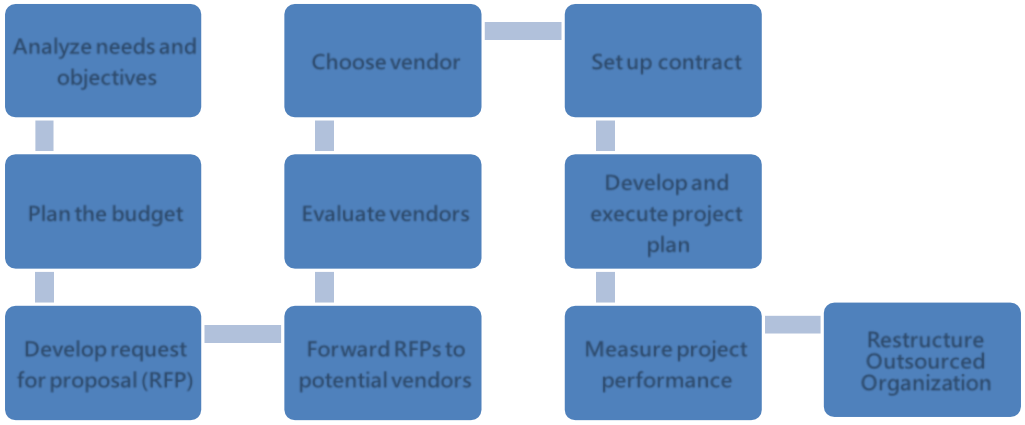
Conduct an initial project planning meeting to review and refine implementation targets in the project schedule. Outsourcing may curtail loss of morale, and therefore it is important to have an employee briefing when an outsourcing partner is announced. This enables employee questions to be answered, and it provides the business rationale for the outsourcing decision in a consistent manner for all employees.

3.5.9. Measure project performance

All payment terms are -usually settled and the contractor could ask for an evaluation of its services.

3.5.10. Restructure Outsourced Organization (if applicable)

It challenges management to build a more flexible organization structured around core competencies and long-term relationships.

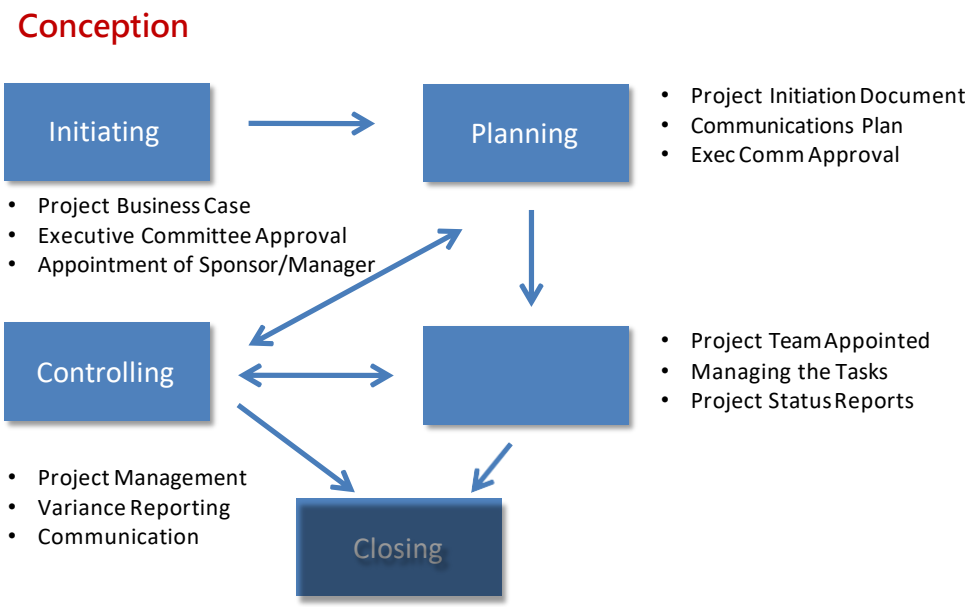


Focus on Core Competencies and Outsource the Rest.

4. Project Management

Project management is not just for information technology, engineering or construction projects. Organizations have all kinds of projects, and people from all sorts of disciplines can utilize project management – including HR practitioners. And while some people are pure project managers, most organizations tend to prefer project managers who have at least some functional knowledge of the domains in which they manage projects.

Project management is defined by the Project Management Institute (PMI) as "the application of knowledge, skills, tools, and techniques to project activities to meet the project requirements." A project is really any kind of "temporary endeavor undertaken to create a unique product, service, or result." In an HR context, any fairly major initiative of a temporary nature related to human resources management would likely count as a project. Examples might include implementing a new human resources information system (HRIS), staffing a new production facility, developing a new competency framework, updating an employee handbook, handling the people side of a merger or acquisition or leading and implementing an organizational change initiative.



4.1. Project Life Cycle

The project management life cycle consists of five as phases: Initiation, Planning, Execution, Control, and Closure:

4.1.1. Initiating the Project

An idea for a project will be carefully examined to determine whether or not it benefits the organization. During this phase, a decision making team will identify if the project can realistically be completed.

4.1.2. Planning the Project

A project plan, project charter and/or project scope may be put in writing, outlining the work to be performed. During this phase, a team should prioritize the project, calculate a budget and schedule, and determine what resources are needed.

Gantt chart is a project planning tool that graphically displays activities of a project in sequential order and plots them against time. Program evaluation and review technique (PERT) chart is used to schedule, organize, and coordinate tasks within a project. Using time as the common denominator, PERT analyzes all events that can directly influence the success of a project in terms of time and performance; therefore, it visually outlines the critical path of project tasks.

4.1.3. Executing the Project

Resources' tasks are distributed and teams are informed of responsibilities. This is a good time to bring up important project related information.

4.1.4. Monitoring and Controlling the Project

Project managers will compare project status and progress to the actual plan, as resources perform the scheduled work. During this phase, project managers may need to adjust schedules or do what is necessary to keep the project on track.

4.1.5. Closing the Project

After project tasks are completed and the client has approved the outcome, an evaluation is necessary to highlight project success and/or learn from project history.

4.2. Major roles for a Project Manager

A project manager is the person who has the overall responsibility for the successful initiation, planning, design, execution, monitoring, controlling and closure of a project. The project manager must have a combination of skills including an ability to ask penetrating questions, detect unstated assumptions and resolve conflicts, as well as more general management skills. Key among his or her duties is the recognition that risk directly impacts the likelihood of success and that this risk must be both formally and informally measured throughout the lifetime of the project. There are three major roles for a project manager:

4.2.1. Interpersonal

The project manager is a leader and a liaison. The top priorities are building team norms and fostering harmony.

4.2.2. Informational

The project manager is a spokesperson who gathers and disseminates information and is responsible for helping team members communicate effectively across all areas of the organization.

4.2.3. Decisional

The project manager allocates resources, negotiates differences, and encourages project progress.

4.3. Project Management Knowledge Areas

There are nine project management knowledge areas identified on Project Management Body of Knowledge (PMBOK Guide) by PMI, which are used throughout the project management processes.

4.3.1. Project Scope

Project Scope is concerned with the work of the project, and again clarifies the boundaries of what is not included. The processes required to ensure that the project includes all the work required, and only the work required, to complete the project successfully.

4.3.2. Project Time Management

This knowledge area includes estimating task schedules, determining the project schedule and project completion date. It will also include monitoring and controlling a project schedule throughout the project. It is closely aligned with Project Cost Management, in particular with the Estimate Activity Resources and the Estimate Activity Durations, since it is these along with their cost implications that must be finalized before the schedule can be developed. The processes required to ensure timely completion of the project.

4.3.3. Project Cost Management

In a similar way, this knowledge area is there to estimate the resources required, and the project budget. Resource costing is not just about people. It should also include other types of resource such as Materials, equipment, facilities, and project related services such as letting contracts. The processes required to ensure that the project is completed within the approved budget.

4.3.4. Project Quality Management

This knowledge area covers two main areas, creating the products to an acceptable quality level, and the quality of the project management process itself. The processes required to ensure that the project will satisfy the needs for which it was undertaken.

Performing Quality Assurance is the act of auditing and comparing the quality requirements against the quality control measurements to check that appropriate quality standards and operational definitions are used.

Compare and contrast this to: Perform Quality Control. This is the monitoring the results of carrying out quality activities which will include the project deliverables/products and project management results such as how the project is performing against schedule and budget.

4.3.5. Project Human Resource Management

This knowledge area is to do with managing people. It includes aspects such as acquiring the team, developing the overall team performance, and then managing that performance such as performance appraisals, leading and coaching, and resolving resource issues and optimizing the project performance. The objective here is to ensure that all human resources are used effectively, and draws upon skills such as leadership, team building, and communication. The processes required to make the most effective use of the people involved with the project. It consists of:

Organizational planning: identifying, documenting, and assigning project roles, responsibilities, and reporting relationships.

Staff acquisition: getting the needed human resources assigned to and working on the project.

Team development: developing individual and group skills to enhance project performance.

4.3.6. Project Communications Management

Communications is not just about the human kind, but includes information such as meeting management and actions, risk actions and assessments, project plans, reviews and walkthroughs, etc. This information must be shared with all of the project stakeholders — both internal and external to the project. The processes required to ensure timely and appropriate generation, collection, dissemination, storage, and ultimate disposition of project information. Communication takes at least 90% of a Project Manager's time!

4.3.7. Project Risk Management

Risk management is the systematic process of identifying, analyzing, and responding to project risks. It includes maximizing the probability and consequences of positive events and minimizing the probability and consequences of adverse events to project objectives. Risk identification is best done during planning, and as many people should be involved as possible, so that the complete picture of risk threats and positive opportunities to the project can be identified.

4.3.8. Project Procurement Management

Most projects work within a customer/supplier environment. Generally the project team is working on behalf of the customer, and suppliers are responsible for the creation of the project deliverables/products — there can be both internal suppliers and external suppliers. Project Procurement is used when it is necessary to purchase or acquire products, services, or results needed from outside the project team. The processes required to acquire goods and services to attain project scope from outside the performing organization.

4.3.9. Project Integration Management

Integration management is an element of project management that coordinates all aspects of a project. Project integration, when properly performed, ensures that all processes in a project run smoothly. Integration management will produce a series of deliverables. These deliverables include the project charter, project plan, and preliminary project scope statement. In other word, project integration is a subset of project management that includes the processes required to ensure that the various elements of the project are properly coordinated.

