

Adding Value: From Ideas to Implementation

In my article 'Clarifying Our Raison D'Etire' I developed a framework to enable Human Resource (HR) professionals, managers and indeed all organisational members to identify ways in which the management of people adds value to the firm. I distinguished between operational and strategic levels of activity and contribution, and between contributions that focus primarily on current performance, and those that are more concerned with adapting the organisation to maintain its relevance and to enhance its longer term success (see figure 1).

		Delivery	Development
Level of Contribution	Operational	<u>QUADRANT 1</u> OPERATIONAL DELIVERY	<u>QUADRANT 2</u> OPERATIONAL DEVELOPMENT
	Strategic	QUADRANT3 STRATEGIC DELIVERY	QUADRANT 4 STRATEGIC DEVELOPMENT

Figure 1: Sources of HR Value Add

In this article I will focus on some aspects of **how** these contributions can be achieved. In particular I will argue that developing high impact contributions in all four quadrants requires much more than an effective HR leader or manager. It requires the development of organisational capabilities. This implies that for such development and innovation to occur in an organisation there must be a critical mass of people with sufficiently shared goals who behave in consistent ways. In turn, this collective behavior will only be sustained through the creation of systems and processes that embed, reinforce and evolve the behavior throughout the organisation. Development is thus necessary in both behavior

and its context: the organisation's structure and culture. The development of these capabilities requires collaboration between managers, members, human resource professionals and often external third parties. The capabilities that I have identified in my research and which we will consider in this article are:

- Pathfinding Leadership
- Strategic Alignment
- Stakeholder Engagement
- Decision Support
- Performance Management
- HR System Innovation and Implementation

It is important to recognise that this is not a complete list. Furthermore it is likely that different organisations will need to place varying emphases on different combinations of capabilities to meet their specific needs.

Before we examine the six capabilities in more detail, let's revisit the definition of the term **organisational capability**. The term has dual origins, which in turn has caused considerable confusion. In the 1960s, management writers referred to an organisation's **distinctive competence** as a capacity that distinguished the organisation and that produced high performance and a source of competitive advantage. More recently, Hamel and Prahalad coined the term "core competence" and the Resource Based School of Strategists (led by Barney) developed this concept further in terms of the creation of sustainable advantage. The focus here is at the macro, or organisational level of analysis. Richard Boyatzis in the early 1980s initiated a wave of research and subsequent program

development focusing on competency profiling at the individual level of analysis. It is my view that we should restrict the term competency to this **individual level** of analysis. At the **collective level**, for example when considering a team, a department, a function or indeed an organisation, it is useful to distinguish "collective competence" as a capability, for this is a different and more complex phenomena. Thus a capability is the capacity of a group of people, supported by systems and processes, to make a contribution that enables the organisation to achieve superior performance. Organisational capabilities may also provide a source of competitive advantage.

Capabilities may be developed *serendipitously*, for example Qantas' long term emphasis on safety, or *deliberately*, for example McDonalds' focus on consistency in customer experience. Some capabilities may be function specific: airline safety is embedded primarily in engineering and flying operations. Other capabilities may be the outcome of organisation wide collaboration, as in the McDonalds' example of consistency in customer experience.

We will now explore six HR capabilities, some of which can be embedded in the HR specialist team and department, others of which are the outcome of wider organisational involvement. It is through the development of these (and probably other) capabilities that value can be added through people across all four quadrants.

1. PATHFINDING LEADERSHIP can be provided by the organisational members themselves, by managers or HR professionals. Such leadership focuses on *Strategic Development*. This involves anticipating or creating

opportunities in which people's contributions deliver superior value to customers, high organisational performance or competitive advantage, and benefits to the members themselves. Examples include the HR innovation that characterizes the Fortune 500 Best Employer organisations who are able to attract and hold the best people in the war for talent. Lend Lease MLC (now owned by the National Australia Bank) created Campus MLC under the leadership of their HR manager Rosemary Kirkby. With various groups of members, architects, sociologists and futurists, MLC designed and constructed a qualitatively different physical and social work environment. The purpose was to simultaneously strengthen and balance both a sense of community and member autonomy. A strong sense that they are a community – something more than an organisation – is based on shared goals, recognition of interdependencies, the benefits of a strong corporate identity and a sense of belonging. They also accepted that the sense of community had to be balanced with a sense of freedom and autonomy to encourage innovation and responsiveness, and to meet the needs of the high proportion of Generation X and Y members in their workforce.

