

Introduction Part

Good morning, Emma, Good morning, Internet industry HR professionals, my video presentation is going to share my point of view about how can HRM play its part in generating and maintaining competitive advantage in Internet industry over the coming 5-year period. The relevant strategy, design and structure of HR function will be covered. My presentation will be divided into four parts: firstly, it is the brief introduction of Internet industry in China. And then the role of HR in the Internet industry will be elaborated. Next, the leading Internet companies in China named Tencent Ltd. is living in HR 2.0 and redesign its HR strategy by applying three-legged model to maintain competitive advantages in this industry in China context. It is noticeable that Tencent Ltd. in the Internet industry outperform the others over the extended periods in China. It maintains its performance edge although the complex business environment is changing too fast to allow even a hint of complacency. Finally, IBM as a good example living in HR 3.0 to give tips for companies who are still struggling in HR 2.0 in China.

Internet industry has been integrating with economy and society, it develops rapidly, continue upgrading and become the driving force of the economic growth in the whole world. According to the China Industrial Research Report Network, in 2016, China's digital economy, including the internet, reached 22.6 trillion yuan, making it second in the world after the United States, with a contribution of 69.9% to GDP growth (Zhiyan Consulting Group, 2018). The revenue scale of China's Top 100 Internet enterprises headed by Alibaba, Tencent, Baidu, Jing Dong ect. in 2017 was 1.72 trillion yuan. The Internet business revenue scale of the Top 100 Internet enterprises increased from less than 400 billion yuan in 2014 to 1.72 trillion yuan in 2018, a 4.5 times expansion in five years (ISC, 2018). Internet-based businesses have emerged one after another, making an important contribution to the cultivation and development of new drivers of economic development.

Here comes the first sub-question, what role of human resource department play in an organization?

According to Drucker, we could only know what the enterprise really is from enterprise philosophy, which exists beyond the enterprise context, as enterprise is a metaphor as an organ of the society. Similarly, if we want to know what role the human resource department play in an organization, we had better to know the HR philosophy, as the human resource department is a metaphor as organ of organization. Ulrich also claims that HR is a metaphor as a window. HR people need to look through it and begin to connect to the stakeholders outside HR department and outside the organization.

Based on Drucker's five most important questions (Drucker, 2008), we replace the organization context into human resource department context, there are four questions need our further critical thinking in terms of the positioning of human resource department.

1. What is the business of HR department?
2. Who is the customer of HR department?
3. What does customer value?
4. Who are the partners of HR department? (Xiao and Ma, 2019)

Before the first question is been figured out, the answer of second question will pop up in our mind first—all the employees are the customers of HR department. Do you agree? Normally, people say “customer is god”, so can HR department treat their employee as God? Some people might against with opinion: Can HR department satisfy increasing salary requirements of employees continually? If we can clear that the task of HR department is to ascertain the robustness and harmony of employee development and metabolism, the question answer seems to make sense and we will talk about this point later on in IBM HR 3.0 example as well.

HR department, it does have products, for example, the motivation scheme, well-being scheme, recruitment scheme, training scheme and so on. If these are treated as products of HR department, whether the employees (customers) feel satisfied or not will become the working

motivation of HR.

The partners of HR department should include employees, senior management, government relating to HR, consultancy or community, investors and customers. It is pivotal for HR people to connect these partners or stakeholders and create value by finding out who will give value and who are the value getters. I think this is consistent with what Ulrich (2012) claims “HR folks look outside to begin to create the practices inside.”

And then we come to answer the first question: what is the business of HR department? Well, HRD is mainly responsible for talent management including attracting excellent talents, cultivate those talents and back up talents for the organization; culture capability and leadership (Ulrich and Sawers, 2012; Wright and Ulrich, 2017).

So, combining the answers of these above four questions, the role of HR department become apparent, it is important for us to recognize that **the positioning of HR department is a business unit that serves partners or stakeholders who would give value**. Pay attention, the role HR department plays is a business unit offering services rather than an administration unit emphasizing authority and rights from traditional point (IBM, 2020).

Prominent entrepreneur will realize the importance of HR philosophy and hold resource-based view, which focus on ‘human capital’-the quality of human resource available to the organization to gain competitive advantage (Kraaijenbrink, Spender and Groen,2010).

The purpose of the enterprise is not only to solve the employment, but also to create value for the society, to bring value to investors, employees, is to be eternal. Just like IBM, originally was called TMC, then CTR, and finally IBM. IBM has moved from selling tabulating machines, and then providing business computers and then personal computers, and now providing total solutions. We can clearly see what it is, even though it has changed its name and changed its leaders. Founders and employees don't last forever, but companies, yes. J.P. Morgan and Apple could be the other examples in this case.

What is the enduring value and contribution of human resources management to company's eternality like IBM, J.P. Morgan and Apple? And I think this would arouse the interests of entrepreneurs in Internet industry in China as well. The answer is related to the HR philosophy. As I mentioned earlier, HR professionals need to be able to get involved into the conversation about what is happening in business, what is its product, who are its customers. According to Ulrich and Beatty (2001), the added value of HR function is focused on the contribution of HRM to the strategic business decision-making and execution rather than the activities that HRM does. What the users or customers receive from the HR is more significant than what happens inside the HR function, which prefer the outcome orientation to the process orientation (Ulrich, 1996). Higher management and HR professionals should turn traditional approaches on their head, starts with the current 'human capital resources' and develops policies and procedures around them – to make use of what they already have. It is very critical to think about how to acquire, develop and effectively deploy existing resources in a way that is unique and adds value which is difficult for other companies to imitate.