5. HR in Leading Change

Change management is about people, performance and leadership, ergo, one would think HR should be leading the charge (or at least playing a major role). Leading the leadership in providing the organizational guidance is where HR can bring tremendous value because HR has, or should have, a top-level view of people, programs and

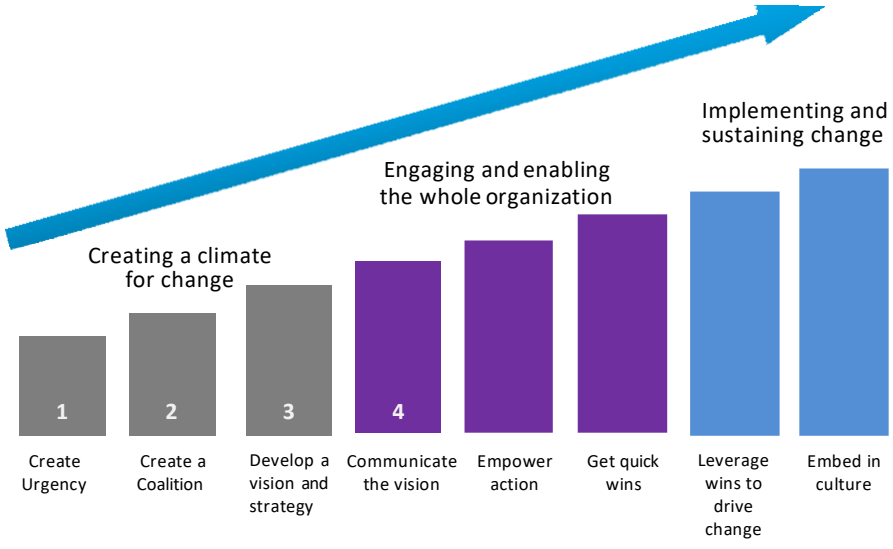
process. They have a unique vantage point to breach silos and facilitate organizational change. If HR is going to “lead the change” process, they need the knowledge, skills and resources to make it happen.

5.1. Creating a Climate for Change (Step1-Step3)

5.1.1. Step1: Create Urgency

For change to happen, it helps if the whole company really wants it. Develop a sense of urgency around the need for change. This may help you spark the initial motivation to get things moving. This isn't simply a matter of showing people poor sales statistics or talking about increased competition. Open an honest and convincing dialogue about what's happening in the marketplace and with your competition. If many people start talking about the change you propose, the urgency can build and feed on itself. For this step, the actions you should take are as follows:

- Identify potential threats, and develop scenarios showing what could happen in the future.
- Examine opportunities that should be, or could be, exploited.
- Start honest discussions, and give dynamic and convincing reasons to get people talking and thinking.
- Request support from customers, outside stakeholders and industry people to strengthen your argument.



**The 8-Step Process for Leading change – Dr. John Kotter*

5.1.2. Step2: Create a Coalition

Convince people that change is necessary. This often takes strong leadership and visible support from key people within your organization. Managing change isn't enough – you

have to lead it. You can find effective change leaders throughout your organization – they don't necessarily follow the traditional company hierarchy. To lead change, you need to bring together a coalition, or team, of influential people whose power comes from a variety of sources, including job title, status, expertise, and political importance. Once formed, your "change coalition" needs to work as a team, continuing to build urgency and momentum around the need for change. For this step, the actions you should take are as follows:

- Identify the true leaders in your organization.
- Ask for an emotional commitment from these key people.
- Work on team building within your change coalition.
- Check your team for weak areas, and ensure that you have a good mix of people from different departments and different levels within your company.

5.1.3. Step3: Develop a Vision and Strategy

When you first start thinking about change, there will probably be many great ideas and solutions floating around. Link these concepts to an overall vision that people can grasp easily and remember. A clear vision can help everyone understand why you're asking them to do something. When people see for themselves what you're trying to achieve, then the directives they're given tend to make more sense. For this step, the actions you should take are as follows:

- Determine the values that are central to the change.
- Develop a short summary (one or two sentences) that captures what you "see" as the future of your organization.
- Create a strategy to execute that vision.
- Ensure that your change coalition can describe the vision in five minutes.
- Practice your "vision speech" often.

5.2. Engaging and Enabling the Whole Organization (Step4-Step6)

5.2.1. Step4: Communicate the Vision

What you do with your vision after you create it will determine your success. Your message will probably have strong competition from other day-to-day communications within the company, so you need to communicate it frequently and powerfully, and embed it within everything that you do. Don't just call special meetings to communicate your vision. Instead, talk about it every chance you get. Use the vision daily to make decisions and solve problems. When you keep it fresh on everyone's minds, they'll remember it and respond to it. It's also important to "walk the talk." What you do is far more important – and believable – than what you say. Demonstrate the kind of behavior that you want from others. For this step, the actions you should

take are as follows:

- Talk often about your change vision.
- Openly and honestly address peoples' concerns and anxieties.
- Apply your vision to all aspects of operations

  – from training to performance reviews.

  – Tie everything back to the vision.

5.2.2. Step5: Empower Action

If you follow these steps and reach this point in the change process, you've been talking about your vision and building buy-in from all levels of the organization. Hopefully, your staff wants to get busy and achieve the benefits that you've been promoting. But is anyone resisting the change? And are there processes or structures that are getting in its way? Put in place the structure for change, and continually check for barriers to it. Removing obstacles can empower the people you need to execute your vision, and it can help the change move forward. For this step, the actions you should take are as follows:

- Identify, or hire, change leaders whose main roles are to deliver the
- Look at your organizational structure, job descriptions, and performance and
  compensation systems to ensure they're in line with your vision.
  Recognize and reward people for making change
- Identify people who are resisting the change, and help them see what's needed.
- Take action to quickly remove barriers (human or otherwise).

5.2.3. Step6: Get Quick Wins

Nothing motivates more than success. Give your company a taste of victory early in the change process. Within a short time frame (this could be a month or a year, depending on the type of change), you'll want to have some "quick wins" that your staff can see. Without this, critics and negative thinkers might hurt your progress. Create short-term targets – not just one long-term goal. You want each smaller target to be achievable, with little room for failure. Your change team may have to work very hard to come up with these targets, but each "win" that you produce can further motivate the entire staff. For this step, the actions you should take are as follows:

- Look for sure-fire projects that you can implement without help from any strong critics of the change.
- Don't choose early targets that are expensive. You want to be able to justify the investment in each project.

- Thoroughly analyze the potential pros and cons of your targets. If you don't succeed with an early goal, it can hurt your entire change initiative. Reward the people who help you meet the targets.

5.3. Implementing and Sustaining Change (Step7-Step8)

5.3.1. Step7: Leverage wins to drive change

Many change projects fail because victory is declared too early. Real change runs deep. Quick wins are only the beginning of what needs to be done to achieve long-term change. Launching one new product using a new system is great. But if you can launch 10 products, that means the new system is working. To reach that 10th success, you need to keep looking for improvements. Each success provides an opportunity to build on what went right and identify what you can improve. For this step, the actions you should take are as follows:

- After every win, analyze what went right and what needs improving.
- Set goals to continue building on the momentum you've achieved.
- Learn about kaizen, the idea of continuous improvement.
- Keep ideas fresh by bringing in new change agents and leaders for your change coalition.

5.3.2. Step8: Embed in culture

Finally, to make any change stick, it should become part of the core of your organization. Your corporate culture often determines what gets done, so the values behind your vision must show in day-to-day work. Make continuous efforts to ensure that the change is seen in every aspect of your organization. This will help give that change a solid place in your organization's culture. It's also important that your company's leaders continue to support the change. This includes existing staff and new leaders who are brought in. If you lose the support of these people, you might end up back where you started. For this step, the actions you should take are as follows:

- Talk about progress every chance you get. Tell success stories about the change process, and repeat other stories that you hear.
- Include the change ideals and values when hiring and training new staff.
- Publicly recognize key members of your original change coalition, and make sure the rest of the staff – new and old – remembers their contributions.
- Create plans to replace key leaders of change as they move on. This will help ensure that their legacy is not lost or forgotten.
- Communicate regularly with employees is the most important role for HR in Leading Change.

6. M&A Process

Mergers and acquisitions (M&A) have become the dominant mode of growth for firms seeking competitive advantage in an increasingly complex and global business economy. Nevertheless, M&As are beset by numerous problems, with 50 per cent of domestic acquisitions – and 70 per cent of cross-border acquisitions – failing to produce intended results.

6.1. Strategies for M&A

Joseph L. Bower proposed five distinct M&A strategies: (1) the overcapacity M&A; (2) the geographic roll-up M&A; (3) the product or market extension M&A; (4) the M&A as R&D; and (5) the industry convergence M&A. We discuss each of them in turn, highlighting the potential general HRM implications in terms of resources, processes and values.

6.1.1. Overcapacity M&A

It occurs when an acquiring company seeks to eliminate excess capacity to create a more efficient corporation. In effect, the acquiring company's strategic goal is to achieve economies of scale in order to gain market share, doing so in part by eliminating human resources. This type of M&A often arises in oligopolistic industries characterized by excess capacity and involves firms of similar size. For example, there have been a number of overcapacity M&A in the petroleum sector (e.g. British Petroleum's acquisition of Amoco) and the automobile sector (e.g. Daimler's acquisition of Chrysler). An important concern in this type of M&A is that, although processes and values of the merging entities are frequently similar, relative status differences stemming from a merger of near equals can create problems in M&A integration.

In overcapacity M&A, large-scale lay-offs are inevitable. Thus, the HRM function will have to decide quickly upon a downsizing strategy, with planning and staffing duties – such as outplacement programs – critical to the success of the merger. In addition to national culture differences (e.g. having wine with lunch), variation in ways of managing and organizational values created problems in the human dimension of this merger. Also, the important role of both trust and communication play in the merger process, particularly in M&A across market economies.

6.1.2. Geographic roll-up M&A

It takes place when companies seek to expand geographically, often with operating units remaining at the local level. In many instances, large companies acquire smaller companies that they try to keep intact and therefore these firms tend to retain local managers. These types of M&As are common in the banking sector, as exemplified by Banc One's acquisitions of several regional banks.

Although these M&As are similar to overcapacity M&As in that both involve consolidation of businesses, they differ significantly in that geographic roll-up M&As

are more likely to occur at an earlier point in an industry's life-cycle. Strategically, roll-ups' are designed to achieve economies of scale and scope and are associated with the building of industry giants', while overcapacity M&A seek to reduce capacity and duplication. Although in geographic roll-up M&A human resources are less disposable, the processes and values of the merging entities are likely to differ more than in the overcapacity M&A. Nevertheless, since the size of the acquirer tends to be greater than that of the acquired firm, conflict stemming from status differences is possibly not as prevalent as in the overcapacity M&A.

