

HUMAN RESOURCE MANAGEMENT STRATEGIC CONCERN OF THE MANAGERS

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Abstract

The world we are living in today has increasingly become aware of the importance of the human factor in all types of organizations. The present paper is intended to assess the performance of the human resource department at PricewaterhouseCoopers and to provide adequate recommendations for activity improvement. After a statement of the current HR strategy and an in-depth analysis of the external and internal environment, the paper continues with some proposals upon a more efficient HR function and the corresponding action plan to achieve this objective. In addition, the paper presents a section on how employees respond to change inside the company.

Key words: human resource, management, managers

The world we are living in today has increasingly become aware of the importance of the human factor in all types of organizations. Studies have shown that it is people's commitment and dedication that ultimately determine a company's success or failure on the market while operating in such difficult and unstable economic conditions. Managers across the globe have been demonstrated that their desire of being in charge with all the activities is often wrong, therefore human resource related activities have to be delegated to a specialized department inside or outside the organization.

General description of the company

PricewaterhouseCoopers was set up in 1998 through the merger of two existing companies which performed in this industry more than 150 years: Price Waterhouse and Coopers & Lybrand. In 2009, PwC was a top 10 winner in the 11th Annual Global Most Admired Knowledge Enterprise (MAKE) Award¹.

PricewaterhouseCoopers traditionally provides industry-focused assurance, tax and advisory services. Due to the new economic conditions, the company now also delivers human resource, performance improvement and crisis management solutions.

It is present in 757 cities in 151 countries and it employs more than 163,000 people. Although during the 2009 financial year many industries and, respectively, many of its clients experienced challenging situations, PwC managed to deliver efficient services and thus registered slightly higher revenues as compared to the previous financial year. Globally, the PwC network had total gross revenues in 2009 of 26.2 billion USD².

PwC's **vision** is "to be the leading global professional services organization solving complex business problems for top tier clients in global, national and local markets". PricewaterhouseCoopers' **mission** is to provide to their clients services which will add value to their operations and so enable them to gain a competitive edge in the market place. Its core **values** come as a proof of everything the company stands for:

- Excellence: "We deliver what we promise and add value beyond what is expected."
- Teamwork: "The best solutions come from working together with colleagues and clients."
- Leadership: "Leadership means leading with clients, leading with people and thought leadership."

General and HR strategies of the company

PricewaterhouseCoopers uses as a general strategy the **customer relationship strategy**. Its most important feature is that it provides its clients customized solutions in its areas of expertise with the view to build trust and enhance value. According to the industry and the particularities of each business, PricewaterhouseCoopers designs unique services which are intended to deliver the best results. Taking this into consideration, customers are willing to pay higher prices because they acknowledge the importance of the personal connection they establish with the company. Each client is designated an account representative, making the relationship even more valuable for both parties.

PricewaterhouseCoopers stated business strategy refers to building strong foundations all around the world and maintaining its position as a premier professional services firm. Moving on to the HR perspective, the company

¹ <http://www.pwc.com/gx/en/about-pwc/facts-and-figures.jhtml>

² PricewaterhouseCoopers Consultants, "Global Annual Review 2009"

emphasizes its strong commitment to employ all the necessary resources to train its employees so that they can ensure the application of the highest standards through the whole network.

Doing business in an industry dominated by powerful and competitive players, PricewaterhouseCoopers operates under the **performance culture HR function**. It has built an organizational culture that stresses the importance of good performance and results, while focusing on employees’ evaluation and motivation and performance appraisal. The HR department is mainly responsible for measuring, recognizing and rewarding productivity and results.

The HR strategy which is not formally stated, but functions inside the company, is the **high performance strategy**. Due to the competitive spirit recognized on the market, the organization strives to obtain the best possible results and a competitive advantage by acknowledging employees’ importance in this process. This HR strategy is perfectly linked with the performance culture HR function.

SWOT Analysis

PricewaterhouseCoopers' strengths and opportunities are considerable because of its broad and deep global business consulting capability, unique market position as one of the Big Four, extensive network of contacts, along with its growing business integration and IT implementation presence. These strengths enable the company to capture new market opportunities.

