

RESEARCH SECTION 1.1

INTRODUCTION THE THESIS PLAN AND STRUCTURE

Introduction to the research problem

In today hypercompetitive environment and fast moving business, the concept of the old game of competition does no longer exist. However, the traditional and conventional thinking of building the business capabilities through the tangible capital like money, technology, buildings, raw material and all other physical resources become only threshold competencies for building the business capability and sustaining competitive advantage. The strong reason behind this twist is that all competitors in the industry are equally acquiring these resources and they have the equal opportunity of accessing to the sources of these resources. That means, all competitors have the equal chances for market penetration. Accordingly, competitors are equally in a competitive parity.

It is our strategic role as business leaders and HR professionals to introduce new approaches and, actually, non conventional leeway that remove this competitive parity. Now day's business leaders and strategic HR professionals are thinking towards strategic leap that human resources are the new strategic player for building the business capabilities and sustaining its market position. Strategically, HR is business knowledge, experience, skill, and commitment of a business's employees, their relationships with each other, and with those outside the firm. A business's HR practices are defined as all of the programs, policies, procedures, and activities that firms use to manage their human resources.

Human resources of the business are the sum of the intangible capital stock that generates value from the other tangible capital stock.

However, human resources are the business catalyst that enable for success through building the business capability, adding value to the business key stakeholders and sustaining the business competitive advantage. HR becomes business success enablers when HR systems add value to customers more than competitors can do, when HR systems are rare, when HR systems are imperfectly imitable and when HR systems vertically and horizontally integrate with the other organization systems.

These new challenges need HR to move to be strategic business partner. HR need to have the abilities to be the change agent to shift the business mind set from the conventional approach of depending on the tangible resources as the sole business capability builder to the nonconventional approach where HR becomes the strategic player who combines both resources, the tangible and the intangible for the business sustainable success.

This research is strong initiative to prove these new concepts through aligning the HR strategy with business strategy and consequently transforming HR systems and people to cope with new strategic alignment so as to reach the business strategic objectives.

Research objectives and questions

The ultimate objective of the thesis is to form a distinctive contribution to the knowledge of the strategic human resources management (HRM) to find the role of HR in enabling business success. This objective can be attained through the alignment of the HR strategy with the business strategy and HR transformation so as to add value to business key stakeholders and to sustain the business competitive advantage. However, this distinctive contribution is going to afford evidence of discovering new facts and to set new models to support this objective. Testing and verification of this model will be supported by empirical, analytical and descriptive analysis so as to be systematically applicable to any business.

More Specifically, the key problem addressed in the thesis is that in the present time tangible capital stocks (physical resources) are no longer a means for competitive advantage since all competitors have equally

possessed these physical and tangible competences that put them under competitive parity. However, the answer to this problem is going to be developed through the new wisdom of business success through the HR and its deliverables of the intangible distinctive competencies (the intangible capital stock).

The overarching research questions related to these problems are the following:

- How can the alignment of HR strategy with the business strategy enable HR to be strategy focused and business success enabler?
- How can HR transformations enable the business to build and reshape its strategic capabilities?
- How can HR transformation of systems and people enable HR to be an effective gear of the business that adds value to the key stakeholders?
- How can HR transformation enable the business to improve its market position and sustain its competitive advantage?

The hypotheses of the study

However, 4 concremented arguments are built, as explained here under, to find the logical causal effect between the different variables expressed in the above raised questions:

- The main research problem is that HR systems and people are not strategically focused, misaligned to the business vision, mission and strategy. HR has no clear role to play. However, our strong argument is that: Aligning human resources strategy with business strategy has positive impacts on overall all business performance.
- Another research problem is that HR systems and people are traditional, administrative, bureaucratic, rigid and not moving with the same agility of the other business gears. It is our strong argument that transformation of HR systems and people will have strong positive impact on rebuilding and reshaping the business strategic capabilities that enable the business to cope with environmental changes and meets its challenging objectives.
- The question of the value added by the HR to the business stakeholders is debatable many opponents believe that HR add no value to the business and its stakeholders. However, it is our strong argument that HR transformation adds distinctive value to the business key stakeholders who positively influence the success of the business objectives.

- Businesses are losing their competitive positions in the market place since the conventional wisdom of competition of the tangible capitals stocks are becoming threshold capabilities. These tangible capital stocks are only factor of competitive parity. It is our argument that the intangible deliverables of the human resources are the source of a sustained competitive advantage since these intangible human capital stocks are valuable, rare and imperfectly imitable by the business present and potential competitors.

Meanwhile, other supporting hypotheses will be derived from these main hypotheses to support our argument and verification

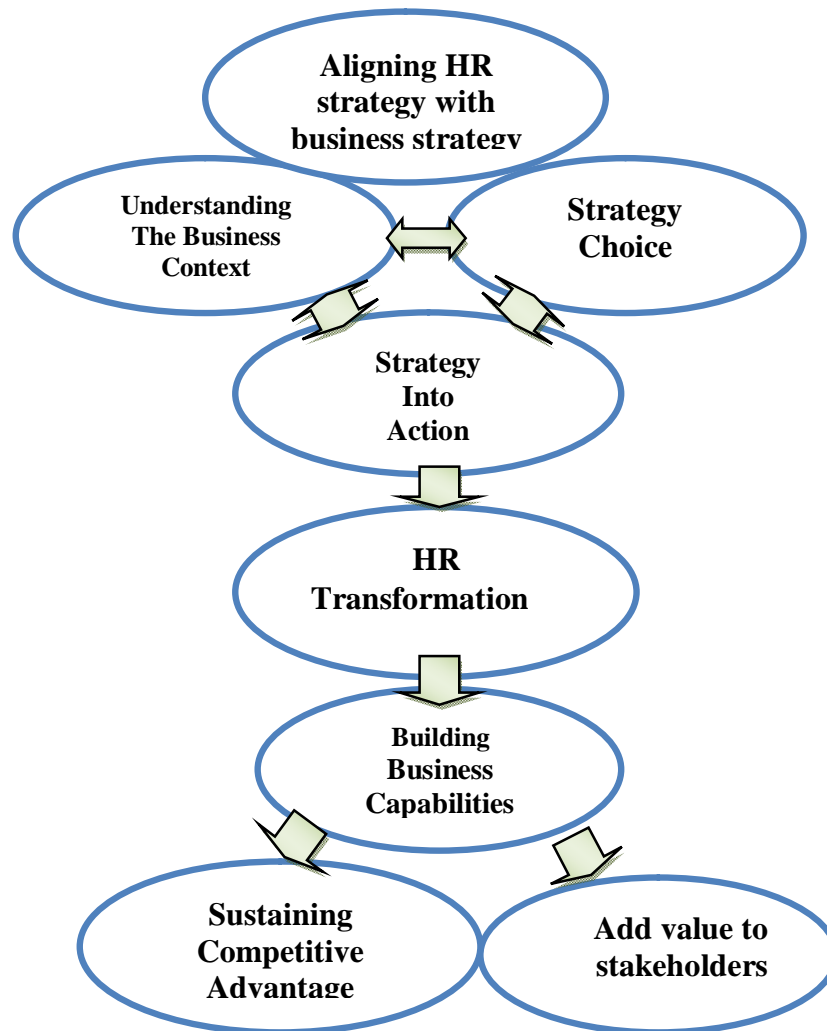


Figure 1.1.1 the main research model: aligning HR strategy with business strategy.
Source: Developed by the researcher.

The methods used in supporting and testing the research hypotheses

However, within the research frame work we are going to support our process of testing the validity of the research argument by the followings testing methods:

- Trace the literature of the well known scholars who made their significant contributions in the similar studies.
- Review the similar academic researches and papers made and published in the Sudanese, the regional and the worldwide universities, then, to add new contributions.
- Tracing of the similar works and researches published in the local and the international professional journals.
- Interviews, questionnaires, observations and any other means of data collection from within the case study environment that help in testing and verifying the hypotheses.
- Using descriptive, analytical and empirical methods of research in addition to observations gained from the researcher practical and diversified experience which extended to about 30 years in the HR field and the HR transformation programs conducted by local and overseas reputable consultancy firms.
- Wholly Quran and Suna.
- Internet
- Using statistical analysis and SPSS to test the validity of the model.

The Related researches and finding of the other scholars

Literature review, whether locally or internationally, revealed that the research subject was not fully covered in holistic and integrated manner. Some scholars have covered separate areas of concern like HR transformation, business capabilities while others have considered the function of strategic alignment between the HR strategy and the business strategy. Our study tackled the issue from an integrated perspective where we considered the central research question why HR is not a business strategic player, as a leading question. As a comprehensive answer to this question we took an integrated perspective by aligning the HR strategy with the business strategy, then this step of strategic alignment needed transformation of the Human resources systems and people to adapt with strategic alignment. The transformation of HR resulted into strategic

outcomes that HR has got strategic role in building the business strategic capabilities, adding value to the business key stakeholders and sustaining the business competitive advantages.

Despite that, we have seen some glimpse of light as explained in the following explored researches:

Shadia Ali Abd Al Rahman (2010), *a published research for PhD on " the role of the strategic Human (resources) Capital in Strategic Planning , a case study of the teaching staff of the Sudan University of Sciences and Technology for the period (2004- 2009)" Sudan University of Sciences and Technology Faculty of Higher Studies. Supervisor: Professor/ Ibrahim Ahmed Abu Sin.*

The research is very close to my addressed question of aligning the human resources strategy with business strategy but it differs in the outcomes and the deliverable of the strategic alignment.

The problem of the research is concentrating on the issue of the human capital strategy which is not given that much concern in the academic institutions in the country. The study put some hypotheses that there is correlation between the efficiency of the human capital and strategic planning. It also argues that lack of efficient human capital will have its negative impact on the quality of strategy.

The research has put good recommendations on the development of the human capital in the university and their motivation to stop turnover and increase retention. It clear that it ignores the application of good and advance techniques for recruiting the teaching staff and appraising their performance. However, both recruitment and performance appraisal are very essential in human capital management and the strategic alignment. The study also ignores the role of the human capital in sustaining the competitive advantage for the university since the university is seeking to improve its academic position locally, regionally and internationally. However, these uncovered limitations are fully covered by our research in holistic manner rather than piecemeal way.

Badr Al Deen Mohd Abdul Majeed (2008)" *managing value added through human resources management on employee satisfaction, evidence from 5 banks" a thesis submitted in fulfillment of master degree, Sudan University for Science and Technology Supervised by: Professor Mohammad Hafez.*

The problem of the research stems from the issue of lack of recognition by the banks leaders to the role played by human resources , employees are discourage, not motivated, employee rights are not clearly protected, lack of team spirit and cooperation, lack of career path in addition to many other

deficiencies which negatively affect employees satisfaction and banks output.

The study seeks the best roles that can be played by human resources to add value to the employees to increase their satisfaction and improve the output of the banks as well. The study shows good leeway to improve the condition of work in the banks by having better condition of service in a way of having good salaries, training and development and other attracting and retaining package in order to boost the employees morale and increase satisfaction which will have its positive impact on the banks performance as well.

The research is similar to our study in one area when it looks to how the HR adds value to the employees and the banks. Our study is comprehensive and integrated which covers the strategic role of HR from different perspectives, one of these perspectives is how HR adds value to business key stakeholders like employees, the shareholders, the suppliers, the customers, the head of departments, the union the government units and so many others stakes in the surrounding environment.

Internationally, we have taken two researchers. Both of them did not address the issue from overall view, they only took partial view as explored here under:

Jaap Paauwe and Paul Boselie (2002) *“Challenging (Strategic) Human Resource Management Theory: Integration of resource-based approaches and new institutionalism”*, Department of Business and Organization, Rotterdam School of Economics, Erasmus University, a published paper.

The paper has similarity to the research when it seeks leeway that can be used to develop HR strategies to meet the requirements of the Resources Base View. According to the paper : (1) human capital can be a source of competitive advantage, (2) that HRM practices have the most direct influence on the human capital of a firm, and (3) that the complex nature of HRM systems of practice can enhance the inimitability of the system which is one of the basic concept of sustaining the competitive position.

However, the paper confirmed that people add value to the business when people acquire the intangible resources of rareness, inimitability, and non-substitution, which are the necessary conditions for organizational success and the competitive advantage.

In our view the paper is very useful and helpful stuff for those who like to have research on human capital, strategic role of human resources management and sustaining the competitive advantage through HR.

In our argument about sustaining the competitive advantage through the human resources the paper gives strong support that the resource-based theory causes changes in strategic management thinking. In this new stream

of thought, internal the sources of the human resources, the intangible core competencies form the new approach for determining organizational success, in contrast to the old paradigm of tangible capital stock.

Lorraine S. Philips, (2003) *“Civilian Human resource Transformation”*, U.S. Army War College, Department of the Army Civilian Carlisle Barracks, Pennsylvania. Project supervisor: COLONEL PAUL BRADY, published paper.

The paper has got similarity to our research as it addresses the transformation of the human resources which is considered by the paper as one of the highest priorities in the U.S. Army today to meet war fighting requirements of the 21st Century (Building the USA arm force strategic capabilities).

The paper argued that the ability of the Army to transform human resources (HR) will be an enabler in achieving the objectives of Army transformation. The paper concludes and recommends that in order for the US Army forces to globally have the competitive position and to change to balance of superpower to the favor of the USA, there should be a clear strategic plan for HR transformation and to set “Army Strategic Civilian Workforce Plan” which its strategic objective is to supply the Army Force with talent people to increase the capabilities to meet future security and superpower missions. The paper puts more concern on the role of HRM in imposing strategic policies that encourage talent attraction, development , proper appraisal and distinguished reward system. According to the paper, by adopting these strategic HR policies they will increase the retention and develop the talent army force to achieve the competitive advantage in war field.

The paper is very useful and similar to our framework on the issue of HR transformation. We both meet on the result of attaining the super power position in the war field or the competitive advantage in the market place through the human resources.

The time frame and location of the research study:

Pasgianos Food and Beverage Company (Khartoum North) a business unit at Haggar Group, Blue Nile Dairy and Coca-Cola from DAL Group were selected as a case study to test the research hypotheses. The time frame for the case study covered the period from 2007 to 2011.

Structure of the thesis

The thesis is structured into 3 main chapters; each chapter consists of number of research sections as shown here under:

Chapter One

This chapter is divided into two research sections. Section 1.1 introduction about the research plan and structure is explored.

Research section 1.2 gives some literature review about the Human resources management with concentration on the HR basic definitions and its relationship with overall concept of management and the Human Resources Management, HR systems, schools and models of HR. The research section considers the strategic objective of the HR and recent challenges facing the HR.

Finally the research section gives outlines to HR strategy and the business strategy and basic concepts of the aligning the HR strategy with business strategy and the incremental outcomes of the strategic alignment.

Chapter two

This chapter composed from 4 research sections.

Section 2.1

Section 2.1 explored the part of the model which is about the strategy alignment so as to give answer to the first argument that the HR is not strategically focused, misaligned to the business vision, mission and strategy. However, the best answer to this argument is to search the best means to align the HR strategy with vision, mission and strategy of the business.

The section showed how to align the HR strategy with the business strategy. The model is developed according to the concept of Gerry Johnson et al in their book Exploring Corporate Strategy (2006). More development is made to be adapted to cater for the role of the HR strategy and how it can be integrated with the business strategy map which starts from strategic analysis made to understand the business's strategic position (business context) as the primary step of the strategy formulation and strategy alignment. This, however, will identify the impact of the surrounding environment, the organization's strategic capabilities (resources and competencies) and the expectations and values of the key stakeholders on the strategy development.

The section explored the strategic choices which evolve around the underlying bases for the future strategy at the level of strategy generation of option, evaluation of option and the selection of the strategy options.

The section traced the steps of strategy implementation or strategy into action to reflect how the strategy will be workable in practice by processes of planning and allocation, organization structuring and developing the people and the system of the strategy and managing change.

Section 2.2:

In this section we covered the HR transformation as a necessary outcome of the strategic alignment. However, the process of alignment needs transformation to HR systems and people to match with business strategy.

The section is built on the research problem that HR functions are traditional, administrative, bureaucratic, rigid and not moving with same business agility speed and motion. The section set a model for HR transformation which entails HR systems and people who are responsible for the HR systems.

Section 2.3:

This research section mainly focused on building the business capabilities which is one of the strategic outcomes of HR transformation. The section gave much concern on the intangible capital stock of the human resources which are the enabler to the business capabilities when amalgamated and aligned with the other business tangible resources. To develop and reinvent the business capabilities from within the intangible competencies we developed in this section HR competency frame work which centered around HR main system of recruitment and selection, appraisal, HRD and employee reward. The section also considered the concept of the Core Competency Pool (CCP) and how the business invests in the HR intangible competencies which are considered as the main sources for business capabilities.

Section 2.4:

The research section was focused on sustaining the business competitive advantage through human resources as an outcome of the HR transformation. The section was developed on the question that businesses are losing their competitive position in the market position as the conventional wisdom of competition which is based on the tangible capitals stocks are becoming imperative threshold for market penetration. However, tangible capital stocks are only factors of competitive parity. It is our argument that the intangible distinctive competencies which are the deliverables of the human resources are the source of a sustained competitive advantage since business resources are valuable, rare, and imperfectly imitable and it must be able to be exploited by a firm's organizational processes. The section thematically depended on the work of Barney on the resources base view (RBV).

Chapter three

This chapter composed from two research sections.

Section 3.1

In section studied the field works from qualitative descriptive analysis , also quantitative analyses were made to test and examine the validity of the research hypotheses in the field work according to the data collected from the distributed questionnaire and from the operations and HR records.

Section 3.2:

The section ended up with research findings and further recommendations in addition to research limitations and the areas recommended for future research.

RESEARCH SECTION 1.2

Introduction to HRM, Business and HR Strategies

Management and HR management

Management is one of the most important human activities throughout the human being history, at the present era and the future. Since the old history and up to now communities tend to use their individual and group efforts to achieve their collective aims and objectives. This concept of management used by these communities has been developed throughout the history to deal with the changing environment so as to meet their urging needs for better life and well being.

In today's fast moving business the concept of management has dramatically developed to meet the continuously changing environment. According to Heinz Wehrich and Harlod Koontz (2005:4)¹ "Management is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplished selected aims"

However, from this definition some points need to be explained:

- Management is a complicated function since it is related to designing and maintaining of the environment.
- It is a collective group function.
- Its aims are to satisfy the needs of the groups, the survival, the efficiency and the competitive advantage of the business.
- All managers who are involved in the management process " carry out the managerial functions of planning, organizing , staffing, leading and controlling" Heinz Wehrich and Harlod Koontz (2005)².
- Management is a process of transforming the financial physical resources and the human resources into finished goods or services.
- The Human Resources Management(HRM) is an essential and a fundamental part of management as all the managerial functions of planning, organizing, staffing , leading and controlling are essential function of (HRM).

¹ Heinz Wehrich and Harold Koontz (2005), Management a global Perspective, Mcgrew-Hill Education, 11th edition, see page 4.

² See the same reference page 4.

- It is the human resource who manages and in the same time it is the human resource who is managed and used as strategic input in integration with physical resources to obtain the finished goods and services.
- It is the human resources who build the business capabilities, add value to the business stakeholders and sustain the business competitive advantage.

Human Resources Management (HRM)

It is clear from the the above brief introduction about management that Human Resources management (HRM) is an integrated part of the overall concept management activities. The basis of management is always the same: getting the people of the business make things happen in an efficient and a productive way, so that the business prospers and survives while the people get satisfied and thrive.

Business is diverse whether in private sector, public sector or in NGOs. They have vision and mission of statement to be delivered within clear financial constraints. However, human resources has to be properly managed to meet both the business and the human Resources objectives. This, however, requires a very careful and deliberate balancing between the human aspiration and the strategic and financial needs of the business to survive and succeed in the rapidly changing environment.

However, due to the rapidly changing business environment, the function of human resources is dramatically changing . According to Professor Ahmed Abu Sin (2009:13)³ “ the function of human resources management becomes one of the most important managerial functions in both the private and the public sector and its importance will never be less than the functions of finance management, planning , legal affairs and the other administrative functions. HR profession has got its own specialists who have got the higher professional qualifications in human resources management.”

Defining the Human Resources Management

Before defining the term Human resources management (HRM) we need to draw the attention to the following terms and differentiate between them as they are in so many times used interchangeably when we deal with Human Resources management:

³ Professor Ahmed Ibrahim Abu Sin (2006), Management In Islam , AkKhoraibi Publishing,7th edition, see page 13.

- HR : It stands for Human Resources which refers to the profession of the Human Resources as well as the profession of those who work as specialists and as general term HR refer to human resources and the deliverables of the human resources.
- HRM: It stands for the Human Resources Management which is an essential part of management concept similar to the other disciplines of management like Sales and Marketing management, Production management and Finance Management.
- human resources with small (h) and small (r) : It denotes for the people in the work place who are considered as the business resources like the financial resources and the other physical resources.
- Human Capital (HC), a term which denotes the intangible and soft deliverables of the human resources management.
- intangible deliverable of human resources and how it adds value to the business key stakeholders.
- People Management, a new emerging term used interchangeably with human resources management to denote the human resources management and it looks with much concern to the human value of the business.
- Personnel Management(PM), stands for the old brand of the human resources management. it looks after the administrative side of human resources management. The term is going to vanish within the coming years and it will be completely replaced by HRM and HCM.

However, giving a clear definition to Human Resources Management is a difficult question, especially when we go through the above terms which are used interchangeably as David G. Collings and Geoffrey Wood (2009:1) note.⁴ "However, this question is more difficult to answer than one would expect, since from its emergence HRM has been dogged by the still largely unresolved ambiguity surrounding its definition." This ambiguity is the variation of understanding between the practitioners and the academics when they are using the term which indicates both variations in its meanings and its core components.

Since the mid-1980, the Human Resources Management has obtained and gained acceptance among academics as well as among the practitioners' circles. Going through the findings of the academics and the practitioners, there are countless definitions of Human Resources Management and there is no single definition stating what HRM exactly is.

⁴ David G. Collings and Geoffrey Wood (2009), Human Resource Management A critical approach, published by Routledge 2 Park Square, Milton Park, Abingdon., see page 1

Because managing people is a delicate issue that needs special concern. As Zorlu Senyuçel (2009: 14) comments ⁵“there is no best way to manage people and no manager has formulated how people can be best managed because managing people is not straightforward thing. People are complex beings that have complex needs. Effective HRM largely depends on the causes and conditions that organization settings would provide”. However, effective HRM is influenced by the surrounding competitive and uncertain environment which has its direct impact on the business. However, the effects of the environment on HRM will depend also on the internal capabilities of the business and to what extent the business will effectively and efficiently use its internal capabilities (strength) to match with the external environment driving forces (opportunity) to gain strategic fit in order to add value to the business key stakeholders with their different changing values and expectations and sustain the business competitive advantage.

Some (HRM) selected definitions:

It is clear that HRM becomes a strategic management function due to the complication and uncertainty in the surrounding environment. However, new definitions to HRM are emerging to suite the new role:

"Human resource management (HRM) is a strategic, integrated and coherent approach to the employment, development and well-being of the people working in organizations" Armstrong (2009:4)⁶ beside this definition we quote here under some definition from page 4 of the same reference book:

("Human resource management involves all management decisions and action that affect the nature of the relationship between the organization and its employees – its human resources" (Beer et al, 1984)

"HRM comprises a set of policies designed to maximize organizational integration, employee commitment, flexibility and quality of work." (Guest, 1987)

"That human resource policies should be integrated with strategic business planning and used to reinforce an appropriate (or change an inappropriate) organizational culture, that human resources are valuable and a source of

⁵ Zorlu Senyuçel (2009), *Managing the Human Resources in the 21st century*, Zorlu Senyuçel and Ventus publishing see page 14

⁶ Michael Armstrong, (2009) *Armstrong's hand Book of Human Resource Management*, (Kogan page 11th edition) see page 4

competitive advantage, that they may be tapped most effectively by mutually consistent policies that promote commitment and which, as a consequence, foster a willingness in employees to act flexibly in the interests of the 'adaptive organization's' pursuit of excellence" (Legge, 1989)

"Human resource management is a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, using an integrated array of cultural, structural and personnel techniques" (Storey, 1995)

"HRM is: 'The management of work and people towards desired ends.'" (Boxall et al, 2007)

"HRM is concerned with how organizations manage their workforce" (Grimshaw and Rubery, 2007)

It is clear from the above stated definitions that there is no consensus on one definition or the characteristic of HRM. What can be summarized from these definitions as skillfully done by Zorlu Senyuçel (2009:16)⁷ "HRM is a combination of people – oriented management practices that view employees as asset, not cost; and its main aim is to create and maintain skillful and committed workforce to gain competitive advantage"

From what is stated above and in accordance with this research insight, Human Resources Management (HRM) is a distinctive strategic approach of managing human resources, the business most valuable asset, which aims at building the business strategic capabilities adding value to the business key stakeholders and sustaining competitive advantages through the human resources. This new strategic role of HRM will successfully be played when there is strategic alignment between HR strategy and the business strategy and transformation to all the HRM systems to match with the changing environment.

Human resources systems

As a management function, human resources management adopts diverse systems as explained in figure 1.1, that work coherently with each other in addition to its integration with other management functions in the business like, Sales and marketing, production, finance as well as the corporate vision and mission of the shareholders and the other business key stakeholders:

HR philosophies: describe the visions, missions and values adapted in managing human resources in the business. They are directly generated from

⁷ Zorlu Senyuçel (2009), Managing the Human Resources in the 21st century, Zorlu Senyuçel and Ventus publishing see page 16

the overall visions and missions of the shareholders stated for the whole business.

HR strategy: It defines the intent and direction where HRM intended to go. It should always be aligned to the business strategy. The core aim of this strategy should cater for the sustainable competitive advantage.

HR policies: which explain how these vision, mission and strategy will be implemented in HRM area of concern.

HR processes: include the formal procedures, guidelines and methods used by the HR specialists to put these strategies and policies into feasible effects.

HR practices: the informal approaches used in managing people.

HR programs: that enables the strategies, policies and practices of HR to be implemented according to the plan.

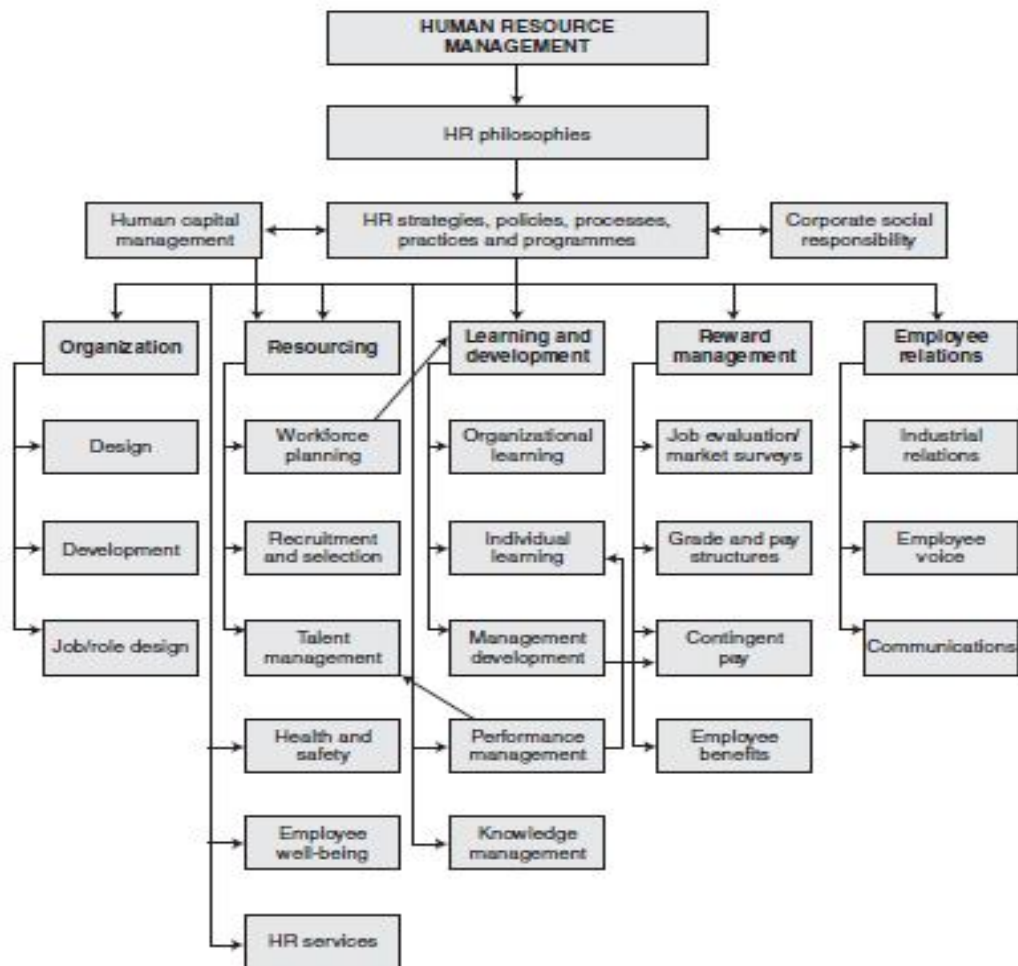


Figure 1.2.1 HR system,
Source: Armstrong (2009:11)

According to Armstrong (2009:16)⁸ "HRM systems are the source of competitive advantage. 'Coherent and internally aligned systems form powerful connections that create positive synergistic effects on organizational outcomes". Accordingly, when these coherent and integrated systems are vertically aligned with the business strategy, the outcome will build the business capability, adding value to the business capability and sustaining of the competitive advantage.

Schools and Models of HRM

Traditionally there are two models or schools dominating the concept of human resources management; one is the Harvard Model and the second is the Michigan Model.

The Harvard Model

According to Armstrong (2006:7)⁹ the founding fathers of HRM were the Harvard School of Beer et al (1994). Beer and his fellow colleagues put many pressures on the strategic perspective with the business human resources. They reconfirm the necessity for a longer term perspective in managing people and considering them as potential asset rather than merely a variable cost. They believe that human resources management is shared and integrated responsibility between the HR professionals in the business and the line managers; accordingly HRM involves all the management decisions and actions that affect the nature of relationship between the organization and its employees, its human resources.

According to the model HRM has two characteristic features, the first one predicts that line managers accept more responsibility for the business strategic alignment of competitive strategy and HR policies. While the second feature concentrate on the value to be added to the business key stakeholders and help in developing the competitive strategy of the business. The Harvard framework for human resource management is shown hereunder in Figure 1.2.3

The Matching Model

According to Armstrong (2006:4)¹⁰ "One of the first models of HRM concept was made by the Michigan school (Fombrune et al 1984)".

⁸ Michael Armstrong (2009), *Armstrong's hand Book of Human Resource Management*, (Kogan page 11th edition) see page 16

⁹ Michael Armstrong (2009), *Armstrong's hand Book of Human Resource Management*, (Kogan page 11th edition)page 7

¹⁰ Michael Armstrong (2009), *Armstrong's hand Book of Human Resource Management*, (Kogan page 11th edition) page 4

According to this model the HR systems and the organization structure should be managed in a way that is congruent with the organization strategy. The model is called the matching model.

According to the model, as shown in figure 2.3, there is human resources cycle which consists of four generic functions by HR in any business:

- Selection: The first filter in supplying the business with best talent human resources to fill in the present and the future job.

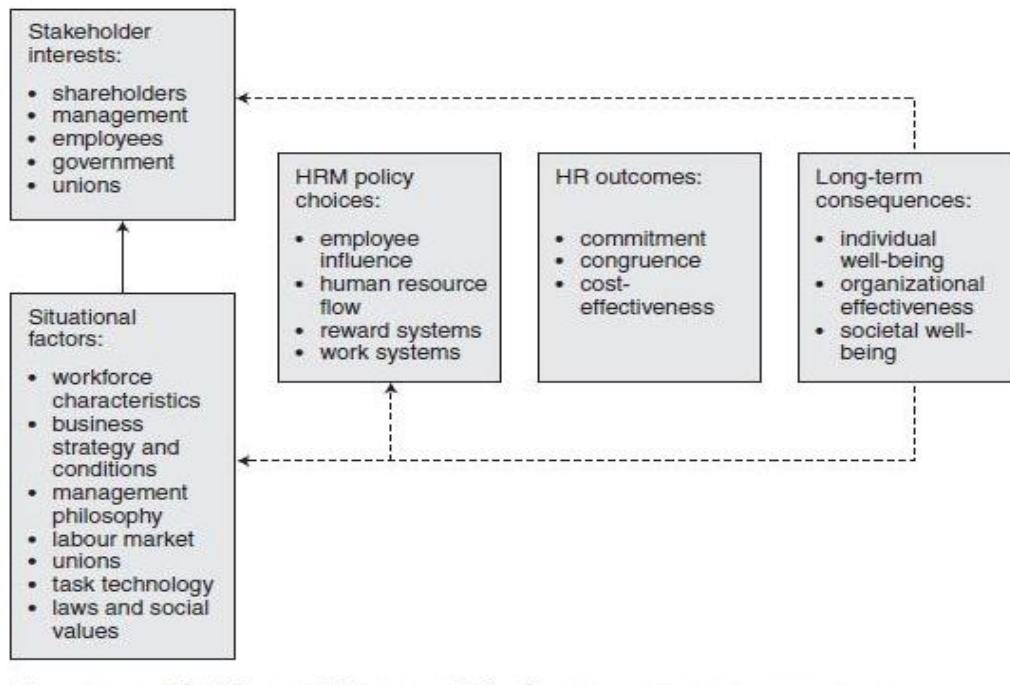


Figure 1.2.2 .the Harvard framework for human resource management

Source: Armstrong (2008)

- Appraisal: Employee performance appraisal, assessing the employee technical and soft competencies against the business set competences.
- Development: Developing and building the employees' distinctive technical and soft competencies as the result of sound and aligned appraisal system.
- Reward: It is one of the important HR functions which aim at motivating and recognizing the employees' efforts due to their distinguished performance and unique contribution that lead business success.

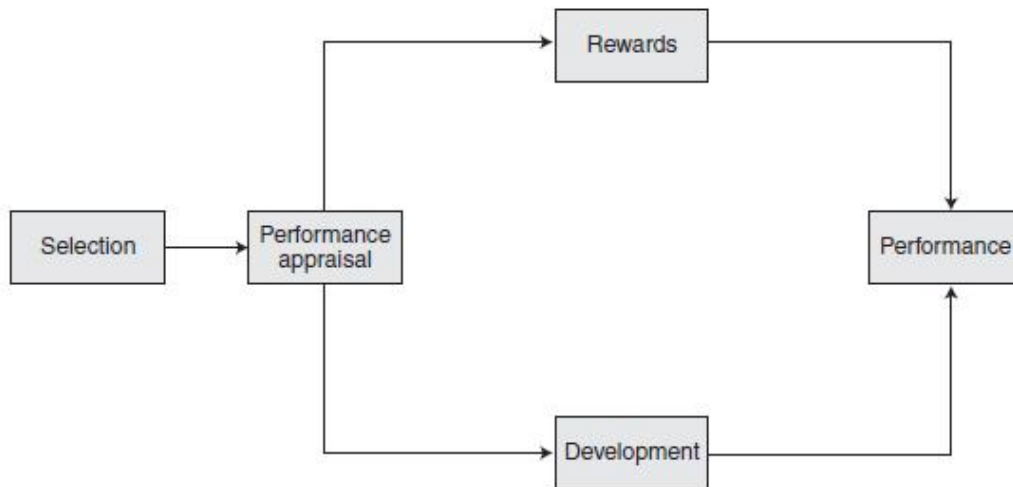


Figure 1.2.3 the human resource cycle.

Source: Armstrong (2008)

Objectives of HRM

The overall objective and aim of human resources management as stated by Armstrong (2009:5)¹¹ "is to ensure that the organization is able to achieve success through people. HRM aims to increase organizational effectiveness and capability – the capacity of an organization to achieve its goals by making the best use of the resources available to it".

New challenging strategic objective is summarized by Ulrich et al (2009:5)¹² "we propose that the biggest challenge for HR professionals today is to help their respective organizations succeed". This success which is outlined by Dave Ulrich et al has to be reflected on how the business will survive among environmental uncertainties, adds value to the stakeholders and has strong and sustained market position.

However, these important comments stated by Armstrong and Dave Ulrich et al are very feasible and workable as they reflect the new strategic role expected by the business from the function of HRM. Business is continuously changing due to uncertainties of the surrounding competitive environment, the high values and expectations of the business key stakeholders. This strategic objective can be achieved by adapting sound and

¹¹ Michael Armstrong (2009), Armstrong's hand Book of Human Resource Management, (Kogan page 11th edition) , page 5

¹² Dave Ulrich et al, (2009) HR Transformation Building Human Resources from Outside In, McGraw-Hill eBooks , page 5

congruent suites of human resources strategic policies that build and leverage the employees' intangible competencies that are integrated and aligned with business competences to build the business capability.

Challenges facing HR

In this section, the discussion will touch some of the challenges in the business surrounding environments and their emergent impact on the business strategy as a whole and in particular HR as business strategic partner.

Most of the business leaders are at least casually aware of general business conditions, especially with the world facing economic difficulties immediately after 11/9/2001 and the worse successive waves of recession in the years 2008- 2009 that have their impacts on the global business.

These business conditions have their direct and indirect effects on how business strategy and HR strategy are formed, aligned and implemented. Dave Ulrich et al (2009:19)¹³ comment "These general business conditions account for about 50% of organization performance. These conditions are outside the control of any one leader and yet shape the context in which work is done". Here under are some of challenges that are facing the human resources management which have their direct and indirect impact on the present and the future of the HRM perspectives:

Globalization

Globalization is a new term which has direct impacts on every business and the concept of the Global Village is related to globalization and dominating every business. Globalization is the system of interaction among the countries of the world, due to the dramatic development the world wide communication systems, in order to develop the global economy. Globalization refers to the integration of economics and societies all over the world. Globalization involves technological, economic, political, and cultural exchanges made possible largely by advances in communication, transportation, and infrastructure. Globalization has eliminated the national boundaries of the countries and the traditional way of trading and business management. However, Human resources management is largely affected by the globalization as human resources management issues are important components of the success and failure of any business operating in global market.

¹³ Dave Ulrich et al (2009) *HR Transformation Building Human Resources from Outside In*, McGraw-Hill eBooks page 13

According to Dave Ulrich et al (2009:19)¹⁴ Globalization has made the world “flat”—a global village with new markets offering new challenges and opportunities”. The effect of globalization on HR can be summarized in the following:

- Intellectual capital and brain drain will influence the poorer country as talent people will seek jobs in the rich countries.
- Contrary to the point above some heavy industry tend to shift their work location from high labor rate countries to lower labor rate countries as done by Japanese car manufacturers. This will affect the labor mobility and labor market.
- The war for talent becomes complicated as most of the talent workforce will be employed at the rich country.
- Headhunting becomes easy through emails and web sites without boundaries restrictions.
- Cultural variation has to be removed or eliminated when bulk of human resources is emigrated from a country to another or a business is shift and located to another location with a different cultural background.
- More skills and new competencies are needed for employees to qualify them to work and adapt with globalization.

Technology

Technology has its great impact on the HRM as well as on the different aspect of the business. Linda Holbeche (2009: 33)¹⁵ commented that "Technology then is making possible choice, personalization, free and constant access to information, networking, collaboration as well as competition". Dave Ulrich et al (2009:19)¹⁶ give another perspective of technology on the business and HR "Technology has its direct impact on business and human resources as well as increased accessibility, visibility,

¹⁴ Dave Ulrich et al (2009) *HR Transformation Building Human Resources from Outside In*, McGraw-Hill eBooks ,page 19

¹⁵ Linda Holbeche (2009) *Aligning Human Resources and Business Strategy*, Published by Elsevier Ltd, page 33

¹⁶ Dave Ulrich et al (2009) *HR Transformation Building Human Resources from Outside In*, McGraw-Hill eBooks page, 19

and connectivity and become one. The connected world is smaller, rapidly changing, and has more open information. Technology obsolescence occurs ever more quickly as the half-life of knowledge shrinks"

The effect of technology on HRM is very clear. However, work has become easier, database and data retrieval become achievable within seconds. Work that has to be achieved in weeks by great number of staff becomes easily achieved with least number of workforces with high degree of accuracy and less time frame. Programmed Logic Control (PLC) and automated lines of production in heavy industry which have been using hundred of laborers become operated and automated by just electronic control panel with remote sensing. The only human intervention will occur for operation planning, preventive and scheduled maintenance.

Technology reduces the number of HR support staff used in managing HR function which was previously managed and performed manually. That means there are new alternatives for HR professional to have reserve time to rethink strategically and globally in the business rather than wasting much time in a manual routine work.

Corporate Social Responsibility (CSR)

Human resources strategists are faced by waves of new trends and forces that put pressure on them when they want to be strategically focused to add value to the business key stakeholders. One of these new trends is corporate social responsibilities (CSR). According to Linda Holbeche (2009: 36)¹⁷ "there is now a growing emphasis on responsible business as a positive source of competitive advantage". However, this need for responsible business should cater for the social responsibilities in the market place, the work place, the communities and the environment. Whenever HR becomes strategy focused it should always look at one time for all these variables forces.

There are growing needs to be ethical in recruitment and selection, to be opened to the community and to have strong share in building the capacity of the surrounding communities, to adhere to the good manufacturing practices that give the health of the consumer the utmost care in the same time working without damaging the environment and the sphere. Nowadays, the societies that are defending the consumer rights are making strong fights and battles to keep the ethical and legal right of the consumers. Organizations of green peace are fighting hard to have their voice on global warming and environmental issues.

¹⁷ Linda Holbeche (2009) *Aligning Human Resources and Business Strategy*, Published by Elsevier Ltd. page 36

HR professionals who are strictly kept adhered to the corporate social responsibilities codes by making their business pays much care to the balancing equation of the triple Ps (People, Profit and Planet) will gain better and strong market position.

Recession and economic change

Since 11/9/2001, immediately after the terrorists attack on the US , there has been severe worldwide economic recession and downturn which it has negative effects on all business activities. However, many international reputable companies are not able to survive and totally vanished due to the international economic crises.

HR professional have faced the worst situations where thousands of employees were losing their jobs and laid off. Meanwhile, severe financial cut in the human resources budget mainly in HRD, direct payroll expenses and other employment benefits were toughly implemented. Such economical turmoil creates lack of job security and declines the employees' moral and at the end affects the output and achievement. Questions of keeping and firing employees during recession are debatable among HR professionals as redundant or keep them.

According to observations, many organizations that adopt transformation programs by changing work systems and process flow, cutting operating expenses to improve cost efficiency have gained negative result and their situation was deteriorating specially when the global recession is lifted and the surrounding economic situation improves. Kenana Sugar Company (KSC) case is a good example. KSC and with technical help from a reputable British consultancy firm (PwC) used rigorous transformation program to cut production expenses across all the business activities. The aim was to reduce the cost of the metric ton of sugar to the international standards. However, one of their cost reductions was to cut 2600 jobs from their budget. Due to this decision KSC has, unsystematically, drained and dry-off its talent pool and deployed most of its human capital that directly affected the production curve. However, this production curve has sharply declined from 405000 metric tons of refined sugar in the production season before the transformation down to 276000 tons during the crop season of 2009 – 2010 three years after the implementation of the transformation program. Table 1.2.1 shows the decline production.