While holding on to the target company's resources (local managers, brands, and customers), the acquirer nearly always imposes its own processes (purchasing, IT, and so on). Quite often, the deal makes sense because of the acquirer's processes: they turn the target company into a far more efficient business. But acquirers don't need to rush this second step along; in fact, they should go easy in the beginning. Target-company managers often need time to familiarize themselves with the new processes.

6.1.3. Product or market extension M&A

It involves expanding product lines or expanding geographically across borders. This type of M&A occurs when the acquiring and acquired companies are functionally related in production and/or distribution but sell products that do not compete directly with one another, or when a company seeks to diversify geographically, such as when two companies manufacture the same product, yet sell it in different markets. In effect, in this type of M&A, firms seek to achieve long-term strategic goals by investing in less saturated markets – often doing so to obtain economies of scale necessary for global competition. The likelihood of success of product or market extension M&A depends on the relative size of the merging firms and the experience of the acquired firm in M&As. For example, large firms such as GE acquire many relatively small firms, thereby increasing their chances of subsequent successful mergers.

Similarly to in the geographic roll-up M&A, human resources in product or market extension M&As frequently remain unchanged in the new entity. However, in product or market extension mergers, some firms have difficulties in changing the processes and values of acquired firms, particularly in cross-border M&As.

HRM strategies in product or market extension M&As often involve lay-offs, although the focus will be primarily on retention. Lay-offs will not be the overriding goal of acquiring firms since there tends to be little overlap between firms due to the strategic intent of the merger, which involves purchasing new product lines or expanding into new markets.

6.1.4. M&A as a substitute for R&D

It occurs when acquisitions are used as a means of gaining access to new R&D knowledge or technological capabilities by acquiring innovative firms rather than producing the knowledge in-house. Acquiring firms in this type of M&A tend to be larger than the acquired firm, and sometimes have significant practical merger

experience, as in the case of Microsoft and Cisco Systems.

In an M&A as a substitute for R&D, the retention of human resources and knowledge is a paramount goal. Processes and values of the newly formed entity will, however, probably need to be changed, a complex proposition since the entrepreneurial employees often feel their values are constrained by the more bureaucratic structure of the acquiring firm. The success of this type of cross-border M&A will therefore depend on the acquired firm's integration capabilities and the acquiring firm's learning capacity. Integration issues will, however, be industry contingent. Therefore, a critical component of the HRM function is to retain valued employees.

A key factor in obtaining a successful M&A as a substitute for R&D is that HRM will be called on to set up systems to facilitate the transfer of knowledge from the acquired firm to the acquiring firm. Specifically, the HRM function should enable the lines of communication and develop learning processes.

Also, assimilation in an M&A as a substitute for R&D can be challenging since the acquiring firm is likely to be more bureaucratic than the acquired firm, and because the values of the merging firms, while similar, can create negative effects. Nevertheless, in general, firms involved in an M&A as a substitute for R&D may hold similar values irrespective of the countries in which the firms are headquartered, particularly in IT firms. This similarity in values reflects the importance of knowledge and ideas in the production process, to the extent that industry values reduce problems resulting from differences in country-specific values.

6.1.5. Industry convergence M&A

It involves creating a new industry from existing industries whose boundaries are eroding. An example of this type of M&A is the Viacom acquisition of Paramount and Blockbuster. Although this type of merger will probably increase in the future, it is rare and not yet fully understood, making it difficult to analyze. In addition, acquired companies in this type of merger are typically given wide berth, perhaps to a greater extent than in the M&As as a substitute for R&D, with integration driven by a need to create value rather than a desire to create a symmetrical organization.

An enterprise can get larger by merging with other competing enterprises or integrating related but separate activities in the value chain. There are two dimensions in which an enterprise can integrate, the horizontal and the vertical:

Horizontal integration: The acquisition of additional business activities that are at the same level of the value chain in similar or different industries. This can be achieved by internal or external expansion. Because the different firms are involved in the same stage of production, horizontal integration allows them to share resources at that level. If the products offered by the companies are the same or similar, it is a merger of competitors. If all of the producers of a particular good or service in a given market were to merge, it would result in the creation of a monopoly. Also called lateral integration. An example of horizontal integration would be a company competing in

raw materials industry and buying another company in the same industry rather than trying to expand to intermediate goods industry.

Vertical integration is a strategy that many companies use to gain control over their industry's value chain. This strategy is one of the major considerations when developing corporate level strategy. The important question in corporate strategy is, whether the company should participate in one activity (one industry) or many activities (many industries) along the industry value chain. Vertical integration is different from horizontal integration, where a corporate usually acquires or mergers with a competitor in a same industry.

This M&A approach entails inventing an industry and a business model based on an unproven hypothesis: that major synergies can be achieved by culling resources from existing industries whose boundaries seem to be disappearing. The challenge to management is even bigger than in the other categories. Success depends not only on how well you buy and integrate but also, and more importantly, on how smart your bet about industry boundaries is.

1.

Global Mergers and Acquisitions (Global M&A)

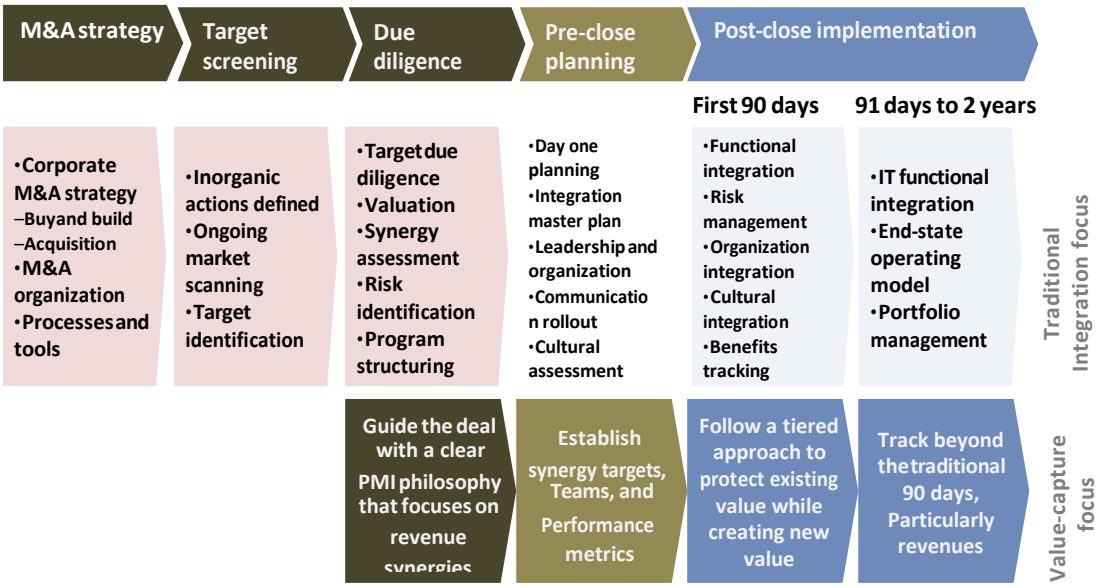
Source: Aguilera, R.V. & Dencker, J.C. (2004). The role of human resource management in cross-border mergers and acquisitions. International Journal of Human Resource Management, 15(8), 1355-1370.

An important consideration for HRM in implementing M&A is the level and speed of integration. With respect to cross-border M&A, researchers found differing levels of integration across countries, ranging from no integration, to partial integration, to full integration. For example, they demonstrate that firms in the US and the UK integrate their subsidiaries to a greater extent than do firms in Japan, Germany and France. Similar cross-country variation may be found in terms of integration speed, gradual

integration is important for success in mergers between professional service firms.

6.2. M&A Process

"JumpStart" (As the figure shown below) is a way to reach aggressive revenue targets in an accelerated time frame through M&A. The underlying philosophy, deployed across several successful mergers, is that a focus on capturing synergies is the most important aspect of a merger and can help override several integration-related distractions.



Source: A.T. Kearney's JumpStart approach to value capture

6.2.1. M&A Strategy

According to McKinsey & Company, an M&A strategic rationale should be a specific articulation of one of these archetypes, not a vague concept like growth or strategic positioning, which may be important but must be translated into something more tangible. Furthermore, even if your acquisition is based on one of the archetypes below, it won't create value if you overpay.

- **Improve the target company's performance**: Improving the performance of the target company is one of the most common value-creating acquisition strategies. Put simply, you buy a company and radically reduce costs to improve margins and cash flows. In some cases, the acquirer may also take steps to accelerate revenue growth. Pursuing this strategy is what the best private-equity firms do. Among successful private-equity acquisitions in which a target company was bought, improved, and sold, with no additional acquisitions along the way, operating-profit margins increased by an average of about 2.5 percentage points more than those at peer companies during the same period. This means that many of the transactions increased operating-profit margins even more. Keep in mind that it is

easier to improve the performance of a company with low margins and low returns on invested capital (ROIC) than that of a high-margin, high-ROIC company. Consider a target company with a 6 percent operating-profit margin. Reducing costs by three percentage points, to 91 percent of revenues, from 94 percent, increases the margin to 9 percent and could lead to a 50 percent increase in the company's value. In contrast, if the operating-profit margin of a company is 30 percent, increasing its value by 50 percent requires increasing the margin to 45 percent. Costs would need to decline from 70 percent of revenues to 55 percent, a 21 percent reduction in the cost base. That might not be reasonable to expect.

- **Consolidate to remove excess capacity from industry**: As industries mature, they typically develop excess capacity. In chemicals, for example, companies are constantly looking for ways to get more production out of their plants, while new competitors continue to enter the industry. The combination of higher production from existing capacity and new capacity from recent entrants often generates more supply than demand. It is in no individual competitor's interest to shut a plant, however. Companies often find it easier to shut plants across the larger combined entity resulting from an acquisition than to shut their least productive plants without one and end up with a smaller company. Reducing excess in an industry can also extend to less tangible forms of capacity. Consolidation in the pharmaceutical industry, for example, has significantly reduced the capacity of the sales force as the product portfolios of merged companies change and they rethink how to interact with doctors. Pharmaceutical companies have also significantly reduced their R&D capacity as they found more productive ways to conduct research and pruned their portfolios of development projects. While there is substantial value to be created from removing excess capacity, as in most M&A activity the bulk of the value often accrues to the seller's shareholders, not the buyer's.

