

Application of RBV Theory and McKinsey 7'S Model on Start-up Company

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Abstract

Human resources at a start-up company should have a long experience in tire manufacturing industry which is one of the competitive advantages possessed by the company that can be used in competing in accordance with the theory of resources based view (RBV). Resources based views is a concept of theory that affect the competitive advantage of a company. According to RBV model, the resources should have qualified criteria to achieve competitive advantage. That criteria are valuable, rare, imitability, and organizational to capture value. Management will be committed in managing human resources by building capacity with the right recruitment and training to achieve the vision and mission set by the company. The Mckinsey 7'S framework is used to analyze internal aspects of the organization of the company in which elements of Mckinsey 7'S if working properly and aligned then will be a factor of success of the company. The seven elements of Mckinsey7'S are strategy, skill, shared value, structure, staffing, system and style. Strategy is a formulation of a company used to build competitive advantage and keep it in order for a company to compete, skill is the ability of employees needed to achieve company goals and objectives, which is meant the capability and competence of employees. Shared value is the core value of a company that will become a corporate culture, basically the standard or norm that is applied and a guide for employees and management. Staffing, this is how employees are recruited, trained, motivated and rewarded so that employees can provide the best for the company. Structure, the intended structure is the organizational structure of the company that regulates the work system, communication, authority and responsibility as well as delegation of duties to employees to achieve the goals and objectives of the company. System in Mckinsey 7'S is a day-to-day operational process and procedure and decision making within the company including planning, implementation and evaluation. Style, leadership style applied by management to achieve company goals and objectives.

Keywords: RBV Theory, Building Capacity, Mckinsey 7'S Model

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1. INTRODUCTION

Human resources (HR) is a very important factor in any organization or company, where the corporate vision is made for the benefit of man and to achieve the vision then the implementation of his mission is managed by the man himself. Therefore, good managerial needed to manage human resources so that in the implementation of the company can run effectively and efficiently in accordance with the intended purpose. Start-up Company will be released in Tangerang Indonesia which is near from resources and target market. it starts from the power of human resources rarely owned by other competitors, and the company that has valuable resources because it has experience in the manufacturing tire industry both in terms of design to related to the installation of new machinery, modification of the old machine to planning the machine to increase production capacity.

In accordance with theory of Resources-based View (RBV) where Start-up Company committed in human resources management is one of competitive advantages of vision and mission's Start-up Company can be done. The basic scope of McKinsey's 7S model is that there are according to Alifadi (2013) 7 aspects internal organization that needs to be aligned if the organization is to succeed.

2. THEORY RESOURCES BASED VIEW (RBV)

Resource-based view theory (RBV) is a concept of theory born from the research of economists around the world, where this theory is believed to provide answers in creating competitive advantage for a company. Because competitive advantage is the basis for the company to win the competition with competitor. Resource-based View mentions that corporate earnings can be above normal if they have much better resources and that resources are protected by a kind of isolation mechanism preventing their deployment. Beside The resource must be valuable, hard to replicate, no substitute and rare. According to Barney (2007), the company's competitive advantage can be temporary or sustainable. Temporary competitive

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advantage is a competitive advantage that lasts for a very short time. This view shows that any competitive advantage gained by a particular company will quickly be identified and imitated by another company. While on the other hand, sustainable competitive advantage can be last much longer. According to this RBV model, the resources available to meet the criteria of forming competitive advantage are:

- a) Valuable: the existing resources can support the ability of startup company in meeting all requests or needs of customers or end users timely in terms of work, effective and no rework so the company can compete with its competitors.
- b) Rare: resources owned by startup company are rare or difficult to get by other competitors because the amount is very limited for skilled personnel. If the amount of skilled personnel is rare and valuable then optimistic the company will be able to compete with other competitors.
- c) Imitability: a resource that is difficult to imitate and will be one component of competitive advantages. If the company want to imitate personnel skilled, it is very difficult because it requires an expensive price if to get or imitate these advantages because expertise are gained from science and practice.
- d) Organization to capture value: resources will not be added value to the company and will not become competitive advantages if not properly managed well in term of organizational structure, corporate culture and management, and corporate policy processes.

