

Aligning Human Resource and Innovation Strategies for the Sustainable Competitive Advantage of the Siam Cement Group (SCG)

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ABSTRACT

This article aims to study the alignment of the human resources (HR) and the business strategies of the Siam Cement Group (SCG), Thailand's leading conglomerate for nearly 100 years, since its awareness of the importance of innovation in 2003. This innovation partly corresponds with the group's vision of positioning itself as a regional leader in the business. With the present fierce business competition, SCG realizes the need to adjust its internal work processes and to promote creative innovations in order to quickly re-position the organization. This can be said to be a positive move to change itself from internal factors before being forced to change by external factors, which could result in putting SCG in a follower position. Therefore, it is imperatively true that aligning HR and business strategies is helping SCG to move forward to a sustainable competitive advantage.

Keywords : *Alignment; Human resource strategy; Innovation strategy; Sustainable competitive advantage*

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การประสานกลยุทธ์ทรัพยากรมนุษย์และกลยุทธ์นวัตกรรม
เพื่อสร้างความได้เปรียบในการแข่งขันอย่างยั่งยืน
ของเครือซิเมนต์ไทย (เอสซีจี)

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บทคัดย่อ

บทความนี้มีวัตถุประสงค์เพื่อศึกษาการประสานกลยุทธ์ทรัพยากรมนุษย์และกลยุทธ์นวัตกรรมของเครือซิเมนต์ไทย (เอสซีจี) บริษัทชั้นนำของไทยซึ่งก่อตั้งมานานเกือบ 100 ปี บริษัทได้เริ่มให้ความสำคัญกับนวัตกรรมมาตั้งแต่ปี พ.ศ. 2546 ส่วนหนึ่งก็เพื่อตอบสนองต่อวิสัยทัศน์องค์กรที่วางตำแหน่งของกิจการเพื่อมุ่งสู่การเป็นผู้นำทางธุรกิจในอนาคตนี้ ในสภาวะปัจจุบันซึ่งธุรกิจประสบกับภาวะการแข่งขันที่รุนแรง เอสซีจีตระหนักถึงความจำเป็นที่ต้องมีการปรับกระบวนการทำงานภายในองค์กรเพื่อส่งเสริมให้เกิดการสร้างสรรค่นวัตกรรม ทั้งนี้เพื่อให้สามารถปรับตำแหน่งของกิจการได้อย่างรวดเร็ว กล่าวได้ว่าเป็นการปรับตัวในทางบวกจากปัจจัยภายในองค์กรก่อนที่จะถูกกดดันจากปัจจัยภายนอกองค์กร ซึ่งหากเป็นเช่นนั้นแทนที่จะเป็นผู้นำ เอสซีจีก็จะอยู่ในตำแหน่งผู้ตาม จึงมีความจำเป็นที่เอสซีจีจะต้องประสานกลยุทธ์ทรัพยากรมนุษย์และกลยุทธ์นวัตกรรมเพื่อก้าวไปข้างหน้าพร้อม ๆ กับมีความได้เปรียบทางการแข่งขันอย่างยั่งยืน

คำสำคัญ : ประสาน; กลยุทธ์ทรัพยากรมนุษย์; กลยุทธ์นวัตกรรม; ความได้เปรียบทางการแข่งขันอย่างยั่งยืน

INTRODUCTION

Most organizations are comprised of major and subsidiary work units. It is often found that work units in many organizations do not work well together and this creates conflicts, opportunity losses, and decreasing effectiveness. Alignments among work units in all organizations are often regarded as more important than other factors, such as mobilization, strategic translation, and employee motivations and governance. The question is how to enhance the alignment between work units in order to add value to work performance and to promote alignments among these work units; moreover, to extend alignments between the staff in the organization and its clients. Alignments among work units in the organization can be difficult, but to maintain the alignment between HR and business strategies can be even more difficult (Kaplan & Norton, 2006). Achieving the alignment between them can enhance better staff-organization relations and thus bring about sustainable competitiveness (Jackson & Schuler, 1995; Porter, 1985).

The Concept of Business and HR Strategy

The word “Strategy” originates from the military. The Oxford Dictionary defines it as “the art of the commander,” an art of situations forecasting, an art of commanding, and an art of carrying out tasks. Military strategies may be different from those of business sectors, public sectors or even liberal organizations, but they convey the same message—that strategy is an art and the people that are in charge of the strategy mostly hold the highest position in the organization. Chandler (1962) stated that strategy is a determination to make the organization achieve its long-term business goal by applying methods and use of necessary resources in this regard. Business strategies make possible the balance of the internal capacity of the organization and its external environmental factors. Schuler and Jackson (2006) defined business strategy as a combination of commitments and actions to achieve business objectives.

HR strategy is among many other strategies of the organization. HR strategy is not only a document written by the HR department, it is also a philosophy of the executive committee. HR strategy is a prudent and transparent determination to manage human resources to achieve competitiveness (Kearns, 2003). It is the intention of the organization to manage its staff through the company's philosophy, policy and implementation (Holbeche, 2002). It is the process of all activities affecting the behaviors of all personnel at all levels (Schuler, 1992).

HR strategy is the format of HR management plans and actions that enable the company to achieve its goal (Wright & McMahan, 1992). It is the channel to incorporate HR management and business strategy, and to align them and enhance effectiveness. There are applications of integrated processes to develop HR management, such as planning, development, reward systems, and labor relations, all to support one another (Walker, 1992) whereby HR strategy will aim specifically at what the company wants to do and what it wants to change (Armstrong, 2006). In summary, HR management strategies will place their importance on the main principles affecting human beings and as a result, affecting or being affected by business strategy plans.