- **Accelerate market access for the target's (or buyer's) products**: Often, relatively small companies with innovative products have difficulty reaching the entire potential market for their products.

- **Get skills or technologies faster or at lower cost than they can be built**: Cisco Systems has used acquisitions to close gaps in its technologies, allowing it to assemble a broad line of networking products and to grow very quickly from a company with a single product line into the key player in Internet equipment. From 1993 to 2001, Cisco acquired 71 companies, at an average price of approximately $350 million. Cisco's sales increased from $650 million in 1993 to $22 billion in 2001, with nearly 40 percent of its 2001 revenue coming directly from these acquisitions. By 2009, Cisco had more than $36 billion in revenues and a market cap of approximately $150 billion.

- **Pick winners early and help them develop their businesses**: The final winning strategy involves making acquisitions early in the life cycle of a new industry or product line, long before most others recognize that it will grow significantly. This acquisition strategy requires a disciplined approach by management in three dimensions. First, you must be willing to make investments early, long before your competitors and the market see the industry's or company's potential. Second,

you need to make multiple bets and to expect that some will fail. Third, you need the skills and patience to nurture the acquired businesses.

6.2.2. Target Screening

According to BCG, the best acquirers know how to pick their targets by doing four things right:

- Consider M&A as an extension of their company's growth strategy where the primary purpose of M&A is not to grow big fast, but to do what they do better. Invest in their core and expand into highly related businesses that reinforce their core. Use acquisitions to buttress their basis of competition or to shift to a stronger basis of competition
- Develop clear view on growth opportunities and M&A needs. Define a growth strategy articulating growth aspirations, portfolio priorities (invest/divest), prioritized growth opportunities and method of growth (organic, M&A, JV/partnership). Articulate M&A strategy, clearly stating M&A objectives and sources of value tied to growth strategy and role of M&A within it
- Plan for opportunity long before any opportunity arises by creating a pipeline of priority acquisition targets, each with a customized investment thesis and systematically cultivate relationships with high-priority targets.
- Build M&A programs around frequent, continuous deal making and focus on small acquisitions initially before setting their sights on larger targets and/or targets adjacent to their core with increasing accumulated M&A experience and institutional knowledge (M&A capability).

6.2.3. Due diligence: Articulate a clear PMI philosophy

- We all know of companies that consistently deliver M&A value. What these companies have that others do not is often a post-merger integration philosophy—one that goes beyond traditional PMI (Post-Merger Integration) planning and execution and helps guide the entire deal. Creating a handful of guiding principles before planning is underway is a good way to anchor integration goals and processes. Some important areas articulated by PMI philosophy are:
- Clarify sources of value: During the due diligence stage, it is important to define the sources and stretch targets that can be generated from the merger through both revenues and cost synergies, and what it will take to capture those. A more conservative view can still be used for valuation and other elements of the deal structure.
- Extent of standardization and integration: Defining an appropriate level of standardization across different functions early in the process helps avoid integration overkill of shared functions. At this stage, set the pace of integration based on the minimum amount of integration required on day one (such as addressing all legal and financial compliance aspects). After day one, integration

efforts are based on the source of value and the size and complexity of the deal. Both of these aspects of depth and pace of integration are particularly important when the target is smaller than the acquirer and when value is in the market and in customer-facing parts of both organizations.

- Cultural integration: Breaking down cultural barriers is an important element in integrating programs and a prerequisite for capturing revenue synergies, especially in a people-centric business such as IT-BPO. It is important to take a balanced view on the cultural differences of each merger and how they need to be addressed, and not to overplay the sensitivities, which we find to be the case in many cross-border mergers by Indian companies.

6.2.4. Pre-close planning: Establish synergy targets, teams, and performance metrics

- The pre-close planning phase is a time for acquirers to translate their understanding of sources of value into explicit goals. It is the ideal time to set a high bar because there is a clear case for change, top management is paying attention, and stakeholders are committed. Successful pre-close planningconsists of three main factors:

- Set aggressive targets: The most successful integrations take an expansive view, establishing aggressive synergy targets through a bottom-up approach. Three top line areas deserve focus; protecting existing accounts and revenues, protecting the acquired company's revenue trajectory, and taking advantage of the joint capabilities to drive cross-selling and enhance go-to-market offerings.

- Establish teams: Make sure dedicated cross-functional teams are assigned to different synergy work streams and are ready to hit the ground running with a clear plan that details the resources and milestones.

- Align targets and KPIs: Among the most important elements for realizing synergies is aligning synergy targets and key performance indicators (KPI) for leadership teams and involved business units. It is important to recognize that cross-sell and development of new products/ solutions will not happen through a business as usual approach.

6.2.5. Post-close implementation: Follow a tiered approach

- Because revenue synergies are the most important yet most difficult to capture, most successful M&A deals are performed in a tiered approach. The approach consists of protecting existing value while creating added value:

- Protect existing value: Immediately after the merger, both the acquirer and the target are at risk of losing highly valuable sales resources and customers to competitors. Early, frequent, and positive communication can help retain customers and sales staff, as can being thoughtful about realigning people and their incentive structures. At the same time, the right resources from both companies must be deployed and focused on achieving the sales trajectory for the acquired company. Ideally, tracking the pipeline of existing business continues in

the same aggressive manner as before the acquisition.

- Create added value: Making the most of transformational value-creation opportunities—such as innovative product development, cross-selling, and upselling—requires a focused pursuit of early wins in existing accounts, removal of organizational barriers, and risk protection for sales teams. Remember, capitalizing on both companies' capabilities to develop new solutions will never come to fruition unless high-quality teams and resources are dedicated to the task.
- Clearly, setting aggressive synergy targets for the integration team and for leadership post- closure is essential to capturing a merger's full value.

6.2.6. Beyond 90 days: Continue tracking progress, particularly revenues

- More than 80 percent of cost synergies are realized within one year after a merger, and revenue synergies typically within two years. After this window closes, synergies that haven't been achieved are not likely to materialize. Therefore, capturing the full potential of synergies, especially revenue synergies, requires rigorous tracking for up to two years after the merger. After the initial burst of energy subsides, it is not unusual for team members to get consumed meeting the day-to-day demands of their jobs. We find that within three months, synergy initiatives are likely to slip well down the list of priorities. It is essential to maintain a continued focus on the program, especially revenue synergies, beyond the traditional 90 or even 180 days.

6.3. HR Issues in M&A

The human side of M&A activity, however, based upon the failure rates of M&As. So if people issues are so critical, why are they neglected? Possible reasons include:

- The belief that they are too soft, and, therefore, hard to manage
- Lack of awareness or consensus that people issues are critical
- No spokesperson to articulate these issues
- No model or framework that can serve as a tool to systematically understand and manage the people issues; and therefore
- The focus of attention in M&A activity is on other activities such as finance, accounting, and manufacturing

Research, however, indicates that people issues occur at several phases or stages of M&A activity. More specifically, people issues in just the integration phase of mergers and acquisitions include: (1) retention of key talent; (2) communications; (3) retention of key managers; and (4) integration of corporate cultures. From these flow numerous, more detailed people issues, e.g., evaluation and selection of duplicate managerial talent to determine who remains and who departs after the merger or acquisition.

In the process of integrating corporate cultures, entire sets of human resource policies

and practice from both companies may be subject to evaluation, revision, or replacement. While these human resource issues are important in M&A activity throughout the world, their importance tends to vary by the type of M&A combination. For example, if it is an acquisition that will allow for separation of the acquired company, there may be fewer evaluation, selection, and replacement decisions than in acquisitions that result incomplete integration of the two companies.

In addition to these people issues in the integration phase of M&A activity, there are several other people issues that are evident in the phases before and after integration. Those become more evident and more manageable by detailing a model of M&A activity.

1. Pre-Merger-Phase	2. Merger-Phase	3. Post-Merger-Phase
Due Diligence Human Resources Culture Organization Recruitment Key players Merger-Team Operative Business Rationalization potential Process organization HR-System Communication Information External contact to labor union	Communication Intern Extern Organization Organization Post-Merger Management Tasks Responsibility Timeframe HR-Integration Strategy Integration objectives Resources Employee supervision	HR Strategy Recruitment Reorganization Development HR-Systems Compensation Evaluation Development Culture Culture integration Value and norms transfer Interest adjustment Merger Syndrome Management

Source: Schuler, R. & Jackson, S. (2001). HR Issues and Activities in Mergers and Acquisitions. European Management Journal, 19(3), p.239–253.

The experiences of companies in merger and acquisition activity suggest a model of M&A activity that has three stages: (1) pre-combination; (2) combination— integration of the partners; and (3) solidification and advancement — the new entity. While these three stages are applicable to and encompass the larger set of business functions such as business strategy, finance, marketing, distribution, IT, and manufacturing, the issues highlighted here are those that reflect issues most closely associated with human resource management. Then to provide further focus and detail for these human resources (HR) issues in M&A activity.

6.3.1. Stage 1: Pre-Combination

- There are several human resource issues in this first stage of the M&A activity. While discussed together, the differences that may accompany a merger rather than an acquisition are noted. Because of the wide variation of mergers and

acquisitions that are possible, however, details of all such possible differences are not fully articulated here. In this Pre-Combination stage the most significant HR issues for M&A activity are illustrated in the above table.

- An important HR issue in the Pre-Combination stage of any M&A activity is identifying the reasons to initiate the activity. A substantial number of the many possible reasons for an M&A, are human resource related, e.g., acquisition of key talent. Here the M&A is announced because a major reason for the combination is to obtain that talent in the first place.
- Another important HR issue is the creation of a dedicated senior executive and a team to head the M&A process. A key reason for M&A failure is the lack of a capable leader who can focus completely on all the aspects of the M&A process, one of which is seeking out potential companies to merge with or acquire. Then after the identification of potential companies, comes the selection discussion of which one to choose. Regardless of how well the two other stages may be planned for and done, selection of the wrong partner is likely to diminish the possible success of the combination. Alternatively, selection of the right partner without a well-thought plan for managing the rest of the M&A process is also likely to diminish the possible success of the combination.
- A final HR issue highlighted is the 'planning to learn from the M&A process.' According to a global survey company's recent global survey:
- "Companies that embark on a program of M&A should build up a pool of talent, which they can redeploy to share and apply the learning gained around the organization. Similarly, they could and should be turning the knowledge and experience acquired in each deal into comprehensive, streamlined and pragmatic processes and knowledge centers, which can be applied to future deals.
- HR Implications and Actions. An immediate HR implication of this last HR issue is that organizations have a better understanding and knowledge base of the M&A process are likely to be more successful in their M&A activities. This understanding and this knowledge base, however, have to be shared and disseminated to have maximum impact because M&A activity is likely to affect everyone in the company, particularly if the combination results in extensive integration of the two companies. Significant HR implications result from the need to have a dedicated and skilled leader and team for M&A activities. This need is likely to be best served through the best use of a variety of HR practices working in concert, namely, recruitment, selection, development, appraisal, compensation, and labor relations.
- Conducting a thorough due diligence in the M&A process also has critical HR implications: Many CEOs gloss over softer HR issues, including potential cultural problems, only to realize later that they've made a huge mistake. Consequently, cultural assessments, as an element of soft due diligence, are also becoming common.

