(NIMS)
NUST Institute of Management Sciences

MBA 2001,
THESIS
STRATEGIC HUMAN RESOURCE MANAGEMENT:
RHETORIC OR REALITY

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CHAPTER ONE: INTRODUCTION

1.1 RESEARCH QUESTION

Over the past two decades there has been a profound shift in thinking about the role that people play in the success of the business, with a growing view that the management of people is a key organizational capability and one which should be highly integrated with the strategic aims of the business. A cornerstone of this notion of strategic human resource management is the creation of linkage or integration between the overall strategic aims of the business and the human resource strategy and implementation.

In principle the processes and people within the company are managed in such a way as to foster the aims of the business strategy and create an integrated approach to managing the various human resource interventions, such as selection, training, reward and development, so that they complement each other. Thus the emphasis is on vertical integration and horizontal integration. This strategic approach to human resource management emphasizes the delivery of business strategy and the impact of bottom line performance through the way in which people are managed.

How prevalent is strategic human resource in the reality of large, complex businesses is the question that needs to be asked?

A number of interesting and thorough empirical studies of human resource management had been carried out which provided some evidence of the way it is being applied within organizations, and which also provide insight for the study being conducted.

"THE GAP BETWEEN RHETORIC AND REALITY IN STRATEGIC HUMAN RESOURCE MANAGEMENT"

The gap between the espoused and enacted realities in organizations can be analyzed by examining the effects of content, context and cognition on how organizational changes are defined. The lack of alignment may give rise to a number of negative consequences- the failure of strategy implementation, the resistance to change initiatives, the creation of an 'us and them' culture, and phenomenon of 'mixed messages' which can disrupt the employment relationship through the setting up of inconsistent expectations between employer and employee.

There are a number of factors which can constrain the reception of organizational initiatives. These can be broadly divided into three groups. The first are content factors: whether the initiative is salient to its intended target, or is ambiguous, or is perceived as a threat or opportunity, and the degree to which it conforms to existing organizational norms or organizational identity. The second group concerns organizational contextual effects, such as size, the degree of bureaucracy, the presence of supporting processes, the level of political activity, the legitimacy of senior management, and the nature of the firm's rules of the game. The third group are cognitive factors, including sense- making, selective perception, organizational experience and absorptive capacity.

1.2 OBJECTIVES OF THE STUDY

The principle objective of this study is to examine the disjunction between rhetoric and reality in the area of human resource management, between HR theory and HRM practice, between what the HR function says it is and how that practice is perceived by the employees, and between what the management believe to be the role of the HR function and the role it actually plays

The main objectives of the research include the following aspects

- **The rhetoric and reality of 'New Careers'**

  When it comes to career development and the psychological contract, the rhetoric of the new career deal of 'employability' is far from employee reality. There are three related pillars which have to be in place if the rhetoric of the new employment contract is to become a reality: enabling systems architecture, individual perceptions of self-management, and line management commitment and capability.

- **The impact of human resource management**

  It is one thing to identify a principle that, on logical grounds should guide adjustments in human resource management to the growing commitment to strategic planning. It is a different challenge to speculate usefully about shifts in skills and priorities needed to cope with the strategic planner's relentless pursuit of sharply focused programs. Yet, it is the ability to anticipate change that is often most helpful. The following changes in human resource management are thus likely

  - Management initiatives
  - Tailored Personnel Programs
  - Changes in the Corporate Human Resource Function
  - Changes in the Human Resources Staff Orientation

- **Involvement of Line Management**

This implies focusing on the existing state of management practice by considering line management involvement in performance management. There is a wide variety both within and across organizations in the extent of line management involvement and commitment. Such variances in practice are not systematic; they do not reflect a

conscious policy to have different types of involvement for different groups of employees.

- **Soft and Hard models of HRM**

  Soft and hard models are two conceptual models which frame much of the understanding of HRM. The soft model emphasizes individuals and their self-direction and places commitment, trust and self regulated behavior at the centre of any strategic approach to people. In contrast the hard model stresses the rationalization of strategic fit and places emphasis on performance management and an instrumental approach to the management of individuals. It is not very feasible to incorporate both elements within one working model.

1.3 RESEARCH TECHNIQUES

The research techniques to be adopted for the purpose of this study are as follows

- Comprehensive net search
- Periodicals
- Journals and articles pertinent to the subject
- Reference books
- Correspondence with leading global companies

It is highlighted here that a large part of the research is to conducted through correspondence and via the internet. Such type of methodology in some cases may not be a good substitute for one to one meetings with company officials and information may not be as forthcoming as it would be in the latter case.

CHAPTER TWO:LITERATURE REVIEW

There have been many conceptual attempts to understand more fully the nature of the integration between business strategy and human resource strategy. At the broadest level is the notion that integration occurs when the human resource strategy is 'matched' with organization's stage of development or strategic orientation or management style. So start up businesses require a rather different approach to human resource management from companies in decline; similarly multi-divisional companies have different needs from those of less complex organizational forms. The key business strategies of innovation, quality enhancement and cost reduction require specific set of role behaviors, which in turn suggest different HRM policies in relation to job design, employee appraisal, development, reward, and participation.

From an empirical perspective, there is some evidence that organization or product life cycle is a determinant of HR practices and that an appropriate fit between life cycle and HR practices may be associated with better firm performance.

How realistic is this broad concept of integration between business strategy and human resource strategy ? From a conceptual position it could be argued that the concept of a top down unitarist planning process is overly simplistic, ignoring the political processes, the fact that organizations do not move sequentially from one predictable stage to another and that many pursue multiple rather than single strategies.

2.1 EMPIRICAL STUDIES

Empirical studies indicate that moves towards a strategic approach to human resource management is not as common as the literature would lead us to believe. There is a move away from talking about rules and regulations towards a language based on a more strategic approach involving ideas of culture, mission and commitment. However while

the rhetoric was strategic in reality, in the companies that were studied the change was messy and incomplete, with organizations representing characteristics of both the old and the new approaches. Many of these changes are not necessarily a move towards wholesale SHRM but are often piecemeal initiatives formulated in response to certain situations.

A similar trend was found in another study of strategy and related HRM practices. The study reports that a majority of the organizations used formal strategic planning but that 53 per cent said that human resource considerations had a less than moderate effect on strategy formulation and that the majority of HR activities took place at the operational level, with hardly any taking place at the strategic level.

2.2 LITTLE EVIDENCE OF A SOPHISTICATED HRS PROCESS

According to research human resource strategy plans exist in some of the companies but there is limited use of it. Some companies appeared to create some aspects of a strategic approach to managing people without recourse to a separate HRS document.

There is evidence to believe that reality of people management in many of the companies that claim strategic alignment of their HR practices lags far behind the rhetoric expressed within the literature. While the HR directors of many of the top companies in the world understand the need to match the management of people with the overall strategic direction of the organization, in practice they had to operate within the constraints of the administrative heritage of their organizations, and the boundaries to their freedom to develop and implement HR policies imposed by organizational structure and culture.

2.3 COMMUNICATION TO EMPLOYEES

For organizations to succeed it is the management of their human capital rather than their physical capital, which is seen to be the essential ingredient. Much depends therefore on the ability of the organizations to convey their intentions to employees and to ensure that employees absorb and are motivated by these aims. However research has shown that the alignment between what the organization espouses in terms of its aims, policies and processes and their interpretations by the employees is far from easy.

> ➢ **ILLUSTRATION**
>
> In today's dynamic business environment, career progression based on regular vertical moves in a highly defined internal labor market, has been replaced in a number of cases by a promise of employability- the promise that while the firm cannot guarantee opportunities for career advancement within the firm, they can offer to provide skills to make the employee highly valued on the external labor market. This notion was viewed by some employees as a rationalization of an essentially one sided employment contract, with employees taking the burden which was once the organization's responsibility.
>
> Similarly in performance management the introduction of new value statements in organizations concerning the importance of teamwork in performance is undermined by the reality of a pay process which rewarded employees on an individual basis.
>
> In other words, there was no supporting process to embed the new initiative, and so it encountered problems in terms of employee buy-in. Again the rhetoric surrounding the role of line managers in human resource practices, typically urging their greater involvement, came up against a series of barriers including the pressures of delivering short term business results, a lack of incentives and an overall lack of training in HR.

The above illustrations show the gap between what the organization intends and how this is interpreted by employees or, more theoretically, the distinction between theory espoused and theory in use. In spite of the importance of this issue for the concept of organization/employee alignment, the determinants of such a gap have received little attention. What has been written has usually diagnosed the issue either as a failure of communications or as poor operationalization of the content of the initiative or else has identified characteristics of the situation which have hampered the flow from the source of the initiative to its recipient. Although these approaches have identified the content and context of the initiative as affecting how it is received by employees, what is missing in such accounts is the importance of managerial cognition in the process of interpreting organizational intentions.

2.4 STRATEGIC DEPLOYMENT

Loyal customers are, of course, a key to profitability for any business. To have loyal customers, businesses must create knowledgeable employees. Whether domestic or global, any organization must not only define the scope of its operations by developing a strategy, but also clearly define the culture and environment required in the markets it operates to maintain growth in profits and jobs. Proactive support of the business strategy and of management by the human resource executive becomes vital.

That support is critical to the success of the organization's strategic plan and deployment process. Strategic deployment is the full integration and alignment of all company strategies, goals and functions. Research and development, manufacturing, human resources, finance, marketing, quality, and customer service goals are incorporated into one unified vision, mission and key strategies. Everyone in the organization is marching together in the same direction; each person knows what his/her contribution is expected to be and how it will be measured.

In too many organizations, this linkage is often incomplete. If strategies and goals are deployed effectively with strong communications throughout the entire internal employee relations process, then customer services, loyalty, growth and the bottom line can show

significant improvement. Strategic deployment is very dependent on the competencies of the organization's employees and can benefit from skills assessments, employee development, performance-led compensation plans, employee retention, and literally all of the other human resource issues.

Successful integration of the human resource function with the strategic deployment process will:

- Reduce operating costs
- Increase customer satisfaction and shareholder value
- Create a responsive, flexible and disciplined business system
- Encourage interdepartmental cooperation
- Develop opportunities for breakthroughs in operational procedures
- Empower managers and employees to get things done
- Eliminate wasteful efforts on initiatives and projects not in the strategic plan
- Avoid conflicts in plans for technology, manufacturing, and marketing
- Focus resources toward achievable financial goals.

There usually are ten steps to implement a strategy into the culture, fabric and full-scale operations of an organization. The human resource function should participate in all of them as outlined.

1) Establish a vision: strategic deployment begins with a focus on customers. A common vision defines the benefits a customer, employee, shareholder, or society can expect from an organization. If there is agreement on overall direction, the means to achieve it can be flexible. The HR function should participate in this vision by providing knowledge on the organization's ability to deliver on the vision.

2) Agree on a Mission: often confused with vision, a mission statement answers the question "What business(es) are we in?" and clarifies an organization's purpose or reason for existence - nothing more. HR can play an active role in determining if the culture is supportive of the mission.

3) Develop Key Strategies: the first step in converting a vision to an achievable plan is the development of four or five strategies that contribute to the overall vision. Obtain, validate and assess data in five areas: customer loyalty and satisfaction, costs of poor quality, company culture and employee satisfaction, the internal business process including suppliers, and competitive benchmarking. HR is responsible for the employee strategies to enable the vision to be achieved by assuring the culture is ready.

4) Develop Strategic Goals: be specific, measurable and within a set time - typically 1-2 years. Seven areas must be examined: product performance, competitive performance, quality improvement, cost of poor quality, performance of business processes, customer satisfaction, and customer loyalty and retention. HR is responsible to define educational, retention and performance goals to enable other strategies to be completed.

5) Establish Values: values are what an organization stands for and believes in, supported by actions and deeds from management. Training and communication of the values for all employees is fundamental. This is one of the HR department's most critical missions in strategic development. HR can conduct a values assessment and align employees to the values system.

6) Communicate Company Policies: policy declarations as a guide to managerial action are necessary during change, and result from thorough deliberation by management with approval at the highest level. There has been an unprecedented surge in publishing policies based on quality and customer focus. Communications to and from employees has always been a component of HR. Today HR must find instantaneous ways to filter information from employees and provide management with a snapshot of their feelings and ideas.

7) Provide Top Management Leadership: a basic step in establishing any strategic plan is participation of senior management acting as an executive council. The council is responsible for executing the strategic business plan and monitoring key performance indicators. HR executives and functions should not just get the employees ready. The HR

executives should be at the important strategic meetings to assure a balance between technological projects and cultural projects.

8) Deploy Goals: deployment of long- and short-term goals is the conversion into operational plans and projects - subdividing goals and allocating sub-goals with careful attention to details, participants, schedule, and milestones. Projects can be based on the approach used for a quality methodology called Six Sigma for reducing costs, waste, or improving product and process performance. HR should also prepare its own processes and staff to meet the new strategies and goals.

9) Measure Progress With Key Performance Indicators: an organized approach to measurement is vital for measuring the degree of each initiative's success. Measurements monitor continuous improvement, and individual, team and business unit performance. HR can monitor the performance of the strategic plan by participating in the scorecard planning and monitoring.

10) Review Progress: a formal review will increase the probability of reaching the goals. An organization should look at the gaps between measurement of current conditions and the targets. An essential tool for management is the audit or independent review of performance. Management must confirm that systems are in place, operating properly, and that desired results are being achieved. HR should follow up on an annual basis to evaluate the plan's effectiveness.

➢ **RISKS AND LESSONS**

- Pursuit of too many HR objectives vs. having all objectives enable the organization to achieve results.
- Excessive planning or paperwork on the part of HR or other functions drives out needed activities and de-motivates managers.

- Inadequate data on customers, competitors and employees creates a plan with easy targets, marginal financial results and one that will not work.
- Too much executive delegation causes real or perceived loss of leadership. The strategic deployment process is not HR's. It is the company's. HR should be a player, not the owner!
- Elevating quality and customer focus creates a false impression that financial goals are unimportant. Financial targets can be met by achieving Six Sigma levels of quality.

➢ BENEFITS

- Goals become clear - vagueness disappears. HR is seen as a value added resource.
- Planning makes goals achievable. Planning can reduce the need for hiring personnel.
- Controlling the process ensures goals can be reached.
- Chronic wastes are cut.

Creating a customer-focused strategic deployment plan requires all management to become leaders, coaches and teachers who get involved personally and consistently, eliminating blame, and making decisions based on the best available practices. The essential glue that makes this process work so well is when there is effective two-way communications between all levels of management, employees, front-line operations, and customers - indeed the complete supply chain.

HR management's role in two-way communications with employees is essential. Any change can appear threatening to employees. The HR department must have a full understanding of its implications for everyone.

Deployment requires that a vision, mission, values, policies, and strategies be reflected in short-term goals and projects. These are day-to-day, month-to-month activities that align corporate, operational and strategic objectives, and employee motivation with breakthrough improvement, re-engineering, and design initiatives.

The essential step in a long-term, effective quality improvement effort is the active involvement by all human resource professionals in creating an environment conducive to changes necessary for success. What then becomes decisive is integrating major change initiatives and quality programs into a strategic plan that is audited to ensure progress.

CHAPTER THREE: FINDINGS

3.1 SOUTHWEST AIRLINES

3.1.1 STRATEGY OF SOUTHWEST

From its inception southwest had pursued a low cost/ low price/no-frills strategy that featured offering passengers a single class of service at the lowest possible fares and making air travel affordable to a wide segment of the US population- hence its use of the tag line " The freedom to fly."

Southwest's management is a strong believer in the concept of price elasticity, maintaining that cut-rate fares would grow passenger traffic so significantly that the revenue erosion from reduced fares would be more than compensated by the revenue gains from the increased ticket sales and the volume of passenger traffic. The company's strategy is to add flights as passenger traffic at a particular airport grew, thus offering customers more flight times to particular locations and usually an expanded number of destination options as well.

3.1.1.1 SOUTHWEST'S CORPORATE STRATEGY

Herb Kelleher has been the primary force in developing and maintaining a vision and strategy, which have enabled Southwest Airlines to grow and maintain profitability.

"Taking a different approach" is the Southwest way, which has allowed the airline to maintain a 15 percent annual growth rate even during a period of drastic change. Although reservations and ticketing are done in advance of a flight, seating occurs on a first-come, first-serve basis and is only one illustration of the company's nonconformist practices. Turnaround times are kept to an industry low of 15 minutes with the help of pilots and crew who clean and restock the planes. Refreshments are limited to soft drinks

and peanuts, except on its longer flights when cookies and crackers are added to the menu. Southwest does not exchange tickets or baggage with other carriers. If Southwest adopted an assigned seating and computerized, interlining reservation system, ground time would increase enough to necessitate the purchase of at least seven additional airplanes.

3.1.1.2 GROWTH STRATEGY

Southwest pursued a conservative growth strategy. Expansion within the current route structure is first priority. As load factors increase, Southwest uses new planes to add capacity to the current system to add nonstop flights between cities previously connected by one-stop service. Within any given year 85% of expansion is internal.

3.1.2 SOUTHWEST'S CORPORATE CULTURE

According to vice president of People (the company's top HRM person), Southwest's corporate culture makes the airline unique. The company feels this fun atmosphere builds a strong sense of community. It also counterbalances the stress of hard worked and competition. As Kelleher has stated, "If you don't treat your own people well, they won't treat other people well." So, Southwest's focus is not only on the customer but on the employees, too.

At Southwest, the organizational culture includes a high value on flexibility of the work force. Employees take pride in their ability to get a plane ready to go in only 20 minutes, less than half the industry average. A cultural refrain is "Can't make money with the airplane sitting on the ground." Ramp agents unload baggage, clean the lavatories, carry out trash, and stock the plane with ice, drinks, and peanuts. Flight attendants prepare the cabin for the next flight, and pilots have been known to pitch in when they have time. Working hard is not just an obligation at Southwest; it is a source of pride. Ramp agent Mike Williams brags that in a conversation with an employee for another airline, the other man explained Southwest's fast turnaround by saying, in Williams' words, "The

difference is that when one of (the other company's) planes lands, they work it, and when one of our planes lands, we *attack it*."

3.1.3 SOUTHWEST'S PEOPLE MANAGEMENT PRACTICES

At southwest the operative principle is that employees come first and customers come second. The importance placed on employees reflects management's belief that delivering superior service requires employees who not only were passionate about their jobs but also know the company is genuinely concerned for their well being and committed to providing them with job security. Southwest's thesis is simple: keep the employees happy then they will keep the customers happy.

3.1.4 HR DEPARTMENT

The human resource department, which Southwest has named the People Department because the company feels that people are its primary resource. This department is comprised of a 157 person staff which manages recruitment, learning and development, affirmative action and employee benefits. The primary objective of the People Department is to place the right people in the right jobs by a process that begins with recruiting.

To insure that all Southwest employees are motivated to see one another as "teammates," the vice president of the People Department oversees Southwest's profit sharing program. In 1999, Southwest transferred 13.7% of its annual budget for salaries to the profit sharing account. The vice president's role at Southwest is to insure that human resource policies and procedures, including fringe benefit programs such as profit sharing, help support the teamwork orientation goals of the airline. Like most middle managers, the vice president translates the goals of top management into specific programs and policies within his functional area.

The vice president has other middle managers reporting to him. These individuals have more specialized areas of expertise. While the vice president views the entirety of human resource policies at Southwest as his domain, other middle managers are responsible more specifically for Benefits/Compensation, Learning & Development, and Employment.

Each of these individuals has a large number of line supervisors reporting to them. These individuals direct the activities of non-managerial personnel. A People Department "Team Leader" is responsible for the delegation and scheduling of work among non-managerial personnel. As one job description indicates, these individuals must "maximize utilization of individual talents and abilities in order to accomplish department objectives." Line supervisors focus on interpersonal relationships. They know the job that needs to be done, and their emphasis is on assigning and directing the talents and capabilities of their personnel to best utilize their abilities and get work done effectively and efficiently.

Non-managerial personnel in the human resources area perform largely clerical duties. A job description for Administrative Support personnel in the Southwest Airlines People Department indicates that typical duties include alpha and numeric filing, phone operations, and use of a personal computer and other standard office equipment. These individuals have limited range in the tasks they perform, and are usually assigned to perform only one portion of a project. Southwest Airline's commitment to provide socially responsible service is an excellent way to review how managerial and non-managerial duties function together in an organization. In an effort to be socially responsive, Southwest has actively tried to be a minority-friendly service provider and employer.

3.1.5 RECRUITMENT AND SELECTION

Recruitment is a massively important exercise for Southwest Airlines. Each employee is carefully hand-picked from more than 100,000 applications submitted each year. In 1999, for example, it interviewed 80,000 people in order to fill 4,200 openings. The huge number of applicants is maintained despite the fact that those successful at an initial

interview then undergo four-and-a-half weeks' training without pay. Those who complete their training are then on probation for six months. Initial recruitment is based largely on personality, as the company looks for people who will work hard, but also have a natural desire to please people, to communicate, and to have a positive outlook. It regards this filtering as a very important feature of the business. If someone shows positive attributes, but indicates an unwillingness to work with the firm after six months, Southwest Airlines will help the individual find a new job.

Southwest Airlines does not see the expense of recruiting and paying staff as being net cost, which is still the implicit assumption of some organizations. Instead it is seen as a core investment. For example, in a revealing comment from the airline's finance vice-president, he noted that some investors from time to time put pressure on him to reduce the amount the company spends annually on recruitment and selection of staff. But if you are not going to work hard to get people who are a good fit, it will hurt you. For example, we have never had a strike. What airline is even close to being able to say that?"