HR strategy is therefore a means to enable an organization to decide what it intends or determines to achieve, covering action plans needed to support the decision. All are considered important factors and must be included in the business strategies. They must be managed in order for them to align with HR management, and they must correspond to the company's business policies. HR functions must include the job functions of all department superiors. Line managers and top management must set it as a priority to pay close attention to and to supervise the HR management in the organization. In order for every business organization to create a competitive advantage in the business world, it must treat its employees as well as its customers (Preutthipan & Wutthirong, 2004).

The Concept of Alignment between Business and HR Strategies

The alignment between business strategies and HR management strategies is comprised of the situational practices (Guest, 1997). Good alignment is said to be more important than best practice. Many academics have commented that the belief that there was only one best practice was an overstatement (Purcell, 1999; Legge, 1995). Becker et al. (1997) found that it is practically true that all work systems concentrating on optimal benefits and best fit must be designed precisely in order to cope with all arising situations. However, this does not convey the idea that the organization need not pay attention to best practice. Benchmarking is a process of comparing innovations and developments that an organization has used and that have been proved to be effective. Knowing what works for an organization will enable it to decide what strategies should be applied in order to align these strategies with the business operation.

The company can start with analyzing its business needs in its context (cultures, structure, technologies, and work styles). With the obtained information, it will indicate what the company needs to do by following the best practices and work processes developed to be applied suitably.

An organization needs to integrate business and HR strategies, and HR strategies should support business strategies to achieve goals. The objective is to create alignment strategies and to integrate HRM and business goals (Armstrong, 2006; Labovitz & Rosansky, 1997). One of the most important assignments of the top management is to align the organization's structure appropriately with the HR system in order to achieve the company's goals. Guest (1989) also suggested that HR strategy is a matter of alignment. Alignment ensures that HR management can integrate with all other strategies and policies at the same and different levels. HR strategy is an everyday job, the same as the strategies in monetary, marketing, production, or information technology (Walker, 1992), and many organizations will set up long-term operation plans to be regarded as one of the long-term business plans. HR

strategies are different from other strategies, as the former must involve other strategies in the organization. HR management work cannot be separated from other work units, as every job function involves people. HR planning is thus considered a contributing factor in setting the business strategies of the organization.

The HR concept originated from the belief that HR strategies must be aligned with business strategies. This alignment can be possibly made if the HR management initiatives match the decisions of other business functions and correspond with the situational analysis of both production and marketing (Miller, 1989). The important thing is to define the word “alignment.” Alignment with business strategies can refer to collecting all HR strategies to match the adaptation strategies of the company. It is an evitable fact that when an organization strives to adapt to different situations, it will need people of different characteristics and will need to adjust its investment in HR (Armstrong, 2000). Tyson & Witcher (1994) have commented that HR strategies can be studied in the context of business strategies by means of trying to adapt HR management to the organization’s strategies (Fombrun et al., 1984).

Human resource strategies will stress the relations between HR management and the organization’s strategies management. They thus cover all directions that the company needs to perform by using people as motivating factors, as people are human capital (Schultz, 1971) that will enhance the company’s competitive advantage. People are factors in driving the company’s strategic plans. Top management thus needs to realize that people are an important factor in organizational development. Therefore, HR strategies can be regarded as part of the organization’s strategies.

In conclusion, the HR strategies will reflect the nature of organization. HR strategies will indicate what areas of management that each organization will emphasize in order to lead it to change in the following contexts: structure, culture, efficiency, and operation. Organizations should allocate resources to respond to future needs, developments of special

capacities and finally change management. Moreover, HR strategies will place importance on human capital and the development of capability in such processes as ability effectively to achieve set goals with the ability to align HR strategies with business strategies in order to achieve a sustained competitive advantage. There are three formats pertaining to the alignment between business and HR strategies as, follows (Nankervis et al., 1996):-

- 1) **Accommodative approach.** This is an approach to adjust HR strategies to business strategies.
- 2) **Interactive approach.** Both strategies adjust collaboratively.
- 3) **Fully integrated approach.** This is the approach whereby HR strategies will involve the determination and implementation of strategies from the beginning.

The process needed to achieve result by means of alignment strategies can be explained by the competition strategies, organization nature and life cycle. Schuler & Jackson (1987) have explained three different strategies that are needed for HR operation and which can serve as a standard model. They are strategies that correspond with the competition strategies presented by Porter (1985), namely:

- 1) **Innovation strategy.** It contains high initiative behavior by nature. This strategy places importance on long-term plans and interactive behavior relations. HR functions will open the window for HR skill development to be used in other positions in the organization. Performance appraisal will serve to assess the long-term achievement of the company, and the appraisal is a means to motivate personnel in various fields in the company to develop their skills.

- 2) **Quality enhancement strategy.** This will concentrate on quality, means, and commitment at a high level. HR strategies can explain the nature of work clearly and precisely. Employment security will be discussed, and on-going and well-covered trainings will be provided.

3) **Cost leadership strategy.** Importance will be placed on work outcome, particularly production quantity, by emphasizing short-term plans and work outcome of medium quality. On the HR management side, there will be less training and performance evaluation by emphasizing short-term work results and quantity.

In order to determine the pre-requisites for HR strategies to align with the overall organization, Miles & Snow (1978) have classified organizational strategies to be used to analyze and appraise HR strategies. Marchington & Wilkinson (1996) have classified organizational strategies into the following:

1) **Defender organization.** This is an organization focusing on security and controlling what is on hand. It emphasizes stability, centralization, productivity increase at lower production cost, low external HR strategies, promotion done mostly from within, in-house training and a reward system focused internally.