6.3.2. Stage 2: Combination — Integrating the Companies

- Although we are now at the second stage of the M&A process, it is important to acknowledge the base that has been established by the activities in the first stage. For example, for Stage 2 to be effective, it is important that planning for their integration activities be skillfully prepared in Stage 1: 'lack of integration planning is found in 80% of the M&A's that underperform' indicated by a scholar. This crucial second stage incorporates a wide variety of activities as shown in the above table. In general, integration is the process by which two companies combine after a merger or an acquisition is announced and pre-combination activities are completed.
- This crucial second stage incorporates a wide variety of activities. In general, integration is the process by which two companies combine after a merger or an acquisition is announced and pre-combination activities are completed.
- HR Implications and Actions. Perhaps the most critical HR issue for the success of this integration stage is selection of the integration manager. Combinations that were guided by the integration manager:
    - ✓ Retained a higher % of the acquired companies' leaders
    - ✓ Retained a higher % of the total employees
    - ✓ Achieved business goals earlier
- There are several things about the integration manager:
    - ✓ It is important to have an integration manager to focus exclusively on the particular acquisition or merger.
    - ✓ This person is not one of the people running the business.
    - ✓ Usually it is someone on loan to the business for a period of time to focus solely on integration issues.
    - ✓ This person helps to provide continuity between the deal team and management of the new company. Such people 'understand the company,' 'feel ownership,' and 'are passionate about making it work'.
    - ✓ The integration manager may be part of a 'steering committee' along with other top executives. This is the group responsible for setting the role, process and objectives of the integration and overseeing the progress of integration teams across various M&A projects.
- Another critical HR issue is the selection of a leader who will actually manage the new business combination. If an acquired business has unclear or absent leadership, the result will be crippling uncertainty, lack of direction, stalled new product development, and the postponement of important decisions. Strong leadership is essential to acquisition success — perhaps the single most important success factor. A strong leader's influence will be quickly recognized and praised.
- Managing integration involves preparing the staff for the change, involving them

to help ensure understanding, preparing a schedule for the changes, making the changes, and then putting in place all the structures, policies and practices to support the new operation.

- Managing the communication process is also a valuable way to retain and motivate key employees. It also plays a critical role in the process of change and the entire stage of integration.
- A final HR issue is the need to create policies and practices for learning and knowledge sharing and transfer. Many of the same lessons were learned repeatedly and simultaneously across business units as well as from other companies. Thus, sharing those lessons enhances integration and improves the likelihood of success. Forums for information sharing and the Intranet are tools that companies can use to facilitate the sharing knowledge.
- Helping ensure that knowledge and learning are shared across units are HR policies and practices that appraise and reward employee sharing, flexibility, development and long-term orientation.
- Overall, this second stage of integration in an M&A activity is extensive and complex. Whereas Stage 1 activities set the scene for M&A activity, those in Stage 2 are the ones that make the activity come to life. Clearly there are differences here between a merger and an acquisition, differences between a merger of equals and non-equals, and differences between an acquisition with inclusion and an acquisition with separation.

6.3.3. Stage 3: Solidification and Assessment of the New Entity

- Particularly for a merger of equals with high levels of inclusion, there is a clear and specific new entity that is created.
- HR Issues and HR Implications and Actions. As the new combination takes shape, it faces issues of readjusting, solidifying and fine-tuning. These issues take on varying degrees of intensity, although not importance, depending upon whether it is a merger of inclusion rather than one of separation or an acquisition of relative equal versus unequal.
- The strategy and structure have to be assessed and revised. The new top management is being given more control to develop a new strategy as cost cutting by reducing supplier costs and reducing product offerings. Consequently, staff may be reduced as well. Along with this the culture changes, both to reflect the new strategy and the new leadership. This new culture, combined with the new strategy and structure, is reshaping the thrust of performance appraisal and compensation to focus more on cost cutting objectives, supplier management, and flexibility and employee morale.
- These illustrate the HR issues and activities that can be expected to occur after the Combination Stage has been completed. Of course, change is a constant in almost any company today, as the macro factors in the global environment continue to change and present new conditions for all companies.

6.4. HR Due Diligence

According to an article published on “Harvard Business Review” by David Harding and Ted Rouse, the most obvious consequence of making a deal without conducting human due diligence is a significant loss of talent right after the deal’s announcement. Less obvious is the problem of long-term attrition: Research shows that companies continue to lose disproportionate numbers of executives years after their merger deals have closed. For those who remain, confusion over differences in decision-making styles leads to infighting. Managers postpone decisions or are blocked from making them. Integration stalls and productivity declines.

That’s the bad news. The good news is that HR due diligence can help acquirers avoid these problems. When they have done their homework, acquirers can uncover capability gaps, points of friction, and differences in decision making. Most important, they can make the critical people decisions—who stays, who goes, who runs the combined business, what to do with the rank and file—when a deal is announced, or shortly thereafter.

HR due diligence lays the groundwork for smooth integration. Done early enough, it also helps acquirers decide whether to embrace or kill a deal and determine the price they are willing to pay. In hostile situations, it’s obviously more difficult to conduct due diligence. However, there is still a certain amount of HR due diligence that companies can and must do to reduce the inevitable fallout from the acquisition process and smooth the integration.

So what does good HR due diligence actually involve? In our experience, an acquiring company must start with the fundamental question that all deals should be built on: What is the purpose of the deal? The answer to that question leads to two more: Whose culture will the new organization adopt, and what organizational structure should be adopted? Once those questions are answered, HR due diligence can focus on determining how well the target’s current structure and culture will mesh with those of the proposed new company, which top executives should be retained and by what means, and how to manage the reaction of the rank and file.

In public, deal-making executives routinely speak of acquisitions as “mergers of equals.” That’s diplomatic, but it’s usually not true. In many, if not most, deals, there is not only a financial acquirer; there is also a cultural acquirer, who will set the tone for the new organization after the deal is done. Often they are one and the same, but they don’t have to be.

The big problem with saying that an acquisition is a merger of equals is that it allows management to postpone acknowledging which firm is the cultural acquirer, which makes pre-deal HR due diligence all but impossible. Before you can evaluate potential people problems, you have to know which culture you want to end up with. Who the cultural acquirer is depends on the fundamental goal of the acquisition. If the objective is to strengthen the existing business by gaining customers and achieving economies of scale, then the financial acquirer normally assumes the role of cultural acquirer. In such cases, the acquirer will be less interested in the target’s people than in its physical

assets and customers, though that shouldn't discourage the acquirer from cherry-picking the best talent the target has to offer. The main focus of HR due diligence, therefore, will be to verify that the target's culture is compatible enough with the acquirer's to allow for the building of necessary bridges between the two organizations. But, if the deal is intended to transform the financial acquirer's business, then the target firm is likely to be the cultural acquirer.

It's rare that two firms can be combined without making hard decisions about whose structure to adopt (should business units be based on our products or their geographies?), who should report to whom, how decisions will be made, and so on. In most cases, executives looking at a deal will have ideas about which structure they prefer, but they need to know whether the proposed structure makes sense given the organizational realities of the target.

The first issue to diagnose is whether the target has a coherent, functioning organizational structure that allows it to make and execute decisions effectively. How and where are the business units deployed? What is the reporting structure? How many levels of authority stand between the top of the organization and the front line? How is authority distributed between layers? Think of this as the "hardware" of the organization.

The second issue to address is the internal dynamics of the target, or its "software." What process do the target's executives use to make strategic and operating decisions? How effective are the checks and balances on the key decision makers? Where will the most significant points of friction emerge in combining the target's functions or divisions with those of the acquirer?

To address these questions, the acquirer's HR due diligence team should begin by looking at the hard data: organization charts, head counts, and job descriptions. From this research, the team should be able to create a profile of the target's basic organization, identify the reporting lines, lay out flowcharts that track how decisions are made and implemented, and describe the various official mechanisms for controlling the quality of decision making (board reviews, steering committees, and the like).

This data-based exercise, however, can take the team only so far. As any manager worth his or her salt knows, the organization chart reveals little about how effective a company's structure is. In friendly deals, therefore, the HR due diligence team should approach decision makers and their reports to compare practice to theory and uncover the strengths and weaknesses of the organization: Are decisions really made through the official channels? Which departments and functions are best at making decisions? The output could consist of an additional set of flowcharts diagramming the decision-making process. Clearly, this assessment is only feasible in a friendly deal—and usually only after the intention to make the deal has been announced.

The final task for the acquirer's HR due diligence team in addressing organizational issues is to take stock of the target's assets and capabilities and determine which

departments and functions possess those capabilities. This, obviously, is especially important for deals where the point is to acquire assets and capabilities. The unit of analysis at this stage is not individuals, but entire business units, functions, or technical departments. The team will begin by reviewing the roles, goals, and job descriptions of key areas of the company. What is the scope of the units' responsibilities, and how well have they delivered? How does the quality of the output of the target compare with that of the acquirer? Team members should supplement these observations with a careful reading of the various units' management accounts (an exercise that will overlap with financial due diligence). It may also help to approach managers at key customers directly to ascertain their perspective on where the target excels or falls down.

In many deals it isn't always obvious which firm is the cultural acquirer. Even when it is obvious, changing cultures is not simple. So it's critical that the acquirer get a sense of the similarities and differences between two organizations' cultures and just what the cultural transition will involve. This is so, even if the investment thesis downplays the importance of the culture.

HR due diligence efforts focused on culture have to begin with a clear understanding of what the target company's culture actually is. The acquirer should start by looking at the business press to see what the target's key stakeholders have to say about the matter and supplement that research with interviews with representatives from each group of stakeholders, if possible. The target's executives can explain how they view their mission, their values, and their own cultural style. The decision-making diagnosis we talked about above is another tool the acquirer can use to identify differences in the two organizations' processes that actually reflect fundamental cultural differences. For example, is decision making centralized or decentralized at the target company? Customers can shed light on how the target goes to market and responds to change. Competitors and suppliers can provide information on how the target is perceived in its industry. With this information, the acquirer can begin making decisions about the desired culture and put ground rules in place even before the deal is announced.