The recruitment approach that the company uses is multifaceted. It includes

- ➢ Advertisements in business publications,
- ➢ Job fairs
- ➢ On-line promotions on the Internet.
- ➢ A number of candidates apply because of Southwest's Fortune listings as one of the best companies to work for and because they are impressed by their experience as a customer on Southwest flights.

Recruitment ads are designed to capture the attention of the people thought to possess Southwest's "personality profile." For instance one ad showed Herb Kelleher impersonating Elvis Presley and had the message:

Work In A Place Where Elvis Has Been Spotted. The qualifications? It helps to be outrageous. Maybe even a bit off center. And be prepared to stay for a while. After all,

we have the lowest employee turnover rate in the industry. If this sounds good to you, just phone our jobline or send your resume. Attention Elvis.

All job applications are processed through the People Department. The ads for available positions with Southwest are targeted to people who want to prove their ***originality*** and ***creativity***. Since the airline receives such a large volume of applications, it uses a computer program to match applicants with open positions. Then the People Department goes through the matches and chooses people that possess what they consider to be the right personality characteristics and attitude.

> ➢ **SCREENING CANDIDATES**

In hiring for jobs that involved personal contact with passengers, the company looks for people oriented extroverts with a good sense of humor. It tried to identify those with a knack for reading people's emotions and responding in a genuinely caring, empathetic manner. Southwest wants employees to deliver the kind of service that shows they truly enjoy meeting people, being around passengers and doing their jobs, as opposed to delivering the kind of service that came across as being forced or taught. In addition to "whistle while you work" attitude, Southwest is drawn to candidates who it thinks it likely to exercise initiative, work harmoniously with fellow employees and be community spirited.

In the words of Kelleher, Southwest wants its employees to realize that "life is too short and too hard and too serious not to be humorous about it." This is why a sense of humor is one of the first traits that Southwest looks for in a potential employee.

Southwest does not look for people who just consider themselves as professionals. Even though they want their employees to be businesslike, they are not looking for the typical stiff shirt, business suit type. People who are not afraid to laugh and let their individual personalities shine are the ones who would most likely get a job with Southwest.

The word is spreading quickly that Southwest looks for people who are not afraid to stray from the norm. On several occasions, the airline has received resumes written in crayon, taped to pizza boxes, hidden in cereal boxes, and even taped on as the label of a bottle of Wild Turkey. People have even dressed up in costumes, such as gorillas, if they are one of the few who are chosen for an interview.

The overall screening process that Southwest uses to find potential employees is a specially tailored method derived from Targeted Selection. This process is primarily comprised of six steps:

1) Use past behavior to predict future behavior;

2) Identify the critical job requirements for the position;

3) Organize selection elements into a comprehensive system;

4) Apply effective interview skills and techniques;

5) Involve several interviewers in organized data-exchange discussions; and

 6) Augment interview with observations from behavioral simulations.

These steps, as stated before, have been specially tailored to fit Southwest's priority of finding people with the right attitude.

Once an applicant's skills and past performances are matched to a position, it is time for the interview. The type of interview that a person would go through primarily depends on the position which the person has applied. Basically, the company uses group interviews as the first interview, then a peer interview, conducted by potential co-workers, as the second interview. These interviews are usually anything but conventional.

The first interview typically begins with a question such as, "Tell me how you have used humor to defuse a difficult situation." After the question and answer portion of

the interview has been completed, then prospective employees are usually tested for unselfishness and the type of attitude they possess. One example of a test for unselfishness that has been used is that during a group interview, each member is asked to prepare a five-minute presentation about themselves. As an applicant is giving their presentation, one of the interviewers will watch the other applicants to see what they are doing. If the applicant is working on his/her own presentation, then he/she is seen as having more of a selfish attitude. If he/she is supporting the presenter, it is seen as more favorable and unselfish.

All applicants for flight attendant positions are put through such a presentation exercise before an interview panel consisting of customers, experienced flight attendants, and members of the People Department. Flight attendant candidates that go through the group presentation interviews then have to complete a three-on-one interview conducted by a recruiter, a supervisor from the hiring section of the People Department and a Southwest flight attendant; following this interview, the three person panel try to reach a consensus on whether to recommend or to drop the candidate

Southwest hire employees for attitude and trained for skills.
According to Herb Kelleher
"We can train people to do things where skills are concerned. But there is one capability we do not have and that is to change a person's attitude. So we prefer an unskilled person with a good attitude… (to) a highly skilled person with a bad attitude."

Management believes that delivering superior service came from having employees who genuinely believed that customers are important and that treating them warmly and courteously is the right thing to do, not from training employees to act like customers are important. The belief at Southwest is that superior, hospitable service and a fun loving spirit flowed from the heart and soul of employees who themselves

were fun loving and spirited, who liked their jobs and the company they worked for, and who were also confident and empowered to do their jobs as they saw fit.

Since Southwest feels that it is better to hire for attitude and train for skills, it has used a very interesting technique for interviewing pilots. Eight applicants had arrived at an interview dressed in the regular interviewing attire - dark suits, dark shoes and dress socks. To see if the pilots had the spirited attitude that Southwest looks for, the pilots were asked to take off their suit coats and slacks, and put on a pair of Bermuda shorts. Six of the pilots did just that and completed the interview in only a shirt, tie, Bermuda shorts, dress socks and their shoes. These six were hired.

➢ PEER HIRING

The management of the company has introduced a program called peer hiring. Pilot interview pilots and then make a hire recommendation to a committee. Line employees interview applicants and make a hire or no hire recommendation to management. The company has been successful with nepotism. Their only restriction is that relatives cannot immediately report to one another. Anyone referred by a Southwest employee is guaranteed an interview.

➢ AFFIRMATIVE ACTION HIRING PROGRAM

Initially, CEO Herb Kelleher and other top managers made the strategic decision to insure that Southwest Airlines was perceived as friendly to minority populations. Since Southwest is headquartered in Texas, which has a particularly large Hispanic-American population, Kelleher was primarily concerned with Southwest's image with Hispanics.

In the People Management Department, recruiting managers make an effort to enhance work force diversity by actively promoting an affirmative action hiring program that targeted talented Hispanic individuals. Supervisors monitor the number of Hispanic recruits that each recruiter interviewed, and encouraged them to carefully review their qualifications for potential "fit" with jobs at Southwest.

Similarly, in the Marketing Department managers direct the development of campaigns aimed at Hispanic travelers. In the Customer Service department, managers seek out bilingual employees and strategically schedule those who can speak Spanish to insure that non-English speaking customers would always have someone they could communicate with when they arrived to check in for a flight.

➢ **INTERNSHIPS**

SWA offers the "No Limits" Internship to students currently enrolled in an accredited degree program to spend some time at our Headquarters in Dallas, TX gaining valuable on the job training. Interns have the opportunity to work hands on with challenging projects, network with leadership, and participate in corporate functions; including meetings and social functions. All interns participate in orientation, giving them the opportunity to meet other interns, learn their away around SWA Headquarters and the Dallas area, meet some of the management staff, and participate in many career-oriented activities

3.1.6 TRAINING AND DEVELOPMENT

Apart from the FAA- mandated training for certain employees, training activities at Southwest are designed and conducted by Southwest's University of People, a part of the company's People Department.

The company declines to refer to its staff as resources, assets or commodities, arguing that this is dehumanizing. Hence it renamed its personnel department to people department in 1989. At the same time, it introduced a corporate university to carry out the intensive training courses that staff go through. Donna Conover, vice-president of customer service and people, comments:

We have always thought that if we please the customer first, before they demand it, then we save everyone a lot of inconvenience or aggravation, and we instill this in our employees. It starts with your leadership group doing it for the employee group: when

an employee wants something and goes to a supervisor or manager or director or vice-president that person is available and helps solve the issue and concern.

These principles are ingrained in those trained for leadership positions; the values are instilled at every stage of development, training and promotion. This is partly self-sustaining, because new employees can see that those who seek to treat people well and be a servant to their needs are those who gain promotion. This is integral to the business education, not separate. "You have to teach people in the business world how to make good decisions, along with treating people well," is the Southwest philosophy.

Training has a high priority with the airline and on the courses, too, it is hoped that people will have fun as well as learn. In 1995 standard training was increased from three weeks to four-and-a-half weeks. This was partly to include extra factual instruction on new services – for example the medical service that enabled staff to contact a doctor from an aircraft – and partly also to reflect increased regulations affecting the airline industry. But another reason for the expansion was to include more on customer service.

The four-and-a-half weeks' basic training covers intensive courses on customer service, the aircraft, safety, and regulations. The training includes three days on teaching on the culture of working at the company and on customer service. There is one such course every month, with around 200 people attending. The drop-out rate is 15 percent, but almost all the remaining trainees are accepted as employees on a probationary basis

➢ CROSS TRAINING

Once a person has survived the interview process and becomes an employee, they will soon realize that Southwest puts a strong emphasis on continuous learning. Southwest believes that learning is essential for the company to keep its competitive advantage. One aspect of this idea of continuous learning is cross training. By learning about the jobs of others, employees will gain a better understanding of how the company runs, plus they will become more efficient in their own jobs.

The Cutting Edge program was developed as a cross training team for pilots and ground operations crews because Southwest was having some communication and attitude problems between these two groups in a few cities. In this program, pilots learn to load and fuel the planes, and all the other jobs necessary to prepare the plane for a flight. The ground operations crews are then given the opportunity to go into the cockpit and see how the pilot gets the plane off the ground. This program is a success because communication improved and a new found respect developed between the pilots and ground crews.

➢ THE UNIVERSITY OF PEOPLE

Since learning is so important to the people of Southwest Airlines, the University of People was developed. The majority of the airline's employee training occurs at the University, which is located at the corporate headquarters in Dallas. The mission of the University of People is to "equip employees to practice the kind of leadership that Southwest Airlines expects."

The University of People is staffed by six full-time instructors, two managers and four administrative support workers. A full catalog of courses is offered to teach employees leadership skills, how to run an airline, the practice of stewardship, the care for customers and to live the core values of the company. Some of the courses include

- The Fortune Leadership program for all employees in supervisory levels,
- The Leading with Integrity program for first time managers,
- The Customer-Care Training program primarily for flight attendants and pilots.

The development of the University is just one way that Southwest shows its employees that they are valuable and that continued growth is important.

"The airline's corporate university trains 25,000 people per year" (Every new employee undergoes a standardized training session. In addition, every year

supervisors, managers and executives have to undergo a two-day training at the company's headquarters in Dallas. This training curriculum includes the Frontline Leadership program for all employees in supervisory positions. The Leading with Integrity Program trains first-time managers; the Customer-Care Training Program instructs flight attendants, pilots and others as to the company's most current performance standards.

➤ TRAINING AS A MOTIVATIONAL TOOL

Southwest uses training as an important motivation tool. Employees are re-familiarized with the company's culture, mission statement, and corporate identity. Regular training prevents mistakes on the job, and new contacts are made. Because employees perceive that they are respected, valued, and informed at all times, they tend to be more involved in the company and are more highly motivated. This, in turn, usually leads to higher performance. Additionally, regular training for all employees tends to decrease hierarchical thinking.

➤ LEARNING BY EXAMPLE

Another aspect of training at Southwest is for employees to learn by example. This consists of a four week process in which new employees observe, learn technical skills, and then practice their job with a senior employee. Southwest uses this approach because they feel that if a new employee sees a job done right, then they will do it right once they start performing on their own.

3.1.7 PERFORMANCE APPRAISAL

At Southwest each job category is analyzed to determine the specific behaviors, knowledge and motivation that job holders need. Trait or right personality characteristics and attitude deemed critical are as follows

- Creativity
- Originality

- Fitting into the atmosphere of fun
- Sense of humor
- Initiative,
- Work harmoniously with fellow employees/ teamwork
- Community spirited.
- Judgment
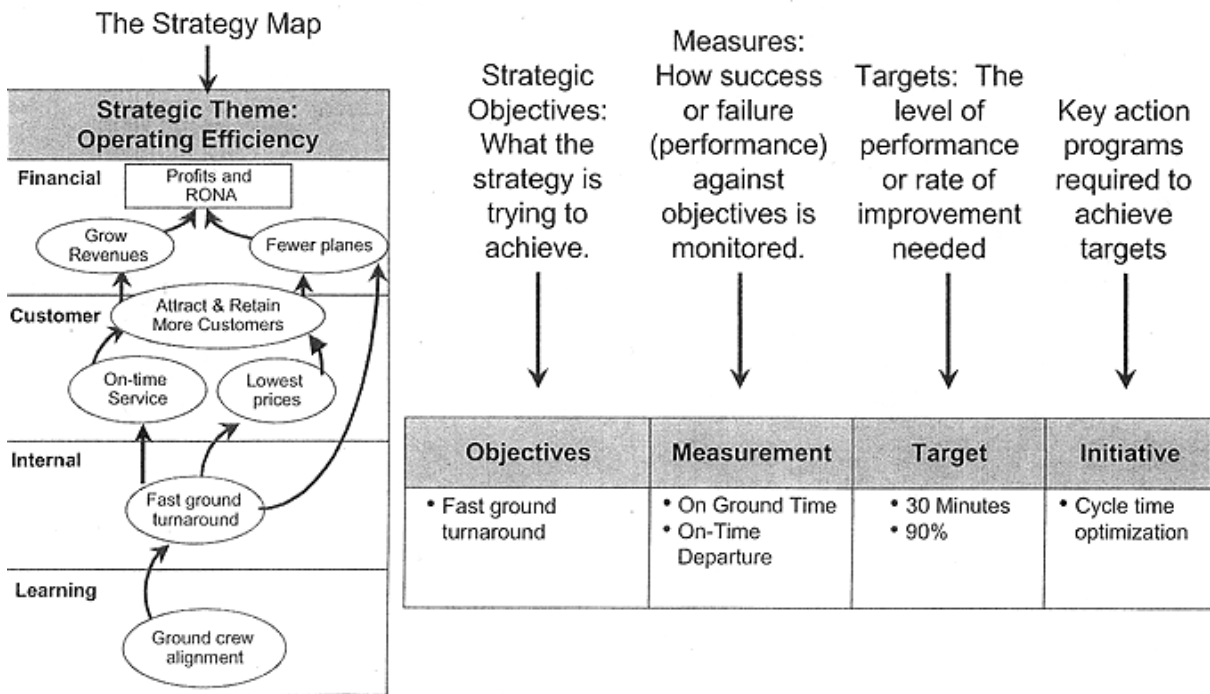
➢ PRODUCTIVITY THROUGH PEOPLE

"Excellent" companies are people oriented, and productivity through people underlines this notion. Companies recognize "ordinary members of the organization as the basic source of quality and productivity gains and they treat workers as people" Southwest employees share similar personality characteristics, such as a sense of humor and an outgoing attitude

➤ SIMULTANEOUS LOOSE-TIGHT PROPERTIES

Simultaneous loose-tight properties can be achieved through a company "both centralized and decentralized. They are fanatical centralists around the few core values they see as key to the enterprise: quality, reliability, action, regular informal communication, and quick feedback" Southwest can be described by all these characteristics.

The organization as a whole is democratic. Individual input is encouraged and hierarchy in general is de-emphasized. At Southwest, departments and employees monitor each other's performance and even reward quality performance.

➤ EMPLOYEE RECOGNITION

Recognition is an important element in employee and managerial motivation. Southwest's corporate offices have literally thousands of pictures of employees taken at celebrations, many of them recognition events. Managers' offices were covered with mementos of experiences and recognition.

➤ PROMOTION

Approximately 80 to 90 percent of Southwest's supervisory positions are filled internally reflecting management belief that people who had been there and done that would be more likely to appreciate and understand the demands of the people under them where experiencing and also more likely to enjoy the respect of their peers and higher level managers. Employees can either apply for supervisory positions or be recommended by their present supervisor. All applicants for new positions are subject to a Targeted Selection process so as improve the chances of matching the right people to the right jobs. Targeted Selection is an interviewing approach that aims at matching people's traits to the traits for performing a specific job successfully.

New appointees for low-level management positions attend a three-day "Leading with Integrity" class aimed at developing leadership and communication skills. Employees

being considered for managerial positions for large operations receive training in every department of the company over a six-month period in which they continued to perform their current jobs. At the end of the six-month period, candidates were provided with 360 degree feedback from department heads, peers, and subordinates; representatives of the People Department analyze the feedback in deciding on the specific assignment of each candidate.

➢ EMPOWERMENT

The management puts a priority on employee initiative and responsibility. Southwest is built on the principle that employees are expected to take on an entrepreneurial role in being proactive owners (most employees own stock in the company as part of their benefit program) who are cognizant of corporate values and confident enough with their empowerment to participate in decision-making and continuous improvement. This entrepreneurial spirit championed by top management provides employees with the freedom and responsibility to take effective action and the financial participation through ownership, which allows them to benefit from the company's overall performance. Southwest unique employee involvement has really empowered employees to take on responsibility for maintaining the high performance standards of the company with few complications.

➢ A BIAS FOR ACTION

A company showing a bias for action favors experimentation. Management encourages "can do" and "let's try" problem solutions. Open- door policies and short deadlines are also typical. In general, companies with a bias for action are open for change and new innovations.

➢ OPEN DOOR POLICY

At Southwest, open-door policies and "let's try" approaches are part of the special Southwest perspective. Employees are encouraged to generate ideas and then try them. Southwest workers often go out of their way to amuse, surprise, or somehow

entertain passengers" (For example, employees may explain the usual safety regulations through rap-singing, Employees often generate and implement solutions to problems on the spot instead of waiting for time-consuming top management decisions.

➢ CUSTOMER FEEDBACK

Southwest maintains very close ties to the customer. Suggestions are taken seriously. Even letters to the company are answered personally, not according to a standardized formula. The management believes that taking customers' letters seriously helps Southwest in two ways. First, the letters help the CEO to monitor employee performance. Second, input from the customers reveals areas in which Southwest can improve.

➢ AUTONOMY AND ENTREPRENEURSHIP

Companies encouraging autonomy and entrepreneurship are characterized by innovators and risk takers on all levels. Internal competition is encouraged, not suppressed, and management fosters leaders on all levels

Southwest also accepts failure as a natural and forgivable occurrence. "A special attribute of the success-oriented, positive, and innovating environment is a substantial tolerance for failure"

3.1.8 COMPENSATION AND EMPLOYEE BENEFITS

Southwest initiated the first profit-sharing plan in the U.S. airline industry in 1974. It has offered profit sharing to its employees every year since then. Southwest's profit sharing program and a broad-based stock option plan allows employees to participate in the financial benefits of an ownership culture. The profit sharing plan is at the heart of Southwest's benefits program. Nearly all of the employees are rewarded with a

percentage of the company's profits divided up and allocated by relative salary. The company invests 15% of its pretax operating income in the profit sharing plan. While people are free to choose to increase the amount, 25% of an employee's profit sharing goes to the purchase of Southwest stock. The company is the only airline to offer stock ownership in the company without asking for wage concessions. In 2000, Southwest offered its employees a record setting $138Mm in profit sharing. This tax-deferred compensation represented an additional 14.1 percent of each employee's annual salary. Employees now own more than 13% of the company's stock through investments from an Employee Profit Sharing Plan. The shares held by employees are spread broadly among most of the company's roughly 33,000 workers. The pilots and flight attendants working for Southwest have separate stock option plans, which account for additional employee held shares. In addition, Southwest also has a 401(k) program, which allows employees to invest their contributions in company stock. Participation among employees investing 401(k) contributions in Southwest is lower than the profit sharing plan, yet employees who do contribute to the 401(k) invest an average of nearly 30% of their contributions in the company stock

➢ PROFIT-SHARING AND 401(K)

Participation in the Profit-Sharing Plan is offered to all eligible Employees. The plan is funded by Company contributions to profit-sharing accounts. Company contributions are made when the Company meets profitability goals set each year.

The 401(k) Plan is designed to help Employees to prepare for the future. Eligible Employees may contribute up to 15% of their pay to the plan on a pretax basis. A Company match is offered based on Employee groups. Rollovers are accepted from the Employee's former employer's qualified plan.

In recent years company contributions to employee 401(k) and profit sharing plans represent 8 to 12 % of base pay.

➢ STOCK PURCHASE PLAN

Southwest has 20 different stock option programs for various employee groups.This plan was specially designed to allow Employees to share in the success of the Company. Through the plan, Employees may invest in Southwest Airlines Co. stock through payroll deductions. Employees pay only 90% of market value for the stock. The Company pays broker commissions on stock purchases.

➢ PASSES/TRAVEL PRIVILEGES

One of the special benefits of working at Southwest is flying free. Effective the first day of employment, Employees, spouses, eligible dependent children, and parents of Employees have unlimited space-available travel privileges on Southwest. Discounted travel arrangements with other carriers are also available through the Southwest Airlines Pass Bureau, subject to eligibility requirements and other restrictions.

➢ MEDICAL INSURANCE

Employees may choose from several different medical plan options depending on their lifestyle, needs, and priorities through a cafeteria-style flexible benefits program. PPO Network and HMO plans are included. Most medical plan options are available to Employees at no cost with family coverage available at minimal cost.

➢ DENTAL INSURANCE

Dental coverage is offered through several dental plan options. Basic dental coverage is available to Employees at no cost. Optional additions and family coverage are

available at minimal cost. All dental coverage options include preventive, basic, major, and orthodontic coverage.