Crop Season	Total Area Under Cane/Fedan	# Production of Sugar in metric Tonnage
2004-2005	79300	393000
2005-2006	79400	400000
2006-2007	78300	405000
2007-2008	79200	391000
2008-2009	89500	323000
2009-2010	80500	276000

Table 1.2.1 sugar production of Kenana Sugar co. 2004-2010
Sources: Al Hagiga Sudanese daily news paper July 2010.

Changing values and expectations of business key stakeholders

Human resources and business strategy makers are faced by many challenges from the business different stakeholders whether from the inside or from outside the business. Those stakeholders have great affect on the formulation, development and implementation of HR and business strategy. However, their influences might be in group or as individuals. HR will add more value to the business when the value and expectation of the key stakeholders are met and satisfied.

Dave Ulrich et al (2009:20)¹⁸ commented very clearly " A more complete model of HR includes multiple stakeholders—employees and line managers inside the organization, and customers, investors, regulators, competitors, and communities outside the organization. To fully grasp business conditions specific to your organization and HR transformation, you must identify particular expectations and changes for each of these stakeholders. General business conditions become more focused when they translate into specific expectations of key stakeholders."

War for talent

In today's fast moving business competition has become very fierce and tough. The conventional and traditional wisdom of competition is changing to gaining the market position through the talent work force and the human capital stock. According to this new concept of rivalry, competition becomes fierce on the talent rather than on the finished good and service. Talent workforce becomes a continuous headache for business in a way of how to attract, motivate and retain them. They are talent people who acquire the distinctive competencies that help building the business capabilities, add value to the business key stakeholders and sustain the business competitive advantage.

¹⁸ Dave Ulrich et al (2009) *HR Transformation Building Human Resources from Outside In*, McGraw-Hill eBooks , page 20.

Conventional wisdom of competitive strategy

Recently the traditional wisdom used to acquire competitive position in the market place have begun to twist as the tangible capital stocks which are accessible to all competitors become threshold capability for market penetration.

The new challenges that face the HR is how HR can be transformed to reengineer the business capability, to add value to its key stakeholders and to sustain the competitive through the human resources distinctive competencies (the distinctive intangible capital stock).

However, this challenge is build as thematical arguments which cover all the coming chapters.

Business Strategy and HR Strategy

Accordingly, the past two decades have seen the global competitive environment alters dramatically and the traditional wisdom of competition does no longer exist. However, clear reason behind this uncertainty is mainly attributed to the above stated challenges facing HR and the whole business as well.

However, it becomes necessary to develop a new strategical approach "paradigm" which stands as "differential" factor that attributes the difference between the high growth competitive business and the less successful competitor to the concept that business will perform other competitors when it succeeds to matches internal capabilities with the surrounding challenging and uncertain environment. Accordingly, there is growing wisdom which emerges and organizes around a central research question in strategic management: Why do some firms persistently outperform others?

The answer to this question lays in the question of the business strategy and HR strategy. Accordingly, special consideration is paid to the alignment of the human resources strategy with the business strategy. However, the alignment between both strategies aims at positioning HR as strategy focused function that improves business performance and sustains its success.

However, this new concept of strategic alignment between the human resources strategy and the business strategy depends on two main strategical perspectives: the first perspective is the strategical "consistency" or "fit" which has two dimensions: The first: is vertically, which entails the linking of HR strategies, practices and systems with the strategic management processes of the business. The second: is horizontally, which emphasizes coordination or congruence among the various HR systems and how they are bundled together to serve and complement each other.

The second perspective is the resources based view (RBV) of the strategy which looks at the business as bundle of resources and competencies which play strategic role in formulating its competitive strategy when they are "efficiently" and "effectively" deployed and exploited. According to Armstrong (2009:30) "For a business resource to have the potential for creating sustained competitive advantage it should have four attributes: it must be valuable, rare, imperfectly imitable and non-substitutable."

These two perspectives will be considered in the following chapters, but before that a brief coverage about the concepts of the business strategy and the human resources strategy has to be covered.

What is strategy?

In the literature, the concept of strategy has been adopted from the military life and adapted for use in business as business management has got many similarities with military maneuvering. Armstrong (2008:21)¹⁹ supports this concept "Strategy was originally a military term... It is the art of a commander-in-chief; the art of projecting and directing the larger military movements and operations of a campaign." The same concept was shared by Paul Kearns (2010:6)²⁰. However, both authors entirely agree that business strategy is like military strategy and this idea is easily read straight across Paul's notion which state that "we should regard our employees as our 'troops' in a 'war' or campaign against competitors or potential opponents, some of whom we do not even know exist yet. So our aim should be to move them into a position where they can perform at their best"

In the work place we have to learn from military strategists and probably the most important lesson is that the ultimate effectiveness and value adding of any employee depends primarily on the quality of the strategy they are working to rather than their tangible and intangible capabilities. In military zone the high quality strategy paves route to have the balance of power or even have the superpower. The same idea exists in the business, high quality business strategy paves route to the sustained competitive advantage, to have stronger market position to beat the existing and potential rivals and have the business success which stand as an answer to the main research question: Why some business has super performance than other?

¹⁹ Michael Armstrong(2008) Strategic Human Resources Strategy a guide to action, Kogan page limited, 4th edition, page 21

²⁰ Paul Kearns(2010) HR Strategy, Business Focused, Individually Centered, Butterworth-Heinemann, An imprint of Elsevier, page 6

According to Armstrong (2008:21)²¹ recent evolution to strategy was due to the work of Peter Drucker " who long ago (1955) pointed out in the practice of management the importance of strategic decisions, which he defined as all decisions on business objectives and on the means to reach them"

Types of Strategy

For strategy makers, strategy can be created at much different levels according to the organization structure and the surrounding environment. However, strategies exist at number of levels in an organization as corporate level strategy which is concerned with the overall scope of an organization and how value will be added to the different parts (business units) of the organization. This level of strategy reflects the clear explicit or implicit basic intent of the shareholders and encapsulates their visions, missions, values and expectations that can be embedded as basis for the other levels of the strategy. This corporate level of strategy could be in concern of:

- Allocation of resources between the different business units of the organization.
- To merge with other business unit.
- To acquire another business.
- To diversify in other related business.

Business strategy

The second level is the Business level strategy which aims at translating what are expressed in the corporate level into business unit level. It is about how to build business capabilities, add value to the business stakeholders and how to sustain business competitive position. Actually, there should be a clear link between the corporate level and the business level. However, any disrupt and disintegration between the two levels may cause strategy failure or strategy drift.

It should also be noted that while introducing business strategy there should be a complete integration and synergy between the different parts and functions of the business. This integration and synergy between the different functions are referred to in the research model as the strategic alignment of HR and the business strategies. However, the outcomes of the synergy between the HR strategy and the business strategy build the business capabilities, add value to business stakeholders and sustain the competitive advantage.

²¹Michael Armstrong(2008) *Strategic Human Resources Strategy a guide to action*, Kogan page limited, 4th edition, page 21

The third level is the level of Operation strategy that is concerned with how the different functions of the business integrate together to implement and interpret the corporate and business strategy into feasible results and outcomes. Operation level constitutes the detailed levels of the strategy execution which leads to success or failure of the strategy.

However, for the research purposes concentration will be made on the level of business strategy which constitutes the essential part of the overall theme of the research model.

Strategy has got many definitions but for the purpose of this research, we are going to focus on the definitions that are related to the main concepts of strategy which about improving the business performance and its competitive position within the main two perspective of the strategy: the strategical “fit” and the resources based view. Some definitions are quoted here-under from Armstrong (2008:22:23)²²:

" [Strategy involves] the constant search for ways in which the firm’s unique resources can be redeployed in changing circumstances. (Rumelt, 1984).

"Strategy is concerned with the long-term direction and scope of an organization. It is also crucially concerned with how the organization positions itself with regard to the environment and in particular to its competitors... It is concerned with establishing competitive advantage, ideally sustainable over time, not by technical maneuvering, but by taking an overall long-term perspective". (Faulkner and Johnson, 1992).

"Strategy is concerned with the match between the internal Business capabilities of the company and its external environment".(Kay, 1999).

"The emphasis (in strategy) is on focused actions that differentiate the firm from its competitors". (Purcell, 1999)

Strategy is as defined by Gerry Johnson et al (2005:46)²³ as "The direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholders' expectations"

HR strategy

Human Resources (HR) strategy is an integrated part of the business strategy and looks like Production, Sales and Marketing strategies. However, in this part of the research section we are going to reexamine HR strategy as an integral and coherent part of the business strategy. Our assumption is based

²² Michael Armstrong(2008) *Strategic Human Resources Strategy a guide to action*, Kogan page limited, 4th edition, page 22and 23.

²³ Gerry Johnson et al (2005) *Exploring Corporate Strategy*, Pearson Education limited, 7th edition, page 46

on the central question that “why some businesses outperform other” and the growing need to build a competitive strategy which serves as a "differential" element in the market.

In exploring HR strategy we aim at building a new business strategy paradigm depending on the main research hypothesis that the strategic alignment between the HR strategy and the business strategy is a business success enabler that aims at attaining the competitive advantage through the HR by adopting two perspectives of strategy "fit" and the "resources based view".

According to Armstrong (2008:54)²⁴ "HR strategies set out what the organization intends to do about its human resource management policies and practices and how they should be integrated with the business strategy and each other"

HR strategy is about long term processes that aim at building the distinctive capabilities of the human resources "resource based view concept" by using coherent and congruent HR policies and system, "strategical fit concept" in order to sustain competitive advantage. According to this research concept strategic human resources management concentrates on:

- The process of aligning the HR strategy with business strategy.
- Transformation of Human resources strategies, policies and processes as well as those who run the HR functions.
- Building the distinctive capabilities and the core competencies to meet the strategy objectives.
- Adding value to the business key stakeholders.
- Sustaining the competitive advantage.

However, these stated points are expressed in this way to match with the research road map and processes of aligning the HR strategy with business strategy through transformation of the HR. Actually, the strategic alignment is becoming very crucial as expressed by Paul Kearns (2010: 1)²⁵ "any business strategy that does not explicitly and consciously integrate with an HR strategy will no longer qualify as the best strategic option. Stakeholders will not be getting the value they should expect if you fail with your people". However, this explicit statement of Paul Kearns plans for a new era of strategic human resources management.

²⁴ Michael Armstrong(2008) *Strategic Human Resources Strategy a guide to action*, Kogan page limited, 4th edition, page 54

²⁵ Paul Kearns(2010) *HR Strategy,CreatingBusiness strategy with Human capital* , Butterworth-Heinemann, An imprint of Elsevier, page 1

Basic concepts of the strategic alignment Model

What is stated above in this research chapter gives strong rationale to the research hypothesis which stands on the concept of cause and effect relationship between the HR strategy and the business super performance and its competitiveness. The research hypothesis predicts that when the HR strategy is aligned to the business strategy the positive outcome will be the improvement of the business performance and sustainability of competitive advantage. The central question of this hypothesis concentrate on how HR will be a success enabler in making the business outperforms other rivals and sustains its competitiveness.

However in order to test this causal result, five basic concepts about strategic alignment have to be explored. The first concept is about the strategic alignment, the second concept is about HR transformation, the third concept is about building the business capabilities and the fourth concept is about the value added to the business stakeholders and the fifth concept is about sustainability of the competitive advantage. However, these five concepts formulate the research model and cover the whole theme of the thesis in the followings chapters.

RESEARCH SECTION 2.1

ALIGNING HR STRATEGY WITH THE BUSINESS STRATEGY

Introduction

The concept of strategic alignment between HR and the business strategy has become an urging concern for HR and business strategists and consistent theme in the strategy literature. According to Jaap Paauwe and Corine Boon (2009)²⁶ "one of the important developments in human resources management is the integration of HRM into the strategic management process. It emphasizes the strategic role of HRM in meeting business objectives". Strategic HRM draws attention to the contribution of HRM to the performance of organizations; in other words, what is the added value of HRM for organizations?" Paul Kearns (2010:121)²⁷ believes that "Conventional thinking in HR circles has taken the view that the purpose of HR strategy is to support your business strategy. The approach recommended here is for the business strategy and HR strategy to be totally entwined". The idea of full integration is also examined by Linda Holbeche (2009:131)²⁸ "the most effective HR strategy is when HR strategy as such disappears and is more fully integrated into other resource strategies supporting the operational management process." She also stated the mechanism of alignment as the principle of alignment is that every aspect of an organization's activities should be integrated and "pulled together" to achieve corporate goals.

The concept of the strategic alignment between the HR strategy and the business strategy will be viewed from two perspectives: The first is strategic "fit" which looks to the alignment from two aspects: the vertical integration, when the HR strategies, systems and procedures support and align with business strategies; while the horizontal integration will look to HR

²⁶ David G. Collings and Geoffrey Wood, (2009), *Human Resources Management, A critical Approach*, published by Routledge, page 38.

²⁷ Paul Kearns (2010) *HR Strategy Creating Business Strategy with Human Capital(2nd Edition)* printed by Elsevier Ltd, page 121.

²⁸ Linda Holbeche (2009), *Aligning Human Resources and Business Strategy, Second edition*, printed by , Elsevier ltd, page 131.

strategies, systems and procedures as horizontally integrating and complementing each other.

The second perspective of the strategic alignment will be based on the Resources Based Views (RBV) which considers the business as bundle of resources and the human resource is the most vital of them. When these resources are distinctive and effectively and efficiently used the competitive advantage will be achieved and sustained.

The main theme of this chapter is to build a systematic research model to explore the strategic alignment between HR strategy and the business strategy and to show how HR strategy is complementing and integrating with the business strategy and pulling together to achieve the business strategic objectives.

The Mechanism of strategic alignment

Derek Torrington et al (2005) ²⁹ expressed in a very simple model how to visualize the different scenarios of alignment between HR and business strategies as shown in figure 2.1.1.

²⁹ Derek Torrington et al (2005), *Human Resources Management*, Pearson Education Limited, page 30



Figure 2.1.1: Potential relationships between business strategy and HR strategy.
 Source: Derek Torrington et al (2005:30),

- A. Separation model where no relation exists
- B. Fit model represents a growing recognition of the importance of people in the achievement of business strategy and human resource strategy is designed to fit with this. It is widely known model where all business strategy are pulling together.
- C. The dialogue model takes the relationship one step further, as it recognizes the need for two-way communication and some debate. What is demanded in the business's strategy may not be viewed as feasible and alternative possibilities need to be reviewed. The debate, however, is often limited
- D. The holistic model represents the people of the business being recognized as the key to competitive advantage rather than just the way of implementing business strategy.
- E. The HR-driven model offers a more extreme form, which places human resource strategy in prime position. The argument here is

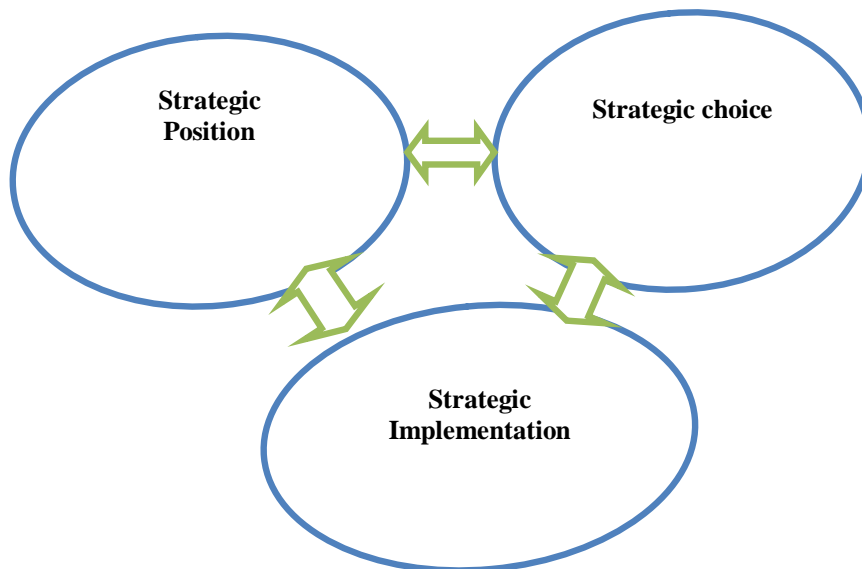
that if people are the key to competitive advantage, then we need to build on our people strengths to develop business capabilities. Logically, then, as the potential of our employees will undoubtedly affect the achievement of any planned strategy.

However, a combination of fit model B, the holistic model D and the HR driven E are dominating the central theme of the research hypothesis and they are built together within the first part of the research model and the other remaining parts of the model which will be explored at coming the coming successive chapter.

While exploring the first part of the Model of strategic alignment between the HR and the business strategy, it looks like the normal process of strategic management which can be thought of having three main elements:

- Understanding and analyzing the strategic position of business(Business context)
- Strategic choices for the future(what type of strategy is to be developed) and,
- Turning the selected strategy into action.

Figure 2.1.2 shows these elements and defines the broad coverage of the model. This part of the model is adapted and developed from the Gerry Johnson et al (2005:16)³⁰. In fact their model is devoted to the exploration of the business strategy. In our model we took their main frame and devote it to the concept of the HR strategy and how to align it to the business strategy.



³⁰ Gerry Johnson et al (2005) *Exploring Corporate Strategy*, Pearson Education limited, 7th edition, page 46

Figure 2.1.2, HR strategy and business strategy development /
Source: Gerry Johnson et al (2005:16)

Strategic position

The basic step in exploring the alignment of the HR strategy with business strategy starts with analyzing the strategic position of the business (the business context) by deliberately understanding the forces that have its influences, or have to be taken into consideration in the formulation and the development of strategies for both the business and the human resources. These forces as shown in figure number 2.1.3 are the environmental forces, the internal capabilities and the expectation of the business stakeholder

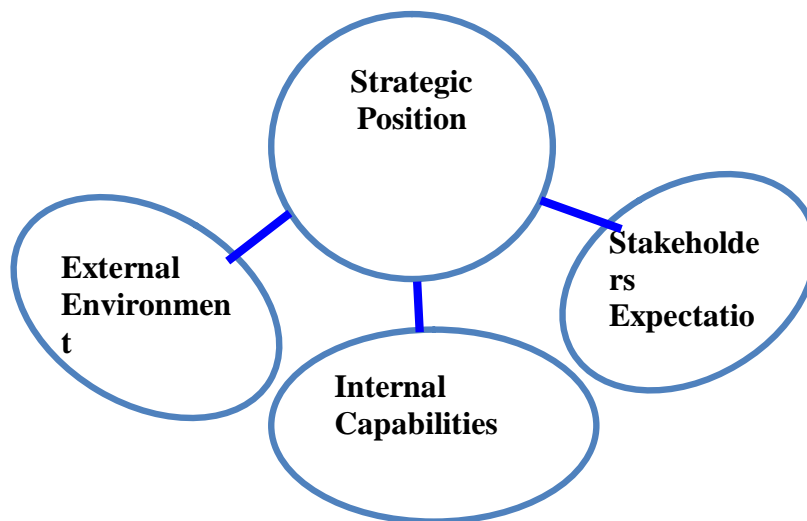


Figure 2.1.3 Strategic choice
Source: Gerry Johnson (2005:59)

This part of the model is built on the three basic stages:

- The first stage is about the role of **environment** in improving the business performance companies in more favorable environments will perform better than those in less attractive environments in other words, this part of the model is about the first argument of strategic "fit" by identifying the opportunities found in the environment and the business strength which is going to refer to as the business capabilities which will be viewed as business advantage.
- The second stage is about the resource based view, that the strategic capabilities of the business are most important because they explain differences between business potential uniqueness and therefore superior performance.
- The third stage which will be considered in this part of the model is that when the business adds value to its different stakeholders by

knowing their different expectations and values; this will improve the business competitive position.

•
These three stages encapsulate the main arguments in the whole thesis. What we are going to do in this part of the model is to set procedural way of analyzing and understanding them. However, by better understanding and deliberate analysis to these forces, a sound base and rationale will be set for the other steps of the strategy choice and the strategy implementation.

Understanding and analyzing the business environment

By understanding and analyzing the business environment managers and HR strategy developers can make sense of an uncertain world around their business which is characterized by its diversity, complexity and agility for change. However, in today globalized business no business is going to be developed in isolation from the surrounding competitive environment and its invincible forces.

According to Linda Holbeche (2009:29)³¹ "No organization is immune from the changing tides of global economic, social, political and technological trends". However by analyzing and understanding the environment of the business this will help the business and HR strategists to identify key issues and ways of coping with complexity and change in surrounding environment to design the suitable scenarios for their strategies development. Suitability and feasibility of any future strategy whether for the HR or for the business will depend on matching of the business strategy and HR strategy with its surrounding environment.

³¹ Linda Holbeche (2009), *Aligning Human Resources and Business Strategy, Second edition*, printed by, Elsevier ltd, page 29.



Figure 2.1.4 Layers of the business environment
Source: Armstrong (2005)

The challenge in the model is how to understand the interaction of these different forces and their impacts on the business and the HR strategies. According to Gerry Johnson et al (2008:64)³² these complication of environment are organized in a series of 'layers' briefly introduced here and summarized in figure 2.1.4.

The most general 'layer' of the environment is often referred to as the macro environment. This layer contains wide spectrum of environmental factors that have their direct and indirect impact to a greater or lesser extent on almost all business and HR future strategies. It is important to build up an understanding and of how complexities and uncertainties in this layer are likely has its impact on the business and its competitive strategy. A starting point of studying the business and the HR environment is by considering the "PESTEL" framework as shown in figure 2.1.5 which shows how future trends in the *Political, Economic, Social, Technological, Environmental and Legal* environments might shape and influence the business and HR strategies. Business and HR strategists may need to collect data to identify and spot the key drivers of change that match with business and its private

³² Gerry Johnson et al (2005), *Exploring Corporate Strategy*, Pearson Education limited, 7th edition, page 29.

individual characteristics so as to develop and build new tactics and suitable scenarios for the new competitive strategy. However, success of business and HR strategy will largely depend on the quality of analysis made to this layer as it has its affect and impact on the other layers and the other steps of the strategy development as all the processes are interconnected and linked to each other.

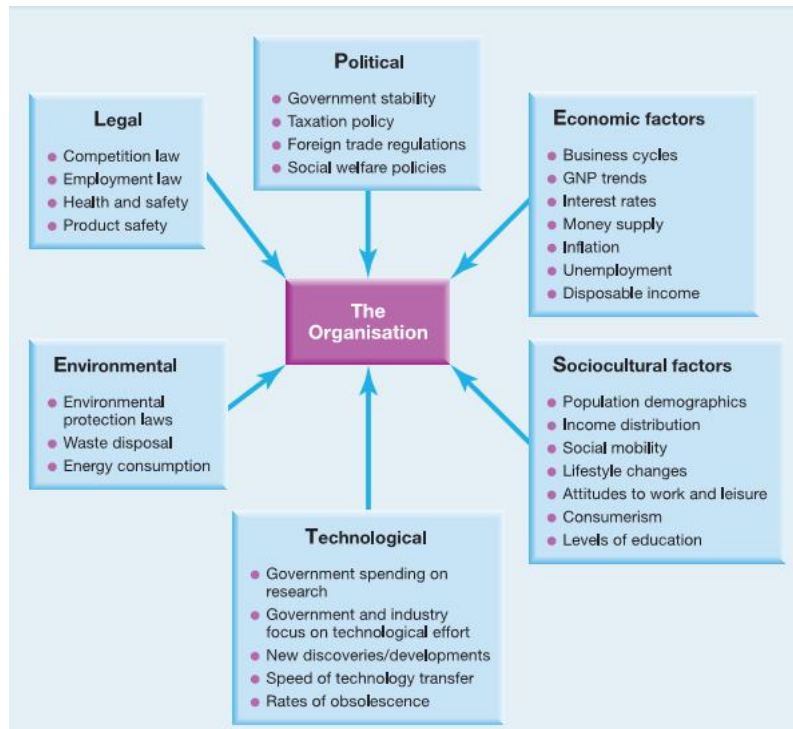


Figure 2.1.5 Macro-environmental influence – the PESTEL framework

Sources: Gerry Johnson: (2005:38)

The next ‘layer’ within the broad general environment is the layer of similar industry. This layer consists of varieties of businesses manufacturing and producing of the same goods or services. This layer represents one of the major uncertainties in the surrounding environment as it deals with the other business rivals who threaten the competitive position in market place. Gerry Johnson et al (2008:64)³³ believe that from a strategic management perspective it is useful for managers in any business to understand the competitive forces acting on and between business in the same industry or sector since this will determine the attractiveness of that industry and the ways in which individual business might choose to compete. It may reflect important decisions about product/market strategy and whether to leave or enter industries or sectors. However, data has to be collected about the other

³³ Gerry Johnson et al (2005), *Exploring Corporate Strategy*, Pearson Education limited, 7th edition, page 64.

rivals in the same industry about their technology they use, their supply chain, value chain, their financial position, the value added by their human capital, their 'distinctive competencies', their future plan for human resources development strategies and their manpower turnover rate.

The last layer of the environment consists of competitors and markets. However, within most rival industries or sectors there will be many different organizations with different characteristics and competing on different bases. The concept of strategic groups can help with the identification of both direct and indirect competitors. Similarly, customers' expectations are not all the same. They have a range of different requirements the importance of which can be understood through the concepts of market segments and critical success factors. However, business strategists need to collect accurate and informative data to assess the degree of uncertainties among each market segment and market group and how the value can be added to each strategic group and segment.

Understanding and analyzing the strategic capability

While we are developing the business strategy and examining the process of the alignment of the HR strategy with business strategy by conducting deliberate analysis to understand the business surrounding environment, however, consideration will be also given to the process of understanding and analyzing the business strategic capabilities as a part of the overall review to the business strategic position. However, this process is built on the concept of the "Resource Base View" (RBV) that the distinctive strategic capabilities of the business explain differences between business added value to its key stakeholders and sustainability of the competitive advantage. This argument is supported by Gerry Johnson et al (2005:116)³⁴ "a key concept to bear in mind is that if an organization is to achieve competitive advantage over others, it will do so because it has capabilities that the others do not have or have difficulty in obtaining". These capabilities are the combination of resources and competences owned by the business and the effective and efficient ways the business manages and deploy these resources. Although, one of this research argument is built on the concept that when developing strategy for HR and business, resources and capabilities should be considered as means of competitive advantage. However, from strategic HRM view, concentration will be given to human resources role in building the business capabilities that add value and sustain competitive advantage.

³⁴ Gerry Johnson et al (2005), *Exploring Corporate Strategy*, Pearson Education limited, 7th edition, page 116.

While understanding and analyzing the business strategic capabilities in term of resources and competences, HR and business strategy analysts have to understand that the business resources are categorized tangible and intangible resources. However, the two terms will be fully covered at chapter 5 and chapter 6 while we are discussing the outcomes of HR transformation.

Introducing SWOT analysis to tune the strategic position

The perfect understanding and the deliberate analysis to the business environment and its relation with the internal resources can be summarized in the analysis of **Strength, Weakness, Opportunity and Threats** which known as (SWOT) analysis as shown in figure 2.1.6 This type of strategic analysis aim at finding strategic matching and good logic between the business internal resources and its outside environment. The aim is to identify the current strengths of the internal resources like say, strong distribution network, strong workforce commitment and loyalty, high innovative quality control staff, increasing profit margin activity and strong financial position due to stock in hard currency. However, these strengths in the internal business capabilities can be used as strategy enabler against the threat of the potential force in the external environment that could 'erode' a competitive advantage. This environmental threat may be like a new competitor entrant, inflation and fluctuation in the hard currency rates , recession, rising interest rates and lack of financing. Also identification of internal weakness of any existing or potential force which could serve as a barrier to maintaining or achieving a competitive advantage in the market ,like Lack of a clear business strategy focusing, lack of training opportunities for using a new software and high turnover among talent workforce. However, these weaknesses in the internal resources of the business can be overcome by exploitation of the opportunity of existing or potential force in the external environment that, if properly leveraged, could provide a competitive advantage.

However, lack of ability of matching between the business internal capabilities (strength/ weakness) and the external environment (opportunity/ threats) will lead to strategy drift or strategy mismatches which at the end lead to lack of competitive advantage.

While analyzing strategic capabilities sometimes HR and business strategy analyst needs to manage the matter from internal perspectives "horizontal approach". Resources deployment and resources relocation are very fruitful exercises for internal strategical analysis; resources will be reexamined across the business to evaluate its suitability, feasibility and adaptability as "resources pool".

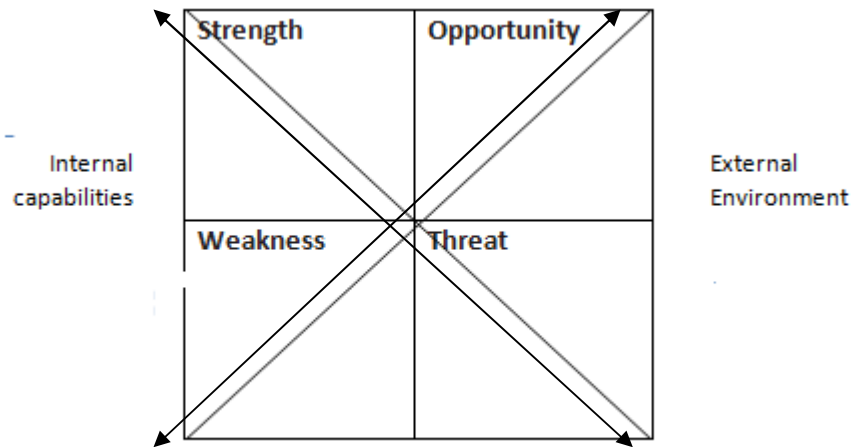


Figure 2.1.6 SWOT analysis matrix
 Source: Developed by the researcher

Further analysis will help to identify which areas have resources shortage and which one has abundances in resources and how analyst will use the "resources pool" as opportunity to redeploy and to relocate these resources for the development of the strategy, HR analyst can use this tool in time of redundancies and manpower redeployment,

Expectations and purposes

The previous part of the model considered the influence of the environment and the internal resources on the development of business and HR strategies. However, this will never reflect the complex role that the business' stakeholders play in the evolution of strategy for both the HR and the business as well. However, it seems one of the important and complex issues for the HR Strategy developers to pay much care for the business stakeholders' expectation. Stakeholders are those individuals or groups who depend on the HR and other business managers to fulfill their own mutual goals while they are dealing with the business, and on whom, in turn; the business depends on to build its own complete strategy. The business stakeholders are the share holders, the employees, the business leaders, the customers, the creditors, the Government, the civil service associations and many others who vary according to the nature of the business. However, stakeholders have strong influence over the business purposes which can be expressed in term of:

- Corporate values, visions, which are the main principles that guide the business actions,
- Mission which is a statement of the overriding direction and purpose of the business.

- Objectives which are statements of specific outcomes those are to be achieved by the business while introducing the new strategy.

HR and business strategy developers have to pay much care as new strategies are not going to be introduced without these points. However, in most cases people issues whether inside or outside the business environment remain the responsibilities of the human resources strategy leaders as one of the new strategic roles that build the business strategic capabilities add value to the business stakeholders and sustain its competitive advantage. However, this argument will be covered at chapter 2.4 when we explore the model of HR transformation and its sequential outcomes.

Strategic choice

Understanding the Strategic choices is the next step in the research model of exploring the alignment process of HR and business strategy. According to Gerry Johnson et al (2005: 235)³⁵ "strategic choices are concerned with decisions about an organization's future". Strategic choice is about what type of HR and business strategy that is going to be chosen and aligned for the future process. These choices are affected very much by the result of the quality of analyses and careful understanding to the business surrounding environment, the business strategic capabilities in term of resources and competences in addition to the expectations and values of the business stakeholders.

However, the discussion of strategic choice has been directed in the research model towards one option which the choice of the competitive position and how to sustain the competitive advantage through the human resources as shown in the above Figure 2.1.7

Business competitive advantage strategy

Accordingly, this option is built around the central themes of the research model. However, strategic choice is concerned with the main central research question of how to attain and sustain the competitive advantage and add value to the business key stakeholders. "How might business units compete successfully in markets so as to meet the needs of customers and create value for stakeholders" Gerry Johnson (2005:235)³⁶.

³⁵ Gerry Johnson et al (2005), *Exploring Corporate Strategy*, Pearson Education limited, 7th edition, page 335.

³⁶ Gerry Johnson et al,(2005), *Exploring Corporate Strategy*, Pearson Education limited, 7th edition, page 235.

This strategy choice is firstly considered by examining many available choices of the bases of competitive strategies within the business context:



Figure 2.1.7 strategic Choice
Source: Developed from Gerry Johnson (2005:232)

These are the fundamental choices available by which competitive advantage in markets might be achieved through different methods of HR distinctive competencies like leadership, cost leadership, talent, innovation and customer care.

Sustaining the business competitive advantage

Questions are also raised when choosing the business competitive strategy on how to sustain this competitive advantage in the long run by investing on the 'sources' of the method used in building the strategy of the competitive advantage. The argument of competitive advantage is going to be discussed in detail at chapter 2.4 based on the assumption of sustaining the competitive advantage and adding value to the business key stakeholders through the human resources; based on the Resources Base View (RBV) concept which

indicates that competitive advantage can be sustained according to the quality of resources the business acquires, owns and when the business deploy them much better than the business rivals.

The model shows how to evaluate the strategy and the option that could be chosen to justify that some strategies might succeed better than others. However, this can be done by introducing the following concepts:

- **Suitability** is a broad criterion concerned with whether a strategic option addresses the circumstances in which the business is operating – the strategic position. To what extent does the strategy match and fit with business context and strategic position. Again SWOT analysis seems very important to test the matching between the strength and the weakness in the business with the opportunities and threat available in the external environment. The degree of close fit will determine the suitability of the strategic option that can be chosen.
- **Acceptability** is concerned with the expected performance outcomes such as return on investment (ROI) of a strategic option, and the extent to which these would be in line with expectations of the stakeholders. However, strategic option can lead to customer satisfaction, generate profit to the shareholders, and give much concern to the corporate social responsibility and the other urging societal factors. However, when the strategic option is able to cater for these stakeholders concerns the choice of that option can be acceptable.
- **Feasibility** is concerned with whether a strategy could be made to work in practice, and therefore with the practicalities of resourcing and strategic capability in the ways that the new strategic option has its own financial resources support or going to generate finance from other finance institutions. The approach of unique resources is a key factor in selecting the option especially when the strategy needs the human resources and the human capital that own the distinctive competencies that differentiate the business from its rivals. In the mean time, the feasibility of developing HR new competencies and that boost the new strategy performance is always the continuous test which largely develops the sustainable human resources management concepts.

Strategy into action / (Strategy implementation)

As discussed in the upper part of research chapter, we come to conclusion that understanding and analyzing the strategic position of the business and considering the strategic choices of competitive advantage strategy will lead to no result unless the targeted strategies can be turned and tuned into real action.

However, in this research chapter, we are going to outline some of the strategic actions that lead to strategy implementation. Focus is concentrated on the following three actions which are the main stages of putting strategy into action as shown in figure 2.1.8:

- Organizing for success,
- Enabling for success
- Managing strategic change.



Figure 2.1.8 Strategy Into action
Source: Gerry Johnson (2005), page 400

Organizing for Success:

This part of the research model is built on important assumption which is extracted from the main strategic alignment concept that business formal structures, processes and relationships as shown in Figure 2.1.9 need to be aligned into coherent configuration (vertical and horizontal integration) so as

to formally organize for strategy success. However, this concept of aligning the structures, processes and relationships are the business intangible capital stock delivered by the HR. This stock of the intangible enables and organizes the business to build its strategic capabilities, add value to the business key stakeholders and sustain the competitive advantage and organizes for business success, as shown in Figure 2.1.9

- **organizational structures** is The structural design (describing roles, responsibilities, lines of reporting and chain of command) which can be obtained through systematic organization design and through well tailored job evaluation that gives the relative value of each job in the structure and to slot the suitable people in the evaluated job and to design the channel of command accordingly. It will be the responsibility of HR to build this structure so as to be matched and with the business strategy. Structural design can deeply influence the sources of an organization's advantage, particularly with regard to knowledge management, communication, competencies, skills required for each role in the structure and the quality of the people who fill these roles. According to Gerry Johnson et al (2005:396)³⁷ "failure to adjust structures appropriately can fatally undermine strategy implementation". But this could be understood that good structure alone cannot make good strategy, actually there are other factors.

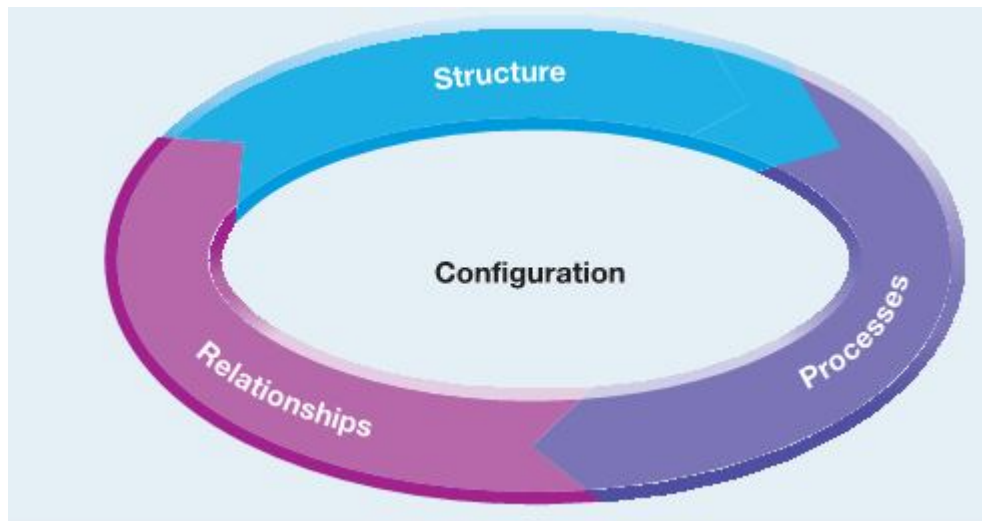


Figure 2.1.9 Business Configuration, Process, structure and Relationship
Source: Gerry Johnson (2005:397)

³⁷ Gerry Johnson et al,(2005), *Exploring Corporate Strategy*, Pearson Education limited, 7th edition, page 396.

But within any structure, what makes business work to implement any new strategy are the formal and informal business processes.

- **Business processes and system process** are concerned with different forms of control within business, ranging from direct supervision and centralized planning to self-control and full electronic system of processes or even manual process. These processes can be thought of as means of controls on business operations and can, therefore, help or hinder the translation of strategy into action. According to the research model, these processes represent all types of alignment between the HR strategies and the other business strategies whether on vertical or horizontal levels. As a matter of horizontal integration, one process can link between HR, the Supply Chain and Sales Departments when implementing strategy which links and integrates all these different Departments. However, the length and the shortness of process will reflect the speed and the agility of action taken and the result achieved which they differ according to the means used in the process. However, due to the need for agility and speed in the fast moving business, process becomes one of the key differential factors in organizing for the business competitive position. Due to this factor, business tend to use flat structure with few layers since the structure is one of the key channels for processes for chain of command and advance communication technologies.

In many other cases, business tends to use the advantage of the geographical location of the production units and the process layout to shorten the process layers and empower the alignment process to organize for the success of the competitive strategy.

- However, structure and process have great impact on the success of strategy configuration which they serve as glue and adhesive within the process of strategic alignment to fix together its different fractions and joints. But still, there are remaining basic issues which concentrate around **relationship** in the business and how both internal and external relationships are built and maintained to organize for proper implementation of strategy and business success, especially in ways that are positively respond to an uncertain environment, business capabilities and expectation of the key stakeholders. Strategy configuration and alignment through relationship can be done internally, especially when we look to where responsibility and authority for operational and strategic decisions should be vested inside the business. This, however, depends on the delegation of authority and

responsibility to HR and business leaders to successfully implement the selected strategy in all the operation levels. Again, the issue is very much related to the structure, the process and the concept of speed in developing and implementing the competitive strategy through the right decisions whether centralized or decentralized and the mechanism of delegation process build within the structure. Relating externally, which is built on the concept of 'inside –out' concept has much influence on achieving strategy success as the business has important relationships outside it boundaries as well, for example with customers, suppliers, subcontractors, shareholders and many other lines of stakeholders. However all those stakeholders will have strong influence on organizing the success of the strategy according to their different expectations, positions, relation with the business and the type of relation whether through outsourcing, alliances, and networks. However, business strategy is developed across all its stages of maturity to add value to them and attain their satisfaction and meet their different expectations. However, this argument of value adding is going to be elaborated at chapter 4 when we explore the argument of the outcome of HR transformation when it adds value to the business stakeholders.

Enabling for Strategic Success

In the upper part of this research chapter, we come to conclude that actions like business structure, processes systems and relationship whether internally and externally have crucial effect on organizing for strategic success. However, in this part of the model we would like to explain how actions like resources controlling in term of people, information, technology and finance will individually or as groups will work as strategic success enablers that build the business strategic capabilities, add value to its keys stakeholders and sustain the business competitive advantage.

The idea of enabling success is explained by Gerry Johnson et al (2005:446)³⁸ "Enabling success is concerned with the two way relationship between overall business strategies and strategies in separate resource areas such as people, information, finance and technology"

The main argument of the idea of success enabling is built on the main theme of the vertical and horizontal approach of strategic alignment. Here

³⁸ Gerry Johnson et al,(2005), *Exploring Corporate Strategy*, Pearson Education limited, 7th edition, page 446.

under, we are going to trace the role of people, technology, information and finance for enabling strategic success

- The role of **people** as success enabler is widely covered in the following research sections which support the main research theme about the role of the human resources in building the business capability, adding value to the business key stakeholders and sustaining the business competitive advantage. But, the important point which we always have to mention is that the deliverable of people as strategic intangible success enabler will not be considered in isolation without the integration and support of the other success tangible enablers of technology, information and finance. All success enablers are complementing each other in achieving success, while the role of people remains the catalyst that create and distil all other tangible resources roles in enabling success.
-
- **Information** in rapidly changing business is becoming a key strategic success enabler for the business to improve the market position and add value to the stakeholders. Gerry Johnson explained this idea very clearly "in the early 21st century, knowledge creation and information management are issues at the front of managers' minds as potential sources of improved competitiveness". The role of information in enabling for achieving competitive advantage dominates all the business strategy fractions whether in Sales and marketing, production, R&D, HR and finance. While our research model is based on enabling success through human resources and its deliverable, however, information is considered as one of the key intangible deliverable of the human resources and human capital in the business. Information as success enabler is embedded in the Information Systems (IS) built across the business which used as integrated success enable. The application of an advanced Enterprise Resources Planning (ERP) is a good example for efficient (MIS) application where all the business strategies resources, processes, structure and relations are put in one resources pool where resources are efficiently, effectively aligned, effectively used and redeployed.
- **Finance** and the way it is managed is determinant factor of strategic success from many view point: From a shareholder's point of view, what matters is the cash-generating capability of the business since this determines the ability to maximize the shareholders value in paying dividends in the short term and to reinvest for the future and to

generate at the end the expected profit 'maximization of share holders wealth'. This concept of value maximization is expressed by Gerry Johnson et al (2005:468)³⁹" There has been a continuing theme that the long-term success of strategies is determined by the extent to which they deliver best value in the eyes of major stakeholders" Also finance is very crucial in all strategy development stages and in particular in the implementation stage, as all the supporting strategies will not be implemented unless finance provision is prepared and the financial position of the business is very strong in order to attract the finance providers to invest their capital in the safe and secure investment. In the meantime finance management rules has to be built on corporate finance governance which has to be strictly aligned with strategy to enable its success and fulfill the financial expectations of the business different stakeholders whether Banks, suppliers, customers, employees, governments and society at large despite their different stakeholders expectations.