<p>Strengths</p> <ul style="list-style-type: none"> • Global recognition of the brand. • Complex portfolio of services. • Strong business relationships with many of the world’s largest enterprises. • High financial stability, which creates confidence in the eyes of the customers. • Strong influence in standard setting and advisor to global public special-purpose funds. • Highly-skilled employees, many of them being experts in their fields. • Powerful commitment to the organizational culture. • Active presence in communities’ lives through continuous corporate responsibility programs. 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Liabilities from accounting and auditing business often represent a risk. • Lack of fully articulated business consulting strategy for the midmarket companies.
<p>Opportunities</p> <ul style="list-style-type: none"> • Business development due to the unfavorable economic conditions which urge companies to reconsider their processes. • Developing strengths in business process management. • Investments in emerging markets and industries. • Investments in a business sector of consultancy for future software and technology developments. • Cost reductions due to the extensive use of technology. • Organizational culture enrichment through integration of employees’ initiatives and suggestions. • Organizational culture strengthening by promoting thought leadership. 	<p>Threats</p> <ul style="list-style-type: none"> • Increased threat from new competitors which offer same type of solutions at lower prices. • New consultancy service delivery models. • The emergence of new business models. • More rigorous supervision of the regulatory institutions.

Recommendations for the HR function

a) Is the HR function the most appropriate one?

To remain competitive in today’s changing global environment, at PricewaterhouseCoopers, more than 163,000 people in 151 countries across their network share their thinking, experience and solutions to develop fresh perspectives and practical advice. As part of this global network, employees of PricewaterhouseCoopers have access to unparalleled knowledge, training, and technical resources around the world. At PricewaterhouseCoopers, employees are part of a learning culture, where teamwork and collaboration are encouraged, excellence is rewarded and diversity is respected and valued.

The **performance culture HR function** adopted by PricewaterhouseCoopers seems to be the most appropriate HR function or in other words, would be the most appropriate if applied, as the long-term excellent performance depends on the company’s ability to recognize and foster in a tangible manner the value of its people and to create a culture of continuous learning and development. This new strategic direction towards a learning culture represents the paramount accomplishment of the HR development.

At PricewaterhouseCoopers, the HR function helps the local offices in driving the company's people strategy, helping to create a unique people experience for each individual, supporting their values and working with the core competencies that measure and drive individual and company's success in the marketplace. Human Resources support people in reaching their full market value which then sets PricewaterhouseCoopers apart as the distinctive company.

Nevertheless, this HR function adopted by PricewaterhouseCoopers has its drawbacks. On the one hand, the company says that it values its people and tries to make them reach their full potential, but on the other hand this comes after many unpaid or compensated extra hours worked in a tense environment with tight deadlines. Another drawback is the extreme internal competition that comes up to the edge. Even though the employees are well paid, at least in management positions, the stress they face and the lack of appreciation make them leave after filling their pockets with money and relationships.

The conclusion would be that, even though their stated HR strategy is performance culture, only few can resist to its extreme implementation. This doesn't mean that the function is inexistent but that the people that should manage it are pushing too hard the limits of the company's employees.

Recent studies have shown that in the case of PricewaterhouseCoopers that performs its activity in a highly competitive market situation, between labor intensive firms, where financial success is dependent on the majority of employees, then the future of the internal HR function is to develop high performance work systems. The future for the internal HR department will lie in the areas of assisting the development of High Performance Work Systems, and in facilitating long-term continuous organizational change.³

b) Is the HR strategy aligned at the general strategy and/or coherent?

Aligning HR strategy with the business strategy is critical to realizing the company's full potential. The alignment calls for an HR strategy that shapes the 4Cs of human capital. In this respect we shall analyze whether PricewaterhouseCoopers follows this alignment.

In terms of competencies (knowledge, skills and attitudes required to meet business challenges), PricewaterhouseCoopers recruitment process focus on recruiting young graduates for several of their departments. New university graduates may find that deciding on their career to develop from now on is not an easy task. Their skills are assessed against the requirements of each job based on a scoreboard. If the skills match the requirements, the applicant will be invited to a series of interviews and specific tests with the human resources professionals and the management of the appropriate line of service.

When we talk about commitment (driving force for supreme employee productivity), on the one hand the company rewards its staff according to the performance in addition to the base package but on the other hand the company is not promoting the inside employees. Thus they are not motivated as they can think of PricewaterhouseCoopers as their long life employer. As it was said after filling their pockets with high salaries and their CV's with sound trainings the employees leave the company for a less paid job(in most cases) but one that offers greater flexibility. The retention rate of the company is quite low due to the fact that the working conditions are extremely demanding. Our suggestion would be to consider this employee retention and take the appropriate measures in order to motivate the employees to stay. This would be to relax the working conditions even if this would mean to recruit and select more people to perform the job.