2) **Prospector organization.** An organization will seek new opportunities and place importance on continuous trainings. It is an organization that believes in flexibility. The HR strategies will be carried out via recruitment and selections with various techniques and different kinds of training in order to help the organization to achieve its set goals; the reward system will be subject to work outcome.

3) **Analyzer organization.** The organization of this kind will aim at mixing both defender and prospector to reap the maximum benefit. The HR strategies applied will be mixed and varied.

To align with the organization's development level means to adjust the HR strategies and make them part of the business strategies suitable to the business circle. Storey & Sisson (1993) explained four steps of the life cycle influential on HR practices, as follows:

1) **Beginning level.** Flexible work methods will be applied to recruit employees that are enthusiastic and willing to commit easily to the organization by setting competitive wages and compensations, with very few rules or regulation from the labor union.

2) **Growth level.** Having more sophisticated employee recruitment and selection processes, with more training and development by concentrating on performance administration, setting rewards and punishment systems, and emphasizing on commitments and labor relations development.

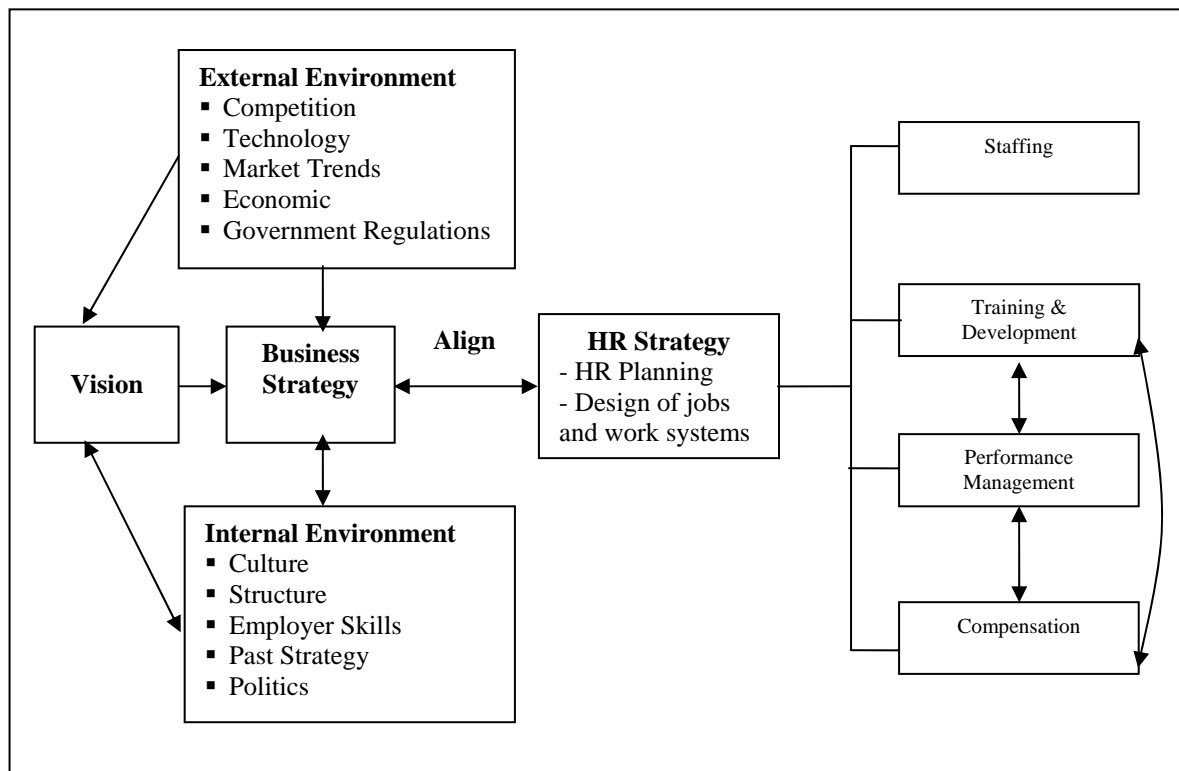
3) **Maturity level.** Paying close attention to wage control and increased productivity rather than support training and labor relations.

4) **Deteriorating level.** Placing emphasis on rationalization and downsizing the organization by releasing old staff to cut down on expenses and by paying less attention to the labor union.

When change occurs in an organization, there must be movements affecting the HR strategies. In any level of the business life cycle when organization transformation takes place, it will reflect the development strategies and cultural management that each organization needs to have (Armstrong, 2000).

Apart from the alignment between business and HR management strategies, the methods and format of HR management must be in alignment (Stevens, 1995). The model that illustrates how to accomplish this is shown in Figure 1 and has been adapted from Mello (2006). Vision and business strategies are formed, as well as organizational and external environment factors that need to be considered when developing strategies. The HR strategy component of the model examines human resource planning and the design of jobs and work systems. Each of the functional areas of HR can be derived from this strategy and business and HR strategies should be aligned.

Figure 1: The study framework of alignment between business and HR strategies



Source: Adapted from Mello, 2006

A Case Study: The Siam Cement Group (SCG)

The Siam Cement Group, Thailand, was originated by a speech of His Majesty the King Rama VI, who had commanded the establishment of the Siam Cement Group in 1913 with the intention of encouraging cement production in Thailand and to lessen reliance on its import from foreign countries and utilize domestic resources to their full capacity. SCG has been established for more than 96 years and has gone through good and bad days, especially with the latest economic crisis in 1997 that began with the floating value of the Thai baht. As a result, SCG has been burdened with not only enormous foreign debts, but has also been faced with fierce market demand for the group's products. Since 1998, SCG has entered an organizational

restructuring process aimed at focusing on its three core business groups; namely, the cement group, petrochemical group, and paper and packaging group. At the same time, it has to reposition itself in order to lessen its role or to retreat from the businesses found to be inept or that could not add value to SCG. With effort, SCG has turned around and has finally recovered from the crisis in 2000.