- One of the important role of finance as success enabler is that finance strategy should have to be configured and aligned with business strategy within the short and the long term. However, in many cases finance strategy is develop on short term process 'Murapha or say 'mudarpa' while the business strategy is build on long term plan. This however, will lead to strategy drift and mismatch.
- Managing Technology as success enabler: Technology plays a strategic role in enabling success and sustaining the competitive advantage. But we have to put in mind that technology itself will not be considered as a competitive tool as it is available for any business rivals. The ways in which the technology is exploited are where advantage may be created. However, technology has its direct affects on the competitive forces on the business and it different strategies whether in Research and Development, production and process lines, Sales and marketing ,HR and quality development. So the way that technology is developed whether in house made or brought from the outside, will influence the success or failure of strategy.

One of the main research problem about finance and other tangible capital for enabling success is that these tangible capitals stock are threshold

³⁹Gerry Johnson et al,(2005), *Exploring Corporate Strategy*, Pearson Education limited, 7th edition, page 468.

competences which enable for strategy success but it will not sustain competitive advantage as all competitors in the present era own this competence and look to be in competitive parity. However, in our argument, which will fully be covered in chapter 2.1.4, intangible capital stocks which are HR soft deliverables are the distinctive enablers for strategy success.

Managing Change for strategy success

While exploring the stages of business strategy as stated in this research chapter; strategy invariably involves change that entails people inside the business and the other stakeholders who have direct relation with it. Sometimes people and stakeholders resist change and make strategy difficult to implement. However, understanding and exploring the impact of change on people and the other stakeholders is therefore important for strategy success.

While strategy is processed, the business strategists have to pay much care to the management of strategic change and as explained by Richard Lynch (2006:757)⁴⁰ "distinction needs to be made between the *pace of change*, which can be fast or slow, and *strategic change*, which is the proactive management of change in an organization". According to the author Strategic change is due to the implementation of new strategies that involve substantive changes beyond the normal routines of the business.

While studying change and its affect on strategy success, we have to make it clear that strategic change doesn't happen by accident. Change is a systematic process and sometimes will never be like that and in both conditions it has causal factors that urge it to happen and as clearly described by Ackerman Anderson (2001:15)⁴¹ " Organization change doesn't happen out of the blue" In fact there are drivers that generate that strategic change and make it true and valid fact. Strategic change is anticipated by a number of forces that trigger first awareness and then action. These signals for change usually originate in the organization's environment or marketplace. Such signals can include bold retaliation moves by competitors, new technology, restructuring or shifts in government regulations. Failures in the performance of a leader own organization can also signal the need for change. Whatever their source, these events require the organization to respond. In some cases signals for change occur without leaders noticing in a ways of 'silent creeping change'.

Change drivers

⁴⁰ Richard Lynch (2006), *Corporate Strategy*, Prentice Hall, page 757

⁴¹ Dean Anderson and Linda S. Ackerman Anderson, (2001) *Beyond Change Management, Advanced Strategies for Today's Transformational Leaders*, page 15.

Many change specialists' state reasons and drivers that make change happen in the business. Dean Anderson and Linda S. Ackerman Anderson, (2001:16)⁴² have got a model which describes seven drivers that lead change to exist. It shows that the drivers move from what is external and impersonal (environment, marketplace, business and organizations) to what is internal and personal (culture and people and employee mindsetting) the model expresses that manager should take consideration for both drivers of change to properly manage the change in their business.

The other model of change drivers is developed by Richard Lynch (2006:757)⁴³ which is mainly depending on the former finding of Tichy⁴⁴.

The Tichy's model identifies four main triggers for change which are environment, *business relationships*, *technology* and people. Tichy suggests that change is not only inevitable in such circumstances but can be managed to produce effective strategic results.

However, going through the two models of change drivers a third one can be developed from what is stated here in this research chapter while we are exploring and aligning the HR strategy with the business strategy. In fact, change is becoming inevitable during all the strategy processes as strategy itself is plan for something new that is going to happen in the future and which is different to what is happening in the present. The question is: What are drives and causal effects that reinforce the new change?

However, from the research theme there are two drives that cause the new change or the new business strategy of competitive advantage. They 'external drives' and the 'internal drives'

External drives

Change resulting from external drives is related to the following:

- The uncertainties in the macro environment due to shift in economy, that leads to prompt and sudden recession.
- Rapidly changing rules of competitiveness where the tangible capital becomes an only threshold competence for market penetration. However, there is a strong shift towards the HR deliverables and the intangible capital stock to sustain the business competitive advantage.
- Globalization as world become as a global village.
- New government legislations.
- War for talent and scarcity of competent human resources.

⁴² Dean Anderson and Linda S. Ackerman Anderson, (2001) *Beyond Change Management, Advanced Strategies for Today's Transformational Leaders*, page 16.

⁴³ Richard Lynch (2006), *Corporate Strategy*, Prentice Hall, page 757

⁴⁴ Tichy, N (1983) *Managing Strategic Change*, Wiley, p18

- Changing values and expectations of the business different stakeholders.
- The new emerging trend towards the corporate social responsibility and the role of ethic in the business process.
- The new business relationships like alliances, acquisition, merging and groupings.

•
All these are strong external drives that make change as necessity and inevitable process otherwise the business will no longer exist or even survive.

Internal drives

Internal drives have its affects that trigger the necessity for change as well. Some of them can be list here under.

- The business resources and competencies are key drivers for change. However, feasibility, suitability and adaptability of the resources and competencies to the new strategy are real problem that drive change.
- Other internal drive factors like the people inside the business and their shared mindset (collective thinking) as change in employee mindset is often required for them to understand the rationale for the changes being asked of them. However, leaders and employees must change their mindset to implement and function in the organization's new design and strategy successfully. "Allah does not change the condition of a people until they change it themselves".⁴⁵ (إِنَّ اللَّهَ لَا يُغَيِّرُ مَا بِرِقْدَوْمٍ حَتَّى يُغَيِّرُوا مَا بِأَنْفُسِهِمْ)
- The technology used in research and development, information system and data retrieval, data processing and the other supporting manual systems may determine the need for change as technology is one of the important clue for internal change, mainly when it is linked with innovation, speed and quality of product and in the adverse conditions when it used to replace the people in the business.
- The structure of the business whether built on flat structure or long structure, the relationship between the people inside structure and the channel of command and the reporting lines. Business needs to develop its new strategies with flat structure that have short layers that ease upper and downwards movement and facilitate the chain of command.

However, when all these drives of change are not properly managed by the business leaders and when they are not horizontally integrated with each

⁴⁵ سورة الرعد الآية 11, translation for the verse is obtained from Google on line translation services.

other and vertically integrated with the external drive of change, they will have their negative effects on strategy success and will be a direct cause for strategy drift and mismatch.

Types of changes

While we are carefully dealing with reason for change, business leaders have to pay much care for the types of changes that may arise during the strategy development stages. Although one size of change does not fit all; knowing the type of change the business leaders are dealing with is more important than building an effective strategy to deal with it, as each type of change requires a different approach. This idea is explained by Dean Anderson and Linda S. Ackerman Anderson, (2001:31)⁴⁶ "leaders must know the type of change they face before they can know how to lead it."

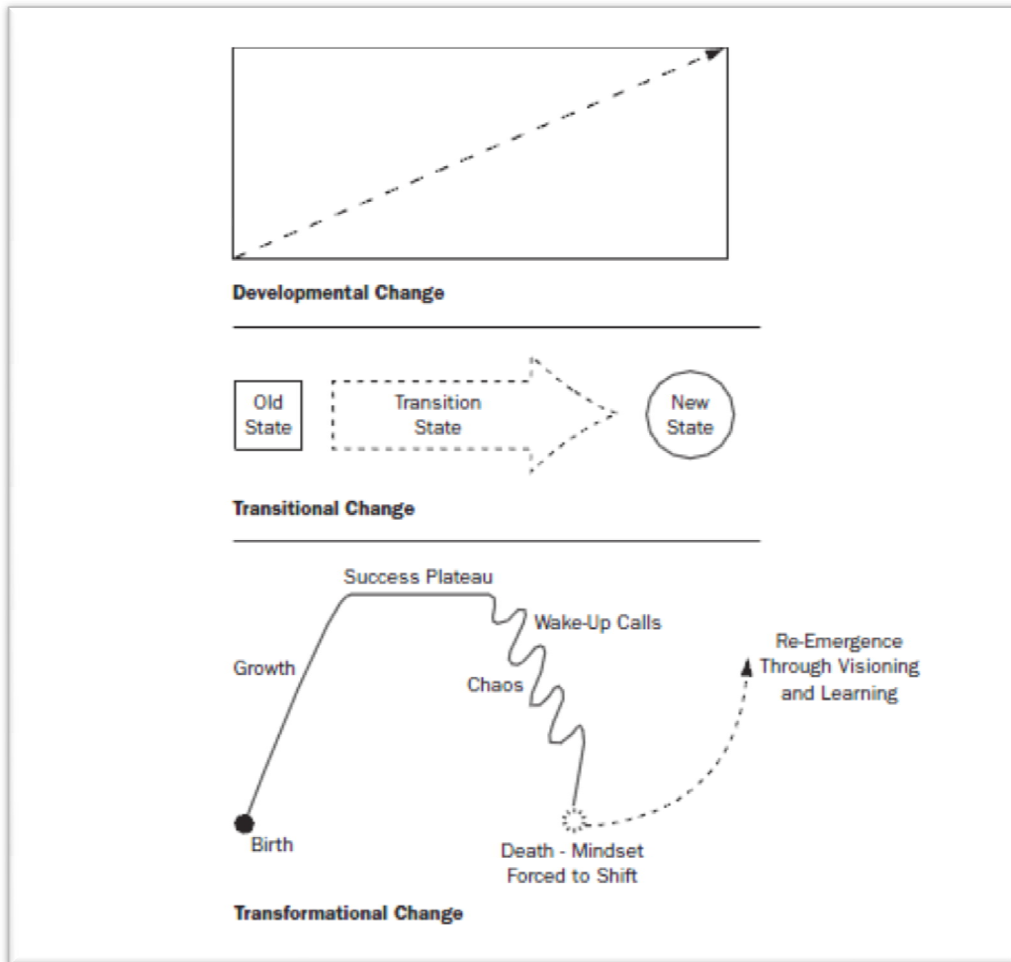
The two authors identify three most prevalent types of change occurring in the business as shown in figure 2.1.3:

- **Developmental change** which always takes place when the drives for changes in both the external and internal environment are static and no room for uncertainty. However, change takes place in such cases as normal process. Developmental change represents the improvement of an existing skill, method, performance standard, or condition that for some reason does not measure up to current or future needs. Metaphorically, developmental changes are improvements "*thinking within the box*" of what is already known or practiced. Such improvements are often logical adjustments to current operations without imposing risk on the business stakeholders.
- **Transitional change** is little bit more complex. It is the required response to more significant shifts in environmental forces or marketplace requirements for success. Rather than simply improve what is as in the developmental change, transitional change replaces 'what is' with something entirely different '*out of the box*'. To achieve this new state of transition, the business must leave the old way of operating and move through a transition while the new state is being put into place. Example of transitional change is installation and integration of computers or new technology that do not require major changes in mindset or behavior of the people inside the structure; creation of new products, services, systems, processes, policies and

⁴⁶ Dean Anderson and Linda S. Ackerman Anderson, (2001) *Beyond Change Management, Advanced Strategies for Today's Transformational Leaders*, page 25.

procedures that replace old ones. However, in such case the business different stakeholders are aware with transitional change and in very rare case slight resistance may occur.

- **Transformational change** is the least understood and most complex type of change facing organizations today due to uncertainty in the business surrounding environment; mainly when it is related to retaliation and uncertainty in competitive position or in sharp economic crises and high turnover among the category of people who acquire the distinctive competencies. Simply, transformation is the radical shift from one state of being to another, so significant that it requires a shift of culture, behavior, competences and mindset to implement successfully and sustain over time despite the complexity and uncertainty in the surrounding environment.



- *Figure 2.1.10 Types of changes*
- *Source: (2001:31) Dean Anderson and Linda S. Ackerman Anderson,*
-

In other words, transformation demands a shift in human awareness that completely alters the way the organization and its people see the world, their customers, their work, and themselves. In addition, the new state that results from the transformation, from a content perspective, is largely uncertain at the beginning of the change process which it might need ample time to reach the maturity and stability stage. In most cases transformation change leaders will not have the enough patience or even the capabilities to wait to cultivate the success. In many cases new strategies are aborted at this stage. A few who have the capabilities will reach the final success stage.

Political implication of change

In practical terms, we tend to use the term political implication of change to refer to the issue of resistance to change from the different business and HR stakeholders, as described by Linda Holbeche (2005:188)⁴⁷ "Change can also challenge the core values held by organizational members". However, these challenges appear in ways of conflicts of interest between the stakeholders and the business or a group of stakeholders with other group of stakeholders over shared interests. These conflicts of interest are literally referred to as change political implication. These political implications are probably the main obstacle to the successful implementation of strategic change. In other words, new changes may be resisted from many stakeholders of the business, the people inside the business with different professions and role, managers and unions and even from professional groups or individuals. Resistance to change may be also from the outside stakeholders like customers, Suppliers, government, environmental activists and many other civil association members. The reasons for resistance are mainly depending on the expectation and value of each stakeholder or group of stakeholders. However, internal resistance for change can be in terms of psychological symptoms like anxiety, sickness, and absenteeism, slowing down the work, walk-out and sabotage. Meanwhile, external stakeholder may show some kind of symptoms that may be in term of misunderstanding from suppliers, may be loose of purchasing power and interest from customers.

More positively, resistance will be less if the change is not imposed from outside 'imported change', but developed by those involved from within. Change will be more welcomed if it is seen to reduce, rather than increase, the task of those involved and to be consistent with the values that they hold. Change is also more likely to be accepted if it offers an interesting challenge

⁴⁷ Linda Holbeche(2006), *Understanding Change Theory, Implementation and Success*, published by Butterworth-Heinemann, page 188

and a change from existing routine. Importantly, change is more likely to be appreciated if the outcome is genuinely valued by senior management, who have wholeheartedly supported and committed to the process in all the stage of development. While the most important point is that change will be accepted by all when every stakeholder feels that there is no politics or bad games behind the new change. In the meantime they feel that the new change will add value to them and at the end they will be fair and evenly treated.

RESEARCH SECTION 2.2

HUMAN RESOURCES TRANSFORMATION

Introduction

However, the issue of HR transformation and its role in improving business performance was considered by many scholars in the past 10 years due to their research to find a relationship between the high business performance and the business strategy: Dave Ulrich (2009)⁴⁸, Martin Reddington et al (2005)⁴⁹, Mark I. Morgan et al (2010)⁵⁰, Linda Holbeche (2009:4)⁵¹ and Andrew Mayo (2001)⁵². All those scholars and many others agree that HR transformation is an imperative issue that develops the business distinctive capabilities, adds value to the business key stakeholders and sustains the business competitive advantage. However, these imperative issues of the business capabilities reengineering, the value added to the business key stakeholder and the sustainability of the market position constitute the main theme of the research section and the coming two subsequent sections.

Chapter objectives

It is our objectives to develop in this research section a model for transforming HR as part of the main model of the strategic alignment between HR and the business strategy explored in the previous section. However, this part of the model is going to support the research argument about the HR transformation and how HR transformation will develop the business distinctive capabilities add distinctive value added to the business key stakeholder and sustain the business competitive advantage.

The research model as shown in figure 2.2.1 is developed and adapted from the research model of Dave Ulrich and his research team on the transformation of HR, Dave Ulrich et al (2009:10). We intend to choose this model as their argument and findings are similar and so close to our research argument. Ulrich et al intend to transform HR so that HR adds distinctive value to the business stakeholders and develop the business distinctive

⁴⁸ *Dave Ulrich et al(2009),HR Transformation, Building Human Resources from the outside in, published by, the RBL Institute.*

⁴⁹ *Martin Reddington (2005,)Transforming HR, creating Value through people, published by Elsevier Butterworth-Heinemann.*

⁵⁰ *Mark I. Morgan et al (2010),Executing your Business Transformation, How to Engage Sweeping Change without killing Yourself or your business, Published by Jossey-Bass, page 99.*

⁵¹ *Linda Holbeche (2009:4) Aligning Human Resources and Business Strategy, published by Butterworth-Heinemann, page 4.*

⁵² *Andrew Mayo (2010),The Human Value of the Enterprise, Valuing PEOPLE as Assets Monitoring, Measuring, Managing, Nicholas Brealey Publishing, page 19.*

capabilities. Our argument agrees with the two objectives of Ulrich et al and goes further in the transformation outcomes as these two deliverables of the HR transformation will enable the business to sustain the business competitive position in the market place. In our model we always reiterate that the HR transformation is an outcome to the question of the strategic alignment between the HR strategy and the business strategy.

HR transformation model

We trace the four-phase model for HR transformation which was developed by Dave Ulrich et al (2009:10)⁵³ to ensure that HR drives business success of building the business distinctive capabilities, adding value to the business key stakeholder and sustain the business competitive advantage. The model considers that HR transformation is not an end in itself, but a means that leads to other business's strategic ends of building business capabilities adding value to the business key stakeholders, and sustaining the business competitive advantage. HR transformation process can be explored through finding answers to four simple questions as shown in figure 2.2.1:

Phase 1: Build the business case. (Why do transformation?) HR transformation begins with a clear rationale for why transformation matters. This is in terms of knowing the business context and building a case for change.

Phase 2: Define the outcomes. (What are the outcomes of transformation?)

This phase clarifies the expected outcomes from the transformation. What should happen when we invest in HR transformation? Answers to this question defines the outcomes of HR transformation strategically contributes in building the business distinctive capabilities, adding value to the business key stakeholders and sustaining the business competitive advantage through the human resources.

⁵³ Dave Ulrich et al(2009),HR Transformation, Building Human Resources from the outside in, published by, the RBL Institute,page10



Figure 2.2.1: HR transformation:
Sources Dave Ulrich et al (2009:10)

Phase 3: Redesign and reengineering HR into new strategic look. (How do we do HR transformation?) HR transformation requires change in HR strategies around departments, practices, and people. The model will focus on how to change HR departments, people, and practices.

Phase 4: Engage line managers and others. (Who should be part of the HR transformation?) HR transformation requires that many people participate in defining and delivering the transformation. The model focuses on transferring the ownership of the HR transformation to line management and on strategies for building HR’s capability to create sustained change.

Before we explore the transformation model we need to give some important highlights which should be well known:

- HR transformation is not about doing HR; it is about building business success through the new interface of HR.
- Our thinking in this model is supporting the view of Dave Ulrich and his group Dave Ulrich (2009:9)⁵⁴ where they think that the rationale for HR transformation is too often from inside the company, when a senior leader complains about HR practices, structure, or people, whereas the rationale should actually come from outside the company where the business key stakeholders like a customer's complaint about the quality of salesmen or the

⁵⁴ Dave Ulrich et al(2009),HR Transformation, Building Human Resources from the outside in, published by, the RBL Institute, page 9.

product quality and innovation. Actually, this is the place where HR transformation adds value to the stakeholders and sustains the competitive advantage.

- To effectively transform HR, as explained by Martin Reddington et al (2005:1)⁵⁵, change needs to be integrated as holistic issue and not as piecemeal targets which should be linked to HR horizontal and vertical approach. However, HR activities are horizontally integrated and transformed. In the same time HR activities have to be vertically integrated with other business activities.
- Transformation is always being considered as a means and not as end in itself. HR transformation is a business enabler that supports more effective ways of working and of managing the human capital components.
- True HR transformation is an integrated, aligned, innovative, and business focused approach to redefining how HR work is done within a business so that it helps the business build its distinctive capabilities, add value to the business key stakeholders and improve the business market position by sustaining the competitive advantage.

Exploring the HR Transformation Model

Stage one:

(Why) the necessity for HR Transformation?

In this part of the research chapter we are going to explain the reason behind the HR transformation as when state the reason for HR transformation we can logically state and explain the outcomes of the transformation. The same idea is explained by Dave Ulrich et al (2009:15)⁵⁶ "When people understand the why of change they are more likely to accept what". As we have stated in the previous chapter that the reasons behind introducing the business strategy always found in the business context. However, the same argument is applicable for the HR transformation as the context of a business setting captures the "why" of HR transformation. However, in the today's competitive business there are strong drives found in the surrounding HR

⁵⁵ Martin Reddington et al,(2005) *Transforming HR creating Value through people* , published by Elsevier Butterworth-Heinemann, page1

⁵⁶ *Dave Ulrich et al(2009),HR Transformation, Building Human Resources from the outside in, published by, the RBL Institute, page 15.*

environment that initiate stress which require a prompt HR transformation. When HR transformation connects to the context of the business, it is more likely to be sustained because it responds to real needs. HR transformation leaders have to look through the strategy in the process of strategic alignment to see and understand the business conditions or external realities that shape it.

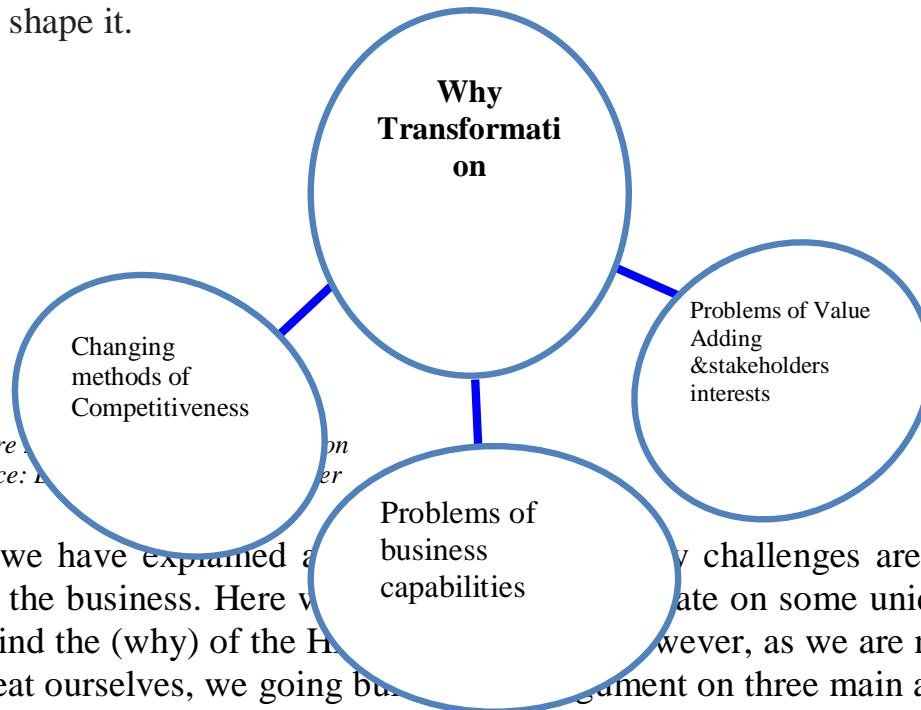


Figure 2.2.2: Why Transformation
Source: [unclear]

As we have explained a lot of challenges are facing HR and the business. Here we will elaborate on some unique reasons behind the (why) of the HR transformation. However, as we are not going to repeat ourselves, we going to focus on three main and genuine reasons, as illustrated in figure 2.2.2 which stand as strong logic for HR transformation. These three reasons build the main research themes that are going to be explained in this chapter and the following successive chapters:

- The first reason behind HR transformation is the change in the concept of the value added to the business stakeholders and the changing concept of market valuation. To reiterate, HR transformation is not just about what you do within HR, it is about the value for key stakeholders that your actions will create. We need to transform the whole process of the HR due to the urging expectation coming from the HR different stakeholders whether internally from employees, managers, shareholders, unions and the business senior executives or externally like customers, debtors, suppliers, legal authorities, local communities, governments, courts and labor offices. However, all those stakeholders require special consideration and deliberate talking. Although each of them needs special added value from the HR according to his expectations and interests. However, HR has to change its mentality of thinking and be strategic player to mutually satisfy the needs of the

stakeholders. Although, this is strong drive for the (Why) for HR transformation. From the other side, the reasons for transforming HR to add value to the business key stakeholders will never thought to be the responsibility of the HR alone. The HR has to transform its functions to be within the business value chain which always considered as an integrated function of all the business fractions. Although there is growing need for the HR to transform itself to be a part of the business integrated value chain that aims at the end to create and add value to the business key stakeholders.

- The second reason for HR transformation is the question of the business capabilities. The old conventional wisdom of business capabilities building is based on the tangible physical resources. However, as answer to this problem we build an argument on the assumption that the business capabilities are combinations of human, social, intellectual capital (total of the intangibles) or (Human Capital) (intangible capital stock) combined together and integrated with the other business physical capital stock (the tangibles) to enable the business for building strategic capabilities. However, HR has to be transformed to leverage the intangible capabilities (HR deliverables) from within the business HR core competencies pool (CCP).
- The third reason for HR transformation is the question of the sustainability of the business competitive position. However, it is one of research problems that tangible capital stock is no longer a competitive advantage enabler. It is our theme argument in this research that business leaders are seeking new venues to sustain the competitive issues as the old venues of tangible resources are only threshold for market penetration. Our argument believes that the strong reason behind the HR transformation is to make the HR radically changing towards new distinctive competencies that sustain the competitive advantage and boost the business position in the market place.

- **Stage Two:**

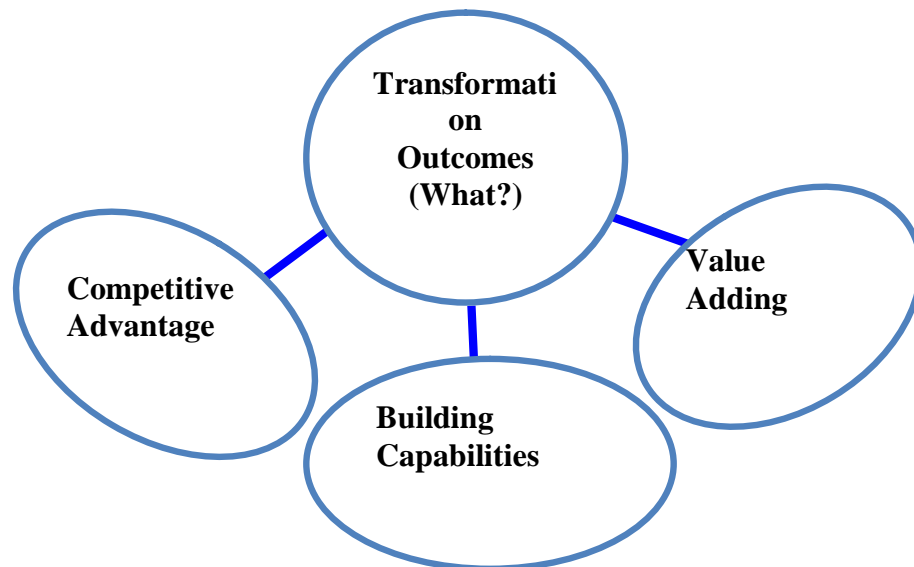
(What) are the Outcomes of the HR Transformation?

However, in this stage of the HR transformation Model we, inevitably, want to know how to measure the impact of the transformation or in other word (what) outcomes are generated from the HR transformation. In a very simple manner the outcome of the HR transformation will directly be reflected on the activities and the function of the HR, like the quality of recruited

manpower, reduction of employee turnover, reduction of the turnover rates and increase in employee loyalty. This may be the simple and the direct outcomes, while the targeted and strategic outcomes of the HR will be linked to the golden rule that whenever we know the (Why) for the transformation, we can easily know the (what) which generates the outcomes of the HR transformation.

However, the strategic outcomes of HR transformation, according to the research Model are built on the following three interconnected arguments:

1. Building and reengineering of the business strategic capabilities. Although, this argument is going to be fully discussed at section 2.3.
2. The value added to the business key stakeholders which is built on the hypothesis that, there will be a significant relationship between HR transformation and the distinctive value added by HR to the business key stakeholders: However, we are going to consider how the HR will add value to the key stakeholders and how the value chain will be created in the business.
3. Improvement of the business market position by sustaining the competitive advantage.
 - However, it is worth mentioning that the first two outcomes are developed by Dave Ulrich⁵⁷ and his research team, while the 3rd outcome of the business competitive advantage is one of the findings of this research which is considered as a central research hypothesis.
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⁵⁷ Dave Ulrich et al(2009),HR Transformation, Building Human Resources from the outside in, published by, the RBL Institute, page 33.

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- *Figure 2.2.3: HR transformation outcomes*
- *Source: Developed by the researcher*

How HR transformation adds value to the business's key stakeholders?

The role of HR transformation in adding value to the business and its different key stakeholders was considered by many HR strategy scholars: Michael E. Porter (1998:34), Garry Johnson (2005:136) Andrew Mayo (2001:19) Jac Fitz-en (2009:17), Dave Ulrich (2009:34).

The main concept of the added value is built on the hypothesis that, there will be a significant relationship between HR transformation and the distinctive value added by HR to the business key stakeholders. The positive relationship between HR transformation and the distinctive value adding will be stronger when HR systems, policies, structure and people transformation is implemented in the perfect recommended stages.

Before explaining the hypothesis we have to state that the value is added by HR when we consider HR as valuable business asset and its intangible deliverables are the business Human capital. This argument is explained by Andrew Mayo (2001:19)⁵⁸, "We add value to our stakeholders through the deployment of our assets. So, when we talk about people in an organization, there are two separate ways in which we can use the concept of value: what they are worth to us inside the business for employees and business leaders and the value they add to other stakeholders outside the business".

Therefore, in order to create value to business stakeholders, we need to know the mechanism of the value chain within the business throughout the vertical and the horizontal integration between the HR transformed activities and other business activities as shown in figure 2.2.4. The value chain describes the activities within and around the business which together create a product or service. According to Garry Johnson et al (2005:136)⁵⁹ "it is the cost of these *value activities* and the value that they deliver that determines whether or not best value products or services are developed". The concept was previously developed by Michael E. Porter (1998:33)⁶⁰ and recently used in the business research by many scholars. However, as shown in the Figure 2.2.4 is a representation of a value chain. The chain is composed of Primary activities "Basic activities" which are directly concerned with the

⁵⁸ ⁵⁸ Andrew Mayo (2010), *The Human Value of the Enterprise, Valuing PEOPLE as Assets Monitoring, Measuring, Managing*, Nicholas Brealey Publishing, page 19.

⁵⁹ Gerry Johnson et al(2005) *Exploring Corporate Strategy*, Pearson Education Limited, page 136

⁶⁰ Michael E. Porter (1998), *Competitive Advantage, Creating and Sustaining super performance*, the Free Press, page33

creation or delivery of a product or service. These activities can be grouped into five main areas. As example, in the manufacturing business:

- Inbound logistics are the activities concerned with receiving, storing and distributing the inputs to the product or service. They include materials handling, stock control, transport, etc.
- Operations which transform these various inputs into the final product or service: machining, packaging, assembly, testing, etc.
- Outbound logistics collect, store and distribute the product to customers. For tangible products this would be warehousing, materials handling, distribution, etc. In the case of services, they may be more concerned with arrangements for bringing customers to the service if it is a fixed location.
- Marketing and sales provide the means whereby consumers/users are made aware of the product or service and are able to purchase it. This would include sales administration, advertising, selling and so on.
- Service includes all those activities which enhance or maintain the value of a product or service, such as installation, repair, training and learning processes .

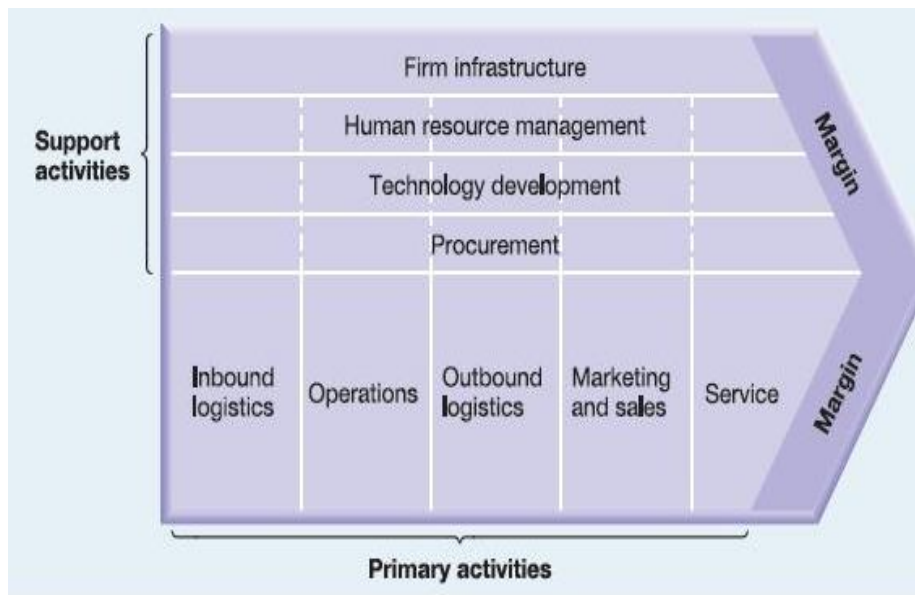


Figure 2.2.4 The value chain within the business

Sources: Michael E. Porter (19984: 46)

According to Porter each of these groups of primary activities is linked to support activities. Support activities 'Enabling activities' which help to improve the effectiveness or efficiency of primary activities. They can be divided into four areas:

- Procurement. This refers to the processes for acquiring the various resource inputs to the primary activities. As such, it occurs in many parts of the business.
- Technology development. All value activities have a ‘technology’, even if it is just know-how. The key technologies may be concerned directly with the product (e.g. R&D, product design) or with processes (e.g. process development) or with a particular resource (e.g. raw materials improvements). This area is fundamental to the innovative capacity of the business.
- Human resource management. This is a particularly important area which transcends and promotes all primary activities. It is concerned with those activities involved in recruiting the talent people, developing the best employee performance system, building the employee distinctive competencies by enhancing learning culture , and invest heavily in employees development, developing and rewarding people within the business to boost employee morale, increase, commitment, retention, loyalty and attraction. HR transformation will promote the value chain when it adds distinctive value to the business by leveraging the intangible capabilities which by cause and event add value to the business which contribute directly to the development of the other business capabilities (the tangibles) in both the basic activities and support activities. It is our argument that HR represents the most important gear in the value chain as HR is the source of the intangible resources which are the unique and distinctive resources that cannot be easily imitated and copied by the business competitors.
- Infrastructure which systems of planning, finance , quality control, information management, etc. important to a business’s performance in its primary activities. Infrastructure also consists of the structures and routines of the business which are part of its culture.

From the above figure we come to know how the value is created within the business integrated functions and we come to conclude that HR has become a key strategic player in the value creation when is fully integrated and aligned with all other business strategy fractions.

Now, we are going to explain how the value will be added to the different business stakeholders. However, the process of value adding necessitates knowing our different stakeholders and their different needs and expectations in order to define and deliver the value expected by them. Strategic information and data about each key stakeholder will be collected while we are starting the HR transformation and preparing analysis for the

business context or while we understand the business strategic position. This stakeholder mapping or "segmentation" helps building the case for why HR transformation (outside-in approach) where business seeks to build its capabilities according to the needs of the outside stakeholders. It also provides the basis for measuring results of the transformation. Having specified a line of sight between HR activities and value delivered to key stakeholders, we then need to come up with clear and simple measures to track the extent of the benefit HR transformation provides to key stakeholders. If the HR transformation is successful, then a number of outcomes can occur for each stakeholder (cause and event concept).

In Table 2.2.1, we summarize some of these outcomes. In building the HR transformation plan, we pick the employees, the business leaders as targeted stakeholders from inside the business, while, the shareholders and the customers as targeted stakeholders from the outside. Other stakeholders are neglected. These selected stakeholders, in most cases, are the most worried about while building our strategy and implementing the HR transformation; then discuss and define the created and developed value to each of them, and then we assume that the outcomes will be mostly gained by the business when the value is added to them. These outcomes should be operationally defined and measured by setting clear key performance indicators (KPI) and metrics to measure for example the degree of customer satisfaction, the customer query and complaints and tracked over time to quantify the progress of the HR transformation by using shared score card methods for the agreed upon key performance indicators. The more distinctive value added by the HR to the selected stakeholders the greater outcomes to the business benefit and success. While we are developing value chain we have to understand that value chain has got a reciprocal process or dual system. That means HR will add distinctive value to the business key stakeholders and in return the stakeholders are going to "payback" their added value in ways of commitment, loyalty, innovation and retention. The customer will be more loyal, committed when he proves to be of high selling power. The shareholders will be more encouraged to pay more money for future investment since they feel investment add value to them in term of high profit maximization.

Possible measured outcomes, expected Return On Value Added (ROVA)	Value creation and development by HR to stakeholder	Stakeholders
<ul style="list-style-type: none"> • Greater competence for present and future jobs. • More engagement or commitment. • Higher productivity. • Increased retention of talented employees. • Willingness to refer company to other potential hire. • Increased market share 	<ul style="list-style-type: none"> • Introduce attracting reward package. • Create learning organization • Develop employees' distinctive competency. • Inspire team spirit. • Effective leadership style. • Introduce equity and evenness. • Effective talent management. 	<p>Employees</p>
<ul style="list-style-type: none"> • Measure of backup talent (number of qualified people for key jobs). • Able to export talent to the rest of the company. • Able to do an organization diagnosis and identify key capabilities. • Shared focus on what the strategy is. • Help make strategy happen. 	<ul style="list-style-type: none"> • Create talent pool system • Participate in developing the overall business strategy. • Create session of brainstorming and mind setting. • Set development to raise senior managers' capabilities. • Continuous presence among senior meeting and provide ad-hoc advisory and strategic role to them. 	<p>Leaders and Senior Executives</p>

<ul style="list-style-type: none"> • More market share of targeted customers. • Sustainability of competitive advantage. • More customer loyalty and satisfaction. • Good response with the business on customer surveys. • Greater willingness to engage in long-term relationship with the business. • Willingness to recommend firm to others. • Increased profit. • Percentage of new projects won from competitive bidding 	<ul style="list-style-type: none"> • Select and recruit the high competent sales Staff. • Run customer care interview. • Get periodical customer care review. • Invest in customer orientation and awareness. • Invest in research and development. • Encourage innovation. • Develop employees' competency. • Be Corporate social responsibility oriented towards the customer health and product hygiene. 	<p>Customers</p>
<ul style="list-style-type: none"> • Get moral commitment from the Share holders. • Increase the financing from the shareholders for new projects. • Shareholder satisfaction. • More investment on R&D. 	<ul style="list-style-type: none"> • Maximization of share holder values. • Build system of accountability. • Relate HR to vision and mission of the business. • Maximize profit. 	<p>Shareholders</p>

Table 2.2.1 Measures of Key Stakeholders from HR Transformation
Source: developed from Dave Ulrich et al (2009:35)

Stage three:
(How) to do HR transformation?

The first two phases of HR transformation answer the questions why (business context) and what (outcomes of HR transformation). The third phase addresses how to do the transformation. This phase has three components, each of which is going to be explained here as shown in figure 2.2.5:

- HR department may need to be redesigned to work in harmony within the flow of the other business departments.
- HR practices may be transformed to be horizontally complementing each other and vertically integrated with other business practices and systems.
- HR professionals may be upgraded and developed to possess the distinctive competencies required to do their work and add value to their stakeholders.

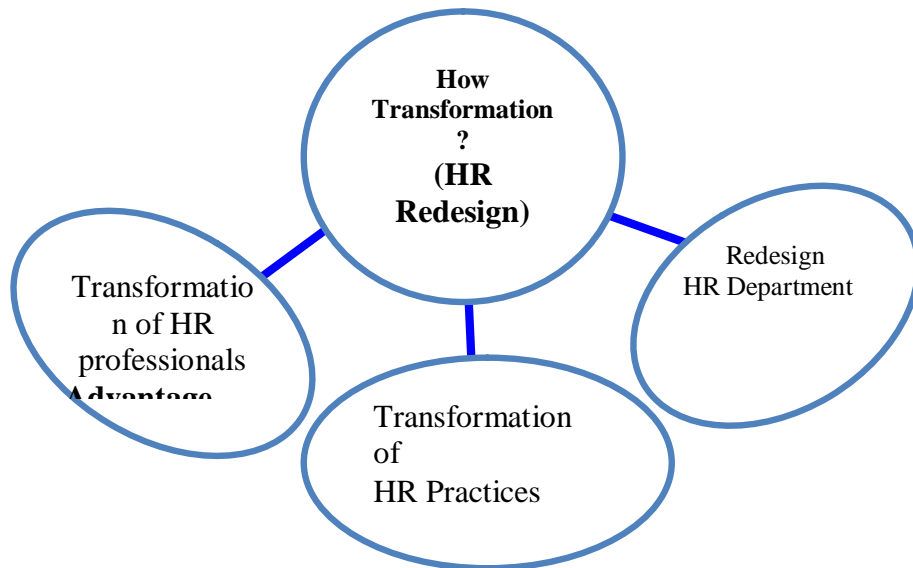


Figure 2.2.5 HR redesign (How HR Transformation)
Source: Developed by the researcher

Redesigning HR department

In this stage of HR transformation, we answer the "how" question by focusing on the change of HR department, because it is the beginning of many HR transformation efforts. The essence of a transformed HR department is the orientation to run the HR department like an integrated business within a business.

Accordingly, we are going to redesign the HR department like any business that has both a **strategy** (what it is trying to do) and a **structure** (how it organizes people and work to achieve business success). However, both HR strategy and structure can be redesigned to make sure that the HR department responds to business context and delivers value to the business and its key stakeholders.

HR strategy

HR strategy always represents the central theme. Our strategic objectives are to make HR as strategically focused by aligning the HR strategy with the business strategy. HR department will be strategically focused when the following business's vision, mission and the objective of the strategy are clearly met:

1. **(Vision) Who are we?:** Who you are represents an identity or image, which is what an HR strategy should offer those outside as well as inside the

function. This identity shapes both stakeholders and internal HR professional expectations, focuses on the future rather than the past, aligns with business requirements, and offers a stretch goal. It shapes the brand of the HR function, creates expectations, gives direction, and guides development.

2. **(Mission)What do we deliver?:** What you deliver is the set of outcomes. These outcomes should include the capabilities an organization needs to succeed, which can also be characterized as the intangibles an organization promises its investors. For example, an HR department might ensure productivity, build individual talent, increase speed, establish a shared mind-set, improve accountability, or foster innovation. These capabilities that help deliver a strategy become the deliverables of HR. In an HR strategy, these outcomes should be run in the operation levels so that they can be tracked and measured. Both HR professionals and line managers are accountable for their delivery.