➢ VISION

Vision coverage is offered to provide affordable vision care for Employees and their families. Coverage under the vision plan includes complete eye exams and lenses and frames or contact lenses. Under some plans, vision coverage is available only to certain work groups.

➢ LIFE INSURANCE

Basic life insurance is provided to all Employees at no cost. Coverage is based on annual salary. Optional Employee and dependant life insurance are also available.

➢ SICK LEAVE, VACATION AND HOLIDAYS

Depending on employment classifications, Employees are able to accrue time off for personal illness and vacation. Employees celebrate several paid holidays throughout the calendar based on their employment classifications.

➢ OTHER BENEFITS

Long-Term Disability Insurance · Dependant Care Spending Account · Healthcare Spending Account · Adoption Assistance Reimbursement Benefit · Child and Elder Care Resource and Referral Program · Mental Health Chemical Dependency/Employee Assistance Program

2 MICROSOFT CORPORATION

Over the last three decades, technology has transformed the way we work, play, and communicate. Today, we access information and people from around the world in an instant. Groundbreaking technologies have opened the door to innovations in every field of human endeavor, delivering new opportunity, convenience, and value to our lives.

Since its founding in 1975, Microsoft has been a leader in this transformation. As a reflection of that role—and to help the company focus on the opportunities that lie ahead—they have established and embraced a new corporate mission.

3.2.1 MICROSOFT'S MISSION

To enable people and businesses throughout the world to realize their full potential.

- **BROAD CUSTOMER CONNECTION**

  Connecting with customers, understanding their needs and how they use technology, and providing value through information and support to help them realize their potential.

- **A GLOBAL, INCLUSIVE APPROACH**

  Thinking and acting globally, enabling a diverse workforce that generates innovative decision-making for a broad spectrum of customers and partners, innovating to lower the costs of technology, and showing leadership in supporting the communities in which we work and live.

- **EXCELLENCE**

  They believe in being excellent in everything they do.

- **TRUSTWORTHY COMPUTING**

  Deepening customer trust through the quality of their products and services, their responsiveness and accountability, and our predictability in everything they do.

- **GREAT PEOPLE WITH GREAT VALUES**

Delivering on their mission requires great people who are bright, creative, and energetic, and who share the following values:

- o Integrity and honesty.

- o Passion for customers, partners, and technology.

- o Open and respectful with others and dedicated to making them better.

- o Willingness to take on big challenges and sees them through.

- o Self-critical, questioning, and committed to personal excellence and self-improvement.

- o Accountable for commitments, results, and quality to customers, shareholders, partners, and employees.

- o **INNOVATIVE AND RESPONSIBLE PLATFORM LEADERSHIP**

  Expanding platform innovation, benefits, and opportunities for customers and partners; openness in discussing our future directions; getting feedback; and working with others to ensure that their products and our platforms work well together.

- o **ENABLING PEOPLE TO DO NEW THINGS**

  Broadening choices for customers by identifying new areas of business; incubating new products; integrating new customer scenarios into existing businesses; exploring acquisitions of key talent and experience; and integrating more deeply with new and existing partners.

At Microsoft, the management is committed to their mission of helping their customers scale new heights and achieve goals they never thought possible.

3.2.2 STRATEGY OF MICROSOFT

Microsoft is pursuing a differentiation strategy with multiple features like Microsoft Windows and Microsoft Office. In order to sustain this differentiation strategy the company encourages risk taking and creativity. The company believes in the terminal values of excellence and innovation.

As it differentiates into more and more software specialists, managers face the challenge of designing an organizational structure hospitable to innovation and flexibility. One approach they have taken is to limit the size of a department to two hundred people. In addition, they have divided each department into distinct subgroups, each of which performs a specific task. In this way people remain accountable for what they do and each subgroup's task is manageable. Thus the organization requires a minimum level of standardization and formalization to coordinate its people. By keeping the operating departments small Microsoft is able to rely on mutual adjustment and direct methods of communication and integration.

➢ MULTICOUNTRY STRATEGY

In order to best serve the needs of users in foreign countries, Microsoft localizes many of its software products to reflect local languages. In France e.g. all user messages and documentation are in French and all monetary references are in French francs. In the UK, monetary references are in the British pound and user messages and documentation reflect certain British conventions. Various Microsoft products have been localized into more than 30 languages.

3.2.3 RECRUITMENT AND SELECTION

Microsoft's success is highly dependent on its ability to attract and retain qualified employees. To date the company believes it has been successful in its effort to recruit qualified employees but there is no assurance that it will continue to be successful in the future.

Microsoft actively recruits for women and minority employees on college campuses on a regular basis. Examples of our commitment to college recruiting include:

- Seven-year active recruiting relationships at several Historically Black Colleges and Universities (HBCUs), including: Florida A&M, Hampton, Howard, Johnson C. Smith, North Carolina Agriculture and Technology, Tuskegee, and Xavier
- Hispanic Serving Institutions, including University of Puerto Rico and Instituto Tehnologico y de Estudios Superiores de Monterrey (ITESM)
- Women's schools, including Smith College, Wellesley College, and Mount Holyoke College

In addition to these specific recruiting efforts, the company also maintains active relationships with such campus groups as the Minority Engineering Program and Women in Engineering Program at mainstream colleges, universities and scholarships.

➢ RECRUITMENT ON THE WEB

Microsoft recruits on the web and snaps up startups for talent--- some 20 companies in 1996 alone. But to get its software up and running throughout the world, Microsoft relies on service companies, which are grossly understaffed. Microsoft calculates that its service partners are short 41,000 professionals trained to install Microsoft products. This is forcing the company to educate new recruits. With an effort to known as Skills 2000, Microsoft is pushing into 350 schools and colleges around the world. It hammers out curricula that will produce more programmers, such as adding computer training in business schools.

A big part of the effort is in Europe, a major market that has 18 million unemployed workers. Microsoft's solution is to invite jobless Europeans in 11 countries into free training programs. In the past year, 3000 Europeans have gone through the program, with 98% of them landing jobs.

➢ SELECTION PROCEDURE

General intelligence or cognitive ability test is the central feature that Microsoft screens for in evaluating 120,000 job applicants yearly. Indeed the goal of the entire selection and placement process is to find the smartest people and then place them in the jobs best suited to their talents. General intelligence is often valued more heavily than experience. In many cases, Microsoft has turned away applicants with long resumes in the area of software development. Instead, it is likely to raid major universities' math or physics departments to obtain people who are highly intelligent even if they have little direct programming experience.

This emphasis on general reasoning and problem solving ability in its personnel reflects the needs embodied in Microsoft's environment, its business strategy and its culture. That is the world of software development is changing constantly, so possession of yesterday's skills means less than the ability to develop new skills. Thus Microsoft's strategy is to outsmart the competition in terms both recognizing and then quickly adapting to changing conditions. This leads to an organizational culture where intellectual debate is vigorously promoted. Those who lack mental ability are not likely to ever feel comfortable within this culture.

Selection and placement is seen as so central at Microsoft that Bill Gates makes himself available to both recruit and interview prospective job candidates. He feels that intelligence and creativity are relatively innate so the company cannot do much to change people along these lines after they are hired. Gates has stated

"Take *our 20 best people away, and I will tell you that Microsoft would become an unimportant company."*

This confirms Microsoft's past success and its future competitive strategy.

3.2.4 TRAINING AND DEVELOPMENT

At Microsoft employees are responsible for their own career development, so the company provides them with all the tools and resources they need to grow professionally. Microsoft Technical Education training programs, online self-paced training, and management development training promote learning.

Microsoft's diversity education programs are designed to reinforce the company's commitment to diversity while ensuring that employees have the awareness, skills, knowledge and ability to carry out their individual responsibilities. The programs communicate the importance of a respectful work environment in maximizing the performance of every employee and enhancing the company's ability to attract, develop and retain the best and brightest talent. The emphasis on understanding, valuing and leveraging differences is also linked to our ability to compete effectively in an ever-changing marketplace.

Microsoft has introduced a project, called Skills Planning "und" Development (thus affectionately known as "SPUD"), which is focused not on entry-level competencies, but rather on those needed and acquired to stay on the leading edge of the workplace. However, shortcomings in the educational system must be addressed by competencies acquired on the job.

The SPUD initiative is being managed by the "Learning and Communication Resources" group within Microsoft IT, which also has responsibility for training and education for IT personnel. The goal is to use the competency model to transfer and build knowledge, not merely to test it. When Microsoft IT employees have a better idea of what competencies are required of them, they will be better consumers of educational offerings within and outside Microsoft. The project is also expected to lead to better matching of employees to jobs and work teams. There were five major components to the SPUD project:

• Development of a structure of competency types and levels;

• Defining the competencies required for particular jobs;

- Rating the performance of individual employees in particular jobs based on the competencies;

- Implementing the knowledge competencies in an online system;

- Linkage of the competency model to learning offerings.

Developing the Competency Structure

Before the project began Microsoft had already defined certain competencies, but they were largely restricted to entry-level skills. The base-level competencies are known as **foundation** knowledge in the four type model used in the SPUD project.

Universal
Global
Local/ unique
Foundation Skills
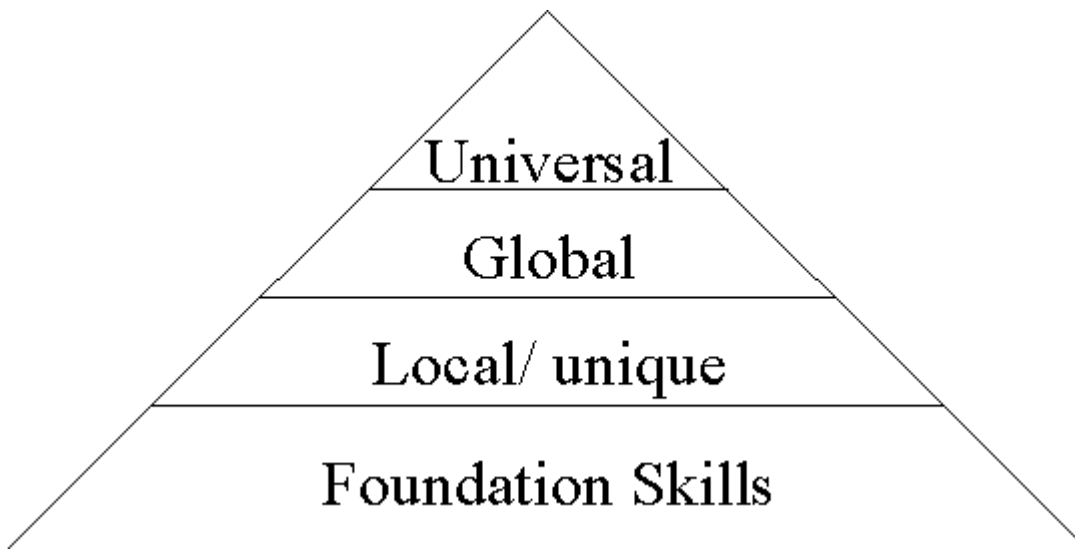
Above the foundation level there are **local** or unique competencies. These are advanced skills that apply to a particular job type. A network analyst, for example, might need a fault diagnosis competency for local area networks.

The next level of competencies are **global** and would be present in all employees within a particular function or organization. Every worker in the Controller organization, for example, would be competent in financial analysis; every IT employee would be competent in technology architectures and systems analysis.

The highest level in the competency structure is **universal** competencies; universal, that is, to all employees within a company. Such competencies might be a knowledge of the overall business a company is in, the products it sells, and the drivers of the industry. A course for all employees sought to provide general knowledge of the software industry and Microsoft's strategies.

Within each of the four foundation competencies there are two different types. Explicit competencies involved knowledge of and experience with specific tools or methods, e.g. Excel or SQL 6.0. Requirements definition competency, for example, is an implicit competence. Implicit competencies involve more abstract thinking and reasoning skills. At Microsoft, the implicit competencies are expected to remain quite stable over time, although one new one, Web authoring, was recently added. Explicit competencies, of course, change frequently with rapid changes in fortunes of particular languages and tools. Within all four competency types, there are 137 implicit competencies and 200 explicit ones.

Within each type of competency there are also four defined skill levels. A worker might have, or a job might require, any of the levels below:

• Basic

• Working

• Leadership

• Expert.

Each skill level for each competency is described in three or four bullet points that make the level clear and measurable. The goal of the skill descriptions is to avoid ambiguity in rating jobs and employees.

A sample competency description for data administration is shown

 Sample Competency Description

Data Administration/Repository Mgt.

Level 1:Basic knowledge of data administration and Repository management
- Basic knowledge of the principles and practices employed in the management of data and repositories.
- Familiar with information models and modeling.
- Understands the rationale behind maintaining a centralized, reusable library of the business and enterprise models of a corporation.

Level 2:Working knowledge of data administration and Repository management
- Working knowledge of the principles, practices and tools associated with the access to and updating of local repositories.

Level 3:Mastery of data administration and Repository Management
- Knowledge and demonstrated experience in data management.
- Can assess the impact of functional/regional data changes on the enterprise model.
- Able to integrate the business data and process models into the enterprise model. Recognized as a data expert in a functional area.

Level 4:Leadership and recognized expertise in data administration and repository management
- Subject-matter expertise in the management of local, regional and enterprise wide information/data models.
- Recognized as a data expert in major functional areas.
- Reviews information models for compliance, content quality, consistency and impact on enterprise models.

  ➤ CROSS CULTURAL TRAINING

Microsoft is headquartered in the US but has facilities around the world. To be effective, expatriates in the Microsoft international operations, must understand the region's business and social culture. Because of the growing pool of talented

labor around the world, greater use of host country nationals is occurring. A key reason is that a host country national can more easily understand the values and customs of the work force than an expatriate can.

➢ PROFESSIONAL DEVELOPMENT

Microsoft provides in-house training programs for technical and non-technical skills.

There are two blended learning models that the company has established which is the skill-driven model and a competency driven model:

	Why	How
Skill-Driven Model	Learning specific knowledge and skills requires regular feedback and support from the trainer, facilitator, or peer.	o Create a group-learning plan that's self-paced but bound to a strict schedule o Pad self-paced learning material with instructor-led overview and closing sessions o Demonstrate procedures and processes through a virtual or traditional classroom setting o Provide email support o Design long-term projects
Competency-Driven Model	To capture and transfer tacit knowledge, learners must interact with and observe	o Assign mentors o Develop a

	experts on the job.	knowledge repository

The key goals are:

- Reducing the consecutive days an employee is out of office
- Maximizing classroom resources by mentoring multiple groups of students simultaneously and using the classroom only when required
- Leveraging a learner's pre-existing knowledge and creating individualized paths based on that knowledge

Three main methods of delivering content and what they would contain:

- Instructor-led training (ILT)
- Delivery of all content by an instructor in a traditional classroom environment.
- eLearning (eL)

Electronic delivery to student of notes and multimedia with an instructor providing either real-time (synchronous) or offline (asynchronous) facilitation. (This method of delivery is often referred to as a virtual classroom.)

- Self study
- Delivery of content and multimedia, by any means, where there is no instructor facilitation.

The labs – often the real "meat" of the courses -- that are critical to ensuring that the learners could actually perform the tasks involved when they return to their workplace are as follows:

- ILT
- Delivery by an instructor in a traditional classroom environment.
- Hosted Labs (HL)

- Electronic delivery by using any of several methods, including Terminal Services or virtualized networks.

A classroom is set up on real hardware (the Terminal Services solution) or virtualized hardware at the training center. Students access this environment and complete the labs remotely.

SIMULATION

Delivery is provided in a simulated environment on the student's own computer.

A multi-course blended learning guide, providing information and a possible path for combining multiple courses into a single learning experience has been created with the following steps for developing this plan:

1. The Product Manager defines one or more scenarios for the delivery of the courses, including intended delivery time and target audience.
2. The original content creators suggest preferred delivery methods for individual courses (if preferred delivery methods are not already specified in original course documents).
3. The design team creates an outline of all-content, including module titles, terminal objectives, and special notes about content.
4. The design team eliminates overlapping content.
5. The design team builds final blended learning solution with selected content.

3.2.5 PERFORMANCE APPRAISAL

Microsoft provides employees with very competitive compensation over the long-term through a pay-for-performance approach. The appraisal system is intended to promote outstanding employee performance by offering high-performing employees larger compensation rewards.

Most managers review objectives every month or so with each individual, noting what was done well, where there were glitches, and what still need to be done. This practice

helps Microsoft employees avoid performance-review surprises and big deviations from the agreed goals.

In the Microsoft System, merit increases are awarded on the basis of one's present skills and abilities while bonuses reward achievements in the immediate past period.

After analyzing all these inputs, the mangers then schedule the review session, at the end of which the employee receive his or her rating and increase. If there is bad news to deliver, an HR generalist meets with the manager in advance to coach him or her on how to handle the discussion.

In 1999 Microsoft announced almost a doubling of the number of non-executive ladder level from 12 to 22 in order to reward its highest performers more frequently with promotions. Now those who are doing well are likely to be promoted every 18 month to 2 years, compared to every 3 to 4 years.

➢ DEFINING COMPETENCIES FOR PARTICULAR JOBS

One of the purposes of the SPUD project is to match jobs and employee capabilities, each job has to be rated in terms of the competencies required to perform it. This task is typically performed by the manager to whom the job would report. There are 40 to 60 competencies in the average job template.

One problem that emerged with the job ratings was that it took a manager between two and three hours to rate a job in terms of the competencies needed. In order to deal with this issue, managers were encouraged to rate only the highest priority competencies, i.e., those requiring the highest skill levels. The goal was to have the job rating process require only about a half hour.

The system also included a "measurement model" with suggestions for the supervisor about how a particular competency might be evaluated. Because the goal was

knowledge transfer rather than testing, employees also had access to the measurement model.

> **RATING EMPLOYEES ON JOB COMPETENCIES**

Another key step in the project involved evaluating workers in terms of the competencies they have exhibited in their current jobs. The initial rating is built in an iterative fashion by the employee and his or her supervisor; eventually the entire work team will participate. After an initial rating by both parties they meet and resolve their differences. The rating process is intended to serve as an occasion for conversation about the employee's competencies; the supervisor may not be aware, for example, of experience with a competency area prior to the current job.

The overall goal of the employee rating process is to build a competency inventory that can be used all across Microsoft. A manager seeking to build a team for a new project can no longer know personally all of the employees who might be qualified for the job. Therefore, the supervisor could query the on-line system and ask, "Give me the top five candidates who have leadership skill levels on 80% of the competencies for this job and who are based in Redmond (Microsoft's headquarters location in Washington)."

3.2.6 COMPENSATION AND EMPLOYEE BENEFITS

Microsoft uses relatively low level of initial base salary in the short run but the use of stock options and bonuses which pay off well in the long run. Managers are paid salaries that are comparable to base salaries paid by competitors in the computer and other relevant industries.

Every employee is eligible to become a shareholder through the employee stock purchase and stock option plan. Stock option grants are based on various factors relating to the responsibilities of the individual managers and their expected future contributions.

COMPENSATION PACKAGE

➢ **BONUS AWARDS**

Employees are eligible for a cash bonus award yearly, depending on their performance

➢ **MERIT INCREASES**

Employees may be considered for merit increases annually following performance reviews. Merit increases are based on skill, experience and contribution

➢ **STOCK AWARDS**

Employees may be eligible to earn actual shares of stock over a five-year vesting period. As they vest, Stock Awards provide long-term value at any stock price-unlike stock options. This plan provides employees a highly competitive compensation today and more predictable long-term rewards for the future. Stock Award grants may be awarded on a discretionary basis to employees at their time of hire and/or annually.

➢ **FINANCIAL BENEFITS PLANS**

➢ **SAVINGS PLUS 401(K) PLAN-A RETIREMENT PLAN**

A 401k plan is an employer sponsored retirement plan and is grouped into two categories-defined benefits and defined contribution. With a defined benefit plan, the employer promises to pay a defined amount to retirees who meet certain eligibility criteria. With a defined contribution plan, the plan defines the contributions that an employer can make and not the benefit that the employee will receive at retirement.

A defined benefit plan usually links the benefit to the amount of service and is based on the final average salary. Employees can usually predict the monthly retirement income they might receive with this type of plan and might also be given the choice of a lump-sum benefit at retirement.

A defined contribution plan is not a defined benefit so the employee cannot predict a monthly retirement income. If an employee leaves the company, they usually receive the proceeds in a current or deferred lump sum or annuity.

Microsoft Corp. lets its employees defer up to 25 percent of their pretax salary dollars. Microsoft matches 50 cents on every dollar up to 6 percent of employees' contribution. They can also contribute up to 7 percent of their pay on an after-tax basis.

➢ **EMPLOYEE STOCK PURCHASE PLAN**
Microsoft lets employees use from 1 percent to 15 percent of their after-tax salary to buy Microsoft stock at a 15 percent discount.

➢ PERKS

➢ **VACATION DAY**
In the first year employees get 15 paid vacation days

➢ **SICK DAYS**
Employees can take up to 10 days a year for paid sick leave.

➢ **PAID HOLIDAYS**
Microsoft gives employees the usual big holidays — eight U.S. holidays and two personal holidays to take at their leisure.