In this way, talents are vital resources and greatest asset for every enterprise if it makes effective use of them (Farnham,2015). The core competitiveness still belongs to talents (Jiang and Gong,2019), how HR professionals make effective use of talents to create and maintain competitive advantages (Fleetwood, and Hesketh, 2010) is the biggest challenge facing by the enterprise today.

From HR perspective, in the industrial economy, HR focused on standards and manages group behavior; In the era of knowledge economy, HR concerned information and managed group knowledge; Now, it comes to the I era, what HR should manage is human nature, that people's heart matters, and the respect for personality is emphasized. what enterprises need now is a sustainable workforce (IBM,2020). It is important to help employees to self-manage, self-drive and self-realize, so as to form a self-organization management to realize the sustainability of the enterprise (Xiao and Ma, 2019). According to IBM (2020) research, only 10% of HR executives are operating in HR 3.0 today. The leading companies in the Internet

industry in China such as Alibaba, Tencent are still operating in HR 2.0, who redesigns its HR strategy by adopting three-legged HR model.

Due to the limited presentation time, I will focus on one of the leading companies- Tencent Ltd., it is one of the largest Internet Integrated Service providers in the world with almost 1 billion service users (Jiang and Gong,2019). It advocates “employees are the most valuable wealth of the enterprise”. Three-legged organizational model has been proposed and explored by Tencent in 2010, combining structure of expert center (COE), shared service center (SSC) and HR of business partners (HRBP). In 2014, SSC had been upgraded into Shared Delivery Center (SDC) to know more about the business, further productize HR services and provide end-to-end delivery for customers and full staff. And this is the Tencent Three-legged model.

HR acts like an architect (Ulrich, et al.,2012). Let’s take SDC as an example, for the SDC development in the future 5-year, Tencent draws a blueprint from five new dimensions: “new structure, which should be matched with the organization structure (CIPD, 2015); new attributes (product attributes, user attributes and fun attributes), new modes/patterns, new tool kit and new capabilities” to explore and integrate a variety of common needs of different partners (Jiang and Gong, 2019).

Of course, Tencent also makes effective use of talents to create and maintain competitive advantages in the rapidly changing business context in the Internet industry, it adopts a competitive mechanism within the company. Each business unit operates independently, of course, there is some crossover between business and product categories. The company offers unified operation support system and R&D system, and the data and information inside the two systems could be shared by each business unit, who could obtain them based on their own needs and develop products according to the market demand and the team’s own technical advantages independently.

However, negative effects such as unnecessary competition, resource waste and

overlapping of work will be generated and reduces the benefits of the enterprises overall. For example, Tencent has set up teams for big data analysis within the COE and SDC HR legs, both sets of HR teams do turnover analysis, and only one project is retained in the end. In this context, the three legs that should have been synergistic have become independent, each in its own ivory tower, unable to achieve the effect of one plus one greater than two.

How can Tencent HR three legs fit together meanwhile ensuring the internal innovation atmosphere of the enterprise? This requires Tencent's HR three legs to develop HR products and provide HR services from the overall planning of the three legs in order to achieve the established strategic goals. After the implementation of the strategy and the completion of the established goals, the new needs of internal customers will be innovatively met with the help of its own resource advantages. This process is different from thinking about how to take the lead in the three HR legs and divide the benefits through the resource advantages of each leg.

But even the HR three legs fit well, the digital economy is coming, the business context is characterized by near constant disruption, for the next 5-years, although only 10% of HR executives operate in the HR 3.0 and it is still unclear in terms of the factors contributing to the success of HR reinvention (Ulrich, 2020), it is definitely the next evolutionary step. The best companies would not only manage internal workforce, but also extended talent ecosystem, which is comprised of multiple talent pools and spanning generations (Christidis, et al.,2017)

In HR 2.0, Artificial Intelligence (AI) technology have great influence on HR improvement and competitive advantage, especially play essential role in supporting to build new business platforms and restructure the flow of work (PWC,2017; Deloitte Access Economics – DAE, 2018). Data-driven decision-making powered by AI is one of the five common characteristics that underpinned HR 3.0 (IBM, 2020). IBM is one of the leading companies taking bold steps to try to outpace its competitors and be innovative. Let's take IBM as an example to see how it embeds AI in its compensation systems that belongs to the retaining

of employee life cycle. IBM HR professionals applies AI system to aid them make better compensation decisions. Does everyone still remember the question at the beginning of today's presentation? "Who is the customer of HR department?" When the answer "Employees are customers" comes out, some people would doubt whether HR department could treat their employee as God, satisfying increasing salary requirements of employees continually? In HR 3.0, this scruple will be eliminated naturally, the recommendation ranging within the pay cycle could be completed by AI without bias and with transparency and accuracy. The more important thing is the transparent information could be persuasive evidence to explain the link between pay decision and employees' skill, this is a very effective motivation for employees to keep their skills competitive and narrow down the barriers to enter into HR 3.0 for some of the enterprises like Tencent, Alibaba etc. in China that are still struggling within HR 2.0.

That is all for my presentation today. Thank you for your listening.

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