3. **And why do we do it?** (the results the business want to achieve), This question links to business context and specific business results tied to key stakeholders to gain HR strategy result which include increased revenue, customer share, customer loyalty, or total market return and sustainability of competitive advantage. However, this achievement will imply measures that allow the business to monitor the progress HR make and the impact it has on the business success. With these measurable outcomes, HR has a clear direction.

These three concepts represent the main focus of the HR strategy as explained by Paul Kearns (2010:28)⁶¹. HR leaders should develop these three concepts according to the interests and expectations of the stakeholders while they are collecting data about stakeholders' expectations in the strategy analysis stages.

HR structure

Redesigning HR department means reengineering the HR department's **structure** as separate entity within the business structure where the department fully coheres and aligns within the unified business structure in order to ease the overall chain of command and the process flow. However, the best practice in the business that serves its logic is when the HR is considered as separate function, the department is labeled as HR department while the HR manager is reporting directly to the CEO or the Chairman. Meanwhile, the best fit situation is when the HR is represented in the Board

⁶¹ Paul Kearns (2010), *HR Strategy creating Business strategy with human Capital*, page 28

and the business considers all HR issues as top priority. In such situation the business becomes HR driven.⁶²

HR transformation has to be implemented vis-à-vis the overall business transformation adds value when its logic and structure reflect the logic and structure of the business that it serves based on vertical integration concept.

Transformation of HR Practice

HR practices may be transformed to be more effectively or more fully aligned, integrated, automative and innovative. Efficient and effective HR practices may generate value and enable business for success and even add value to the business stakeholders. Transforming HR practices as stated by Martin Reddington et al (2005:1)⁶³ look for "transforming its ways of working, as well as the ways in which the HR function interacts with the wider organization and external providers".

Basically Dave Ulrich et al (2009:79)⁶⁴ offer a road map for transforming HR practices based on two dimensions the **content** and the **process** of the practices:

The first dimension is the **content** of HR practices: is about the work of HR that need transformation? What the policies and systems implemented on all the business internal and external stakeholders and deliver value, build the distinctive capabilities and sustain business success?

Empirical test will done to verify the link between the practice of HR and the success of business that enabled by the HR practices. Within the process of HR transformation three types of HR practices can be observed. Best practice, Best Fit and the Resource Based View (RBV).

The second dimension of the HR practices is about the **process** of these practices. Transforming HR Processes indicate how HR work can be improved or reengineered to enable the business reach its objectives. However, there are 8 ways to transform HR practices so that they can enable business success:

1. Align: HR process need to be aligned to the organization's strategy in order to develop and support the business capabilities.

⁶² Derek Torrington et al (2005), *Human Resources Management*, Pearson Education Limited, page 30

⁶³ Reddington et al (2005) *Transforming HR Creating Value through People*, Elsevier Butterworth-Heinemann, page 1

⁶⁴ Dave Ulrich et al(2009), *HR Transformation, Building Human Resources from the outside in*, published by, the RBL Institute, page 79.

2. Integrate: HR processes have to complement each other on horizontal integration and they have to vertically integrate with other business processes to support and to enable business success. The two concepts of horizontal and vertical integration of HR processes results are based on synergy: the whole must be more than the parts. Meanwhile distinctive processes will enable the business to build its core capabilities, add distinctive value to the business stakeholders and sustain the competitive advantage.
3. Innovative: To innovate, as explained by Dave Ulrich et al (2009:98) you need to be in touch with the most recent HR practices. What are competitors doing and how? What are leading thinkers finding out how to drive impact with process? Both practical and theoretical innovations should be examined against the capabilities the business is trying to drive and how the business can perform better than its competitors in the market places by sustaining innovative processes.
4. Flexible: when transforming HR process it needs to be flexible to be adaptable to the continuous change in the surrounding environment and not liable to resist the reshaping and the change in business flow that takes place from time to time.
5. Easy: HR process needs to be easily comprehended, understood and grasped by the HR stakeholders. Easy process will simplify the work and satisfy the stakeholders who dislike the process complications.
6. Short: shortening the process may remove the unnecessary layers in the business structure and remove administrative shadows that hinder speed and slow the business motion and agility which becomes of the key enabler for success in the market place.
7. Automation: Automated processes that lead to business success through application of computerized information technology that enhance the HR processes instead of slow manual application which lack the accuracy and speed.
8. Transparency: Transparent HR process become a must in today's business as transparency becomes one of the key clues for corporate social responsibility and need for corporate governance. Transparency increase stakeholders commitment, trust and increase their satisfaction in the business overall practice.

Transformation of HR professionals

Beside the transformation to HR department, structure and practices, transformation has to include HR professionals who manage the HR function so as to have the distinctive competencies required for the achievement of the business objectives by investing in the development of HR professionals. According to Martin Reddington et al (2005:1)⁶⁵ "HR transformation must include the transformation of the HR professional as justified by clarifying the performance expectations around the new professional HR roles and, as a consequence, being prepared to invest in the development of HR professionals and managers". However, the competencies that all HR professionals once needed are no longer sufficient in the new HR challenging world. What that lead to succeed in human resources in the past has changed due to the emerging challenges that we address in this research. However, HR has been faced by strategic challenges; how it aligns and integrates with the business corporate strategies so as to reengineer its capabilities add value to key stakeholders and improve the business competitive position. However, HR professionals need to be transformed to meet the above deadlines.

HR professional model of transformation has to strategically look after:

- HR professionals' role (the identity and reputation of an HR professional).
- Their activities (day-to-day work that HR professionals do).
- The competencies required for HR (knowledge, skill, and abilities of HR professionals).

However, these new set-up reinforces the new standards which are required for HR professionals to be successful business enablers. It is always reiterated in this research that businesses has to focus on their HR professionals' development of role, activities and distinctive competencies which at the end lead to business success.

Stage 4

HR Accountability (who)

Shared responsibilities for transforming the HR

⁶⁵ *Martin Reddington et al,(2005) Transforming HR creating Value through people , published by Elsevier Butterworth-Heinemann, page1*

Transforming HR function to a new look to serve the business objectives will never be the responsibility of one department or specific category of people within the business. However, successful HR transformation requires exerted efforts from the business stakeholders who are held accountable for the overall transformation process, those who make it happen or fail. Dave Ulrich et al (2009:125)⁶⁶ see that "A successful process of HR transformation involves the right people at the right time in the right way".

Those who are held accountable for the process of HR transformation are the business key stakeholders who are in reciprocal ways receive value from the HR. Many key stakeholders are directly or indirectly sharing the responsibility of the transformation process varying according the nature of the business activities, their interests and expectations.

Four groups of key stakeholders should be involved with the HR transformation:

- HR leaders and professionals: This category includes all the HR staff with their different levels. Those who hold the ownership of the transformation different stages to design the process and work to implement the transformation and align it with business strategy.
- Line managers: They are one of the key stakeholders who should look to the HR transformation as strategic tool that enable them to reach their shared business goals. Without the acceptance and understanding of this category transformation will be valueless. When the transformation plan is set in a very clear manner, good mutual support can easily be obtained from them. Actually, this category of stakeholders is really HR operation managers. They are the key stakeholders who recommend the transformation and implement the process and who cultivate the glory.
- External customers: As we mentioned before, that one of the main concepts of the HR transformation is built on the concept of out-side in approach where recommendation for transformation is coming from outside. Accordingly, We build on the basic economic principle that, ultimately, anything we do on the inside of the business must create value for those on the outside. Customers can bring many good ideas about how the HR transformation can be implemented according to their value and expectation that can delivered to them by the HR.

⁶⁶ Dave Ulrich et al (2009), *HR Transformation, Building Human Resources from the outside in*, published by, the RBL Institute, page 125.

They can give good and fruitful ideas about HR transformation mainly when we consider the reward policy for sales staff, their recruitment process and the type of learning and development can be delivered to them.

- Shareholders: They are the real owner of the capital. They avail finance for future investment. With no hesitation, shareholders will see HR transformation attracts high quality of human resources and set good HR policies that convince them that human resources is their business most valuable asset *vis-à-vis* machineries, building, stock of cash, stock of raw material and finished good. Accordingly, shareholders will have a new perception to the market valuation of their business as the human capital becomes one of their main assets build their business capabilities, generate value and improve the business market position. Distinctive HR competencies like accountability, transparency and corporate governance will enable stakeholders to have secure investment and warranty money back. Although, they feel satisfied when their values and expectation are met and implemented. However, many shareholders give high priorities to the human value of the business and the social responsibility concerns resulted from sound HR transformation programs.

RESEARCH SECTION 2.3

THE ROLE OF THE HUMAN RESOURCES INTANGIBLE CAPITAL STOCK IN BUILDING THE BUSINESS STRATEGIC CAPABILITIES.

Introduction

This research section is a theoretical exploration, aimed at creating a relationship between the human resources intangible capital stock and the business strategic capabilities which enable the business to maximize the distinctive value added to its key stakeholders and improve its performance to sustain its market position. Although, the issue has given much care by the business and HR strategy developers during the past 10 years: Dave Ulrich et al (2009:36)⁶⁷, Dave Ulrich and Norm Smallwood(2005:30)⁶⁸, Linda Holbeche (2009:4)⁶⁹, Andrew Mayo (2001:28)⁷⁰, Abraham Carmeli (2005)⁷¹. All those scholars and many others agreed that the human resources intangible capital stocks have got a key role to play in developing and rebuilding the business strategic capabilities that improve the business performance.

The research section objectives

This chapter strategic aim is to generate a comprehensive a high-quality HR intangible capital stock and leverage it in such a way that it enhances business processes and outcomes. In other way round, the chapter aims at finding and creating a positive relationship between the human resources intangible capital stock and the business strategic capabilities. However, HR

⁶⁷ Dave Ulrich et al(2009:),*HR Transformation, Building Human Resources from the outside in*, published by, the RBL Institute .page 36

⁶⁸ Dave Ulrich and Norm Smallwood (2003) *Why the Bottom Line Isn't: How to Build Value Through People and Organization*, John Wiley & Sons ,page 30

⁶⁹ Linda Holbeche (2009:4) *Aligning Human Resources and Business Strategy*, published by Butterworth-Heinemann, page 4.

⁷⁰ Andrew Mayo (2010),*The Human Value of the Enterprise, Valuing PEOPLE as Assets Monitoring, Measuring, Managing*, Nicholas Brealey Publishing, page 19.

⁷¹ Abraham Carmel (2005) *How leveraging Human Resources capital with its competitive distinctiveness enhance the performance the commercial and the public organization* Puplished chapter , Graduate School of Business Administration & Department of Political Science, Bar-Ilan University, Ramat Gan , Israel, Wiley Periodicals, Inc.

competency based systems for recruitment and selection, performance appraisal, Human Resources Development (HRD) and reward are selected to be used as HR systems to build the HR capital stock that lead to the reshaping of the business capabilities.

The section at the end aims at introducing new concepts in strategic management by building the business strategic capabilities through the human resources capital stock that lead to business success.

What are the business strategic capabilities?

The business strategic capabilities are defined by Gary Johnson et al (2005:118)⁷² as "the adequacy and suitability of the resources and competences of an organization for it to survive and prosper". Dave Ulrich and Norman Smallwood (2005)⁷³ gave another perspective from a different angle as they see that business capabilities represent the ability of an organization to use resources, get things done, and behave in ways that lead to accomplishment. According to these descriptions strategic capabilities form the identity or personality of the business, govern the way work gets done, and help business leaders create a business that succeeds and survives; rather than defining any business through their 'morphology' as structure, practice and system. It is our argument that strategic business capabilities are the business present and potential abilities that enhance the added value and sustain its competitive advantage through the efficient use of its resources and competencies.

Distinction between the business's capabilities, resources and competencies

Within the process of finding the suitable definition for the business capabilities we observed that there some confusion in using the terms capabilities, resources and competencies. Many scholars are using these three terms interchangeably mainly when they talk about capabilities and competences. The business strategic capabilities are defined by Gary Johnson et al as the adequacy and suitability of the resources and competences of an organization success. According to this definition capabilities are the sum of business resources and competencies that

⁷² Gerry Johnson et al (2005) *Exploring Corporate Strategy*, Pearson Education limited, 7th edition, page 118

⁷³ Dave Ulrich and Norman Smallwood (2005)⁷³ *Why the Bottom Line Isn't: How to Build Value Through People and Organization* John Wiley & Sons

successfully leads to accomplishment of objectives. While Dave Ulrich and Norman Smallwood consider that business capabilities represent the ability of an organization to use resources to accomplish its success. According to this argument business resources underpin business capabilities. Although the previous two arguments look similar as they both use the resources to underpin business capabilities. They both match with the categorizations of business resources as tangible capital stock and intangible capital stock. While Grant (2001:116) gives a totally confusing statement when he did not differentiate between resources and capabilities as he confirmed that "resources and capabilities provide the basic direction for the firm's strategy" According to the research model resources and competencies have got the same meaning as competencies are resources , while capabilities are the outcomes of the best use of the resources and competencies or in other words strategic capabilities are built through the best use of these tangible and intangible resources.

Tangible resources (tangible Competences) + Intangible resources (intangible competencies) = business capabilities

OR

Tangible capital Stock + Intangible capital stock = business Capabilities

However, once the organization capabilities are built through the alignment of the tangible and the intangible competences, value can be added to the organization stakeholders so as to sustain the competitive advantage

In order to develop an argument that match with this chapter we can conclude that business capability is positively related to the efficient and effective exploitation of the business tangible and intangible capital stock.

Categorization of the business resources

For the purpose of this chapter business resources can be categorized into the tangible capital stock and the intangible capital stock.

The tangible capital stock category of the business

This category of business tangible resources is classified according to the accounting and finance rules. These resources may include all the physical resources and assets:

- Money (shareholders, bankers, etc.).
- Raw material that is used in the production of finished goods.
- Finished goods.
- Buildings, trucks, machineries, production lines.

- Power supply stations and any physical sources of power.
- Technology and support items that increase and boost application of technology including the training and development material and other material used in knowledge management.
- Distribution lines including physical material used in these lines including tracking technology and supporting software.
- Customers, suppliers and any other stakeholders in the supply chain and the value chain.
- Physical numbers of employees within the business structure

The intangible capital stock category of the business

While intangible resources don't have the obvious physical value of tangible capital stock; they can prove very valuable for a business and can be critical to its long-term success or failure (Competitive intangibles). That, Intangible resources are the soft deliverable of human resources management which are interchangeably labeled by many scholars as: "HR capital" by Jac Fitz-enz 2009; "human capital stock" by Abraham Carmeli 2005; "Core competencies" by Gary Hamel and C.K. Prahalad 1994; Jehad S. Bani-Hani and Faleh, Abdelgader AlHawary (2009) and as "Intangible resources" by Dave Ulrich and Norman Smallwood (2005). However, all these synonymous labels are intangible capital stock, which are the strategical deliverables of the HR, appear to be the new keys to build and reshape the business capabilities when they interconnected and amalgamated with tangible capital stock. However, we are going to use the term human resources intangible capital stock which refers to the total values of the intangible competencies of the human resources to build and reshape the business capabilities.

Intangible human resources capital stock is the enabler to the tangible resources of the business and both formulate and build the business capabilities and boost the business performance. This argument is supported by Garry Johnson et al (2005:118)⁷⁴ "the adequacy and suitability of the resources and competences of an organization for it to survive and prosper". Intangible human resources capital stock is broadly categorized by

⁷⁴ Gerry Johnson et al (2005), *Exploring Corporate Strategy*, Pearson Education limited, 7th edition, page 118

Armstrong (2010:73)⁷⁵ as the business human capital which composes intellectual capital stock, social capital stock, and organization capital stock:

- **Intellectual capital stock:** The concept of human capital is associated with the overarching notion of intellectual capital. This intangible capital resource consists of the stock and pool of knowledge, skill, behavior and competencies available within the business or that owned by the employees and use them to perform their duties. However, this type of resources capital is an employee own property and take it with them at the end of day to their home and is not going to be handed over when an employee leaves his job. Example of such capital is talent, innovation, expertise, emotional intelligence, creativity and problem solving.
- **Social capital stock** represents the amount of social relation built and gained by the business from effective socialization, team building and positive interaction between the social groups of suppliers, employees , customers or even social grouping from outside the business that enable a part of specific group to interact with each other for benefit of the business. This capital is very valuable to the business and the key stakeholders. Example of this capital is team work, team spirit, customer care, employee care and effective socialization.

Organization Capital stock consists of the knowledge actually owned by the business in term of database, operating systems, manuals, patent, good will, and customer care, accumulation and maturity of experience, good reputation of good manufacturing practices, cost leadership , quality control and enshrine culture.

Intangible capital stock and the business capabilities

In fact, many researchers have confirmed the new roles of the intangible resources in building the business capabilities which will be an outcome of transformation to all HR systems and people. This new role of intangible in reshaping the business capabilities is supported by many business and HR strategist Robert S. Kaplan and David P. Norton(2001)⁷⁶, Dave Ulrich and Norman Smallwood (2005)⁷⁷, Jac Fitz-en (2009)⁷⁸. They believe in the new role of intangible resources in reshaping and reinventing the business

⁷⁵ Michael Armstrong (2010), *Armstrong Essential Human resource management practice, A guide to people Management*, Kogan page, page 39.

⁷⁶ Robert S. Kaplan and David P. Norton(2001),*the Strategy Focused organization, How Balanced Score card Companies Thrive in the new Business environment*, page2.

⁷⁷ Dave Ulrich and Norman Smallwood (2005)⁷⁷ *Why the Bottom Line Isn't: How to Build Value Through People and Organization* John Wiley & Sons

⁷⁸ Jac Fitz-enz(2009), *The ROI of human capital : measuring the economic value of employee performance*, American Management Association, page 14

capabilities. Although, business capabilities are shifting from tangible assets as only capabilities builder to managing knowledge-based strategies that deploy a business's intangible assets: of customer relationships, innovative products and services, high-quality and responsive operating processes and cost leadership. However, strategic business capabilities are built through amalgam of intangible human resources capital stock and other tangible resources as shown in figure 2.3.1

Mapping the business capabilities

According to Dave Ulrich et al (2009:36)⁷⁹ "Capabilities represent what the organization is known for, what it is good at doing, and how it patterns activities to deliver value. The capabilities define many of the intangibles that investors pay attention to, the firm brand customers can relate to, and the culture that shapes employee behavior". These capabilities also become the identity of the firm, the total value of the human capital which is the deliverable of HR practices and the keys to

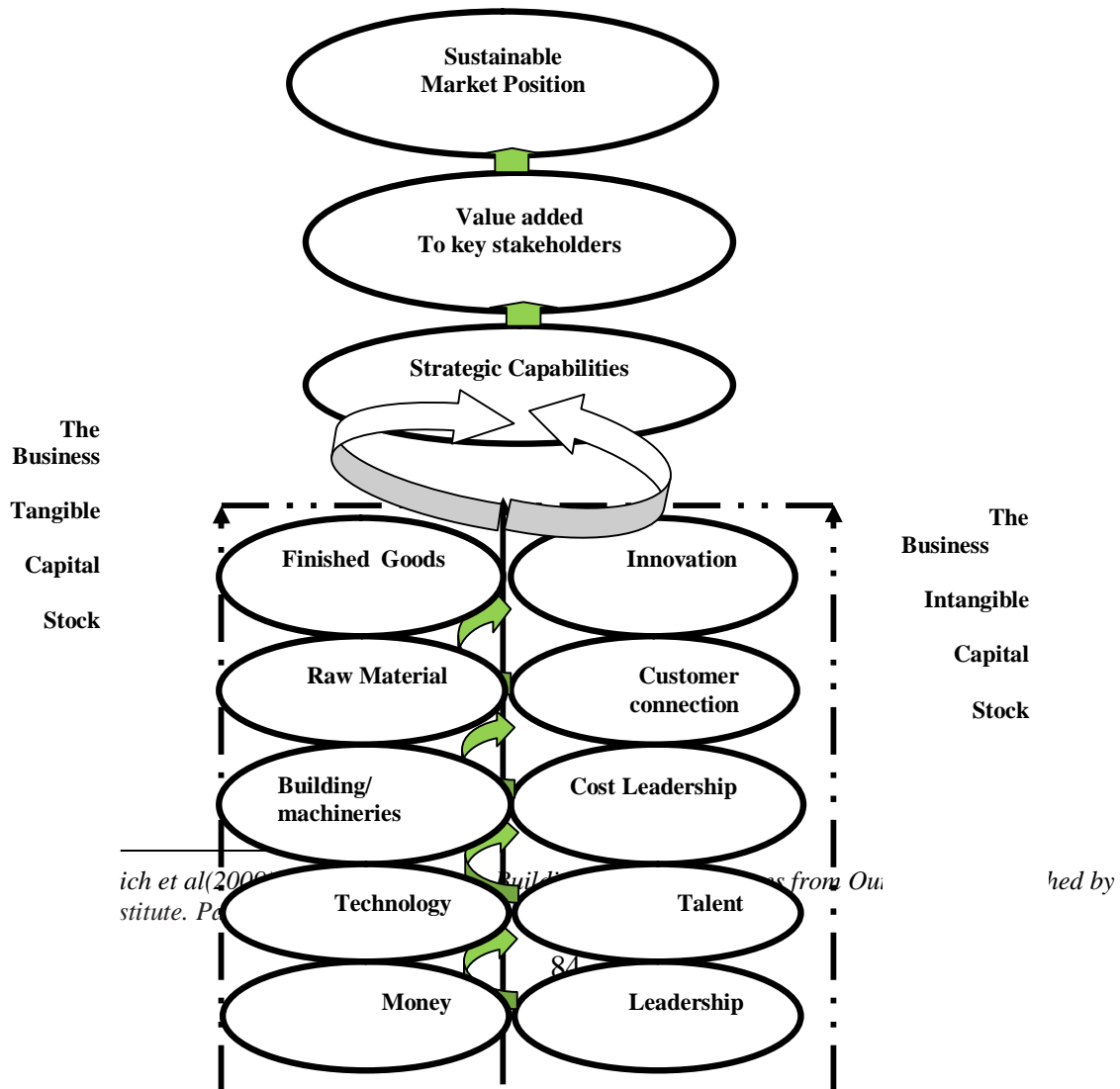


Figure 2.3.1 How HR intangible capital stock aligns with business tangible capital to rebuild the business strategic capabilities.

Sources: Developed by the researcher

sustain business competitive strategy and how to sustain it in the market place. However, capabilities can and should be monitored by measuring and tracking them so as to plan how to develop, build and reshape them by the intangible human resources capital stock.

Business capabilities represent the outcomes of the HR transformation and the total value of the human capital. HR transformation's team should do a capability mapping by analyzing the business capability so as to identify which capabilities are most critical to their business's future success and sustainability of competitive advantage and what are the expectation of each group and segment of stakeholders from an each audited capability. This exercise is to be conducted within the strategic analysis work out so as to find strategic fit between the business internal capabilities and the external environment as stated by Garry Johnson et al (2005:116)⁸⁰.

Table 2.3.1 shows the most known capabilities for a business to succeed. It is worth mentioning that there is no standard list of desired or ideal capabilities. These targeted capabilities, and many other capabilities are the outcome of investments and transformation in human resources practices and systems of recruitment and selection, performance management, HRD and reward.

When these capabilities are stabled and sustained over time they become more difficult for competitors to copy and imitate and they give the business its distinctive position in the market place.

⁸⁰ Garry Johnson et al (2005) *Exploring Corporate Strategy*, Pearson Education limited, 7th edition, page 116
Dave Ulrich et al(2009) *HR transformation, Building Human Resources from Out-side In*, published by The RBL Institute. Page50

Targeted Business Capability	Capability measures	Targeted Stakeholders
Talent	We are good at attracting, motivating, and retaining competent and committed people	Business employees in their different location of work.
Speed	We are good at making important changes happen fast.	Customer, suppliers, employees
Shared-mind set	We are good at ensuring that customers and employees have positive images of and experiences with our organization.	Employees, customers and material suppliers.
Accountability	We are good at the disciplines that result in high performance.	Employees, Section heads and head of department and society at large.
Collaboration	We are good at working across boundaries to ensure both efficiency and leverage.	Employees. Customer , Suppliers.
Learning	We are good at generating and generalizing ideas with impact.	All employees across the business boundaries.
Leadership	We are good at embedding leaders throughout the business who deliver the right results in the right way—who carry our leadership brand	Business current and potential leaders
Customer connection	We are good at building enduring relationships of trust with targeted customers.	Employees and Customers.
Innovation	We are good at doing something new in both content and process.	Suppliers, Customers and employees.
Strategic unity	We are good at articulating and sharing a strategic point of view.	Employees, business leaders , suppliers and customers.
Social Responsibility	We are good at contributing to the communities in which we operate or to the broader good.	Employees, customers, Suppliers and community at large.
Cost Efficiency	We have both appropriate resources and the competences to manage costs.	Investors, Suppliers, business leaders and customers

Table 2.3.1 Selected business strategic capabilities

Sources: developed from Dave Ulrich et al (2009:37)

The role of HR in building the business capabilities

The question of HR role in building and reshaping the business capabilities is going to be achieved through transformation of the HR systems and people by introducing and building HR competency model. The HR role in building the business capabilities are addressed by Dave Ulrich et al

(2009:49)⁸¹ "In focusing on capabilities as outcomes, the HR transformation team should do a capability audit where they identify which capabilities are most critical to their organization's future success given business conditions and business strategy". The same concept of capabilities analysis and development is also supported by Garry Johnson et al (2005:116)⁸². The authors argue that when conducting business strategy, strategy team should analyze and investigate all the business internal capabilities and match them with the external environment. (SWOT analysis).

Moreover, we conclude that when the business needs to develop a new HR strategy or conduct HR transformation one of the prime outcomes to this change is to reinvent and rebuild its strategic capabilities to match with external environment. HR transformation specialists have to breakdown each targeted capability to its supporting competencies as business capabilities stem from the business and employees competencies. When this amalgam is combined together it will give the business its distinguished targeted capabilities. Accordingly, the role of HR transformation in building the business capabilities will concentrate on how the competency is created and developed from within the business core competency pool.

Building the business capabilities from core competency pool and the competencies map.

The strategic role of HR in building the business capabilities starts from building the employee and the business competences by developing and building the Core Competency Pool 'CCP'. However, The CCP or the 'competency map' is a reservoir which contains all the competencies that are required for building the business capabilities. HR and business leaders have to select, develop and nurture distinctive competencies from within the CCP to enable the business to develop and to build its potential capabilities that underpin the competitive advantage.

This argument of core competencies and distinctive competencies as explained by Garry Johnson et al (2005:121)⁸³ was developed most notably by Gary Hamel and C.K. Prahalad (1994:221)⁸⁴, and lately by Shirish C

⁸¹ Dave Ulrich et al (2009) *HR transformation, Building Human Resources from Out-side In*, published by The RBL Institute, page 49

⁸² Garry Johnson et al (2005) *Exploring Corporate Strategy*, Pearson Education limited, 7th edition, page 116

⁸³ Garry Johnson et al (2005), *Exploring Corporate Strategy*, Pearson Education limited, 7th edition, page 121.

⁸⁴ Gary Hamel and C.K. Prahalad (1994), *Competing for the Future*, Harvard Business school Press, page 221

Srivastava (2005)⁸⁵. Although, the strategic role of HR transformation is to create, design and develop sustainable new HR systems that develop business and employees competencies that enable creation of durable and sustainable business capabilities. However, sustainability in employees and business competencies can be obtained through long term investment in the competencies 'sources' that initiate and create the targeted competency.

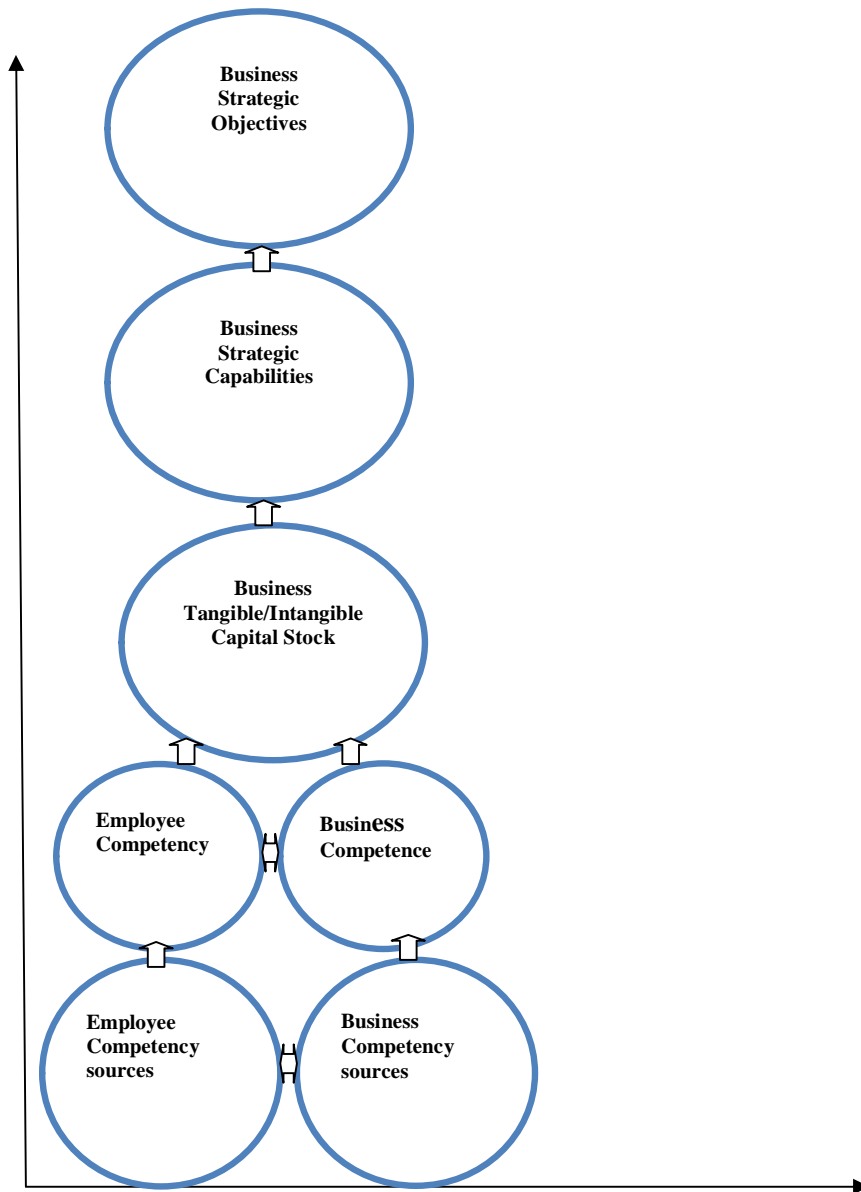


Figure 2.3.2: Development of tangible and intangible capital stock competencies and the business capabilities.

⁸⁵ Shirish C Srivastava (2005), *managing the Core Competency of the Organization*, Published article in VIKALPA • VOLUME 30 • NO 4 • OCTOBER - DECEMBER 2005, Vikalpa: The Journal for Decision Makers is a quarterly publication of the Indian Institute of Management, Ahmedabad, India.

Sources: Developed by the researcher.

These competencies' sources are activities, policies and systems adopted through the HR transformation program that make the competencies durable and sustainable to support the sustainability of business capabilities. A competency like innovation will be developed when HR transformation leaders invest in the source that makes this competency like the best recruitment system, sound performance management, advance learning and development culture and attracting reward systems. Actually, such investment is not an easy task. It needs strong commitment from the senior leaders in term of finance, moral support and time frame throughout the pipeline. This argument is shown in figure 2.3.2

This new argument was developed by Ina Ehnert (2008:58)⁸⁶ "it is assumed that the sources of resources have to be sustained to facilitate long-term exploitation of important resources. The objective is to sustain a permanent resource flow between organizations and their environments because the dependencies are sought to be so strong that in the long run only a common survival of organizations and their environments seems possible". According to this argument, business sustainability and survival of strategic capability depend on sustainability of its resources and competencies that long lasting than those owned by the business competitors.

HR transformation will rebuild and reshape the business capability through development of HR Competency Model (HR competency frame work).

HR Competency Model

HR competency model is a written description of competencies required for fully successful or outstanding performance in a job category, work team, department, division, or business.

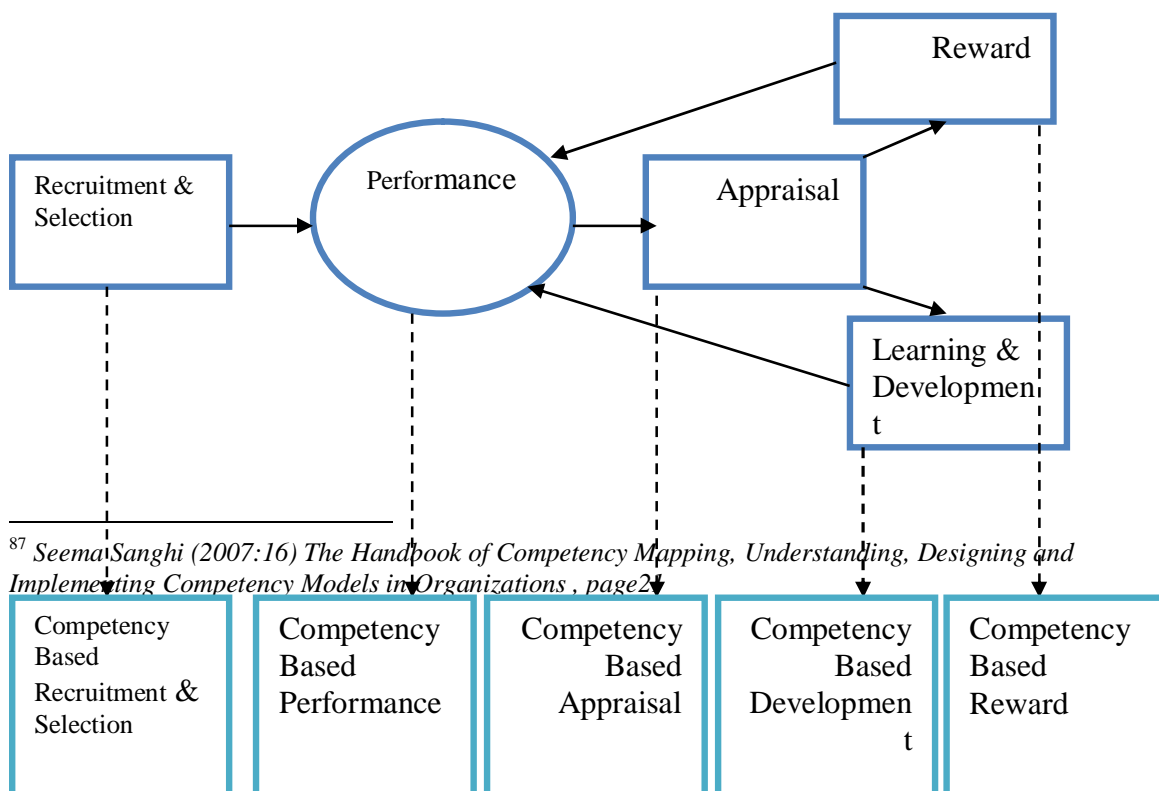
Competency identification and modeling can be a beginning point for strategic development plans linked to business and individual needs. The business competency model represents the standard of competencies required for each role with the business and against which the employee performance is going to be measured. HR transformation to the business competencies can be made within the human resource cycle of activities based on Fombrun et al., 1984 as shown in figure 2.3.3.

⁸⁶ Ehnert (2008:58)⁸⁶ *Sustainable Human Resource Management, A Conceptual and Exploratory Analysis from a Paradox Perspective, Physica-Verlag Berlin Heidelberg, page 58*

A competency model as defined by Seema Sanghi (2007:21)⁸⁷ "describes the combination of knowledge, skills and characteristics needed to effectively perform a role in an organization and is used as a human resource tool for selection, training and development, appraisal and succession planning". The author believes that Identifying and mapping these competencies is rather complex. Some competencies may require skills that can range from highly concrete proficiencies like the ability to operate a sophisticated machine or to that need simple know how like an office floor cleaning.

The ultimate goal of the HR competency model is to align the distinctive employee's competencies with the business competences so as to have the unique intangible capital stock that reengineer and rebuild the business strategic capabilities. However, within HR transformation program, HR practitioners need to develop competency models by job category, department, work role, or occupation and attempt to match individual competencies to those models. However, the business high quality intangible capital stock which strategically characterizes the business from its rival is mainly attributed to the best ways of developing the right model for business and employees competencies.

For the purpose of this chapter, the HR competency model is developed around four main HR systems which are recruitment and selection, performance appraisal, training and human resources development and reward activities. However, the role of each system will be traced in the following parts of the chapter.



⁸⁷ Seema Sanghi (2007:16) *The Handbook of Competency Mapping, Understanding, Designing and Implementing Competency Models in Organizations*, page 2

Figure 2.3.3: HR competency model developed on Fombrun et al., 1984

Source: developed by the researcher

Competency based recruitment and selection:

Human resource plans are implemented, in part, through the functions of employee recruitment and selection. Taken together, recruitment and selection provide a key way and the first filter of sourcing talent to nurture the CCP with the needed competencies that aim at building the business capabilities. According to Seema Sanghi (2007:26)⁸⁸ "It increases the likelihood of placing the right people into the right jobs. Employee recruitment and employee selection are two sides of the same coin. Recruitment is the process of attracting as many qualified applicants as possible for existing vacancies and anticipated openings. It is a talent search, a pursuit of the best group of applicants for an available position. Selection reduces the list of applicants to those who are most qualified to achieve the desired outputs or results". During the process of the transformation program, HR practitioners try to predict which applicant will be most successful and will best fit the job competencies.

This shows the standard of competencies needed for applicant to join the business and to be a part of it. HR leaders seek the potential competencies that can be developed for the potential workforce. However, when employees are selected on specific targeted competencies, this will help in developing competencies for the other coming stages of performance management, appraisal, reward and development and the needed

⁸⁸ Seema Sanghi (2007:16) *The Handbook of Competency Mapping, Understanding, Designing and Implementing Competency Models in Organizations*, page 26

competencies for building the CCP. Although, competencies in the CCP are interconnected and complementing each other in the 'capability building pipeline.'

Although, there is no magic list of competencies that suit for every business but each business can create, nurture, develop and store in the CCP the competencies that suit its activities, culture, nature of activities and the surrounding environment. Table 2.3.2 shows some of the selected competencies that are necessary to be spotted during the recruitment and selection stages.

Recruiting and selecting the right workforce that acquires the right competencies will be the right route for building the business capabilities to improve the business performance and enhance the business value chain.

Description	Competency
That may be qualification that was obtained through systematic education or certificate of previous experience for those who have no equivalent qualification	Qualifications
Sometimes certain jobs need specific age. Jobs at the start of structure may need young fresh graduates. While senior job require maturity through age.	Age
Some jobs need multi skill , salesman may needed to drive , have computer skill and persuasive skills	Multi skilling
Good looking may be a high competency for those are need to work at eye of the public	Physical appearance
Required competency for those who are needed to work with people of different languages may be directly or indirectly	Multilingual

Table 2.3.2 Targeted competencies for recruitment and selection.

Source: developed by the researcher

Competency based performance management

Once the right people with right competencies are selected within the need of the CCP and the business competencies, another step will be emerging which about the performance management. For the HR competency based system the right competencies for employee's appraisal has to be determined by the business and HR leaders in order to set standard competences for the target performance. But, before we go on the issues of competency based performance management we have to make some clarifications on the issues of performance management and employees appraisal.

The term performance management means several things to transformation leaders who are dealing with it in their course of work. For the purpose of providing a context for the information that that suits the research objective, we are using definition stated by David D. Dubois et al (2004: 30)⁸⁹, he defines performance management as “systematic process for improving and sustaining human performance throughout an organization.” Performance management acknowledges human competency as a key performance driver. It is multidisciplinary which uses an integrated approach to competency assessment and development, performance observation and feedback, training, employee development, performance appraisal, and rewards. It is important not to confuse performance management, which involves planning for performance and reviewing results, with performance appraisal, which reviews results at the end of specific period of time. According to Edward E. Lawler (2009:99)⁹⁰ "the ability to manage performance is often the major differentiator between organizations that produce adequate results and those that excel"

Competency based employee appraisal system

Employee appraisal system is an HR function through which the employees' competencies are going to be truly and practically measured by appraisal program based against the standard business competences during a period of time. While there are many systems of employees' performance appraisal but the best one which caters for alignment of employees' competencies (soft and hard competencies) with the business standard set of competences. While it looks easy to set measurement and parameters to measure the employee's performance when they are performing their hard competences

⁸⁹ David D. Dubois et al (2004:30), *Competency-Based Human Resource Management*, Published by Davies-Black Publishing, page30

⁹⁰ Edward E. Lawler III(2009) *Talent : making people your competitive advantage*, John Wiley & Sons, Inc, page 99

(Skill and know-how) like the number of units produced, the total units of sales during the last year or the number of machines maintained during the maintenance season. In the same time, it seems difficult to measure the employee performance when they are doing their intangible tasks which are mainly related to their behavioral input. Soft competencies like communicational skill, leadership, working under stress, Customers care, Problem Solving Skills cannot be directly measured as mostly related behavioral complexes, meanwhile, their direct contribution will be on the hard competences output is very remarkable. Good smile from a salesman will increase his sales volume but to teach a salesman to be always smiling seems complicated.

Although, the new challenge for HR transformation leaders is to set good and sound metrics that measure the intangible input/output of its workforce. According to Edward E. Lawler (2008:102)"⁹¹ From a human capital management perspective, it is particularly important for an organization to develop good measures of each individual's skills, knowledge, and competencies. Without these indicators it is difficult to know what the human capital resources of an organization are and therefore what type of performance it is capable of. At the very least, such knowledge can help a company decide how employees can contribute to a strategy, how much training needs to be done, and what kind of hiring is necessary to yield". Accordingly, employee appraisal system is an HR function through which the employees' competencies are going to be truly and practically measured by employee's appraisal program based on the standard business competences during a period of time. While there are many methods of employees' performance appraisal, our practices in the work field shows that the best one is that caters for alignment of employees' competencies (soft and hard competencies) with the business standard set of competences. Such system is related to setting Key Performance Indicators (KPI), every employee is going to be given specific tasks during a particular period of time and his performance in ways of hard competences (Skills) and soft competencies (Behavior) will be appraised according to the achieved target.

During the process of assessing employee performance measured against business's competencies; consideration will be paid to the gap between the target competences 'the Business Bar' and the achieved competences 'employees output' as shown in figure 2.3.4. The gap which is defined as

⁹¹ Edward E. Lawler (2008) *Talent : making people your competitive advantage* , John Wiley & Sons, Inc. page 102

'the performance gap' has to be identified so as to prepare the training needs for the employees development and to avail the necessary training and development to bridge the gap.