Another important aspect is the culture. It is very important to instill the right culture to support the corporate goal. As the success of this company shows it, the company's guiding principles managed to ensure the long lasting best performance.

The configuration has to support the best performance of the company. Nevertheless PricewaterhouseCoopers managed during the years to achieve a high standard in this respect. Their organizational design consists of 8,552 partners, 123,548 client service staff, 31,445 practice support staff.

The HR Strategy of an organization is designed to drive behaviors and performance in a particular direction in line with the business strategy. It will be shaped by a combination of organization style and current business direction and tends to both reflect and drive the combination of these styles.

In its essence, the HR strategy is aligned to the general strategy of the company, but we should take into account the fact that some important aspects of the general strategy are too easily forgotten. One of these aspects refers to employee retention, as they are the key drivers to the company's success. Further measures should be taken in order to ensure the coherence of the HR strategy. The indebt analysis revealed some inconsistencies, such as the discrepancy between what the company states related to the working environment and the reality.

c) Is the HR strategy efficient and effective in achieving its goal and sustaining the general strategy of the company?

³ Williams, R., Paauwe, J., Keegan, A. "Possible Futures For The HR Function In Different Market Situations"

If we consider the expertise that PricewaterhouseCoopers has in this field we would say that their HR strategy is efficient and even effective. This does not mean that it is perfect. Despite the drawbacks that have been already discovered, they managed to keep their position for a very long period of time.

In our opinion, PricewaterhouseCoopers should have found more profitable to keep their employees busy for a short period of time, in which they do their best and after that, when they are already tired of working so many extra hours, they are easily let to go.

There is no best solution for a company to choose its HR strategy but this one can be improved as the situation asks for it. As for our proposal, that would be to further consider the employee turnover rate which is very high and engage in implementing a High Performance Work System which means to create a set of management practices that attempt to create an environment within an organization where the employee has greater involvement and responsibility. This concept has been introduced by Bohlander as “a specific combination of HR practices, work structures, and processes that maximizes employee knowledge, skill, commitment and flexibility”.⁴

Proposed action plan

After performing an in-depth analysis of the overall activities of PricewaterhouseCoopers, but also of its HR policies, we have concluded that the company’s most important issue is the high employee turnover. As a consequence, the objective for the HR department should be to **increase employee retention**.

The person responsible for triggering this improvement of the system is the manager of the HR department at the country level, called country managing partner. He should acknowledge the importance of such a change and should be committed to implementing it. It is his job, after having all the details, to communicate the changes to the HR specialists in each office. Ultimately, they will be the ones who will put into practice the new policies and who will make direct use of them.

Our paper suggests that employee turnover should be decreased by 15% annually, for a period of 4 years. At the end of this period, if the overall evaluation reveals good results, the objective will be a decrease of 20% for the following 4 years. We consider that these figures are realistic and can bring a sense of stability concerning the working environment of all employees.

In order for this objective to be achieved, we have proposed that the company should take the following steps:

- a. Changing the employee profile from a young and dynamic one to a responsible and committed one, with the view to attract people who want to stay longer with the company;
- b. Changing the job specifications to adjust to this new employee profile;
- c. Organizing two or three meetings with the HR specialists in each office of the country to make sure that they understood the new type of employees the company is trying to recruit;
- d. Offering the opportunity to change jobs or to promote, in the first place, to in-house employees, and just afterwards trying to hire from outside.
- e. For the job positions that require hard work and long hours in the office, splitting the job requirements to fit more employees, so that people don’t feel overloaded with work and manage to finish their duties during the office hours.

Thinking about the resources needed to implement this action plan, the most important ones are the people involved and the money spent. First of all, people need to understand the importance of commitment towards the company, with the view to achieve the long term goals drawn by the upper management. Employees need to have a sense of belonging to the company so that they want to continue working in the same environment and promote to higher positions.

Secondly, PricewaterhouseCoopers management needs to have the necessary financial resources to sustain in-house employees to grow, while letting to the possibility of hiring cheaper labor force from outside the company. Hiring inexperienced and flexible people is often more convening in financial terms, but on the long run promoting from inside at higher costs proved to be wiser for the overall performance of the business.

When hiring from outside for lower positions in Romania, PricewaterhouseCoopers offers a salary amounting approximately 900 euro per month. On the other hand, if the company were to offer the possibility to an in-house employee to switch jobs or to promote to that position, there would have to be a salary markup increase of about 10-15%. In addition, the company might be required to offer its employees some training programs in order for them to perform well new tasks.

