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The new agenda for HR

Create capabilities and spot the intersection points on a firm's strategy map

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IN the previous article, we looked at why the HR profession is falling short on credibility. In this concluding part, we will look at how HR professionals can earn back their credibility and become value-adding business partners for their CEOs. Let me call this the "new agenda for HR professionals." The agenda will be more effective when it is contextualised for the specifics of a business. The key components of the agenda are: establishing an effective HR architecture; building a formidable base of intellectual capital; building strategically-relevant organisation capabilities; creating a high-performance culture; creating a leadership brand for the company; and designing an effective HR scorecard that measures HR's value creation.

HR architecture: Most HR professionals understand how to set up a fairly good HR function. But HR architecture is much more than an HR function. It involves establishing the HR function with highly competent professionals to handle key functions, and ensuring that the HR systems and processes are designed as high-performance work systems (HPWS). Such systems are designed to intersect with aspects of the organisation's strategy so that they have a high impact on business performance. As an example, a software product engineering firm like Symphony Services will benefit not from a generally effective recruitment process, but from a process specifically designed to bring people with (a) a product engineering background & mindset and (b) a high propensity for innovation. When you have a hiring process that meets these objectives, it tends to become a high performance work system.

Intellectual capital base: HR professionals hold the key to creating competitive advantages for an organisation. This can be done through sustainable creation of the intellectual capital. Prof Dave Ulrich has a very simple definition of what is intellectual capital. It is competence X commitment. HR professionals build competence through one or more of the six strategies involving Buy (hire from the market), Build (train internally), Borrow (take help from consulting or outsourcing), Boost (promote talent), Bounce (drop those who do not deliver) and Bind (retain the talented people). They also enhance commitment through multiple engagement strategies, including communication, compensation, culture, career planning and the like.

Relevant capabilities: Organisations succeed or fail not because they had or did not have a good strategy, but because they failed to execute the strategy. Executing strategy is a function of cultivating capabilities that translate strategy into employee actions and behaviour. In the past, technology and/or operational capabilities, more popularly known as core competencies, were considered good enough. Recent evidence suggests core competence as necessary but not sufficient for success. The additional requirement is for people competencies that become organisational capabilities when aggregated. Some key soft and people-related capabilities include employee accountability, speed, innovation, learning, leadership, collaboration, and customer-centricity. For example, companies like Nokia and Apple are successful because they have mastered the capabilities of speed and innovation.

High-performance culture: HR professionals have to work with business leaders to establish and enhance a high-performance work



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culture where employees embrace accountability and demonstrate a high degree of bias for action and execution of commitments. This is not about having a good performance appraisal system although such a tool will be a key component of creating the high-performance culture. Culture by definition is a way of life and is deep-seated. It takes time and persistent adherence to a series of building blocks to create a high performance culture. Its building blocks include a clearly defined accountability matrix, a goal-setting system that insists on stretching goals, a manager attitude towards focusing on people's strengths rather than their weaknesses, a mindset of coaching for success, and a measurement & reward mechanism. These building blocks work in tandem with organisational goals to lay the foundation for creating a high-performance culture.

Leadership brand: In the past, organisations sought to create competitive advantages through their brand power -- both product/service brand and the firm brand. But, this is inadequate. We have already moved into what is now known as the "experience economy" where customer loyalty is a product of how the customer experienced dealing with a company. For example, customers will be willing to pay a high price for high quality experience like watching a soccer match or a rock concert. This is real and hence command a premium. The same holds good for every business. Creating such an experience for customers is possible only when employee behaviours are fully focused on creating that kind of an experience for every customer. This is possible only when an organisation cultivates a cadre of leaders across organisational levels who in turn produce what the Gallup organisation calls as Human Sigma -- achieving customer delight through delighted employees.

Measuring what matters: HR professionals have for long been measuring indicators that lent themselves for easy measurement like absenteeism, time to hire, cost of hiring, training man days and attrition. The new agenda demands that HR starts focusing on the strategy map where HR systems intersect with business results. For example, measuring the employee engagement score, leadership bench strength, inter-departmental collaboration quotient, and speed & quality of innovation will help establish the value HR creates for an organisation.

In a nutshell, the new HR agenda flows directly from the business agenda. The key to evolving a meaningful agenda will revolve around a deep understanding of the business and the HR intersection points on the strategy map. In the years to come, there will only be two types of HR managers, (a) those who become strategic and contribute to business and their own growth; and (b) those who are not and hence fired and forgotten. The choice is clear for HR professionals; is there a choice really?

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