3. MCKINSEY 7'S MODEL

In implementation, Start-up Company uses Mckinsey 7S framework introduced by Tom Pieters and Robert Waterman (1980) to analyze aspects of Start-up Company because the company relies on the power of human resources specifically.

The seven elements of Mckinsey7S are (1) Strategy, strategy is a formulation of a company used to build competitive advantage and keep it in order for a company to compete. A strategy of having a clear direction and purpose so that each individual can know clearly what to do to achieve the goals and objectives of the company. (2) Skill, skill is the ability of employees needed to achieve company goals and objectives, which is meant the capability and competence of employees. To be able to produce product leadership--the installation of quality and timely engine with a competitive price-- startup company will require competent and reliable HR skills by capacity building result from training and following tire expo. (3) Shared value, shared value is the core value of a company that will become a corporate culture, basically the standard or norm that is applied and a guide for employees and management. A monitoring system will be created so that employees will try to work as well as possible in serving customers so that every employee has a sense of belonging of startup company. (4) Staffing, which is how employees are recruited, trained, motivated and rewarded so that employees can provide the best for the company. (5) Structure, the intended structure is the organizational structure of the company that regulates the work system, communication, authority and responsibility as well as delegation of duties to employees to achieve the goals and objectives of the company. Used structure is the organizational structure of the matrix model so that each project will have representatives of all departments directly. (6) System, system in Mckinsey 7'S is a day-to-day operational process and procedure and decision making within the company including planning, implementation and evaluation. (7) Style, leadership style applied by management to achieve company goals and objectives. Mckinsey 7'S analyzes internal aspects of the company for overall performance improvement so that a proper leadership style with the corporate culture is required to achieve this.

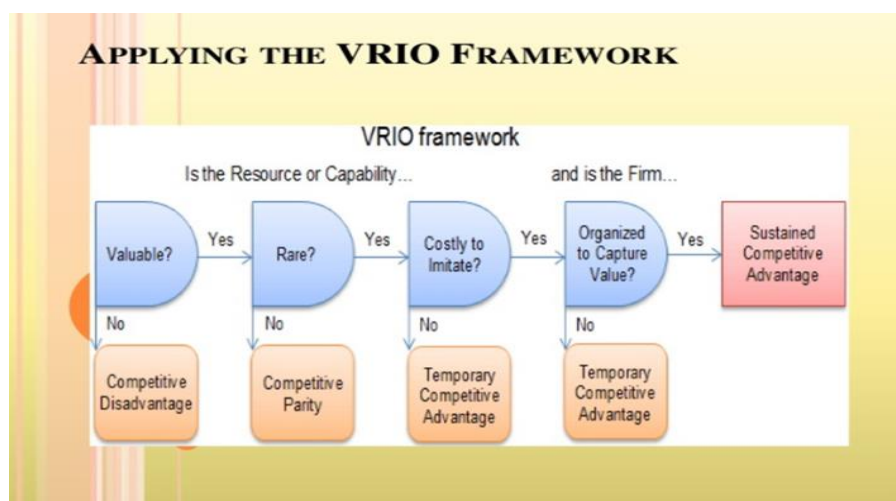


Fig 1. VRIO framework, Source: Slideshare.net/sarthakrohatgi

In this case, startup company embraces situational leadership style.

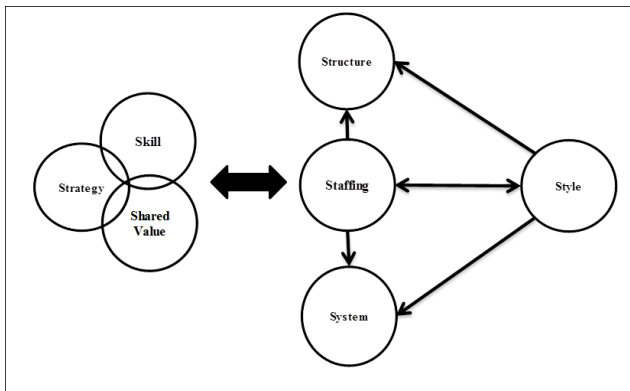


Fig 2. MCKinsey 7'S Model, Source: Management Consulting Club

3.1 Strategy

Based on the analysis that has been done, Start-up Company uses the following strategies:

[1] Skill development (training, participating in tire expo). This strategy is very important and is a skill development step either technical or managerial in fulfilling resource requirement to support other strategy and will be done systematically with training either on the job or off the job done in the room.