In 2004, SCG made a major change to its organization. It attempted to adjust its corporate culture toward an organization of innovation. It not only pushed itself to make possible a top-down management policy, but also encouraged its entire staff members to think “out of the box.” A fair called “Innovation Change for a Better Tomorrow” was a real “kick-off” for SCG’s corporate culture change and made it an organization of innovation, with an active management team comprised of a new generation, concentrating on regional business strategies.

Looking at the revolution of SCG, one can easily find that the survival and growth of a Thai private enterprise for nearly one century such as SCG is, academically speaking, a milestone, especially in terms of business sustainability. SCG is a large, leading company of the nation. Often one will find that in its core business, SCG will demonstrate its role as a dominant player in all sectors of Thai industries. SCG is a Thai company well-recognized in the society as a professional business organization. It is a secure, well-performing company, and in 2006 SCG had net sales of 7.4 billion US. dollars and a net profit of 812.9 million US. dollars (Siamcement, 2007). The SCG’s reputation is illustrated by the prizes and standard recognitions it has received, for example, ASIA’s Best Companies 2003 from Finance Asia, Thailand’s Company Leaders from the Far Eastern Economic Review, and the latest one from the Wall Street Journal, ASEAN Edition, who ranked SCG as the best enterprise in Thailand in 2005, renown for the distinction of its product quality. SCG is recognized for its outstanding HR management, confirmed by honors and its high standards, such as First Prize in the commitment

to human resource management by the Thailand Corporate Excellence Award 2002 from the Thailand Management Association. A survey from the Personnel Management Association of Thailand found that SCG ranked first in all aspects; namely, the leading company in Thailand, an organization focusing on HR management and HR development, an organization with the most effective staff, possessing the most qualified HR unit, and one of the best companies fighting the economic crisis. It is the first company in Thailand certified by the ISO9001: 2000 system for the entire HR management system. It can be said that SCG is the ideal company on which to conduct the present in order to see the level of success with respect to sustainable performance, social recognition, product and service quality, and the adaptation of HR strategies to align with its business strategies.

The reason why SCG can gradually grow and unceasingly be making progress depends on four ideologies. These four ideologies include “Adherence to Fairness”; “Dedication to Excellence”; “Belief in the Value of the Individuals”, and “Concern for Social Responsibility.”

Competition nowadays is no longer limited to domestic competitors but includes foreign competitors that attempt to seize local markets. However, SCG has for many years adapted to this changing environment to be ready for this fierce competition, domestically and internationally.

When thinking of SCG, many people may refer to it as an old company in Thailand, and regard it as a very secure company. Some people connect it with “technicians” or the “technician’s safari uniform.” However, this 96-year-old company is determined, from now on, to become a trend setter and to build creativity in this business. SCG’s 5 business units include SCG Chemicals, SCG Paper, SCG Cement, SCG Building Materials, and SCG Distribution. Moreover, it plans to add more B2C businesses with a personnel drive and innovation.

From the more fierce competition in 2007, SCG demonstrated a new direction as follows:

“Our vision is that by the year 2015, SCG will be well recognized as an innovative workplace of choice, and a role model in corporate governance and sustainable development. By 2015, we see SCG as a regional market leader, contributing to the sustainable progress of ASEAN, and the local communities where SCG operates. Through SCG’s world-class business practices, corporate governance principles, and uncompromising safety standards, we are committed to creating value for our customers, employees, and all other stakeholders. We will constantly ensure that our operational excellence, technology development, and innovation will allow us to provide quality products and services in order to enhance the quality of life for all. We envision SCG to be a workplace with an open and energetic atmosphere. With our strong belief in the value of SCG’s highly competent people, we will be working together innovatively, while living SCG’s four core values and firmly adhering to ethical conduct. By 2015, SCG will have developed a more diverse workforce with a customer-centric mindset and global perspectives. About a quarter of our people will reside outside Thailand, and at least half of our top executives will have living and working experience abroad. With the full involvement of our people, about 50% of SCG’s revenue will come from high-value products and services” (Siamcement, 2007: 2).

SCG has already determined the business strategy to correspond with the company’s vision and the surrounding environments, as follows:

1) **Strategies to expand the business to the ASEAN region.** This is the strategy of SCG to build sustainable growth. Mr. Kan Trakulhoon, President and CEO of SCG, said that “We should expand our business which we are capable of into the region of new market and here is ASEAN as we can expect more growth. The reason is that the per capita income of the population there is still very low in this ASEAN markets. So, there is plenty of room to grow.

Even we are just concentrating on business that we are skilled at. Therefore, we should expand our geographic area and create our competitive potentiality by producing products with added value and add value to our service by emphasizing on our culture and manpower. We will send our people who are capable to work in the country which we are leader or even expand to the new market when we are ready” (Saengtongkum, 2006).

2) **Strategies to build innovation to add value to products and services.** SCG has determined to increase its potentials in R&D to add value to its products and services, and to its work process, including constantly presenting the new business models in order to fulfill needs and wants and to create optimal customer satisfaction. As a result, SCG will be able to retain its leader position in the market and continue to grow securely. SCG has created policy to encourage more surveys of new products and services on an on-going basis. SCG’s innovation not only serves as a tool to develop products and services to be competitive in the present market, but also serves the customers’ future needs in order to correspond in time to changing customer behavior, to contribute to a better society and environment, and to accommodate the rules and regulations that will arise in the future.