➢ **RELOCATION**

If the employee is starting his career at Microsoft, the management wants him to be able to focus on the job and not on the moving. So the new employee is provided with many options and services to get him settled, which could include:

- ➢ Packing, moving, and storage of household goods and car
- ➢ Temporary housing and rental car
- ➢ Whether renting or buying, the company helps the employees find a place
- ➢ Housing lease-termination coverage

➢ **STAY-FIT PROGRAM**

 The company offers a paid health-club membership (where available) or taxable income to apply toward an employee's own health and fitness program.

➢ **DISCOUNTS ON SOFTWARE AND HARDWARE**

The Microsoft Company store offers substantial discounts on Microsoft products.

➢ **P.R.I.M.E. DISCOUNTS**

Delivers savings to employees on brand-name products and services, including automotive services, computers and electronics, home and garden, restaurants, shopping, sporting goods, travel, and local attractions.

➢ **DISCOUNTED FINANCIAL SERVICES**

Microsoft employees may take advantage of a suite of banking and financial services — offered at special discounted rates.

The suite includes:
- Brokerage services
- Banking services
- Financial planning and education opportunities
-

➢ **OFFICE ERGONOMICS CONSULTATION**

Provides professional, personal assistance with furniture and equipment configurations within your work area to ensure a healthy, comfortable environment.

➢ **MICROSOFT ART COLLECTION**

Microsoft brings together contemporary art from around the world for the benefit and enjoyment of Microsoft employees. To date the collection comprises approximately 2,800 works on view throughout the company's facilities.

➢ **24-HOUR HEALTH LINE**

Available 24 hours a day, seven days a week, to provide useful, easy-to-understand health information that can help you make appropriate health-care decisions.

➢ **RESOURCE AND REFERRAL SERVICE**

Free referral services are available to assist you with childcare, adult care, home improvement, and academic services.

➢ **ADOPTION ASSISTANCE**

Reimburses up to $5,000 per child for costs associated with adopting a child under the age of 18.

➢ **PERSONAL AND FAMILY COUNSELING ASSISTANCE**

Offers confidential counseling services for eligible employees and their enrolled family members.

➢ **CREDIT UNION**

Includes checking accounts, bank cards, and competitive interest rates.

➢ **HEALTH CARE BENEFITS**

➤ MEDICAL & HOSPITALIZATION

Microsoft provides a variety of plans to meet your individual needs. These plans range from minimal catastrophic coverage to full, comprehensive benefits. By providing unlimited lifetime maximum health coverage, the company has become the leading health care provider in the industry.

➤ VISION CARE

The plan includes one annual eye exam and reimbursement toward one pair of glasses or contacts per covered person per calendar year.

➤ DENTAL CARE

Coverage allows employees to choose from a basic plan or a plan that pays a higher level of benefits, including orthodontia.

➤ ADDITIONAL BENEFITS

Employees can enhance their comprehensive benefit package with options in coverage for life insurance, disability, accidental death and dismemberment, group legal coverage, and dependent and health-care flexible spending accounts.

3. AT&T

AT&T is a global corporation that develops various telecommunications products, systems, and services designed to meet its customers' needs. The corporation also provides for the movement and management of information within a Worldwide Intelligent Network, encompassing more than 200 million miles of telecommunications transmission facilities around the world. AT&T prides itself in its ability to integrate vast quantities of information and communications systems for its customers. AT&T employs approximately 320,000 people in 130 countries around the world. Its base of operations is located in New York, New York.

AT&T is among the world's premier voice, video and data communications companies, serving consumers, businesses and government. Backed by the research and development capabilities of AT&T Labs, the company runs the largest, most sophisticated communications network and is the largest cable operator in the U.S. The company is a leading supplier of data, Internet and managed services for the public and private sectors, and offers outsourcing, consulting and networking-integration to large businesses and government. Serving nearly 60 million consumers, AT&T is a market leader in consumer communications services and operates AT&T WorldNet Service, a leading Internet access service that has garnered several awards for outstanding customer service.

3.3.1 VISION STATEMENT

To stand out in the highly competitive markets, AT&T has restructured itself into smaller, more focused units. This allows the corporation to concentrate on meeting its customers' needs in specific market segments.

3.3.2 STRATEGY OF AT&T

AT&T recently designed and enacted a three-part strategy which is as follows:

(1) To provide long-distance services, communications for home and office use, and network telecommunications equipment;

(2) To incorporate individual communications and data systems into information networks; and

(3) To expand more rapidly into international markets.

3.3.3 MANAGEMENT BY PLANNING

AT&T's definition of management by planning is the following

"An *organization wide and customer focused management approach aimed at planning and executing breakthrough improvements in business performance"*

3.3.4 RECRUITMENT AND SELECTION

At AT&T every applicant completes a two-part general aptitude test. The company then invites successful candidates to participate in additional testing, which includes a customer service role-playing exercise. Each applicant is asked to handle simulated incoming and outgoing calls. After completing the initial screening test, each candidate must pass a background test, credit check, and a medical evaluation, including drug testing before being hired.

➢ **RECRUITMENT CRITERIA**

All candidates are required to go through an initial screening process. Screening takes place on-campus or via phone interviews.

For initial consideration, a candidate must:

- Have a cumulative GPA of 3.5 or better;
- Be entering the junior or senior year of completing a Bachelors degree, or be a first-year MBA student in Finance, Accounting, Economics, or Business Administration;
- Have prior internship or corporate work experience;
- Demonstrate exemplary leadership and strategic thinking attributes;
- Display strong communication skills.

➢ **FINANCIAL LEADERSHIP PROGRAM FOR ASSOCIATES:**

For initial consideration, a candidate must meet the following criteria:

- Have a cumulative GPA of 3.5 or better
- Be in the final year of completing a Bachelor's or Master's degree in Finance, Accounting or Economics

- Up to **three years** of corporate work experience
- Demonstrate exemplary leadership and strategic thinking attributes
- Display strong communication skills.

➢ FINANCIAL LEADERSHIP PROGRAM FOR MANAGERS:

- Be in the final year of completing an MBA with a focus on Finance, Accounting or Economics
- Have more than three years of corporate work experience
- Demonstrate exemplary leadership and strategic thinking attributes
- Display strong communication skills.

➢ INTERNSHIP

The AT&T Student Intern Program is designed for students who would like to spend up to six months in a meaningful work assignment that compliments their academic training and/or career goals. As an intern students will not only supplement the workforce but will be also trained to meet the future needs of the company. The work is project-focused and guided by an AT&T supervisor. As a first-level manager, the student will perform specific, measurable tasks that are both important and productive.

Interns also participate in a variety of professional development activities such as training, meetings with upper management and networking events. This experience and the skills acquired assist them in performing effectively once they are ready to seek full-time employment.

One very important aspect of the program is to track interns from their first assignment, thereby providing AT&T with the opportunity to invite high achievers back for future internships and possible full-time employment following graduation. One more advantage is that internees have the opportunity to bridge the work if they are offered a permanent position.

3.3.5 TRAINING AND DEVELOPMENT

AT&T uses a systematic methodology called the Instructional Technology Approach to assess, analyze and develop curricula to identify and address skill and development gaps.

Each year, LEAGUE at AT&T hosts a Professional Development Conference or Leadership Training Meeting. LEAGUE at AT&T Professional Development Conference offers several workshop tracks and plenary sessions that cover professional development and workplace issues. Other topics may include diversity, other AT&T employees, and people from the community.

> **EDUCATION REIMBURSEMENT**:

AT&T reimburses expenses of formal academic programs offered by accredited universities, colleges, technical institutions, etc. (e.g. covers full tuition, laboratory fees, and other mandatory recurring fees

> **CONTINUING EDUCATION**:

AT&T offers training programs to help employees keep up with changing technology and market conditions.

> ## METHODS OF INSTRUCTION

Initially, AT&T started piloting a two-way video program that involved shipping a camera, PC, and other equipment to each remote site. Although this method decreased travel costs by allowing instructors to remain in the Kansas City, Missouri broadcast studio, shipment and operation of the point-to-point equipment was complex and cumbersome. And more importantly, the solution didn't provide the high level of interactivity needed for effective training.

To counter this problem, **AT&T**'s Interactive Video Broadcast Network (IVBN) group—part of the **AT&T** Network Operations and Engineering **Training** (NOET) division—began researching and evaluating various distributed learning solutions. The ONE TOUCH e-Learning solution appeared to meet AT&T's need for cost-effective training. More importantly, it also clearly demonstrated the ability to support the high level of interaction that had been essential to the training group's stand-up training activities. "We found that interactivity is key to learning," said Don Gentry, C.D.L.I., Certified Distance Learning Instructor at AT&T.

"*We needed to train large numbers of dispersed employees at low cost, and we found that by using ONE TOUCH's fully integrated video, voice, and data solution in conjunction with our existing satellite network, we could maintain a quality learning experience.*"

Using the ONE TOUCH Presentation Server, an **AT&T** instructor can reach multiple locations simultaneously. Participants see and hear the presenter broadcast live on a classroom TV monitor, interacting and responding to questions using the ONE TOUCH Interactive Touchpad and its integrated microphone. Student responses to questions and quizzes are compiled at the Presentation Server, and the results are available for immediate display to all participants, while post-class tabulation lets presenters determine their effectiveness. The results are measurable and certifiable and can be logged into **AT&T** NOET's database.

"By using the highly interactive ONE TOUCH solution in our training efforts, we are able to ensure quality and accurate training. We see it as a competitive issue. Training technicians quickly and cost-effectively keeps us ahead of the competition."

<div align="right">

Don Gentry,

C.D.L.I.,

Instructor **AT&T**

</div>

➤ AT&T TRAINING CONTENT

Most AT&T training content is highly technical, ranging from the latest fiber-optic technology to changes in automated switching systems. Technicians rely on this training to meet company-wide goals, many of which depend upon installing equipment by the delivery date. The IVBN is responsible for developing and delivering this critical courseware, relying on the ONE TOUCH solution to distribute the knowledge quickly and consistently.

The company's ONE TOUCH-powered e-Learning network has the ability to reach students simultaneously in 285 remote KnowledgeSite Classroom locations. By using the highly interactive ONE TOUCH solution in their training efforts, the company is able to ensure quality and accurate training. The management sees it as a competitive issue. Training technicians quickly and cost-effectively keeps them ahead of the competition.

➤ MANAGERIAL TRAINING COURSE

AT&T has developed a three-day training course for every manager. The first day is aimed at creating an awareness of quality and productivity programs and progress throughout the world. Outside speakers review the challenges to US industry and the reasons for Japanese success. Companies vice presidents discuss the challenges facing their lines of businesses. Other speakers talk about the methods used by other companies to manage quality and productivity. The second day focuses on Juran's approach to quality and productivity improvement and how to organize and manage an annual improvement program. The final day deals with tools, such as statistical methods, software and project management.

In addition AT&T has developed a number of courses specifically for product and process designers: a statistical reliability workshop, a reliability prediction workshop, an experimental design workshop, and a product and process design optimization workshop.

➢ **TALENT RETENTION & DEVELOPMENT (FOR SUPERVISORS)**

This course provides supervisors with a framework for retaining and developing their employees and ensures that talented employees are identified, nurtured and retained. This program clarifies why key employees leave, builds understanding of the impact and cost of lost talent, and applies the five practices for retaining and developing key performers.

➢ **WRITING WIN-WIN OBJECTIVES FOR THE CORPORATION**

This half-day workshop will teach the participants on how to write clear, concise, measurable and realistic objectives that support AT&T's strategic goals. Participants learn how to incorporate the company's "Whats", "Hows", and "Development" priorities into their objectives, and identify key actions for success.

➢ **TEAM ASSESSMENT**

Team members complete a widely used career assessment instrument, the Myers-Briggs Type Indicator, in advance of the session. Reports are generated to help understand personality types of the team members and enhance their team's relationships and productivity.

➢ **TEAM SMART**

A two to three-hour team exercise (*available for groups of 8 - 15 participants only*). This program focuses on the development and refinement of the team skills required to transform a group of people into an effective, cooperative, productive unit capable of accomplishing its goals.

➢ **THE EXTREME TEAM**

This upbeat experience introduces trainees to activities that will initiate team building and problem solving techniques while learning to work with others more effectively. By the end of the session participants will be able to trust others,

understand group dynamics and create rapport between your coworkers. They will also understand the four basic personality styles and learn brainstorming techniques.

- ➤ **DEVELOPING PERSONAL RESILIENCE**

Designed for managers or employees who must continue to contribute to the organization's success during times of ongoing ambiguity and change. In the session, participants explore a four-part resilience model:

- Understand yourself,
- Know the territory,
- Connect to resources,
- Take action.

- ➤ **ACCOMPLISHMENTS WORKSHOP**

Designed to help create and revise the trainees' accomplishment statements for increased clarity and impact. Employees learn to organize accomplishments and supporting evidence clearly and coherently, eliminate extraneous verbiage and phrases, and select powerful words and images. The workshop teaches to enhance self-awareness by realizing the goals that one has achieved.

This three-hour workshop offers thought-stimulating exercises to help participants recognize what constitutes an accomplishment. Emphasis is on: stimulating thought, organizing information, choosing powerful words and proper phrasing, and editing the work.

➤ ASSESSMENT CENTRES

The first AT&T development center was established in1958 to aid in selecting first line supervisors from the hourly ranks. AT&T's advanced management assessment program contains several elements, which are as follows

➤ SIMULATIONS

It is a standard part of any assessment center. Although the nature of the exercise will vary according to the objective and dimensions inherent in the center, certain types of exercises are used in most working centers. Such simulations include group exercises, "in-baskets", individual problem solving exercises, work simulations, interviews, personal history questionnaires, and autobiographical sketch. Each exercise or simulation stimulates behavior relevant to several assessment dimensions. Paper and pencil tests are also used in the centers.

➤ ASSESSMENT STAFF

The staff coordinates, administers, supervises and carries out the assessment process itself. To function effectively the staff comprised of one director and several assessors, who are often managers in the organization.

Assessment programs at AT&T are typically designed by corporate staff and are made available. The assessment centers are widely accepted across the organization as valid and reliable tools for decisions about management's development and promotion. AT&T maintains a constant and growing interest in the assessment process as evidenced by increasing numbers of program participants.

➤ EVALUATION OF PARTICIPANTS

The participants are evaluated in the following manner.

- ➤ Written reports/ratings after each exercise.
- ➤ Multiple observers for business games

- ➢ Specialization of assessors by technique
- ➢ Peer ratings and rankings after group exercises.
- ➢ Extensive consideration of each candidate
- ➢ Presentation and discussion
- ➢ Independent ratings on each of the 25 characteristics
- ➢ Discussion with opportunity for rating adjustments
- ➢ Rating profile of average scores
- ➢ Two overall ratings: would or should make middle management in 10 years.

3.3.6 PERFORMANCE APPRAISAL

AT&T, a Baldridge Award winner in past years, appraises managers under a performance pay plan. Professional and technical people are also covered by the plan.

Customer feedback is the primary factor in an employee's annual performance review, counting for 70% of the appraisal. Therefore, employees have at least two face-to-face meetings during the year in which they are provided developmental feedback. Various staff members participate in the process, which functioned more like a team-based peer review.

At the end of each year, each employees receives a written performance appraisal. These are all done in one month, in synchronization with the performance review-compensation process undertaken throughout the company.

➢ QUALITY COUNCIL

The eight executives on the Quality Council initiate planning and serve as members on any one of four steering committees, which also include high-level managers. Supported by business management teams, the cross-organizational steering committees translate the goals into specific quality projects required to accomplish the company's annual and 5-year goals. The draft strategic plan is communicated to

employees at all levels and to key suppliers. Units develop their own plans, detailing the steps and resources required to reach their specific goals. They also can suggest changes in the strategic plan. Once the plan is approved, progress is reviewed at the Quality Council's biweekly meetings. The information systems help executives, managers, and workers track key processes in all phases and at all levels of the business. Performance indicators are selected carefully and reviewed regularly to ensure that the information supports decision making as well as management and improvement of processes determined to impact customer satisfaction. High-level, aggregated analyses of the data show direct correlation between quality improvement and measures of customer satisfaction and financial performance.

➢ 360-DEGREE FEEDBACK SESSION

A recent trend in the use of performance appraisals for management development is the 360-degree feedback process. AT&T uses this appraisal process. The employees' behaviors are evaluated by subordinates, peers, customers, their bosses and themselves. The results of a 360-degree feedback process show the manager how he was rated on each item. The results also show how self-evaluations differ from evaluations from other raters. Managers are asked to review their results, seek clarification from the raters, and participate in development planning.

➢ EMPOWERMENT

Many companies talk about empowerment but few actually practice it. At AT&T design engineers have the authority to stop a design, and line operators can stop the production line if they detect a quality problem.

3.3.7 COMPENSATION AND BENEFITS

AT&T's total package of benefits and other company programs deliver a wide variety of competitive and valuable benefits to help employees meet their needs at any stage of their career.

The original pay plan, has been combined with the company's performance benchmark: Economic Value Added (net operating profits after the company deducts a charge for all the capital it uses, including for plants, inventories, and accounts receivable). On average, executives can earn larger bonuses under the new plan, But EVA raises the bar for performance. The first piece is an annual payout rewarding the performance of a manager or small work team. AT&T expects the individual or team bonus to average from 5% to 10%, rising with the salary level. But the percentage shrinks if the corporation as a whole fails to meet its EVA targets, and swells if it surpasses the EVA goal. As many as 15% of managers will get no individual bonus at all, a strong hint that they should improve or depart.

Bonuses run from about 15% of salary for a $45,000-a-year supervisor of a team of technicians to 20% for a $100,000 division manager, high by industry standards.

The annual performance appraisal helps to determine employees' salary increases and bonuses. Salary increases and "bonus" could usually be obtained with satisfactory ratings and 90% productivity.

At AT&T, a company- wide incentive bonus plan is based on more than 100 daily quality measures, rated on a pass/fail basis. A number of reward and recognition programs support the business by encouraging employees to contribute to continuous improvement in meeting customer and business needs and to exemplify the AT&T core values.

➢ **OUTSOURCING**

AT&T has outsourced its some of its HR responsibilities to Aon Consulting. The company provides AT&T with end-to-end human resources administrative, transaction and payroll services, including the oversight of existing benefit plan service providers. Aon also will invest in and build upon both the state-of-the-art, high-tech creative solutions that AT&T has developed for transaction-based employee services.

AT&T continues to provide the same critical employee services it did before, but with a single provider to more efficiently manage all administrative and transactional human resources and payroll functions. AT&T also leverages Aon Consulting's leading-edge systems and technology to expand e-enabled services and functionality for AT&T employees. At the same time, the company achieves significant cost savings over the life of the agreement.

➢ BENEFIT PLAN

- Medical Plan
- Mental Health and Chemical Dependency Program
- Prescription Drug Program
- Dental Plan
- Domestic Partner Benefits
- Reimbursement Accounts
- Life Insurance Plans
- Long-Term Care Insurance
- Short-Term and Long-Term Disability Plans
- Employee Stock Purchase Plan
- Savings Plan
- Pension Plan

➢ TIME OFF

- Vacation
- Personal Holidays
- Vacation Buy Plan
- Leave of Absence Plans
    - Disability
    - Care of Newborn/Newly Adopted Child
    - Family Care Leave
    - Educational

➤ WORK AND FAMILY

- Family Resources Program
- Adoption Reimbursement Program
- Family Care Development Fund

➤ VALUE ADDED PROGRAMS

- AT&T Toll Discount Program
- Federal Credit Union
- Employee Discount Program
  - o AT&T Employee Preferred Customer Program
  - o AT&T Phone Products
  - o Car Rentals
  - o Employee Mortgage Program
- RealLife Benefits
  - o Auto and Home Insurance
  - o Vision Plan
  - o Pet Care Insurance
  - o Legal and Financial Services
- Health Affairs
  - o Employee Assistance Program
  - o Health Fitness Centers
  - o Occupational Health Services
  - o International Health Services
  - o Disability Management
- Tuition Assistance Plan
- Academic Awards Programs
- Matching Gift Program
- AT&T Cares
  - o Grants Program
  - o Community Service Program

4. RITZ-CARLTON

The Ritz-Carlton Hotel Company is a management company that develops and operates luxury hotels for W.B. Johnson Properties, also based in Atlanta. In 1983, W.B. Johnson acquired exclusive U.S. rights to the Ritz-Carlton trademark, a name associated with luxury hotels for 100 years.

The Ritz-Carlton Hotel Company operates 23 business and resort hotels in the United States and two hotels in Australia. It also has nine international sales offices and employs 11,500 people. Two subsidiary products, restaurants and banquets, are marketed heavily to local residents. The company claims distinctive facilities and environments, highly personalized services, and exceptional food and beverages.

3.4.1 GOLD STANDARDS

The Gold Standards are the foundation of The Ritz-Carlton Hotel Company, L.L.C. They encompass the values and philosophy by which it operates and include

  ➢ The Credo
  ➢ The Motto
  ➢ The Three Steps of Service
  ➢ The Basics
  ➢ The Employee Promise.

  ➢ **THE CREDO**
    The Ritz-Carlton Hotel is a place where the genuine care and comfort of the guests is their highest mission. The hotel pledges to provide the finest personal service and facilities for its guests who will always enjoy a warm, relaxed, yet refined ambience.

The Ritz-Carlton experience enlivens the senses, instills well-being, and fulfills even the unexpressed wishes and needs of the guests.