Thus, the Pathfinding Leadership capability is manifest in the capacity to anticipate and respond to and to create the future. Examples of anticipating the future could relate to the impact of new legislation or technology, or changes in customer behavior or workforce demographics, values and expectations. Examples of shaping or creating the future could include the development of intellectual property or managing knowledge that adds value

to clients or customers, or identifying business opportunities, acquisitions or joint ventures that bring new capabilities to the organisation faster than competitors are able to develop and apply. Recent alliances between dot com and communications companies are initiatives that represent strategic development and pathfinding leadership. Two aspects of this capability need to be emphasized. First, such leadership can emerge from anywhere in the organisation: it is not the exclusive domain of HR professionals. Second, given that the future of value creation is so anchored in people through the development of intellectual property, knowledge and relationship management, this capability is becoming more central to organisational performance and sustained success.

2. STRATEGIC ALIGNMENT One of the reasons why some organisations are high performing and others are not is explained by the concept of "fit" or "alignment": coherent patterns in basic organisational configurations. High performing organisations are characterized by both external and internal alignment. External alignment refers to congruence between an organisation's aspirations, resources and capabilities and the opportunities and threats in its environmental. Internal alignment refers to congruence and mutual reinforcement within the organisation's strategic fundamentals: it's mission, values, strategy, technology, structure, systems and workforce. Longitudinal research on consistently high performing companies such as Hewlett Packard, GE and Johnson and Johnson has identified how these organisations establish alignment and then realign themselves internally and externally to meet change,

and to sustain their relevance and performance. It is salutary to observe how the respective founders of these firms embedded this capability firmly in their formal and informal people management practices. Clearly, strategic alignment capability is the province of the CEO, the executive committee and the Board. Yet establishing alignment, reviewing, challenging and recreating alignment requires effective organisation wide individual and collective behavior.

Furthermore there needs to be alignment not only between the HR function and the organisational goals and strategies (for example, do our HR policies and systems reinforce our core values?), but alignment also needs to be established within our HR policies and systems (for example, if we seek to recruit the best talent, do our development feedback and reward systems ensure that we retain this talent). In sum, alignment is clearly a contribution within the strategic delivery quadrant: it is a critical pre-requisite for high current performance. Through the processes of environmental scanning, strategy formulation, the development of organisational capabilities, structures, culture, workforce competencies and change management the HR function is a central element in this capability. These activities offer opportunities for HR professionals to contribute in their roles as strategic manager, organisational analyst and change agent. But because the development of alignment is such a complex process, it is more productive to think of it as an organisational capability than just the outcome of contributions from effective individuals.

3. STAKEHOLDER ENGAGEMENT Developing pathfinding leadership and strategic alignment reflect the need in organisations to set a direction and to

secure and arrange resources that enable an organisation to achieve its goals. Stakeholder engagement is concerned with building a community, with developing individual and collective commitment and skills that bring plans to fruition. Figure 2 presents the various stakeholders that are involved in how an organisation manages its people. Added to this "inner" group is of course a wider group made up of government, unions, competitors and the community.