But the really useful cultural work of HR due diligence starts after the deal is officially on the table. Then it becomes easier for the companies to work together openly. There's a lot a HR due diligence team can learn simply by spending time at the target. Team members can see firsthand what the company's norms are about space, communication, meeting management, and dress—all important cultural symbols. They can talk to the company's "heroes" and decipher what they stand for. And they can review compensation, performance management, and other systems to get an idea of the values and behavior the company promotes.

After an announcement, a company can also start applying a useful cultural assessment tool: the employee survey. In this kind of survey, employees from both companies are asked to rate their own company's culture along a host of dimensions. They are also asked what they would like the combined company to look like in each of those categories. Along with face-to-face interviews, these survey data can reveal where friction and clashes are likely to spring up.

While it's helpful for the acquirer to take stock of data from employee culture surveys, it's even more useful to get the managers from both companies to examine the data together in workshops. Indeed, the process of a joint review is as valuable as the data it produces. Executives participating in such workshops immerse themselves at first in the distinctions between the two cultures highlighted by the data. Then the floodgates open, and they often find they agree on many elements of the culture for the new organization, which becomes a rallying point.

Defining the values of the new culture, translating those values into specific expectations for behavior, and coming up with a plan to move both organizations to the new culture goes a long way toward understanding how each side works and what each assumes to be normal. The process also knits together the leadership team, turning its members into role models for the new culture.

If the financial acquirer is also the cultural acquirer, the company is likely to want to retain its own people in the top jobs. But keeping great talent from an acquired organization not only can upgrade the effectiveness of your company; it can also send a powerful message to those in the target firm about how they will be treated in the merger. What the acquirer really needs to do is get to know the management team of the target, so that it can judge who are the most talented leaders and then put the best people in each position.

Not every company, of course, wants to retain all its target's managers, and most will need to determine who goes and who stays. Working that out requires the same kind of detailed assessment that goes into any high-level hiring effort. Acquisition team members should gather performance reviews, interview third parties (headhunters and former executives, for instance), and assess the executives' track records. They should probe the executives' leadership styles and evaluate how they have dealt with difficult decisions. Most of all, acquisition team members should simply spend time with their counterparts in the target company, preferably on the target's turf, getting to know them as individuals.

The acquirer can then make judgments about which individuals in those units to keep on. If it is the people in sales who are essential to the acquisition's success, the team should talk to customers about which sales reps are the best, possibly combining this with the cultural interviews we described earlier. If the acquirer is buying research and development capabilities, it needs to bring in outside experts capable of evaluating the target's scientists and engineers. A particularly useful tool for assessing talent at a target is forced ranking. This needs to involve some combination of HR and key senior employees who will be part of the new organization. Using performance reviews and input from senior executives, the acquisition team can usually rank every employee in the critical departments from top to bottom. These results can be cross-checked against individual bonus awards, which are often a good guide to past performance.

Once key people are identified, the acquirer must face the challenge of retaining them. Those at the top may have an ownership stake in the company, which could generate a big payout as a result of the acquisition, and they may feel they can safely leave the

company or retire. Even those without an ownership stake may decide it's time to seek greener pastures. To complicate the situation, the acquirer may want to keep some of its new employees over the long term while retaining others only for six months or a year. The best way to solve this puzzle, typically, is to put your cards on the table: Tell people exactly what you're hoping they will do, be it stay for a short while or stay on long term, and design incentives to encourage just that. Nonfinancial rewards and aspirations are important as well. If you can convince people that they'll now be part of a bigger, more exciting organization, they'll be more likely to stay on.

Intimately linked with the question of whom you want to retain is the question of post-merger morale. The success of pretty much any deal (except perhaps those in which the acquirer is really only after a specific physical asset or patent) depends on what the target's employees think about the deal. Are they pleased or are they horrified to be acquired? Are they afraid? Will they actively undermine efforts to change the organization? Their attitudes will determine whether the acquirer can retain key employees, how difficult it will be to acculturate them, and whether they will accept new structures and processes.

If the deal is hostile, of course, you will not be well placed to gauge employee morale. Incumbent management at the target will be telling employees that the deal is a nonstarter and will be bad for the company. For that reason, pulling off a hostile acquisition whose investment thesis is based on the people is extremely challenging. But if the deal is a friendly one, then there's a lot you can do to gauge and even manage the attitudes of the target's people.

The obvious starting point is employee surveys. Most companies keep track of their employee satisfaction levels, and the results of these surveys can tell you a lot about employees' attitudes toward their company. Do they feel that there is a free flow of information up and down the hierarchy? Do they believe that they are rewarded on the basis of merit and hard work? You can also find out which units are happy with the status quo and which are not, thereby indicating where the main communication challenges will lie. Units that are happy with the status quo may resist the changes you propose, while those that are dissatisfied may look on you as a white knight. In addition to reviewing past surveys, you can work with the target to directly survey employees about their attitudes toward your company as an acquirer. And you can monitor industry and employee placement chat rooms to see what's being posted by your employees and by competitors. As you build a picture of employee attitudes at your target, you will probably want to move beyond surveys to spend time with frontline employees on their coffee breaks and lunch hours, walking through plants and offices, talking with people at the operating level.

Conducting HR due diligence requires both sustained commitment from senior executives and the allocation of the necessary resources. It is particularly hard to do when, as too often happens, executives of a would-be acquirer are hastily responding to an opportunity that has suddenly appeared on their radar screen. There is little time even to create a cogent deal thesis to test, let alone find the time to do the kind of due diligence on people issues that a successful deal entails. But there's another way to go

about it. The most successful acquirers have a strategic rationale behind their deals. They build a pipeline of potential acquisitions that fit the rationale, on which they can conduct ongoing due diligence, both financial and human, before any merger opportunities ever arise.

With that kind of approach, acquirers usually have plenty of time and opportunity to pursue thorough human due diligence over a period of months or even years. When formal due diligence kicks off, these acquirers already know a lot about the target, including the strengths and weaknesses of its key people. They have a good idea from the outset of who is going to be the cultural acquirer in the deal, reducing the odds of misunderstandings or culture clashes. Done this way, HR due diligence can turn people issues from a potential liability into a solid asset. We highlight some important issues regarding HR due diligence as follows:

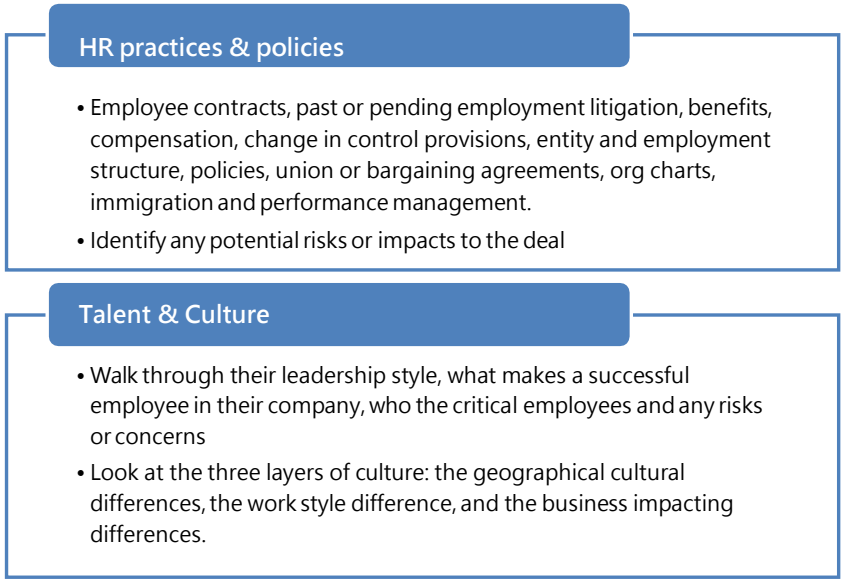
6.4.1. Beyond securing financing and readying one's own financial records, a company should have a clear sense of the strategic purpose of a merger or acquisition, the desired characteristics in the acquired company.

6.4.2. Identifying appropriate candidates for merger/acquisition. Physical, cultural, and sociopolitical distances may be significant factors in choosing candidates, since these differences will affect the length of time and the resources required to achieve integration after the merger.

6.4.3. Initial expectations are defined and a letter of intent is created through preliminary meetings.

6.4.4. Due diligence is time-consuming but critical. Usually, an M&A team representing different functions, including HR, are assembled. The information assembled (through close review of the company's records, public information, and industry knowledge) forms the basis for the final agreement.

6.4.5. There are three main areas that HR should focus on during due diligence:



Source: Harding, D. & Rouse, T. (2007). Human Due Diligence.Harvard Business Review, April, p.124-131.

HR employment practices and policies: Employment practices and policies, which is a rather large bucket of work, captures all of the detailed HR work. This is the traditional part of diligence that requires digging through piles of data to gain a grasp of everything happening within the company. Key areas for review include employee contracts, past or pending employment litigation, benefits, compensation, change in control provisions, entity and employment structure, policies, union or bargaining agreements, org charts, immigration, and performance management. The goal is two-fold: (a). understand what they are doing and; (b). identify any potential risks or impacts to the deal.

Talent: The next key area to review is talent. As the HR leader for diligence, you will want to set up time to meet with the CEO and key leaders to talk through the talent in the organization. This should be a small group so that each person is able to speak freely. Walk through their leadership style, what makes a successful employee in their company, who the critical employees are, and any risks or concerns.

Culture: The final key area of diligence is a review of the company's culture. Culture diligence has become a normal and accepted part of the process over the last few years. Earlier, it was brushed off by the business, but after numerous articles and real life examples in which acquisitions have failed due to companies turning a blind eye to cultural challenges, business leaders are much more receptive to the discussion of culture.

7. Merging Culture

When a merger or acquisition unexpectedly heads south, the costs are painfully clear. Morale drops. Synergies fail to materialize. Key people—those you planned to keep—start heading for the exits. But what's really going on? Why is the system suddenly failing? A likely cause of the trouble is culture clash, according to Bain & Company. In a culture clash,

the companies' fundamental ways of working are so different and so easily misinterpreted that people feel frustrated and anxious, leading to demoralization and defections. Productivity flags, and no one seems to know how to fix it.