➢ **MOTTO**

The motto of the company is
 "*We Are Ladies and Gentlemen Serving Ladies and Gentlemen.*"

➢ **THREE STEPS OF SERVICE**

1. A warm and sincere greeting. Use the guest name if and when possible.
2. Anticipation and Compliance with guest needs.
3. Fond farewell. Give them a warm good-bye and use their names, if and when possible.

➢ **20 BASICS**

1. The Credo is the principle belief of the Company. It must be known, owned and energized by all.
2. Their Motto is "We are Ladies and Gentlemen serving Ladies and Gentlemen." As service professionals, they treat their guests and each other with respect and dignity.
3. The Three Steps of Service are the foundation of Ritz-Carlton hospitality. These steps must be used in every interaction to ensure satisfaction, retention and loyalty.
4. The Employee Promise is the basis for our Ritz-Carlton work environment. It will be honored by all employees.
5. All employees will successfully complete annual Training Certification for their position.
6. Company objectives are communicated to all employees. It is everyone's responsibility to support them.
7. To create pride and joy in the workplace, all employees have the right to be involved in the planning of the work that affects them.

8. Each employee will continuously identify defects (MR BIV) throughout the Hotel.

9. It is the responsibility of each employee to create a work environment of teamwork and lateral service so that the needs of the guests and each other are met.

10. Each employee is empowered. For example, when a guest has a problem or needs something special he should break away from his regular duties, address and resolve the issue.

11. Uncompromising levels of cleanliness are the responsibility of every employee.

12. To provide the finest personal service for our guests, each employee is responsible for identifying and recording individual guest preferences.

13. Never lose a guest. Instant guest pacification is the responsibility of each employee. Whoever receives a complaint will own it, resolve it to the guest's satisfaction and record it.

14. "Smile - we are on stage." Always maintain positive eye contact. Use the proper vocabulary with our guests. (Use words like - "Good Morning," "Certainly," "I'll be happy to," and "My pleasure.")

15. Be an ambassador of the Hotel in and outside of the work place. Always talk positively. Communicate any concerns to the appropriate person.

16. Escort guests rather than pointing out directions to another area of the Hotel.

17. Use Ritz-Carlton telephone etiquette. Answer within three rings and with a "smile." Use the guest's name when possible. When necessary, ask the caller "May I place you on hold?" Do not screen calls. Eliminate call transfers whenever possible. Adhere to voice mail standards.

18. Take pride in and care of one's personal appearance. Everyone is responsible for conveying a professional image by adhering to Ritz-Carlton clothing and grooming standards.

19. Think safety first. Each employee is responsible for creating a safe, secure and accident free environment for all guests and each other. Be aware of all fire and safety emergency procedures and report security risks immediately.

20. Protecting the assets of a Ritz-Carlton Hotel is the responsibility of every employee. Conserve energy, properly maintain the hotels and protect the environment.

➢ **THE EMPLOYEE PROMISE**

At The Ritz-Carlton, their Ladies & Gentlemen are the most important resource in their service commitment to their guests.

By applying the principles of trust, honesty, respect, integrity and commitment, the management nurtures and maximize talent to the benefit of each individual and the company.

The Ritz-Carlton fosters a work environment where diversity is valued, quality of life is enhanced, individual aspirations are fulfilled, and The Ritz-Carlton mystique is strengthened.

3.4.2 STRATEGY OF RITZ-CARLTON

The commitment of Ritz-Carlton Hotels to providing its guests with the finest personal service and facilities, combined with its principles of trust, respect, honesty, and integrity drive its strategy and operating practices.

Ritz Carlton is focused on simplifying work and generally improving efficiency while continuing to find new ways to personalize service. Personalized service is a Ritz-Carlton hallmark. From the outset, the company has been driven by a clear service credo and value statement. The aim is to build seamless customer driven service systems that anticipate a guest's needs and preferences and at the same time react instantly to correct any service error or satisfy any complaint.

Ritz-Carlton follows a focus differentiation strategy and caters to discriminating travelers and vacationers willing and able to pay for top of the line accommodations and

world class personal service. The company's advantage is its capability to provide superior accommodations and unmatched personal service for a well to do clientele.

➢ STRATEGIC PLANNING PROCESS RITZ CARLTON

Ritz-Carlton quality planning begins with the President and 13 other senior executives who make up the corporate steering committee. The group, which doubles as the senior quality management team, meets weekly to review the quality of products and services.

Each year executives devote about one-fourth of their time to quality related matters. The President in fact does the initial induction of new employees and quality training himself, before the opening of every new hotel.

Not every executive wants the responsibility for being on the Strategic Planning team and some managers are better suited to a team approach than others. They use screening methods to determine who shares the company values.

Ritz-Carlton leadership is involved in all its corporate areas, both administrative and operational. It makes sure the organization is a learning organization, is caring, and has a heart. It also makes sure that all leadership is attuned to all the stakeholders they serve, whether they are guests, employees, investors or the community.

The benefits of detailed planning and the hands-on involvement of executives are evident during the 7 days leading up to the opening of a new hotel. Rather than opening a hotel in phases, as is the practice in the industry, Ritz-Carlton aims to have everything right when the door opens to the first customer. A "7-day countdown control plan" synchronizes all steps leading to the opening. The company president and other senior leaders personally instruct new employees on the "Gold Standards" and quality management during a 2-day orientation, and a specially selected start-up team composed of staff from other hotels around the country ensures all work areas, processes, and equipment are ready.

According to a top manager at the hotel "Leadership looks over all we are involved with,". The perspective is the pyramid shaped **strategic** plan through which everyone can clearly tell to what degree the whole organization is aligned with its strategic goals.

➢ PYRAMID CONCEPT

To help set a clear direction for continuous improvement and to align actions at all business and operational levels, The Ritz-Carlton has developed its pyramid concept. Positioned at the top is the company's mission: "To be the premier worldwide provider of luxury travel and hospitality products and services." Succeeding levels consist of The Ritz-Carlton 10-year mission (product and profit dominance), five-year mission (broken down into 14 "vital few objectives"), tactics for improving key processes, and strategies and action plans for sharpening customer and market focus. These tiers are underlain by the company's total quality management system and methods.

Finally, The Ritz-Carlton values and philosophy make up the base of the pyramid, serving as the foundation for all continuous improvement efforts. The company goes to great lengths to instill and reinforce the philosophy and values in all employees. Everyone receives a wallet-sized copy of the "Gold Standards," which consist of the company's Motto, Credo, Employee Promise, Three Steps of Service, and The Ritz-Carlton Basics—essentially a listing of performance expectations and the protocol for interacting with customers and responding to their needs. These are reinforced in training (which totals 250 hours for first-year front-line employees), in the daily five- to 10-minute briefing at the start of every shift, and through the company's reward and recognition system.

A new pyramid is developed every year during strategic planning. To set the stage, an extensive "macro environment analysis" is performed and the results are distributed to senior leaders well before the first strategic planning session. The analysis considers factors ranging from the world economic outlook and global supply of hotel

rooms to actions of key competitors and from indicators of customer and employee satisfaction to supplier relations. A key output of the planning process that follows are the "vital few objectives" for the next three years. These are organized into categories corresponding to strategic goals, such as 100 percent customer retention, or to organizational unit, such as new product development. Appropriate performance measures are identified for all objectives, and senior managers are assigned responsibility for assuring the quality and reliability of data for tracking them.

3.4.3 HR PRACTICES

The word 'quality' also indicates that, there is a scope for improvement further. All improvement activities in the human resources development department rely extensively on internal audits, site visits by the senior HR personnel and also by analyzing of employees survey data. According to 'Ritz Carlton Hotel Co', the fundamentals of human resources development in the hospitality industry should be based on the following aspects: -

- Quality selection process - personal and professional development
- Orientation programme - work / life issue management, training and certification, job enhancement
- Line up and daily training career progress
- Communication performance measurement

In order to increase the level of employee satisfaction, there are certain techniques, which are implemented by the management.

3.4.4 RECRUITMENT AND SELECTION

The mission of the company talks about genuine, caring, personal service for the various stakeholders and finishes with:

'We will always select employees who share our values. We will strive to meet individual needs because our success depends on the satisfaction, effort and

commitment of each employee. Our leaders will constantly support and energize all employees to continuously improve productivity and customer satisfaction. This will be accomplished by creating an environment of genuine care, trust, respect, fairness and teamwork through training, education, empowerment, participation, recognition, rewards and career opportunities.'

The company goes out of their way to find people who:

- Want to be the best
- Are uncompromising
- Love people
- Are team players - part of the family

They have studied the traits of their successful employees and now use psychometric tests to check on:

- Empathy
- Caring
- Exactness
- Professionalism
- Politeness
- Positiveness

➢ *TALENT AGENCY*

The Company believes in doing the right things from the very start. The management selects the right people based on their individual attributes. The company has a talent agency that helps them in this process by coming up with targeted questions that allow them to identify interviewees with values and philosophies similar to what they have at the Ritz-Carlton

➢ **QUALITY SELECTION PROCESS (QSP)**

Finding the right people for the right jobs is not simple. The challenge is to add strength to the organization by defining attributes that are most desired in the particular environment. If people are selected carefully and instilled with the proper behaviors through comprehensive orientation, then the selection is successful.

The interview process at the Ritz-Carlton starts with checking prospective employees for basic skills. The next step constitutes a Quality Selection interview, whereby the HR Manager plots the applicant's responses into theme areas such as team- work and ethics. QSP means measurement of desirable, spontaneous behavior of the potential employees at all levels and categories through quality selection process. If the applicant falls within an acceptable range they meet with the operational division head before they receive an offer.

➢ SELECTION PROCEDURE

Before a hotel is opened the selection of new employees follows the following procedure. The moment an applicant drives up, a valet will park their car. A doorman will escort them to the entrance, where another doorman will greet them. A red carpet will guide their path among lavish bouquets of fresh flowers, while live jazz musicians serenade their steps. A white-gloved host/hostess will hand them a welcome package filled with background about The Ritz-Carlton Hotel Company and its employee benefits. Beverages and hors d'oeuvres will be served on linen-covered tables to refresh the weary, while applications are completed and interviews conducted in special interview suites. In addition, child-care is available so applicants can leave small children in the care of qualified Ritz-Carlton personnel.

The signature quality selection process gives potential new employees the experience of what it means to be a Ritz-Carlton guest from the minute they walk through the door.

It's an education process about The Ritz-Carlton Hotel Company's world- renowned brand of quality and service, as well as a rigorous selection process. Only one of 18

applicants are selected for the interview process, and of those, only one in seven will match The Ritz-Carlton profile

> **ORIENTATION PROGRAM**

An extensive orientation process follows. This is an important element in building and maintaining the Ritz-Carlton service culture. This process plays a key role in educating new employees in the service philosophy, customer-first attitudes, and service methods which remove variations and make the Ritz-Carlton outstanding. New employees also get exposed to the Ritz-Carlton Gold Standards and its expectation. With a focus on continuous improvement, the Ritz favors discarding the irrelevant in favor of enhancing the relevant. Each process must be easily transmittable to the new hands.

During the 2-day Orientation, various functional managers give new employees a firm grounding on the Ritz-Carlton philosophy. Training entails the various functional training that an employee would go through in their specific role.

3.4.5 TRAINING AND DEVELOPMENT

Ritz Carlton's approach to service is built on the concept that service can be accomplished only by people. All employees are therefore trained in the three steps of service that the company uses to guarantee that every guest has a "memorable experience." The three steps of service are

(1) Warmly greeting every guest by name;

(2) Anticipating and complying with every guest's needs; and

(3) Bidding every guest a warm farewell, again using the guest's name.

Training is then a fundamental issue to make sure that every member of staff understands the mission and vision. In the hotel industry there are so many 'moments of truth' which can make or break your reputation. The JD Powers survey shows 94% of the customers

of Ritz Carlton are satisfied. The best competitor can only notch up a 57% satisfaction rating. All personnel are taught what Ritz Carlton regards as appropriate behavior for each of its jobs.

Training starts with new-employees orientation. Horst Schulze says "It all starts on their first day, there is no other moment in an employee's tenure with the hotel when he or she will be more attentive." Every new employee meets the general manager of that hotel. They estimate that it costs between $2,700 and $ 3,500 to train one employee. It seems to pay off as their staff turnover rate is 40% below the industry average.

➢ LEADERSHIP CENTER

One very important element which enables Ritz-Carlton to maintain a culture of service excellence while continuing to grow and expand worldwide is The Ritz-Carlton Leadership Center.

Since opening our doors in 1999, more than 10,000 senior executives and mid-managers have benefited from our diverse mix of benchmarking seminars and leadership development workshops. The Leadership Center was originally created to support the growth and expansion of The Ritz-Carlton products and services. However, it has also flourished as a resource center for leading organizations interested in benchmarking many of the business practices that led to our becoming a two-time recipient of the coveted Malcolm Baldrige National Quality Award.

Information covered in the programs include innovative ways to:

- Increase Employee Retention and Loyalty
- Increase Customer Retention and Loyalty
- Achieve Service Excellence
- Apply Sound Total Quality Management Practices
- Effectively Drive the Organization's Culture, Philosophy, Vision and Mission

➢ TRAINING PROCEDURE

Usually either the property's training manager an executive deputed by the general manager or training manager of the hotel does job induction training, through classroom delivery. In order to achieve the total quality management, Ritz Carlton Hotel Co; has designed a course for their employees. According to their design of course, most of the training delivery is on the job. This consists of the following procedures: -

- Daily line up
- Self study documents
- Development of assignments
- Training certification

These training programmes are thoroughly monitored and evaluated through examinations, while other methods include audits, performance reviews and appraisals. Approximately 80 per cent of the training received by the employees at Ritz Carlton is done in-house, which allows them to have direct control over the method of training delivery and also for requisite evaluations. To gain real life developmental experiences, a hotelier should make extensive use of developmental assignments within and across the hotels and its functions. There are certain factors which makes the training and the development of the hotel staff more meaningful.

➢ TRAINING FOR NEW EMPLOYEES

The first two days of work for a new hire are occupied by orientation. Twenty-one days later there is a refresher course. By the end of Day 45, employees are expected to be certified in their specific job function. On average, the line staff goes through 250 hours of training the first year and 120 hours every subsequent year, while managers have 300 hours the first year and 160 hours thereafter.

Employees are not just learning how to clean a room or run the reservation system. The management trains or certifies employees as quality engineers. They are able to identify, report, and resolve problems. The management teaches them how to establish goals and create action steps on how to accomplish the goals they want to achieve in their departments.

There is daily reinforcement, which Ritz-Carlton likes to call "coaching." Every morning supervisors gather their "teams" in a metaphorical "huddle" to discuss the events of the day, e.g., who is arriving, which guests have birthdays, etc. They also review the "commitment to quality daily topic," which comes straight from the corporate office.

3.4.6 PERFORMANCE APPRAISAL

Ritz-Carlton values are reinforced continuously by daily "line ups," frequent recognition for extraordinary achievement, and a performance appraisal based on expectations explained during the orientation, training, and certification processes.

Employee performance is monitored on a daily basis and a performance review provided in 60 days; with subsequent reviews every six months.

At each level of the company -- from corporate leaders to managers and employees in individual work areas -- teams are charged with setting objectives and devising action plans, which are reviewed by the corporate steering committee. In addition, each hotel has a "quality leader," who serves as a resource and advocate as teams and workers develop and implement their quality plans. Teams and other mechanisms cultivate employee commitment. For example, each work area is covered by three teams responsible for setting quality-certification standards for each position, problem solving, and strategic planning.

If a randomly call is made to any hotel in the company and ask any employee what the topic of the day is they will provide the same answer. Each Ritz-Carlton also posts a daily Service Quality Indicator [SQI] and a narrative quality report. The SQI is a list of 18 items that tally, for example, how many guests checked in before their room was ready or how many room service deliveries were late. The narrative report goes into more detail. Constant reminders are given by the management that the company is not necessarily looking at the data to reprimand anyone. Rather they are looking at the data and facts to improve what needs to be improved.

In order to serve its credo, the company has established its the Gold Standard. The challenge is to understand what the customer thinks of as expected, and this sets the lower boundary. Any unexpected or exciting extras enhance the perception of value from the service per-formed. The Credo sets the goals while the Gold Standards enable the goals to be put into action. Empowerment, measurement systems, and recognition are another important part of the company culture. The following characteristics are deemed important in employees

1. Treat guests and each other with respect and dignity.
2. Support company objectives
3. Continuously identify defects (MR BIV) throughout the Hotel.
4. Create a work environment of teamwork and lateral service so that the needs of the guests and each other are met.
5. Employees should break away from their regular duties, address and resolve the problems of the guests.
6. Uncompromising levels of cleanliness
7. Identify and record individual guest preferences.
8. Instant guest pacification :Whoever receives a complaint will own it, resolve it to the guest's satisfaction and record it.
9. "Smile - we are on stage." Always maintain positive eye contact. Be an ambassador of your Hotel in and outside of the work place. Always talk positively. Communicate any concerns to the appropriate person.

10. Escort guests rather than pointing out directions to another area of the Hotel.

11. Use Ritz-Carlton telephone etiquette. Answer within three rings and with a "smile." Use the guest's name when possible. When necessary, ask the caller "May I place you on hold?" Do not screen calls. Eliminate call transfers whenever possible. Adhere to voice mail standards.

12. Take care of your personal appearance.

13. Think safety first. Be aware of all fire and safety emergency procedures and report security risks immediately.

14. Conserve energy, properly maintain the hotels and protect the environment.

15. Be involved in the planning of the work that affects them.

➤ TEAM BUILDING

Team building has been another important part of the Ritz Carlton's quality management effort. At each level of the company, teams are charged with setting objectives and devising action plans that are reviewed by a corporate steering committee. Daily production reports derived from data submitted from each of the 720 work areas in the hotel system are monitored so that problems can be identified early and corrected before any major difficulties occur.

➤ SELF DIRECTED WORK TEAMS

It hasn't been easy, and the process is still unfinished, but the Ritz-Carlton Hotel Co. contends that self-directed work teams have reduced employee turnover and increased employee satisfaction.

Under the policy, management's role has shifted from control and direction to facilitation, coaching and leadership. The self-directed work-team approach (or "shared leadership") has been implemented at all but two of Atlanta-based Ritz's 31 properties, after a two-year test

➤ EMPLOYEE RECOGNITION

At the Ritz-Carlton, the management is consistently dedicated towards recognizing the employees. Recognition spurs repeat performance. When an employee is recognized, his/her peers will be motivated to do the same things too. Ritz-Carlton has a 'First Class!' card that is signed by their leaders and presented to the employee when they get to know about a 'First Class' deed. Most of the time they get to know about these acts or wow stories as through their customers. The hotel makes it a point to recognize staff's exemplary acts. It really is not about money as there is only this much that money can do. They recognize staff and in this way, they become positive reinforcements for their colleagues, and they will also emulate their exemplary acts.

Many of these stories are featured in the in-house staff newsletter and this newsletter is disseminated worldwide to all Ritz-Carlton managed properties. This helps to reinforce that the management recognizes staffs' exemplary efforts and stresses their commitment to improving customer service.

➤ EMPOWERMENT

The Ritz-Carlton people turnover is 48% annually versus 100% industry wide. Employees, whatever their position, are empowered to solve a guest complaint, respond within ten minutes and follow up within twenty minutes with a phone call to ensure satisfaction. The employee who receives the complaint owns it and is empowered to solve it. The company gives authority of up to $2,000 to front desk employees to ensure total customer satisfaction.

Once the management has made sure that each employee fully understands that the heart and soul of the hotel is its people, empowerment becomes a way of life. The word involvement is used in conjunction with the word empowerment and this epitomizes the key to successful empowerment of staff. There are three basic tenets:

- Move heaven and earth to satisfy a customer
- Spending authority of $ 2,000 for everyone

- Authority to call in a co-worker for help

Ritz Carlton has found that five things happen when empowerment and involvement take hold:

- Customers have a memorable experience
- Employees grow
- There is a devotion to the organization's purpose
- Relationships become natural
- The system improves itself

The very action of involvement encourages even the most junior staff to contribute ideas for improvement. In every department there are white boards, usually labeled 'Good Ideas', to make it easy to see what action is being taken on the suggestions employees write up.

To ensure problems are resolved quickly, workers are required to act at first notice -- regardless of the type of problem or customer complaint. All employees are empowered to do whatever it takes to provide "instant pacification." No matter what their normal duties are, other employees must assist if aid is requested by a fellow worker who is responding to a guest's complaint or wish.

Ritz-Carlton's $ 2,000 authority for everyone is probably the world's best example of setting out to meet this objective. Henry Stimson, US Secretary of War during world war two said "The only way to make a man trustworthy is to trust him". That is how Ritz-Carlton views this authority and no one is found being criticized for using it.

3.4.7 COMPENSATION AND EMPLOYEE BENEFITS

The reward system is designed to encourage team building, problem solving and empowerment initiatives. The employee who has performed well is awarded by sending to another hotel and is encouraged to educate others and help them perform better.

Problem reporting and valuable suggestions are also awarded with gifts and certificates. Trips and dinner also form part of the compensation and reward system.

This compensation and reward package reveals or can be assumed proficient in the retention of employees. And can be considered a resourceful element in reducing the turnover rate.