One main factor contributing to the SCG’s success up until now is SCG’s personnel. This is because SCG has valued and placed importance on recruitment and on-going personnel development. SCG believes that investment in personnel development is a must and is of vital importance. SCG targets the development of its staff, beginning from working, work well, work smartly, coaching, and giving advice to subordinates to job promotion and career development. The corporate human resources office has laid out its quality policy pertaining to HR management as to pursue excellence in HR quality development, on-going HR administration, and to align itself with business strategies and customer satisfaction.

With SCG's perception, the group has determined the HR strategies that are to be aligned with the business strategies via the line manager. Managers determine the HR strategies in their own units, to determine the skills and capabilities required of the staff in their particular units, and also included are HR practices, such as recruitment, training and development, and performance management, as illustrated in Table 1:

Table 1 : HR management strategies to be aligned with the business strategies

Business Strategies	HR Strategies
Strategy to expand to the ASEAN region	<ul style="list-style-type: none"> ■ To build staff diversity ■ To develop continuously personnel as per organization (go regional) competency
Strategy to build innovation to add value to products and services	<ul style="list-style-type: none"> ■ To focus on innovative culture ■ To concentrate on performance-based management and promote talent management ■ To recruit and select employee as per organization (innovation) competency

RESEARCH METHODOLOGY

The research method employed in this work is the focus group interview and relevant documentation. Berg (2004) suggested that focus group interviews allow researchers to explore their subjects through group discussion. One will find that in order to fully understand SCG in the aspects of HR management, one needs to understand the organization from an overall perspective. In other words, one needs to understand the two levels of SCG, as follows:

- 1) The inter-relation level between the organization and external factors. In other words, it is SCG's adjustment to its external environment, judging from its business policies and strategies.
- 2) The internal relationships or to properly adjust the organizational components to correspond with the business strategies, based on its HR management policies and strategies.

Aligning HR and Business Strategies through SCG Innovative Culture

SCG's innovative culture is a culture supporting useful changes by creating a working atmosphere at all levels, including praise and rewards bestowed on staff members that are also involved in innovation development. The said new culture is a culture that assists all employees in taking initiative and in expressing their views and opinions freely. SCG believes that the creation of an innovative culture requires support from all levels and determines the qualifications of the staff for self-development in terms of Inno-People (innovative people). These are people possessing five characteristics: open minded, thinking out of the box, assertive, risk taking, and finally, eager to learn. There are three characteristics needed to enhance the leadership of the management level called Inno-Leader (innovative leader): lead change through vision and values, facilitate and support change, and execute change by being a role model.

In the past, SCG used to buy know-how processes from foreign countries, but after a while, SCG placed importance on initiating things by doing and building a knowledge base by itself. The HR unit adjusts all relevant personal systems, such as the adjusting the recruitment system, in order to attract a greater variety of personnel to the system and to have them mingle or blend into the system, adjusting the appraisal system for both personnel and business administration at all levels, and adding innovation factors into the performance management processes for them to correspond with the company's innovative culture.

Aligning HR and Business Strategies through HR Planning

In HR planning, SCG creates its policy to be flexible and adaptable to the competition and economic changes happening all the time. All of these naturally affect business strategies and need to be adjusted accordingly. As a result, HR planning is affected and adjustment is needed in order to correspond to business strategy adjustment. Business and HR strategies thus need to be adjusted simultaneously. HR strategies need to be adjusted on an on-going basis in order to accommodate changes in business strategies and this is called the strategic HR objective level.

With the realization that it is part of the role of the organization to step up to become an innovative one, SCG has begun with adjusting its corporate culture to innovative cultures that support and create an atmosphere whereby every level of employees will be Inno-People. It is the fundamental policy to build people and reward those that contribute to innovation. SCG has tried to ingrain this into all levels, from the top management downward. SCG has signed a contract with INSEAD, the famous French University, on culture change, and has hired Accenture, the world class consultant company, to diagnose SCG's limitations. Also included, apart from innovation, are corporate cultures.

To stimulate the employees and make them change

To start in 2004, the HR department educated the employees by providing lectures given by the innovation experts from, for example, 3M or Christopher Bangle, BMW's design director, via technology tools such as the Internet and e-learning as additional learning sources so that all employees could have access all the time, and to ingrain it as a habit to develop themselves continuously. Many activities have target to innovation, such as the company providing a team to collaborate on all best innovation practices from other successful organizations for reference. A team has been set up to collect all useful books, and to digest and summarize these into book briefings and to store them in the intranet for employees' e-learning.

With the company's realization that praising employees that take initiative in building innovations useful for the company's operation sets an examples for and serves to motivate other employees, SCG launched the first "Power of Innovation" contest in 2005. This was a contest among a group of businesses within SCG with the contest concepts covering ideas, production process, marketing, and patenting. The products or services must be finished in tangible form and the first prize value is as high as 28,500 US dollars, and the second prize and third prize was awarded 14,250 US dollars and 7,125 US dollars, respectively. These are ways of investment in changing employees to align with SCG's business strategy.

Aligning Staffing with Business Strategies

With SCG's business strategies to eye for the long-term growth, HR strategies are needed to recruit and develop new staff to accommodate the business plans.