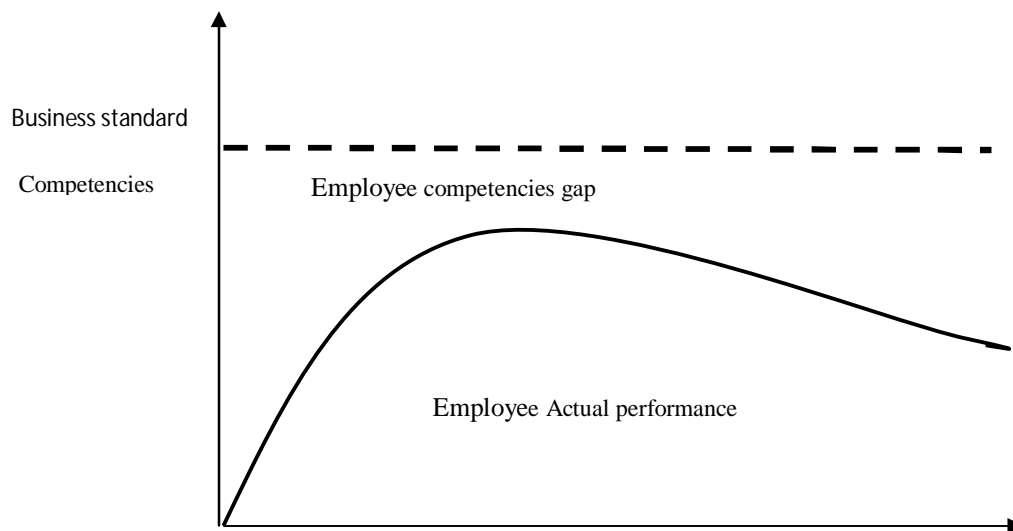


Figure2.3.4: Employee competency curve .

Source: developed by the researcher

HR competency based training and development

Employee training and development are very crucial in building employees' competencies and setting their potential competencies for building the business strategic capabilities that enable the business to achieve its future strategic goals. Both the employee training and development are directly depending on quality of competent people acquired through the process of

recruitment and selection and on the findings of the employees' performance management system. When the deficiency and the gap between the employees' competences and the business are well-defined and fixed, then, a competency training and development plan will be implemented to cover this gap. However, HR competency based training and development are strategic steps for building the employees' and the business core competences and the business "Core Competency pool" (CCP) which is the strategic enabler for the business capabilities.

According to William J. Rothwell (2010:77)⁹² "Training is any short-term effort designed to equip individuals with the knowledge, skills, and attitudes they need to get acceptable, or even outstanding, work results. Of course, training can occur on the job, near the job, or off the job. It can be conducted in many media—most notably onsite training conducted in a classroom or online training conducted via the Web".

Competency based training has systematic process which start with setting at the stages of performance management and the standard level of the required competences for each job. When the exemplary competencies are set then the performance of the employee is going to be measured against the model. Deviation to the negative side will determine the amount of training needed "the training gap". This stage is called the training need analysis (TNA) which aims at building the targeted competencies. In this stage as stated by David D.Dubois et al (2004:)⁹³ "It may sound easy to move training from its traditional focus on meeting needs to a new focus on building competencies" . Training is needed to fill in the gap found in the hard competences when deficiency is found in the upper illusion of the iceberg where knowledge and skills "hard competences" are going to be develop to reach the standard, say for example when the employee output in the number of unit produced are mainly related to the poor skill of employee to deal with the new machine or production line. However, training will be concentrated on how to attach the employee to a training material that increases his technical knowledge to cover the deficiency in his technical performance (the hard competences). Mean while, the competencies in the lower part of the Iceberg which mainly related to the behavioral competencies are going to be developed to the standard level. This seems the difficult area in process of training. In such

⁹² William J. Rothwell (2010), *The manager's guide to maximizing employee potential : quick and easy strategies to develop talent every day*, printed by American Management Association, page 77

⁹³ David D.Dubois et al(2004:)⁹³ *Competency-Based Human Resource Management*, davies-Black Publishing, page

case, competency-based training may involve the more challenging activities of changing individual motivation levels and cultivating the development of personality traits. Not all competency deficiencies can be resolved with a high-powered training program. However, the business culture can induct the employee with more needed competency which cannot be delivered by structured training course, no matter how innovative its design or method of delivery. For example, how can businesses train its employees to be more patient or honest?

HR competency based reward system

Selecting the reward system is an important part of any business HR strategy. The business environment is rapidly changing, and rewards must keep pace if a business intends to attract, motivate and retain high competent performers who enable the business to build its strategic capabilities. It is our strong argument that there is a positive relationship between reward and performance. Meanwhile, reward is an important indicator for attracting the high competent workforce and in the same time reward is key factor for employee motivation for high performance and retention. Although, reward system seems the strong glue that link the four stages of the HR competency based system.

An employee reward is any recognition to employee output. It can be categorized in term of financial reward and non financial reward. The financial reward includes all the financial benefit like salary, bonus, incentive, job related allowances and salary related allowances reimbursed medical and educational services. Non financial incentive may be like free housing, car, deducted loans free medical services, free memberships and social and professional clubs, or even moral recognition to the employee efforts by simple word of appreciation. Both types of reward are applicable and have direct affect on the employee competencies, employee morale and his overall performance.

For the reward to be a competency based; HR professional should develop a competency based performance system within the performance measures and standard or metric which has to be very clear for determining the extent to which those standards are met. Standards could include customer or client requirements, quality level, and time frames. However, amount of reward will be determined according to the achieved result from standard required competencies.

When a business establishes a competency-based reward system, decision makers have to set the criteria that meet the set standards and demonstrate appropriate use of the key competencies required to achieve the outputs or results. However, such typed of reward is labeled as payment by result (PBR) or performance related pay (PRP) or key performance indicators(KPI).These systems fix reward according to the level of the achieved targets.

Within the process of designing employee competency based rewards, we have to take care of many other rewards that are embedded in the business culture that affect the employee performance to reach the maximum standard set by the employer. Such types of reward are not directly related to employee competency or performance but they have direct impact on boosting employee competency. Such types of reward seem very necessary that can be called the 'supporting' reward or 'ancillary' reward. Such type of rewards are like giving free meal at the work place to motivate the employee not to leave the place of work to waste time while they are preparing their meal or taking outside the place of work. Other examples can be derived from providing free transport to and from the place of work, medical and education care for the employees and their families.

The final outcome of the competency reward system is going to increase the intangible capital stock in term of employee's length of service, employee commitment, loyalty, performance and morale which leads to development of strategic business capabilities.

RESEARCH SECTION 2.4

THE ROLE OF THE HR

DISTINCTIVECOMPETENCIES IN SUSTAINING

BUSINESS COMPETITIVE ADVANTAGE

Introduction

The new role of human resources in sustaining a business's competitive advantage is going to be reexamined through the following numerous HR scholars' works and findings of (e.g. Armstrong 2010; Dave Ulrich et al 2009; Dave Ulrich and Norman Smallwood (2005); Jay B. Barney Delwyn N. Clark 2007; Andrew Mayo 2001; Robert M. Grant 2003; Gary Hamel and C.K. Prahalad 1994; Abraham Carmeli 2005; Linda Holbeche 2009; Jac Fitz-enz 2009; Edward J. Cripe et al (2002) . The chapter is influenced by the work of Abraham Carmeli (2005)⁹⁴; Jehad S. Bani-Hani and Faleh, Abdelgader AlHawary (2009)⁹⁵ who consider the impact of HR core competencies on sustaining the completeive advantage. While this chapter gives specific consideration to 5 HR distinctive competencies which are leadership, cost leadership, talent, customer care and innovation which were statistically tested to verify the validity of the hypothesis.

The research section objectives

This section is a theoretical exploration which aims at creating a positive relationship between the human resources distinctive competencies and the business competitive advantage. To simplify the argument on the prediction of cause and effect; HR distinctive competencies are the independent variable while the sustained business competitive advantage is the dependent variable. Five distinctive human resources competencies from the core competency pool which are leadership, talent cost leadership, customer care and innovation are selected to support this argument. The ways the business leaders invest in the sources of theses core competencies they will have significant positive relationship with the business performance and

⁹⁴ Abraham Carmel (2005) *How leveraging Human Resources capital with its competitive distinctiveness enhance the performance the commercial and the public organization* Published chapter , Graduate School of Business Administration & Department of Political Science, Bar-Ilan University, Ramat Gan , Israel, Wiley Periodicals, Inc

⁹⁵ Jehad S. Bani-Hani and Faleh, Abdelgader AlHawary (2009), *The Impact of Core Competencies on Competitive Advantage: Strategic Challenge* , published chapter, *International Bulletin of Business Administration* ISSN: 1451-243X Issue 6 (2009).

improvement of market position. The resource- based view (RBV) will be used to examine the validity of this argument.

The section aims, at the end, at introducing new concepts in the business competitive strategy and the management of the human resources, the business most valuable asset.

Business competitive strategy

While we are tracing the literature to give some view point about the business competitive strategy; we are strongly arguing that all business strategies are built around one theme which is competitive advantage. According to this stated argument, many discussions have been said about the alignment of the business strategy with HR strategy and the outcome on the business performance and improvement of the market position. Many scholars are trying to find the relationship between the strategy and the business performance and the main question was posed by Jay B. Barney and Delwyn N. Clark (2007:3)⁹⁶ is about "why some businesses are outperforming others?" the answer to this question is stated by Abby Ghobadian et al (2004:2) ⁹⁷"the difference in performance between high growth firms and their less successful competitors lay in their respective approaches to strategy". From the above two statements 'business strategy is always about finding the best ways and means of improving the business performance and sustaining the business competitive advantage through best use and exploitation of business resources and competencies.' However, from this argument of resources and competencies emerges the new concept of HR as source of the business competitive advantage. Accordingly, the business that acquires the distinctive human resources and competencies will have stronger market position than competitors who are lacking such advantage.

Resource- Base View (RBV) model of competitive advantage

During the 1980s, the principal developments in the strategy analysis focused upon the matching between the business strategy and the external environment. Such findings which formulate the 'conventional wisdom' of

⁹⁶ Jay B. Barney Delwyn N. Clark (2007), *Resource-Based Theory Creating and Sustaining Competitive Advantage*, Oxford University Press, page3.

⁹⁷ Abby Ghobadian et al (2004), *Strategy and Performance, Achieving competitive advantage in the Global Market place*, published by PALGRAVE MACMILLAN, page 2.

competitive strategy are basically depending on the finding of Michael Porter of industry structure and competitive positioning. By contrast, as explained by Robert M. Grant (2001:114)⁹⁸ "the link between the strategy and the business resources, competencies and capabilities were totally ignored and abandoned.

Recently, the environmental understanding of strategy has begun to shift towards the business resources as source and foundation of business strategy of competitive advantage. This, however, announces the breed of a new concept of the resource- based view (RBV).

The philosophy and approaches to strategic human resources management are influenced by the resource-based view which was developed by the work of Barney ((1991, 1995, and 2007). This states that "it is the range of resources in an organization, including its human resources, that produce its unique character and creates competitive advantage". However, the RBV is about the sustainability of superior performance through the business resources. Barney and Delwyn N. Clark (2007:57)⁹⁹ argued that sustained competitive advantage stemmed from the acquisition and effective use of bundles of distinctive resources that cannot be available to other competitors. According to the two scholars, distinctive resources that sustain competitive advantage have four attributes which are shown in figure 2.4.1. These attributes are summarized in the letters **VRIO**: business resources that sustain competitive advantage must be **V**aluable, **R**are, imperfectly **i**mitable and it must be able to be exploited by a firm's **O**rganizational processes. According to Barney and Delwyn N. Clark (2007:57)¹⁰⁰ "competitive advantage can only occur in situations "of firm resource heterogeneity and firm resource immobility". This concept is elaborated by Patrick M. Wright et al (1993:5)¹⁰¹ "Firm resource heterogeneity refers to the fact that resources vary across firms. In contrast (...) firm resource immobility refers to the inability of competing firms to obtain resources from other firms or resource markets"

Sustained competitive advantage is distinct from the concept of competitive advantage. Within the resource-based view and according to Patrick M.

⁹⁸ Robert M Grant(2001), *the Resource Base Theory of Competitive Advantage: Implication for Strategy Formulation*, chapter published by California management Review, page 114.

⁹⁹ Jay B. Barney Delwyn N. Clark (2007), *Resources-Based Theory Creating and Sustaining Competitive Advantage*, Oxford University Press, page57

¹⁰⁰ Jay B. Barney Delwyn N. Clark (2007), *Resources-Based Theory Creating and Sustaining Competitive Advantage*, Oxford University Press page 57

¹⁰¹ Patrick M. Wright et al (1993) *Human Resources and Sustained Competitive Advantage: A Resource-Based Perspective*, a published chapter by Center for effective organizations - Marshall School of business university of South California- los Angeles, page 5.

Wright et al (1993:5),"a sustained competitive advantage exists only when other firms are incapable of duplicating the benefits of a competitive advantage". Thus, a competitive advantage is not considered sustained until all efforts by competitors to duplicate the advantage have ceased. Jay B. Barney Delwyn N. Clark (2007:52) outline that " In resource based logic, a firm is said to have a sustained competitive advantage when it is creating more economic value than the marginal firm in its industry and when other firms are unable to duplicate the benefits of this strategy".

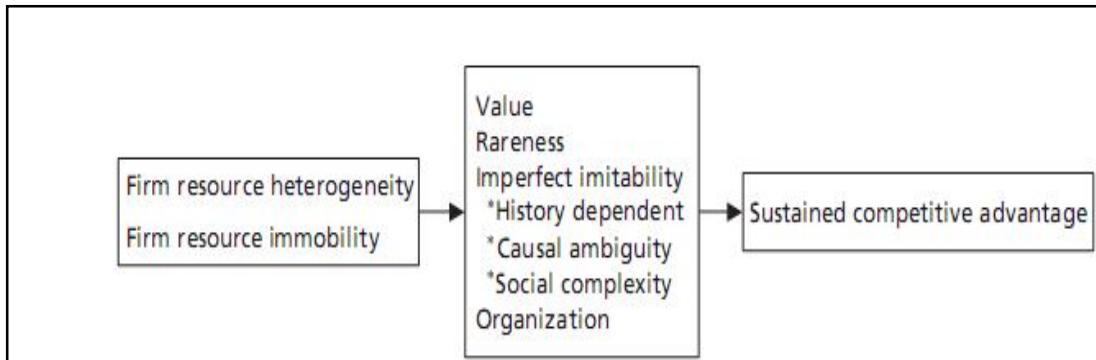


Figure 2.4.1 resource- based view (RBV)and sustained competitive advantage
Source: Barney and Delwyn N. Clark (2007:57)

The business resources

Since the emergence of this approach of (RBV) a lot of definitions have been stated to categorize the business resources to determine how these resources support the business strategy and sustain competitive advantage. For the purpose of this research the business resources are categorized under two categories of the tangible resources and intangible resources. Both resources form the amalgam of the business capabilities which underpin the business competitive advantage.

The tangible resources category of the business

This category of business tangible resources is classified according to the accounting and finance rules. These resources may include all the physical resources and assets like forms of money, physical asset, raw material, finished goods, production line, and distribution lines. It is clear from the above categorization that tangible resources and physical asset have an obvious tangible value which can be easily measured with the accounting and the finance principles and rules.

The tangible resources as research problem

Meanwhile, the role of the tangible resources whether in ways of capital, technology and input resources or any means of tangible asset are considered

as stated by Gary Johnson et al (2005:119)¹⁰² as "Threshold capabilities are those essential for the organization to be able to compete in a given market. Without these an organization is unlikely to be able to survive in the market". However these threshold business tangible competences seem necessary and basic for market penetration but they do not sustain business competitive advantage. This concept is clearly coined by Abraham Carmeli (2005:392)¹⁰³ that "capital is relatively accessible and organizations are pressing the limits of technological means to enhance productivity. Tangible resources that were once competitive advantages for their possessors are now imperatives to remain in business". These two arguments stated by the two different scholars represent the main problem, that, tangible resources are not source of competitive advantage. They do not support the VRIO concept of the resource based view; they are only threshold resources for market penetration and business survival.

The intangible resources category of the business

While intangible resources do not have the obvious physical value of cash, finished goods and lands; they can prove very valuable for a firm and can be critical to its long-term success or failure (Competitive intangibles). Intangible resources are the soft deliverables of human resources management which are interchangeably labeled by many scholars as: "HR capital" by Jac Fitz-enz 2009; "human capital stock" by Abraham Carmeli 2005; "HR Core competencies" by Gary Hamel and C.K. Prahalad 1994; Jehad S. Bani-Hani and Faleh, Abdelgader AlHawary (2009) and as "Intangible resources" by Dave Ulrich and Norman Smallwood (2005). However, all these are synonymous labels of intangible resources. They are the deliverable of the HR which appears to be the new keys to sustain the competitive advantage according to the resource- based view (RBV) and the VRIO concept.

Intangible resources are complementary to the tangible resources of the business and both have their direct role in building the business capabilities and sustain the competitive advantage However, this argument is supported

¹⁰² Gerry Johnson et al (2005) , *Exploring Corporate Strategy*, Pearson Education limited, 7th edition, page 119

¹⁰³ Abraham Carmel (2005) *How leveraging Human Resources capital with its competitive distinctiveness enhance the performance the commercial and the public organization* Published chapter , Graduate School of Business Administration & Department of Political Science, Bar-Ilan University, Ramat Gan , Israel, Wiley Periodicals, Inc., page392.

by Garry Johnson et al (2005:118)¹⁰⁴ "the adequacy and suitability of the resources and competences of an organization for it to survive and prosper". From the other side of the coin, Human resources, Intangible resources, human capital stock, and HR core competencies are broadly categorized by Armstrong (2010:73)¹⁰⁵ as the business human capital which composes intellectual capital, social capital, and organization capital:

- **Intellectual capital** The concept of human capital is associated with the overarching notion of intellectual capital. This capital of intangible resource consists of the stock of the pool of knowledge, skills, behaviors and competencies available within the business or that owned by the employees who use them to perform their duties. However, this type of resource capital is an employee own property which they take it with them at the end of day to their home and they are not going to hand over when an employee leaves his job. Examples of such capital are **Talent, innovation**, expertise, emotional intelligence, creativity and problem solving.
- **Social capital** represents the amount of social relations built and gained by the business from effective socialization, team building and positive interaction between the social groups of suppliers, employees , customers or even social grouping from outside the business that enable a part of specific group to interact with each other for the benefit of the business. This capital is very valuable to the business and the key stakeholders. Example of this capital is team work, team spirit, **customer care**, employee care and effective socialization.
- **Organization Capital** consists of the knowledge actually owned by the business in term of database, operating systems, manuals, patent, good will, customer care, accumulation and maturity of experience curve and good reputation of good manufacturing practices, **cost leadership** and quality control.

Human resources as strategic business resources

However, for unified term that removes confusion of using different synonymous terms of: 'intangible resources' invisible resources, ' human capital', 'human capital stock' and 'core competencies, distinctive competencies, we are going to use the term human resources distinctive competencies to avoid all these duplications and even when we use them we

¹⁰⁴ Gerry Johnson et al (2005) , *Exploring Corporate Strategy*, Pearson Education limited, 7th edition, page 118

¹⁰⁵ Michael Armstrong (2010), *Armstrong Essential Human resource management practice*, A guide to people Management, Kogan page, page 39.

refer to them as human resources distinctive competencies. Patrick M. Wright (1993:7) defined human resources "as the pool of human capital under firm's control in a direct employment relationship". Later Barney and Wright (1998)¹⁰⁶ support this argument when they defined human resources "as all of the knowledge, experience, skill, and commitment of a firm's employees, their relationships with each other, and with those outside the firm. A firm's HR practices are defined as all of the programs, policies, procedures, and activities that firms use to manage their human resources". According to Jay B. Barney Delwyn N. Clark (2007:19)¹⁰⁷ "People are both accumulators and producers of invisible assets". However, these two statements consider human resources as wide spectrum of employees' behaviors, attitudes, skills, knowledge which entail all the deliverable of the human resources like human capital, social capital, intellectual capital, core competencies, distinctive competencies, business practices, processes, structure and policies. These previous statements support our argument that human resources competencies sustain the business competitive advantage according to resource- based view (RBV) and the VRIO concept.

Human resources core competencies pool (CCP)

As result of a deliberate program of strategy formulation and the alignment of the human resources strategy with the business strategy and sound HR transformation; a 'high-quality stock' of HR competencies will be leveraged to enhance and boost the business overall performance to sustain the business competitive advantage.

It is our strong argument that business competitive advantage is an outcome of a business strategic capability, which is strongly related to the human resources distinctive competencies. These distinctive competencies, which are well selected from within the business Core Competency Pool (CCP), are built and sustained through HR investment in the sources of these competencies. This argument is supported by the finding of the resource-based view (RBV) of Barney, (2007:130)¹⁰⁸ which confirm the importance of the business human resources competencies

“In order for HR to truly develop and maintain sources of competitive advantage, HR executives need to focus attention and activities towards those aspects of the firm's resources and competencies that will provide such

¹⁰⁶ Jay B. Barney Delwyn N. Clark (2007), *Resources-Based Theory Creating and Sustaining Competitive Advantage*, Oxford University Press, page 122

¹⁰⁷ Jay B. Barney Delwyn N. Clark (2007), *Resources-Based Theory Creating and Sustaining Competitive Advantage*, Oxford University Press, page 19

¹⁰⁸ Jay B. Barney Delwyn N. Clark (2007), *Resources-Based Theory Creating and Sustaining Competitive Advantage*, Oxford University Press, page 130.

advantages" ; Prahalad and Hamel (1994:221)¹⁰⁹ are paying much care for the idea of portfolio of competencies. A corporate strategy must be built around these competencies. "It is entirely appropriate to have a strong end-product focus in an organization, this need to be supplemented by an equally explicit core competence focus. A company must be viewed not only as a portfolio of products or services, but a portfolio of competencies as well"; Armstrong (2010:39)¹¹⁰ explained the role of the human resources pool in improving the business market position. "In line with human capital theory, the resource-based view emphasizes that investment in people increases their value to the firm. It proposes that sustainable competitive advantage is attained when the firm has human resource pool that cannot be imitated or substituted by its rivals "; Abraham Carmeli (2005:391)¹¹¹ explains the importance of having high quality human capital stock to boost the business performance related outcomes "rather, the aim is to generate a comprehensive, high-quality stock of HR capital and leverage it in such a way that it enhances organizational processes and outcomes". The organizations need to build its strategies within different clear scenarios, in different ways, based on different competencies for the purposes of achieving real advantages in the shadow of unknown, risk, and uncertain future. However, all those scholars agree on the important role of grouping and restructuring the human resources competencies in building business competitive position.

Structure of human resources competencies

However, for this research purpose we assume that building competency map for the whole business is a strategic objective. Core competency pool is appropriate for our argument which is similar to the concept of portfolio of competencies which is developed by Prahalad and Hamel 1994 is going to be selected from within the competencies map. The sustainable competitive advantage of a firm lies in its ability to manage its hierarchy of competencies as shown in figure 2.4.2, which consist of business core competencies as defined by Gary Johnson et al (2005:121)¹¹² "core competences are taken to mean the activities and processes through which resources are deployed in

¹⁰⁹ Gary Hamel and C.K. Prahalad(1994), *Competing for the Future*, Harvard Business school Press, page221.

¹¹⁰ Michael Armstrong (2010), *Armstrong Essential Human resource management practice, A guide to people Management*, Kogan page, page 39.

¹¹¹ Abraham Carmel (2005) *How leveraging Human Resources capital with its competitive distinctiveness enhance the performance the commercial and the public organization* Published chapter , Graduate School of Business Administration & Department of Political Science, Bar-Ilan University, Ramat Gan , Israel, Wiley Periodicals, Inc., page391

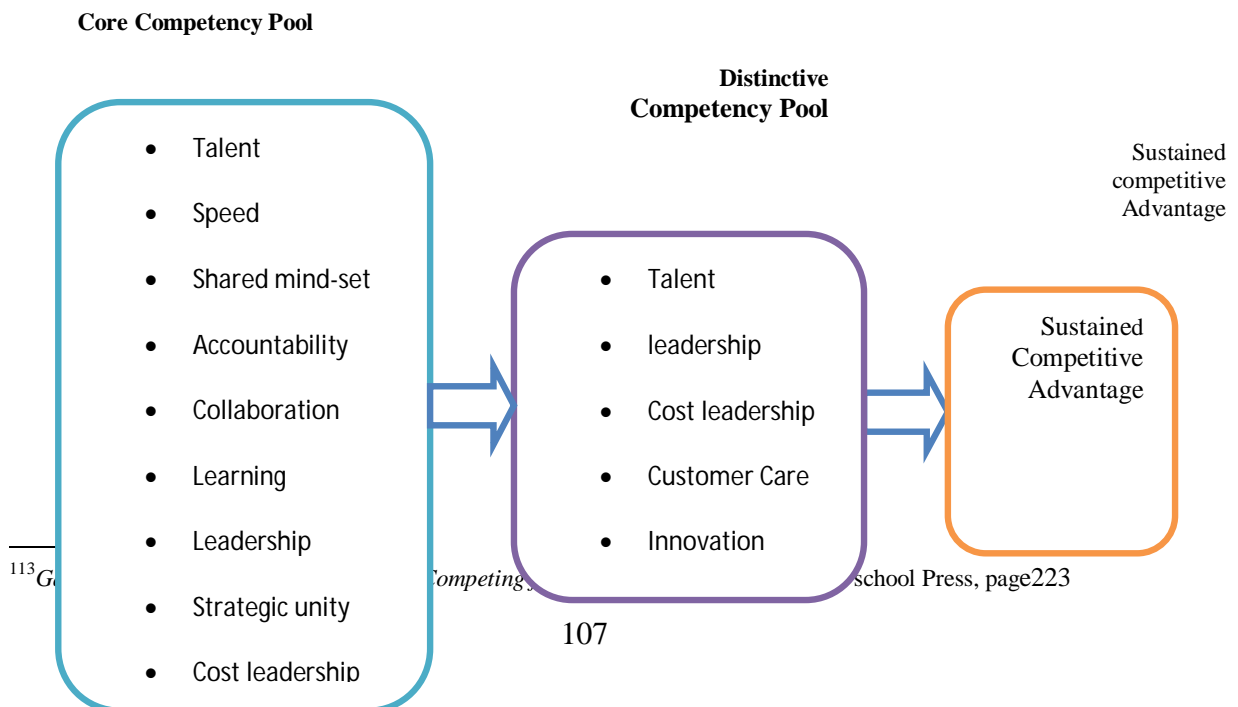
¹¹² Michael Armstrong (2010), *Armstrong Essential Human resource management practice, A guide to people Management*, Kogan page, page 39.

such a way as to achieve competitive advantage in ways that others cannot imitate or obtain". For example, a supplier who achieves competitive advantage in a soft drink market might have done so on the basis of a unique talent staff. The investment in the sources that develops this talent by having good incentive package, unique development and culture that foster talent innovation, customer care, cost efficiency, accountability and leadership in ways that competitors find it difficult to imitate or copy.

Building core competency pool.

There is strong need for building a core competence pool which is deeply rooted in the business context to sustain its competitive advantage. Prahalad and Hamel (1994:223)¹¹³ initiate five key competence management tasks that help in building and developing the core competency pool in the business context "the entire management team must fully understand and participate in the five key competence management tasks: (1) identifying existing core competencies; (2) establishing a core competence acquisition; (3) building core competencies; (4) deploying core competencies; and (5) protecting and defending core competence leadership."

However, these five incremental stages are important in building and developing the core competency pool. Human resource competencies like leadership or talent need a lot of time and efforts to build them throughout the pipeline process. The good example can be cited from investment in a targeted talent employee who is planned to be a future leader, who will be responsible for development of the other potential competencies like customer care and innovation.



*Figure 2.4.2 Core competency, distinctive competency pool and the sustained competitive advantage.
Source: developed by the researcher.*

This process of developing leaders has to take place in quite long time before the business start investing in the competency of innovation or customer care. However, core competency is a group of interconnected 'cluster' of competencies that individually and collectively serve the business long-term strategic objectives.

While planning for the business core competencies and the targeted number of required competencies; Prahalad and Hamel(1994) suggest that the most useful level of aggregation is typically one that yields somewhere between five and fifteen core competencies as shown in figure 2.4.2.

To actually manage a firm's stock of core competencies, top management must be able to breakdown core competencies into their small components of related competencies, all the way down to the level of specific individuals with specific talents and to plan to see the sources of each competency and how to develop it.

From the other side, possession of core competencies is not an end in itself. The ability to leverage core competencies for the benefit of the firm is of greater importance. Literature on core competence talks about different types of competencies, the distinctive competencies seems the unique competencies that developed and deliberately selected from within the core competency pool according to the business targeted competitive strategy.

In most cases, distinctive competencies will not exceed one to four competencies as in figure 2.4.2 depending on the structure of the business and its abilities to invest in different cluster of competencies in one time according to the targeted strategy and the abilities to compete on different competitive priorities. One distinctive competency, like, cost efficiency may be quite sufficient competency that can sustain competitive advantage especially when the business is competing on low cost strategy aligned with low price competitive priority. While competency, like, talent sustains business competitive advantage and may be supported with a cluster of strategic competencies, like, innovation, commitment, loyalty, flexibility

strategic unity and team spirit. However, strategic distinctive competency in the core competency pool will always work in cluster with other related competencies 'competency family' to sustain competitive advantage.

For this research purpose, we are going to underpin the distinctive competencies from within the business core competency pool, and to see how these distinctive intangible human resources competencies will sustain competitive advantage according to the concept of the resource-based view (RBV) and VRIO concept. The selected five distinctive competencies are Talent, leadership, Cost leadership, Customer Care and Innovation.

Impact of HR distinctive competencies on sustaining competitive advantage: VRIO concept:

According to the resources base view (RBV) HR distinctive competencies will sustain business competitive advantage when they meet 4 attributes these attributes are summarized in the letters **VRIO**: However, business resources that sustain competitive advantage must be **Valuable**, **Rare**, imperfectly **imitable** and it must be able to be exploited by a firm's **Organizational processes**

In the remaining part of the chapter we are going to explore how the selected 5 HR distinctive competencies: Talent, leadership, Cost leadership, Customer Care and Innovation will sustain the business competitive advantage.

1. How HR distinctive competencies add value to business and its stakeholders and sustain competitive advantage:

- According to (RBV) and VRIO concept human resources distinctive competencies must be valuable to the business and the key stakeholders so to sustain competitive advantage. Distinctive human resources add value to the business's key stakeholders based on the argument that valuable distinctive competencies have a significant impact on sustaining competitive advantage. Accordingly, there is a significant positive relationship between the distinctive resources and the value added to the business key stakeholders.
- According to this argument value is added to the business key stakeholders who have got direct and immediate relationships with business which is built on the exchange of benefits. This value is added with the business value chain. Accordingly, talent employees of distinctive competencies perform their job within smart talent business systems; they are going to add value to the business key stakeholders by satisfying their different needs and expectations in ways and means that differ from the other business

competitors. Due to this added value, business present and potential customers will feel satisfied as talent people in the business are caring for their needs and queries throughout the day. Expectations and value of shareholders are met and their capital is maximized. Suppliers' needs are immediately met according to clear and transparent policies of supply chain. Finance providers are receiving their money back according to standard transparent financial policies. The needs and expectations of the community are met as the business smart talent systems are bound by corporate social responsibility (CSR) obligations that look after the needs and expectations of the community at large as one of the business key stakeholders. However, stakeholders will be satisfied by the valuable and unique services paid to them by the business talented workforce. However such unique value will not be added by the other business competitors'.

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- **2. Rarity of Distinctive human resources competencies**

- According to Jay B. Barney Delwyn N. Clark (2007:125)¹¹⁴ "The value of a firm's resource is a necessary but not a sufficient criterion for competitive advantage". Let us assume that the same valuable characteristic of distinctive human resources are shared by many business rivals, in such situation this attribute cannot be a source of competitive advantage in the market place. According to the authors "Valuable but common characteristics of human resources provide only competitive parity"¹¹⁵ ensuring that a business is not at a substantial competitive disadvantage because it does not possess that characteristic. Thus, HR strategy developers need to reinvent, develop and exploit rare attributes of the business distinctive human resources to sustain the competitive advantage in the market place in addition to their distinctive value that they add to the business key stakeholders.

However, it is our argument that rare distinctive resources have a significant impact on sustaining competitive advantage. Rare distinctive human resources are the hybrid of the rare and the unique HR policies and systems. It is always the responsibilities of the HR department to supply the

¹¹⁴ Jay B. Barney Delwyn N. Clark (2007), *Resources-Based Theory Creating and Sustaining Competitive Advantage*, Oxford University Press, page 125.

¹¹⁵ See the above reference book on page 125

business with rare and unique calibers through rare and distinctive recruitment systems. Develop them within a frame work of highly reward system that motivate and retain them so as to be distinctive and rare hybrid that cannot be possessed by other competitors.

Daniel M. Cable (2007:5)¹¹⁶ confirmed the same idea that for "strange workforce" to sustain business competitive advantage "your workforce also must create something rare, something unique that sets your organization apart. It might be any number of things, but there needs to be something that differentiates your organization and adds special value in the minds of customers... which force the customers to give their money". However, this distinctive attributes according to the author might be the lowest price, the quickest delivery time, or the comfort of talking to a person who remembers customers' names and what they usually order or to encourages sales clerks to make heroic efforts to attend to customers' needs, even to the point of changing a customer's flat tire in the parking lot or to look to the most interim needs of the customers.

3. Imperfectly imitable distinctive competencies

The two attributes which are previously explained cannot provide sustainable competitive advantage even they show some improvement for the business market position in the short term. However, other business rivals may, day by day, can imitate and copy these two attributes. This situation will, however, lead for a while to a competitive parity. It is the strategic role of the HR leaders within a well planned HR transformation program to develop and nurture challenging attributes of the business distinctive competency pool of talent, leadership cost leadership customer care and innovation as describe by Jay B. Barney Delwyn N. Clark (2007:60)¹¹⁷" that cannot easily be imitated by competitors". The concept of distinctive resources imitability is based on the fact that it is difficult to imitate, and will there be significant cost disadvantage to a business rival when trying to obtain, develop, or duplicate the distinctive competency.

The authors believe that this imperfect imitability is due to a business's unique history, socially complex system adopted in the business and unique business culture.

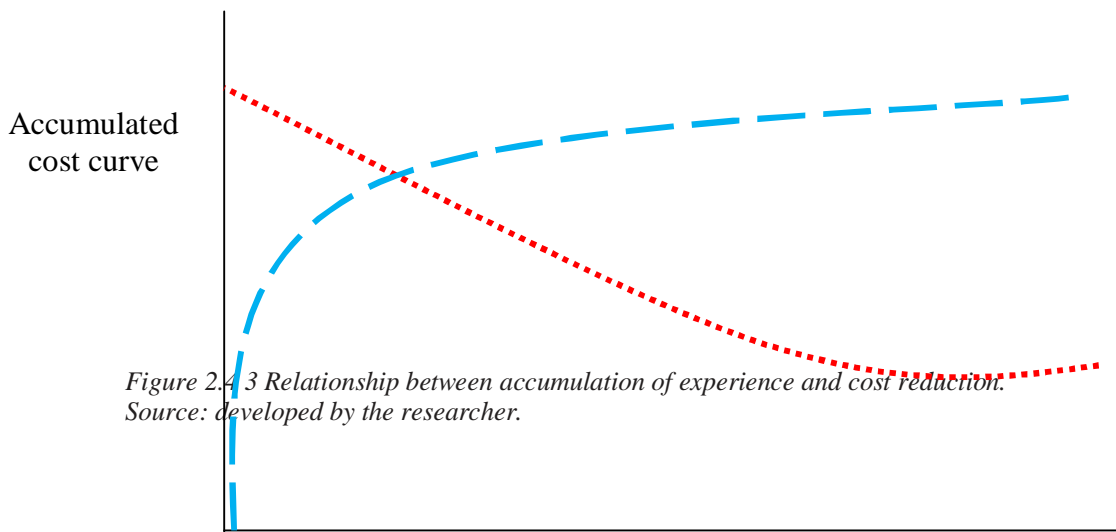
However, each of these sources of the imperfect imitability of human resources is examined below:

¹¹⁶ Daniel M. Cable (2007:5) *change to strange Create a Great Organization by Building a Strange Workforce*, Pearson Education, Inc. page 5.

¹¹⁷ Jay B. Barney Delwyn N. Clark (2007), *Resources-Based Theory Creating and Sustaining Competitive Advantage*, Oxford University Press, page 60.

3.1 Unique historical condition of the distinctive resources

Unique resources historical condition that sustains competitive advantage is based on the conception of Jay B. Barney Delwyn N. Clark (2007:126)¹¹⁸ "the performance of firms can be understood independent of the particular history and other idiosyncratic attributes of firms". Let us assume that particular history of the business is related to the particular history of its talented employee of high retention and continuous length of service with the business. Applying this concept on distinctive talent, we can assume that imperfectly imitable retention policies implemented by the HR leaders will lead to accumulation of experience, knowledge and history which have positive effect on the business performance and competitive advantage. Business can learn from its cumulative history and past experience to develop imperfectly imitable resources that sustain competitive advantage. The good example which can be cited here as shown in figure 2.4.3 which shows the distinctive competency of cost leadership that can be acquired due to accumulated of business and human resource experience that enable the business to introduce new ways and means to reduce its cost. However, the argument can be built like that: when employee's accumulation of experience is increased, the accumulated cost will decrease. This will involve having appropriate resources of 'cumulative experience' to manage costs; this argument is supported by Gary Johnson et al (2005:121)¹¹⁹ when shows the benefits that can be gained by customers due accumulation of experience "Customers can benefits from cost efficiency in terms of lower prices or more product features for the same price".



¹¹⁸ Jay B. Barney Delwyn N. Clark (2007) *Historical experience curve: Sustaining and Sustaining Competitive Advantage*, Oxford University Press, page 126.

¹¹⁹ Gerry Johnson et al (2005) *Exploring Corporate Strategy*, Pearson Education limited, 7th edition, page 121.

3.2 Causal ambiguity of distinctive human resources competencies

In this context, the RBV concept assumes that causal ambiguity exists when the link between the resources controlled by a firm and a firm's sustained competitive advantage is not understood or understood only very imperfectly. This concept mean that the business rivals in the market place will not understand or imperfectly understand the link between a business distinctive resource and its sustained competitive advantage.

According to Jay B. Barney Delwyn N. Clark (2007:63)¹²⁰" in order for causal ambiguity to be a source of sustained competitive advantage, all competing firms must have an imperfect understanding of the link between the resources controlled by a firm and a firm's competitive advantages" this argument is built on the concept that the resources controlled by a firm are very complex, interdependent and heterogeneous. According to the two authors, numerous resources, taken by themselves or in combination with other resources, may yield sustained competitive advantage. Although managers may have numerous hypotheses about which resources generate their firm's advantages. However , a distinctive competency like customer care have got the same analog as it composes and interconnects with many other cluster of different competencies like team spirit, innovation , commitment, trust, communication. However, each of these competencies will have its impact on the customer care as a distinctive competency.

3.3 Social complexity of distinctive human resources competencies

A third reason that business resources may be imperfectly imitable as explained by Jay B. Barney Delwyn N. Clark (2007:63)¹²¹" is that they may be very complex social phenomena, beyond the ability of firms to systematically manage and influence. When competitive advantages are based in such complex social phenomena, the ability of other firms to imitate these resources is significantly constrained"

Armstrong (2010:73)¹²² defines this social complexity as a part of social capital within the business "Social capital is another element of intellectual capital. It consists of the knowledge derived from networks of relationships within and outside the organization" According to Armstrong" the concept of social capital was defined by Putnam (1996) as 'the features of social life – networks, norms and trust – that enable participants to act together more effectively to pursue shared objectives". It is important to take into account

¹²⁰ Jay B. Barney Delwyn N. Clark (2007), *Resources-Based Theory Creating and Sustaining Competitive Advantage*, Oxford University Press, page 63.

¹²¹ Jay B. Barney Delwyn N. Clark (2007), *Resources-Based Theory Creating and Sustaining Competitive Advantage*, Oxford University Press, page 63.

¹²² Michael Armstrong (2010), *Armstrong Essential Human resource management practice, A guide to people Management*, Kogan page, page 73.

social capital considerations, that is, the ways in which knowledge is developed through interaction between employees which according to the author is developing and always changing.

The special business internal culture which is characterized by effective socialization, 'camp mentality' way of working, special deliberate induction and formal and informal groupings inside and outside the work environment are major social complexities in the business. However such conditions will sustain the business competitive advantage and make it as imperfectly imitable by the other business rivals.

In other words, human resources distinctive competencies serve as source of sustained competitive advantage because it creates value, it is rare, and virtually impossible to imitate by the business competitors in the market places.

4. The organization of human resources

According to the resource- based view (RBV) and the VRIO concept, the valuable, rare and imperfectly imitable human resources will not qualify for sustainable competitive advantage unless the business develops its strategies, systems, processes, to exploit these resources. This argument is explained by Jay B. Barney Delwyn N. Clark (2007:128)¹²³ "Organization requires having in place the systems and practices that allow HR characteristics to bear the fruit of their potential advantages". Abraham Carmeli (2005:394)¹²⁴ gave the same argument from a different perspective "An organization may have strong HR capital even though it

has not yet developed a distinctive value for this capital because it has not effectively leveraged its design with its human resources. Likewise, a superior HR system may not prove effective until the design strengths succeed in acquiring a high-quality stock of human capital through recruitment, selection, socialization, training and development, and other HR levers". Although, it is our objective in this remaining part of the chapter to examine the fourth attributes and to see how the business can be uniquely geared up and organized in a way that differs from the competitors in strategies, systems, structures, culture, practices to exploit the other three

¹²³ Jay B. Barney Delwyn N. Clark (2007), *Resources-Based Theory Creating and Sustaining Competitive Advantage*, Oxford University Press, page 128.

¹²⁴ Abraham Carmel (2005) *How leveraging Human Resources capital with its competitive distinctiveness enhance the performance the commercial and the public organization* Published chapter , Graduate School of Business Administration & Department of Political Science, Bar-Ilan University, Ramat Gan , Israel, Wiley Periodicals, Inc., page394

attributes of the (RBV) to sustain the competitive advantage. However, for business organization to meet these characteristics, two main reforms in the HR and business should immediately be adhered to two concepts. The first concept is the strategic alignment between HR and the business strategy which is an urging concern for HRM and business strategists and consistent theme which runs through the strategy literature. According to Jaap Paauwe and Corine Boon (2009)¹²⁵ "one of the important developments in human resources management is the integration of HRM into the strategic management process. It emphasizes the strategic role of HRM in meeting business objectives". Strategic HRM draws attention to the contribution of talent as scarce resources to the business performance and sustainability of competitive advantage. Paul Kearns (2010:121)¹²⁶ believes that "Conventional thinking in HR circles has taken the view that the purpose of HR strategy is to support your business strategy. The approach recommended here is for the business strategy and HR strategy to be totally entwined". The mechanism of alignment assumes that every aspect of an organization's activities should be integrated and 'pulled together' to achieve corporate goals that differentiate the business from its competitors.