Employees are rewarded for taking the initiative and making suggestions. At Roa's hotel, an employee gets $5 and their idea is entered into an "idea of the month" contest. Across the entire Ritz-Carlton company, rewards can range from a base pay increase to a written note of praise.
 "Everyone is responsible for improvement,"

➢ BENEFITS

The Ritz-Carlton considers the health and well-being of its employees to be one of its highest priorities. The benefits offered are as follows

- ➢ Two day orientation
- ➢ On the job training
- ➢ Well tailored uniforms
- ➢ Employee recognition program
- ➢ Medical, dental, vision coverage
- ➢ Life and accidental death and disembursement insurance
- ➢ Short and long term liability
- ➢ Health care and family
- ➢ Care spending amounts
- ➢ Domestic partner benefits
- ➢ Vacation, sick/personal and holiday pay
- ➢ Retirement 401(k) plan
- ➢ Employee stock purchase plan
- ➢ Employee assistance program

- ➢ Business integrity line
- ➢ Educational assistance program
- ➢ Employee discounts on hotel rooms, restaurant outlet meals and retail items
- ➢ Complimentary employee meals

5. MCDONALDS

McDonalds food quality specifications, equipment technology, marketing and training programs, operating systems, site selection techniques and supply systems are considered industry standards throughout the world. Its vision is to be the world's best quick service restaurant, being the best is defined as consistently satisfying customers better than rivals through outstanding quality, service, cleanliness and value.

➢ **PEOPLE PROMISE**

The company knows that it can only provide the best customer experience when it provides the best employee experience. The People Promise reflects McDonald's values and describes the culture that is embraced in the restaurants and the offices. "We value you, your growth and your contributions" is more than words. It's a commitment to the employees that they strive to achieve every day.

➢ **PEOPLE VISION**

The People Vision of the top management defines what they strive to be as an employer. They aspire to *"Be the Best Employer in Each Community Around the World."*

3.5.1 STRATEGY OF MCDONALDS

McDonalds is pursuing two strategies simultaneously i.e. low cost and differentiation strategies, and produce differentiated products at low cost. Doing so is extremely difficult and requires an exceptionally strong set of core competences. McDonald's is an organization that has successfully pursued both strategies simultaneously. McDonalds has developed a unique brand name reputation by means of sophisticated advertising and

marketing and has developed low cost skills in its manufacturing and distribution functions. Its core competences in three functions- manufacturing, marketing and material management jointly gives the company competitive advantage over its rivals and it has been able to sustain that competitive advantage by maintaining and developing its functional-level resources and abilities. No competitor can match the efficiency of McDonalds production process and no competitor has developed the brand name recognition that McDonalds enjoys.

The company's strategic priorities are ensuring continued growth, providing exceptional customer care, remaining an efficient and quality producer, developing people at every level of the organization, sharing best practices among all units worldwide and reinventing the fast food concept by fostering innovation in the company's menu, facilities, marketing, operation and technology.

GROWTH STRATEGY

The growth strategy of the company comprises of the following salient features

- Establishing a leading marketing position in foreign countries ahead of competitors.
- Promoting more frequent customer visits via the addition of attractive menu items, low price specials, extra value meals and children's play areas.
- Explore the opportunities to exploit the company's global supplier infrastructure and its core competences in multiunit restaurant management, site location and unit construction and product marketing.

3.5.2 RECRUITMENT AND SELECTION

McDonalds has a national commitment to recruiting a diverse workforce but need local partners. As a local franchisee, it places emphasis on maintaining partnerships and the commitment to putting something back.

McDonalds have run leadership days and helped people with interview skills, not necessarily with recruitment to McDonalds in mind but with the aim of improving the potential opportunities to the community. Engaging the workforce by communicating on their terms and by being able to identify with them, helps sustain relationships with individuals. Keeping the community informed is not always easy but can be done by developing local level relationships.

3.5.3 TRAINING AND DEVELOPMENT

> ➢ **HAMBURGER UNIVERSITY**

Hamburger University is McDonald's worldwide management training center located in Oak Brook, Illinois.
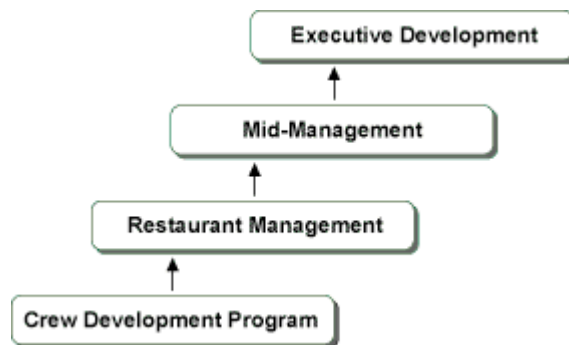
In 1961, the McDonald's Corporation founded Hamburger University, marking the starting point for the corporate university. The first courses were held in the basement of a McDonald's restaurant in Elk Grove Village, Illinois. Hamburger University was designed exclusively to instruct personnel employed by McDonald's Corporation or by McDonald's Independent Franchisees in the various aspects of the business and operations of McDonald's. During the following four decades, more than 65,000 managers in McDonald's restaurants graduated from Hamburger University, which eventually moved to a 130,000 square foot, state-of-the-art facility on the McDonald's Home Office Campus in Oak Brook, Illinois. There, a faculty of 30 resident professors can teach and communicate simultaneously in 22 languages with the help of translators and technology. By the end of the twentieth century, Hamburger University had branches in England, Japan, Germany and Australia.

Designed exclusively to instruct personnel employed by McDonald's Corporation or employed by McDonald's Independent Franchisees in the various aspects of the business. All training programs begin with one essential ingredient: The Basics of McDonald's Operations.

Today, more than 65,000 managers in McDonald's restaurants have graduated from Hamburger University, now located in a 130,000 square foot, state-of-the-art facility on the McDonald's Home Office Campus in Oak Brook, Illinois, with a faculty of 30 resident professors.

Because of McDonald's international scope, translators and electronic equipment enable professors to teach and communicate in 22 languages at one time. McDonald's also manages ten international training centers, including Hamburger Universities in England, Japan, Germany and Australia.

"None of us is as good as all of us." - Ray Kroc, Founder

Executive Development

↑

Mid-Management

↑

Restaurant Management

↑

Crew Development Program

> **BEING THE BEST THROUGH HAMBURGER UNIVERSITY**

McDonald's strives to provide the best possible training and career-long learning opportunities to achieve their vision of being recognized as the world's best developer of people. At McDonald's they are committed to developing their people at every level of the organization from restaurant crew to executives. 70 percent of the executives started out working in a McDonald's restaurant.

Choosing a career at McDonald's is more than an opportunity; it's a commitment. A commitment, by an individual and McDonald's, to continuously work to be the best. This commitment starts the day a crew person enters the restaurant. The

opportunity to learn and share knowledge continues throughout an employee's McDonald's career - as a restaurant manager, field service manager or executive.

The career-long learning path often leads to Hamburger University. The University has become the destination for McDonald's employees around the world to learn about quality, service, cleanliness and value, the core principles of McDonald's. In addition, training that's taught all over the world originates from Hamburger University's field implementation and design departments.

> **CREW DEVELOPMENT PROGRAM**
  The employees' first exposure to formalized McDonald's training comes in the restaurant is the crew development program. Through this program, beginning and advanced crew members learn the basic operations of restaurant performance, including quality, service, cleanliness and value, while always focusing on the customer.

> **RESTAURANT MANAGEMENT**
  Building upon what is learned from restaurant experience and the crew development program, our employees can become a part of the restaurant management team. Consider what it means to be a McDonald's manager - the typical manager is responsible for running more than a $1.6 million business. It's their job to ensure food quality and safety, manage operations, accounting, inventory control, and community relations, and - along with all employees - deliver 100 percent customer satisfaction.

> **RESTAURANT OPERATIONS LEADERSHIP PRACTICES**
  Participants work in teams to solve a variety of complex problems in a four and one half day class that simulates the complexities of a restaurant environment. The class reinforces concepts of decision-making, managing

change and how these affect building a high performing team. Participants learn how to create processes to improve restaurant operations and develop key skills to lead the restaurant in delivering quality, service, cleanliness and value consistently. This course is delivered at the regional/country level.

➢ **BUSINESS MANAGEMENT PRACTICES COURSE**
This program is based on the developmental needs of restaurant managers who have been in the position for 12-18 months. The goal of this course is to provide restaurant managers with the skills needed to successfully develop a restaurant business plan that aligns with the goals established by the region, division, country and their own restaurant organization.

➢ **MID-MANAGEMENT**

Continuing to build on the experience and learning gained from working in a restaurant, McDonald's expects its mid-management employees to know how to effectively supervise and consult to multiple restaurant business and serve customers. Their mid-management employees are called on day after day to assist with running the restaurants.

The years of experience and knowledge the mid-management employees possess are put to use through consultant and department head positions. Bringing the mid-management employees together through course work at Hamburger University not only continues their professional development, but it gives the company an opportunity to bring years of knowledge and experience to a central location.

Courses are geared toward the people moving from the restaurant, or field, into a middle or senior management position. Referred to as our mid-

management curriculum, this phase of employee training provides McDonald's consultants, department heads, and franchisees with the competencies needed to effectively lead and consult with restaurant staff around the world.

➢ **TRAINING CONSULTANT'S COURSE**

The Training Consultant's Course teaches consultants training skills to maximize the learning and performance of their clients. This is a foundational experience in order to perform their responsibilities more effectively and efficiently. Emphasis is placed on facilitation skills and class management. Participants develop training delivery skills through extensive practice sessions, followed by immediate feedback. Group discussions are also used.

➢ **OPERATING CONSULTANT'S COURSE**

The Operations Consultant Course is designed to help McDonald's consultants develop trusting and respectful relationships with Restaurant Managers through effective communication, leadership and consulting skills. Participants will learn how to prioritize and prepare for scheduled and unscheduled restaurant visits. They will also learn how to gather data, prioritize, analyze, and take action to improve restaurant results. Implementing solutions to problems with Restaurant Managers and measuring restaurant and Patch performance are also covered. Participants will visit a restaurant for hands-on training. In the US, this course addresses the fundamentals of the Restaurant Operations Improvement Process (ROIP).

➢ **PARTNERING FOR RESULTS**

Partnering for Results consists of two components:

➢ Consulting for Win/Win
➢ Consulting for Results.

In Consulting for Win/Win, participants are provided with numerous opportunities to apply communication and negotiation skills, and to reach collaborative solutions when working with others.

In Consulting for Results, participants work in teams to build fundamental consulting skills, while solving real business problems. The students practice building relationships while developing business strategies and generating continuous improvement plans. Participants also manage a variety of unexpected and urgent business challenges, just as they do everyday in their jobs.

> **MANAGING THE ORGANIZATION**

Managing the Organization is a course designed to help participants better manage their team to positively impact the results of the company. This is achieved through teaching leadership in terms of Emotional Intelligence, self awareness, managing yourself, and becoming aware of the people you work with.

Influencing people by effective communication and coaching is also addressed. A major focus of this course is strategic decision-making. Participants use a computer simulation and work in teams to run a QSR company. The teams make business decisions and learn from the consequences.

> **FOUNDATIONS OF LEADERSHIP**

The Foundations of Leadership workshop is designed to help McDonald's leaders deepen their understanding of sound leadership principles through an individual 360º executive coaching session and workshop exercises. This awareness and practical application of skills help participants become more aware of their leadership style and preferences.

➤ EXECUTIVE DEVELOPMENT

The Executive Development Program supports McDonald's career-long learning philosophy by providing developmental opportunities for our worldwide officer team.

Through the Executive Development Program, our officers enhance their leadership competencies needed to support employee, owner/operator, and customer growth. In addition, they have the opportunity to dialogue and learn from McDonald's senior management, their peers and external experts.

There are three major components of the Executive Development Program:

➤ MCDONALD'S INTERNAL SEMINARS

Seminars are designed to establish a common foundation of leadership and management knowledge and skills for McDonald's officers. These seminars will focus on key business issues identified by senior management and create a platform for effective implementation of strategic business initiatives. A team of McDonald's senior management and external providers lead the seminar sessions. The external providers are recognized leaders in their area and have extensive experience consulting with and teaching executives.

➤ EXECUTIVE DEVELOPMENT SEMINARS

McDonalds also assist executives by identifying external executive programs that supplement the McDonald's seminars. Programs that address McDonald's leadership competencies have been identified at leading Universities worldwide.

➤ EXECUTIVE COACHING

Executive coaching services are available through McDonald's Executive

Education Department. Coaching options consist of a cadre of external as well as internal coaches. The external coaches specialize in areas such as communications skills, team building, conflict management, mediation and executive image. A number of the external coaches are management consultants, clinical, industrial or organizational psychologists who are equipped to diagnose underlying reasons behind performance or commitment challenges. The internal coach cadre is certified on a number of individual and group assessments. These coaches are able to interpret and provide survey feedback as well as assist in individual development planning.

➢ EDUCATION

McDonald's is committed to Diversity education. Diversity education is the cornerstone for bringing diversity to life in the organization. The management has developed a framework to provide diversity education throughout the organization through formal presentations, workshops and seminars. Diversity education is an ongoing process, creating awareness and building skills for managing an inclusive, diverse workforce. Presentations, customized and informal training materials are provided for integration into team and department processes.

The courses offered are:

➢ CHANGING WORKFORCE SEMINARS

- Workforce Diversity - Managing for Competitive Advantage
- Leveraging Diversity
- Gender*Speak* - Working Together Successfully

➢ DIVERSITY EDUCATION SEMINARS

- Asian Career Development
- Black Career Development
- Hispanic Career Development
- Women's Career Development
- White Male Forum
- Gender*Speak* - Working Together Successfully

➤ PERSONAL DEVELOPEMENT

Management Programs are also available for personal development, which prepare employees for each step along the way. These opportunities are as follows:

➤ SHIFT MANAGEMENT PROGRAM

Employees receive instruction through a combination of self-study modules and on-the-job coaching. They also participate in the Basic Shift Management Course and the Advanced Shift Management Course, which are offered by the *Regional Training Department.*

The **Shift Management Program** assists the employees in developing and sharpening management skills in:

- Area Management
- Food Safety
- Basic People Skills
- Respectful Workplace
- Delivering QSC&V
- Customer Satisfaction and Customer Recovery
- Shift Management
- Coaching and Counseling
- Valuing Diversity
- Understanding the Business

➢ **SYSTEMS MANAGEMENT PROGRAM**

Employees receive instruction through a combination of self-study modules and participation in the Equipment Training Courses and the Effective Management Practices Course offered by the *Regional Training Department.*

The Systems Management Program assists the employees in developing and sharpening management skills in:

- Improving Operational Efficiency
- Developing People
- Managing Restaurant Systems; Products, Planned maintenance, Safety and Scheduling
- Equipment Training
- Delivering QSC&V through Personal Leadership
- Staffing and Retention
- Effective Coaching
- Conflict Management
- Time Management

➢ **RESTAURANT MANAGEMENT PROGRAM**

Employees receive instruction through a combination of self-study modules and an intensive training class, the Advanced Operations Course, offered either at *Hamburger University* or by the *Regional Training Department.*

The **Restaurant Management Program** assists the participants in developing and sharpening management skills in:

- Personnel Administration and Communication
- Managing for Profit
- Team Building
- Business Planning

- Managing and Developing Your Team
- Applied Management Practices
- Building the Business

➢ **BUSINESS MANAGEMENT PROGRAM**

Employees receive instruction through self-study modules as well as participate in a course offered at *Hamburger University*.

The **Business Management Program** focuses on fine tuning the management practices in:

- Innovation in the Restaurant
- Community Relations
- Balancing Work and Personal Commitments
- Building Relationships
- Marketing for Success
- Strategic Planning

➢ **SUCCESSION PLANNING DESIGN**

McDonald's has assigned responsibility for succession planning design to a key group staffed with specialists. The specialists include industrial-organizational psychologists, whose role is to serve as experts in the design process. McDonald's goals are to obtain and retain a quality workforce. The company identified "People" as one of its three global corporate strategies and outlined a new business strategy called McDonald's People Promise.

As part of this promise, McDonald's reorganized its HR department into three areas:

- The HR Design Center, a unique group of subject matter experts in charge of developing, testing and implementing HR systems and tools.
- The HR Service Center, which focuses on administrative, transactional, and

franchisee consulting needs

- HR Business Partners, which provides strategic HR consulting to line and staff organizations

The HR Design Center is largely responsible for designing and developing the systems that drive succession planning and employee development. The center is divided into four practice areas:

> Measurement and Organizational Effectiveness - Projects include creation and development of the annual Employee Commitment Survey, design of the Human Resources Scorecard and standardizing HR data. The Design Center also partners with other departments to identify best practices that positively affect turnover, productivity, customer satisfaction, sales and profitability.

> Leadership Assessment and Development - Projects include executive succession planning and 360-degree feedback and coaching. Specialists in this area assess senior leadership and help set development plans for company leaders.

> Competency-Based People Systems and Culture - Specialists address selection, performance development, assessment and planning. They also identify development needs, design curricula, build staff models, define job competencies and create performance appraisal documents.

> Recruitment and Retention - Specialists help in designing interviews and selection processes.

These practice areas work with all levels of the organization, from C-level executives to counter staff at individual restaurants.

3.5.6 PERFORMANCE APPRAISAL

As in the past, much of McDonald's success is the result of delivering quality, quick service, cleanliness, and value. In the quick service restaurant industry, McDonald's has set the standard for operational excellence by identifying and measuring key indicators of product quality, and fast and accurate service. These indicators are familiar to most businesses as they fall in the area of financial performance, operational performance, and customer satisfaction.

At McDonalds the quarterly bonus of the manager depends on his performance relative to goals set by the following six criteria: quality, service, cleanliness, volume, people (training) and controllables(cost generating activities under the control of the manger). Every three months the manager and his area supervisor set goals and agree on the weight to be placed on each factor. Company guidelines suggest that they allocate a weight of 35% to QSC, 15%to volume, 25%to people,15%to controllables and the remaining 10%as an additional weight to any of the six factors or any other factor they choose.

Every month the supervisor rates the manager's performance on the different factors. Every quarter the weighted totals for the three months are averaged and the manager receives a bonus of up to 40%of his quarterly base salary.

A manager who is dissatisfied with his ratings can contest his case to an operations group that is set up to handle such appeals. The supervisor also reviews the manager's performance annually and recommends a base salary increase if his performance merits it.

At McDonalds, restaurant management staff are appraised on their ability to show that they possess the following attributes and competencies:

- Maintaining critical standards for product quality, service speed & quality, cleanliness & sanitation.
- Managing shifts and/or areas without supervision
- Ensuring all safety, sanitation and security procedures are executed.
- Controlling food components, labor, waste and cash while managing shifts and/or areas.
- Controlling assigned profit and loss line items.
- Developing and training crew employees.
- Completing all assigned shift paperwork.
- Ensuring that a respectful workplace exists in the restaurant.
- Building sales and controlling costs to deliver optimum business results for all areas of accountability
- Team Building
- Staffing and Retention
- Effective Coaching
- Customer Satisfaction and Customer Recovery

While assessing the restaurant crew the following characteristics are considered

On Time, Neat and Clean
The crewmembers are expected to report to work on time, neat and clean

Wash Your Hands
The most important thing crewmembers do to help make sure the customers receive safe food is to wash their hands often.

Skills and Training
Training will provide crewmembers with the skills they need to perform their job

Standards
Crewmembers follow standard operational procedures so customers always receive exceptional quality & service.

Teamwork

To get the job done crewmembers rely on teamwork and high energy

Clean

Spotless... Tidy... Sparkling. Customers expect every McDonald's will be clean.

Welcomed Guest

Crewmembers should make each customer feel like a welcomed guest.

Service

Crewmembers should deliver fast, accurate and friendly service with a smile.

➤ Performance Development System

McDonald's success is dependent upon the creativity, competence and leadership of our people. Therefore, we are committed to the personal and professional growth of our employees. The Performance Development System (PDS) is a comprehensive and consistent process for developing high performance individuals who are focused on achieving business results and attaining their career aspirations. The PDS ensures that McDonald's has the right people in the right place at the right time.

3.5.7 COMPENSATION AND EMPLOYEE BENEFITS

➤ MANAGEMENT BENEFITS

The pay and rewards program followed by the company is a "pay for performance" philosophy: The better the results, the greater the pay opportunities.

According to the plan a manager in a high cost of living area is paid a base salary between $12000 and $17500; a manager in a low cost of living area receives

between $11000 and $16000. The manager's supervisor determines the exact amount on the basis of his performance.

> **BASE PAY**

 Because employees' base pay is the most significant portion of their compensation, McDonald's maintains the competitiveness of our base pay through an annual review of both external market data and internal peer data. Restaurant Management team salaries are based on competitor data, individual job experience and performance, local market factors and internal pay equity. Employees' base salaries can increase through annual merit increases and a result of change to their job or responsibilities.

> **INCENTIVE PAY**

Two different programs provide opportunities for restaurant management teams (Restaurant Managers and First and Second Assistant Managers) to earn substantial incentives based on QSC and profitability in the restaurants where they work.

The *Cash Incentive Plan* is a quarterly cash reward tied directly to the level of Quality, Service and Cleanliness (QSC) in the restaurant. With this incentive, Restaurant Management can earn cash rewards two ways: a base amount for superior QSC and additional dollars for increases in the restaurant's profitability.

Through the *QSC Stock Option Incentive*, stock option grants are awarded to the management teams of restaurant patches having the best QSC across the nation. This program is based on QSC performance.