[2] Cooperation with machine supplier / machine vendor. Start-up Company will apply structured cooperation rules to minimize potential fraud from employees or vice versa, while maintaining the quality and competitive price in order to gain

potential profit margin from good cooperation activities of the machine vendors and suppliers.

[3] Provide qualified and timely installation service with competitive price (product leadership). Product of startup company is very qualified, fulfilling customer standard and customer requirement with completion time so that it does not interfere the activity of customer or end user with very competitive price and added value for customer or end user.

[4] Cooperate with investors / seek loans. To support this strategy human resources department will provide reliable manpower to negotiate with investors and reliable man power to work on all lines so that all working activities can be performed well.

3.2 Skill

The second aspect is skill or ability of employees needed to achieve goals and objectives of the company, which is meant capability and competence of employees. The capability is the availability of resources and competence is to have the skill either soft skill (managerial) or hard skill more technical nature of everything that has anything to do with tire manufacturing. Knowledge management of Start-up Company will systematically conduct formal skill

improvement in training room or directly confronted with the material object.

Senior employees are responsible for transferring knowledge to junior employees. This informal transfer knowledge can be done in non-official forums, such as during breaks or outside working hours.

There are 3 main knowledge management elements on global business.

[1] People, is basic if no one then there will be no knowledge.

[2] Technology is a standard, consistent and reliable infrastructure to support enterprise tools.

[3] The process consists of capturing, filtering and informing the knowledge to all entities with procedures and processes.

Implementation of knowledge management will give positive influence to the business process of the company either directly or indirectly especially for startup company, some of the benefits of knowledge management for the company are:

[1] Time and cost savings. With a well-structured knowledge source, it is easy for the company to use that knowledge for other contexts, so the company can save time and cost, efficient and effective science transfer is directly dealing with objects and trainers. The senior employee of startup company is charge of his transfer of knowledge simultaneously when there is work going on.

[2] Increased knowledge assets. Sources of knowledge will provide convenience for every employee to utilize it, so the process of utilization of knowledge in the corporate environment will increase, which ultimately process of creativity and innovation will be pushed more widely and each employee can improve its competence.

[3] Adaptability, the company will be able to adapt easily to changing business environment.

[4] Increased productivity. Existing knowledge can be reused for the process or product developed, so the productivity of the company will increase. Start-up company relies on excellence resources experienced in the field of tire manufacture in business process and is one of the competitive advantages possessed to compete with existing competitors. Competitive advantage is a reliable concept to be able to win the competition. In an effort to support the competitive advantage, especially the department of Human Resources is responsible for the availability of resources that have the standard skills owned by employees through recruitment, capacity development either by training or by visiting the tire expo. Training provided with materials that have been prepared by startup company and made the basic standards of knowledge must be owned by each employee more specifically resources that have skills similar to resources experienced and difficult to imitate by other competitors, training scheduled execution time periodically. After the training program is done so to measure the effectiveness of the training is to conduct the evaluation, the criteria measured is the reaction of employees, knowledge and skills and attitude of employees after conducting training, Another important criteria for the company is the return on investment

(corporate profits earned by how much investment the company spent) as an example of training the company about the machine accuracy to its leader. Output of this training, leader is adept at doing job accuracy which usually only done by experts of machine maker so the cost to bring in experts can be eliminated.

3.3 Share Value

The third aspect is shared value. The core values of the company will be the corporate culture of startup company and will be the motivation and foundation for employees in working in achieving the goals and objectives of the company. Always learnings to something new in tire machine world so that startup company is always up to date in knowledge and technology especially in rubber-based industry.

According Schein(2004) The corporate culture layer for global business is divided into 3 are:

[1] Artifact, Artifact is a visible cultural element. It is also a reflection of the foundation that will be applied by the company and held by the entire company, with a culture of producing quality products (doing field work diligently, disciplined, on time to start work, rest and finish work) as well as the right settlement and at a price competitive. Excellent service and loyalty of startup company will also maintain a good and harmonious relationship with all employees, prioritizing the principles of openness and transparency so that will minimize any irregularities that will occur.

