

Modul Perkuliahan

Strategic Human Resources Management

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Course Description

- 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.
- As illustrated in this work, strategic human resource management is a complex process that is constantly evolving, with theory in this area a subject of ongoing discussion by academics and other commentators. Its definition and relationships with other aspects of business planning and strategy is not absolute and opinion varies between writers.
- Several issues of SHRM are How to Do Human Resources Strategic Planning (Need basic information about Human Resources' strategic planning and management as a function or department within an organization?); Develop a Human Resources Department Business Plan; Create Value With Human Resource Measures; Build a Strategic Framework: Mission Statement, Vision, Values; How to Implement Strategic Planning: Vision Statement, Mission Statement, Values, More; How to Get a Seat at the Executive Table: Ten Tips; Create Your Personal Vision Statement; Identify and Live Your Personal Values; Thinking Strategically First Makes Strategic Planning Work; Strategic Planning Pitfalls – to Avoid; What Is Human Resource Management?; Recession Planning for Employees; Reinventing HR from the Classroom to the Boardroom; Strategic Human Resources: Avoiding Circular Conversations; The Strategic HR Coach; A New Role for HR: Support Your Company's Brand; Why Human Resources Leaders Need Degrees; Vision Is Your Desired Future; Mission Is What You Do ;Core Values Are What You Believe; Poll: Why Is Creating a Personal Vision Statement Important?and HR Redesign.

Course Objectives

- In the wake of completing this course, students are expected to:
- Have a deeper acknowledgment to operate Human Resources Management.
- Able to express current issues of managing people within organization on both local and global perspectives
- Create future orientation on managing human resources
- Describe important variable influenced strategic pattern on human resources management
- Formulate strategies on HRM
- Evaluate the implementation of SHRM

Strategic Human Resources Management

Concept and Issues

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STRATEGIC HRM DEFINED

- Strategic HRM defines the organization's intentions and plans on how its business goals should be achieved through people. It is based on three propositions: first, that human capital is a major source of competitive advantage; second, that it is people who implement the strategic plan; and, third, that a systematic approach should be adopted to defining where the organization wants to go and how it should get there.
- Strategic HRM is a process that involves the use of overarching approaches to the development of HR strategies, which are integrated vertically with the business strategy and horizontally with one another.
- These strategies define intentions and plans related to overall organizational considerations, such as organizational effectiveness, and to more specific aspects of people management, such as resourcing, learning and development, reward and employee relations.

THE MEANING OF STRATEGIC HRM

Strategic HRM focuses on actions that differentiate the firm from its competitors (Purcell, 1999). It is suggested by Hendry and Pettigrew (1986) that it has four meanings:

- the use of planning;
- a coherent approach to the design and management of personnel systems based on an employment policy and workforce strategy and often underpinned by a 'philosophy';
- matching HRM activities and policies to some explicit business strategy;
- seeing the people of the organization as a 'strategic resource' for the achievement of 'competitive advantage'.

Strategic HRM addresses broad organizational issues relating to changes in structure and culture, organizational effectiveness and performance, matching resources to future requirements, the development of distinctive capabilities, knowledge management, and the management of change. It is concerned with both human capital requirements and the development of process capabilities, that is, the ability to get things done effectively. Overall, it deals with any major people issues that affect or are affected by the strategic plans of the organization. As Boxall (1996) remarks: 'The critical concerns of HRM, such as choice of executive leadership and formation of positive patterns of labour relations, are strategic in any firm.'

AIMS OF STRATEGIC HRM

- The rationale for strategic HRM is the perceived advantage of having an agreed and understood basis for developing approaches to people management in the longer term. It has been suggested by Lengnick-Hall and Lengnick-Hall (1990) that underlying this rationale in a business is the concept of achieving competitive advantage through HRM.
- Strategic HRM supplies a perspective on the way in which critical issues or success factors related to people can be addressed, and strategic decisions are made that have a major and long-term impact on the behaviour and success of the organization. The fundamental aim of strategic HRM is to generate strategic capability by ensuring that the organization has the skilled, committed and well-motivated employees it needs to achieve sustained competitive advantage. Its objective is to provide a sense of direction in an often turbulent environment so that the business needs of the organization, and the individual and collective needs of its employees can be met by the development and implementation of coherent and practical HR policies and programmes. As Dyer and Holder (1988) remark, strategic HRM should provide 'unifying frameworks which are at once broad, contingency based and integrative'.

AIMS OF STRATEGIC HRM

- When considering the aims of strategic HRM it is necessary to consider how HR strategies will take into account the interests of all the stakeholders in the organization: employees in general as well as owners and management. In Storey's (1989) terms, 'soft strategic HRM' will place greater emphasis on the human relations aspect of people management, stressing continuous development, communication, involvement, security of employment, the quality of working life and work-life balance. Ethical considerations will be important. 'Hard strategic HRM' on the other hand will emphasize the yield to be obtained by investing in human resources in the interests of the business.
- Strategic HRM should attempt to achieve a proper balance between the hard and soft elements. All organizations exist to achieve a purpose and they must ensure that they have the resources required to do so and that they use them effectively. But they should also take into account the human considerations contained in the concept of soft strategic HRM. In the words of Quinn Mills (1983), they should plan with people in mind, taking into account the needs and aspirations of all the members of the organization. The problem is that hard considerations in many businesses will come first, leaving soft ones some way behind.

APPROACHES TO STRATEGIC HRM

- There are five approaches to strategic HRM. These consist of resource-based strategy, achieving strategic fit, high-performance management, high-commitment management and high-involvement management, as described below.

The resource-based approach

- A fundamental aim of resource-based HR strategy, as Barney (1991) indicates, is to develop strategic capability – achieving strategic fit between resources and opportunities and obtaining added value from the effective deployment of resources. A resource-based approach will address methods of increasing the firm's strategic capability by the development of managers and other staff who can think and plan strategically and who understand the key strategic issues.
- The resource-based approach is founded on the belief that competitive advantage is obtained if a firm can obtain and develop human resources that enable it to learn faster and apply its learning more effectively than its rivals (Hamel and Prahalad, 1989). Human resources are defined by Barney (1995) as follows: 'Human resources include all the experience, knowledge, judgement, risk-taking propensity and wisdom of individuals associated with the firm.' Kamoche (1996) suggests that: 'In the resource-based view, the firm is seen as a bundle of tangible and intangible resources and capabilities required for product/market competition.'

The resource-based approach

- In line with human capital theory, resource-based theory emphasizes that investment in people adds to their value in the firm. The strategic goal will be to 'create firms which are more intelligent and flexible than their competitors' (Boxall, 1996) by hiring and developing more talented staff and by extending their skills base. Resource-based strategy is therefore concerned with the enhancement of the human or intellectual capital of the firm. As Ulrich (1998) comments: 'Knowledge has become a direct competitive advantage for companies selling ideas and relationships. The challenge to organizations is to ensure that they have the capability to find, assimilate, compensate and retain the talented individuals they need.'
- A convincing rationale for resource-based strategy has been produced by Grant (1991):

The resource-based approach

- *When the external environment is in a state of flux, the firm's own resources and capabilities may be a much more stable basis on which to define its identity. Hence, a definition of a business in terms of what it is capable of doing may offer a more durable basis for strategy than a definition based upon the needs (eg markets) which the business seeks to satisfy.*
- Unique talents among employees, including superior performance, productivity, flexibility, innovation, and the ability to deliver high levels of personal customer service, are ways in which people provide a critical ingredient in developing an organization's competitive position. People also provide the key to managing the pivotal interdependencies across functional activities and the important external relationships. It can be argued that one of the clear benefits arising from competitive advantage based on the effective management of people is that such an advantage is hard to imitate. An organization's HR strategies, policies and practices are a unique blend of processes, procedures, personalities, styles, capabilities and organizational culture. One of the keys to competitive advantage is the ability to differentiate what the business supplies to its customers from what is supplied by its competitors. Such differentiation can be achieved by having HR strategies that ensure that the firm has higher-quality people than its competitors, by developing and nurturing the intellectual capital possessed by the business and by functioning as a 'learning

Strategic fit

- The HR strategy should be aligned to the business strategy (vertical fit). Better still, HR strategy should be an integral part of the business strategy, contributing to the business planning process as it happens. Vertical integration is necessary to provide congruence between business and human resource strategy so that the latter supports the accomplishment of the former and, indeed, helps to define it. Horizontal integration with other aspects of the HR strategy is required so that its different elements fit together. The aim is to achieve a coherent approach to managing people in which the various practices are mutually supportive.

High-performance management

High-performance management (called in the United States highperformance work systems or practices) aims to make an impact on the performance of the firm through its people in such areas as productivity, quality, levels of customer service, growth, profits and, ultimately, the delivery of increased shareholder value. High-performance management practices include rigorous recruitment and selection procedures, extensive and relevant training and management development activities, incentive pay systems and performance management processes.

A well-known definition of a high-performance work system was produced by the US Department of Labor (1993). The characteristics listed were:

1. careful and extensive systems for recruitment, selection and training;
2. formal systems for sharing information with the individuals who work in the organization;
3. clear job design;
4. high-level participation processes;
5. monitoring of attitudes;
6. performance appraisals;
7. properly functioning grievance procedures;
8. promotion and compensation schemes that provide for the recognition and financial rewarding of the high-performing members of the workforce.

High-commitment management

One of the defining characteristics of HRM is its emphasis on the importance of enhancing mutual commitment (Walton, 1985). High-commitment management has been described by Wood (1996) as: 'A form of management which is aimed at eliciting a commitment so that behaviour is primarily self-regulated rather than controlled by sanctions and pressures external to the individual, and relations within the organization are based on high levels of trust.'

The approaches to achieving high commitment as described by Beer et al (1984) and Walton (1985) are:

1. the development of career ladders and emphasis on trainability and commitment as highly valued characteristics of employees at all levels in the organization;
2. a high level of functional flexibility with the abandonment of potentially rigid job descriptions;
3. the reduction of hierarchies and the ending of status differentials;
4. a heavy reliance on team structure for disseminating information (team briefing), structuring work (team working) and problem solving (improvement groups or quality circles).

High-involvement management

- This approach involves treating employees as partners in the enterprise whose interests are respected and who have a voice on matters that concern them. It is concerned with communication and involvement. The aim is to create a climate in which a continuing dialogue between managers and the members of their teams takes place in order to define expectations and share information on the organization's mission, values and objectives. This establishes mutual understanding of what is to be achieved and a framework for managing and developing people to ensure that it will be achieved.

LIMITATIONS TO THE CONCEPT OF STRATEGIC HRM

The concept of strategic HRM appears to be based on the belief that the formulation of strategy is a rational and linear process, as modelled in Figure 3.1. This indicates that the overall HR strategy flows from the business strategy and generates specific HR strategies in key areas. The process takes place by reference to systematic reviews of the internal and external environment of the organization, which identify the business, organizational and HR issues that need to be dealt with.

But strategic HRM in real life does not usually take the form of a formal, wellarticulated and linear process that flows logically from the business strategy, as Mintzberg (1987) and others have emphasized. The research conducted by Gratton et al (1999) in eight British organizations established that 'In no case was there a clearly developed and articulated strategy that was translated into a mutually supportive set of human resource initiatives or practices.'

Issues of Specific HR strategies

- talent management – how the organization intends to ‘win the war for talent’;
- continuous improvement – providing for focused and continuous incremental innovation sustained over a period of time;
- knowledge management – creating, acquiring, capturing, sharing and using knowledge to enhance learning and performance;
- resourcing – attracting and retaining high-quality people;
- learning and developing – providing an environment in which employees are encouraged to learn and develop;
- I reward – defining what the organization wants to do in the longer term to develop and implement reward policies, practices and processes that will further the achievement of its business goals and meet the needs of its stakeholders;
- employee relations – defining the intentions of the organization about what needs to be done and what needs to be changed in the ways in which the organization manages its relationships with employees and

examples of specific HR strategies

The Children’s Society:

1. Implement the rewards strategy of the Society to support the corporate plan and secure the recruitment, retention and motivation of staff to deliver its business objectives.
2. Manage the development of the human resources information system to secure productivity improvements in administrative processes.
3. Introduce improved performance management processes for managers and staff of the Society.
4. Implement training and development which supports the business objectives of the Society and improves the quality of work with children and young people.

examples of specific HR strategies

Diageo:

These are the three broad strands to the Organization and People Strategy:

1. Reward and recognition: use recognition and reward programmes to stimulate outstanding team and individual performance contributions.
2. Talent management: drive the attraction, retention and professional growth of a deep pool of diverse, talented employees.
3. Organizational effectiveness: ensure that the business adapts its organization to maximize employee contribution and deliver performance goals.

It provides direction to the company's talent, operational effectiveness and performance and reward agendas. The company's underlying thinking is that the people strategy is not for the human resource function to own but is the responsibility of the whole organization, hence the title 'Organization and People Strategy'.

examples of specific HR strategies

A government agency:

The key components of the HR strategy are:

- Investing in people – improving the level of intellectual capital.
- Performance management – integrating the values contained in the HR strategy into performance management processes and ensuring that reviews concentrate on how well people are performing those values.
- Job design – a key component concerned with how jobs are designed and how they relate to the whole business.
- The reward system – in developing rewards strategies, taking into account that this is a very hard driven business.

examples of specific HR strategies

HR strategies for higher education institutions (The Higher Education Funding Council):

1. Address recruitment and retention difficulties in a targeted and costeffectivemanner.
2. Meet specific staff development and training objectives that not only equip staff to meet their current needs but also prepare them for future changes, such as using new technologies for learning and teaching. This would include management development.
3. Develop equal opportunity targets with programmes to implement good practice throughout an institution. This would include ensuring equal pay for work of equal value, using institution-wide systems of job evaluation. This could involve institutions working collectively – regionally or nationally.

examples of specific HR strategies

4. Carry out regular reviews of staffing needs, reflecting changes in market demands and technology. The reviews would consider overall numbers and the balance of different categories of staff.
5. Conduct annual performance reviews of all staff, based on open and objective criteria, with reward connected to the performance of individuals including, where appropriate, their contribution to teams.
6. Take action to tackle poor performance.

A local authority:

The focus is on the organization of excellence. The strategy is broken down into eight sections: employee relations, recruitment and retention, training, performance management, pay and benefits, health and safety, absence management and equal opportunities.

CRITERIA FOR AN EFFECTIVE HR STRATEGY

- An effective HR strategy is one that works in the sense that it achieves what it sets out to achieve. In particular, it:
 - - will satisfy business needs;
 - be founded on detailed analysis and study, not just wishful thinking;
 - can be turned into actionable programmes that anticipate implementation requirements and problems;
 - is coherent and integrated, being composed of components that fit with and support each other;
 - takes account of the needs of line managers and employees generally as well as those of the organization and its other stakeholders. As Boxall and Purcell (2003) emphasize: 'HR planning should aim to meet the needs of the key stakeholder groups involved in people management in the firm.'

A good strategy is one which actually makes people feel valued. It makes them knowledgeable about the organization and makes them feel clear about where they sit as a group, or team, or individual. It must show them how what they do either together or individually fits into that strategy. Importantly, it should indicate how people are going to be rewarded for their contribution and how they might be developed and grow in the organization.