➤ RECOGNITION PROGRAMS

The recognition programs are designed to reward and recognize strong performers. These include the Ray Kroc Award, which is given to the top 1% of U.S. Restaurant Managers.

➤ COMPANY CAR PROGRAM

The company car program provides eligible Restaurant Managers with a company car for both business and personal use. The program covers the cost of insurance, maintenance and repair. Eligibility is based on time in the restaurant manager position and varies from region to region.

➤ RESTAURANT CREW EMPLOYEE BENEFITS

In addition to competitive pay, McDonald's Corporation offers many benefits to the U.S. restaurant crews that are designed to meet the needs of their diverse employees. The management recognizes the importance of a strong benefits program. This is reflected in the People Promise, with competitive pay and benefits as one of the five People Principles.

 The McDonald's Corporation benefits programs provide options for health and protection and savings plans for today and the future, as well as help in balancing work and life.

➤ HEALTH CARE COVERAGE

There are three medical plans to choose from, with different premiums and coverage levels. All three of the medical plans include prescription drug coverage. In addition, employees can select dental/vision and accidental death coverage.

➢ **401(K)**

Once eligible, employees can contribute up to 15% of their before-tax pay to any or all of six investment funds. McDonald's matches their contributions dollar-for-dollar (100%) on the first 3% employees contribute, and 50 cents on the dollar (50%) on the next 2% employees contribute. And, employees are always 100% vested in both their contributions and the company match.

➢ **MC$AVE**

Mc$ave is a money market fund for McDonald's employees designed to help them save on a regular, consistent basis. Money put into Mc$ave is invested in the Prime Reserve Fund managed by T. Rowe Price.

➢ **CREDIT UNION**

McDonald's employees can join the Corporate America Family Credit Union (CAFCU) and take advantage of its wide variety of products and services, including checking and savings accounts and competitive car loans.

➢ **MCDIRECT SHARES**

MCDirect Shares is a direct stock purchase plan that lets employees build ownership in McDonald's and reinvest dividends in the company.

➢ **CHILD CARE**

McDonald's has agreements with three national childcare providers - Childtime Childcare, Kindercare and La Petite Academy - for a 10% discount on tuition for employees. (La Petite does not offer discounted rates for children under age 2.)

➢ **MEALS**

Employees are eligible for a free or discounted meal when they work.

➢ **WALT DISNEY DISCOUNTS**

Through a partnership with the Walt Disney Company, McDonald's crew receives special savings on Disney Club membership. They also are offered discounts on Disney Catalog merchandise and other Disney products.

➢ **PROFIT SHARING AND SAVINGS PLAN**

The Profit Sharing and Savings Plan lets employees save up to 15% of their pay on a tax-deferred basis in the 401(k) feature of the plan. McDonald's matches employee contributions dollar-for-dollar (100%) on the first 3% employees contribute, and 50 cents on the dollar (50%) on the next 2% employees contribute. The plan offers six investment funds that range from conservative to aggressive. For eligible employees, the company makes stock contributions to their accounts. McDonald's may also make a profit sharing contribution to employee accounts based on the company's profit for the year.

➢ **STOCK OPTION PLAN**

The Stock Option Plan provides eligible employees with a stock option grant. The options can be exercised in four annual installments after a one-year waiting period. Employees have up to 10 years from the date of the grant to exercise their stock options.

➢ **FINANCIAL PLANNING SERVICES**

This program gives employees access to professional financial planning services through American Express or Merrill Lynch.

➢ **HEALTH AND PROTECTION**

The company offers the following health and protection plans:

➢ **MEDICAL**

McDonald's offers four medical plan options that include a fee-for-service plan, two traditional Preferred Provider Organization (PPO) plans with different deductible and out-of-pocket amounts, and a no-deductible PPO plan. The PPO plans are offered through First Health and pay different amounts depending on if employees use in-network or out-of-network providers. In some areas, HMOs are also available. The McDonald's medical plans feature a prescription drug program and an unlimited lifetime benefit maximum. McDonald's also provides an employee physical program that pays the full cost of a physical performed at a designated medical center.

➢ **VISION SUPPLEMENT**

Employees enrolled in one of the four McDonald's medical plans may elect the vision supplement plan, which provides coverage for eyeglasses and contact lenses, plus a mail-order contact lens replacement program, and discounts on Lasik laser vision correction surgery.

➢ **DENTAL**

The dental plan allows employees to see the dentist of their choice and covers a wide range of dental services. Preventive services, including sealants for children, are covered at 90% with no deductible. Basic and major services are covered at 80%, after a deductible. The plan also covers 50% of eligible orthodontia expenses for children after a one-time deductible.

➢ **SPENDING ACCOUNTS**

The flexible spending accounts let employees set aside pre-tax dollars to pay for certain health care and day care expenses. Employees can set aside up to $5,200 in the Healthcare Spending Account for expenses not covered or only partially

covered by their medical and dental plans. For day care expenses that allow employees or their spouses to work, they can set aside up to $5,000 in the Day Care Spending Account.

➢ SHORT AND LONG TERM DISABILITY

Both short and long-term disability coverage is provided at no cost to employees. Short-term disability provides benefits if an employee cannot work for more than 10 consecutive days; how long benefits continue depends o n the nature of the employee's disability and years of service. Long-term disability coverage replaces 60% of the employee's monthly base salary while he or she is disabled.

➢ EMPLOYEE AND DEPENDENT LIFE INSURANCE

McDonald's provides basic life insurance of two times the employee's base salary at no cost to the employee. In addition, employees can purchase additional life insurance coverage for themselves (either term or universal life). Basic dependent life insurance for their spouse and/or children is also provided at no cost to the employees. And, if an employee elects optional life insurance for himself/herself, he/she can purchase additional dependent life insurance coverage.

➢ ACCIDENTAL DEATH AND DISMEMBERMENT INSURANCE

AD&D covers employees if they die or are seriously injured in an accident. McDonald's provides AD&D coverage equal to two times the employee's base salary. If the employee elects additional life insurance coverage, he/she automatically has an equal amount of optional AD&D coverage at no extra cost.

➢ TRAVEL AND BUSINESS TRAVEL ACCIDENT INSURANCE

McDonald's provides travel accident coverage of two times an employee's base salary at no cost to employees. Travel accident insurance pays benefits in the event of an accident when traveling for either business or personal reasons.

McDonald's also provides $100,000 business travel accident insurance coverage for employees traveling on company business, also at no cost.

➢ BALANCED WORK AND LIFE

Balancing work with the life outside of it can be challenging. McDonald's believes that it's important to strike the right balance. That's why the company offers many programs designed to help our employees maintain or regain the right balance.

➢ VACATION, HOLIDAYS

McDonald's offers paid vacation for corporate, region and division office employees as well as Restaurant Management employees. The amount of vacation time employees have available depends on how long they have worked at McDonald's. In addition, McDonald's offers eight paid holidays (less for part-time workers) for eligible employees.

➢ SABBATICAL PROGRAM

Eligible employees can take an eight-week sabbatical for every 10 years of full-time continuous service with the company.

➢ LEAVE OF ABSENCE

Because employees may be faced with difficult situations that require them to take time from work, McDonald's provides a leave of absence program with specific policies regarding types of leave such as family and medical leave, adoption leave and funeral leave.

➢ **ADOPTION ASSISTANCE**

The adoption assistance program helps employees afford the costs associated with adopting a child under age 18. Employees are reimbursed for 80% of eligible expenses, up to $2,500 per child.

➢ **CHILDCARE**

McDonald's has agreements with three national child care providers - Childtime Childcare, Kindercare and La Petite Academy - for a 10% discount on tuition for employees.

➢ **EDUCATIONAL ASSISTANCE**

The educational assistance program helps support eligible employees in their efforts to further their education. Employees can get reimbursed for 90% of eligible expenses, up to a maximum of $5,250 a year ($2,000 a year for part-time employees), for grades "C" and above.

➢ **MATCHING GIFT PROGRAM**

The matching gifts program is designed to encourage employee support of not-for-profit organizations. With this program, McDonald's matches employee gifts to qualified educational, civic, cultural, health and youth organizations with one dollar for every dollar the employee contributes, up to $10,000 a year.

➢ **EMPLOYEE ASSISTANCE PROGRAM (EAP)**

The EAP is a voluntary, confidential service that provides professional assistance to help employees and their family better manage problems that may be affecting their general well being.

➢ **AUTO AND HOME INSURANCE PROGRAM**

McDonald's employees can purchase auto and home insurance through the MetLife Auto and Home Insurance Program. The MetLife Auto and Home Insurance Program offers a McDonald's group rate plus other advantages.

➢ **BEYONDWORK**

BeyondWork is a free Internet discount program for recreational products and services. McDonald's U.S. employees can go online 24 hours a day, seven days a week to BeyondWork's site and find valuable resources and savings on popular products and services.

➢ **WALT DISNEY DISCOUNTS**

Through a partnership with the Walt Disney Company, employees are given membership in the Magic Kingdom Club. Members receive discounts at the Disney Store plus discounts on Disney Land and Disney World tickets and accommodations.

3.5.8 HR DESIGN CENTER

In 1997, McDonald's HR Function was restructured to increase customer focus, enhance quality service, improve cost effectiveness, eliminate redundancy within the function, and build strategic HR capabilities needed to improve overall business performance. To accomplish this HR was divided into three groups: the Service Center (focused on administrative, transactional activities, and consulting to franchisees), HR Business Partners (providing strategic HR consulting to line and staff organizations), and the HR Design Center. The HR Design Center is a center of excellence employing a group of HR subject matter experts that partner with other departments to develop, test, and implement leading-edge people systems and tools designed to improve overall business results.

Through these partnerships, the Design Center has contributed by designing core HR processes for the company, leveraging best practices, and most importantly for I-O psychologists—measuring success.

The Design Center is divided into four practice areas—Measurement and Organizational Effectiveness, Leadership Assessment and Development, Competency-Based People Systems and Culture, and Recruitment and Retention. Projects within these practice areas are designed to impact all levels of the organization from the CEO to the front counter employees in the restaurants.

The Measurement and Organizational Effectiveness group has taken on such projects as the creation and implementation of an annual employee commitment survey, creating a functional Human Resources Scorecard and participating in a data standardization initiative, to name a few. In addition, in the past 2 years, partnerships with other departments have facilitated research projects aimed at identifying people practices and approaches that substantially impact outcomes such as turnover, productivity, customer satisfaction, sales, and profitability. This research has been critical to developing a competitive business model that places emphasis not only on financial and operational factors, but also on people factors that improve business results by driving employee commitment, retention, productivity, and customer loyalty.

Another practice area that I-O psychologists have played a critical role in is with Leadership Assessment and Development. This practice area houses the executive succession planning process, senior management 360° feedback and coaching, as well as other senior leadership development programs. I-O psychologists in this practice area are involved in assessing the development needs of our senior leadership and measuring the success and value of such programs.

The Competency-Based People Systems and Culture practice area uses I-O psychologists for competency development associated with selection, performance development, assessment, and succession planning. By implementing competency-based people systems, McDonald's is building intellectual capital, providing the tools needed to help

each person deliver business results, and making the investment required to support continuous learning and development as a business strategy. I-O psychologists contribute through identifying development needs, targeting development curricula, as well as by leading other more typical I-O projects such as developing staffing models, profiling job competency requirements, and designing performance appraisal instruments. The People Promise initiative also lies in this practice area. Partnering with all functions of the organization, I-O psychologists are facilitating this culture change initiative by identifying metrics that are meaningful to everyone in the organization and measuring the success of this key strategy.

➢ **IMPLICATIONS**

There is a lot of exciting work for I-O psychologists taking place at McDonald's. More than ever, I-O psychologists are being asked to serve a role that balances the "I" and "O" sides, in contrast to a historical role that emphasized the "I" side to a greater degree. In addition to our expertise in conducting job analyses and test validation studies, comes the ability to construct and assess methodologies appropriate for capturing critical factors that measure overall business success. I-O psychologists at McDonald's are, like never before, positioned to play a key role in defining the landscape, identifying key signposts, and measuring how far an organization has gone to reach its overall goals.

3.5.9 MCDONALDS HR PRACTICES ACROSS THE GLOBE

The company standardizes not merely its basic menu but also its "management practices, largely regardless of cultural differences across societies". Although the company increasingly favors franchising out its business operations in the economies where it thrives, its headquarters in the US continues to retain "very tight control through careful recruitment, training and socialization". Not surprisingly, McDonald's hotly disputes this picture of its operations.

McDonald's employment practices are similar across Europe, in spite of different national legal systems of employment. From the allegedly flexible UK market to the supposed highly formalized social legislation in Germany, the US-owned company has successfully pursued a broadly similar employment strategy.

In a statement yesterday McDonald's denied this, saying that its operations were decentralized and operated in each European country "within the framework of local, national and European culture and traditions".

In all European countries McDonald's employees are "unlikely to resist or oppose strict managerial control". This is because McDonald's tends to recruit its staff from weak and marginalized sectors of the labor market.

Most of its employees are young. In the UK, two-thirds are under 21. It is true that in Germany and Austria very few of those under-18 are in McJobs, because their employment conditions are strictly regulated by national legislation. But in those countries, the company depends on foreign workers, mainly economic migrants from Eastern Europe, who are marginalized by their uncertain status and insecure about their wider employment prospects.

As a result, McDonald's workers mostly "lack the previous experience, maturity and confidence to challenge managerial authority". Many are choosing to work for the company because of the lack of more attractive options. McJob does appeal to those with short-term needs, such as students and married women who want flexible hours in order to be able to pursue other activities and responsibilities. This is why McDonald's experiences a high annual staff turnover. The exceptions are in Germany, Austria, Finland and southern Italy, where other opportunities are simply unavailable.

The short-term nature of McWork also, makes employees across the company's European outlets "vulnerable to management manipulation and control". And not only those at the bottom of the heap. Restaurant managers who have to endure strenuous work schedules and discipline display a strong sense of corporate loyalty. McDonald's has been highly

successful in preaching to managers its own values and symbols, which transcend national particularities.

3.5.10 ROLE OF HR IN GLOBAL EXPANSION

HR professionals at McDonald's Corp. partner closely with the company's marketers, supply chain managers, operations directors and others to launch restaurants in new countries and to "McDonaldize" local teams of employees.

Alignment among the various disciplines—HR, franchising, legal, supply chain, development, marketing and operations—is key to a roll-out in a new country.

The corporation's approach to establishing restaurants in new countries has evolved over the years. About eight or nine years ago the company decided to front-load the staff—to bring on the HR people and others and McDonaldize them, to develop a team that knew their business plus knew the ins and outs of the country. For a company their size they use very few expatriates. The company has evolved to more of a global climate.

McDonald's has developed a four-phase approach to opening a facility in a new country. The first stage is development preparation, which usually begins 18 to 24 months before the opening.

It's important to quickly establish an HR network, "as a sounding board, someone the HR department can run things by. The department wants to have individuals it can trust, especially in the early days when there are lots of things that are confidential.

At this stage HR needs to research such issues as compensation, benefits and HR practices, to recruit and hire key staff members or expatriates, and to secure a labor attorney or consultant. It's important to develop a new country outline that explores a number of issues: unemployment, demographics and attitude toward U.S./multi-national companies. The outline should look at government relations, the structure of the country's ministry of labor, and key labor regulations that apply to employment

relationships, minimum wage, overtime, shift differentials, holiday and vacation pay, age restrictions, and scheduling.

The company needs to look at the income tax structure, unemployment insurance, workers compensation, health plans and retirement plans. These things have a huge effect on the bottom line, so it is incumbent upon HR to know these things

The next stage is resources selection, which begins eight to 12 months before the launch in the new country. The company begins partner orientation, develops HR strategies and tactics, determine management and additional staffing needs, establishes management and staff compensation, benefits and contracts and also begins group process training.

The third stage, resource development and strategy implementation, begins three to eight months before the launch.

Now the company has all the information and they put it together to develop employee handbooks and review the impact of local regulations on an operation's needs, such as scheduling and age requirements. The HR management determines employee-staffing needs and develop an employee compensation and benefits plan.

At this stage McDonald's also conducts management HR training, develops the employee recruitment and selection process and implements initial employee hiring.

The final stage is pre-opening preparation, which begins up to 90 days before the launch of the new restaurant.

One of the things McDonalds finds when it opens in a new country is that things are chaotic, so it's important to make sure that things happen right out of the box— performance reviews, opinion surveys, 'enthusiasm' activities. It's important to make sure these things happen in the first six months, so the management goes very micro and set things right out.

The foundation of business has changed. Low unemployment rates, changing workforce demographics, and employees' desire for work–life balance (among many other people factors) have accelerated the HR evolution. This economic trend and shift in personal values has brought about an unprecedented emphasis on employees. Fortunately, I-O psychologists have seized this opportunity to show their worth to organizations by demonstrating how meeting these values and needs (e.g., offering development opportunities, alternative work arrangements), affects bottom line results. Thus, I-O psychologists have taken on a dual role in organizations: change agents— driving the change of organizational cultures to focus on people, and measurement specialists— connecting people practices to business results.

Tying people-related initiatives to business results will allow McDonalds to maintain the momentum around people even when the economy takes a downward turn. The focus on measurement and people is promising news for I-O psychologists. Many companies, large and small are hiring I-O psychologists for the first time. The McDonald's Corporation is one of these companies.

CHAPTER FOUR: ANALYSIS

4.1 STRATEGIC ALLIGNMENT AT SOUTHWEST AIRLINES

At Southwest the vice president of the people department does not report directly to the CEO rather reports to the vice president customer service. Also the vice president is not a member of the executive planning committee. This implies that Southwest is not in the integrative linkage phase of the strategic management process, which is dynamic and multifaceted, based on continuing rather than sequential interaction. Even without the integrative linkage the organizational culture, HR practices and operating procedures of the company reinforce and compliment each other. A testimony of the strategic alignment of the company is the fact that the management of the company limits the growth of the company to the rate it can hire and train new people who fit into the culture of Southwest.

After studying the HR practices of Southwest and also by looking at the success parameters of the company it can be deducted that the unique culture and HR practices of the company are extremely important for the competitive advantage that airline has over its competitors. Although theoretically, these HR practices can be copied but in reality it has been extremely difficult for the other airlines to duplicate the culture of the Airline.

RECRUITMENT AND SELECTION

Southwest does conduct its HR practices in a way, which complements its unique culture thereby ensuring horizontal alignment of its various HR activities. The recruitment and selection procedure guarantees that newly inducted employees are very thoroughly screened. By involving peers and customers in the recruitment and selected procedure the airline has ensured that the fresh recruits will be able to fit in the unique culture of the company.

Southwest Airlines does not see the expense of recruiting and paying staff as being net cost rather the company believes the large number of resources spent on the recruitment and selection process justifies itself in the long run.

TRAINING AND DEVELOPMENT

After an employee is inducted into the organization he or she has to be properly trained in accordance with culture of the company. This training is necessary to ascertain that the employees fulfill the cultural requirements of Southwest.

The training requirements of the individuals are fulfilled according to their job descriptions. Basic training covers intensive courses on customer service, the aircraft, safety, and regulations. Southwest uses training as an important motivation tool. Employees are re-familiarized with the company's culture, mission statement, and corporate identity. Regular training prevents mistakes on the job and helps to maintain superior customer service.

 Much of Southwest's training is centered on team building. This enables the employees to reach their corporate objectives in teams. The way Southwest has bee able to promote team building within its cultures says a lot about its training capabilities. The coaching methodology is used to give customer service training or leadership training for managers.

Another good outcome of the training activities is that there is no room for ambiguity in the minds of the employees about employer expectation. The employees know exactly what is expected from them.

The company strongly endorses employee development. Cross training at Southwest is a very good approach to employee development. Employees are trained to perform jobs other than their own. They are encouraged to switch jobs and provided with broad latitude to better serve the customers. Cross training equips employees to understand the overall picture as they climb up the corporate ladder.

Promotion from within is also a useful strategy for an airline company like Southwest to develop their employees. In Southwest eighty percent of the promotions in the organization are from within. This strategy has many advantages. One advantage is that

by promoting employees who are already well trained in accordance with its low cost strategy, the company can save the cost of additional training. Also by bringing the people up through the ranks to positions their education might prevent them from getting at other airlines gets the company a very loyal workforce. Lastly it also strengthens the organizational culture.

PERFORMANCE APPRAISAL

Measuring employee performance in the service industry is considered more difficult in most cases from employee appraisal in the manufacturing industry. Southwest is a good example of a case in point where because of its unique culture, measuring employee performance is very difficult.

The employees are appraised in teams. The first step in the appraisal process is setting up of strategic objectives against which performance is measured. Other than that attributes of employees like creativity, initiative etc which are essential for maintaining the "luv" culture are also appraised. Such an appraisal system helps ensure that company expectations are met. Employees are also sure of what is expected from them and they act accordingly.

COMPENSATION

The employees at Southwest are compensated in accordance with the overall company strategy. Not only are they given monetary compensation in the form of profit sharing etc but they are also given non-monetary compensation. The company pays its employees at par with the industry average and offers good benefits comparable with the industry. The non-monetary compensation consists of the corporate culture and the fun working environment. This type of compensation ensures that employees are loyal to the organization even when offered more lucrative jobs. Furthermore profit sharing and stock ownership plans link employee incentives to performance and profitability.