The concept of strategic alignment between the HR strategy and the business strategy will be viewed from two perspectives: the vertical integration, when the HR strategies, systems and procedures support and align with business strategies; while the horizontal integration will look to HR strategies, systems and procedures are horizontally integrating and complementing each other. This concept of 'pulling together' or what we call the 'HR Gravity System (HRGS)' will enable these three attributes of value, rare, and imperfectly imitable easily combined with the overall business organizational process so as to enable them sustain the competitive advantage in long lasting manner that difficult to be imitated and copied by the present and potential competitors. The argument of vertical and horizontal integration is conceived in the resource- based view (RBV) by Jay B. Barney Delwyn N. Clark (2007:128)¹²⁷ "Research on HR practices and firm performance seems to indicate that HR practices are most effective when they exist as a coherent system" the concept of RBV calls for 'horizontal integration' of the various HR practices, systems and policies

¹²⁵ David G. Collings and Geoffrey Wood, (2009), *Human Resources Management, A critical Approach*, published by Routledge, page 38.

¹²⁶ Paul Kearns (2010) *HR Strategy Creating Business Strategy with Human Capital(2nd Edition)* printed by Elsevier Ltd, page 121.

¹²⁷ Jay B. Barney Delwyn N. Clark (2007), *Resources-Based Theory Creating and Sustaining Competitive Advantage*, Oxford University Press, page 128.

rather than viewing each them in isolation. It is our argument that performance will be improved and competitive advantage can be sustained when ‘bundles’ of HR practices are horizontally complementing each other and vertically aligned with other complementary business systems and production

The second concept is about the HR transformation as businesses' leaders need to reengineer the overall function of the human resources and the people who are involved in managing the HR system. However, it is our strong argument that transformation to all HR systems, policies, structures and even the quality of those who work as HR professionals as well as the quality of overall people working in the business structure will improve the business efficiency to meet the three attributes of the VRIO concept.

However, the issue of HR transformation and its role in improving business performance sustainability of the business competitive advantage was considered by many scholars in the past 10 years due to their research to find a relationship between the high business performance and transformation to human resources systems, policies practices: Dave Ulrich (2009)¹²⁸, Martin Reddington et al (2005)¹²⁹, Mark I. Morgan et al (2010)¹³⁰, Linda Holbeche (2009:4)¹³¹ and Andrew Mayo (2001)¹³². All those scholars and many others agree that the HR transformation is an imperative issue that sustains the business competitive advantage.

¹²⁸ *Dave Ulrich et al(2009),HR Transformation, Building Human Resources from the outside in, published by, the RBL Institute.*

¹²⁹ *Martin Reddington (2005,)Transforming HR, creating Value through people, published by Elsevier Butterworth-Heinemann.*

¹³⁰ *Mark I. Morgan et al (2010),Executing your Business Transformation, How to Engage Sweeping Change without killing Yourself or your business, Published by Jossey-Bass, page 99.*

¹³¹ *Linda Holbeche (2009:4) Aligning Human Resources and Business Strategy, published by Butterworth-Heinemann, page 4.*

¹³² *Andrew Mayo (2010),The Human Value of the Enterprise, Valuing PEOPLE as Assets Monitoring, Measuring, Managing, Nicholas Brealey Publishing, page 19.*

RESEARCH SECTION 3.1

FIELD WORK ANALYSIS

The field of work

Based on the stated research objectives, three food producing companies operating in Khartoum North; namely Blue Nile Dairy, Coca Cola, and Pasgianos Food & Beverage Company were purposively selected for inclusion in the study. The main reason was that they are HR oriented businesses that give much concern to human resources management.

The analysis of the data obtained from the three companies was qualitatively and quantitatively analyzed. The obtained data cover the period 2007 to 2011.

Qualitative analysis:

Qualitative data was collected from the three companies to justify and test the arguments stated in our research and to support our main research theme: how HR is aligned with the business fraction so as to improve the overall business performance? However, qualitative data like organization structure, performance appraisal systems, code of conduct and an overall view to their condition of service are going to be qualitatively reviewed and explored. Due to sensitivity and confidentiality of the qualitative data some data is not affordable for public release by one company or another.

Pasgianos Food & Beverage Company

Pasgianos Food and Beverage Company has been selected as a case study for the research work as the researcher was working there for a period of time of nearly three years extending from 1/6/2008 to 10/5/2011. During this period we used empirical case studies beside descriptive and analytical methods of research which were conducted in the field work to test the raised hypothesis and argument in the previous chapters.

As historical background Pasgianos Food & Beverage was established in the early 1940 by a Greek business man who was living in Khartoum. It was started as a small soft drink beverage plant at Khartoum where all the production processes were manually operated.

Established in the 1940's, 'Pasgianos' was the first soft drink to be bottled in Sudan. It remains the only bottled drink that is exclusive to The Sudan and has experienced healthy growth since its acquisition in 1999 by Hagar Family.



Figure 3.1.1: Pasgianos Food & beverage Trade Mark.
 Source: The Company manual 20011

Pasgianos Food & Beverage is successful business specialized in the production of soft drink. The Company produce about 12 flavors of soft drink and all of them are consumed in the local market. Premature initiatives are under process to start export and penetrate the Gulf market.

The Company has got an organization structure as shown in Figure 3.1.2 which is tailored to match and serve its dynamic activities.

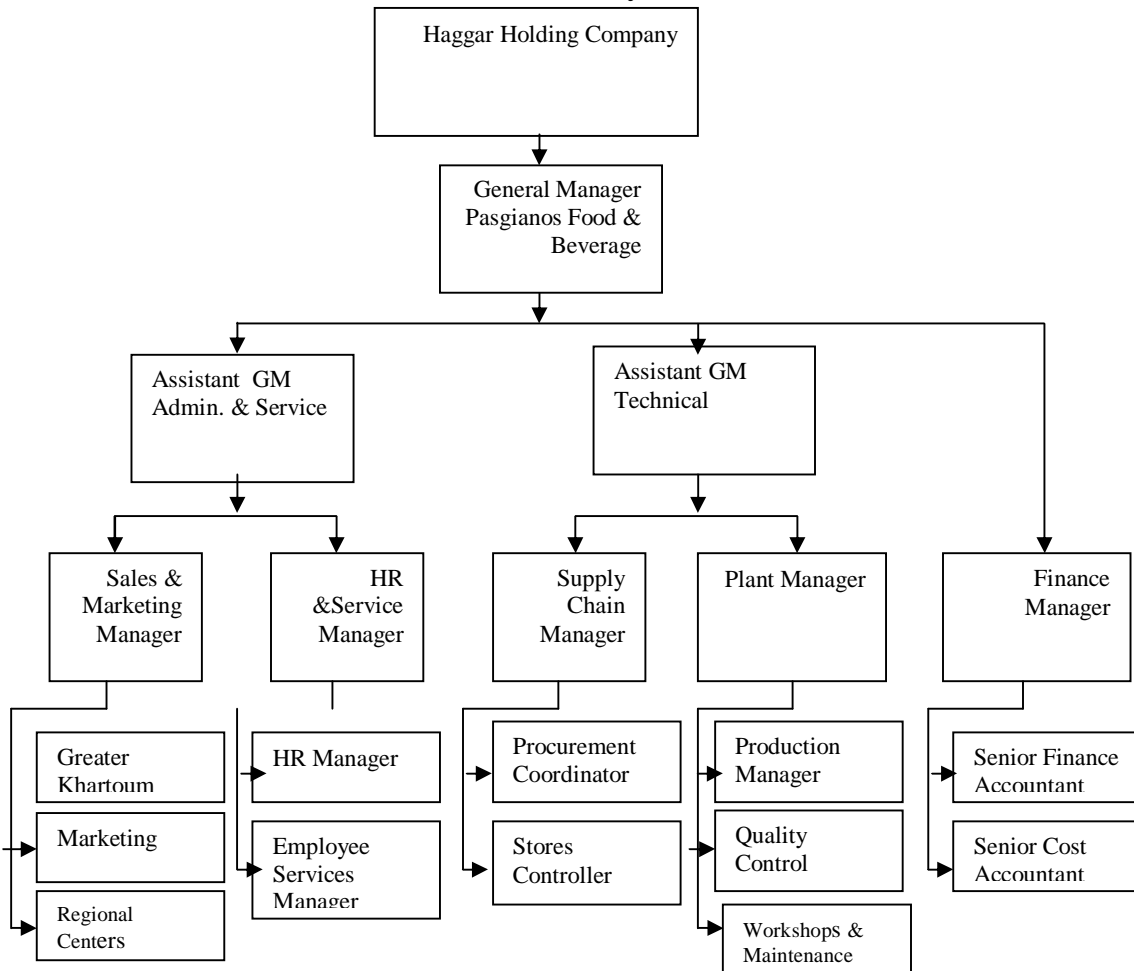


Figure 3.1.2: Pasgianos Food & Beverage company organization structure
 Sources: HR Department Manual, Pasgianos Food & Beverage.

The Company employs within its structure about 350 permanent employees and about 150 as out sourced workers for the daily operation activities. Table 3.1.1 shows the manpower engaged during the years 2007 to 2011. As the Company is a sales and market oriented business 50% of the total engaged manpower is sales and marketing manpower, 30% in the lines of production while the remaining 20% is for the HR and supply chain departments.

Year	Average monthly permanent manpower	Average outsourced manpower
2007	310	90
2008	320	110
2009	330	130
2010	340	150
2011	350	150

Table 3.1.1: Permanent and outsourced manpower for the year 2007 to 2011
Sources: HR department, Pasgianos food & Beverage Company.

The product diversification strategy

The company main brand is Pasgianos. Forat and Double Cola, in the same time, the company produces about 14 flavours as apart of its diversification strategy as shown in table 3.1.2.

Brand	Flavour	Container	Volume
Pasgianos	Pasgianos	Glass	250 mg
	Pasgianos	Plastic	500 mg
	Pasgianos	Plastic	2 litres
	Pasgianos	Can	330 mg
Forat	Orange	Glass	
	Orange	Plastic	500 mg
	Orange	Plastic	2 litres
	Orange	Can	330 mg
Forat	Limon	Glass	
	Limon	Plastic	500 mg
	Limon	Plastic	2 litres
	Limon	Can	330 mg
Forat		Can	500 mg
		Can	330 mg
		Can	500 mg
		Can	330 mg
Forat	Mango	Glass	
	Mango	Plastic	500 mg
	Mango	Plastic	2 litres
	Mango	Can	330 mg
Double Cola	Double Cola	Glass	
	Double Cola	Plastic	500 mg
	Double Cola	Plastic	2 litres
	Double Cola	Can	330 mg
Forat	Limon	Glass	
	Limon	Plastic	500 mg
	Limon	Plastic	2 litres
	Limon	Can	330 mg
Forat	Natural water	Plastic	600 mg
	Natural water	Plastic	2 litres

Table 3.1.2: Pasgianos Food & Beverage Product diversification strategy
Source : The company production records.

The vision and mission of the Company

The company's vision and mission are generated from the overall mission and vision of Haggar Group as shown in appendix 1 . These vision and mission were initiated by the founder George Haggar and developed by his son Anis, the present Chairman of the Board of Directors.

How Haggar mission and code of conduct are aligned to the HR strategy

Going through the code of conduct we can observe that it is fully aligned to support the HR strategy as:

- People are critical success factor.
- Employee are integrated part of Haggar family
- Employees are the business most valuable asset who sustains competitive advantage.
- Team work and effective grouping inside the work place are the Company's social capital.
- It links employees' behavior to business success.
- It raises the concept of Corporate Social Responsibilities (CSR) to the country, to the fellow citizens, to the disabled; to the communities, to consumers, and to environment.
- It strongly believes in management of the intangible capital stock in rebuilding and reshaping the business capabilities by introducing new concepts of competency mapping, core competency pool and competency modeling.
- It gives great concern to the employee development.
- It gives much concern to the competency mapping and the core competency model.
- It looks to maximize the value proposition to the business stakeholders.
- The senior management in the group including the board members exerts all their effort to see these concepts are translated as real value in the daily operating working life in all the business units by conducting periodical survey to measure the employee satisfaction.

- **Performance Appraisal**

- Pasgianos Food & Beverage Company introduces one of the best performance appraisal systems as shown in appendix 2. This system is affiliated from the management by the objective (MBO). The system
- aligns the human resources competencies with the already set business's competences. The system uses the business competency framework where the business targeted performance is categorized into both tangible and intangible competencies. The performance of each employee is going to be measured during the period of assessment against the set competencies.
- As seen in appendix the appraisal form is composed of three main sections, the first section explains the Company overall strategy(strategic objectives), the second part is about the required tangible competences and the third part is for the intangible competencies.

- **Blue Nile Dairy Company (CAPO)**

- CAPO's story begins in 1996 figure 3.1.3 as a personal initiative when the father of the DAL Group's Chairman who always had an interest in agriculture. He decided to buy some cows and start a small farm. Naturally enough, the cows began producing milk, and much more milk than could simply be given away to friends and family¹³³.

The Daoud's family therefore decided to turn the farm into a commercial entity and start selling the milk. In 1997, a small processing plant was built and production rapidly increased to 15,000 liters of milk a day. The company was named the Blue Nile Dairy Company (such was its proximity to the Blue Nile itself) and the brand name CAPO.



Figure 3.1.3: Blue Nile Dairy Trade Mark

Sources: DAL Group Manual 2011

The product range and diversification

¹³³ Quoted from [www. Dalgoup.com](http://www.Dalgoup.com)

From these humble beginnings, Blue Nile Dairy Company (BNDC) quickly became the leading dairy company in Sudan. Building upon the success of its milk production, the company expanded its product range to include plain and set yoghurt, fruit yoghurt, low fat and pro-biotic yoghurt, whipping cream, mish and drinking yoghurt, all marketed under the increasing well-known CAPO brand.

The quality control

BNDC also became well-known for the quality of its products and its customer service. Early on it began investing in a fleet of refrigerated trucks which enabled it to manage and control its own distribution, ensuring each CAPO product reached the retailer in perfect condition. The company still supplies and maintains its own coolers at retailers' premises to ensure optimum storage conditions and the correct display of its products to the consumer.

In 2000, BNDC was rewarded for its efforts by receiving the Certificate of Approval by Lloyd's Register of Quality Assurance (ISO 9002:1994), making it the first company in the Sudan to achieve ISO status, and in 2003 the certificate was updated to ISO 9001:2000. In 2010, the certificate was once more updated to ISO 9001:2008 and the company is still the only dairy company in Sudan with this certification. The CAPO brand has also been recognized internationally, winning the award for 'Best Communications Campaign for the Middle East and Africa' at the International Business Awards in 2008.

CAPO's rapid growth meant that by 2010 BNDC's initial plant had reached capacity, so the company moved into a new world-class manufacturing facility in Bahri (North Khartoum) and was renamed DAL Dairy Factory. The new facility was built by Tetra Pak and the significant new investment helped CAPO to cement its status as the market leader in dairy by continuing its growth in the years to come.

The company organization structure

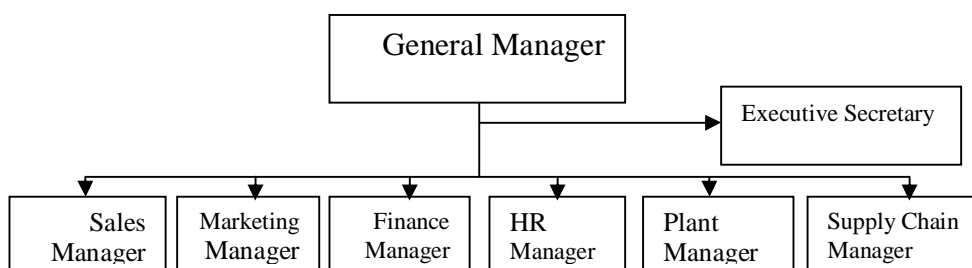


Figure 3.1.4 Blue Nile Dairy organization structure
Source: HR manual 2011

DAL Food Industries (DFI)

DAL Food Industries (DFI) as a part of DAL Group is Sudan's leading producer of soft drinks and the sole bottler and distributor for The Coca-Cola. See figure 3.1.5

In 2002, DAL Food Industries became the sole bottler and distributor of The Coca-Cola Company brands in the Sudan and the industry-leader in beverage production nationwide. DFI's advanced-design beverage plant in Khartoum North extends over a 15-acre plot and utilizes the latest global best-in-class technologies and production methods. It is one of the most modern and highly advanced of all Coca-Cola bottling plants across the African continent and the Middle East, setting a new benchmark for the industry.

Product range

DAL Food Industries (DFI) produce the product ranges of soft drinks, water and juice through its production lines:

SOFT DRINKS

Coca-Cola

Coca-Cola Light

Fanta

sprite

WATER

safia

Rio

Rawan

JUICE

Cappy

Bibo

The establishment of DFI has transformed Sudan's beverage industry. DFI provides refreshment to all parts of the country through an ever increasing depot infrastructure, and was the first to introduce value packs on a national scale, giving consumers everywhere the opportunity to purchase products of global quality standards and exceptional value for money.

High operating standards are a way of life at DFI. From the stringent control measures that govern its products, to the working environment that inspires the staff, there is no compromise on quality.

In a very short time, DFI grew from zero market-share to being a leading player. This unprecedented achievement in the industry was only the beginning of what was anticipated. Today DFI has consolidated this achievement by continuing to raise standards and set new innovative trends, which keep the company at the forefront of the Sudanese beverage industry. DFI has also made a heavy investment in refrigeration by supplying retail customers with coolers to ensure the convenient availability of ice-cold beverages for consumers.

'Transparency' defines DFI's core values, being the only company in the region that invites the public to visit and actually see its modern facilities producing all the familiar products that are consumed every day.



Figure 3.1.5 DAL Food Industries Trade mark
Source: DAL Group web site 2011

Quantitative analysis

Quantitative analysis was conducted on data collected from the questionnaire and the operation and HR records. The two types of data were purposely collected and analyzed to test our hypotheses stated throughout the research.

Interview data analysis

An overall sample of 165 employees with minimum educational attainment of secondary level was equally allocated to the three companies such that 55 employees were randomly selected from each of them for interview. The reason why these were taken to constitute the target population in this research was that employees with this level of education are likely to have some experience with HR management in their work.

Instrument Validity and Reliability

To ensure the face validity of the instrument tool, the questionnaire as shown in appendix 3.3 (English) which was translated to Arabic language as shown in appendix 3.4 was given to four expert referees Dr. Arafa Gebriel Abu Naseeb from Sudan University of Science and Technology, Dr Saif and Dr. Arbab Faris from University of Medical Sciences and Technology in addition to Professor Dave Ulrich from USA who gave his valuable comments while he was hosted in Khartoum to deliver HR professional speech in March 2012. The referees displayed their constructive comments and suggestions, which were taken into consideration.

Five Likert-type scales were used to score the interviewees responses where 5 related the interviewee response of, 5 as strongly agree, 4 agree, 3 as neutral , 2 as not agree and the lowest one was 1 which was related to strongly disagree.

The validity of the questionnaire was tested to see the coefficient of variations. According to the means and standard deviation no significant variation was found. The average standard deviation is .30 and .31 respectively. The average reliability coefficient was measured which is about (alpha 0.9300). However, the sample has shown very convincing degree of stability which is valid for application

Data Analysis Methods

Statistical Package for Social Sciences (SPSS) was used to analyze the data. Descriptive techniques such as; frequencies, percentages, means, mode, standard deviation (Std.) and coefficient of variation (CV) were used to describe the variables. Spearman correlation and multiple regression analysis were used to test data reliability.

The Questionnaire:

For collecting data by surveying a questionnaire tailored to the research objectives was designed as seen in appendix 3.3 and 3.4. It comprised six main sections, with the first concentrating on the classification variables while each of the other five was devoted for one of the hypotheses of prime concern in this research.

Data Collection:

The sampled employees of the three companies were self-interviewed by using the designed questionnaire. It is worth noting that because of the clear and precise phrasing of the questionnaire and the efforts exerted in collecting the required data the response rate exceeded 87%; a sign of good quality data.

Data Analysis

Based on the nature of the data collected- all being ordinal -simple statistical methods such as descriptive measures of percentage , mean, standard deviation were used in analyzing them.

Description of Surveyed Employees

Distribution by Gender:

The survey results showed that two-thirds of the employees of these factories are males. This is in conformity with the nature of the jobs performed in the companies.

Distribution by Age groups:

Age group	No of respondents	Percent
20-29	30	22.6
30-39	57	42.9
40-49	36	27.1
50+	10	7.5
Total	133	100.0

Table 3.1.3: Distribution of Respondents by Age groups
Source excel sheet developed by the researcher

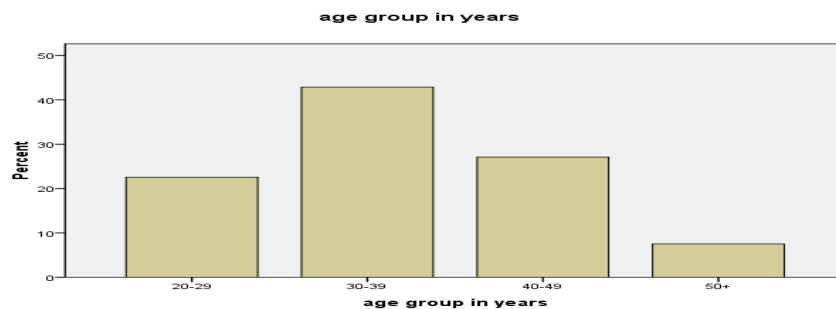


Figure 3.1.6 Percentages of Respondents by Age groups
Source: research database developed by the researcher

It is observable from table 3.1.3 and its related figure that 70% of the surveyed population members are over 30 of age. It shows that the respondents are of mature age and sound judgments.

Distribution by Educational Attainment:

Educational Attainment	No of respondents	Percent
High secondary school	13	10.1
Diploma	23	17.8
B Sc	72	55.8
Master	20	15.5
PhD	1	.8
Total	129	100.0

Table 3.1.4: Distribution of respondents by Educational Attainment
Source: research excel sheet.

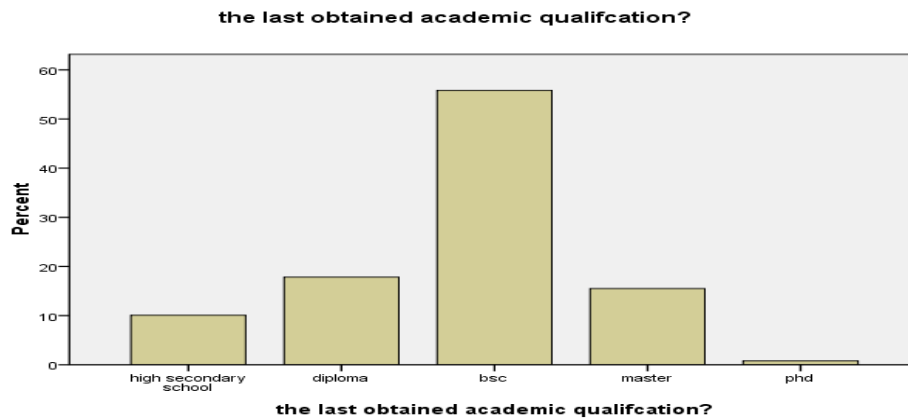


Figure 3.1.7: Percentages of Respondents by Educational Attainment
Source the research excel sheet.

Obviously, the modal educational attainment is a B Sc. It indicates that the majority of respondents are of good educational level.

Job	No of Respondents	Percent
Gm, CEO, deputy, assistant general manager	1	.8

Dept Head	10	8.0
Section Head	25	20.0
Other Staff	88	70.4
Total	124	100.0

Table 3.1.5: Distribution by Job Held
Source: The research data base developed by the researcher

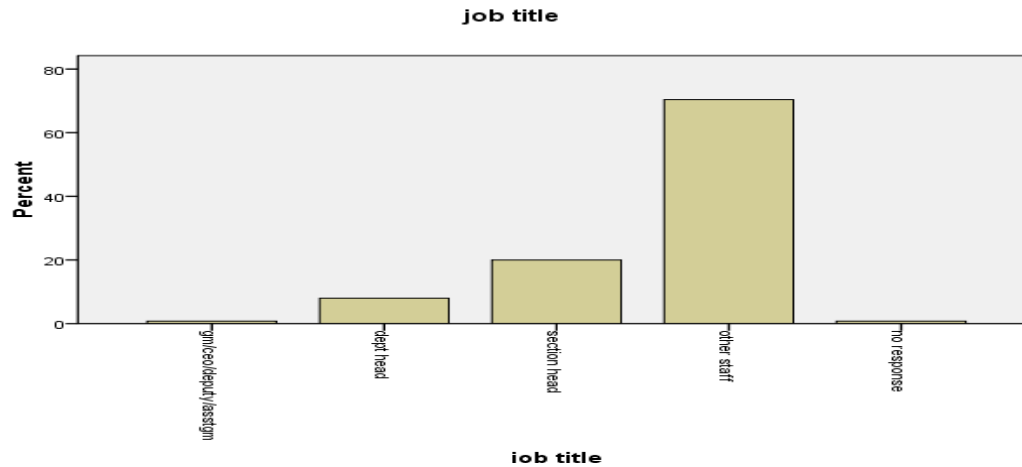


Figure 3.1.8: Distributions by Title of Job Held
Source: Research data base developed by the researcher

Aligning HR Strategy with Business Strategy

Opinion	High performance is related to an integrated overall strategy	Clear HR strategy is linked to the overall strategy	Senior-level leaders support HR strategy	HR strategy Aligned with business strategy
strongly disagree	.7	.7	3.5	.7
Disagree	4.9	9.2	8.5	8.5
not decided	10.6	19.7	15.6	9.9
Agree	48.6	38.7	34.8	51.8
strongly agree	35.2	31.7	37.6	29.1
Total	100.0	100.0	100.0	100.0
Summary Score	Agree	Agree	Strongly agree	Agree

Table 3.1.6: Respondents Opinions Regarding Aspects of relevance Aligning HR Strategy with Business Strategy

Source: research database developed by the researcher.

Hypothesis: Strong positive relationship may exist between an integrated overall business strategy and high performance mainly when HR strategy is aligned to business strategy and when senior levels support the HR strategy.

Independent variable: Intergraded business strategy when aligned with HR strategy.

Dependent variable: High business performance

Based on the survey data summarized in Table 3.1.6 and the corresponding figures, it is clear that not less than 70% of the respondents agree with those aspects of relevance to the importance of aligning HR strategy and business strategy. This may point to the causal relationship that may exist between different aspects of aligning HR and business strategies and business performance.

However, these obtained results positively match with what was stated earlier in chapter 2.1 regarding the existence of positive relationship between the qualities of business strategy and the high performance (sustained competitive advantage), mainly when the business strategy is aligned with HR strategy. The result also conforms to what is found in the literature; e.g. Linda Holbeche (2009:131)¹³⁴ asserted that "the most effective HR strategy is when HR strategy as such disappears and is more fully integrated into other resource strategies supporting the operational management process." She also stated the mechanism of alignment as the principle of alignment is that every aspect of an organization's activities should be integrated and "pulled together" to achieve corporate goals. Armstrong (2008:54)¹³⁵ "HR strategies set out what the organization intends to do about its human resource management policies and practices and how they should be integrated with the business strategy and each other". These results also concur with the new growing wisdom of competitiveness which emerges and organizes around a central research question in strategic management as posed by Jay B. Barney and Delwyn N. Clark (2007) "Why do some firms persistently outperform others?"¹³⁶. The answer to this question is focused on the business's distinctive competencies. Distinctive competencies are those attributes of a business that enable it to pursue a strategy more

¹³⁴ Linda Holbeche (2009), *Aligning Human Resources and Business Strategy*, Second edition, printed by , Elsevier Ltd, page 131.

¹³⁵ Michael Armstrong (2008) *Strategic Human Resources Strategy a guide to action*, Kogan page limited, 4th edition, page 54

¹³⁶ Jay B. Barney Delwyn N. Clark (2007), *Resource-Based Theory Creating and Sustaining Competitive Advantage*, Oxford University Press, page 4.

efficiently and effectively than other firms through the alignment of the HR and business strategy so as to outperform business competitors. Paul Kearns (2010:121)¹³⁷ believes that "Conventional thinking in HR circles has taken the view that the purpose of HR strategy is to support your business strategy. The approach recommended here is for the business strategy and HR strategy to be totally entwined".

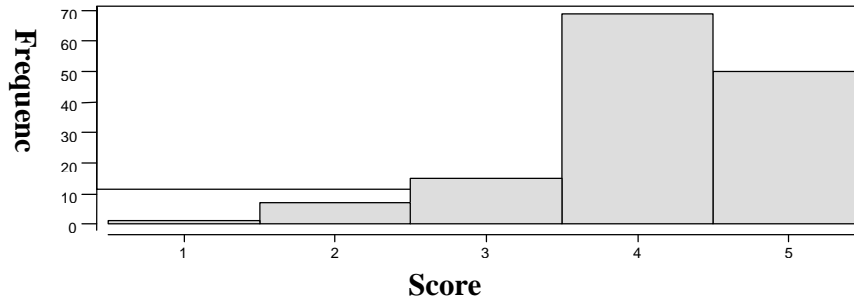


Figure 3.1.9: Relating High Performance to an Integrated Overall Strategy

Source: Research data base developed by the researcher

It is clear that 48.6 of the respondents agree with the statement that positive statistical relationship exists between the businesses integrated strategy and performance, giving mean of 4.13 and standard deviation of .841.

Other respondents % scores equals to .7 totally disagree, 4.9 disagree, 10.6 not decided and 35.6 strongly agree.

¹³⁷ Paul Kearns (2010) *HR Strategy Creating Business Strategy with Human Capital(2nd Edition)* printed by Elsevier Ltd, page 121.

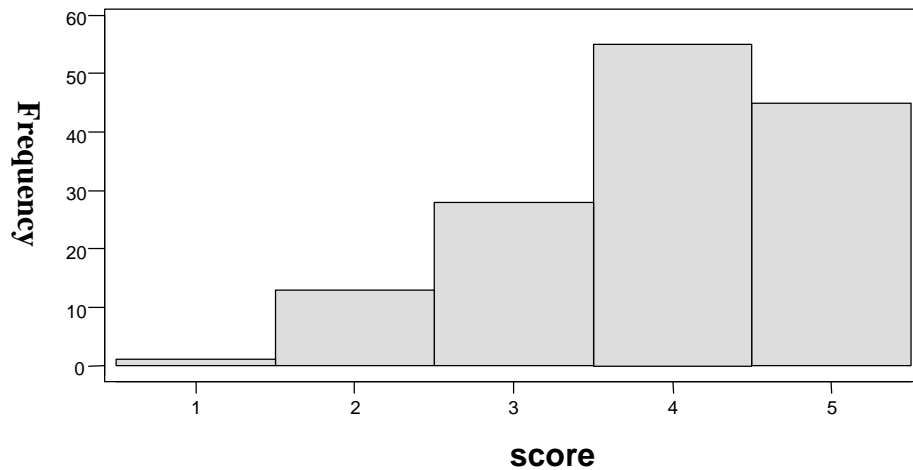


Figure 3.1.10: A Clear HR strategy is linked to Overall Strategy
 Source: Research data base developed by the researcher.

It is clear that 38.7 of the respondents agree with the statement that a clear HR strategy which is linked to the business strategy, giving Mean of 3.92 and Standard Deviation of .971. Other respondents % scores equals to .7 totally disagree, 9.2 disagree, 19.7 not decided and 31.7 strongly agree

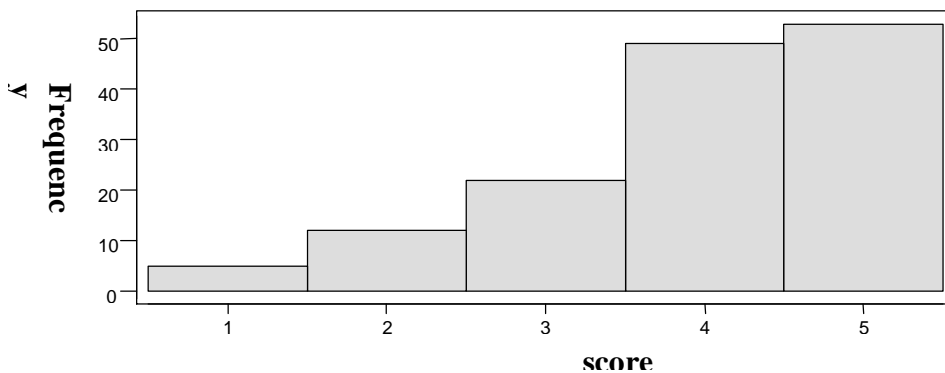


Figure 3.1.11 Senior-level leaders support HR Strategy
 Source: Research data base developed by the researcher

It is clear that 37.6 of the respondents strongly agree with the statement that Senior-level leaders support HR Strategy, giving mean of 3.94 and standard deviation of 1.94. Other respondents % scores equals to 3.5 totally disagree, 8.5 disagree, 15.6 not decided and 34.4 agree.

HR Transformation

Opinion	HR Transformation introduced to			HR Transformation
	rebuild company's capabilities	improve the value added to customers	improve competitive position	
strongly disagree	1.4	4.3	2.2	.7
Disagree	4.9	2.9	8.0	5.9
not decided	14.8	19.3	19.6	12.5
Agree	45.8	47.9	39.9	58.1
strongly agree	33.1	25.7	30.4	22.8
Total	100.0	100.0	100.0	100.0
Summary Score	Agree	agree	agree	agree

Table 3.1.7: Outcomes of Introducing HR Transformation
Source: Research Database developed by the researcher

Hypothesis: *There is strong positive relationship that may exist between HR transformation and the business capabilities, the value added to the key stakeholders and the sustainable competitive advantage.*

Independent variable: HR transformation

Dependant variable: the business capabilities, the value added to the key stakeholders and the sustainable competitive advantage

Table 3.1.7 and its related figures summarizes respondents' opinions regarding the outcomes of HR transformation; namely, introducing HR transformation as a means of rebuilding company's capabilities, improving the value added to customers, and improving company's competitive position.

It is observable that the modal response for the three aspects is "agree". Moreover, taking those who agree and strongly agree jointly it is clear that the percentage of those who are favorable to such aspects exceed 70%. This may point to the causal relationship that may exist between HR transformation and its related outcomes of rebuilding the business capabilities, the added value to the business key stakeholders, and sustainability of the competitive advantage.

However, these obtained results support our hypotheses stated in chapter 3 about the relationship that may exist between the HR transformation and the consequent outcome of the transformation in rebuilding the business capabilities, adding value to the business key stakeholders and sustaining the

competitive advantage. It is also remarkable these finding are supported by the finding of many scholars in the past 10 years due to their research to find a relationship between the high business performance and the transformation of the HR: Dave Ulrich (2009)¹³⁸, Martin Reddington et al (2005)¹³⁹, Mark I. Morgan et al (2010)¹⁴⁰, Linda Holbeche (2009:4)¹⁴¹, and Andrew Mayo (2001)¹⁴². Dave Ulrich confirmed what is hypothesized in this research regarding the significant outcomes of "rebuilding of the business capabilities and the distinctive value added to the key stakeholders"¹⁴³ that may exist as causal relationship to HR transformation.

However, the transformation outcomes according to our research hypothesis as stated in chapter3 are more elaborated which assume beside the above two outcomes the sustained competitive advantage as a third outcome for HR transformation. Very few empirical researches were conducted to prove the three findings.

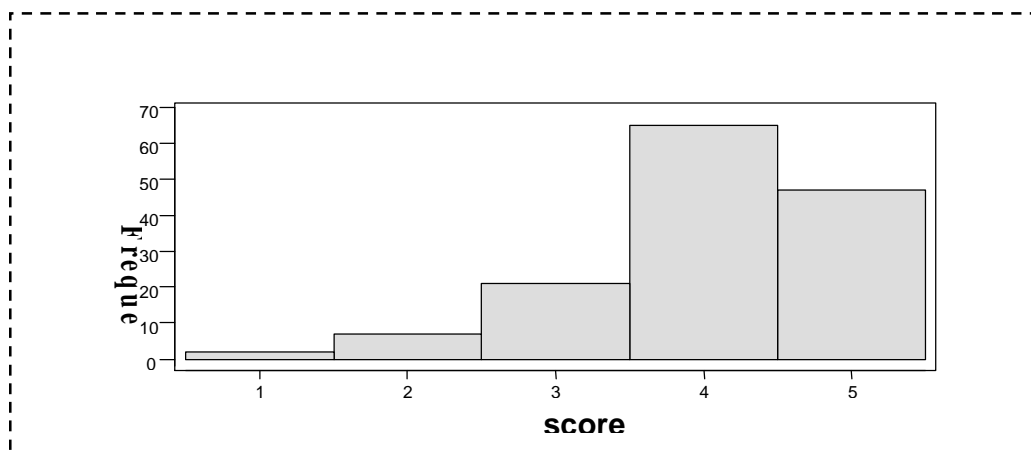


Figure 3.1.12: Introducing HR Transformation for rebuilding company's capabilities
Source: Data base developed by the researcher.

¹³⁸ Dave Ulrich et al(2009),*HR Transformation, Building Human Resources from the outside in*, published by, the RBL Institute.

¹³⁹ Martin Reddington (2005,)*Transforming HR, creating Value through people*, published by Elsevier Butterworth-Heinemann.

¹⁴⁰ Mark I. Morgan et al (2010),*Executing your Business Transformation, How to Engage Sweeping Change without killing Yourself or your business*, Published by Jossey-Bass, page 99.

¹⁴¹ Linda Holbeche (2009:4) *Aligning Human Resources and Business Strategy*, published by Butterworth-Heinemann, page 4.

¹⁴² Andrew Mayo (2010),*The Human Value of the Enterprise, Valuing PEOPLE as Assets Monitoring, Measuring, Managing*, Nicholas Brealey Publishing, page 19.

¹⁴³ Dave Ulrich et al(2009),*HR Transformation, Building Human Resources from the outside in*, published by, the RBL Institute, page 33.

introducing HR transformation will have positive impact on rebuilding company's capabilities, giving mean of 4.04 and standard deviation of .898 Other respondents % scores equals to 1.4 totally disagree, 4.9 disagree, 14.8 not decided and 33.1strongly agree.

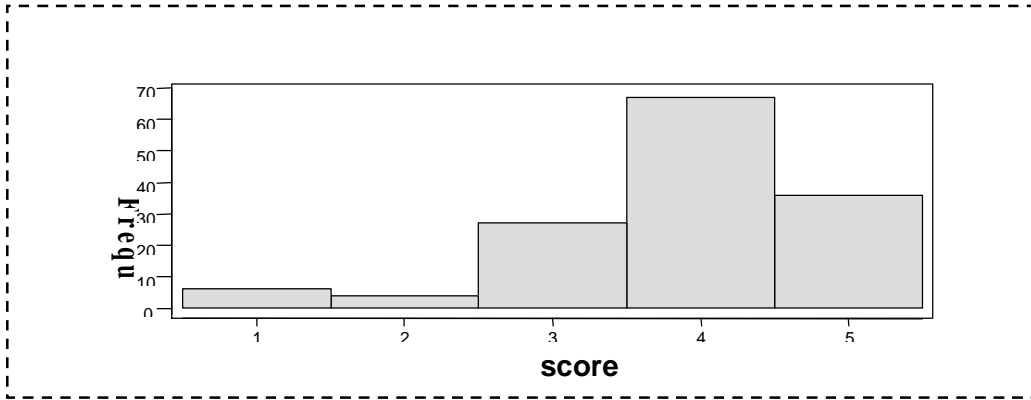


Figure 3.1.13: Introducing HR Transformation for improving the value added to customers
Source: Data base developed by the researcher.

It is clear that 47.9 of the respondents agree with the statement that introducing HR transformation will have positive impact on the value added to the customers, giving mean of 3.88 and standard deviation of .971 Other respondents % scores equals to 4.3 totally disagree, 2.9 disagree, 19.3 not decided and 25.7 strongly agree.

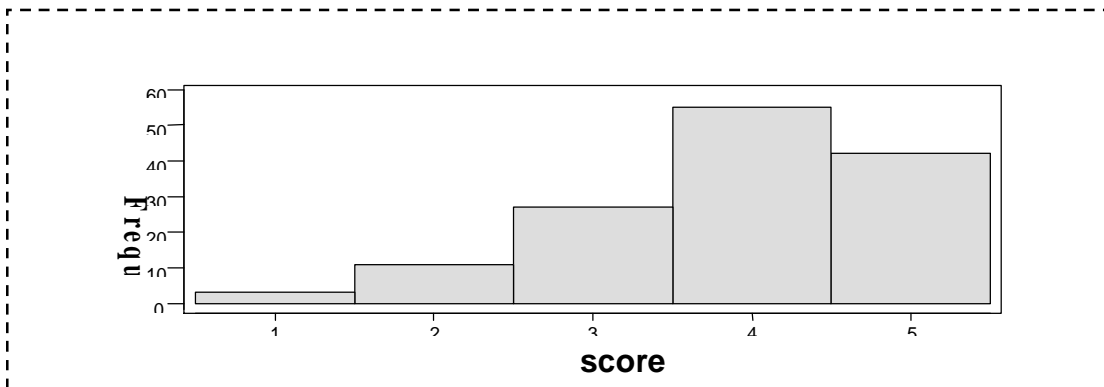


Figure 3.1.14: Introducing HR Transformation for improving the market position
Source: Data base developed by the researcher.

It is clear that 39.9 of the respondents agree with the statement that introducing HR transformation will have positive impact on the sustaining the business competitive advantage, giving mean of 3.88 and standard deviation of .971

Other respondents % scores equals to 2.2 totally disagree, 8.0 disagree, 19.6 not decided and 30.4 strongly agree.

HR Distinctive Competencies

Opinion	Aspects leading to Distinctive Competencies					HR Distinctive Competencies
	when we adopt good leadership style, it will positively affect business success	when our company invests in talent people, it will improve our customer satisfaction	our company manage cost leadership to improve its markets position by offering products of reasonable prices	we always look after the needs and expectations of our customers to increase their attraction, retention and loyalty	our company invests in innovation to produce distinctive and high quality products that differentiate us in the market place	
strongly disagree	1.4	1.4	1.4	.7	.7	1.12
Disagree	3.5	2.8	7.7	3.6	3.5	4.22
not decided	11.3	12.7	16.2	10.7	10.6	12.30
Agree	40.4	35.9	35.2	42.1	34.5	37.62
strongly agree	43.3	47.2	39.4	42.9	50.7	44.70
Total	100.0	100.0	100.0	100.0	100.0	100.0
Summary Score	strongly agree	strongly agree	strongly agree	strongly agree	strongly agree	strongly agree

Table 3.1.8: How HR distinctive competencies improve business performance

Source: Data base developed by the researcher.

Hypothesis: strong positive relationship that may exist between HR distinctive competencies of leadership, talent, cost leadership, customer care, innovation and business performance that lead to business success ,customer satisfaction, offering product of reasonable prices, increase of customer retention and loyalty and production of high quality product that differentiate us in the market.

Independent variable: HR Distinctive Competencies of leadership, talent, cost leadership, customer care, innovation.

Dependent variable: Business performance that lead to business success ,customer satisfaction, offering product of reasonable prices, increase of customer retention and loyalty and production of high quality products that differentiate us in the market place.