(Chief Executive, Peabody Trust)

Strategic Human Resources Management

Global Views

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introduction

- **There is a growing awareness that traditional strategic international human resource management (SIHRM), which is narrowly descriptive of the impact of environment change, requires effective strategic global human resource management (SGHRM). A model of the SGHRM system, developed from a combined knowledge-based view and relational contracting theoretical perspectives, is proposed for empirical research and practical use in global organisations. There are identified the specific barriers and competencies, associated with role transformation of human resource managers in global organisational networks.**

- The dramatic and discontinuous changes taking place in the global environment have contributed to the evolution of traditional multinational corporations (MNCs) into global organisations that are more of a network nature (Gimeno & Woo 1996, Wolf 1997, Galunic & Rodan 1998, Westney 1999). The global network form of organising roles and activities infuses into the firm a heightened need for cross-functional interdependence, which in turn, can increase role ambiguity for a human resource manager (Grimm & Smith 1997). On the one hand, an important function of a global human resource manager is to shape a culture of developing external linkages (i.e., to local organisations and critical stakeholders) for a global organisation. On the other hand, it is vital the global human resource manager facilitates the integration of internal functional (i.e., international human resource management) and crossfunctional (i.e., global marketing, R&D and operations) relationships within the various competency centres of the global organisation (Mudambi & Helper 1998). Moreover, the expanded number of relationships needed in both the internal and external global network settings further increases the complexity of establishing an appropriate global human resource system (Zucker 1987).

Conceptualisation of the Changing Role of Human Resource Managers within Global Organisations

- Global organisational networks are viewed as dependency structures among geographically dispersed organisations that are interrelated through both formal and informal ties across varying levels of ownership. This broad definition reflects a holistic or systemic approach consistent with the integrated view of the formation of relationships across borders and the flow of goods and services to the global market place. By conceptualising a cross-border inter-organisational network beyond a set of functional and relational activities performed by downstream and upstream stakeholders in the global organisation, it can be proposed that a definition of an integrated global organisation encompasses the global network of facilities, activities, and social relationships that performs a multitude of integrated value-adding functions. Therefore, the global network construct can be used to examine not only the tangible network design elements of the global organisation (i.e., webs of facilities and product development ties and activities) (Mabert & Venkatarmanan 1998), but also to emphasise the social infrastructure and human activities and relations envisioned, built and maintained by global human resource managers.

- Global human resource managers are required to enact HRM systems within socially rich cross-border network structures (Welch & Welch 1993, Tung 1994, Stroh & Caligiuri 1998). The primary activities of a global human resource manager involve selecting appropriate global human resource strategies, influencing the operating context of the global organisation, and providing a leadership role in the cultural change of the organisation under conditions of accelerating strategic ambiguity. When enacting aHRM system, human resource managers within global organisations are obliged to manage collaboratively while maintaining their discretion and responsibility for human resource function within their individual organisations. Such a global network model of management and organisation of a firm's global human resource systems facilitates operating flexibility, capacity for innovation, and development of a unique and valuable relational capability (Schneider 1988, Lusch & Brown 1996).
- To sustain the culture of a dynamic global network, global human resource managers are required to possess multiple competencies that are both relational and contingent in nature (Henderson & Clockburn 1995). Moreover, because of the need for a quick diffusion of information across different sources and domains of knowledge within a global network, the global human resource manager is encouraged to promote a spirit of multicultural interpersonal and interorganisational trust, within which members of the networked organisations can learn to cooperate (Barney & Hansen 1994). While the problems of managing intercultural, crossfunctional and interorganisational dependencies and orientations has always been a challenging task dimension for the traditional international human resource manager, the transformation of these requirements into a network perspective poses a set of unique and ambiguous opportunities and challenges to the global human resource managers.
- Global organisations necessitate modifying the traditional human resource manager's role frequently found in more bureaucratic international human resource management organisations. Specifically, new dimensions of the human resource leadership role are required, some of which relate to managing conflict, power, influence and control, as well as commitment and trust building both within and beyond the firm boundary.

The Role of Strategic Global Human Resource Management within Global Networks

- Rapid globalisation, turbulent technological revolution and increasing deregulation have profiled a new competitive landscape in the global context (Lei, Hitt & Bettis 1996). This new hypercompetitive environment requires strategic flexibility of an MNC and its global partners (Zander & Kogut 1995). Global strategic flexibility augments the importance of resource flexibility, where the critical resources encompass strategic leadership, human capital, technological and manufacturing advances and cooperative synergies between organisational culture and structure (Lei et al. 1996). As such, an adaptive global organisation should be oriented toward dynamic and anticipatory strategic flexibility as one of its primary core competencies. Strategic flexibility imposes the demand for strategic leadership that influences the development of the organisational relational capability (Dyer & Singh 1998) for cultural change conducive to formation of global networks with other companies in the new competitive landscape.
- As a result of the turbulent and almost sequenced changes taking place in the global competitive landscape, MNCs are increasingly modifying their opportunity boundaries by pursuing cooperative commitments (i.e., webs of strategic alliances). This allows an organisation to maintain a degree of flexibility in its structure and culture, and permits feasible restructuring of strategic relationships within various global networks on an on-going basis (Poppo 1995). The resulting relational flexibility imposes unique demands upon human resource managers to design flexible human resource systems responsive to the dynamic contractual relationships with globally dispersed customers, suppliers, and competitors. These increased demands are challenging because the benefits of flexible contract design in global network management are associated with the issues of varying exchange duration, uncertain temporal orientation and synchronisation of multiple relationships, and the issues of subsidiary-subsidiary and supplier-supplier interdependencies (Mohr & Spekman 1994, Zaheer & Venkataraman 1995). In turn, these issues affect the varying demand for fit and flexibility in global human resource system design. As a result, these challenging issues require both attention and agile action by the global human resource managers who are responsible for HR effectiveness within global networks. The most challenging issue is to enact an evolutionary transformation of the traditional hierarchical SIHRM models into a heterarchical SGHRMsystem.

- The traditional SIHRM models have been developed to capture the influence of HR programs (policies, practices, and issues) on a multinational organisation's outcomes and vice versa. The most cited models take either a contingency perspective emphasising consistency between HRM and the organisation's strategy (Schuler et al. 1993), or an universalistic perspective emphasising complementarity between HRM and strategy (Taylor et al. 1996). The SIHRM models seem to be appropriate under the conditions of strategic stability supported by the hierarchical structure and strong organisational culture. In these models, it is assumed multinational organisations compete primarily under low ambiguity and within clearly defined geographic and industry boundaries. In other words, it is assumed slow-cycle pressures for organisational renewal and corporate restructuring are salient. In such an environment, organisations are assumed to compete for economic surplus to achieve a structural competitive advantage by aligning their competencies with these activities. In most SIHRM models international variables are dominant like national culture (contingency) or employment systems (complementarity) (Boxall & Purcell 2000). However, De Cieri and Dowling (1999) argue against further development of specific inter-national models. Moreover, Dowling, Welch and Schuler (1999) argue that the SIHRM models fail to capture HR effectiveness within global networks. Rather, models encompassing the evolution process from SIHRM to an SGHRM system need to be developed as organisations globalise their operations (Paul 2000).
- The shift from a SIHRM to an SGHRM system is crucial to occur for the evolution of these processes and mechanisms found in HRM system to match the personnel needs of global organisations. The SGHRM system shapes organisational culture in terms of cooperative traits and practices (i.e., content) rather than in values and attitudes (Gates 1994). Also, this influence is reflected in terms of the extent to which organisational culture is shaped across the organisational units (i.e., strength). The extent to which the content and strength of organisational culture are shaped by the shift to the SGHRM system is influenced by the managerial global leadership mindset. If this influence is significant, the organisation's global performance is likely to be improved.
- The SGHRM view goes beyond the SIHRM view by emphasising that HR effectiveness arises not only from the aggregate talent of the organisation's employees, but also from the coordinated deployment of this talent across the global organisation's network of relationships. The efficiency of this type of relational coordination is in turn a function of the global organisation's cultural context (Beer & Eisenstat 1996). For the global HR manager to develop the leadership role modes/options and influence the major transformation of the organisation's cultural context, the role of human resource management is to be refocused from the "traditional HR focus on attracting, selecting, and developing individuals to a new focus on developing an organisational context which will attract and develop leaders as well as facilitate teamwork" (Beer & Eisenstat 1996: 53). This new global leadership focus of HR encompasses new approaches to decision making, as well as innovative approaches to organising and managing people within global networks (i.e., global team-based management, high involvement of diverse employees, and effective and meaningful communication across cultures). In other words, the innovative global HR leadership can succeed in changing the organisation's culture only by focusing more on the new strategic task within global networks and less on modifying traditional HRM programs. The focus on the new global strategic task requires both an effective leadership by the global HR manager and an efficient design of the SGHRM system. Specifically, the HR manager's role transformation toward leadership within a global network is contingent upon an efficient SGHRM system design. To yield an efficient SGHRM system, the HRM processes necessitate seamless interfaces across a variety of dynamic relationships within a global network.
- The purpose of the seamless interfaces is to mitigate different risks and uncertainties arising due to the interaction among members within the global network. These human resource processes must also contribute to the optimisation of knowledge integration within the global network (Salbu 1991). Therefore, it is proposed in this paper that the architecture of the SGHRM system depends upon the scope of the MNC strategic orientation relative to network members and the extent of the dynamics in the global network environment. By using the theoretical perspectives of relational contracting (Macneil 1974, 1978, 1980, 1985), and the knowledgebased view of the firm (Grant 1996), a theoretical framework for an efficient SGHRM system design supporting global HR manager's leadership can be developed for global organisations.

Barriers to Strategic Human Resource Management in Global Networks

The demands for shared norms and values within a global network pose a myriad of simultaneous challenges for development of SGHRM systems:

- (1) frequent ambiguity about human resource management authority,
- (2) multiple interdependencies among subsidiaries,
- (3) increased uncertainty about sustainability of network flexibility and efficiency,
- (4) possible discontinuities in securing top level support for changes in human resource management systems, and
- (5) difficulties in acquiring the multiplicity of skills and competencies required for effective SGHRM in knowledge sharing (Nonaka 1990, Ring & Van den Ven 1992, 1994).

Which combination of these challenges will be most salient at a particular time period or for a specific network configuration will depend upon which aspect dominates the relational content in the global network: those being,

- (1) communicating aspect,
- (2) exchange aspect, or
- (3) normative aspect. The communicating aspect of relational content in a global network refers to the human resource management-related information apprehension among network members. The exchange aspect is related to operating human resource management aspects supporting the flow of goods and/or services. Whereas, the normative aspect reflects shared expectations that network members have of one another based on some social feature (i.e., culture) (Aldrich & Whetten 1981).

potential barriers within global networks that strategic global human resource management must overcome:

- 1. Multiplicity of network units:
- 2. Global network instability
- 3. Discontinuities in internal organisational support:
- 4. Multi-dimensionality of strategic human resource leadership task
- 5. Multi-skill leadership demands for global network human resource management:
 - (1) agile and decisive leadership
 - (2) ability to identify,
 - (3) capability to formulate mutual benefits
 - (4) building trust with the stakeholders
 - (5) multilevel coordination
 - (6) trans-disciplinary competence

Traditional Views OF SHRM

- **HR STRATEGY** Yesterday we received an HR Tip request from a reader about HR Strategy. Our reader writes, “Please help me on how to design and plan an HR strategy for an organization.” We love it when our readers reach out to us with questions or seek advice, so here is the answer to your great request:
- In short, when designing or planning an organization’s HR Strategy, there has to be a strong emphasis on the company’s employees and a way to track the performance of employees over time. Strategic HR thinkers see employees as human assets that have as much, if not more, value to an organization as its physical and capital assets. To strategic HR thinkers employees are a valuable source of sustainable competitive advantage, particularly as required skills become less manual and more knowledge-based. As key talent becomes hard to recruit in the coming years due to the retirement of Baby Boomers, an appropriate, integrated, strategy-consistent approach is needed to ensure that HR strategies are aligned with the overall organizational strategy.
- But here lies a dilemma: investing in talent is expensive and may not have an immediate payback. It is also risky. Investing in machinery or buildings is much more predictable—at least they can’t quit and walk out of the door. But failure to invest in employees causes inefficiency and a weakening of organization’s competitive position. Human assets are risky investment and require extra effort to ensure that they are not lost.

Traditional Views OF SHRM

- The payoffs, however, can be big. Studies have shown that an integrated HR strategy of the management of human capital can result in 47% increase in market value of an organization and the top 10% of organizations studied experienced a 391% return on investment in management of human capital.
- The human capital value chain it as follows:
 - Employee outcomes (attitudes and behaviors) lead to...
 - Organizational outcomes (productivity and quality) that in turn lead to...
 - Financial outcomes (lower costs, higher revenues, higher profitability) that in turn lead to...
 - Market based outcomes (higher stock price)

Traditional Views OF SHRM

- Wall Street analysts still generally fail to acknowledge human capital in assessing the value of an organization and the effect that human resources can have on stock price. This is rooted in the fact that there are no “standard” metrics or measures of human capital, much as there are for other organizational assets. But metrics have been developed and are used by forward looking organizations to evaluate the value of their capital assets. Such metrics include:
 - Human Capital ROI
 - Profit per employee
 - HR Expense Factor
 - Human Capital Value Added
 - Turnover Rate
- To recap, here is today’s HR Tip: Start to develop a strategic view of your human resources assets by initiating metrics that demonstrate how your HR assets add value to the organization and track these metrics over time—it may surprise you (and your senior management) just how big an asset your human assets really are

Strategic Human Resources Management

COMPETITIVE ADVANTAGE

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Introduction

- *Strategy* is an ambiguous term. Johnson and Scholes define strategy as the direction and scope of organizations over the long-term within a challenging environment whereby through the configuration of resources the needs of the markets are met and the stakeholders' expectations are fulfilled in order to achieve an advantage. Nonetheless, strategy is applied unique to each levels of the organizations such as corporate, business unit and operational. Currently, the term 'strategy' is associated with every function of the organizations that purports on turning strategies into actions as a key to achieve cost and competitive advantages. Notable is the Strategic Human Resource Management (or simply SHRM).

Introduction

What is SHRM?

- The interest of numerous organizations in 'strategic management' resulted in the integration of organizational functions into strategic management processes. Human Resource Management (HRM) field likewise sought to integrate this strategic management schema through the development of a new discipline known as SHRM. As an outgrowth of its mother discipline, theorists and practitioners regarded SHRM as the reconciliation of HR practices and its determinants from a strategic context. However, the deficiency is that there is no strong theoretical model for HR determinants and the non-existence of clear delineation of SHRM with HRM.

How SHRM can contribute in achieving competitive advantage?

- Nonetheless, despite **universalistic, contingency or configurational approaches**, SHRM is an important element of achieving the competitive edge in terms of **quality, cost** and **flexibility**. Either processual or systemic, SHRM puts human at the center. When we say 'human', it does not necessarily mean the employees, but embracing also those people whom the organizations does business with. Through them, *sustainable* competitive advantage, or the achievement of **value-creating strategies** that direct and indirect rivals could not implement, could be achieved.

How SHRM can contribute in achieving competitive advantage?

- From a resource-based perspective, there are various categories of resources that SHRM can build upon to gain the so-called advantage such as **physical, organizational, financial, and technological and most especially human resources**. As assets, the mere existence of human is not sufficient but the relationship among them that therefore must be controlled for the purpose of long-term commercial success. The sustainable competitive advantage potential of human resources is central on the premises that human resources are **valuable, rare, inimitable and non-substitutable**.

How SHRM can contribute in achieving competitive advantage?