In essence, these salary markups together with the training programs represent the cost of implementing the system we have suggested in this paper. Taking into consideration the earnings and the profits registered by the company and listed in their financial statements, we consider that such costs can definitely be sustained.

The implementation of the proposed plan should start in the next financial year. At the end of the first year, the employee turnover should be computed. The result has to be then compared with the proposed objective and if the figures are poor, measures should be taken to identify which step went wrong and how it should be fixed in order

⁴ Bohlander, G., Snell, S. (2004). “*Managing human resources (13th ed.)*”. Mason, OH: Thomson/South-Western.

to deliver the desired result. The close supervision of each step of the plan should continue for the entire period of the 4 years.

During the whole implementation of the project, employees should be presented the results and should be shown that the improvement of the employee turnover positively affects the performance of the company. They should be persuaded that their actions inside the organization affect its future and that good results have to be maintained. Emphasis should be put on building a loyal culture where employees grow and develop themselves, while finding their work rewarding. Moreover, the organizational culture will be enriched as trust is further developed.

In addition to everything discussed, the company can enhance cooperation and can increase the feeling of belonging by encouraging and rewarding team work. The HR manager can also take into consideration one or more reward tactics for:

- Recognition: stressing the idea that good team performance is really important through articles in the company newsletter, t-shirts or other belongings.
- Education: promoting the learning aspects of being part of a team; interpersonal skills, as well as the knowledge acquired during group interactions can trigger the personal development of employees.
- Travel: offering opportunities for team members coming from different locations to meet in attractive locations outside their offices.
- Celebration: organizing a social event when important targets are achieved or short deadlines are met.

Change Management

In a global economy, the competitive advantage is a sensitive issue that companies have to coop with. Given the fact that the barriers protecting markets are disappearing one by one, this competitive advantage has to be triggered by the competencies of the people employed in that company. The knowledge, teamwork capacity, and adaptability to bring about or adapt to change are key issues that ensure the success of a company.

How PricewaterhouseCoopers handles that change? This is not an easy question to answer to, due to that fact that it is a large multinational company that promotes diversity and thus the change process has to face not only the resistance of a one category of people but the resistance of people in different cultures and social backgrounds.

The first step in the change process, before starting to implement the new idea, is to create the vision and roadmap for change and to build top team commitment. In other words, this step prepares the driving forces for the actual change. Another important step is to assess the change readiness. Even if these steps are not showing actual results, their exclusion might cause the failure of the change process.

After developing the proper change infrastructure, the company is ready to be unfrozen. This is the step when the company formulates the change and the communication strategy as well as the measures for success. Given the fact that the company is ready to perform the appropriate measures, the change should take place. This is the step in which, besides the change process, the change resisters should be overcome through engaging employees in change programs and communications.

Effective communication is the key to the success of any people change program. Throughout workforce optimization programs it is critical that the organization implements an effective consultation and communication framework. The plan needs to ensure that employees are informed about the change, consulted in areas where there is direct impact, and engaged with regard to future plans for the organization. The plan needs to cover employees that are affected by redundancy, those that aren't affected, and the external population.

Following the change process implementation, but before starting to freeze back the state of the company, PricewaterhouseCoopers should evaluate the measures for success and deploy the assessment tools. In this way they manage to see if the change process is completed and if further resistances have to be overcome.

After all these measures have been taken, the new state is ready to be frozen. A new perspective is opening and the stakeholders in general and the employees in particular are facing new opportunities. The change is required as the company has to remain competitive in a very changing environment.

Conclusions

PricewaterhouseCoopers, being a professional services firm, is well aware of the fact that its most prized resource is represented by the employees. They are the ones which bring value to the company and they are the means through which the company can build competitive advantage.

As described above, the main lines of the strategy regarding human resource management are the identification of talented people, the development of these people from a professional point of view, performance appraisal and retaining the best people. This strategy sounds great in theory, but as we all know, we don't live in a utopist world, the human resource department within PricewaterhouseCoopers is constantly struggling to fine-tune the implementation of the human resource management strategy.

The most important area of improvement we identified for PricewaterhouseCoopers from a human resource strategy point of view is employee retention. The company needs to identify and implement ways of preventing its best people from leaving. This is not an easy task, but designing and implementing an effective employee retention

strategy would provide very strong benefits from a competitive point of view and it would consolidate PricewaterhouseCoopers' position and one of the leading professional services firms in the world.

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