4.2 STRATEGIC ALLIGNMENT AT MICROSOFT

Bill Gates personal values and beliefs and his vision of what Microsoft could achieve form the core of Microsoft's culture with its values of excellence and innovation. With its initial success, Microsoft began to attract the best software engineers in the world. Microsoft was therefore in a position to select those people who bought the values of the company and who could perform at the level that was required by the CEO and the top management.

Microsoft makes a concerted effort to recruit the best and brightest talent they can find and then retain them with excellent compensation packages, opportunities for rapid advancement and professional growth, and challenging and interesting assignments.

At Microsoft Corporation the corporate vice president for Human Resources, Kenneth DiPietro is responsible for developing strategies and programs for Microsoft in the United States and around the globe.

RECRUITMENT AND SELECTION

Staffing the organization with talented people must go deeper than managerial jobs in order to assemble the human resources and knowledge base needed for effective strategy execution. Microsoft makes a point of hiring the very brightest and most talented programmers it can find and motivating them with both good monetary incentives and the challenge of working on cutting edge software design projects.

Recruitment is one area which is highly emphasized. The company makes sure that the employees it hires are able to cope with the dynamic needs of the computer industry. General intelligence is often valued more heavily than experience. Microsoft follows a strategy of adapting to changing conditions and for this it needs people who can develop new skills periodically. The company also acquires smaller companies with excellent human capital in order to absorb their human talent. Its recruitment strategy is seen as an important reason behind its success.

TRAINING AND DEVELOPMENT

Employees are given ample opportunity to train themselves at Microsoft. The company places new recruits onto teams of three to seven people under experienced mentors to work on the next generation of software programs.

The employees at Microsoft are responsible for their own career development. For this purpose the management provides them with all the tools and resources they need to grow professionally. The employees are educated on the importance of a respectful work environment in maximizing the performance of every employee and enhancing the company's ability to attract, develop and retain the best and brightest talent. The above mentioned training and developing efforts in the company ensure that their dynamic workforce keeps on innovating new products.

PERFORMANCE APPRAISAL

The product team structure at Microsoft encourages risk taking and creativity and reinforces the team atmosphere and norms of "team spirit." In order to align employee performance with the strategy of the company employees are appraised through a pay for performance approach. Its compensation plans are intended to promote outstanding employee performance by offering high-performing employees larger compensation rewards.

COMPENSATION AND REWARD

Microsoft cultivates a culture of innovation by rewarding successful risk taking and creativity with strong property rights. Many key employees receive stocks based on the company performance and all employees are eligible to receive bonuses.

The company also offers high quality pensions and benefits. Its compensation plans are intended to promote outstanding employee performance by offering high-performing employees larger compensation rewards. Microsoft uses relatively low level of initial base salary in the short run but the use of stocks and bonuses pays off employees well in the long run. This compensation policy creates a long term orientation for the employees

who work to create new products for the future. The lucrative compensation at Microsoft helps to attract and retain talented people thereby ensuring that the company remains the market leader.

4.3 STRATEGIC ALLIGNMENT AT AT&T

According to the CEO of AT&T, Robert E Allen, the role of HR in strategic management at AT&T is as follows

"At the time of the government break up, AT&T had a domestic workforce, a reputation for life long employment and a history of predictability. Since 1984 however we have trimmed about 70,000 jobs in the United States, increased our presence overseas, while at the same time enlightened our people about the topsy turvy, unpredictable global marketplace. Throughout the past five years, the human resource department at AT&T has been a linch pin."

AT&T gives the HR function its due importance in the strategic decision making. The executive vice president of HR is a part of the senior leadership. In this way he/she is able to present the HR perspective when the company takes important decisions.

RECRUITMENT AND SELECTION

All the HR practices at AT&T are aligned with its strategy of differentiation. A differentiation strategy requires that employees exhibit a high degree of creative behavior, a long term focus, a relatively high level of cooperative behavior, a greater degree of risk taking behavior, and a higher tolerance for ambiguity and unpredictability. Resultantly AT&T recruits employees on the basis of a multistep recruitment procedure, which include aptitude tests and role-playing. This procedure makes certain that the employees possess the necessary credentials to be able to work at AT&T.

TRAINING AND DEVELOPMENT

AT&T has very extensive training programs in keeping with its dynamic environment. The company links its training and education to strategic plans to establish current and future competencies for both the organization and the individual. The company develops long term and short term plans in four areas

- ➢ Competencies
- ➢ Organizational Effectiveness
- ➢ Performance
- ➢ People

Short terms plans in the first area include strengthening the linkage among identification, assessment, employee development, and business needs, and refining roles and responsibilities to increase employee empowerment.

Long term plans centre around the continuous learning environment and formulating new systems for empowering and developing employees.

PERFORMANCE APPRAISAL

Employees are appraised on the basis of their performance both individually and also as part of a team. 360-degree feedback, which is an effective tool for measuring the performance of the employees, is used to appraise the individual performance of the employees. This system is beneficial because the organization and employee get a multiple perspective and insight into the employee's performance.

As far as team performance is concerned a company performance benchmark is set, which if surpassed results in bonuses for the employees. Thus the performance appraisal system in the company not only ensures that the individual performance is evaluated correctly with sufficient feedback for self improvement and development but also that strategic objectives are met with the EVA mode of appraisal.

COMPENSATION AND REWARD

The compensation policy at AT&T consists of pay for performance. Employees get individual or team bonuses as a percentage of their salary depending upon the performance of the company. The percentage of bonuses increase if the performance of the company surpasses the target and shrinks if it is below the target. The incentive bonus plan is based on more than 100 daily quality measures, rated on a pass/fail basis.

4.4 STRATEGIC ALLIGNMENT AT RITZ-CARLTON

Ritz Carlton's vision is to become the Best Business Hotel in the World. Its management ensures that all employee performance is aligned to its mission statement.

The Ritz-Carlton Hotel Company is based on a set of core values collectively called The Gold Standards: The Credo, The Three Steps of Service, The Motto, and The Twenty Basics. Every employee is expected to embrace these quality guidelines, find new ways to interpret them, and put them into practice during every moment of their working shift.

RECRUITMENT AND SELECTION

Selecting the right individuals with the right values at the very start of selection process is very important. This has helped the company tremendously in putting in place a people structure that is well aligned from the very beginning. In the selection process, those individuals are selected who want to be the Best and only when they want to be the Best, can the company achieve The Best Business Hotel in the World status.

For hiring purpose, Ritz-Carlton has a quality selection process. It selects successful employees and identifies their traits and qualities. These qualities then serve as the hiring criteria for the future. Their hiring practices support their value statement. The entire recruitment and selection procedure is helpful in improving and maintaining a competitive edge in the luxury hotel industry.

TRAINING AND DEVELOPMENT

For a company following a focused differentiation strategy the key strategic HR issue is to make sure that its employees are aware of the unique features of the competitive market. Training is therefore a critical factor for such a company. Resultantly all new employees of Ritz Carlton receive orientation to The Gold Standards. These standards are then reinforced each day in staff meetings. In addition, workers receive ongoing quality training geared towards these standards. The excessive training imparted at the company is one of the reasons why it is regarded as a market leader in the luxury hotel industry.

PERFORMANCE APPRAISAL

The credo sets the goals at Ritz Carlton and the Gold Standards determine the plan of action. Employee performance is measured every day and a review of employee performance is given in 60 days, which provides the employees with a clear idea on how to improve themselves. Consistent performance review is essential for the hospitability industry and one of the reasons why the hotel has been able to maintain excellent level of service. Employees first set the goals and then are empowered to go out of their way to attain those goals and satisfy the customer. Thus the customers know that satisfying the customer is their number one priority and by setting a definite plan of action, the employees are able to do exactly as is required by the company.

COMPENSATION AND REWARD

The reward system is designed to encourage team building, problem solving and empowerment initiatives. The employee who performs well is awarded by being sent to another hotel and is encouraged to educate others and help them perform better. Problem reporting and valuable suggestions are also awarded with gifts and certificates. This compensation and reward package is a proficient way of retaining employees and can be considered a resourceful element in reducing the turnover rate along with serving as an incentive for employees to perform better. Furthermore the practice of rewarding employees for coming up with new ideas encourages them to be creative thus fostering a culture where the focused differentiation strategy of the company is reinforced.

4.5 STRATEGIC ALLIGNMENT AT MCDONALDS

The restructuring of the HR department that McDonalds undertook in 1997 was a positive step forward in the direction of strategic human resource management. After the reorganization the HR department was divided into three areas:

- **The HR Design Center**, a unique group of subject matter experts in charge of developing, testing and implementing HR systems and tools.
- **The HR Service Center**, which focuses on administrative, transactional, and franchisee consulting needs
- **HR Business Partners**, which provides strategic HR consulting to line and staff organizations

Such an arrangement has improved the efficiency of the organization as each segment concentrates only in its area of specialization without having to worry about working on too many fronts at the same time.

McDonalds while expanding globally gives due importance to the human resource function. The HR department plays a substantial part in evaluating the strategy for entering a new market. Since the company produces differentiated products at low costs therefore even when it is operating abroad it has to standardize its operations to keep the cost low. However being a global company McDonalds also takes its overall philosophy and integrates it into local culture or market. In McDonalds the investment in people is less as compared to the investment in market and product development, physical expansion, and marketing through competitive advertising.

RECRUITMENT AND SELECTION

McDonalds hires restaurant crew with good work habits and courteous attitudes but the company does require minimum experience for its restaurant crew. By recruiting young and less qualified staff the company saves a lot of administrative cost.

TRAINING AND DEVELOPMENT

The company trains employees to act in ways that will impress customers by teaching them job skills with proper training on delivering customer satisfaction and running a fast food business. Employees are drilled over and over on the need for attention to detail and perfection in every fundamental of the business. McDonald's has been highly successful in preaching to managers its own values and symbols, which transcend national particularities.

PERFORMANCE APPRAISAL

The company appraises employees on both individual and team performance and promote promising employees quickly. At McDonalds the constant message from the management is the overriding of quality, service, cleanliness and value, volume, training and controllables. Goals are set for these areas according to which employee performance is assessed.

COMPENSATION AND REWARD

The compensation policy of the company enable it to offer equitable and nondiscriminatory wage rates in every location and reward employees on the basis of their individual and team performance. The quarterly bonus of the employees is dependent on the performance of the employees. The basic pay structure is merit pay. Thus in this the compensation of the employees is tied to his/her performance in achieving the performance objectives McDonalds actively seeks out reasons and opportunities to give pins, buttons, badges and medals for good showings by average performer. The idea behind the gesture is that the management expresses its appreciation and gives a motivational boost to people who stand out in doing ordinary jobs in this way. In this way all efforts are made to compensate the employees for performing in ways, which support the strategic objectives of the company.

4.6 SYNTHESIS

Strategic human resource management involves the development of a consistent, aligned collection of practices and policies to facilitate the achievement of the organization's strategic objectives. It considers the implications of corporate strategy for all HR systems within an organization by translating company objectives into specific people management systems.

There is no one best way to manage people in any given organization. Even within a given industry HR practices can vary extensively from one organization to another. The focus of this study is on five organizations belonging to different industries. All of them are either market leaders or one of the best firms in their respective industries. These firms have defied the odds over the years and attained phenomenal success. It goes without saying such successful companies have streamlined their HR practices which is an important force behind their success.

The companies include in the study are Southwest Airlines, McDonalds, Microsoft, AT&T and Ritz-Carlton. All of them belong to very different industries. Some of them are in the service industry and some of them are in the manufacturing industry. Some of them follow a differentiation or low cost strategy while others follow a focused strategy. Yet one thing they all have in common is that despite their apparent diverse fields, these companies realize the importance of HR resource and have aligned their HR practices with their respective strategies.

The importance of HR cannot be denied while expanding internationally. Ritz-Carlton while expanding to Asia among other places has not changed its HR practices. Although the company claims that such a step has not been a problem however this is not exactly the situation on ground. Similarly McDonalds does adapt its HR practices according to the culture of the country it is expanding to however it has not changed its practices to the extent that it claims. There are some areas where it implements its standardized practices so that it can maintain tight control. For taking such a step the company has been criticized.

It is examples like these which should be food for thought for organizations which want to expand overseas or which are already expanding all over the world. It is the responsibility of the HR expert namely the top HR executive of a company to educate the top management on the feasibility of making a certain strategic decision as far as human resource is concerned. Looking at the cultural implications while expanding abroad and communicating them to the strategic planning committee should be the top priority of the HR executive.

Being involved only in the traditional activities of the HR function is where lies the difference between a top of the line company and an ordinary company. The companies included this research study have made it big and if their HR practices were run of the mill these companies would not have been where they are today.

4.6.1 HUMAN RESOURCE PLANNING

One method of improving implementation of strategic human resource management is to integrate strategic planning and human resource management through human resource planning a process that looks at the organization's current and future human resource needs based on external as well as internal environments. If the human resource strategy is to be maximally useful to the corporation, it must share the corporation's plans. Too often the linkage is missing. But without it the human resource plan cannot be truly strategic. Organizations which have the most highly developed human resources planning systems linked to strategic planning are able to minimize their employee layoffs.

Amongst the companies included in the research study, AT&T is one company, which had a severe handicap as far as its human resource planning is concerned. The company did not use an accurate forecasting methodology, as a result of which it was not able to accurately forecast its labor requirements. Consequently the CEO in 1996 announced that he wanted to cut upto 11000 managers. However the plan that the company offered, 14000 employees opted for that package and the company went from a labor surplus to labor shortage. This incident clearly indicates that if previously the company had integrated its strategic planning process and human resource planning it would not have

faced such a dire situation. However currently the HR executive at AT&T is an important part of the strategic planning team.

4.6.2 RESTRUCTURING OF THE HR FUNCTION

The traditional HR structure did not give ample time to the HR specialists to look into strategic issues as all their time was consumed with day-to-day functional issues. Traditional HR functions were structured around the basic HR functions such as staffing, training, compensation, appraisal, and labor relations. A recent change in the structure of HR is that the function is divided into three areas of expertise:

- Functional specialists
- Field generalists
- Individuals for transactional activities.

Such a strategic restructuring is visible in McDonalds which has restructured its HR function along the three mentioned areas thus providing HR specialists with a chance to take active part in strategic decision making and advising the top decision makers on important issues.

4.6.3 OUTSOURCING TO IMPROVE HR EFFECTIVENESS

Firms primarily outsource transactional activities and services of HR such as pensions and benefit administration as well as pay roll. By doing this gives the HR specialists ample opportunity to concentrate on strategic issues.

AT&T has applied this strategy in its human resource function. The company has outsourced end-to-end human resources administrative, transaction and payroll services, including the oversight of existing benefit plan which has freed up resources to be utilized for strategic issues.

4.7 STRATEGIC HR AGENDA

The key goals of the strategic HR agenda should be the following:

- ➢ Innovative approaches to careers and rewards
- ➢ Effective assessment and development processes
- ➢ Understanding how high performance is built and sustained
- ➢ Creating and building organizational climates and cultures which supports the organization's strategy.
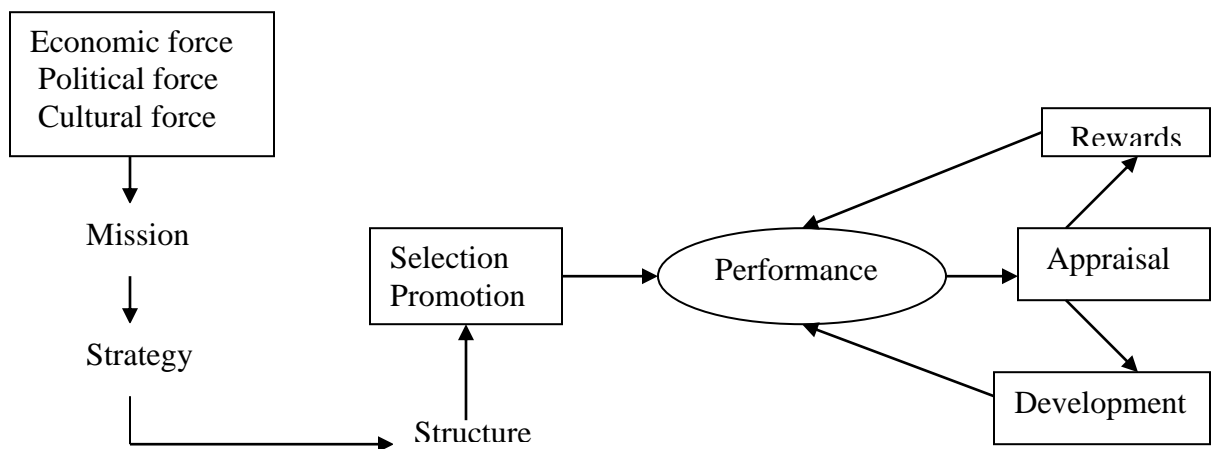
While analyzing the five companies under discussion it can be seen that out of all the companies, the company that stands out for its unusual practices is Southwest Airlines. The company has a unique culture, which has been the breeding ground for creating an excellent work climate. The culture has also been responsible for motivating the employees to be creative and initiate new ideas. The satisfaction of the employees with their work environment acts as a non-monetary compensation for the employees working in the organization.

Microsoft Corporation is also one organization, which has created a culture of hard work and creatively. The company has been able to motivate and retain top of the line software engineers with the help of its superior HR practices and culture.

Ritz-Carlton is one organization, which has won the Malcolm Baldridge Quality Award in which human resource is an important criteria. The HR practices are unique to its requirements and according to the standards set by the management; the training that the company imparts has been able to make this hotel one of the best luxury hotels in the world. The stress on training programs according to the culture of the organization is one of the major reasons for its success.

AT&T has been able to change itself from being an organization which had misdirected reward and evaluation procedures, oppressive control systems, overly rigid formal planning systems, and restricted communication channels. Apart from that the company had no formal strategy for entrepreneurship, unrealistic performance criteria, inappropriate skills/ talents and short-term orientation. In other words the organization did not have an effective management and HR practices. Then a strategic change was brought about in the company and its HR practices today are strategically aligned to the strategy of the company.

McDonalds is a market leader in the fast food industry and the reason for its unparalleled success has been its expertise in following two strategies at the same time. This is because the company has a competitive advantage in its operations and marketing functions. This is not to say that the company is far behind in its HR function. The HR function has been able to develop a motivated workforce according to the needs of the organization.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

5.1 CONCLUSION

The challenges that companies of today face is not the creation of processes to support their business strategy, supporting the way they have always done business, but to create and sustain processes and policies capable of flexing to meet the needs of the future and the changing competitive market in which they operate.

Statements of strategic intent will become a rhetoric if they are not supported by people processes which create an understanding of what must be achieved, which provide targeted performance feedback, and which increase skill levels through training and reward targeted on performance.

From the research study it can be deducted that strategic human resource management does exist in the large corporations in the world. Perhaps this is one of the reasons why these companies are either market leaders or amongst the top companies in their respective industries. However the strategic human resource management process has not reached a stage where it is completely perfect. Even the industry leaders are not in the integrative phase of strategic management. They have though placed themselves in the right direction and their flight towards the integrative linkage phase has started. On the other hand there are many companies, which are still realizing the repercussions of not paying a lot of importance to the human resource function.

Thus it can be safely said that the journey towards strategic human resource management has not reached its destination and although the integrative linkage is still a rhetoric but the journey towards this phase is a reality.

5.2 RECOMMENDATIONS

➢ Companies especially while operating outside their country should maintain a balance between flexibility and stability. If there is too much flexibility and change in the processes then people become overwhelmed with discontinuities. Similarly too little flexibility leads to very rigid processes, which do not change along with the changing circumstances.

➢ Companies wishing to attain a strong strategic linkage should include in their performance appraisal system factors such as customer satisfaction and innovation. Such factors go a long way in ensuring the long-term capabilities of employees instead of just focusing on short-term capabilities.

➢ The scanning of the external environment is important to identify probable competitive pressures or changing trends taking place in the environment. An understanding of these trends can prepare the company for potential skill shortages. It is imperative for top management of companies to involve themselves in systematic scanning of the environment like Ritz-Carlton does. The company carries out an extensive macro environment analysis, which is used in the strategic planning process for forming strategic objectives.

➢ Managers should be given incentives to invest in the development of the employees. However because such an endeavor does not have a short-term pay off so companies usually do not focus on this issue. McDonalds is one company which has taken this issue under account and managers are evaluated on their to capability training and develop their employees.

➢ Change should be brought in an incremental process rather than implementing a major refocused agenda all at once.

- Management by commitment should be the methodology adopted in order to manage employees. Management by commitment implies managing employees by eliciting commitment to organizational objectives. This can only be attained through the internalization of corporate values through responsibility and empowerment.

- Similarly another important step for the strategic linkage in the company is that employees should be clear on the strategic objectives of the company; otherwise the company will not be able to align employee performance to the strategy of the company. e.g. Ritz-Carlton ensures that the employees are clear on what the company is trying to achieve. Similarly McDonald's employees are also very clear of the strategic objectives of the company.

- It is recommended that introducing an HR structure, which clearly demarcates the responsibilities of the HR employees, is an important step in strengthening the strategic linkage in an organization. If separate responsibilities are assigned for transactional, traditional and transformational activities, then it makes it much easier for the specialists to focus on strategic HR issues.

- Succession Planning is another step, which ensures a continuous strategic linkage. There should be a pool of talented people in an organization who can in future replace the senior management team. This is particularly important for companies, which want to or are operating in a multinational context. e.g. McDonalds has a well-defined succession planning system. Similarly AT&T uses assessment centers to identify and develop future leaders of the company.

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