- As valuable resources, human resources are heterogeneous since organizations require different jobs which require different skills as well as differing in types and level of idiosyncratic skills. As such, the variance placed on the contribution of individuals to the organizations means to provide value at diverse degrees. The rarity of high quality and ability workers is due to their skills and competency levels and the supposedly normal distribution of **skills, competencies, expertise and capabilities**. For the human asset to be imitated, competitors should be able to identify the exact source of such and duplicate exactly the elements of the human capital. In addition, human resources should not be imperfectly mobile so that they cannot be traded. Lastly, for the human resources to be able to provide sustainable competitive advantage, they must not be substitutable.

How SHRM can contribute in achieving competitive advantage?

- Achieving competitive advantage is based on the collective practices within that are intended for the outside environment which otherwise cannot be achieved or limited through HRM alone. These are **employment security, recruitment selectivity, high wages, incentive pay, employee ownership, information sharing, participation and empowerment, self-managed teams, training and skills development, cross-utilization and cross-training symbolic egalitarianism, wage compression and promotion** from within. The emphasis is on envisioning individual workers as sources of competitive advantage instead of complementary or limiting factor of the organizational success.

How SHRM can contribute in achieving competitive advantage?

- Competitive advantage is also realized when the organizations through SHRM is continuously investing on its reputation or image stressing the need for sound human resource policies and practices and aligning such with the business strategies and its external context. The focus is both on cost and quality whereby there are definite processes, systems and procedures that consolidates competencies, continuous education, proficient performance at individual and collegial levels and balance monetary and non-monetary reward systems.

How SHRM can contribute in achieving competitive advantage?

- Apart from this, the materialization of the competitive advantage is delivered by investing on diversity and maximising their potential through SHRM. The things to consider are retention/turnover and motivation, morale and productivity, innovation, creativity and problem-solving, teamworking, ensuring synergy at all levels and avoidance of legal suits. It is also through SHRM that the creation of an inclusive workforce is plausible since there are structured opportunities for sharing and self-disclosure, increased understanding of the cultural diversity, demonstrated flexibility for varying needs and preferences, demonstrated unwritten rules and mutually-satisfying conflict resolution systems.

Why not HRM alone?

- HRM that are too centered on human as an integral asset while neglecting the key factor of nurturing relationships with them and between them makes HRM a shallow endeavor though it is not to say that HRM is futile. With HRM, relationships stagnate whereas with SHRM relationships are optimized and translated into loyalty, engagement, trust and confidence among others. SHRM, unlike HRM which is confined as a mere organizational function, is tended on 'above and beyond' behaviours. Though HRM is in charge of relationship with employees at the business level, SHRM is responsible for the total stakeholder relationship strategy.

Why not HRM alone?

- HRM cannot be considered doing so since there are still inconsistencies of defining what actually constitutes the best HR practices per se much more taking on a holistic approach to managing people and managing relationships between these people. There are also no clear evidences that HRM practices lead to improved organizational performance apart from difficult in justifying costs devoted to HR practices. Further, HRM are aligned only to specific organizational context such as the needs of the employees, its contradicting ideologies, the inadequacy of HRM systems and lack of synergy between HR practices.

Achieving competitive advantage through strategic human resource management.

Fottler MD, Phillips RL, Blair JD, Duran CA.

- The framework presented how manage human resources strategically as an integral part of the strategic planning process. Executives should consciously formulate human resource strategies and practices that are linked to and reinforce the broader strategic posture of the organization.
- The framework consist
 - (1) determining and focusing on desired strategic outcomes,
 - (2) identifying and implementing essential human resource management actions, and
 - (3) maintaining or enhancing competitive advantage.

Achieving competitive advantage through strategic human resource management.

- The strategic approach to human resource management includes:
 - assessing the organization's environment and mission;
 - formulating the organization's business strategy; assessing the human resources requirements based on the intended strategy;
 - comparing the current inventory of human resources in terms of numbers, characteristics, and human resource management practices with respect to the strategic requirements of the organization and its services or product lines;
 - formulating the human resource strategy based on the differences between the assessed requirements and the current inventory; and implementing the appropriate human resource practices to reinforce the strategy and attain competitive advantage.

The resource-based view of competitive advantage

Hamish G. H. Elliott

- Over the last twenty years, protagonists of the resource-based view of competitive advantage have produced an increasing amount of empirical research substantiating their espoused theories that the resources and capabilities of the firm are the foundation for its long-term strategy because of two premises. First, internal resources and capabilities are viewed as the key competitive sources of a firm's strategy; and secondly, the majority of the firm's superior returns are derived from these (Barney, 1991; Chamberlin, 1962; Collis, 1991, 1994; Collis & Montgomery, 1995; Conner & Prahalad, 1996; Grant, 1991; Peteraf, 1993).

The resource-based view of competitive advantage

.....Hamish G. H. Elliott

- The resource-based view defines competitive advantage as when a firm is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors (Barney, 1991). This assumes a firm's competition includes all current competitors, but also, potential competitors. Within this definition, a firm can create short run competitive advantage or first-mover advantage (Barney, 1991). However, it is not sustainable because other competitors may be able to imitate or purchase the sources of the advantage (Amit & Schoemaker, 1993; Barney, 1991; Collis & Montgomery, 1995).

The resource-based view of competitive advantage

Hamish G. H. Elliott

- Sustained competitive advantage is achieved when a firm is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are imperfectly able to imitate the benefits of this strategy (Barney, 1991).
- Firm resources are defined as including "all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable it to conceive of and implement strategies that improve its efficiency and effectiveness" (Daft, 1983, cited in Barney, 1991, p. 101). These are categorised as physical capital resources, human capital resources, organizational capital resources (Becker, 1964, Williamson, 1975, Tomer, 1987, cited in Barney, 1991), and financial resources, technological resources, and reputation (Amit & Schoemaker, 1993; Grant, 1991).

The resource-based view of competitive advantage

.....Hamish G. H. Elliott

- To sustain competitive advantage from a firm's idiosyncratic resources, Dierickx & Cool (1989) propose the notion of asset stock accumulation. They argue that if resources are freely available on an open strategic factor market, as proposed by Barney (1986b), then anyone can attain the resource and potentially use it to achieve the same/or better results, unless the resource is limited by supply. Conversely, a more favourable approach to sustainable competitive advantage is the use of intangible (or tacit) resources that are generally built rather than bought (Dierickx & Cool, 1989).

The resource-based view of competitive advantage

Hamish G. H. Elliott

Strategic assets are the cumulative result of adhering to a set of consistent policies over a period of time, that is, strategic asset stocks are accumulated by choosing appropriate time paths of flows over a period of time (Dierickx & Cool, 1989; Hall, 1992, 1993). For example, a reputation for quality may be built (rather than bought) by following a consistent set of production, quality control etc. policies over some period of time (Dierickx & Cool, 1989). It is proposed that human resources are a strategic asset capable of providing or contributing to a firm's competitive advantage (Barney & Wright, 1998; Becker & Gerhart, 1996; Boxall, 1996, 1998; Coff, 1997; De Saa-Perez & Garcia-Falcon, 2002; Jackson & Schuler, 1995; Khatri, 2000; Lado & Wilson, 1994; Mueller, 1996; Schuler et al., 1993; Swiercz & Spencer, 1992; Wright & McMahan, 1992; Wright et al., 1994).

The resource-based view of competitive advantage

...Hamish G. H. Elliott

To have the potential of sustained competitive advantage, the resource-based view proposes that a firm must have four attributes:

- (1) valuable resources;
- (2) rare resources;
- (3) imperfectly imitable resources; and
- (4) Non substitutability of resources (Barney, 1991; Collis & Montgomery, 1995; Conner & Prahalad, 1996).

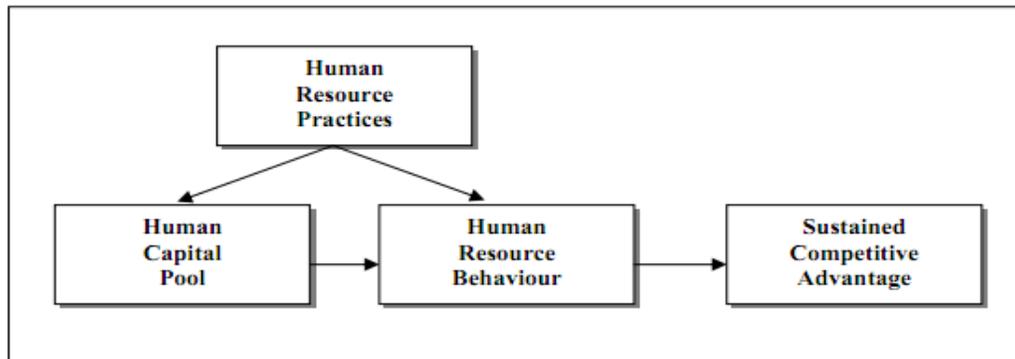


Figure 1 A Model of Human Resources as a Source of Sustained Competitive Advantage (Wright et al., 1994)

Strategic Human Resources Management

Organizational characteristics

Fakultas Ekonomi
Universitas Negeri Yogyakarta
2012

By The Nevereverend Slaine Fullerton, 2001

- 1. Size:** The measure of how large the organization is, in terms of employees, offices, number of physical locations, and the like. A Corporation with a size of 1 may well be run from somebody's house, employing only a husband and wife team. A Corporation with a size of 5 or 6 could be a large, national company that employs a multitude of people in several branch office around the country. Correspondingly higher Size scores would represent Multinational corporations and perhaps larger (such as corporations that span not just nations, but planets and star systems).
- 2. Resources:** This is the measure of the physical capital and material goods accessible to an organization. A high resources would indicate that a company may have several dozen corporate jets, surgical hospitals at their major facilities, and the capacity to buy pretty much what or whomever they wants to. A company with a resource score of 1 might find some difficulty in fitting a new stapler into the budget.
- 3. Influence:** This is the measure of how influential this organization is in the world at large. Can this organization exert enough clout politically or socially to get what it wants without resorting to direct measures? A good example of high influence organizations would be any of the companies in the American Tobacco industry during the bulk of the 20th Century. A company with a high enough influence can do anything from making people "disappear", to having charges dropped against an employee, to controlling the decisions of court cases, or even governing legislation. People tend to go out of their way not to piss off High Influence organizations.

By The Nevereverend Slaine Fullerton, 2001

4. **Security:** This is both a measure of how well an organization guards their secrets, and how well they protect their physical interests. In a Cyberpunk and dark-scifi setting, this also gauges how large a military/security force an organization has. A low security company tends to lock their doors... sometimes. A high security company encrypts all of their files and memos, posts heavily armed guards at every facility, has a form of identity verification every 100 feet, and may well have its own standing army [ahem... security force].
5. **Tenacity:** This is the measure of how driven an organization is in the pursuit of its goals. A high Tenacity score depicts a driven, perhaps ruthless (depending on the nature of the organization itself) organization that works along its set agendas with single minded fervor and efficiency. A low Tenacity score shows an organization that is less driven towards its goals, and could perhaps indicate some unwillingness to use certain means to attain its desired ends. For example, FOX threatening lawsuits against persons with web pages that have unauthorized sound bytes of *The Simpsons* indicates some moderate level of Tenacity. An organization with a low Tenacity, but a high Influence or Security may be unwilling to use its influence or direct force to attain its goals; however, even with a Tenacity of 1, and organization will eventually push back if pushed far enough. A high Tenacity organization may very well see the loss of human lives as acceptable losses in the pursuit of their goals; the notion that the end justifies the means very much applies.

Organizational Characteristics

- Business Cluster
- Culture
- Structure

Business cluster

- A **business cluster** is a geographic concentration of interconnected [businesses](#), suppliers, and associated institutions in a particular field. Clusters are considered to increase the productivity with which companies can compete, nationally and globally.^[1] In [urban studies](#), the term [agglomeration](#) is used.^[2] Clusters are also very important aspects of [strategic management](#).

- This term business cluster, also known as an **industry cluster**, **competitive cluster**, or **Porterian cluster**, was introduced and popularized by [Michael Porter](#) in *The Competitive Advantage of Nations* (1990).^[3] The importance of economic geography, or more correctly geographical economics, was also brought to attention by [Paul Krugman](#) in *Geography and Trade* (1991).^[4] [Cluster development](#) has since become a focus for many government programs. The underlying concept, which economists have referred to as [agglomeration economies](#), dates back to 1890, and the work of [Alfred Marshall](#).
- Michael Porter claims that clusters have the potential to affect competition in three ways: by increasing the productivity of the companies in the cluster, by driving innovation in the field, and by stimulating new businesses in the field. According to Porter, in the modern [global economy](#), [comparative advantage](#), how certain locations have special endowments (i.e., harbor, cheap labor) to overcome heavy input costs, is less relevant. Now, [competitive advantage](#), how companies make productive use of inputs, requiring continual [innovation](#), is more important.^[2]
- Put in another way, a business cluster is a geographical location where enough resources and competences amass reach a critical threshold, giving it a *key position* in a given economic branch of activity, and with a decisive [sustainable competitive advantage](#) over other places, or even a world supremacy in that field (i.e. Silicon Valley and Hollywood).

Types By Development

Following development of the concept of interorganizational networks in [Germany](#) and practical development of clusters in the [United Kingdom](#); many perceive there to be four methods by which a cluster can be identified:

- *Geographical cluster* - as stated above
- *Sectoral clusters* (a cluster of businesses operating together from within the same commercial sector e.g. marine ([south east England](#); [Cowes](#) and now [Solent](#)) and photonics ([Aston Science Park](#), [Birmingham](#)))
- *Horizontal cluster* (interconnections between businesses at a sharing of resources level e.g. knowledge management)
- *Vertical cluster* (i.e. a [supply chain](#) cluster)

It is also expected - particularly in the German model of organizational networks - that interconnected businesses must interact and have firm actions within at least two separate levels of the organizations concerned.

Type by Knowledge

- High-tech clusters - These clusters are high technology-oriented, well adapted to the knowledge economy, and typically have as a core renowned universities and research centers like Silicon Valley.[5]
- Historic know-how-based clusters - These are based on more traditional activities that maintain their advantage in know-how over the years, and for some of them, over the centuries. They are often industry specific. For example: London as financial center.
- Factor endowment clusters - They are created because a comparative advantage they might have linked to a geographical position. For example, wine production clusters because of sunny regions surrounded by mountains, where good grapes can grow. This is like certain areas in France, Spain, Chile or California.

Type by Knowledge

- Low-cost manufacturing clusters - These clusters have typically emerged in developing countries within particular industries, such as automotive production, electronics, or textiles. Examples include electronics clusters in Mexico (e.g. Guadalajara) and Argentina (e.g. Cordoba). Cluster firms typically serve clients in developed countries. Drivers of cluster emergence include availability of low-cost labor, geographical proximity to clients (e.g. in the case of Mexico for U.S. clients; Eastern Europe for Western European clients).[6]
- Knowledge services clusters - Like low-cost manufacturing clusters, these clusters have emerged typically in developing countries. They have been characterized by the availability of lower-cost skills and expertise serving a growing global demand for increasingly commoditized (i.e. standardized, less firm-specific) knowledge services, e.g. software development, engineering support, analytical services.[7] Examples include Bangalore, India; Recife, Brazil; Shanghai, China. Multinational corporations have played an important role in 'customizing' business conditions in these clusters.[8] One example for this is the establishment of collaborative linkages with local universities to secure the supply of qualified, yet lower-cost engineers

Organizational culture

- is defined as "A pattern of shared basic assumptions invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptation and internal integration" that have worked well enough to be considered valid and therefore, to be taught to new members as the correct way to perceive, think and feel in relation to those problems"[Schein](#).^[1] It has also been defined as "the specific collection of values and norms that are shared by people and groups in an organization and that control the way they interact with each other and with [stakeholders](#) outside the organization."^[2] Ravasi and Schultz (2006) state that organizational culture is a set of shared mental assumptions that guide interpretation and action in organizations by defining appropriate behavior for various situations.