To recruit and select suitable employee

Apart from motivating all staff to change, SCG recruits new staff and select suitable employee. SCG used to recruit only top-notch students from universities as soon as they graduated. Nowadays, SCG has changed its method by recruiting more mid-career and more experienced person as a method to blend them with the existing staff. Mr. Manoon Sunkunakorn, Corporate Human Resources Director, has stated that "Today we have only one mold, we mold them in the same block. When times are tough, we encounter the same problems (if we go downhill, we go to the same direction). Not anymore. Now we have the oppositionists. People from outside the SCG culture will ask why we do this and why we don't do that. There will be different opinions. We are now recruiting more of this type of people." Therefore, SCG has provided opportunity to more applicants of different characters and thoughts from its conventional pattern, which used to mould them with its corporate culture. Having mid-career employees on board will attack conventional thoughts with different and

varied thinking. There is a SCG project called “Transfer Fee” which recruits students from universities such as Harvard, Wharton, Stanford, Kellogg, INSEAD, and MIT. The group is ready to invest approximately 115,000-145,000 US dollars on each recruit, and to sponsor them to further their study in order to bring innovation to the company (Viriyabanditkul, 2006: 155) because SCG believed that they are important persons in contributing to the best performance and reinforcing the progress of the organization (Noknoi, 2007a).

With SCG’s business expansion strategies in the ASEAN region, it has recruited more personnel from Indonesia, the Philippines, Vietnam, Cambodia, Burma and other countries to enhance staff variety and business strategy support. All of this is part of the plans of the HR department to accommodate the company’s long-term strategies.

Apart from the above, an organization must strive to develop its goods and services to be of “high-value.” The group must devise a 10-year plan pertaining to personnel development, such as recruiting more graduates with doctoral degrees, to strengthen the group’s research and development team, which the group has never done before.

Integrated recruitment program

A variety of programs have been designed by SCG, called the Integrated Recruitment Program, in order to develop junior students, who are considered a value resource for the organization. SCG will invite them to work as trainees in the Excellent Internship Program (EIP) and grant them scholarships for outstanding performance. When they are seniors, they will join Cementhai Career Choice (CCC), a recruitment tool in the company’s recruitment process to recruit new blood. There are also psychological tests to determine the students’ favorite. The group believes that all of these programs will enhance the sustainable growth of the organization in the future, as human resources are precious and contribute to the success of innovation policy. It was found that 100% of the staff members that went through the CCC

system passed job probation (Viriyabanditkul, 2006: 153-4). So, this is considered one of the best screening projects for recruiting the right people who can blend with the SCG innovative culture. SCG is a manufacturing-based company. In the past, 70-80% of recruits were engineers. The group has expanded significantly, however, and the ratio of engineering recruits nowadays is down to 60% of total recruits. More recruits go into marketing, social science, business administration, economics, and accountancy.

Aligning Training and Development with Business Strategies

The world is entering a knowledge-based society and knowledge is considered a fundamental economic resource; it is a society where knowledgeable operators will play an important role (Drucker, 1998). Learning occurs when people want to know, want to make use of knowledge, and bring out their tacit knowledge and make it explicit knowledge as much as possible (Wutthirong, 2006). Additionally, people can improve themselves and train others to adjust themselves in harmony with the environment of a changing society (Noknoi, 2006). SCG spends about 28 million US. dollars each year on staff training and development. As a result, it has enhanced the work skill and competitive advantage of its employees and company, respectively. Targets of training and development have all along adjusted to accommodate the birth of an innovative organization, for example, adjusting training and development at the management level using talent management to correspond with and to be in line with SCG's policy in order for them to guide the company in the same direction as its business strategies. The group firmly believes that staff development is one of the important tools for building a sustainable, competitive advantage.

Job training is usually done within the department. What is added in the training is in-depth SCG competency-based training that is tailor-made according to the character of the job performer. The employees can request training where they feel they lack certain skills or competency. Having done this, employees are open to improving and upgrading themselves to

grow in their line of responsibilities. It is a matter of paying more attention to personal HR details, and the intranet and e-learning do play an important role in the cultural change within the organization. This change will ingrain the habit of learning in the employees and encourage their continuous self-development, as it enables employees to access sources of knowledge without time or venue limitations.

Mr. Sunkunakorn has referred to career development that aligns with the go regional strategy nowadays, saying that “I still remember the time when we changed our culture to emphasize innovation and go regional, half of the top management has to be experienced in living and working overseas. I was among the pioneers when SCG invested in the Philippines. It was a dog’s life. Not anymore now. We now must have HR, line manager to survey and find out, where would they stay? What should be their routine life there? What to do with their families? What about home leave for them to come back to visit their families in Thailand? It must be changed from the old days. In the old days, the superiors will love their subordinates. They will keep the smart ones with them. They will let go the average ones first (let them go to work overseas). Not anymore. The attitude is changed now. The ones that are assigned to work overseas must be his number one employees. They must be ‘heroes’ after they fulfill the assignments and back to Thailand, they must be promoted, they must be a guy people want to fight over for. In the old days, nobody wants the staff who were back from overseas assignments as they didn’t have good track record” (Viriyabanditkul, 2006: 154-155).

This is a big change in the package of working overseas in terms of its alignment with the go regional strategy, and it is the career path for employees that will be promoted to the management team.

Aligning Performance with Business Strategies

The successful of an organization comes from its capabilities, such as speed, responsibility, and staff's learning ability and efficiency (Ulrich, 1998). SCG has aligned its business and HR strategies with its employees' competencies by means of applying innovations to performance management, which is one of the important factors in contemporary organizational management (Noknoi, 2007b). The group uses potential appraisal, which includes all factors covering ethics, leadership, and management ability. Lastly, competency evaluation is the capability evaluation of staff against standards with regards to core competency and functional competency to evaluate suitable behaviors of employees. SCG has now applied and utilized the results derived from the competency evaluation with respect to HR recruitment, selection, and development.