When asked about the extent of concordance of those five aspects of HR distinctive competencies; namely, leadership, talent, cost, customer connection, and innovation, which are expected to lead to business success, customer satisfaction, improvement of markets position by offering products of reasonable prices, increase attraction, retention and loyalty of customers and produce distinctive and high quality products that differentiate business firms in the market place. The majority of the respondents seem to strongly agree with each of them. It is observable from table (6.6) that the percentage of those who agree and strongly agree is not less than 75%.

The concordance of these five aspects of HR distinctive competencies represents a strong support to our thematical research hypothesis which theoretically covered in chapter 2.3 and throughout the whole research thesis. It is believed that significant relationship exists between HR distinctive competencies labeled as "intangible capital stock" and the quality of the business performance. These statistical result is also supported by the findings of the following numerous HR scholars (e.g. Armstrong 2010; Dave Ulrich et al 2009; Dave Ulrich and Norman Smallwood (2005); Jay B. Barney Delwyn N. Clark 2007; Andrew Mayo 2001; Robert M. Grant 2003; Gary Hamel and C.K. Prahalad 1994; Abraham Carmeli 2005; Linda Holbeche 2009; Jac Fitz-enz 2009; Edward J. Cripe et al (2002) who considered the significant role of HR competencies in developing the business performance. The statistical findings are pretty much supported by

the work of Abraham Carmeli (2005)¹⁴⁴ , Jihad S. Bani-Hani and Faleh, Abdelgader AlHawary (2009)¹⁴⁵ , and Shadia Ali Abd Al Rahman (2010)¹⁴⁶. It is worth mentioning that these statistical findings are different to some extent from the work of the above three scholars in that they consider the impact of HR core competencies/ HR capital on improving business performance as holistic issue i.e. core competencies/ HR capital, while our findings give specific consideration to selected 5 HR distinctive competencies which are leadership, cost leadership, talent, customer care and innovation which are labeled as intangible capital stock. However, our findings are more precise and meaningful when dealing with business performance as an outcome measured against the individual and grouping of these competencies.

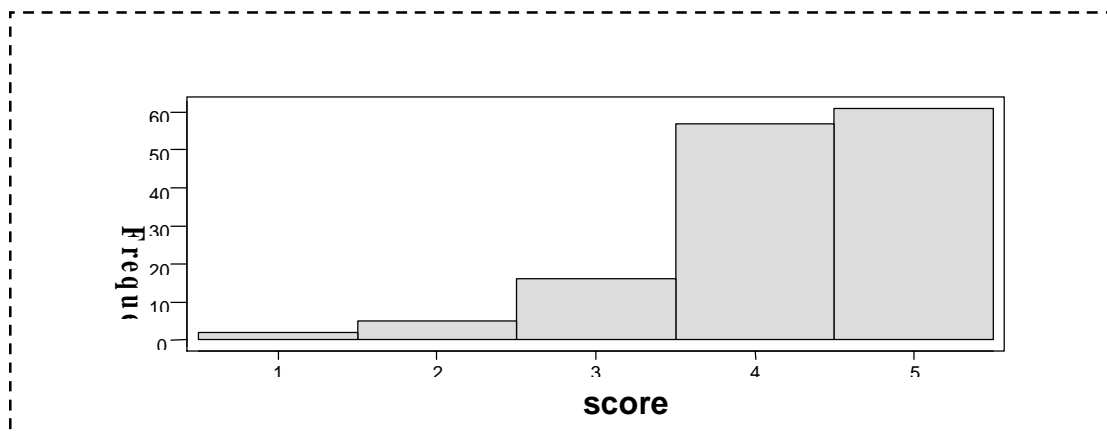


Figure 3.1.15: Adopting good leadership style will positively affect business success
Source: Data base developed by the researcher.

It is clear that 43.3 of the respondents strongly agree with the statement that adopting good leadership style will positively affect business success, giving mean of 3.88 and standard deviation of .971

¹⁴⁴ Abraham Carmel (2005) *How leveraging Human Resources capital with its competitive distinctiveness enhance the performance the commercial and the public organization* Published chapter , Graduate School of Business Administration & Department of Political Science, Bar-Ilan University, Ramat Gan , Israel, Wiley Periodicals, Inc

¹⁴⁵ Jihad S. Bani-Hani and Faleh, Abdelgader AlHawary (2009), *The Impact of Core Competencies on Competitive Advantage: Strategic Challenge* , published chapter, *International Bulletin of Business Administration* ISSN: 1451-243X Issue 6 (2009).

¹⁴⁶ Shadia Ali Abd Al Rahman (2010)¹⁴⁶, a published research for PhD on " the role of the strategic Human (resources) Capital in Strategic Planning , a case study of the teaching staff of the Sudan University of Sciences and Technology for the period (2004- 2009)" Sudan University of Sciences and Technology Faculty of Higher Studies. Supervisor: Professor/ Ibrahim Ahmed Abu Sin.

Other respondents % scores equal to 1.4 totally disagree, 3.5 disagree, 11.3 not decided and 40.3 agree.

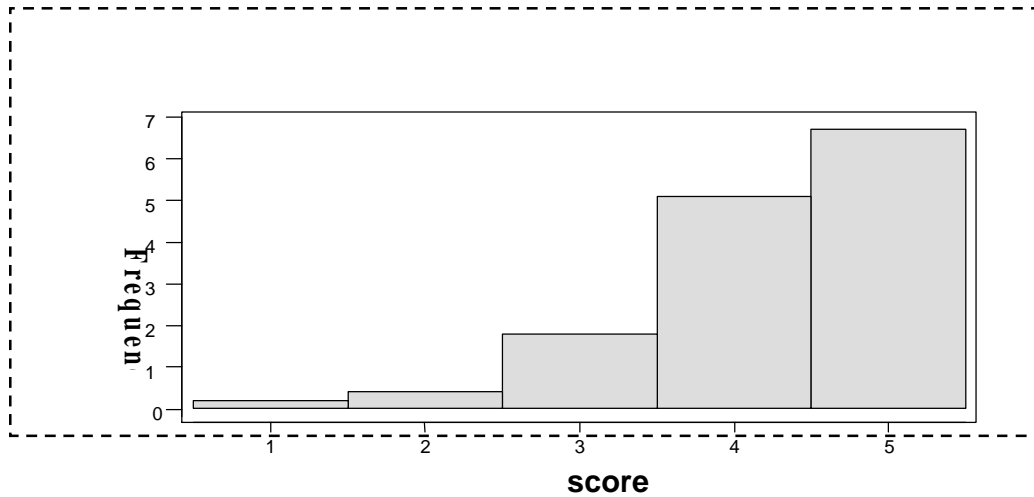


Figure 3.1.16: Investing in talent people will improve customer satisfaction
Source: Data base developed by the researcher.

It is clear that 47.2 of the respondents strongly agree with the statement that Investing in talent people will improve customer satisfaction, giving mean of 4.25 and standard deviation of .885

Other respondents % scores equal to 1.4 totally disagree, 2.8 disagree, 12.7 not decided and 35.9 agree

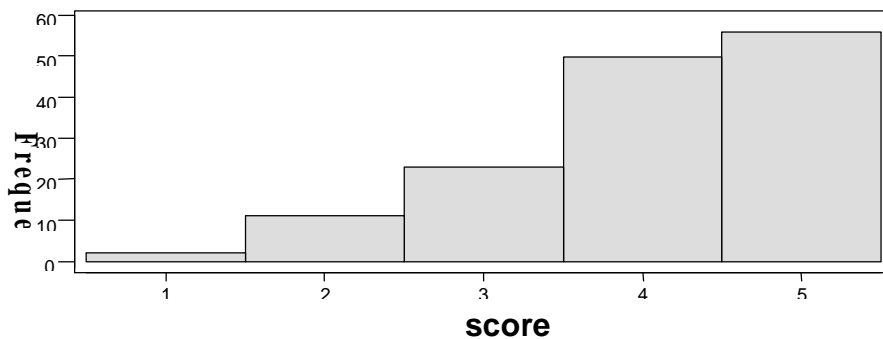


Figure 3.1.17: Managing cost leadership improves markets position by offering products of reasonable price
Source: Data base developed by the researcher.

It is clear that 39.4 of the respondents strongly agree with the statement that managing cost leadership improves market position by offering products of reasonable prices, giving mean of 4.04 and standard deviation of .999

Other respondents % scores equal to 1.4 totally disagree, 7.7 disagree, 16.2 not decided and 35.2 agree

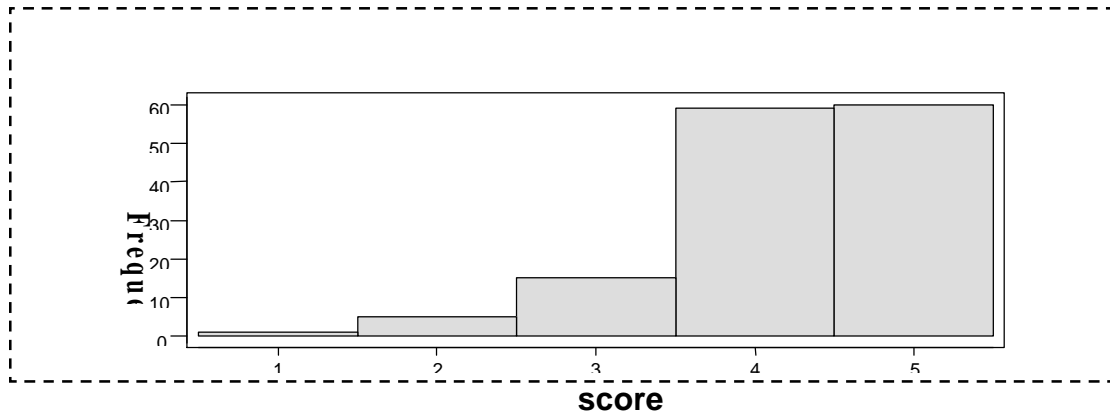


Figure 3.1.18: looking always after customers' needs and expectations increases their attraction, retention, and loyalty.

Source: Data base developed by the researcher.

It is clear that 42.9 of the respondents strongly agree with the statement that when always looking after customers' needs and expectations increases their attraction, retention and loyalty, giving mean of 4.23 and standard deviation of .834

Other respondents % scores equal to .7 totally disagree, 3.6 disagree, 10.7 not decided and 42.1 agree

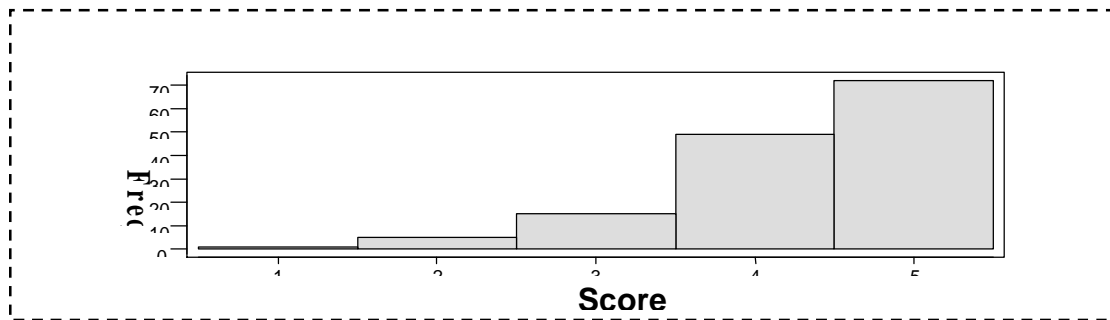


Figure 3.1.19: Investing in innovation to produce distinctive and high quality products will differentiate company's position in the market.

Source: Data base developed by the researcher.

It is clear that 50.7 of the respondents strongly agree with the statement that when always looking after customers' needs and expectation increases their

attraction, retention and loyalty, giving mean of 4.31 and standard deviation of .852

Other respondents % scores equal to .7 totally disagree, 3.5 disagree, 16.6 not decided and 34.5 agree

HR Systems and Business Capabilities

Opinion	HR Systems and Business Capabilities				HR Systems and Business Capabilities
	good recruitment and selection systems are business capability enabler	in our company we believe that best performance management system can boost our business capabilities?	in our company we train and develop our people to rebuild our targeted capabilities	paying attractive rewards will increase employees loyalty and retention that build our capabilities	
strongly disagree	2.1	1.4	.7	.7	1.2
Disagree	1.4	2.1	7.0	6.3	4.2
not decided	11.3	12.0	16.9	4.9	11.3
Agree	50.0	41.5	37.3	34.5	40.8
strongly agree	35.2	43.0	38.0	53.5	42.4
Total	100.0	100.0	100.0	100.0	100.0
Summary Score	Agree	strongly agree	strongly agree	strongly agree	strongly agree

Table 3.1.9 HR Systems and Business Capabilities
Source: data base developed by the researcher

Hypothesis: Strong positive relationship may exist between HR systems of Recruitment & selection, performance management, HRD, reward and the business capabilities.

Independent variables: HR systems of Recruitment & selection, performance management, HRD and reward.

Dependent variable: the business distinctive capabilities.

These statistical results obtained from table 3.1.9 and the following figures seem to support pre-stated hypothesis regarding the significant relationship which may exist between HR systems of recruitment & selection, HRD, performance appraisal, reward and the business capabilities. The four aspects are clearly featured in the work of Fombrun et al. (1984) about HR

cycle and also HR systems of Michael Armstrong (2009)¹⁴⁷. These four attributes of HR cycle were linked and aligned with HR competency framework as developed from the finding of Seema Sanghi (2007)¹⁴⁸ and as shown in chapter 2.3.

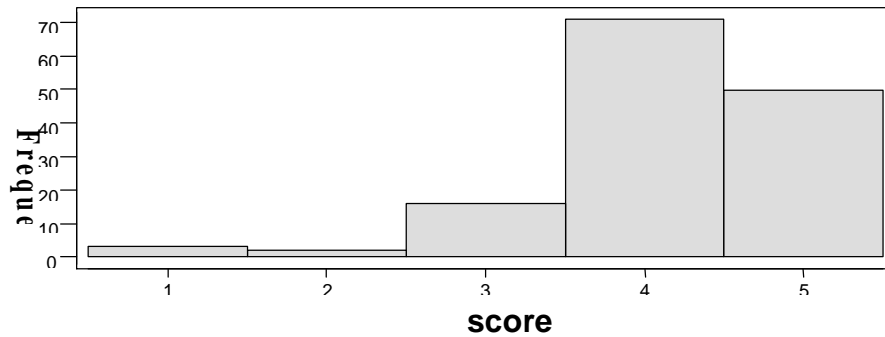


Figure 3.1.20: good recruitment and selection systems are business capability enabler.
Source: Data base developed by the researcher.

It is clear that 50 % of the respondents agree with the statement that good recruitment and selection systems are business capability enabler, giving mean of 4.15 and standard deviation of .833
Other respondents % scores equal to 2.1 totally disagree, 1.4 disagree, 11.3 not decided and 35.2 strongly agree

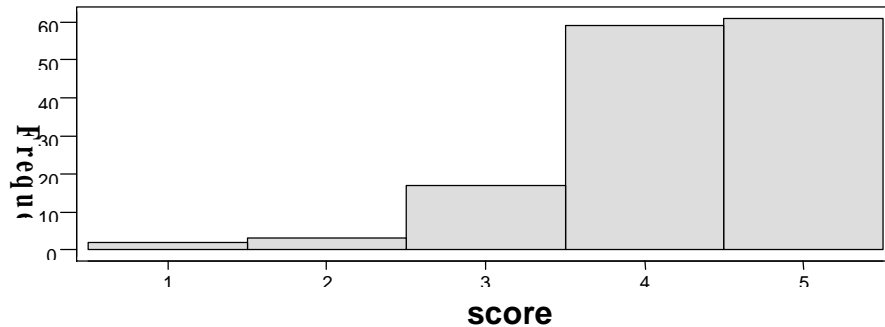


Figure 3.1.21: Best performance management system can boost business capabilities
Source: Data base developed by the researcher.

¹⁴⁷ Michael Armstrong (2009), *Armstrong's hand Book of Human Resource Management*, (Kogan page 11th edition)

¹⁴⁸ Seema Sanghi (2007:16) *The Handbook of Competency Mapping, Understanding, Designing and Implementing Competency Models in Organizations*

It is clear that 43 % of the respondents agree with the statement that good recruitment and selection systems are business capability enabler, giving mean of 4.23 and standard deviation of .845

Other respondents % scores equal to 1.4 totally disagree, 2.1 disagree, 12 not decided and 41.5 strongly agree.

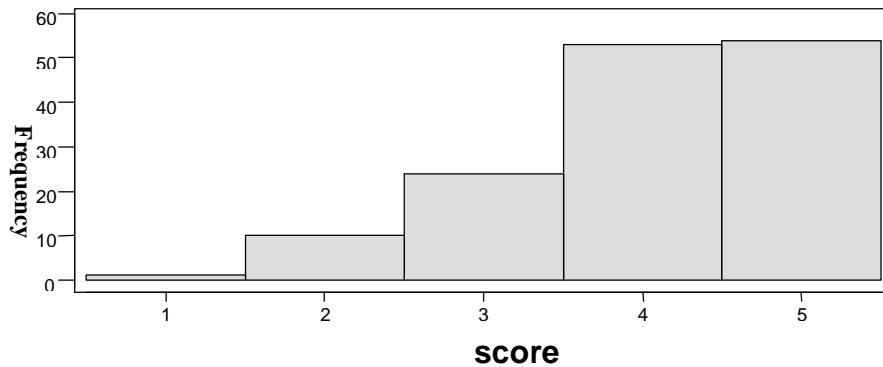


Figure 3.1.22: Company trains and develops its people to rebuild its targeted capabilities
Source: Data base developed by the researcher.

It is clear that 38 % of the respondents agree with the statement that good recruitment and selection systems are business capability enabler, giving mean of 4.05 and standard deviation of .948

Other respondents % scores equal to .7 totally disagree, 7 disagree, 16.9 not decided and 37.3 agree

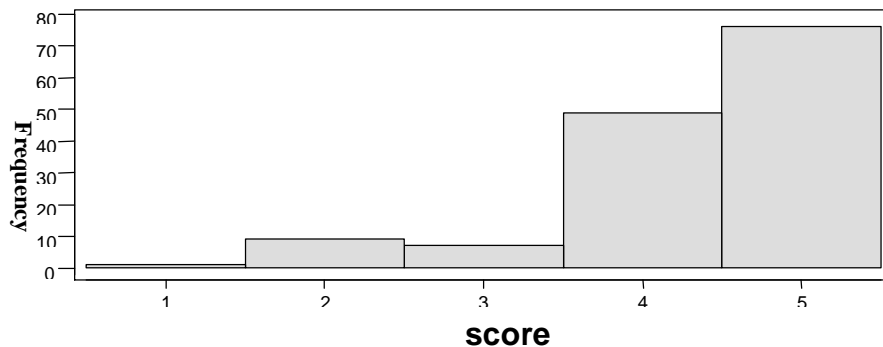


Figure 3.1.23: paying attractive rewards will increase employees' loyalty and retention that build business capabilities

Source: Data base developed by the researcher.

It is clear that 53.5 %of the respondents agree with the statement that paying attractive rewards will increase employees' loyalty and retention that build business capabilities, giving mean of 4.34and standard deviation of .890
Other respondents % scores equal to .7 totally disagree, 6.3 disagree, 4.9 not decided and 34.5 agree

Resources Base View (RBV) and HR Distinctive Competencies

opinion	Resources Base View (RBV) HR Distinctive Competencies	Resources
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	our human resources distinctive competencies sustain competitive advantage when they add value to customers more than competitors	our human resources distinctive competencies sustain competitive advantage when they are rare cannot not be acquired by our competitors	our human resources distinctive competencies sustain competitive advantage when these competencies cannot be imitated and copied by our competitors	our human resources distinctive competencies sustain competitive advantage when they integrate with the overall company systems	Base View (RBV) HR Distinctive Competencies
strongly disagree	2.1	2.1	.7	3.5	2.1
disagree	1.4	6.3	6.4	3.5	4.4
not decided	24.8	20.4	19.9	16.9	20.5
agree	48.2	34.5	31.9	35.2	37.5
strongly agree	23.4	36.6	41.1	40.8	35.5
Total	100.0	100.0	100.0	100.0	100.0
Summary Score	Agree	strongly agree	strongly agree	strongly agree	agree

Table 3.1.10 Impacts of HR Distinctive Competencies on sustaining competitive advantage.

Source: data base developed by the researcher.

Hypothesis: there is strong relationship between the HR distinctive competencies of leadership, talent, cost leadership, customer care and innovation and the business sustained competitive advantage when these distinctive competencies add value to customers more than competitors, when they are rare and not acquired by competitors, when they are imperfectly imitable by competitors and when they integrate with the overall organization systems.

Independent variable: HR distinctive competencies of leadership, talent, cost leadership, customer care and innovation.

Dependent variable: the Business sustained competitive advantage.

To observe their degree of favorability to HR distinctive competencies of leadership, talent, cost leadership, customer care and innovation and their impacts on sustainability of business competitive advantage, respondents unanimously showed high degree of favorability as shown in table 6.15 and the related figures.

This unanimously high degree of favorability concords with the research hypothesis covered in chapter 2.4 where it was hypothesized that a relationship may exist between HR distinctive competencies of talent, leadership, cost leadership, customer connection and innovation and the business sustainable competitive advantage. The obtained statistics are also favorable with finding of the resources base view (RBV) developed by Jay B. Barney Delwyn N. Clark (2007)¹⁴⁹ when these resources add value to customer more than the competitors, when these resources are rare and cannot be acquired by competitors, when these resources are imperfectly imitable by other competitors and when these distinctive resources integrate with the overall organization systems. The shortcoming of Jay B. Barney Delwyn N. Clark is that: they consider the HR as source of competitive advantage from an overall perspective which the same problem of Abraham Carmeli¹⁵⁰ and Jehad S. Bani-Hani and Faleh, Abdelgader AlHawary (2009)¹⁵¹ method of research. We think that our statistics are very selective in choosing HR attributes that sustain the competitive advantage.

¹⁴⁹Jay B. Barney Delwyn N. Clark (2007), *Resource-Based Theory Creating and Sustaining Competitive Advantage*, Oxford University Press, chapter 6 page121.

¹⁵⁰ Abraham Carmel (2005) *How leveraging Human Resources capital with its competitive distinctiveness enhance the performance the commercial and the public organization* Published chapter , Graduate School of Business Administration & Department of Political Science, Bar-Ilan University, Ramat Gan , Israel, Wiley Periodicals, Inc

¹⁵¹ Jehad S. Bani-Hani and Faleh, Abdelgader AlHawary (2009), *The Impact of Core Competencies on Competitive Advantage: Strategic Challenge* , published chapter, *International Bulletin of Business Administration* ISSN: 1451-243X Issue 6 (2009).

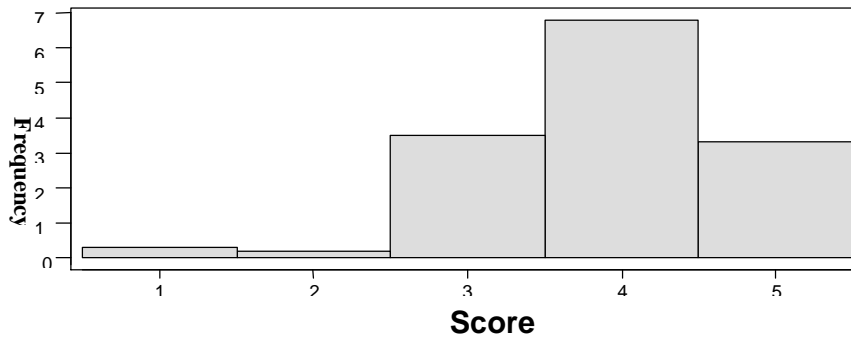


Figure 3.1.24: HR distinctive competencies sustain competitive advantage when they add value to customers more than competitors.

Source: Data base developed by the researcher.

It is clear that 48.2 % of the respondents agree with the statement that HR distinctive competencies sustain competitive advantage when they add value to customers more than competitors, giving mean of 4.3 and standard deviation of .852

Other respondents % scores equal to 2.1 totally disagree, 1.4 disagree, 24.8 not decided and 23.4 agree

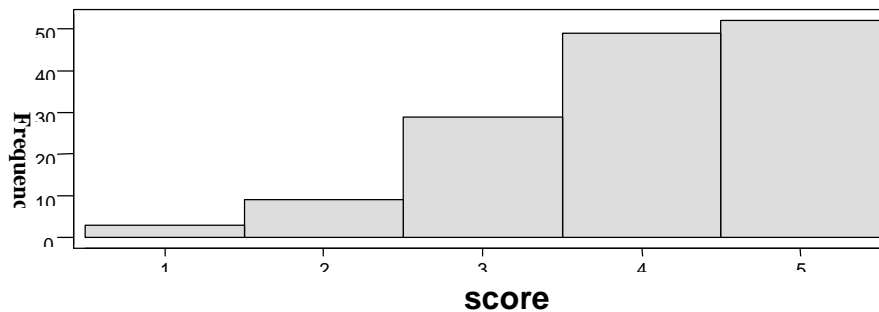


Figure 3.1.25: HR distinctive competencies sustain competitive advantage when they are rare and not to be owned by our competitors.

Source: Data base developed by the researcher.

It is clear that 36.6 % of the respondents strongly agree with the statement that HR distinctive competencies sustain competitive advantage when they are rare that cannot not be acquired by our competitors, giving mean of 4.15 and standard deviation of .833

Other respondents % scores equal to 2.1 totally disagree, 16.3 disagree, 20.4 not decided and 34.5 agree

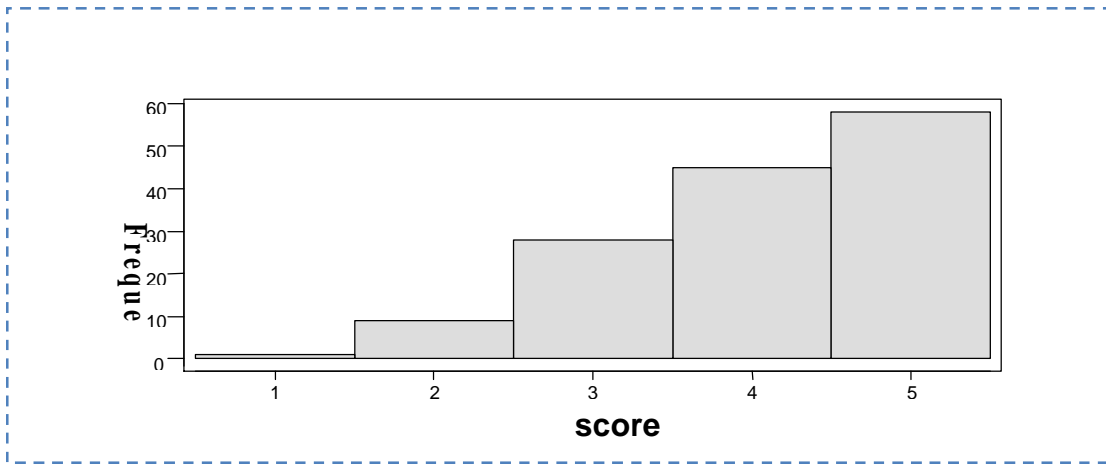


Figure 3.1.26: HR distinctive competencies sustain competitive advantage when these competencies cannot be imitated and copied by other competitors.

Source: Data base developed by the researcher.

It is clear that 41.1% of the respondents strongly agree with the statement HR distinctive competencies sustain competitive advantage when these competencies cannot be imitated and copied by other competitors, giving mean of 4.23 and standard deviation of .845.

Other respondents % scores equal to .7 totally disagree, 6.4 disagree, 19.9 not decided and 31.9 agree.

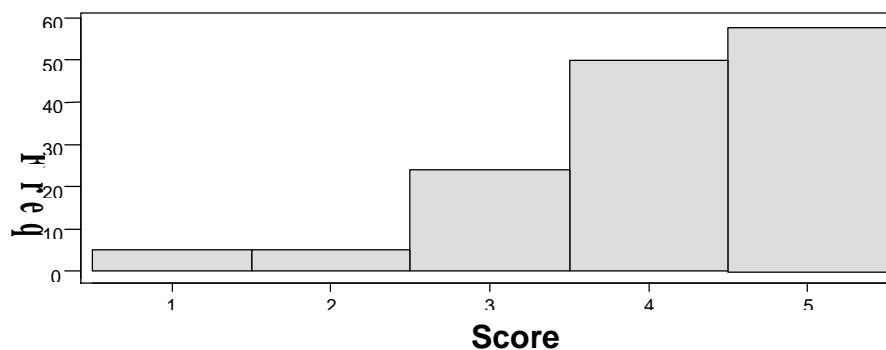


Figure 3.1.27: HR distinctive competencies sustain competitive advantage when they integrate with the overall organization systems.

Source: Data base developed by the researcher.

It is clear that 40.8% of the respondents strongly agree with the statement that HR distinctive competencies sustain competitive advantage when they integrate with the overall company systems, giving mean of 4.05 and standard deviation of .948

Other respondents % scores equal to 3.5 totally disagree, 3.5 disagree, 16.9 not decided and 35.2 agree

Quantitative analysis

The aim of this section is to investigate the existence of relationships between some of HR variables and the production (data obtained from production and HR). These variables are, namely:

- Investment in medical service
- Free meal provided at the place of work.
- Investment on HRD.
- The employee satisfaction index.
- Employee turnover.

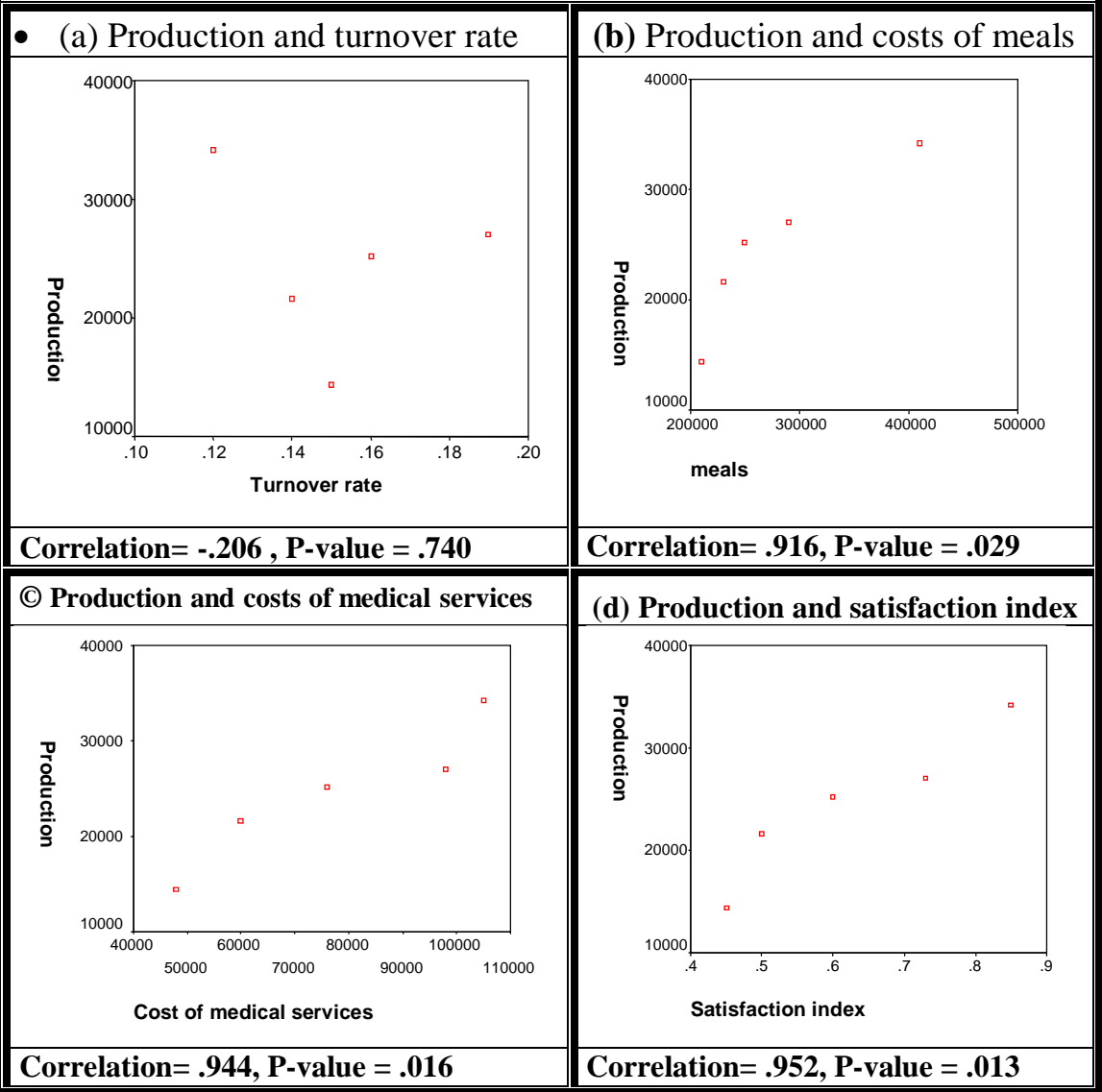
Relationships between these variables were also under investigations. Accordingly, data was sought from two companies covered in this research. Despite the efforts exerted in this regard, only two of the three companies allowed access to their data base while the other one either refused or failed to provide data agreed upon in time table stated for research purpose. It is finally decided to proceed with the two company data which are here under summarized separately:

1. Analysis of statistical data collected from Blue Nile Dairy:

Year	Production • In units	Employee Turnover rate	Cost of providing free meals	Cost of medical services	Satisfaction index
2007	• 14400	• 0.15	210000	• 48000	• 0.45
2008	• 21600	• 0.14	230000	• 60000	• 0.50
2009	• 25200	• 0.16	250000	• 76000	• 0.60
2010	• 27000	• 0.19	290000	• 98000	• 0.73
2011	• 34200	• 0.12	410000	105000	• 0.85

Table 3.1.11: Blue Nile Dairy HR variables and its linear relationship with Production during 2007 – 2011

- Using these data the correlation between each of the HR variables included in the table above and production, following scatter diagrams were plotted coupled with the related Pearson correlation coefficients.



- Figure 3.1.28: Scatter diagrams and correlation coefficients for data of table 3.1.11
- Source: Data base developed by the researcher.

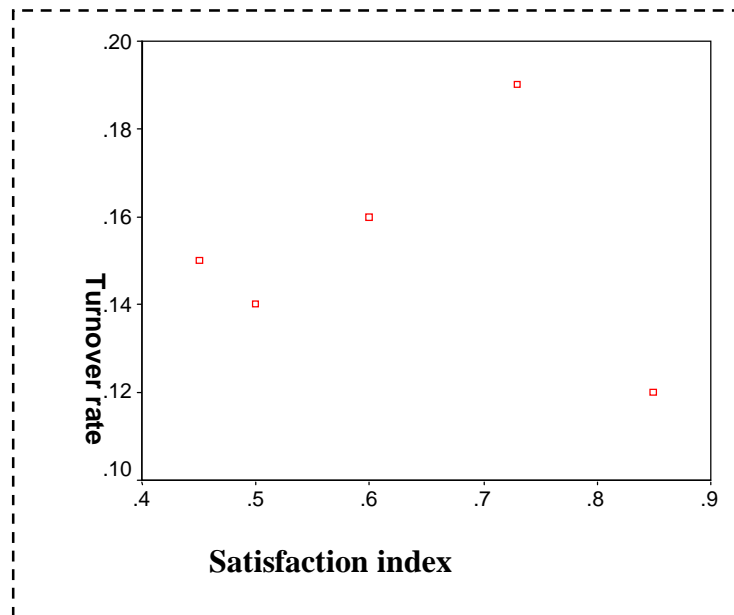
A cursory look at charts (a)-(d) at figure 3.1.28 shows that, excepting the turnover rate which doesn't seem to have a relationship with production, all other three HR systems are linearly positively related with production. Their correlations with production are significant at a 5% level and are strong.

However, this data showed that there is linear relationship between HR variables of investment in free meals at work places, investment in free medical services and having high Satisfaction index among the employees. All these HR inputs whether individually or collectively have positive linear relationships with highly sustainable performance .

These findings support our thematical research approach that HR systems are strategic enabler to the business success.

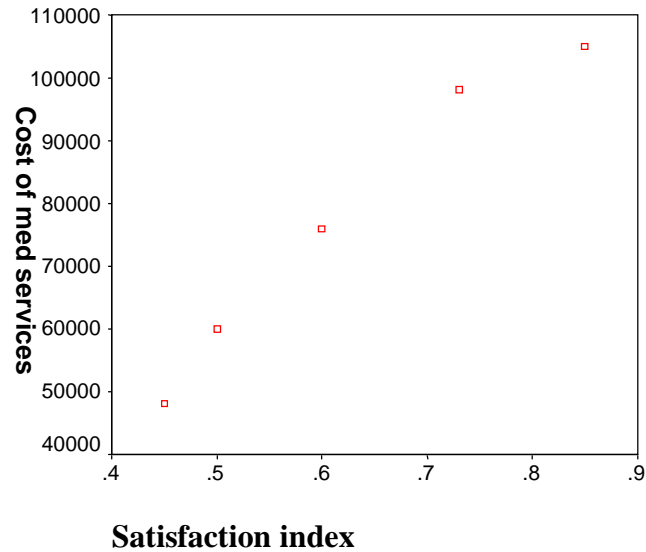
It may be interesting to explore the existence of a relationship between employee satisfaction index and the employee turnover. The scatter diagram and correlation below show that no significant linear relationship exists between the two variables. Correlation = $-.091$, $p\text{-value} = .884$

-



- Figure 3.1.29: Scatter diagrams and correlation coefficients for satisfaction index and turnover.

Source: Data base developed by the researcher



- **Correlation 0.984 with p-value = 0.002**
- Figure 3.1.30: Scatter diagrams and correlation coefficients for satisfaction index and cost of medical service.
- Source: Data base developed by the researcher

Moreover, the correlation between investment in medical services and level of employees' satisfaction is found to be 0.984 with a p-value = 0.002. These indicates that a significantly strong positive correlation exists between the two variables. This finding indicates the positive relationship between investments in medical expenses as source of employees' satisfaction index and the employees' satisfaction. This, however, strongly supports the concept of sustainable human resources. According to this thematical argument sustainability in HRM is achieved when there are continuous investments in the sources of the resources. In these findings the source is the medical services while the resource is the employees' satisfaction which has the causal relationship and linear positive impact on the company performance. When imply this result to the cause and effect equation this indicates that two independent variables cause one dependent variable, while in the same time the two independent variables have also got a causal relationship. In this case, the source is the independent variable and the resource is the dependent variable which is sustained and achieved through investment in the source. However, this finding supports the assumption of the horizontal integration between the different HR variables and the sustained business performance as strategic objective.

2. Testing statistical data obtained from Pasgianos:

year	production	Employee Turnover • rate	Investment in Training	Investment in free meals	Investment in medical services	Satisfaction index
2007	• 2884568	• 0.40	• 15000	• 160000	• 80000	• 0.55
2008	• 4411811	• 0.17	• 20000	• 192000	• 92000	• 0.59
2009	• 4769009	• 0.09	• 38000	• 224000	• 120000	• 0.60
2010	• 4984845	• 0.05	• 53000	• 272500	• 130000	• 0.61
2011	• 5043181	• 0.03	• 70000	• 302500	• 180000	• 0.69

Table 3.1.12: Pasgianos Food & Beverage Production and some HR aspects during 2007 – 2011.

Source: Data base developed by the researcher

	Satisfaction index	Investment in medical	Investment in free meals	Investment in training	Turnover rate	Statistical tool	Item tested
	.759	.752	.845	.782	-.996	Pearson Correlation	Production
	.137	.143	.072	.118	.000	Sig. (2-tailed)	
	-.791	-.798	-.883	-.829		Pearson Correlation	Turnover rate
	.111	.106	.047	.083		Sig. (2-tailed)	
	.920	.978	.989			Pearson Correlation	Investment in training
	.027	.004	.001			Sig. (2-tailed)	
	.912	.955				Pearson Correlation	Cost of free meals
	.031	.011				Sig. (2-tailed)	
	.972					Pearson Correlation	Cost of free medicine
	.005					Sig. (2-tailed)	

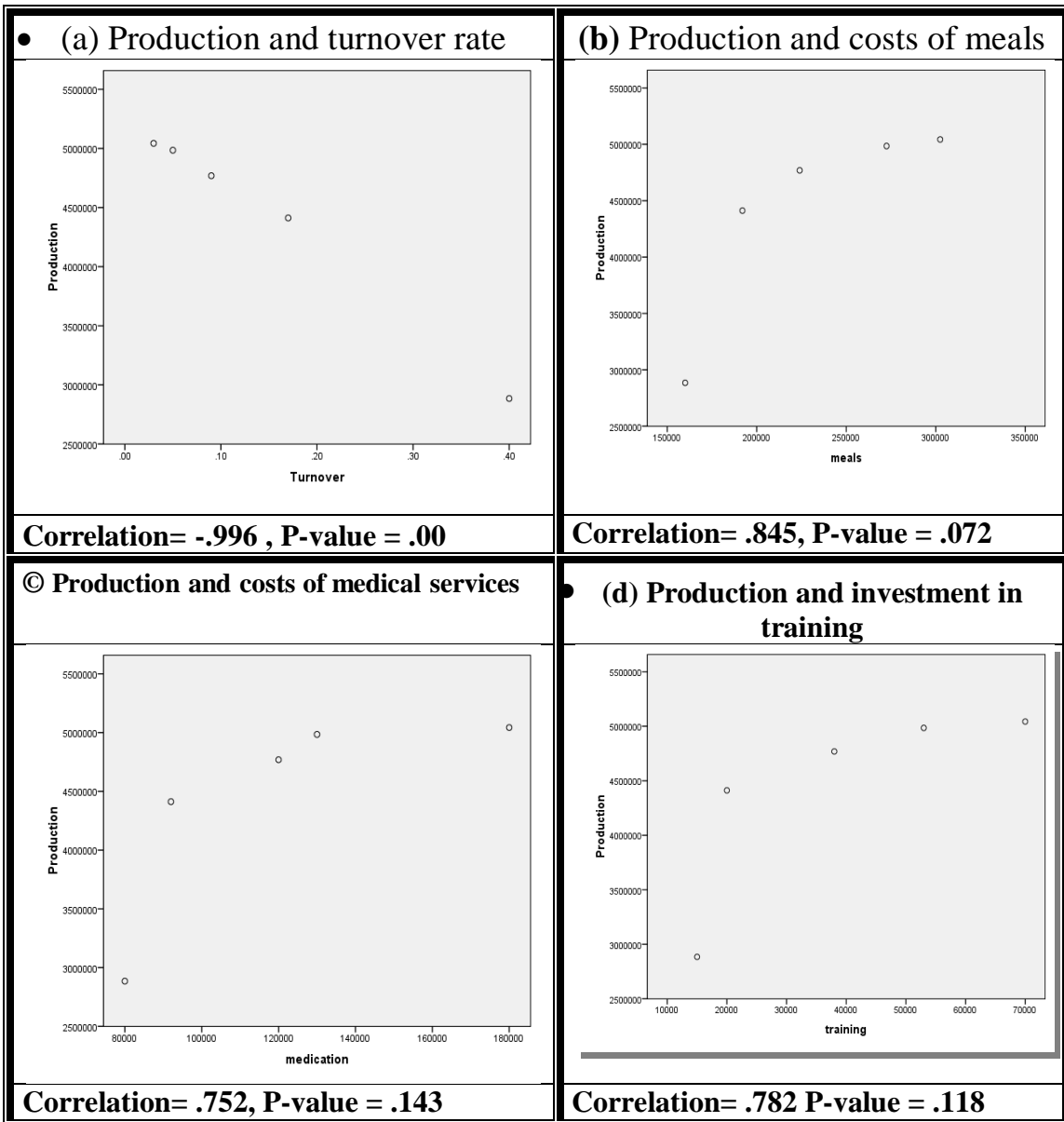
Table 3.1.13: Pasgianos Food & Beverage Production and some HR aspects during 2007 – 2011. Correlations Matrix.