Corporate culture and organizational culture

- **Corporate culture** is the total sum of the values, customs, traditions, and meanings that make a company unique. Corporate culture is often called "the character of an organization", since it embodies the vision of the company's founders. The values of a corporate culture influence the ethical standards within a corporation, as well as managerial behavior.^[20]
- **Senior management** may try to determine a *corporate culture*. They may wish to impose corporate values and standards of behavior that specifically reflect the objectives of the organization. In addition, there will also be an extant internal culture within the workforce. Work-groups within the organization have their own behavioral quirks and interactions which, to an extent, affect the whole system. Roger Harrison's four-culture typology, and adapted by Charles Handy, suggests that unlike organizational culture, corporate culture can be 'imported'. For example, computer technicians will have expertise, language and behaviors gained independently of the organization, but their presence can influence the culture of the organization as a whole. Corporate culture as humorously defined by the authors of "Death to All Sacred Cows" takes an interesting twist. Beau Fraser, David Bernstein and Bill Schwab introduce the term 'Sacred Cow' as the ultimate sin to corporate culture. Their book is dedicated to killing these "fundamental tenets of commerce" by emphasizing that these 'Sacred Cows' "survive by keeping everything the same."^{[21][22]}
- Organizational culture and corporate culture are often used interchangeably but it is a mistake to state that they are the same concept. All corporations are also organizations but not all organizations are corporations. Organizations include religious institutions, not-for-profit groups, and government agencies. There is even the Canadian Criminal Code definition of "organized crime" as meaning "a group comprised of three or more persons which has, as one of its primary activities or purposes, the commission of serious offences which likely results in financial gain." Corporations are organizations and are also legal entities. As Schein (2009), Deal & Kennedy (2000), Kotter (1992) and many others state, organizations often have very differing cultures as well as subcultures.

Views on organizational culture

Something that an organization has

- Culture as a variable takes on the perspective that culture is something that an organization has. Culture is just one entity that adds to the organization as a whole. Culture can be manipulated and altered depending on leadership and members. This perspective believes in a strong culture where everyone buys into it.

Something that an organization is

Culture as Root Metaphor takes the perspective that culture is something the organization is.

Culture is basic, but with personal experiences people can view it a little differently. This view of an organization is created through communication and symbols. There can be competing metaphors. The organizational communication perspective on culture views culture in three different ways:

- **Traditionalism:** Views culture through objective things such as stories, rituals, and symbols
- **Interpretivism:** Views culture through a network of shared meanings (organization members sharing subjective meanings)
- **Critical-Interpretivism:** Views culture through a network of shared meanings as well as the power struggles created by a similar network of competing meanings

Hofstede

Hofstede (1980^[4]) demonstrated that there are national and regional cultural groupings that affect the behavior of organizations.

1. [Power distance](#) - The degree to which a society expects there to be differences in the levels of power. A high score suggests that there is an expectation that some individuals wield larger amounts of power than others. A low score reflects the view that all people should have equal rights.
2. [Uncertainty avoidance](#) reflects the extent to which a society accepts uncertainty and risk.
3. *Individualism vs. collectivism* - [individualism](#) is contrasted with [collectivism](#), and refers to the extent to which people are expected to stand up for themselves, or alternatively act predominantly as a member of the group or organization. However, recent researches have shown that high individualism may not necessarily mean low collectivism, and vice versa^[citation needed]. Research indicates that the two concepts are actually unrelated. Some people and cultures might have both high individualism and high collectivism, for example. Someone who highly values duty to his or her group does not necessarily give a low priority to personal freedom and self-sufficiency
4. [Masculinity vs. femininity](#) - refers to the value placed on traditionally male or female values. Male values for example include competitiveness, assertiveness, ambition, and the accumulation of wealth and material possessions^[citation needed].

O'Reilly, Chatman, and Caldwell

- O'Reilly, Chatman & Caldwell (1991) developed a model based on the belief that cultures can be distinguished by values that are reinforced within organizations. Their Organizational Profile Model (OPM) is a self reporting tool which makes distinctions according seven categories - Innovation, Stability, Respect for People, Outcome Orientation, Attention to Detail, Team Orientation, and Aggressiveness. The model is not intended to measure how organizational culture effects organizational performance, rather it measures associations between the personalities of individuals in the organization and the organization's culture.

O'Reilly, Chatman, and Caldwell

Daniel Denison's model (1990) asserts that organizational culture can be described by four general dimensions – Mission, Adaptability, Involvement and Consistency. Each of these general dimensions is further described by the following three sub-dimensions:

- **Mission** - Strategic Direction and Intent, Goals and Objectives and Vision
- **Adaptability** - Creating Change, Customer Focus and Organizational Learning
- **Involvement** - Empowerment, Team Orientation and Capability Development
- **Consistency** - Core Values, Agreement, Coordination/Integration

Deal and Kennedy

- **Work-hard, play-hard culture**^[6] This has rapid feedback/reward and low risk. Resulting in: Stress coming from quantity of work rather than uncertainty. High-speed action leading to high-speed recreation. Examples: Restaurants, software companies.
- **Tough-guy macho culture**^[6] This has rapid feedback/reward and high risk, resulting in the following: Stress coming from high risk and potential loss/gain of reward. Focus on the present rather than the longer-term future. Examples: police, surgeons, sports.
- **Process culture**^{[5][6]} This has slow feedback/reward and low risk, resulting in the following: Low stress, plodding work, comfort and security. Stress that comes from internal politics and stupidity of the system. Development of bureaucracies and other ways of maintaining the status quo. Focus on security of the past and of the future. Examples: banks, insurance companies.
- **Bet-the-company culture** This has slow feedback/reward and high risk, resulting in the following: Stress coming from high risk and delay before knowing if actions have paid off. The long view is taken, but then much work is put into making sure things happen as planned. Examples: aircraft manufacturers, oil companies.

Factors and elements

Gerry Johnson^[8] described a cultural web, identifying a number of elements that can be used to describe or influence Organizational Culture:

- **The Paradigm:** What the organization is about; what it does; its mission; its values.
- **Control Systems:** The processes in place to monitor what is going on. Role cultures would have vast rulebooks. There would be more reliance on individualism in a power culture.
- **Organizational Structures:** Reporting lines, hierarchies, and the way that work flows through the business.
- **Power Structures:** Who makes the decisions, how widely spread is power, and on what is power based?
- **Symbols:** These include organizational logos and designs, but also extend to symbols of power such as parking spaces and executive washrooms.
- **Rituals and Routines:** Management meetings, board reports and so on may become more habitual than necessary.
- **Stories and Myths:** build up about people and events, and convey a message about what is valued within the organization.

Constructive cultures

Constructive cultures are where people are encouraged to be in communication with their co-workers, and work as teams, rather than only as individuals. In positions where people do a complex job, rather than something simple like a mechanic one, this sort of culture is an efficient one

- **1. Achievement:** completing a task successfully, typically by effort, courage, or skill (pursue a standard of excellence) (explore alternatives before acting) -Based on the need to attain high-quality results on challenging projects, the belief that outcomes are linked to one's effort rather than chance and the tendency to personally set challenging yet realistic goals. People high in this style think ahead and plan, explore alternatives before acting and learn from their mistakes.
- **2. Self-Actualizing:** realization or fulfillment of one's talents and potentialities - considered as a drive or need present in everyone (think in unique and independent ways) (do even simple tasks well) -Based on needs for personal growth, self-fulfillment and the realisation of one's potential. People with this style demonstrate a strong desire to learn and experience things, creative yet realistic thinking and a balanced concern for people and tasks.

Constructive cultures

- **3. Humanistic-Encouraging:** help others to grow and develop (resolve conflicts constructively) -Reflects an interest in the growth and development of people, a high positive regard for them and sensitivity to their needs. People high in this style devote energy to coaching and counselling others, are thoughtful and considerate and provide people with support and encouragement.
- **4. Affiliative:** treat people as more valuable than things (cooperate with others) -Reflects an interest in developing and sustaining pleasant relationships. People high in this style share their thoughts and feelings, are friendly and cooperative and make others feel a part of things.

Organizations with constructive cultures encourage members to work to their full potential, resulting in high levels of motivation, satisfaction, teamwork, service quality, and sales growth. Constructive norms are evident in environments where quality is valued over quantity, creativity is valued over conformity, cooperation is believed to lead to better results than competition, and effectiveness is judged at the system level rather than the component level. These types of cultural norms are consistent with (and supportive of) the objectives behind empowerment, total quality management, transformational leadership, continuous improvement, re-engineering, and learning organizations

Passive/defensive cultures

Norms that reflect expectations for members to interact with people in ways that will not threaten their own security are in the Passive/Defensive Cluster.

The four Passive/Defensive cultural norms are:

- Approval
- Conventional
- Dependent
- Avoidance

In organizations with Passive/Defensive cultures, members feel pressured to think and behave in ways that are inconsistent with the way they believe they should in order to be effective. People are expected to please others (particularly superiors) and avoid interpersonal conflict. Rules, procedures, and orders are more important than personal beliefs, ideas, and judgment. Passive/Defensive cultures experience a lot of unresolved conflict and turnover, and organizational members report lower levels of motivation and satisfaction.

Aggressive/defensive cultures

- 1. **Oppositional**- This cultural norm is based on the idea that a need for security that takes the form of being very critical and cynical at times. People who use this style are more likely to question others work, however asking those tough question often leads to a better product. However, those you use this style tend to be over critical and point of others small flaws and use it as a mechanism to put others down.
- 2. **Power**- This cultural norm is based on the idea that there is a need for prestige and influence. Those who use this style often equate their own self-worth with controlling others. Those who use this style have a tendency to dictate others opposing to guiding others' actions.
- 3. **Competitive**- This cultural norm is based on the idea of a need to protect one's status. Those who use this style protect their own status by comparing themselves to other individuals and outperforming them. Those who use this style are seekers of appraisal and recognition from others.
- 4. **Perfectionistic**- This cultural norm is based on the need to attain flawless results. Those who often use this style equate their self-worth with the attainment of extremely high standards. Those who often use this style are always focused on details and place excessive demands on themselves and others.

Organizational structure

- An **organizational structure** consists of activities such as task allocation, coordination and supervision, which are directed towards the achievement of organizational aims.^[1] It can also be considered as the viewing glass or perspective through which individuals see their organization and its environment

Organizational structure types

1. Pre-bureaucratic structures
2. Bureaucratic structures
3. Post-bureaucratic
4. Functional structure
5. Divisional structure
6. Matrix structure
7. Organizational circle: moving back to flat
8. Team
9. Network
10. Virtual
11. Hierarchy-Community Phenotype Model of Organizational Structure

Pre-bureaucratic structures

- Pre-bureaucratic (entrepreneurial) structures lack [standardization](#) of tasks. This structure is most common in smaller organizations and is best used to solve simple tasks. The structure is totally centralized. The strategic leader makes all key decisions and most communication is done by one on one conversations. It is particularly useful for new (entrepreneurial) business as it enables the founder to control growth and development.
- They are usually based on [traditional domination](#) or [charismatic domination](#) in the sense of [Max Weber's tripartite classification of authority](#)

Bureaucratic structures

Weber (1948, p. 214) gives the analogy that “the fully developed bureaucratic mechanism compares with other organizations exactly as does the machine compare with the non-mechanical modes of production. Precision, speed, unambiguity, ... strict subordination, reduction of friction and of material and personal costs- these are raised to the optimum point in the strictly bureaucratic administration.”^[5] [Bureaucratic](#) structures have a certain degree of standardization. They are better suited for more complex or larger scale organizations, usually adopting a tall structure. The tension between bureaucratic structures and non-bureaucratic is echoed in Burns and Stalker's^[6] distinction between mechanistic and organic structures.

The Weberian characteristics of bureaucracy are:

- **Clear defined roles and responsibilities**
- **A hierarchical structure**
- **Respect for merit.**

Post-bureaucratic

- The term of post bureaucratic is used in two senses in the organizational literature: one generic and one much more specific.^[7] In the generic sense the term post bureaucratic is often used to describe a range of ideas developed since the 1980s that specifically contrast themselves with Weber's ideal type [bureaucracy](#). This may include [total quality management](#), [culture management](#) and [matrix management](#), amongst others. None of these however has left behind the core tenets of Bureaucracy. Hierarchies still exist, authority is still Weber's rational, legal type, and the organization is still rule bound. Heckscher, arguing along these lines, describes them as cleaned up bureaucracies,^[8] rather than a fundamental shift away from bureaucracy. Gideon Kunda, in his classic study of culture management at 'Tech' argued that 'the essence of bureaucratic control - the formalisation, codification and enforcement of rules and regulations - does not change in principle.....it shifts focus from organizational structure to the organization's culture'.

.....Post-bureaucratic

- Another smaller group of theorists have developed the theory of the Post-Bureaucratic Organization.^[8] provide a detailed discussion which attempts to describe an organization that is fundamentally not bureaucratic. [Charles Heckscher](#) has developed an ideal type, the post-bureaucratic organization, in which decisions are based on dialogue and consensus rather than authority and command, the organization is a network rather than a hierarchy, open at the boundaries (in direct contrast to culture management); there is an emphasis on meta-decision making rules rather than decision making rules. This sort of horizontal decision making by [consensus](#) model is often used in [housing cooperatives](#), other [cooperatives](#) and when running a [non-profit](#) or [community organization](#). It is used in order to encourage [participation](#) and help to [empower](#) people who normally experience [oppression](#) in groups.
- Still other theorists are developing a resurgence of interest in [complexity theory and organizations](#), and have focused on how simple structures can be used to engender organizational adaptations. For instance, Miner *et al.* (2000) studied how simple structures could be used to generate improvisational outcomes in product development. Their study makes links to simple structures and improviser learning. Other scholars such as Jan Rivkin and Siggilekow,^[9] and Nelson Repenning^[10] revive an older interest in how structure and strategy relate in dynamic environments.

Functional structure

- Employees within the functional divisions of an organization tend to perform a specialized set of tasks, for instance the engineering department would be staffed only with software engineers. This leads to operational efficiencies within that group. However it could also lead to a lack of communication between the functional groups within an organization, making the organization slow and inflexible.
- As a whole, a [functional organization](#) is best suited as a producer of standardized goods and services at large volume and low cost. Coordination and specialization of tasks are centralized in a functional structure, which makes producing a limited amount of products or services efficient and predictable. Moreover, efficiencies can further be realized as functional organizations integrate their activities vertically so that products are sold and distributed quickly and at low cost.^[11] For instance, a small business could make components used in production of its products instead of buying them. This benefits the organization and employees faiths.

Divisional structure

- Also called a "product structure", the divisional structure groups each organizational function into a division. Each division within a divisional structure contains all the necessary resources and functions within it. Divisions can be categorized from different points of view. One might make distinctions on a geographical basis (a US division and an EU division, for example) or on product/service basis (different products for different customers: households or companies). In another example, an automobile [company](#) with a divisional structure might have one division for SUVs, another division for subcompact cars, and another division for sedans.
- Each division may have its own sales, engineering and marketing departments.

Matrix structure

The [matrix structure](#) groups employees by both function and product. This structure can combine the best of both separate structures. A matrix organization frequently uses teams of employees to accomplish work, in order to take advantage of the strengths, as well as make up for the weaknesses, of functional and decentralized forms. An example would be a company that produces two products, "product a" and "product b". Using the matrix structure, this company would organize functions within the company as follows: "product a" sales department, "product a" customer service department, "product a" accounting, "product b" sales department, "product b" customer service department, "product b" accounting department. Matrix structure is amongst the purest of organizational structures, a simple lattice emulating order and regularity demonstrated in nature.