Aligning Compensation with Business Strategies

SCG has adjusted its compensation process in order to align employee with business strategy.

With respect to compensation, the SCG has set the following standard: compensation system must correspond with performance, potentiality, position/level, and responsibility, and compensation is subject to the individual. There will be a committee to survey and compare SCG's salaries and welfare with other companies in the same industry. SCG's compensation strategy is in the appropriate rank—not too high and not too low, compared to the market, for employees to enjoy a good quality of life and to not be worried about the basic needs in life and to enable them to be dedicated to their work; as a result, the work result they produce will be satisfactory.

However, the compensation management model of SCG, as well the salary increment, will be subject to work and innovation performance. Bonuses will not be fixed; each will receive a different amount of bonus. This will serve as a motive for them to work harder and better, according to the saying “you deserve what you invest,” and make the employees enthusiastic. Employees will be empowered, their work spirit will be lifted, all to sail the business ship in the same direction—toward innovative culture and go regional.

Compensation for special groups of employees

The SCG has adapted new thoughts in many areas; for example, compensation to be paid to people with doctoral degree and researchers will be different or unique. As SCG has to compete with research institutes and other leading companies in hiring good researchers, such as 3M or Unilever, SCG has adapted new ways to recruit them. Instead of grouping them and hiring them with the same structure that applied to hiring non-researchers (as a result, no motivation) as done in the past, SCG has set a new compensation scheme for doctoral graduates working on research and goods-and-service development. They will be separated from the normal compensation package that applies to general employees. This is another means of attracting this special group of people. Compensation will be subject to their derived outcomes, transformed to be produced as commercial products and services and “can sell.”

The authors have conducted focus groups interview in which interviewees were asked to take part in a group discussion in order to describe their perception of the philosophies of SCG. The SCG interviewees were divided into 5 groups, each having at least 3 years of work experience and knew about the progress of SCG innovation. The first group was comprised of 5 employees from the management level, the second group was comprised of 10 employees from line managers, and the last group was randomly divided into 3 groups of 7 employees from the general employee population. The focus group interviews were conducted from January to April, 2007. Table 2 and Table 3 thus summarize SCG’s business and HR strategies:

Table 2 : SCG's business and HR strategies

Factors	Siam Cement Group
Type of organization	<ul style="list-style-type: none"> ■ Innovative organization
Nature of organization	<ul style="list-style-type: none"> ■ Prospector organization
Competitive strategy	<ul style="list-style-type: none"> ■ Innovation strategy
Organization life cycle	<ul style="list-style-type: none"> ■ Growth level
Alignment format	<ul style="list-style-type: none"> ■ Fully integrated approach
Business strategy	<ul style="list-style-type: none"> ■ Go regional ■ Innovation and differentiation
Culture	<ul style="list-style-type: none"> ■ Innovative culture ■ Empowerment ■ Emphasis on diversity and equality
Organization structure and control	<ul style="list-style-type: none"> ■ Use Information technology (e-HR) to HR practices ■ Match compensation with work performance of individuals ■ Align staff development with compensation and work improvement
Communication	<ul style="list-style-type: none"> ■ Overall in-house communication via communication tools
HR strategy	<ul style="list-style-type: none"> ■ Building staff diversity ■ On-going personnel development within organizational competency ■ Aim at innovative culture ■ Focus on talent management ■ Using performance-based HRM ■ Involve line managers in HRM practices
HR environment	<ul style="list-style-type: none"> ■ Living & exciting atmosphere ■ Heterogeneity ■ Proactive ■ More openness, more creativity, support risk-taking

Table 3 : SCG's HR practices and strategies

HRM Practices	Strategy
Recruitment and selection	<ul style="list-style-type: none"> ■ Integrate Recruitment Program ■ Proactive recruitment approach ■ Select and retain quality employees who have innovative skill and favorable track record on innovation ■ Competency-based recruitment and selection (specify skills needed and determine interview structure in selection based on skills/qualifications needed)
Training and development	<ul style="list-style-type: none"> ■ Skill analysis, aim at developing skills needed ■ Provide learning opportunity to strengthen employees with high motivation ■ Develop strategy potentiality; enhance and facilitate building of innovation skills ■ Self-directed learning ■ More transformation training
Compensation management	<ul style="list-style-type: none"> ■ Competency-based compensation ■ Adjust the compensation to make it attractive ■ Prepare motivation package and rewards for successful innovators
Performance management	<ul style="list-style-type: none"> ■ Competency-based performance
Labor relations	<ul style="list-style-type: none"> ■ Obligated to look after and adjust the compensation and welfare package at all times without employees' request

The business and HR strategies of SCG are fully integrated. The Corporate Human Resources Director has become one of SCG's committee members has been involved in setting the company's strategies, covering environmental factors analysis and setting implementation guidelines to make sure that HR strategies are aligned with the company's business strategies. The HR Director is also delegated to give advice to the top management. Mr. Sunkunakorn has referred to HR as a change leader, explaining that "HR really played an important role whenever there is a cause for change. The competency that HR must possess time is an ability to think ahead to values. HR must know how to lead as change wouldn't take place if HR works under line managers. One major role of HR is to present strategies, to 'think along side with' the management, to do research so as to present guidelines for success of the organization. HR must be CEO's important strategic partner. HR function also includes personnel development system in order to train the good people recruited to work and integrate with the company's business competency. HR must know the business concepts in order for it to create new tools, technologies and processes or even change certain aspects of the company cultures to enhance the alignment of the HR and business strategies. HR needs to have a thorough knowledge of the whole process. HR system must be one integrated. The recruitment, development and compensation are nowhere to be divided or treated separately. They are one. They must be inter-related." These are the duties of the HR department—to move forward toward a sustained competitive advantage.