[2] Value, belief, and attitudes. Value or values related to morals that determine what an employee should do. Belief put more emphasis on one's beliefs about right and wrong. A harmonious relationship among all employees to achieve the goals and objectives of the company so startup company remains sustainable so as to compete with its competitors. (Integrity and Professionalism).

[3] Basic assumption, basic assumption to be able to provide product leadership or provide services of installation in term of quality, on time delivery and competitive price supported from the human resources skill in the field either from work or attitude employees of startup company. As a result, the employees have a high sense of belonging to startup company in every project work.

The first is to instill mindset to each employee that every end user should be served well especially in terms of quality work and will greatly affect the completion of the work either in terms of time or cost so that end users do not complain about the results of our work.

The second is to give access to end user to complain directly to the management regarding results of our work or the attitude of employees of startup company so every employee will always give the best service.

The third is to place trusted person in each project work whose additional tasks is to control work in the field so that employees of startup company can work in accordance with their respective responsibilities and always strive to do a good job.

In its development, Start-up Company will put forward the learning process in every line of work process and organization, where from every process or level of work in the field will be managed and scheduled about the transfer knowledge. This transfer knowledge must be done by employees whose understanding more about a field of science or senior to his subordinate so there will be interconnected with others, especially in his department and if needed with other departments, So transfer knowledge will helps employee understand their job desk efficiently and effectively. The result of this transfer is indirectly reducing training costs.

3.4 Staffing

The fourth aspect is staffing. Staffing is the employee placement process which starts from the process of budgeting, planning, recruiting, and training to setting the problem of salary, allowances and pensions. Budgeting is done to find out how much budget available for the recruitment process is carried out and this is done by collaborating with the finance department. Planning process is conducted to find out how many manpower needs to be provided by the department of human resources and what their classifications are. In recruitment process, first utilizes the network owned by startup company for the availability of resources, second uses print media and social media.

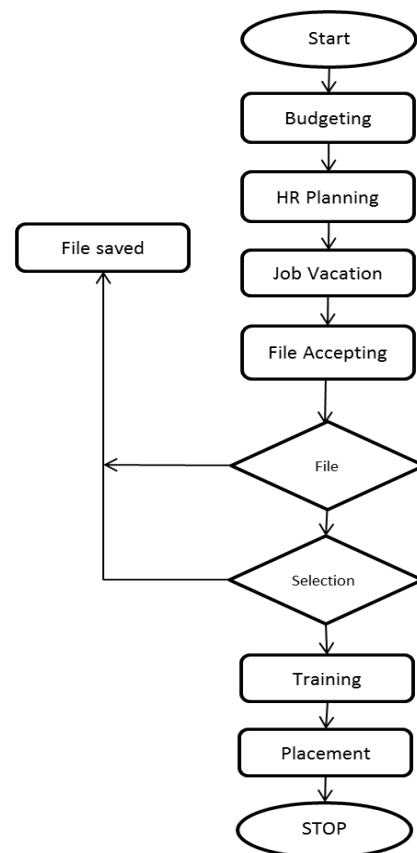


Fig 3. Flowchart Staffing

There is an operational standards established in staffing process. After the opening of the vacancy, some processes will be carried out in the selection process. Selection will be done through several stages which will be slightly different for each level of employees. Startup company implements a series of selection as follows:

- [1] Application format
- [2] Psychological test
- [3] Test ability
- [4] Interview
- [5] Assessment centre
- [6] Medical test

3.5 Structure

The fifth aspect of Mckinsey 7s Model is structure. Start-up company applies organizational structure of matrix model in which there is a representative from the department in each project. Start-up company in its implementation will use an activity-oriented corporate strategy that leads to a high level of effectiveness and efficiency in order to achieve maximum profit. Start-up company particularly Human Resources Department will coordinate both to the number of subordinates and responsibilities received by a manager so the manager performance cannot exceed the maximum limit. This is accordance with span of control theory in which the number of direct subordinates who can be lead is regulated and controlled effectively. There will be a interrelation in each division and a coordination each other in accordance with standard operating procedure that has been established so that control of the work process will always be doing to minimize the potential deviation. Organizational structure of Start-up Company is the organizational structure of the matrix where for every project work will be lead by a project manager and assisted by all members of other departments so as to make this structure more efficient and effective.