- **Weak/Functional Matrix:** A project manager with only limited authority is assigned to oversee the cross- functional aspects of the [project](#). The functional managers maintain control over their resources and project areas.
- **Balanced/Functional Matrix:** A project manager is assigned to oversee the project. Power is shared equally between the project manager and the functional managers. It brings the best aspects of functional and projectized organizations. However, this is the most difficult system to maintain as the sharing power is delicate proposition.
- **Strong/Project Matrix:** A [project manager](#) is primarily responsible for the project. Functional managers provide technical expertise and assign resources as needed.

Organizational circle: moving back to flat

- The flat structure is common in small companies (entrepreneurial start-ups, university spin offs). As the company grows it becomes more complex and hierarchical, which leads to an expanded structure, with more levels and departments.
- Often, it would result in bureaucracy, the most prevalent structure in the past. It is still, however, relevant in former Soviet Republics, China, and most governmental organizations all over the world. Shell Group used to represent the typical bureaucracy: top-heavy and hierarchical. It featured multiple levels of command and duplicate service companies existing in different regions. All this made Shell apprehensive to market changes,[12] leading to its incapacity to grow and develop further. The failure of this structure became the main reason for the company restructuring into a matrix.

Organizational circle: moving back to flat

- Starbucks is one of the numerous large organizations that successfully developed the matrix structure supporting their focused strategy. Its design combines functional and product based divisions, with employees reporting to two heads.[13] Creating a team spirit, the company empowers employees to make their own decisions and train them to develop both hard and soft skills. That makes Starbucks one of the best at customer service.
- Some experts also mention the multinational design,[14] common in global companies, such as Procter & Gamble, Toyota and Unilever. This structure can be seen as a complex form of the matrix, as it maintains coordination among products, functions and geographic areas.
- In general, over the last decade, it has become increasingly clear that through the forces of globalization, competition and more demanding customers, the structure of many companies has become flatter, less hierarchical, more fluid and even virtual.[15]

Team

- One of the newest organizational structures developed in the 20th century is team. In small businesses, the team structure can define the entire organization.[14] Teams can be both horizontal and vertical.[16] While an organization is constituted as a set of people who synergize individual competencies to achieve newer dimensions, the quality of organizational structure revolves around the competencies of teams in totality.[17] For example, every one of the Whole Foods Market stores, the largest natural-foods grocer in the US developing a focused strategy, is an autonomous profit centre composed of an average of 10 self-managed teams, while team leaders in each store and each region are also a team. Larger bureaucratic organizations can benefit from the flexibility of teams as well. Xerox, Motorola, and DaimlerChrysler are all among the companies that actively use teams to perform tasks.

Network

- Another modern structure is network. While business giants risk becoming too clumsy to proact (such as), act and react efficiently,[18] the new network organizations contract out any business function, that can be done better or more cheaply. In essence, managers in network structures spend most of their time coordinating and controlling external relations, usually by electronic means. H&M is outsourcing its clothing to a network of 700 suppliers, more than two-thirds of which are based in low-cost Asian countries. Not owning any factories, H&M can be more flexible than many other retailers in lowering its costs, which aligns with its low-cost strategy.[19] The potential management opportunities offered by recent advances in complex networks theory have been demonstrated [20] including applications to product design and development,[21] and innovation problem in markets and industries.[22]

Virtual

- A special form of boundaryless organization is virtual. Hedberg, Dahlgren, Hansson, and Olve (1999) consider the virtual organization as not physically existing as such, but enabled by software to exist.[23] The virtual organization exists within a network of alliances, using the Internet. This means while the core of the organization can be small but still the company can operate globally be a market leader in its niche. According to Anderson, because of the unlimited shelf space of the Web, the cost of reaching niche goods is falling dramatically. Although none sell in huge numbers, there are so many niche products that collectively they make a significant profit, and that is what made highly innovative Amazon.com so successful.[24]

Hierarchy-Community Phenotype Model of Organizational Structure

- In the 21st century, even though most, if not all, organizations are not of a pure hierarchical structure, many managers are still blind-sided to the existence of the flat community structure within their organizations.[25]
- The business firm is no longer just a place where people come to work. For most of the employees, the firm confers on them that sense of belonging and identity- the firm has become their “village”, their community.[26] The business firm of the 21st century is not just a hierarchy which ensures maximum efficiency and profit; it is also the community where people belong to and grow together- where their affective and innovative needs are met.[4]

Strategic Human Resources Management

Personal Characteristics

Fakultas Ekonomi
Universitas Negeri Yogyakarta
2012

- Personality
- Value & Belief
- Culture
- Ability & Competencies
- Motive

What is Personality?

- **Personality**
 - The sum total of ways in which an individual reacts and interacts with others; measurable traits a person exhibits.
- **Personality Traits**
 - Enduring characteristics that describe an individual's behavior.

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Personality Determinants

- **Heredity(遺傳)**
- **Environment**
- **Situation**

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The Myers-Briggs Type Indicator (MBTI)

- A personality test that taps four characteristics and classifies people into 1 of 16 personality types.

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Personality Types in MBTI

- Extroverted(外向的) vs. Introverted (E or I)
- Sensing vs. Intuitive (S or N)
- Thinking vs. Feeling (T or F)
- Judging vs. Perceiving (P or J)
- binary
- Score is a combination of all four (e.g., ENTJ)

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Usage and Shortcoming for MBTI

- A Meyers-Briggs score
 - Can be a valuable tool for self-awareness and career guidance
- **BUT**
 - Should not be used as a selection tool because it has not been related to job performance!!!

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The Big Five Model of Personality Dimensions

- Extroversion(外向性)
- Agreeableness (隨和性)
- Conscientiousness(認真盡責性)
- Emotional Stability(情緒穩定性)
- Openness to Experience(嘗試性)

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Big Five Model: Extroversion (外向性)

- Sociable
- Gregarious(合群的)
- Assertive(獨斷的)

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Big Five Model: Agreeableness (隨和性)

- Good-natured
- Cooperative
- Trusting

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Big Five Model: (認真盡責性) Conscientiousness

- Responsible
- Dependable
- Persistent(堅持不懈的)
- Organized

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Big Five Model: (情緒穩定性) Emotional Stability

- Positive
 - Calm(鎮靜的)
 - Self-confident
 - Secure(牢靠的) under stress
- Negative
 - Nervous(緊張不安的)
 - Depressed(憂鬱的)
 - Insecure under stress

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Big Five Model: Openness to Experience

- Curious(好奇的)
- Imaginative(有想像力的)
- Artistic
- Sensitive

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Measuring Personality



Personality is Measured By

- Self-report surveys
- Observer-rating surveys
- Projective measures
 - Rorschach Inkblot Test
 - Thematic Apperception Test

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Major Personality Attributes Influencing OB

- Core Self-evaluation
 - Self-esteem
 - Locus of Control
- Machiavellianism(權術主義/馬基維利主義)
- Narcissism(自戀)
- Self-monitoring
- Risk taking
- Type A vs. Type B personality
- Proactive Personality

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Core Self-Evaluation: Two Main Components

- **Self Esteem**
 - Individuals' degree of liking or disliking themselves.
- **Locus of Control**
 - The degree to which people believe they are masters of their own fate.
 - **Internals (Internal locus of control)**
Individuals who believe that they control what happens to them. → everythings
 - **Externals (External locus of control)**
Individuals who believe that what happens to them is controlled by outside forces such as luck or chance.

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Machiavellianism (Mach)

- Degree to which an individual is pragmatic, maintains emotional distance, and believes that ends can justify means.
- Some one who Machiavellianism, ability to keep and maintain their emotions

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Conditions Favoring High Machs

- **Direct interaction with others**
- **Minimal rules and regulations**
- **Emotions distract(分散) for others**

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Narcissism

- **A Narcissistic Person**
 - Has grandiose(誇張的) sense of self-importance
 - Requires excessive admiration(讚美)
 - Has a sense of entitlement(應得的權利)
 - Is arrogant(自負的)
 - Tends to be rated as less effective

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Self-Monitoring

- A personality trait that measures an individual's ability to adjust his or her behavior to external, situational factors.

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High Self-Monitors

- Receive better performance ratings
- Likely to emerge as leaders
- Show less commitment to their organizations

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Risk Propensity

- Aligning managers' risk-taking propensity(性格上的傾向) to job requirements should be beneficial to organizations.

118

Risk-Taking

- High Risk-taking Managers
 - Make quicker decisions
 - Use less information to make decisions
 - Operate in smaller and more entrepreneurial(創業者的) organizations
- Low Risk-taking Managers
 - Are slower to make decisions
 - Require more information before making decisions
 - Exist in larger organizations with stable environments

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Personality Types

- **Type A vs. Type B**

next

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Personality Types A

- are always moving, walking, and eating rapidly;
- feel impatient(無耐心的) with the rate at which most events take place;
- strive to think or do two or more things at once;
- cannot cope(妥善處理) with leisure time;
- are obsessed(迷住) with numbers, measuring their success in terms of how many or how much of everything they acquire.

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Personality Types B

- never suffer from a sense of time urgency with its accompanying(伴隨) impatience(無耐心的);
- feel no need to display or discuss either their achievements or accomplishments;
- play for fun and relaxation, rather than to exhibit(顯出) their superiority(優勢) at any cost;
- can relax without guilt(內疚).

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Proactive Personality

- Identifies opportunities, shows initiative, takes action, and perseveres(堅持不懈) until meaningful change occurs.
- Creates positive change in the environment, regardless or even in spite(惡意對待) of constraints or obstacles(妨礙).

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Personality and National Culture

- Individualistic vs. collectivistic
 - The Big Five Model appear to predict a bit better in Individualistic culture than in collectivistic
- There are no common personality types for a given country.
- A country's culture influences the dominant personality characteristics of its population, like locus of control and Type A personality.

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Values

- Definition: Mode of conduct or end state is personally or socially preferable (tenure, age, gender, etc)
 - i.e., what is right & good
- Note: Values Vary by Cohort(同伴)

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Value System

- A hierarchy based on a ranking of an individual's values in terms of their intensity(強度).

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Importance of Values

- Provide understanding of the attitudes, motivation, and behaviors of individuals and cultures.
- Influence our perception of the world around us.
- Represent interpretations of “right” and “wrong.”
- Imply(暗示) that some behaviors or outcomes are preferred over others.

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Types of Values – Rokeach Value Survey

- **Terminal Values**
 - Desirable end-states of existence; the goals that a person would like to achieve during his or her lifetime.
- **Instrumental Values**
 - Preferable modes of behavior or means of achieving one’s terminal values.

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Values in the Rokeach Survey

Terminal Values

A comfortable life (a prosperous life)
 An exciting life (a stimulating, active life)
 A sense of accomplishment (lasting contribution)
 A world at peace (free of war and conflict)
 A world of beauty (beauty of nature and the arts)
 Equality (brotherhood, equal opportunity for all)
 Family security (taking care of loved ones)
 Freedom (independence, free choice)
 Happiness (contentedness)
 Inner harmony (freedom from inner conflict) 內心和諧
 Mature love (sexual and spiritual intimacy)
 National security (protection from attack)
 Pleasure (an enjoyable, leisurely life)
 Salvation (saved, eternal life) 普渡眾生
 Self-respect (self-esteem)
 Social recognition (respect, admiration)
 True friendship (close companionship)
 Wisdom (a mature understanding of life)

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Values in the Rokeach Survey

Instrumental Values

Ambitious (hardworking, aspiring)
 Broad-minded (open-minded)
 Capable (competent, effective)
 Cheerful (lighthearted, joyful)
 Clean (neat, tidy)
 Courageous (standing up for your beliefs)
 Forgiving (willing to pardon others) 寬恕
 Helpful (working for the welfare of others)
 Honest (sincere, truthful)
 Imaginative (daring, creative)
 Independent (self-reliant, self-sufficient)
 Intellectual (intelligent, reflective)
 Logical (consistent, rational)
 Loving (affectionate, tender)
 Obedient (dutiful, respectful) 志順
 Polite (courteous, well-mannered) 謙恭有禮
 Responsible (dependable, reliable)
 Self-controlled (restrained, self-disciplined)

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Mean Value Rankings of Executives, Union Members, and Activists

Executives (主管)	
Terminal	Instrumental
1. Self-respect	1. Honest
2. Family security	2. Responsible
3. Freedom	3. Capable
4. A sense of accomplishment	4. Ambitious
5. Happiness	5. Independent

Union Members (工會)	
Terminal	Instrumental
1. Family security	1. Responsible
2. Freedom	2. Honest
3. Happiness	3. Courageous
4. Self-respect	4. Independent
5. Mature love	5. Capable

Activists (社區運動)	
Terminal	Instrumental
1. Equality	1. Honest
2. A world of peace	2. Helpful
3. Family security	3. Courageous
4. Self-respect	4. Responsible
5. Freedom	5. Capable

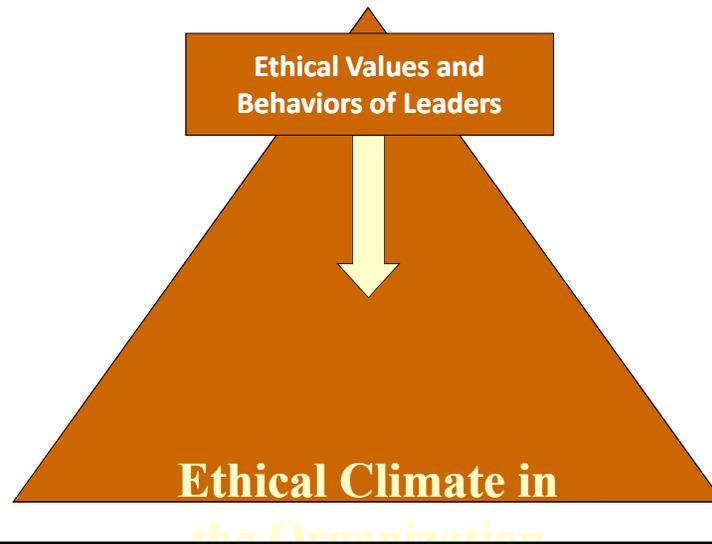
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Contemporary Work Cohorts

Cohort	Enter the Workforce	Approx. Current Age	Dominant Work Values
Veterans 退伍軍人	1950s or early 1960s	65+	Hardworking, conservative, conforming, loyalty to the organization
Boomers 嬰兒潮	1965-1985	Early 40s to mid-60s	Success, achievement, ambition, dislike of authority, loyalty to career
Xers	1985-2000	Late 20s to early 40s	Work/life balance, team-oriented, dislike of rule, loyalty to relationship
Nexters	2000 to present	Under 30	Confident, financial success, self-reliant but team-oriented, loyalty to both self and relationship

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Values, Loyalty, and Ethical Behavior



Values across Cultures: Hofstede's Framework

- Power Distance
- Individualism vs. Collectivism
- Masculinity(剛毅) vs. Femininity(嬌柔)
- Uncertainty Avoidance
- Long-term and Short-term orientation

next

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Hofstede's Cultures Framework: Power Distance

- The extent to which a society accepts that power in institutions and organizations is distributed unequally.
- *Low* distance: relatively equal power between those with status/wealth and those without status/wealth
- *High* distance: extremely unequal power distribution between those with status/wealth and those without status/wealth

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Hofstede's Cultures Framework: Individualism vs. Collectivism

- **Individualism**
 - The degree to which people prefer to act as individuals rather than a member of groups.
- **Collectivism**
 - A tight social framework in which people expect others in groups of which they are a part to look after them and protect them.

