Case Study- Sonoco

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Class: Strategic HRD Issues. Dr. Shaista E. Khilji.
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1. Overview. The organization operates in the packaging industry, which in the 1990s was affected by the consequences of the globalization. By mid 1990s the sales fell and the shareholders exerted pressure to reduce fixed costs, and the management decided to reorganize the structure of certain functions, including HR. Since 1995, the HR transformation process had comprised strategic changes in performance management, development, compensation and succession planning.

2. Environment Analysis. Hit by the financial crisis of the mid 1990s the company had reinvented its strategy from textile to consumers and industrial packaging and it had managed to grow through a large number of acquisitions. Consumers' needs had changed and that impacted upon the company's strategies and working systems. Also, like in many sectors the globalization had brought about high competitiveness, job uncertainty, and change in products with shareholders calling for new strategic HR approaches so as to: (a) increase effectiveness, (b) acquire new set of skills and competencies (Broackbank 1999), and (c) for HR to be more strategic business partner (Lawler & Morhman, 2000). Internally, the company responded to these external challenges: (a) trying to change a paternalistic culture (that allows underperformers and ensures job for life) by tightening its performance management system and (b) transforming HR into a more proactive and strategic function changing many HR policies and processes. Yet and in spite of radical changes, internal challenges still exist, such as cultural mindset, talent management, the way the HR function is integrated within the business and how HR services are provided to clients.

3. Problem. HR Strategic alignment to the business needs. Resolving this issue would have positive outcomes in other areas needing development, such as: (a) improve the culture of managing performances, (b) achieve an integrated talent management strategy, (c) consolidate the HR changes implemented over the years and (d) obtain a more effective cultural integration between its HQ and the subsidiaries.

4. Solution. The HR strategic alignment would be achieved by opting for the hybrid model with HR working closer to the divisions with a more proactive business support. The foundation of this choice stems from the contextual environment. The globalization has brought about competiveness and changes to the way companies carry out their businesses that invariably impacts upon the HR strategies. It results that HR has to play a new role in the globalized environment (Ulrich, 1996). This is the case for the company. Accordingly, the hybrid model will enable HR to better understand internal systems, processes, working methods, strategic business requirements, and the key competencies the workforce need to posses to attain the strategic goals. By so doing HR will be able to adapt its policies and systems to the business context achieving the alignment with the Units’ needs. In sum, HR department should operate as a business within a business (Ulrich, Younger, & Broackbank,
2008). Moreover this approach will serve well not only the internal but also the external alignment with HR responding flexibility and timely to changes mandated by actions of the external competitors, of the labor market, and the need for new products, which all require diversified HR strategies. This model will therefore position HR more strategically as a partner that need to compete globally (Broackbank, 1999). For instance, recruitment practices that may be valid at the company’s HQ may not be applicable for the external subsidiaries. Further, if an emerging economy enacts a new legal that impacts on workforce management, this may require swift actions on compensation, employee’s relations or new staffing approaches. The hybrid model will therefore enable HR to remain flexible and adaptable to the external changes, which leads to successful management of HR across borders (Cuthill, 2000). In the new market place HR cannot be strategic unless it understands the external business (Ulrich & Broackbank, 2005). Moreover, HR Reps embedded in the business units will facilitate (a) the necessary cultural shift by clearly identifying line managers learning and development needs, thus addressing accountability in managing performances and (b) it will ensure an effective devolution and ownership of HR policies systems and processes to the line manager, integrating a more rigorous talent management thus achieving the overall HR alignment across the company. HR architecture cannot be effective and strategic unless is owned and implemented by managers and employees (Christensen, 2006). Lastly, although the hybrid model would be more costly, introducing an HR workforce scorecard it will reduce operating expenses by measuring HR deliverables and their tangible impact on business.

5. Action Plan. The action plan comprises two main change processes with the HR Manager as change agent in both. The first will consolidate the HR transformation adopted since 1995 and introduce the HR hybrid model [Exhibit 1]. The second change will build on the process outlined in exhibit one by strengthening talent management to develop existing and prospective employees and enhance skills of HR staff and line managers. Talent management should follow this approach: (a) analysis gaps from the performance management systems; (b) identify and align competencies needed to carry out the strategy with questionnaires to line managers and meeting executives; (c) introduce new competency framework aligned with recruitment, performance management, reward and promotion systems; (d) identify on the job trainings to fill existing gaps; (e) the design of talent management should be controlled by HR and not delegated to the line; (f) to upgrade HR staff: on line certifications, workshop on organizational strategies, job rotations and cross trainings. To upgrade line managers: training on HR principles, change management, coaching, mentoring subordinates, and team building. Each change process will have to follow the same systematic model of: diagnosis, data gathering, and shareholders’ involvement. Line managers involvement and management support are key in implementing any HRD initiative (Garavan, 2007). Changes are then
consolidated measuring their effectiveness with an HR scorecard that identifies behaviors, skills and outcomes to make the change effective, and link the outcomes with a tangible impact on business. Moreover, implementing the hybrid model the HR manager should examine the internal environment and in parallel seat with the line manager letting them leading the discussion (Christensen, 2006). This will ensure ownership eliminating resistances and gather the necessary feedback on the way HR should work. The executives’ support will ensure alignment of the HR structure with the main strategy by identifying corporate competencies, systemic and structural issues and design HR around these dimensions. Additional engagement will be achieved by forming a committee of stakeholders including key representative of HR staff, line managers and executives (Garavan, 1995). Unions’ will be involved too and their priorities fed into the plans. The two changes (hybrid model and talent development) will sustain one another in that HR close to the business will improve talent development and vice versa. For instance carrying out training for HR staff (courses on business strategy) and for line managers to become acquainted with HR functions (change management skills) will help both change processes. In fact, devolution to the line is a two way process as it increases HR’s involvement in the operation of business units and in the organization’s strategic planning (Kulik & Perry, 2008) and it has an implication on leadership development (Chocqueel-Mangan, 2010). For example, training activities will be a golden opportunity for HR to instill other principles in performance management, addressing the issue of accountability and underperformances. Also, this constant involvement of the line will help consolidate the numerous HR changes that have been carried out since 1995 with training as opportunities to check whether policies introduced are integrated with and are supporting the business needs. However devolution to line manager may lead to bureaucracy by creating additional layers in the restructuring process (Conway & Monks, 2010), therefore the hybrid model has to be well thought out to ensure that decision making process and communication lines are well defined. Key for the success would be building HR competencies (Ulrich et al, 2007). Training HR generalists into specialists will also enable costs reduction (Christensen, 2006). Costs can be also further reduced introducing a balance scorecard measuring the behaviors, competencies, mind-set, and culture how each these impacts on the business goals (Becker, Huselid, & Beatty, 2005). However for a scorecard to be successful HR manager must understand the strategic business goals and how employees contribute to them with specific deliverables (Elswick, 2001). Hence a scorecard represent challenges in that it has to be developed by HR specialist who understand the connection of the HRD dimensions with the business. This can be achieved by further training HR staff into more strategic roles.

References


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