Source: Data base developed by the researcher

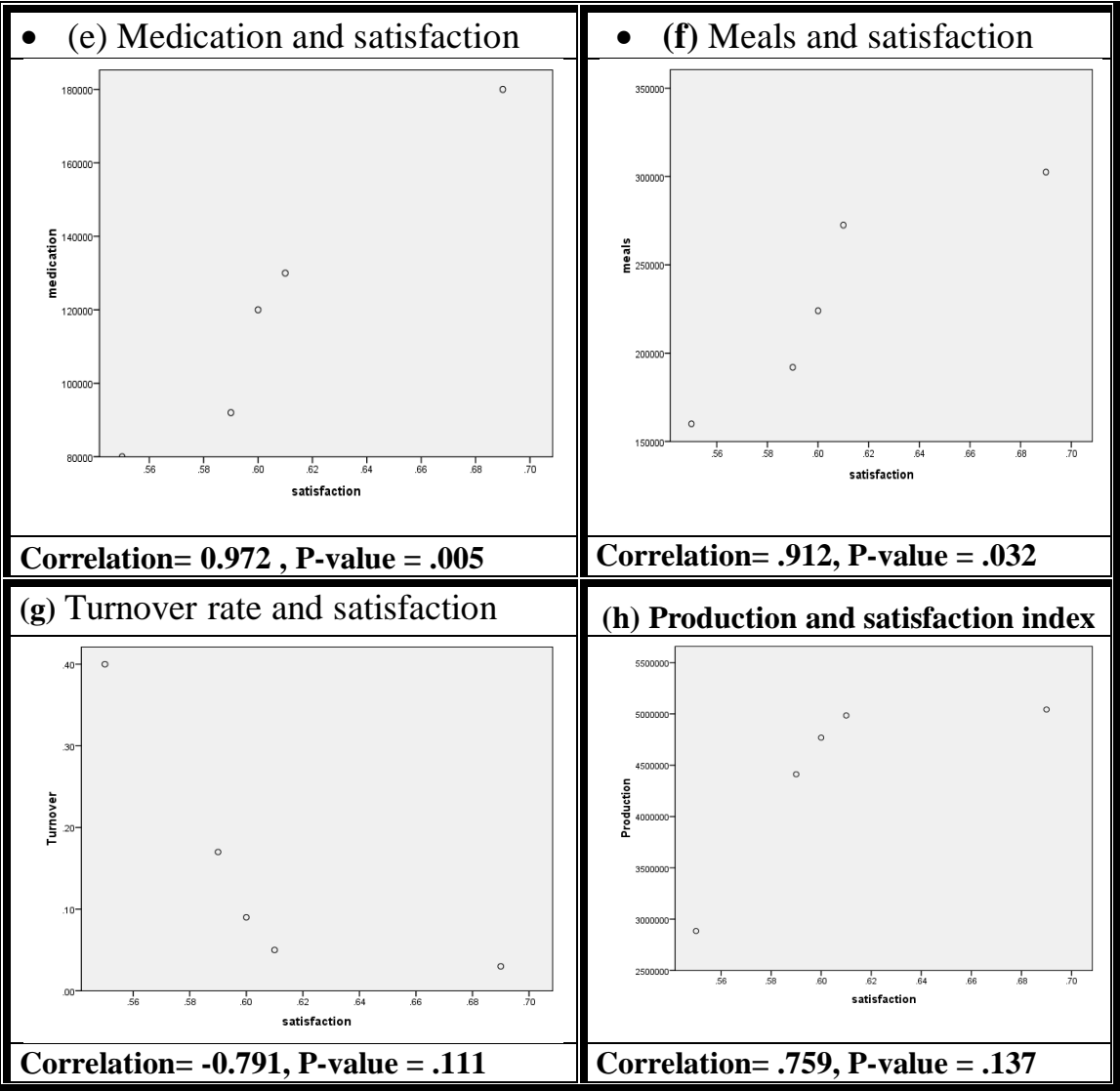
**** Correlation is significant at the 0.01 level**

* Correlation is significant at the 0.05 level .

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- Figure 3.1.31: Scatter diagrams and correlation coefficients for data of table 3.1.12 and its relationship with the company performance
Source: Data base developed by the researcher
- It is observable from correlations matrix and scatter diagrams in figure 3.1 that production in Pasgianos Company is negatively related with turnover rate. When the turnover decreases the production increases. From other side the graphs show that each of those other variables of costs of meals, costs of medical services, cost of training are curvilinear correlated with the Company production curve. This is conformable with the nature of these variables as HR inputs.



- Figure 3.1.32: Scatter diagrams and correlation coefficients for data of table 6.16 and its relationship with each other..
- Source: data base developed by the researcher

A cursory look at charts (e)- (h) and the related correlation values reveals that providing free medical care in (e) is significantly strongly and positively correlated with satisfaction index. Providing free meals as in (f) is also significantly and positively correlated with satisfaction index. However, neither retention rate nor production is significantly linearly related with satisfaction level. As a matter of fact, a drop in the turnover rate is likely to be curvilinear negatively related with level of satisfaction.

Regarding the level of production, it is seen from chart (h) that the two of satisfaction index and production variables are positively curvilinear related to a certain point where production goes up when the employee satisfaction index increases.

RESEARCH SECTION 3.2

DISCUSSION OF FINDINGS AND RECOMMENDATIONS

Introduction

In this research section we are going to discuss the findings and the implications and to develop further recommendations which will be based on the obtained results. The research section will finally end up with the research limitations and recommendations for future research in human resources management.

Findings and implications

The objectives of this thesis was to set a model for aligning the HR strategy with the business strategy. Through this model we want to prove that when this strategic alignment is coupled with transformation to HR it will lead to three strategic outcomes:

- Rebuilding the business strategic capabilities.
- Adding value to the business key stakeholders.
- Sustaining the business competitive advantage.

However, in the following points we are going to explore discussions of findings obtained from the statistical results outlined against the tested hypothesis.

1. Findings derived from the alignment of HR strategy and the business strategy

- In the first hypothesis and its subsidiary hypotheses which were built around the alignment of the HR strategy and the business strategy we concluded with findings that:
 - High performance in the three companies was related to the development of an integrated overall strategy. Mainly, when these companies have a clear HR strategy aligned with their overall strategy.
 - We also found that the senior-level leaders in the three businesses supported the HR strategy.
- However, such findings classify these companies as HR oriented businesses because they gave much strategic concerns to HR issues by aligning HR strategy with business strategy. These research findings set a good rationale and sound answers to our research problem that in many organizations HR is not strategically oriented and it was kept far behind the team.

- Our research's findings statistically proved that strong positive relationship existed between the businesses integrated strategy and successful performance. This conformity occurred when HR was strategically aligned to the other business gears and when all these gears including the HR were, vertically and horizontally, pulling together towards achievement of the business successful performance.

2. Findings derived from HR transformation

The second research hypothesis was built around a central research question: How can HR transformations enable the business to build and reshape its strategic capabilities? This research question stems from the research problem that HR systems and people are traditional, administrative, bureaucratic, rigid and not moving with same agility of the other business gears.

It is our strong argument that transformation of HR systems and people has to be introduced to conform to the process of strategic alignment of the HR strategy and the business strategy. This transformation process will have strong positive impact on rebuilding and reshaping the business strategic capabilities that enable the business add value to the stakeholders and sustain its competitive advantage.

Our research findings revealed that:

- Strong positive relationship existed between transformation to HR systems and people and the business strategic capabilities.
- However, this finding of business strategic capabilities was translated as business abilities to efficiently and effectively use its resources and competencies to achieve its strategic objectives.
- However, the implication of this finding has its causal effects on the quality of value chain which is added to the stakeholders and sustainability of competitive advantage. These two causal outcomes should always underpin any business strategic objectives.

3. Findings derived from the impact of HR distinctive competencies of talent, cost leadership, customer satisfaction and innovation and their role in achieving business success.

- The third hypothesis is built around the research thematical question of HR distinctive competencies and their role in achieving the business strategic objectives.
- In the present era, the question of HR competencies has become a fad in the business development. Our research findings were built around five distinctive competencies which were derived from within the business competency map and the business core competency pool. These five HR

distinctive competencies were leadership, talent, cost leadership, customer satisfaction and innovation. Our research findings implied that:

- These HR distinctive intangible competencies added value and generated income to the companies when these Companies invested in talent people which improved the customer satisfaction.
- When these companies have cost leadership competency which improved its market position by offering products of reasonable prices.
- Findings revealed that when these companies acquired the competency of looking after the needs and expectations of their customers it increased the customer's attraction, retention and loyalty.
- Findings also revealed that when these Companies invested in innovation and develop methods that care for the innovative employees and developed HR systems that encouraged innovation it generated high quality products that differentiated them in the market place.
- However, such findings have their direct implications on business success in term of customer satisfaction, offering customers product of reasonable prices and producing distinctive and high quality products that differentiate them in the market place.

-

4. Findings derived from the impact of HR systems of recruitment & selection, performance appraisal, training & development and reward on building the strategic capabilities

- The fourth hypothesis is built on the argument that positive statistical relationship exists between HR systems of recruitment & selection, performance management, training & development, reward and the reshaping of the business strategic capabilities.
- However, our research finding, based on the obtained results from the analysis of the collected statistical data from the field work, revealed that the above HR systems have strong positive impacts on building the capabilities of the test companies. Based on the Model of HR cycle of Fombrune et al 1984, four HR systems were tested to verify their positive affect on the business strategic capabilities.
 - Statistical results showed that recruitment & selection were business strategic enablers since they supplied the business with the right talented people in the right time and the right place. However, such good HR supply resulted in building the strategic capabilities of these companies.

- The HR system of performance appraisal showed its strategic implications on boosting the strategic capabilities in the selected companies when the performance of the employees is assessed against the overall company's objectives.
- The HR systems of Human resources development proved to have positive effect on the strategic capabilities as the training and development have their role on building the present and the future capabilities of the targeted employees who in return will have their positive implications on the strategic capabilities of the tested companies.
- Finally statistical results revealed that paying attractive rewards will increase employees loyalty and retention that build the strategic capabilities in the above three companies.
- However, these findings showed the positive relationship existed between these selected four HR systems and the strategic capabilities. The implication of these findings will be stronger when these four HR systems are developed within HR competency frame work where each system is built on selected and target competencies.

• **5. Findings derived from the impact of HR distinctive competencies on improving the market position and sustaining the competitive advantage.**

The fifth main research hypothesis is built around the main research question: How HR distinctive competencies sustain the business competitive advantage? The answer to this question is supported by the findings of the resources base view (RBV) which indicates that the organization is bundle of resources whenever these are efficiently and effectively used they will have their direct impact on the organization performance. Our research thematical hypothesis assumed that business human resources are strategic resources which underpin sustainability of the business competitive advantage, when these resources are more effectively and efficiently used than the business competitors. To test the validity of our research thematical hypothesis five HR distinctive competencies of talent, leadership, cost leadership, customer care and innovation were selected. The aim was to see how these HR distinctive resources meet the four attributes of the (RBV): when these resources are Valuable, Rare, imperfectly imitable and can be exploited by a firm's Organizational processes. However, our research statistical finding revealed that:

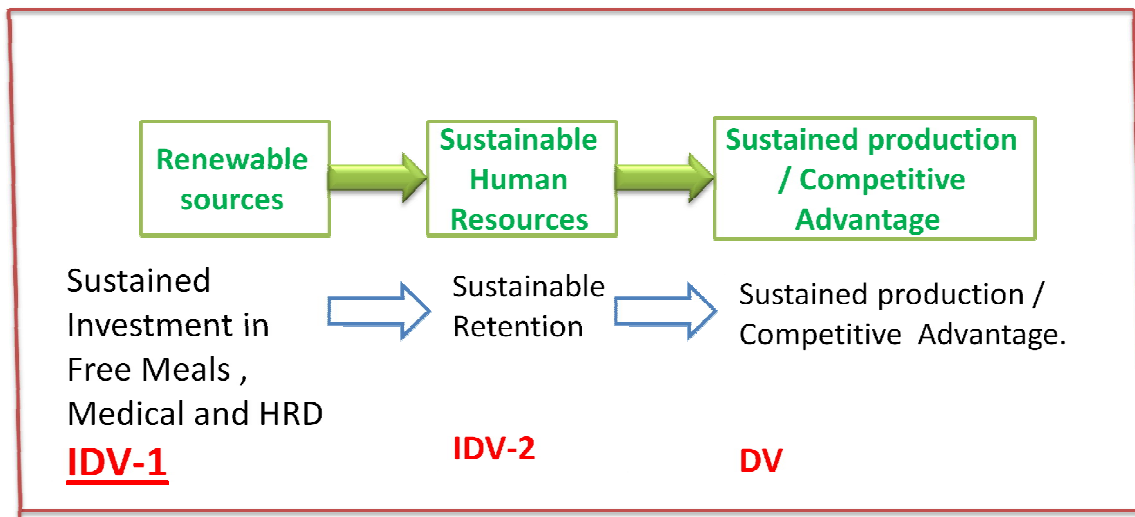
- Human resources distinctive competencies sustained competitive advantage when they added value to customers more than the competitors.
- Human resources distinctive competencies sustained competitive advantage when they were rare and not be acquired by the competitors.
- Human resources distinctive competencies sustained competitive advantage when these competencies were imperfectly imitable and copied by our competitors.
- Human resources distinctive competencies sustained competitive advantage when these distinctive resources vertically integrated with the organization systems.

These research findings have strong and direct implications on the human resources management (HRM). However, these findings revealed that HR distinctive competencies are the new nonconventional approach for sustaining the competitive advantage. However, tangible capital like money, physical production input, land and technology are threshold competences which equally owned and accessed by the competitors in the industry. Accordingly, all competitors are under competitive parity. However, the only resources which sustain competitive advantage are the intangible resources which are the deliverable of the human resources.

6. What are the findings which were obtained from the relationship between HR independent variables and the Companies' production curve as dependent variable? How the integration between these variables supported the new concept of sustainable HRM?

-
- Statistical results revealed that positive relationship between the selected four HR variables of HR investment in HRD, investment in medical care, investment in free meal in the work place were strongly and positively linear with the production curve in the two companies. However, such findings support the argument of HR horizontal integration in improving the business performance. In the meantime, statistical result revealed that strong positive relationship existed between these HR independent variables of investment in HRD, investment in medical care, investment in free meal in the work place and HR independent variables of the employee turnover (retention) and employee satisfaction index. However, these two variables of retention and satisfaction index have strong linear relationship with production as well.

- These unique results obtained from the two companies have got implications on the new concept of "sustainable HRM" and the Green HR" which indicate the business sustainable growth through sustainable HRM as shown in figure 3.2.1. However, sustainable HRM which was obtained as a result of investment in sustainable and renewable sources will have direct positive impact on sustainable production. These statistical data revealed that continuous investment in the source of human resources which was the investment in free meals, free medical service and HRD (independent variables) have positive impact on sustainability of human resources of satisfaction index and retention (independent variable2) which they have in return their positive relationship with the production of the two companies (dependent variable).



- Figure 3.2.1 Sustainable HRM and Green HR
- Source: Developed by the researcher.
- However, these findings which were based on the relationship between these variables are very unique since all the researches data for PhD thesis (whether in Sudan or overseas) were statistically analyzed based on the data obtained from the questionnaires. No empirical researches and testing were made on data obtained from the operation so as to avoid the questionnaire limitations. This is a strong advantage to this thesis.

7. Findings and distinctions between the business' capabilities, resources and competencies

- Other distinctive findings of this thesis are clearly attributed to the distinction that was made between three interchangeably used terms of resources, competencies and capabilities. Actually, many scholars including Dave Ulrich, Gary Hamel and C.K. Prahalad are confused when using interchangeably these terms.
- According to this research findings resources and competencies have got the same meaning, while capabilities are the outcomes of the effective and efficient use of the resources and competencies or in other words strategic capabilities are built through the best use of these tangible and intangible resources (RBV). The distinction between the three variables is illustrated in the following formulas developed in this research:
 - **Tangible resources (tangible Competences) + Intangible resources (intangible competencies) = capabilities**
 - **OR**
 - **Tangible capital Stock + Intangible capital stock = The business capabilities**
- However, once the organization capabilities are built through the alignment of the tangible and the intangible competences, value can be added to the organization stakeholders so as to sustain the competitive advantage. This distinctive finding was very much appreciated and positively commented by Dave Ulrich during his recent visit to Sudan. However, some of his comments and appreciation on these findings are available on the internet link¹⁵² and as attached in appendix 5.

Recommendations

Based on the literature review, the obtained results from statistical analysis and the discussion of findings we need to develop recommendations to end up this thesis. However, the recommendations are going to be classified into special recommendations which mainly look after the field work development while general recommendations are going to be developed to suit the macro level and how the thesis's results can serve both sectors to use their human resources as business strategic enabler by adapting the research model of aligning the HR strategy with business strategy, HR transformation and how this alignment and HR transformation enable the business to build its strategic capabilities, add value to its stakeholders and at the end sustain the business competitive advantage.

Special recommendations

The following recommendations are strongly recommended for implementation in the research field:

¹⁵² <http://www.omarwahab.blogspot.com/>

1. Managers and business leaders in the above companies have to align the HR strategy with business strategy while they developing their companies corporate strategies. They have to convey this strategic message to all their line managers who are involved in the interpretation of the business day to day operations. They have to understand that HR is the most valuable resources of their business.
2. For a sound strategic alignment that leads to positive outcomes, transformation to HR is highly recommended. HR transformation should look after the people who are running the HR function to assess their present and future competencies and to see to what extent those people are competent to act as strategic change leaders. Within the transformation pipeline, these companies have to introduce change to all HR systems. Verification has to be made to see how these systems horizontally align with each other and vertically integrate with other business systems.
3. Within the transformation to HR systems these companies have to carefully assess the outcomes of the HR transformation in term of strategic capabilities. How efficient use of resources and competencies will result in building their business capabilities?
4. Within the outcomes of HR transformation it is strongly recommended that these companies have to pay much care to the value added to their stakeholders and to assess the value chain within their operation process. However, implementing this recommendation would result in improving the profit chain obtained from the maximization of the stakeholders' satisfaction.
5. As a third outcome of the transformation to HR, business leaders have to pay much care to the question of their market position and sustainable competitive advantage. Statistical methods of measuring the sustainability of the market share have to be viewed and verified.
6. Strong recommendation has to be introduced regarding the HR cycle. Much care has to be taken to the questions of recruitment & selection in order to supply the business with the best talented people. Consideration has to be given to appraisal system which is related to the business strategy and overall objectives. Special care has to be made to the development of the employees' current and future potential and the question of reward since good reward has positive impacts on the question of retention and loyalty. However, this HR cycle imbed all HR activities that lead to the achievement of the strategic objectives.

7. Our research results revealed that the traditional wisdom of the role of tangible capital stock in sustaining the business competitive advantage has begun to twist towards the nonconventional concept of the intangible capital stocks which are the deliverable of HR distinctive competencies. However, we strongly recommend that the studied companies have to develop competency frameworks to look after creation of corporate competencies map for all the business fractions. A pool of competencies has to be nurtured, then from this pool of competencies selection to HR distinctive competencies has to be made according to the nature of the business and the market structure.

General recommendations

The following recommendations are developed from the research findings which are strongly recommended for implementation in the other business related fields or in the macro level:

1. We strongly recommend that HR management has to be introduced in all High Education Institutions as it concerns all those who are going to work , after graduation, in the different professions.
2. High considerations have to be given to the human capital as the Country most valuable wealth. Immediate solution has to be made to Sudanese brain drain and the human capital flight mainly among the high technical calibers.
3. Consideration has to be given a sustainable human resources management. The question of sustainability needs heavy and continuous investment in the sources that develop and retain this strategic capital. Although, investment has to be made to the development of the Country infrastructure of learning and development including basic and secondary schooling levels in addition to the higher education's institutions. Investment has to be made also on the professionals who work in these institutions by creating and developing the environment that increase their retention and stop the brain drain.
4. The country leaders have to accept the findings that tangible capitals are not the sole capability builder. Our findings revealed that these tangible capitals will be value less unless considerations are given to the intangible capital stock. However, competencies like peaceful transfer of wealth and power, transparency, accountability, cost leadership; corporate governance, equal opportunity employment, succession planning and recognition to other citizen rights are

- valuable intangible competencies that positively contribute to the development of the Sudanese Nation.
5. The country leadership has to think strategically to align the country human capital strategy with National Corporate Strategy. We recommend that the Country leaders have to develop the Nationwide Competency Map (NCM) for aligning the HR strategy with Country overall strategy.
 6. For the development and recognition of the role of the HR professionals in the Country, a professional body that acknowledges the professional membership of the HR professionals should be identified and supported by the Government.

Limitations in the research study

It is worth mentioning that the whole thesis is a new and a proactive approach in strategic HR management. Most of its hypotheses and arguments have been comprehensively discussed and led to sound and concurrent results. Despite these points of strength we have to confess that the thesis has embedded limitations which have to open new horizons for the other scholars to conduct their future research to uncover these limitations. However, one of the main limitations is the numbers of companies selected as a sample study was not large to cover the whole study. However, it looks very useful if the sample case study has to be enlarged to include different and wide range of companies and business firms in different industries. Also as second limitation, the time frame has to be increased.

Recommendations for future research

Within the research strategic objectives, the following directions are suggested for future research:

1. There is growing concern on the role of HR in building the business capabilities despite this fact few empirical researches were made. This grey area needs more explorations from scholars and to prove how HR can contribute in reshaping and reengineering the business strategic capabilities.
2. Currently there is a continuous debate on the role of HR in creation of the value chain and the value added to the business stakeholders. However, few researches were made, this strategic role need to be fully covered through research development.
3. Some proponents believe that the intangible capital stocks which are the deliverable of HR competencies are the new non conventional approach for improving and sustaining the business competitive advantage. However, by conducting empirical research based on the

resource base view concept (RBV) some encouraging findings may be obtained.

4. The relationship between the business strategy and the business performance is always a grey area in strategic human resources management. Still very few researches were made on the relationship between employees' performance and the business strategy.
5. The question of sustainable HRM and the green HR are strategic findings of this research. Since other physical resources are subject to depreciation, exhaustion and erosion the human resources is also subject to same elements of decline. The emerging concept of sustainable HR as enabler for sustainable business success and everlasting growth need more empirical researches.

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APPENDICES

Appendix 1 :English letter of interview introduction

Sudan University for Science and Technology College of Higher studies

Subject: Questionnaire for PhD Thesis

Dear sir.....

I am writing you to invite you to participate in an important research project. The attached questionnaire is designed for a PhD thesis in Business Administration (HR) at the Sudan University, Faculty of Higher Studies on the title of:

Aligning Human Resources strategy with Business strategy, Questions of: HR Transformation, Building the Business capabilities adding value to the business key stakeholders and sustaining the business competitive advantage through the Human Resources.

We would be very grateful for your participation in this important research. Please answer all the questions; it should take about 10 minutes. Please know that all data you provide will be dealt with utmost confidentiality.

Meanwhile a free copy of the research will be available for free to those who participate in the study.

Thanks for your cooperation.

Omar Abd Al Wahab Mohd

PhD learner

Faculty of Higher Studies

Sudan University for Sciences and Technology

awrad2000@yahoo.co.uk

0912330326

Appendix 2: interview form

1. Classification Information

Age group in years:

- (1) 20- 29 and above (2) 30 – 39 (3) 40- 49 (4) 50

Gender:

- (1) Male (2) Female

The last obtained Academic Qualification

- (1) High Secondary School PhD (2) Diploma (3) BSc (4) master (5)

Job Title

- (1)Board level (2) GM /CEO/ Deputy/Asst GM (3) Dept Head
 (4) Section Head (5) Other Staff

2. Questionnaire

How each of the following statements in your Company can be rated on the following scale?

Please tick ()inside only one circle on the scale.

Scale key is shown under:

-
-
-
-
-
-
-
-

Scale key

1	2	3	4	5
Strongly disagree	Disagree	Not decided	Agree	Strongly agree

(1) Aligning HR strategy with business strategy

1. We relate high performance
 • to an integrated overall strategy.
 •
 2. We have a clear HR strategy

1 2 3 4 5

1 2 3 4 5

- which is linked to its overall strategy.
-

3. The senior-level leaders support
 - HR strategy.

1	2	3	4	5
---	---	---	---	---

(2) HR Transformation

4. We encourages change and
 - transformation to HR systems
 - as a part of strategic change management.

1	2	3	4	5
---	---	---	---	---

5. We introduce HR transformation to
 - rebuild our Company capabilities.

1	2	3	4	5
---	---	---	---	---

6. We introduce HR transformation to improve
 - the value added to our customers.

1	2	3	4	5
---	---	---	---	---

7. We Transform HR to improve
 - our business competitive position.

1	2	3	4	5
---	---	---	---	---

(3) HR distinctive competencies

8. when we adopt good leadership style, it
 - will positively affects business success.

1	2	3	4	5
---	---	---	---	---

9. When our Company invests in talent
 - people it will improve our customer satisfaction .

1	2	3	4	5
---	---	---	---	---

10. Our Company manage cost leadership
 - to improve its market position by offering
 - products of reasonable prices.

1	2	3	4	5
---	---	---	---	---

11. We always look after the needs and
 - expectations of our customers to increase
 - their attraction, retention and loyalty.

1	2	3	4	5
---	---	---	---	---

12. Our Company invests in innovation
 - to produce distinctive and high quality
 - products that differentiate us in the
 - market place.

1	2	3	4	5
---	---	---	---	---

(4) HR systems and business capabilities

13. Good recruitment and selection systems are business capability enabler.

1	2	3	4	5
---	---	---	---	---

14. In our Company we believe that best
• performance management system can
• boost our business capabilities

1	2	3	4	5
---	---	---	---	---

15. In our Company we train and develop
• our people to rebuild our targeted capabilities.

1	2	3	4	5
---	---	---	---	---

16. Paying attractive rewards will increase
• employees loyalty and retention that build
• our capabilities.

1	2	3	4	5
---	---	---	---	---

(5) Resources Base View (RBV)

• **HR distinctive competencies**

17. Our human resources distinctive competencies
• sustain competitive advantage when they add
• value to customers more than our competitors.

1	2	3	4	5
---	---	---	---	---

18. Our human resources distinctive competencies
• sustain competitive advantage when they
• are rare and cannot not be acquired
• by our competitors.

1	2	3	4	5
---	---	---	---	---

19. Our human resources distinctive competencies
• sustain competitive advantage when these
• competencies cannot be imitated and copied
• by our competitors.

1	2	3	4	5
---	---	---	---	---

20. Our human resources distinctive competencies
• sustain competitive advantage when they integrate
• with the overall Company systems .

1	2	3	4	5
---	---	---	---	---

Appendix3: interview introduction (Arabic)

جامعة السودان للعلوم والتكنولوجيا
كلية الدراسات العليا

التاريخ: / / 2012م

السيد/.....

المحترم

الموضوع: إستانان لإطروحة الدكتوراه

بكالأحترام والتقدير نضع بين يديكم نسخة من هذا الإستانان الذي تم تصميمه لنيل إطروحة الدكتوراه بالبحث في إدارة الأعمال (الموارد البشرية) من جامعة السودان، كِلّة الدراسات العليا تحية بعنوان: ربط استراتيجية الموارد البشرية مع استراتيجية الأعمال : كيفية تحويل الموارد البشرية لبناء قدرات الأعمال ، إضافة قيمة لأصحاب المصلحة الأساسيين وتحقيق الميزة التنافسية المستدامة. نحن متأكدون بأنكم سوف تعطون هذا الإستانان كل العناية و الأهتمام وذلك بالأجابة على كل الأسئلة والتي سوف تكون لغرض البحث العلمي فقط.

أي نسخة من البحث النهائي سوف توفر مجاناً للذين شاركوا في هذا الأستانان

شكراً جزيلاً لتعاونكم معنا.

عمر عبد الوهاب محمد

باحث لنيل درجة الدكتوراه
كلية الدراسات العليا
جامعة السودان للعلوم والتكنولوجيا
091230326

Appendix 4: interview form (Arabic)

العمر بالسنين حسب المجموعة السنية

29-20 (1) 39-30 (2) 49 -40 (3) + 50 (4)

النوع

(1) أنثى (2) ذكر

المؤهل الأكاديمي المتحصل عليه مؤخراً

(1) ثانوي (2) دبلوم (3) بكالوريوس (4) ماجستير (5) دكتوراه

الوظيفة

(1) عضو مجلس ادارة (2) مدير عام | مساعد | نائب (3) مدير ادارة (4) مدير قسم (5) مجموعة الموظفين

الي أي مدي تتوافق الأستنتاجات أدناه مع الوضع بالشركة التي تعمل بها؟
الرجاء وضع علامة () على دائرة واحدة حسب ماهو موضع
علي مفتاح المقياس أدناه

5	4	3	2	1
اوافق بشدة	اوافق	محايد	لا اوافق	لا اوافق

مفتاح المقياس

- 1 - ربط استرتجية الموارد
- الشريية باستراتجية الشركة

الشركة التي عمل بها الأداء الجيد 1
الاستراتيجية الجيدة 5

2- هذا الك استراتيجية للموارد البشرية
التيجية الكلية الشركة

1	2	3	4	5
---	---	---	---	---

3- دات التنفيذية تدعم
وتساند استراتيجية الموارد البشرية

1	2	3	4	5
---	---	---	---	---

2-ادارة التغيير و التحول

4- في الشركة التي نعمل بها يتم التشجيع لأحداث التغيير في أساليب ادارة الموارد البشرية كجزء من التغيير الاستراتيجي الكلي بالشركة.

1	2	3	4	5
---	---	---	---	---

5- من فوائد التغيير في سياسات الموارد البشرية
الشركة.

1	2	3	4	5
---	---	---	---	---

6- بهدف التغيير في مفاهيم الموارد البشرية
الموارد البشرية.

1	2	3	4	5
---	---	---	---	---

7- يساهم التغيير في سياسات الموارد البشرية
في السوق

1	2	3	4	5
---	---	---	---	---

3- الجدارات المميزة للموارد البشرية

8- القيادة يساهم
اجانيا في تطوير الاداء الكلي للشركة.

1	2	3	4	5
---	---	---	---	---

9 - عندما تطور الأشخاص الموهوبين
مقدرتنا لكسب رضا الزبائن.

1	2	3	4	5
---	---	---	---	---

10 - نحن بالشركة ندير ونرشد التكاليف؛
لأن ذلك يساعدنا في تقديم منتجات بأسعار
موقفنا التنافسي.

1	2	3	4	5
---	---	---	---	---

11 - نحن دائما همنا هو رضى عملائنا وتلبية

1	2	3	4	5
---	---	---	---	---

رغباتهم؛ لأن ذلك يساهم ايجابيا في استقطابهم
و كسب ولائهم واستبقائهم.

12 - عندما نستثمر في تطوير العاملين المبدعين؛

منتجات جديدة
1 2 3 4 5
نودي في المير علي المنافسين.

4- نظم الموارد البشرية وبناء القدرات

1 2 3 4 5
و التعين
هي من مؤشرات بناء القدرات.

1 2 3 4 5
تطوير حافزهم بالتدريب
أداء العاملين
مؤشرات بالشركة.

1 2 3 4 5
رفع مستوى
أداء العاملين
قدراتنا الاستراتيجية.

16 - وضع نظم جيدة للأجور و الحوافز

1 2 3 4 5
الأداء
مؤشرات عالية
ومميزة للشركة.

5- الجدارات المميزة للموارد البشرية ودورها في استدامة الميزة التنافسية

17 - - يمكن استدامة الميزة التنافسية

1 2 3 4 5
بشركة عندما تكون القيمة المضافة للعملاء
بواسطة تلك الجدارات أجود من القيمة
المضافة بواسطة المنافسين.

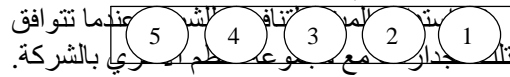
18 - يمكننا استدامة الميزة التنافسية

1 2 3 4 5
عندما تكون الجدارات ذات سمات نادرة
غير متوفرة للمنافسين.

19 - يمكننا استدامة الميزة التنافسية

1 2 3 4 5
بشركة عندما يصعب على المنافسين
الأخرين تقليد او محاكاة تلك الجدارات

20 - تساهم الجدارات المُميزة للموارد البشرية



Appendix 5: performance appraisal form

Pasgianos Food & Beverage Company Employed Person Evaluation Form Senior Staff			
SECTION ONE EMPLOYED PERSON INFORMATION			
EP Name & ID: Position Title & Division: Rating Period: Last Evaluation Score (s):	Purpose of the Evaluation: (Check One):		
	Prfmnc Evlton	<input type="checkbox"/>	
	Progress Review	<input type="checkbox"/>	
	Others	<input type="checkbox"/>	
Evaluated By: Date Reviewed: Date Completed:	<input type="text"/>	<input type="text"/>	<input type="text"/>
Rating Scale: <i>Please see definitions for rating points.</i> Comments required for ratings of (5) or (1) Outstanding = 5 , Good = 4, Acceptable = 3, Below Standards = 2, Unacceptable = 1			
SECTION TWO Company, Department & Individual Performance Evaluation			
Company's Key Performance Indicators (KPI): This Section will contribute 5% of the total score.	Weight	Rating	Score
		1 to 5	WxR
1	2.5%	5	0.13
2	2.5%	5	0.13
Department's Key Performance Indicators (KPI): This Section will contribute	5.0%	10	0.25

5% of the total score.			
1	1.25%	5	0.06
2	1.25%	5	0.06
3	1.25%	5	0.06
4	1.25%	5	0.06
Individual's Key Performance Indicators (KPI): This Section will contribute 60% of the total score.	5.0%	20	0.25
1/	10%	5	0.5
2/	10%	5	0.5
3/	10%	5	0.5
4/	10%	5	0.5
5/	10%	5	0.5
6/	10%	5	0.5
Total for Section Two:	60%	30	3
SECTION THREE This Section will contribute 30% of the total score.	Weight	Rating	Score
Individual Behavioral Competencies		1 to 5	WxR
1. Leading & Developing Staff:	4.3%	5	0.22
a. Rate of Turnover within the Department / Section.			
b. No of training Courses conducted			
c. Implementation of Career Path Development Plan for Staff			
d. Identify Priorities			
e. Identify risks associated to Department / Section operations.			
2. Efficient Management of Resources Available:	4.3%	5	0.22
a. Meeting assignments deadlines with quality.			
b. Efficient management of funds approved and allocated.			
c. Efficient management of Human Resources available.			
3. Creativity & Initiative:	4.3%	5	0.22
a. No. of useful and implementable new ideas.			
4. Problem Solving Skills:	4.3%	5	0.22
1. No. of identifying problems and initiate practical solutions.			
2. Ability to initiate and think proactively to prevent problems.			
5. Ability to Motivate & Hold Staff Accountable:	4.3%	5	0.22
a. Ability to set SMART Goals / objectives to Staff.			
b. Ability to manage effectively Performance Evaluation.			
c. Ability to maintain high score in EPSI.			
6. Communication Skills:	4.3%	5	0.22
a. Ability to submit on time useful and accurate reports.			
b. Ability to conduct periodically meaningful meetings with staff.			
c. Ability to perform professional presentations that will support arguments.			
d. Ability to negotiate effectively with third parties.			
7. Customers Service Orientation (Internal & External):	4.3%	5	0.22
a. Ability to speedily, timely, professionally and with quality execute requests for both internal and external customers.			
b. Ability to meet targets set to satisfy customers.			
Total for Section Three	30%	35	1.51
OVERALL SUMMARY RATING POINTS:	100%	95	100%

Appendix 6: Haggar vision and mission

Haggar Vision and Mission

In the words of our founder *

"Let us work together in peace and harmony to build up new Industries which will be of benefit to us, and more important to benefit the Country and The People which we have chosen to live in and amongst".

All our actions must be measured by our success in achieving this goal.

** George. M. Haggar, 1973*

People product

We strive to provide high quality 'People Products' at a fair price that satisfies our consumers.

We define 'People Products' as products and support services that add value to consumers, characterized by high turnover, high trade margins and consumed on a regular and consistent basis. .

We are committed to Research and Continuous Development. We strive to be creative, to see opportunities in the environment that surrounds us, yet maintain the discipline not to venture beyond the boundaries of our vision and calculated risk.

We strive to build up teams of talented people, teams that understand the importance of constructive criticism, accountability and will always pursue selflessly what is for the greater good of Hagggar Holding Company. . (

We believe in the practice of measurement and understand the importance of strong management. We encourage balance between hard work and relaxation.

Responsibility

Our primary responsibility is to the products enjoyed by the individual consumer. Our secondary responsibility is to the people and communities amongst which we work. Our final responsibility is to the Industries that help develop our nation's natural resources and people.

We believe in creating good products, which best meet consumers' needs. We believe in developing brands that are truly meaningful to people and are respected around the Region.

We strive to be one of the Country's most successful companies, dedicated to winning through hard work and fair play.

We take pride in exceeding the expectations of our customers, colleague's and shareholders. We establish ambitious goals for our businesses and ourselves and then stretch to exceed them.

We recognize that today's best is the benchmark we must surpass tomorrow. We recognize failure as a strong learning opportunity

Team Work

We believe in the power of teamwork. We believe in contributing to successful teams. We value, encourage and challenge each other.

We feel personally responsible for achieving both our individual and team potential. We invest in Haggar Holding Company and Haggar Holding Company invests in us. We feel proud of what we accomplish together and work with passion, commitment and enthusiasm.

We work hard, yet keep it fun. We believe in meritocracy and encourage individual initiative, responsibility and creativity.

We believe in honesty, integrity and ethics in all aspects of business. We believe in the excellence of reputation and will fanatically control and preserve the 'Haggar Name.' We appreciate the experience and wisdom of age and care for the long serving.

Appendix7: Dal group vision and mission

DAL group Vision and value

The Company's vision and value are extracted from the overarching clear long term vision and value of the DAL Group as shown in the Group web site ¹⁵³. The Company's vision is to:

- Contribute to the ongoing development of Sudan and the region through the provision of high quality, value added products and services to our customers.
- Grow profitably by pursuing opportunities that leverage our expertise and operational excellence.
- Provide our employees with a working environment that stimulates diversity, innovation, teamwork, learning and development, and offers challenging, satisfying work opportunities with recognition and reward for outstanding performance.

We believe it is our duty to enrich the quality of people's lives and to behave responsibly in the process. As our business grows, so do our responsibilities. We care deeply about the wider impact of our actions and are always seeking new ways to make DAL Group a better, more responsible, company.

Our values

¹⁵³ <http://www.dalgroup.com/about-us/our-vision>

DAL Group's values as extracted from the Group web site ¹⁵⁴ define our culture and guide our interactions with colleagues, partners, suppliers, customers and the wider community. Our three core values are:

- **Seeking excellence** - We live 'quality', and pursue the highest level of performance in everything we do.
- **Integrity** - We act with honesty and integrity, and observe the highest standards of ethics.
- **Professionalism** – We maintain high personal and business standards, and take pride in our appearance and conduct.

Appendix 8: My contact with Dave Ulrich on the intangibles approach.(by email)

-
- **Dave Ulrich**
-
- Dear professor Dave In fact I was the luckiest one in Sudan who attended your valuable delivered speech about leadership Code and HR transformation. Actually, it was very fascinating professional knowledge transferred to us. It was in a simple and so useful manner. Also, I would like to thank you very much, indeed, for your encouraging and appreciating words. I did convey these words to my PhD supervisor Professor Abu Sin and he was so happy and thanking you very much for the appreciation and encouragement to me. Again I would like to take the opportunity to send to you a soft copy of my PHD model and I hope that you can go through it. In the meantime, I have a big dream to be my external examiner. But before that it is very interesting to me to have your professional comments and feedback on this model and send it back to me as it will be submitted and enclosed within my PhD documentations. In the same time feel free to use any part of this document if you think that there are some points that can be useful to you. This model is summarizing the ideas which are expressed in your books, HR transformation, HR value proposition and Why the Bottom Line Isn't: How to Build Value through People and Organization. The Model of the research is also supported by the Findings of Professor Abraham Carmeli from Israel, Ina Ehnert from the University of Berlin, Jay B. Barney (RBV), C.K. Prahalad and Norton and Kaplan. In reviewing the HR

¹⁵⁴ <http://www.dalgroup.com/about-us/our-values>

transformation I have considered your model's 4 questions about (why),(what), (How) and (who). In my research I try the best leeway to adapt the model to the case study. In fact, the above model tackles very deliberately the outcomes of the HR transformation which about reshaping the organization strategic capabilities through the intangibles. However, Tangible capital stocks that were capability builder for their possessors are now imperatives and threshold competences to just remain in business. Intangible capital stock (intangible competencies) such as HR capital, talent, leadership, cost leadership, transparency, accountability , innovation and customer care appear to be the new keys to a new nonconventional means of building the business strategic capabilities that add value to the organization key stakeholders and sustain competitive advantage. Resources competencies and capabilities Actually, many are confused by the three terms capabilities, resources and competencies and they are using them interchangeably. According to my model resources and competencies have got the same meaning, while capabilities are the outcomes of the best use of the resources and competencies or in other words strategic capabilities are built through the best use of these tangible and intangible resources (RBV). Tangible resources (tangible Competences) + Intangible resources (intangible competencies) = capabilities OR Tangible capital Stock + Intangible capital stock = Capabilities However, once the organization capabilities are built through the alignment of the tangible and the intangible competences, value can be added to the organization stakeholders so as to sustain the competitive advantage. The question of sustaining the competitive advantage We build our argument on sustaining competitive advantage on the works of Jay B. Barney (RBV) and Abraham Carmeli. We argue that tangible capital stocks are no longer organization competitive advantage enabler since all competitors equally possess these tangible competences. However, market position can be sustained through the intangibles resources (competencies), (the VRIO concept of RBV) which are the deliverable of the HR. The role of HR professional is to plan for the organization's overall competencies map. Then, from the map only 10 to 15 targeted competencies can be developed in the core competency pool. At the end only 3 to 5 distinctive competencies are to be selected from the pool to sustain the competitive advantage. Actually, there is no magic list of what competency that can suit. It largely depends on the business activities and the market structure. However, the role of HR professionals is very strategic in order to make these competencies durable and everlasting. Continuous investment in the sources of each targeted competency (source of the resource) is very essential to underpin sustainability. That means each

