

## Human Capital and Global Business Strategy

Human capital – the performance and the potential of people in an organisation – has become an increasingly urgent issue for business leaders. Dramatic demographic shifts, the globalisation of organisations, increasing business complexity, and generational differences are causing many organisations to place a more deliberate focus on human capital as a key element in strategic planning and execution.

This book helps business leaders determine how to address human capital as part of their business strategy, to drive value and realise the potential of the organisation. Topics are presented clearly, allowing readers to quickly grasp and apply key concepts and ideas. The authors share both their academic research and practical experience from around the world, providing first-hand case studies and examples to help bring theoretical topics to life. With a strong practitioner focus, this book will provide business leaders and HR professionals with new insights into how to improve business performance through a unique, strategic approach to human capital.

**Howard Thomas** is Dean of the Lee Kong Chian School of Business at Singapore Management University. Professor Thomas is internationally recognised as a leading expert in the field of strategic management. He is the author, co-author or editor of many acclaimed management books, including *Handbook of Strategy and Management* (2001), *Strategy: Analysis and Practice* (2005), and *Strategic Leadership in the Business School* (Cambridge University Press, 2011).

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# HUMAN CAPITAL AND GLOBAL BUSINESS STRATEGY

Howard Thomas  
Richard R. Smith  
Fermin Diez



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## DEDICATIONS

To Su-Yen and my children who are the source of Fermin's strength and inspiration.

To Teresa and my 3Ms, who are Rick's team and partners in life's journey.

To Lynne and the Thomas family, who are Howard's foundation and who light up Howard's life.

To our students past and present at Singapore Management University who have shaped our thinking through numerous discussions, explorations, and trials on the topics of human capital and strategy.

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## FOREWORD by Pradeep Pant

For some years now, Howard Thomas has enjoyed making fun of the silk handkerchief that always resides in the top pocket of my blazer. So I considered it a step up in our relationship when he approached me with the serious request that I write the foreword to this book. I quickly said yes.

It also helped that Howard and his coauthors Rick Smith and Fermin Diez are taking on an issue that I deal with every day in my job – the issue of human capital as a strategic imperative. When you're growing your revenues year-over-year by orders of magnitude ... When you're methodically expanding your geographic footprint ... When you're constantly adding to the categories in which you compete ... When you're regularly entering new trade agreements and encountering new competitors – and new *kinds* of competitors ... When you're managing ever-greater scale and complexity ... When your employee profile is becoming more multicultural and multigenerational ... When your multinational corporation increasingly depends on your financial contribution to meet investor expectations ... And when all those things are happening at once ... you don't need anyone to tell you that human capital is a strategic imperative. You need someone to help you put the right people in the right jobs on a large scale and with the greatest urgency. Who better to provide that help than the three authors of this book? In Fermin, you get the leader of Mercer's Human Capital consulting business throughout Asia Pacific and Africa and a former Head of HR at Freescale Semiconductor and VP at Pepsi. In Rick, you get the retired head of Accenture's global Leadership Effectiveness practice, with expertise in the areas of organization strategy, change management and human capital leadership. And in Howard, you get the Dean of Lee Kong Chian School of Business and Chair of Strategic Management at Singapore Management University (SMU), whose chief academic interests are in strategic management and risk & decision analysis. Howard had the vision to write a book on strategic human capital, while Rick and Fermin had the pressing need for a textbook suitable for the MBA courses they were teaching at SMU. This is where it gets exciting for everyone working in the great growth markets of

the early 21st century. Rampant growth creates needs. Needs attract people who know things. People who know things collect around centres of learning that focus on solving new problems rather than rehashing old ones. And that's when you start to realise that none of you are just doing a job; you're all part of a business renaissance. If you're ready to play a role in the human capital corner of that renaissance, you may want to consider your answers to these questions:

- *Are your organisation's people investments aligned with your most important business goals?*
- *Will your company buy, build, or borrow the workforce capabilities you need?*
- *Do you know who your critical employees are, and are you investing in them accordingly?*
- *Does your organisation have the right leaders in place to drive transformational new strategies?*
- *Will your company have the leaders in place for the future success of the enterprise?*
- *Are you measuring performance appropriately and rewarding it in the right way?*
- *Do you use workforce data and rigorous analytics to drive people decisions?*
- *Can you confidently tell your Board that you are managing human capital risks in the strategy process?*

If you break into a cold sweat at the mere consideration of these questions, then get this book. Read it. Get more copies and give it to people you rely on to make the right decisions in your company. And together you can move forward with a common understanding that culture, leadership, structure, talent management, human capital metrics, and change management are critically important to business success in the growth markets of the early 21st century. However, it takes an overarching human capital strategy to make a global business plan work. I am thrilled that they're going to be teaching these concepts at SMU, and I can't wait for the first graduating class to have benefitted from that teaching. I mean that literally – I am not able to wait. Our needs are banging at the door. We are going to read this book ourselves at Mondelēz International. We are going to operationalise its renaissance wisdom. And the next time I see Howard, I will tell him that the silk handkerchief in my blazer

pocket was a semaphore, signalling the need for help with my human capital strategy, and what a relief it is that he finally deciphered it.

Pradeep Pant  
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and Eastern Europe, Middle East & Africa (EEMEA), Mondelēz  
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This book began as a lunch meeting between the three authors about the need for more awareness of human capital in strategy execution as a critical competency for our students as well as practitioners. It was Howard who encouraged us by saying: 'Let's write a book!' So as to not disappoint the Dean ... here it is.

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