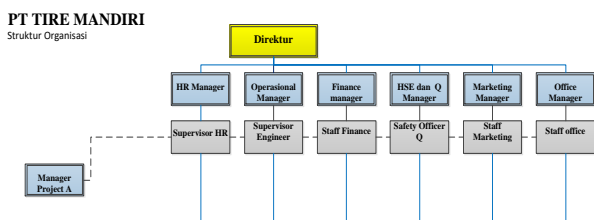


Fig 4. Organizational Structure; Source: anasdharmawan.blogspot.co.id

3.6 System

The sixth aspect is the system. System consists of daily operational processes and procedures and also decision-making within the company include planning, implementation and evaluation. Start-up company especially Human Resources Department will make planning system that will be used daily on each employee, so every employee will understand their respective position

and understand mutual relationship with other departments in carrying out company mission, such as:

- [1] Creating quality guidelines, including company policies, goals and plans that contain the company's commitment to always deliver the best outputs--product quality, completion time and cost--compared to other competitors. To support this policy, Human Resources Department facilitates people who specifically handle complaints from customers to maintain their relationship between startup company and customer. Making human resources planning, framework, organizational structure and system to be done by startup company.
- [1] Human Resources Department will establish procedures regarding how the existing systems in the company work properly, such as examples for leave or non-employment applications, permission to leave work
- [2] Human Resources Department will issue work instructions and internal Standart Operating Procedures of startup company and also related to the law.
- [3] Human Resources Department will make all department members understand their roles, responsibilities and interdependencies to advance startup company according to its vision and mission and as a result to have a sense of belonging.
- [4] Human Resources Department will arrange salary accordance with existing rules at startup company by not violating any applicable law in Indonesia's territory.
- [5] Human Resources Department will arrange compensation particular punish and reward, as well as other compensation accordance with the rules of ability of startup company with coordination from director and other relevant departments.
- [6] Human Resources Department will ensure controlling of internal companies by conducting internal audits and also controlling the results of startup company in coordination with operation manager and other related departments. Planning includes detailed arrangements on salary, benefits, allowances, performance appraisal and promotion policies, health BPJS (BPJS is an insurance which is the government of Indonesia program and every worker/ employees will be given the facility), punish and reward, uniforms and also set about retirement.

3.7 System

According to Hersey and Blanchard in Thoha (2003), the style of leadership is divided into 4:

- [1] Leadership style of instruction is more widely used for subordinates with low maturity.
- [2]The leadership style of consultation is more commonly used for subordinates with low maturity to middle levels whose subordinates are considered less capable but have a will. [3] Leadership style of participation is more widely used for subordinates whose maturity level from middle to high level that has the ability but do not have the will.
- [4] Delegation leadership style is more widely used for subordinates with high maturity.

The four leadership styles have their respective advantages and disadvantages. Considering the conditions

of the candidate workers who will enter, startup company will be apply situational leadership style in order to support company goals and objectives. because at the time of starting required different basic resources. Such conditions are common in Indonesia.

A growing startup company personnel will still need direction and guidance to carrying out activities in the project, on the other hand startup company will continue emphasize professionalism in work while maintaining objectivity in leadership. It is expected to be able to maintain balance in the organization by maintaining the professionalism of the work and to reduce the potentials problems that often arise due to leadership sub connectivity. This type of leadership is very profitable for startup companies in how to manage employees Startup company will applies reward and punishment in order to increase work motivation.

4. CONCLUSIONS

Human Resources are very important factor in every company, especially in Start-up Company. Start-up Company has corporate strategy to provide quality and timely installation of machinery with competitive price (product leadership). To support them, Human Resources Department must provide qualified, competent workers in their fields by recruiting qualified labour or fresh graduated because HRD is very important at the start-up in fulfilling the needs of qualified resources Start-up company will utilize well-established networking with resources, supplier and customer. The next step is capacity building with existing skill development to new employee as well as by training either on the job training or off the job training. Embedding basic assumption to always provide the best

service to achieve product leadership by working with discipline, timely and best. Related to the McKinsey model The strategy being implemented is skill development and to achieve that with quality planning resources then with the capacity building and placement in accordance with the right position. Organized with well-structured system using matrix organizational structure and situational leadership as well as making a good work culture to be implemented in accordance with standard operating procedures at start-up companies.

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