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Hofstede's Cultures Framework: Masculinity vs. Femininity

Vs.

- **Masculinity**
 - The extent to which the society values work roles of achievement, power, and control, and where assertiveness and materialism are also valued.
- **Femininity**
 - The extent to which there is little differentiation between roles for men and women.

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Hofstede's Cultures Framework: Uncertainty Avoidance

- The extent to which a society feels threatened by uncertain and ambiguous situations and tries to avoid them.
- **High Uncertainty Avoidance:**
Society does not like ambiguous situations & tries to avoid them.
- **Low Uncertainty Avoidance:**
Society does not mind ambiguous situations & embraces them.

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Hofstede's Cultures Framework: Long-term/Short-term orientation

Vs.

- **Long-term Orientation**

- A national culture attribute that emphasizes the future, thrift, and persistence.

- **Short-term Orientation**

- A national culture attribute that emphasizes the present and the here and now.

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The GLOBLE Framework for Assessing Cultures

- Assertiveness(自信)
- Future orientation
- Gender differentiation
- Uncertainty avoidance
- Power distance
- Individualism/Collectivism
- In-group collectivism
- Performance orientation
- Humane orientation

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Achieving Person-Job Fit

Personality-Job Fit Theory (Holland)

Identifies six personality types and proposes that the fit between personality type and occupational environment determines satisfaction and turnover.

Personality Types

- Realistic
- Investigative
- Social
- Conventional
- Enterprising
- Artistic

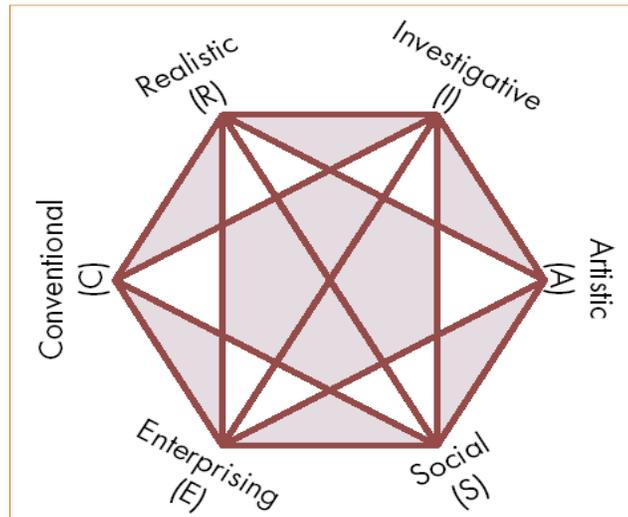
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Holland's Typology of Personality and Congruent Occupations

Type	Congruent Occupation
<i>Realistic</i> : Prefers physical activities that require skill, strength, and coordination	Mechanic, drill press operator, assembly-line worker, farmer
<i>Investigative</i> : Prefers activities that involve thinking, organizing, and understanding	Biologist, economist, mathematician, news reporter
<i>Social</i> : Prefers activities that involve helping and developing others	Social worker, teacher, counselor, clinical psychologist
<i>Conventional</i> : Prefers rule-regulated, orderly, and unambiguous activities	Accountant, corporate manager, bank teller, file clerk
<i>Enterprising</i> : Prefers verbal activities in which there are opportunities to influence others and attain power	Lawyer, real estate agent, public relations specialist, small business manager
<i>Artistic</i> : Prefers ambiguous and unsystematic activities that allow creative expression	Painter, musician, writer, interior decorator

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Relationships among Occupational Personality Types



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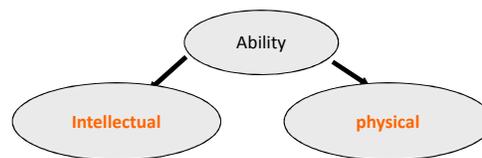
Organizational Culture Profile (OCP)

- Useful for determining person-organization fit
- Survey that forces choices/rankings of one's personal values
- Helpful for identifying most important values to look for in an organization (in efforts to create a good fit)

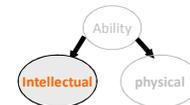
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Ability

- Why we concern
 - by knowing how people different in abilities, we may use the knowledge to increase /enhance people's performance
- What is ability
 - An individual's capacity to perform the various tasks in a job.
 - Made up of two factors: **Intellectual** and **physical**

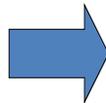


Intellectual Ability



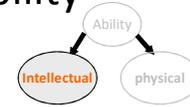
- The capacity to do **mental** activities—thinking, reasoning, and problem solving

7 Dimensions of Intellectual Ability



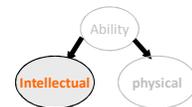
1. Number aptitude
2. Verbal comprehension
3. Perceptual speed
4. Inductive reasoning
5. Deductive reasoning
6. Spatial visualization
7. Memory

Dimensions of Intellectual Ability



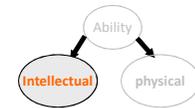
1. **Number Aptitude:** Ability to do speedy and accurate arithmetic
2. **Verbal Comprehension:** Ability to understand what is read or heard and the relationship of words to each other.
3. **Perceptual Speed:** Ability to identify visual similarities and differences quickly and accurately.
4. **Inductive Reasoning:** Ability to identify a logical sequence in a problem and then solve the problem.
5. **Deductive Reasoning:** Ability to use logic and assess the implications of an argument.
6. **Spatial Visualization:** Ability to imagine how an object would look if its position in space were changed.
7. **Memory:** Ability to retain and recall past experiences.

Intelligence is one of the predictors



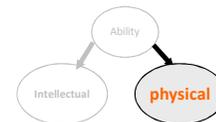
1. intelligence is one of the predictors of job performance.
2. Use IQ test as hiring tools
3. Correlation between intelligence and Job satisfaction is about zero

Multiple intelligences

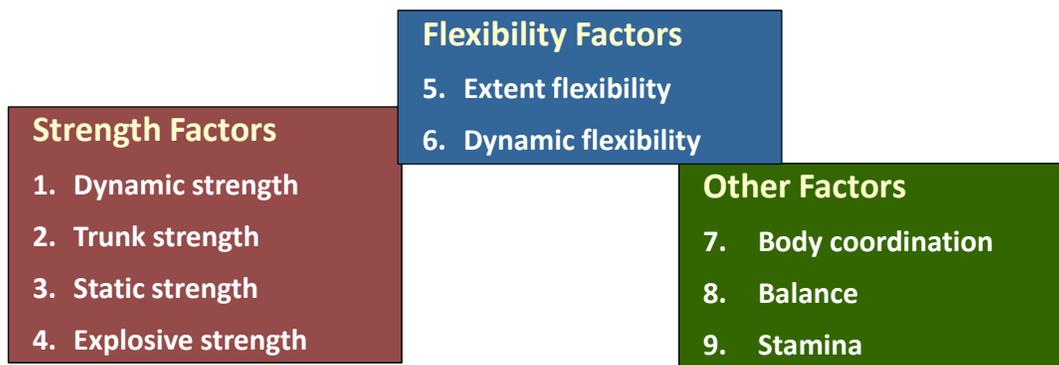


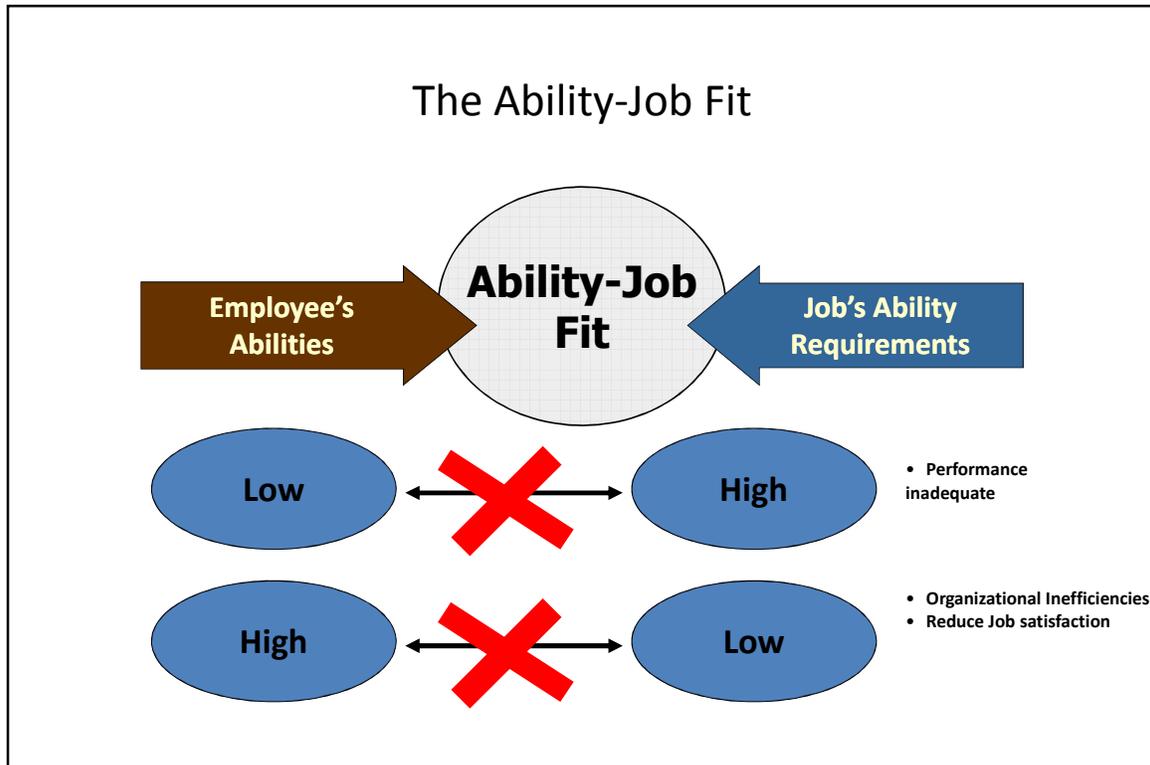
- Intelligences contains four subparts: cognitive, social, emotional, cultural
 - **Cognitive**: traditional intelligence test.
 - **Social**: ability to relate effectively to others
 - **Emotional**: ability to identify, understand, and manage emotions.
 - **Cultural**: awareness of cross-culture differences and the ability to function successfully in cross-cultural situation.

Physical Ability



- The capacity to do tasks demanding stamina, dexterity (swiftness or precision), strength, and similar characteristics.





Biographical Characteristics--Age

- Personal characteristics—such as age, gender, race, length of tenure—that are objective and easily obtained from personal records.

Age—performance relationship is important	<ol style="list-style-type: none"> 1. performance declines with increasing age 2. The workforce is aging 3. Outlaw mandatory retirement of US
Age—turnover	<ol style="list-style-type: none"> 1. the older one get, the less likely to quit one's job 2. Fewer job opportunities 3. Long tenure :higher wage rate, longer paid vacation, better pension benefits.
Age—absenteeism	<ol style="list-style-type: none"> 1. Lower avoidable absence 2. Higher unavoidable absence
Age-- productivity	<ol style="list-style-type: none"> 1. Employee over 50 were more productivity 2. Unrelated
Age--satisfaction	<ol style="list-style-type: none"> 1. The finding is mixed. 2. Professional—increase. 3. Non-professional—U shape

Biographical Characteristics--Gender

- Will the differences between man and women affect their job performance?

	difference	No difference
Productivity		⊙
Work schedule	⊙ when employee has pre-school children	
Turnover		⊙
Absence	⊙ woman--higher	



Biographical Characteristics--Race

- Individuals tend to favor colleagues of their own race in performance evaluation, promotion decisions, and pay raises.
- African Americans approve affirmative action to a greater degree than White
- The issue of racial differences in cognitive ability test---is still on debate



Biographical Characteristics--Tenure

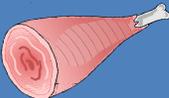
- Seniority negatively related to absence.
- Seniority negatively related to turnover.
- Tenure on one's previous job is a powerful predictor of the one's future turnover.
- Tenure positively related to satisfaction.



Learning & Theories of learning

- Definition of learning
 - Any relatively permanent change in behavior that occurs as a result of experience.
- Theories of learning
- **Classical Conditioning:** 1990s by Ivan Pavlov
 - *A type of conditioning in which an individual responds to some stimulus that would not ordinarily produce such a response.*

Key Concepts

 Unconditioned stimulus	 saliva	 conditioned stimulus
 Happy	 Happy	

Theories of learning

- **Operant conditioning**

- by psychologist B.F. Skinner (behaviorism)
- ***A type conditioning in which desired voluntary behavior leads to a reward or prevents a punishment.***
- better explain voluntary behaviors



Key Concepts

- People will most likely engage in desired behavior if they are positively reinforced for doing so
- Rewards are most effective if they immediately follow the desired response

Theories of learning

- **Social learning**

- *The view that people can learn through observation and direct experience*

Key Concepts

- The influence of model
- Four processes
 - Attentional processes
 - Retention processes
 - Motor reproduction process
 - Reinforcement processes



Shaping Behavior: A Managerial Tool

Shaping Behavior:

Systematically reinforcing each successive step that moves an individual closer to desired response.

Four Methods

1. **Positive reinforcement:** Following a response with something pleasant
2. **Negative reinforcement:** Following a response by the termination or withdrawal of something unpleasant
3. **Punishment:** Causing unpleasant condition in an attempt to eliminate an undesirable behavior
4. **Extinction:** Eliminating any reinforcement that is maintaining a behavior

Schedules of Reinforcement

- **Reinforcement Schedule: Continuous**
 - For newly emitted, unstable, or low-frequency response

Nature of Reinforcement	Effect on Behavior	Example
Reward given after each desired behavior	Fast learning of new behavior but rapid extinction	Compliments

Schedules of Reinforcement

- **Intermittent:**
 - Reinforcing a desired behavior often enough to make the behavior worth repeating but not every time it is demonstrated.
 - ratio or interval type
 - For stable or high-frequency response

Reinforcement schedule	Nature of Reinforcement	Effect on Behavior	Example
Fixed-interval	Reward given at fixed time intervals	Average & irregular performance with rapid extinction	Weekly paychecks
Variable-interval	Reward given at variable time intervals	Moderately high and stable performance with slow extinction	Pop quizzes
Fixed ratio	Reward given at fixed amounts of outputs	high and stable performance attained quickly but also with rapid extinction	Piece-rate pay
Variable-ratio	Reward given at variable amounts of outputs	Very high performance with slow extinction	Commissioned sales

Behavior Modification

OB Mod

The application of reinforcement concepts to individuals in the work setting

Problem-solving Model

1. Identify critical behaviors
2. Develop baseline data
3. Identify behavioral consequences
4. Apply intervention
5. Evaluate performance improvement

Problems with OB Mod and Reinforcement Theory

- OB Mod has been used by a number of org. to improve productivity, to reduce errors, absenteeism...and so on.
- Problem with behaviorism
 - Assume that people's inner-most thoughts and feelings in response to the environment are irrelevant.
 - research showing that thoughts and feelings immediately follow environmental stimuli
- Other approach— cognitive process

Summary & Implications

- Three individual variables
 - **Ability: intellectual & physical**
 - An effective selection process will improve the fit
 - Promotion and transfer decisions should reflect the abilities of candidates
 - The fit can be improved by fine-tuning the job to better match an incumbent's abilities.
 - **Biographical Characteristics: age, race, gender...**
 - Readily observable
 - Doesn't mean should be explicitly used in management decision
 - **Learning**
 - Positive reinforcement is a powerful tool for modifying behavior
 - Reinforcement is a more effective tool than punishment