Acquirers have well-developed toolkits for managing the financial and operational aspects of a deal; they track results closely and they hold executives accountable for hitting their targets on schedule. Merging two disparate cultures, by contrast, typically seems "soft"—both difficult to measure and almost impossible to manage directly. As a result, few organizations apply the same rigor to managing and steering cultural merging that they apply to a conventional, hard-dollar synergy.

To merge two cultures, savvy acquirers first define the cultural objective in broad terms. This is invariably a job for the chief executive—and the CEO has to be willing to sustain his or her commitment until the objective is realized. Setting the cultural agenda necessarily involves hard choices. What is the culture you want to see emerge from the combination of the two organizations? Even with substantially different cultures, two companies may form a workable union if they apply the appropriate merger strategy. The four main strategies for merging different corporate cultures are assimilation, deculturation, integration, and separation:

Strategies for merging different organizational culture

MERGER STRATEGY	DESCRIPTION	WORKS BEST WHEN:
Assimilation	Acquired company embraces acquiring firm's culture.	Acquired firm has a weak culture.
Deculturation	Acquiring firm imposes its culture on unwilling acquired firm.	Rarely works—may be necessary only when acquired firm's culture doesn't work but employees don't realize it.
Integration	Merging companies combine the two or more cultures into a new composite culture.	Existing cultures can be improved.
Separation	Merging companies remain distinct entities with minimal exchange of culture or organizational practices.	Firms operate successfully in different businesses requiring different culture.

Source: McShane, S.L. & Von Glinow, M.A. (2009). Organizational Behavior: Emerging Knowledge, Global Reality. McGraw-Hill

7.1. Assimilation

Assimilation occurs when employees at the acquired company willingly embrace the cultural values of the acquiring organization. This tends to occur when the acquired company has a weak culture that is dysfunctional, whereas the acquiring company's culture is strong and focused on clearly defined values. Culture clash is rare with assimilation because the acquired firm's culture is weak and employees are looking for better cultural alternatives.

7.2. Deculturation

Assimilation is rare. Employees usually resist organizational change, particularly when they include throwing away personal and cultural values. Under these conditions, some acquiring companies apply a deculturation strategy by imposing their culture and business practices on the acquired organization. The acquiring firm strips away artifacts and reward systems that support the old culture. People who cannot adopt the acquiring company's culture are often terminated. Deculturation may be necessary when the acquired firm's culture doesn't work but employees aren't convinced of this. However, this strategy rarely works because it increases the risk of socio-emotional conflict. Employees from the acquired firm resist the cultural intrusions from the buying firm, thereby delaying or undermining the merger process.

7.3. Integration

A third strategy is to integrate the corporate cultures of both organizations. This involves combining two or more cultures into a new composite culture that preserves the best features of the previous cultures. Integration is most effective when the companies have relatively weak cultures or when their cultures include several overlapping values. Integration also works best when people realize that their existing cultures are ineffective and are therefore motivated to adopt a new set of dominant values. However, integration is slow and potentially risky, because there are many forces preserving the existing cultures.

7.4. Separation

A separation strategy occurs where the merging companies agree to remain distinct entities with minimal exchange of culture or organizational practices. Separation is most appropriate when the two merging companies are in unrelated industries because the most appropriate cultural values tend to differ by industry. Unfortunately, few acquired firms remain independent for long because executives in the acquiring firm want to control corporate decisions. Therefore, it's not surprising that only 15 percent of acquisitions leave the purchased organization as a stand-alone unit.

Cultural merging isn't something that can wait until a deal is done. Sophisticated acquirers take stock of possible cultural clashes as part of their due diligence well in advance of a merger or acquisition, and they prioritize those cultural issues that might put synergy values at risk. Employees always watch for signals from the top of the organization, because they know that their own managers will be guided by those signals. But if the signs are positive—if the senior team seems truly committed to building a culture that excites employees about the future—then the strategies of cultural merging will help pave the way to deal success.

Whether merging two cultures or reshaping the firm's existing values, corporate leaders need to understand how to change and strengthen the organization's dominant culture. Indeed, some organizational scholars conclude that the only way to ensure any lasting change is to realign cultural values with those changes. In other words, changes "stick" when they become "the way we do things around here.

Corporate leaders need to make employees aware of the urgency for change. Then they need to "unfreeze" the existing culture by removing artifacts that represent that culture and "refreeze" the new culture by introducing artifacts that communicate and reinforce the new values. Artifacts communicate and reinforce the new corporate culture, but we also need to consider ways to further strengthen that culture. Five approaches commonly cited in the literature are the actions of founders and leaders, introducing culturally consistent rewards, maintaining a stable workforce, managing the cultural network, and selecting and socializing new employees.

Actions of founders and leaders. Founders establish an organization's culture. Founders develop the systems and structures that support their personal values. Founders are often visionaries whose energetic style provides a powerful role model for others to follow. The founder's cultural imprint often remains with the organization for decades. In spite of the founder's effect, subsequent leaders can break the organization away from the founder's values if they apply the transformational leadership. Transformational leaders strengthen organizational culture by communicating and enacting their vision of the future. Cultural values are particularly reinforced when leaders behave in ways that are consistent with the vision ("walking the talk").

Introducing culturally consistent rewards. Reward systems strengthen corporate culture when they are consistent with cultural values. Aggressive cultures might offer more performance-based individual incentives, whereas paternalistic cultures would more likely offer employee assistance, programs, medical insurance, and other benefits that support employee wellbeing.

Maintaining a stable workforce. An organization's culture is embedded in the minds of its employees. Organizational stories are rarely written down; rituals and celebrations do not usually exist in procedure manuals; organizational metaphors are not found in corporate directories. Thus, organizations depend on a stable workforce to communicate and reinforce the dominant beliefs and values. The organization's culture can literally disintegrate during periods of high turnover and precipitous downsizing because the corporate memory leaves with these employees. Corporate culture also weakens during periods of rapid expansion or mergers because it takes time for incoming employees to learn about and accept the dominant corporate values and assumptions. For this reason, some organizations keep their culture intact by moderating employment growth and correcting turnover problems.

Managing the cultural network. Organization culture is learned, so an effective network of cultural transmission is necessary to strengthen the company's underlying assumptions, values, and beliefs. The cultural network exists through the organizational grapevine. It is also supported through frequent opportunities for interaction so that employees can share stories and reenact rituals. Senior executives must tap into the cultural network, sharing their own stories and creating new ceremonies and other opportunities to demonstrate shared meaning. Company magazines and other media can also strengthen organizational culture by communicating cultural values and beliefs more efficiently.

Selecting and socializing employees. A good fit of personal and organizational values

makes it easier for employees to adopt the corporate culture. A good person-organization fit also improves job satisfaction and organizational loyalty because new hires with values compatible to the corporate culture adjust more quickly to the organization. Job applicants are also paying more attention to corporate culture during the hiring process. Job applicants ask corporate culture questions more than any other topic, aside from pay and benefits. They realize that as employees, they must feel comfortable with the company's values, not just the job duties and hours of work.

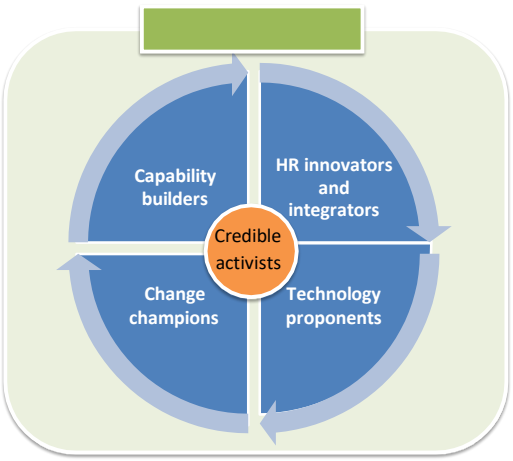
Along with selecting people with compatible values, companies maintain strong cultures through the effective socialization of new employees. Organizational socialization refers to the process by which individuals learn the values, expected behaviors, and social knowledge necessary to assume their roles in the organization. By communicating the company's dominant values, job candidates and new hires are more likely to internalize these values quickly and deeply. HR should know that socialization partially includes the process of learning about the company's culture and adopting its set of values. This process begins long before the first day of work. People learn about the organization's culture through recruiting literature, advertising, and news media reports about the company. During the recruitment process, some companies provide information about "the way things are done around here." Even if this information is not forthcoming,
applicants might learn from employees, customers, and others who regularly interact with the organization.

By the first day of work, newcomers have a fairly clear (although not necessarily accurate) perception about the company's culture. These perceptions are tested against everyday experiences. To some extent, newcomers align their values with the organizations to minimize conflict.

8. HR Competencies

HR competencies include knowledge, ability, and values, which defines what is expected from those who work in HR and forms the basis for assessment and improvement in the quality of HR professionals. A more than twenty-years, large-scale study, which collected 360-degree surveys from over 40,000 HR professionals in hundreds of companies, plus extensive reviews of academic work, has evaluated every mainstream HR competency in companies that represent a wide range of industries, sizes, and locations, including Europe, Asia, Latin America, and North America. Dave Ulrich and Wayne Brockbank from the RBL Group and the Ross School of Business at the University of Michigan conducted the Human Resource Competency Study (HRCS) to generate three high-level dimensions with six HR competency domains. These six HR competence domains come from assessment by HR professionals and their line associates to139 specific competency stated survey items.

The HR Competency Model



Source: Ulrich, D. & Brockbank, W. (2012). Human Resource Competency Study. The RBL Group.

8.1. Strategic Positioner

High performing HR professionals think and act from the outside/in. They are deeply knowledgeable of and able to translate external business trends into internal decisions and actions. They understand the general business conditions (e.g., social, technological, economic, political, environmental, and demographic trends) that affect their industry and geography. They target and serve key customers of their organization by identifying customer segments, knowing customer expectations, and aligning organization actions to meet customer needs. They also co-create their organizations' strategic responses to business conditions and customer expectations by helping frame and make strategic and organization choices.

8.2. Credible Activist

Effective HR professionals are credible activists because they build their personal trust through business acumen. Credibility comes with HR professionals do what they promise, build personal relationships of trust, and can be relied on. Being a trust advisor helps HR professionals have positive personal relationships. It means to communicate clear and consistent messages with integrity. As an activist, HR professionals have a point of view, not only about HR activities, but about business demands. As activists, HR professionals learn how to influence others in a positive way through clear, consistent, and high impact communications. Some have called this HR with an attitude. HR professionals who are credible but not activists are admired, but do not have much impact. Those who are activists but not credible may have good ideas, but not much attention will be given to them. To be credible activists, HR professionals need to be self-aware and committed to building their profession.