SCG's Sustainable Competitive Advantage

SCG does believe that to praise and encourage innovators beneficial to work will serve as an example and motivation for others. SCG thus launched the first "Power of Innovation" Contest in 2005 (Hormjit, 2006). SCG employees are alert and excited and as a result, there are 300 project teams from all business groups at SCG. The competition of this event has claimed success in increasing income, cutting down on costs, and building satisfaction

among clients and business partners of SCG. The PIMAI team was? the winning team from SCG building material group. The PIMAI team concentrates on the study of the market trend at the global level and has moved to develop and become the first in the world to reproduce sandstone on ceramic with a newly developed machine. Pimai tile has thus received a warm welcome from customers. The products have now brought fame to SCG at an international level such as France, Great Britain, and Italy.

The objective of the contest is obviously to build Inno People and Inno Leaders in the organization, and induce enthusiasm for new inventions in all aspects, such as new services, processes, and products. SCG has initiated the contest as it foresees that the business of SCG in the future will not limit itself only to the Thai market, but also eyes the ASEAN market as an additional market on top of the EU and USA markets. SCG has launched a campaign through advertisements in the mass media, such as TV and magazines, for over two years now in order to promote ASEAN-level business co-operation. It is considered among the first organizations to utilize foreign media to ignite ambition to compete with China and India.

Mr. Trakulhoon has stated that “From now on, we must listen to our subordinates. We should not behave as we did in the past that is once we were in the meeting room, we (the superiors) will yap yap and yap while our subordinates kept quiet. From now on, we have to listen to our staff first. We got to change, we must reverse what we did totally. Otherwise, our staff won’t talk. Whenever our staff speak, I assume that they must have new ideas, new thoughts and new input that we never thought of before. We have many activities in this company. So, the attitude should not be limited to only meeting. I mean to apply to every thing here, for all of us to achieve ‘Inno-People’ and ‘Inno-Leader’ objective. Sometimes we even have to pretend not to zip up our zip and walk outside in the open and to notice if there is any staff of us will dare come forward and tell us that we have ‘forgotten’ to zip up. We seriously mean it. We’ve done it. Regardless of sex, you should tell even you are a lady. This is a real

test to tell if they dare to tell us or not. In my opinion, employees nowadays change a lot. I noticed it from the meeting. Today, all bosses are quiet. They listened carefully to all ideas in the meeting first and then they waited their turn to express their ideas later. It won't help if a superior expresses his idea first, because the subordinate won't speak up then. Also, with the topic of 'comments and suggestions', the activities of information exchange and feedback are more active now. People seem to be more open minded now. Mind you, what we are expressing now can very well cause emotional irritation in the past as there were 'social class' consciousnesses in the past challenging the perception of people then that how dare a junior express such and such" (Viriyabanditkul, 2006: 152-3).

With the alignment of SCG's business and HR strategies, the employees can adapt and change in time with the group's policies. Moreover, every business group at SCG, apart from the construction material business group, has created innovations.

CONCLUSION AND SUGGESTIONS

Looking at SCG today, it seems as though it is in a growth period. It is still developing and freshening itself up. Things that have remained the same for 96 years are its virtues, corporate governance, human values, the thoughts and ideas that emphasize the value of human beings, to look after the society, and to be fair to society. None of these has ever changed. However, all of the pressures from the external environment, business competition, and the trends of the construction market have pushed SCG into changing its vision and business strategies to the extent that SCG has aligned its business strategies and its HR strategies. It is not merely the adjustment between the two of them or just mixing them up. It is the integration of both to go hand in hand along the way. Change takes place in terms of company culture, company structure, and the skills of people. Change also enhances the employees' constructive behavior, thus contributing to the company's long-term plans, and enriches the interpersonal co-operation among staff.

SCG's success stems from determining the alignment level between its business and HR strategies, due to HR's involvement in and being a part of the company's business strategy planning. Also, line managers in all units have been involved, and they have joined the interview committees to select the right men for the right position. SCG has long-term business strategy planning as well as long-term HR development planning. Hence the company does not need to wait to get its employees ready for new assignments; neither does it need to adjust its business or HR strategies in order to develop its people. Once the group has recruited the right people it needs, it will retain its employees by having in place a performance evaluation system and a merit system of remuneration. All these factors are reflected in the alignment of the organization itself and in the people at SCG.

It is no longer impossible to align business strategies with HR strategies for them to neatly weave into one another. SCG still needs to give utmost priority to people. The HR unit needs to be listed in the organization's strategy setting committee, making HR strategies and relevant issues cover recruitment, selection, performance evaluation, and remunerations in order to be aligned with the company's business strategies.

Furthermore, understanding pertaining to the alignment between business and HR strategies will enable the organization to plan with regard to HR perspectives so as to make it most efficient and most effective and, at the end of the day, bring in a competitive advantage. The only reason is that inter-organization competition is based on creating new knowledge in order to build new business strategies that correspond to and cope with change because an organization usually invests a lot in time, and a large amount of money. However, this article demonstrates that there are many investments involved in the alignment between HR and business strategies, but if this alignment happens, it will bring the organization to a higher yield and help it to retain a sustainable competitive advantage.

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