Motivation Definition

Outline the motivation concept

- Processes that account for an individual's intensity, direction and persistence of effort toward attaining a goal.
 - Intensity: *concern* with how hard a person tries
 - Direction: *channeled effort* to Organization benefit
 - Persistence: *measurement* of how long a person can maintain effort

Motivational theories

Needs – goal setting – reinforcement – equity/organizational justice - expectancy

Classic

- Hierarchy of need & ERG
- Theory X and theory Y
- Two factor theory

Contemporary

- McClelland's Theory of Needs
- Cognitive evaluation theory
- Goal setting theory
- MBO Program
- Self efficacy theory
- Reinforcement theory
- Equity theory
- Expectancy theory

Hierarchy of need

A hierarchy of five needs, physiological, safety, social, esteem, and self actualization – exists such that as each need is substantially satisfied, the next need become dominant

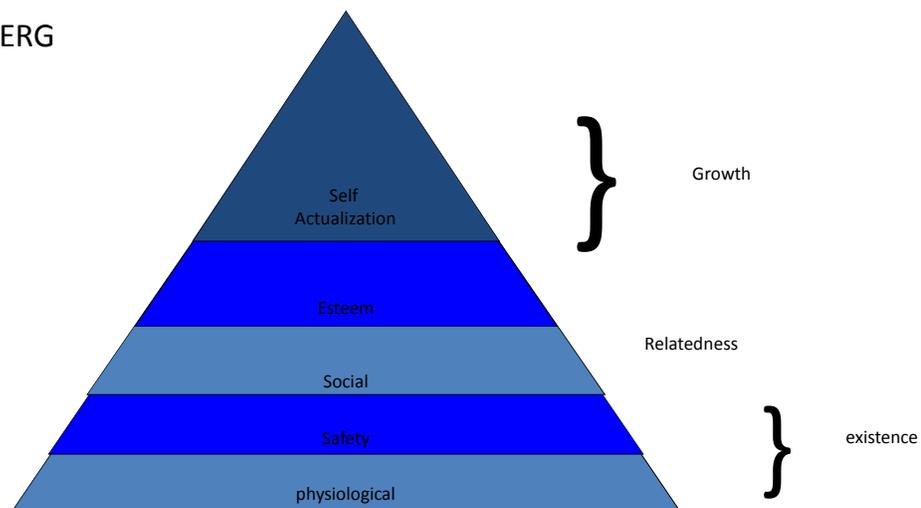
Maslow's hierarchy

Describe Maslow's need hierarchy



Hierarchy of need

ERG



Theory X and Theory Y

Douglas McGregor

- X Theory (negative views of Human being)
 - the assumption that employees dislike work, are lazy, dislike responsibilities, and must be coerced to perform

- Y Theory (positive views of Human being)
 - the assumption that employees like work, are creative, seek responsibilities, and can exercise self-direction

Two Factory theory – Motivation Hygiene theory

A theory that relates intrinsic factors to job satisfaction, while associating extrinsic factor with dissatisfaction by Frederick Herzberg

- Hygiene factor: factors such as company policy and administration, supervision and salary – that when adequate in a job, placate worker. When these factor inadequate people will not be satisfied.
- Hygiene factor character: condition surrounding the job such as quality of supervision, pay, company policies, physical working conditions, relation with others, and job security.
- Felt Good or bad to the job categories
 - Felt Good: attributed by intrinsic factors (achievement, recognition, responsibility, advancement) → related to job satisfaction
 - Felt bad: cited by extrinsic factors (company policy, supervision, pay, working conditions) → dissatisfaction

Motivate people: emphasizing factors associated with the work is self or to outcomes directly derived from it (promotion opportunities, growth opportunities achievement, recognition, responsibility)

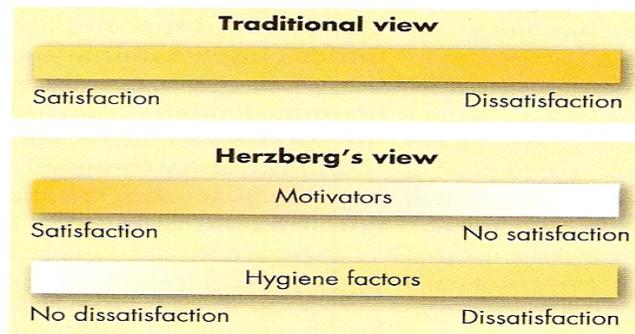
Differentiate motivators from hygiene factors

Two Factory theory – Motivation Hygiene theory

A theory that relates intrinsic factors to job satisfaction, while associating extrinsic factor with dissatisfaction

Differentiate motivators from hygiene factors

- Opposite of satisfaction is not dissatisfaction (as was traditionally believed)
 - Motivators: satisfaction to no satisfaction
 - Hygiene :no dissatisfaction to dissatisfaction

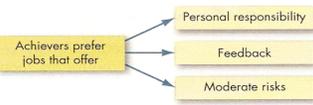


- Hierarchy of need: A hierarchy of five needs, physiological, safety, social, esteem, and self actualization – exists such that as each need is substantially satisfied, the next need become dominant
- ERG Need:Existence, Relatedness, and Growth
- X Theory (negative views of Human being) and Y Theory (positive views of Human being)
- Two Factory theory – Motivation Hygiene theory
A theory that relates intrinsic factors to job satisfaction, while associating extrinsic factor with dissatisfaction



McClelland needs theory

A theory stating that achievement, power, and affiliation are three important needs that help explain motivation



List the characteristics that high achievers prefer in a job

- Focused of need: achievement, power and affiliation

	Description	Behavior (high)
achievement	The drive to excel, to achieve in relation to set of standards, to strive to success	<ul style="list-style-type: none"> □ Desire to do things better □ Attain personal responsibility for finding solutions or problems □ can received their rapid performance feedback □ Prefer task of intermediate difficulty (moderate risk) □ Like setting goal that required stretching them self → successful in entrepreneurial activities (own business or unit in large organization)
Power	The need to make others behave in a way that they would no have behave otherwise	<ul style="list-style-type: none"> □ Enjoy being "in charge" □ Strive influence over others □ Placed into competitive and status-oriented situation □ More concerned with prestige, and gaining influence over others than with effective performance → Related to manager success (effectiveness)
Affiliation	The desire for friendly and close interpersonal relationship	<ul style="list-style-type: none"> □ Strive for friendship □ Prefer cooperative situation than competitive one □ Desire relationship that involve a high degree of mutual understanding → Related to manager success

Cognitive evaluation theory

A theory stating that allocating extrinsic rewards for behavior that had been previously intrinsically rewarding tends to decrease the overall level motivation

- Why? Individual experiences loss of control over his or her own behavior, so that the previous intrinsic motivation diminishes.
- Elimination extrinsic rewards can produce a shift perception of why some one of doing a task (focusing someone to verbal rewards than the task)
- Recent theory → self concordance : the degree to which a person's reasons for pursuing a goal is consistence with the person's interests and core values.
 - Pursued goal as an intrinsic reason more satisfied
 - Pursued goal as an extrinsic reason less happy or meaningful

Goal Setting theory

A theory stating that specified and difficult goal, with feedback, lead to higher performance

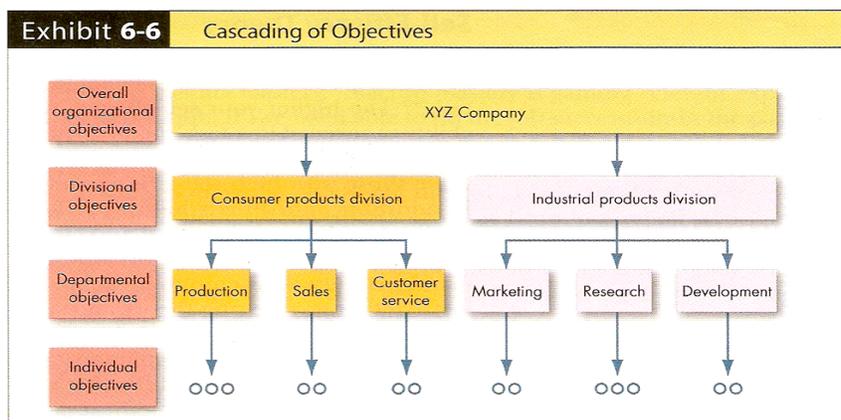
Summarize the type of goals that increase performance

- Goals tell/guide what needs to be done and how much effort will need to be expended
- With Difficult Goals
 - direct attention (focus) to the task at hand and away from irrelevant distraction
 - energize to work harder
 - persist in trying to attain them
 - lead to discover strategies performing task (more) effectively
- With feedback
 - People will do better
- Performance (-goal relation factor)
 - Goal commitment (believe can achieve and want to achieve)
 - Task characteristics (simple, well-learned, and independent)
 - National culture

MBO

A program that encompasses specific goals, participatively sets, for an explicit time period, with feedback on goal progress

- Participatively set goal by cascading the objective (organizational level, division, department and individual level)



MBO

A program that encompasses specific goals, participatively sets, for an explicit time period, with feedback on goal progress

- MBO Program ingredients
 - Goal specificity
 - Decision making participation
 - Explicit time period
 - Performance Feedback
- MBO doesn't
 - Unrealistic expectation
 - Top Manager's Commitment lack
 - Reward allocation Inability or unwillingness
 - Cultural incompatibilities (example in Fujitsu Japan)

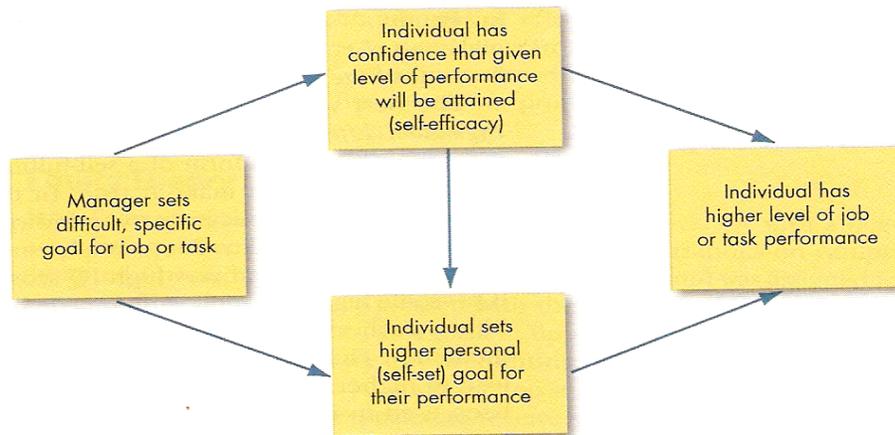
Self Efficacy theory

the individual's belief that he or she is capable of performing task (by Albert Bandura)

- High Level self efficacy: more confidence, try harder to master the challenge, seem to respond to negative feedback with increased effort and motivation
- Low level self efficacy: more likely to lessen effort when given negative feedback or give up altogether
- Increasing Self Efficacy
 - Enactive mastery (gaining relevant experience with the task or job)
 - Vicarious modeling (seeing similar)
 - Verbal persuasion (someone convince of skill we have successfully the task)
 - Arousal (energized state drive person complete the task)
 - + intelligent, conscientiousness, stable emotionally

Discuss way self-efficacy can be increase

Joint effects of goals and self-efficacy on performance



Reinforcement theory

a theory that behavior is a function of its consequences

- Reinforcement theory sees behavior as being environmentally caused
- Reinforcement theory ignores inner state of individual and concentrates on the personal action
- Reinforcement theory ignores feeling, attitudes, expectation, and other cognitive variables that are known to impact behavior

Equity theory

a theory that Individuals compare their job inputs and outcomes with those of others and then respond to eliminate any inequities

State the impact of under-rewarding employees

- Outcomes-input ratio
 - equal to others → fair, justice prevail
 - Under rewarded → Anger
 - Over rewarded → guilty
- Equally equity
 - Change input (as decrease effort)
 - Change outcomes (quantity more than quality)
 - Distort perception of self
 - Distort perception of others
 - Choose different referent
 - Leave the field

Ratio Comparisons*

$$\frac{O}{I_A} < \frac{O}{I_B}$$

Perception

Inequity due to being underrewarded

$$\frac{O}{I_A} = \frac{O}{I_B}$$

Equity → but justice.

$$\frac{O}{I_A} > \frac{O}{I_B}$$

Inequity due to being overrewarded

*Where $\frac{O}{I_A}$ represents the employee; and $\frac{O}{I_B}$ represents relevant others.

Equity theory

a theory that Individuals compare their job inputs and outcomes with those of others and then respond to eliminate any inequities

State the impact of under-rewarding employees

	Payment by time	Payment by quantity
Over rewarded	Produce more	Produce fewer, but higher quality, unit
Under rewarded	Produce less and poorer quality of output	Produce a large number of low quality units

Un supported these preposition

1. Inequities created by over payment
2. Equity sensitivity. Not all people are equity sensitive



Expectancy theory

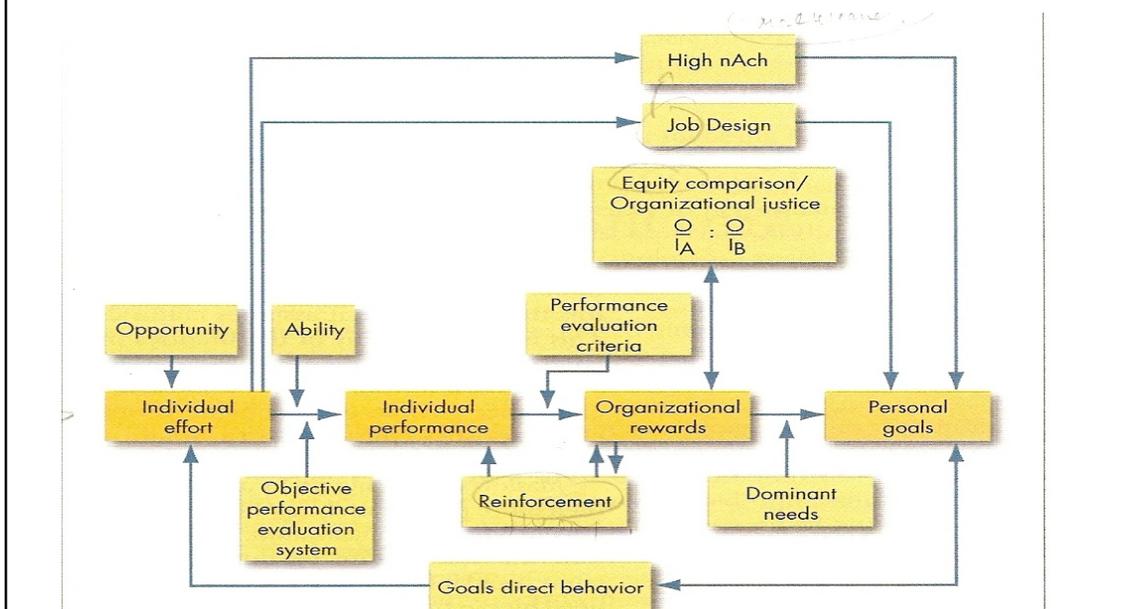
the strength of tendency to act in a certain way depends on the strength of an expectation that the act will be followed by a given outcome and on the attractiveness of the outcome to the individual (by Victor Vroom)

- **Effort**-performance relationship: Employee will be motivated to exert a high level of effort, when they believe that effort will lead to good performance appraisal
- **Performance**-reward relationship: The degree (good) performance will lead to the attainment of desire outcomes (organizational reward)
- **Reward**-personal goal relationship: *degree to Reward, satisfy* individual's personal goal or need and it's attractiveness for individual

The keys are *understanding* individual goals, linkage effort-performance, and performance-reward, reward-goal satisfaction.