8.3. Capability Builder

An effective HR professional melds individual abilities into an effective and strong organization by helping to define and build its organization capabilities. Organization is

not structure or process; it is a distinct set of capabilities. Capability represents what the organization is good at and known for. HR professionals should be able to audit and invest in the creation of organizational capabilities. These capabilities outlast the behavior or performance of any individual manager or system. Capabilities have been referred to as a company's culture, process, or identity. HR professionals should facilitate capability audits to determine the identity of the organizations. Such capabilities include customer service, speed, quality, efficiency, innovation, and collaboration. One such emerging capability of successful organizations is to create an organization where employees find meaning and purpose at work. HR professionals can help line managers create meaning so that the capability of the organization reflects the deeper values of the employees.

8.4. Change Champion

As change champions, HR professionals make sure that isolated and independent organization actions are integrated and sustained through disciplined change processes. HR professionals make an organization's internal capacity for change match or lead the external pace of change. As change champions, HR Professionals help make change happen at institutional (changing patterns), initiative (making things happen), and individual (enabling personal change) levels. To make change happen at these three levels, HR professionals play two critical roles in the change process. First, they initiate change which means that they build a case for why change matters, overcome resistance to change, engage key stakeholders in the process of change, and articulate the decisions to start change. Second, they sustain change by institutionalizing change through organizational resources, organization structure, communication, and continual learning. As change champions, HR professionals partner to create organizations that are agile, flexible, responsive, and able to make transformation happen in ways that create sustainable value.

8.5. Human Resource Innovator and Integrator

Effective HR professionals know the historical research on HR so that they can innovative and integrate HR practices into unified solutions to solve future business problems. They must know latest insights on key HR practice areas related to human capital (talent sourcing, talent development), performance accountability (appraisal, rewards), organization design (teamwork, organization development), and communication. They must also be able to turn these unique HR practice areas into integrated solutions, generally around an organization's leadership brand. These innovative and integrated HR practices then result in high impact on business results by ensuring that HR practices maintain their focus over the long run and do not become seduced by HR "flavor the month" or by another firm's "best practices".

8.6. Technology Proponent

In recent years, technology has changed the way in which HR people think and do their administrative and strategic work. At a basic level, HR professionals need to use technology to more efficiently deliver HR administrative systems like benefits, payroll processing, healthcare costs, and other administrative services. In addition, HR professionals need to use technology to help people stay connected with each other.

This means that technology plays an increasingly important role in improving communications, do administrative work more efficiently, and connecting inside employees to outside customers. An emerging technology trend is using technology as a relationship building tool through social media. Leveraging social media enables the business to position itself for future growth. HR professionals who understand technology will create improved organizational identity outside the company and improve social relationships inside the company. As technology exponents HR professionals have to access, advocate, analyze and align technology for information, efficiency, and relationships.

Because these six domains of HR competence (Please see the summary in below figure) respond to the external trends we identified, they have an impact on both the perception of the effectiveness of the HR professional and the business performance where the HR professional works.

9. HR and IT Competencies

With the growth of Information Technology (IT) usage, HR professionals are increasingly being tasked with helping to identify technology needs, managing IT vendors, and mobilizing IT to support and evaluate the HR function. All of these tasks require IT expertise that influences how well the HR professionals can apply IT knowledge, applications, and information systems to their tasks in the computing environment.

In the computing environment, maximizing IT potential presumes not only that the technology be adopted and used but also that it be used well. Competence in IT is especially important because of its effect on the performance of IT usage. Lack of IT competencies has impacted the adaptation and implementation of the IT-supported application. However, HR professionals as well as business managers should not be expected to know everything about IT because they have different knowledge, assumptions, and expectations concerning IT. Thus, IT competencies for HR people are defined as “the set of IT-related knowledge and experience that a HR professional possesses”. The IT competencies are divided into the following four clusters:

Technology & Applications involve the awareness of current and emergent technologies and knowledge that is both generic to all industries and specific to the organization and its competitors. This cluster also includes knowledge of current and emergent applications and generic and organization-specific applications.

System Development involves an understanding of system development methods and project management practices.

Management of IT includes knowledge of IT planning, business deployment, IT resource allocation, and mapping of IT-knowledge people and secondary sources of IT knowledge.

IT Experience includes experience with using IT, implementing IT projects, and managing IT functions that reflect both the diversity of IT experience and the level of IT responsibility taken. This cluster also involves having a process-oriented view of an organization to synergize information-system and business processes and having a vision for the role of IT

in an organization and seeking IT transformational power.

In computing environment, it will require a synthesis of HR professionals' expertise in IT competency domains. Hands-on experience with IT projects and IT management are critical to building IT competencies in HR, and HR practitioners should be involved in IT-related project teams and teach more conceptual topics, such as project management or IT management, rather than focus on narrow software-related training. Moreover, HR professionals can leverage Management of IT to access IT knowledge and as a reference for where and how to obtain information about IT to help prepare HR professionals to fulfill their roles. Primary sources of IT knowledge are knowledgeable people, internal or external, while secondary sources are the Internet, journals and conferences, for example.

10. HR Transformation through Technology

10.1. Personnel to Human Resources

In the 20th century, Human Resource (HR) departments were called personnel departments, and these departments created procedures, forms, and levels of authorization to process personnel recruiting, payroll, attendance and leave, and performance appraisals. These departments also helped organizations meet the requirements of government laws, rules, and regulations relating to equal employment opportunities, occupational safety and health, and employee benefits. Because the department's functions are largely administrative, the development of information technology (IT) focused on operational efficiency within these departments. Personnel departments implemented Human Resource Information Systems (HRIS) to automate their internal workflows. By gathering, storing, integrating, and transforming HR administrative data into information that can be utilized in HR decision making, HRIS can improve the quality and efficiency of HR departments and

can relieve the administrative burden of HR's day-to-day duties.

As more transactional services became provided electronically via HRIS, HR personnel obtained greater opportunities to focus on human relations tasks, such as training, development, employee relations, and total rewards. By the end of the 1980s, personnel departments had generally been renamed HR departments. This development marked the first wave of the transformation of HR departments. However, HRIS were insufficient for the new role of HR departments. Line managers and employees increasingly believed that information systems should not only improve HR processes in terms of business planning and personnel capabilities but also allow company employees to manage their own personnel information.

10.2. Human Resources to Business Partners

During the 1990s, electronic human resource management (e-HRM) emerged due to the growth of corporate intranets. In contrast to HRIS, e-HRM extends beyond traditional HR-related administrative functions to provide a web-based HR channel for the entire organization. In fact, e-HRM is an umbrella term that covers all of the possible integration mechanisms and content of HR and IT, such as HR portals, talent profile mapping, e-learning, and human capital dashboards. The primary goal of e-HRM is to support decision making and to provide self-service capabilities for

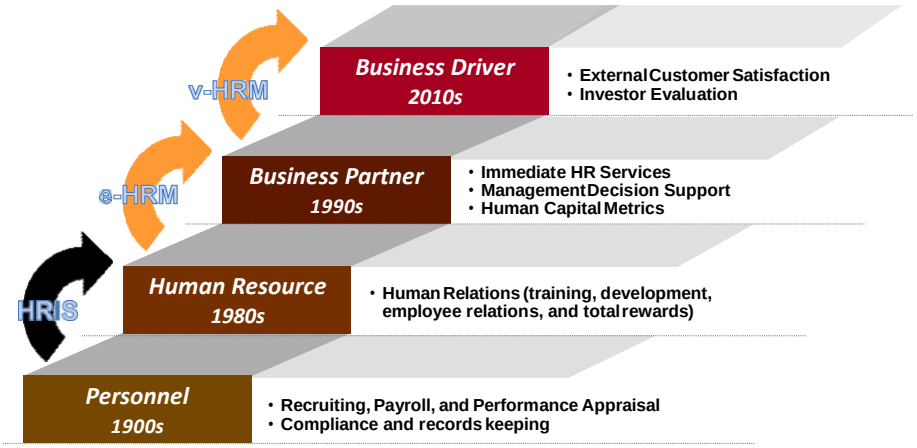
internal corporate stakeholders, including employees and line managers. Thus, HR has become a business partner that helps align business functions with HR-related policies and practices. This evolution constitutes the second wave of the HR transformation.

10.3. Business Partners to Business Drivers

Alterations in HR functions are expected to continue. In the late 1990s, Fortune magazine published a story about “blowing up the HR function”; this story indicated that HR was not considered to be a department that adds strategic value to a firm. As business partners, HR departments can deliver immediate HR services, management decision support, and human capital metrics, but they cannot deliver business results. Therefore, HR is expected to cease being a passive business partner and instead becomes a proactive business driver that seeks solutions that involve and influence the perspectives of external stakeholders (i.e., investors and customers) and thereby directly impact business results. Although the management of external stakeholders is traditionally the domain of sales, marketing, and public relations, the expansion of HR into this new territory can allow these departments to follow a top-down process to derive service strategies that are driven by outcome measures. For example, by connecting with customers, HR can ensure that a firm’s talent acquisition, development, reward, and retention programs all function to encourage the skills that are required for customer satisfaction. Connections with investors can allow a firm’s intangible assets, including its quality of leadership and human capital, to be observed in a manner that is not evident from its financial reports; thus, these connections can provide investors with confidence in a firm’s future earnings. Therefore, the shift of HR departments from passive business partners to active business drivers is projected to be the third wave of HR transformation.

However, the global economy has forced many HR departments to operate with limited budgets, raising questions about how HR value can be most efficiently delivered for both internal and external stakeholders. Many organizations are turning to Web 2.0 and social networking sites to promote and deliver information to their target audiences. The most interactive way of sharing this information involves virtual worlds that provide three-dimensional (3D) graphics, self-determined gameplay, user-created content, and life-like human interactions; these traits differentiate virtual worlds from other social media and render these virtual worlds particularly interesting for corporate purposes.

v-HRM is an integrated HR strategy that enhances the management of human capital and increases the visibility of human capital to worldwide stakeholders through the establishment of an online virtual world. These online virtual worlds allow companies to conduct recruitment centers, job fairs, new employee on boarding, orientation, corporate universities, outdoor training, and networking in an internet-based, simulated environment that represents the real world. The strength of v-HRM is that it enables HR professionals to interact with stakeholders in real time via personalized avatars and to demonstrate HR practices in a 3D virtual environment. The HR transformation roadmap is illustrated in following Figure.



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