Clarify the key relationship in expectancy theory

Integrating contemporary theory of motivation



Country	Power Distance		Individualism versus Collectivism		Masculinity versus Femininity		Uncertainty Avoidance		Long- versus Short-Term Orientation	
	Index	Rank	Index	Rank	Index	Rank	Index	Rank	Index	Rank
Argentina	49	35-36	46	22-23	56	20-21	86	10-15		
Australia	36	41	90	2	61	16	51	37	31	22-24
Austria	11	53	55	18	79	2	70	24-25	31	22-24
Belgium	65	20	75	8	54	22	94	5-6	38	18
Brazil	69	14	38	26-27	49	27	76	21-22	65	6
Canada	39	39	80	4-5	52	24	48	41-42	23	30
Chile	63	24-25	23	38	28	46	86	10-15		
Colombia	67	17	13	49	64	11-12	80	20		
Costa Rica	35	42-44	15	46	21	48-49	86	10-15		
Denmark	18	51	74	9	16	50	23	51	46	10
Ecuador	78	8-9	8	52	63	13-14	67	28		
Finland	33	46	63	17	26	47	59	31-32	41	14
France	68	15-16	71	10-11	43	35-36	86	10-15	39	17
Germany	35	42-44	67	15	66	9-10	65	29	31	22-24
Great Britain	35	42-44	89	3	66	9-10	35	47-48	25	28-29
Greece	60	27-28	35	30	57	18-19	112	1		
Guatemala	95	2-3	6	53	37	43	101	3		
Hong Kong	68	15-16	25	37	57	18-19	29	49-50	96	2
Indonesia	78	8-9	14	47-48	46	30-31	48	41-42		
India	77	10-11	48	21	56	20-21	40	45	61	7
Iran	58	29-30	41	24	43	35-36	59	31-32		
Ireland	28	49	70	12	68	7-8	35	47-48	43	13
Israel	13	52	54	19	47	29	81	19		
Italy	50	34	76	7	70	4-5	75	23	34	19
Jamaica	45	37	39	25	68	7-8	13	52		
Japan	54	33	46	22-23	95	1	92	7	80	4
Korea (South)	60	27-28	18	43	39	41	85	16-17	75	5
Malaysia	104	1	26	36	50	25-26	36	46		
Mexico	81	5-6	30	32	69	6	82	18		
Netherlands	38	40	80	4-5	14	51	53	35	44	11-12
Norway	31	47-48	69	13	8	52	50	38	44	11-12
New Zealand	22	50	79	6	58	17	49	39-40	30	25-26
Pakistan	55	32	14	47-48	50	25-26	70	24-25	0	34
Panama	95	2-3	11	51	44	34	86	10-15		
Peru	64	21-23	16	45	42	37-38	87	9		
Philippines	94	4	32	31	64	11-12	44	44	19	31-32
Portugal	63	24-25	27	33-35	31	45	104	2	30	25-26
South Africa	49	35-36	65	16	63	13-14	49	39-40		
Salvador	66	18-19	19	42	40	40	94	5-6		

(continued)

Exhibit 4-6 Hofstede's Cultural Values by Nation (cont.)										
Country	Power Distance		Individualism versus Collectivism		Masculinity versus Femininity		Uncertainty Avoidance		Long- versus Short-Term Orientation	
	Index	Rank	Index	Rank	Index	Rank	Index	Rank	Index	Rank
Singapore	74	13	20	39-41	48	28	8	53	48	9
Sri Lanka	57	31	51	20	42	37-38	86	10-15	19	31-32
Sweden	31	47-48	71	10-11	5	53	29	49-50	33	20
Switzerland	34	45	68	14	70	4-5	58	33	40	15-16
Taiwan	58	29-30	17	44	45	32-33	69	26	87	3
Tanzania	64	21-23	20	39-41	34	44	64	30	56	8
Thailand	66	18-19	37	28	45	32-33	85	16-17		
Uruguay	61	26	36	29	38	42	100	4		
United States	40	38	91	1	62	15	46	43	29	27
Venezuela	81	5-6	12	50	73	3	76	21-22		
Yugoslavia	76	12	27	33-35	21	48-49	88	8		
Regions:										
Arab countries	80	7	38	26-27	53	23	68	27		
East Africa	64	21-23	27	33-35	41	39	52	36	25	28-29
West Africa	77	10-11	20	39-41	46	30-31	54	34	16	33

Index range from 0 = extremely low on dimension to 100 = extremely high.
LTO: 1 = highest rank. LTO ranks: 1 = China; 15-16 = Bangladesh; 21 = Poland; 34 = lowest.
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Strategic Human Resources Management

Stakeholder Characteristics

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2012

- A corporate **stakeholder** is a party that can affect or be affected by the actions of the business as a whole. The stakeholder concept was first used in a 1963 internal memorandum at the [Stanford Research Institute](#). It defined stakeholders as "those groups without whose support the organization would cease to exist."^[1] The theory was later developed and championed by [R. Edward Freeman](#) in the 1980s. Since then it has gained wide acceptance in business practice and in theorizing relating to [strategic management](#), [corporate governance](#), [business purpose](#) and [corporate social responsibility](#) (CSR).

Examples of a company's stakeholders

Stakeholders	Examples of interests
Government	taxation, VAT , legislation , low unemployment, truthful reporting.
Employees	rates of pay, job security , compensation, respect, truthful communication.
Customers	value, quality, customer care, ethical products.
Suppliers	providers of products and services used in the end product for the customer, equitable business opportunities.
Creditors	credit score, new contracts, liquidity.
Community	jobs, involvement, environmental protection, shares, truthful communication.
Trade Unions	quality, Staff protection, jobs.
Owner	have interest of the success of his/her business.

Types of stakeholders

- People who will be affected by an endeavor and can influence it but who are not directly involved with doing the work.
- In the [private sector](#), people who are (or might be) affected by any action taken by an organization or group. Examples are parents, children, customers, owners, employees, associates, partners, contractors, and suppliers, people that are related or located nearby. Any group or individual who can affect or who is affected by achievement of a group's objectives.
- An individual or group with an interest in a group's or an organization's success in delivering intended results and in maintaining the viability of the group or the organization's product and/or service. Stakeholders influence programs, products, and services.
- Any organization, governmental entity, or individual that has a stake in or may be impacted by a given approach to environmental regulation, pollution prevention, energy conservation, etc.
- A participant in a community mobilization effort, representing a particular segment of society. School board members, environmental organizations, elected officials, chamber of commerce representatives, neighborhood advisory council members, and religious leaders are all examples of local stakeholders.

- **Market (or Primary) Stakeholders** - usually internal stakeholders, are those that engage in economic transactions with the business. (For example stockholders, customers, suppliers, creditors, and employees)
- **Non-Market (or Secondary) Stakeholders** - usually external stakeholders, are those who - although they do not engage in direct economic exchange with the business - are affected by or can affect its actions. (For example the general public, communities, activist groups, business support groups, and the media)

Company stakeholder mapping

A narrow mapping of a company's stakeholders might identify the following stakeholders:

- [Employees](#)
- [Communities](#)
- [Shareholders](#)
- [Creditors](#)
- [Investors](#)
- [Government](#)
- [Customers](#)

A broader mapping of a company's stakeholders may also include:

- [Suppliers](#)
- [Labor unions](#)
- Government regulatory agencies
- Government legislative bodies
- Government tax-collecting agencies
- [Industry trade groups](#)
- [Professional associations](#)
- [NGOs](#) and other [advocacy groups](#)
- Prospective employees
- Prospective customers
- [Local communities](#)
- National communities
- Public at Large (Global Community)
- [Competitors](#)
- [Schools](#)
- Future generations
- Analysts and Media
- Alumni (Ex-employees)
- Research centers
- Each Person

In management

- In the last decades of the 20th century, the word "stakeholder" has become more commonly used to mean a person or organization that has a legitimate interest in a project or entity. In discussing the decision-making process for institutions—including large business [corporations](#), [government agencies](#), and [non-profit organizations](#) -- the concept has been broadened to include everyone with an interest (or "stake") in what the entity does. This includes not only its vendors, [employees](#), and [customers](#), but even members of a community where its offices or factory may affect the local economy or environment. In this context, "stakeholder" includes not only the directors or trustees on its governing board (who are stakeholders in the traditional sense of the word) but also all persons who "paid in" the figurative stake and the persons to whom it may be "paid out" (in the sense of a "payoff" in [game theory](#), meaning the outcome of the transaction).

In corporate responsibility

In the field of [corporate governance](#) and [corporate responsibility](#), a major debate is ongoing about whether the firm or company should be managed for stakeholders, stockholders ([shareholders](#)), or [customers](#). Proponents in favour of stakeholders may base their arguments on the following four key assertions:

1. [Value](#) can best be created by trying to maximize joint outcomes. For example, according to this thinking, programs that satisfy both employees' [needs](#) and stockholders' [wants](#) are doubly valuable because they address two legitimate sets of stakeholders at the same time. There is even evidence that the combined effects of such a policy are not only additive but even multiplicative. For instance, by simultaneously addressing customer wishes in addition to employee and stockholder interests, both of the latter two groups also benefit from increased sales.
2. Supporters also take issue with the preeminent role given to stockholders by many business thinkers, especially in the past. The argument is that debt holders, employees, and suppliers also make contributions and take risks in creating a successful firm.

In corporate responsibility

3. These [normative](#) arguments would matter little if [stockholders](#) ([shareholders](#)) had complete control in guiding the firm. However, many believe that due to certain kinds of [board of directors](#) structures, top managers like [CEOs](#) are mostly in control of the firm.
4. The greatest value of a company is its image and brand. By attempting to fulfill the needs and wants of many different people ranging from the local population and customers to their own employees and owners, companies can prevent damage to their image and brand, prevent losing large amounts of sales and disgruntled customers, and prevent costly legal expenses. While the stakeholder view has an increased cost, many firms have decided that the concept improves their image, increases sales, reduces the risks of liability for [corporate negligence](#), and makes them less likely to be targeted by [pressure groups](#), campaigning groups and [NGOs](#).

Stakeholder management

- The importance of **stakeholder management** is to support an organization in achieving its strategic objectives by interpreting and influencing both the external and internal environments and by creating positive relationships with [stakeholders](#) through the appropriate management of their expectations and agreed objectives. Stakeholder Management is a process and control that must be planned and guided by underlying Principles.

Stakeholder management, within business or projects, prepares a [strategy](#) utilising information (or intelligence) gathered during the following common processes:

1. [Stakeholder identification](#) - Interested parties either internal or external to organisation/project. A stakeholder map is helpful for identifying the stakeholders.^[1]
2. [Stakeholder analysis](#) - Recognise and acknowledge stakeholder's needs, concerns, wants, authority, common relationships, interfaces and align this information within the Stakeholder Matrix.
3. [Stakeholder matrix](#) - Positioning stakeholders according to the level of influence, impact or enhancement they may provide to the business or its projects.
4. [Stakeholder engagement](#) - Different to Stakeholder Management in that the engagement does not seek to develop the project/business requirements, solution or problem creation, or establishing roles and responsibilities. It is primarily focused at getting to know and understand each other, at the Executive level. Engagement is the opportunity to discuss and agree expectations of communication and, primarily, agree a set of Values and Principles that all stakeholders will abide by.
5. Communicating information - Expectations are established and agreed for the manner in which [communications](#) are managed between stakeholders - who receives communications, when, how and to what level of detail. Protocols may be established including security and [confidentiality](#) classifications.)

Stakeholder agreements

- is a collection of agreed decisions between stakeholders.
- This may be the [lexicon](#) of an organisation or project, or the Values of an initiative, the objectives, or the model of the organisation, etc.
- These should be signed by key stakeholder representatives.

Stakeholder analysis

- **Stakeholder analysis** in [conflict resolution](#), [project management](#), and [business administration](#), is the process of identifying the individuals or groups that are likely to affect or be affected by a proposed action, and sorting them according to their impact on the action and the impact the action will have on them. This information is used to assess how the interests of those stakeholders should be addressed in a [project](#) plan, [policy](#), program, or other action. Stakeholder analysis is a key part of [stakeholder management](#).

Stakeholder analysis is a term that refers to the action of analyzing the attitudes of stakeholders towards something (most frequently a project). It is frequently used during the preparation phase of a project to assess the attitudes of the stakeholders regarding the potential changes. Stakeholder analysis can be done once or on a regular basis to track changes in stakeholder attitudes over time. [\[citation needed\]](#)

A [stakeholder](#) is any [person](#) or [organization](#), who can be positively or negatively impacted by, or cause an impact on the actions of a company, government, or organization. Types of stakeholders are:

- Primary stakeholders : are those ultimately affected, either positively or negatively by an organization's actions.
- Secondary stakeholders : are the 'intermediaries', that is, persons or organizations who are indirectly affected by an organization's actions.
- Key stakeholders : (who can also belong to the first two groups) have significant influence upon or importance within an organization.

Therefore, stakeholder analysis has the goal of developing cooperation between the stakeholder and the [project team](#) and, ultimately, assuring successful outcomes for the project. Stakeholder analysis is performed when there is a need to clarify the consequences of envisaged changes, or at the start of new projects and in connection with organizational changes generally. It is important to identify all stakeholders for the purpose of identifying their success criteria and turning these into quality goals.

Methods of Stakeholder Mapping

- (Mitchell, Agle et al. 1997) proposed a classification of stakeholders based on power to influence, the legitimacy of each stakeholder's relationship with the organization, and the urgency of the stakeholder's claim on the organization. The results of this classification may assess the fundamental question of "which groups are stakeholders deserving or requiring manager's attention, and which are not?" This is salience - "the degree to which managers give priority to competing stakeholder claims" (Mitchell, Agle et al., 1997:854)
- (Fletcher, Guthrie et al. 2003) defined a process for mapping stakeholder expectations based on value hierarchies and Key Performance Areas (KPA),
- (Cameron, Crawley et al. 2010) defined a process for ranking stakeholders based on needs and the relative importance of stakeholders to others in the network.
- (Savage, Nix et al. 1991) offer a way to classify stakeholders according to potential for threat and potential for cooperation.
- (Turner, Kristoffer and Thurloway, 2002) have developed a process of identification, assessment of awareness, support, influence leading to strategies for communication and assessing stakeholder satisfaction, and who is aware or ignorant and whether their attitude is supportive or opposing

Mapping techniques include the following sub-set of results from a Web search of analysis techniques being used by aid agencies, governments or consultant groups:

- Influence-interest grid (Imperial College London)
- Power-impact grid (Office of Government Commerce UK 2003)
- Mendelow's Power-interest grid (Aubrey L. Mendelow, Kent State University, Ohio 1991)
- Three-dimensional grouping of power, interest and attitude (Murray-Webster and Simon 2005)
- The Stakeholder Circle (Bourne 2007)

The most common presentation styles use a matrix to represent two dimensions of interest with frequently a third dimension shown by the colour or size of the symbol representing the individual stakeholders.

Some of the commonly used 'dimensions' include:

- Power (high, medium, low)
- Support (positive, neutral, negative)
- Influence (high or low)
- Need (strong, medium, weak)

Benefits

Stakeholder analysis helps with the identification of the following^[1]:

- Stakeholders' interests
- Mechanisms to influence other stakeholders
- Potential risks
- Key people to be informed about the project during the execution phase
- Negative stakeholders as well as their adverse effects on the project