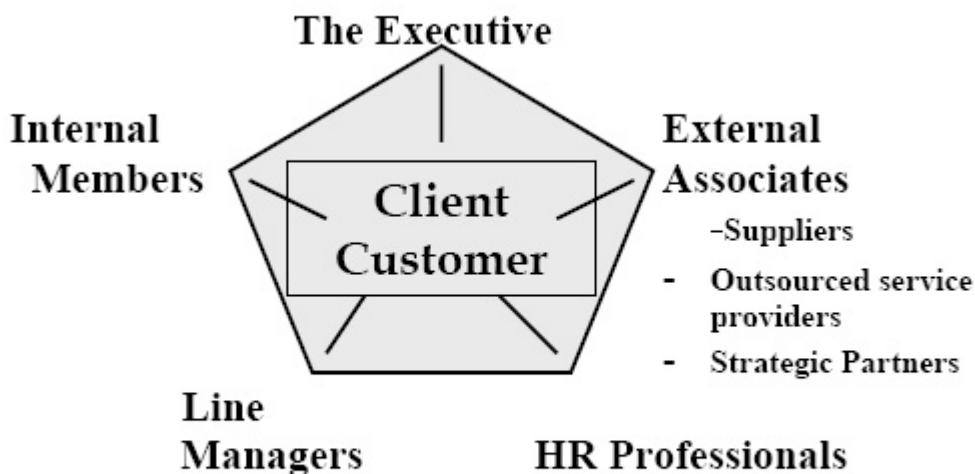


Figure 2. Stakeholders of the HR Function

In any organisation the tasks:

- of defining its purpose, values and identity
- of focusing on customers
- of exercising effective leadership and management
- of maintaining strategic alignment
- of balancing the present with the future
- of successfully introducing high performance work practices

are outcomes of complex and often very fragile interactions between individuals

and groups who will not share all the same objectives and values. Stakeholder engagement refers to the organisation's capacity to create and sustain sufficient interaction and collaboration to ensure its success. Three aspects of stakeholder engagement deserve special attention. First, engagement is more easily achieved when people (members and customers) their contributions, and potential are valued intrinsically. This feature ensures that people are willing to expend effort in developing how they work together. To achieve high performance, motivation needs to be complemented with appropriate skills. For effective engagement to occur participants need to behave effectively to achieve agreed goals, meaning and collaboration. Finally, organisational forums need to be created in which members can identify both ends and means to which they can commit, and on which they can collaborate. In contemporary and emergent organisations power has shifted, they are more pluralist, and their social fabric is more crucial to success yet more fragile. In this context stakeholder engagement becomes a more central people management capability. Historically, Western European organisations with their strong social democratic traditions have provided some of the most effective examples of this capability in action.

4. DECISION SUPPORT Stronger global competition, scarce resources, the unpredictability and speed of change, and shifts in societal values have focused attention not only on the quality of corporate decision making, but also on how these decisions are made and how these processes can be improved. Decision support in relation to the management of people has its origins in applied psychology and human resource information systems (HRIS). Applied

psychology has contributed useful insights into, for example, selection (through attention to predictive validity) and training cost benefit analysis (should we buy or make these skills?). Wayne Cascio is the doyen of these initiatives. HRIS have also advanced in their utility and power. Yet the promises and potential of HRIS have been overshadowed by not insignificant problems with implementation, data maintenance and development. In short, decision support extends beyond the outcomes of applied research and the use of data bases to store, manipulate and retrieve information. The development of this capability begins with the recognition that information relating to people management decisions comes in both quantitative and qualitative forms. Admittedly, some progress has been made in the area of quantitative decision making with the benefit of total quality management and bench marking programs. The real challenges lie in the area where managers and members receive most of their information: in qualitative and non-verbal inputs to problem solving and decision making. Furthermore, the process of who and how we make any decisions can be as important as the decision itself in many situations. Thus while artificial intelligence systems may improve the efficiency of recruitment, selection and training processes, engagement of the appropriate stakeholders in a decision about organisational redesign or resource reallocation may be as critical to both the acceptance of the decision and the identification of the relevant information inputs. A further consideration is that effective decision making and decision support are predicated on having agreed criteria and organisational performance indicators and measures. Some of the criteria and indicators can be agreed on

objective grounds. However the people management dimension of performance management is particularly prone to political and non-rational influences. In sum, performance management is currently one of the most complex, least understood and developed capabilities. Yet advancement and innovation in HR are heavily contingent on the establishment of the nature and magnitude of value and from better people management practices.

5 . PERFORMANCE MANAGEMENT One of the recurring criticisms of HR professionals is that we have been more concerned with inputs and processes than with outputs. This could be a function of several factors:

- a) Our lack of understanding of the business drivers and commercial dimensions of our organisation;
- b) Our marginalised position in many organisations that limit our access to key business information and decisions;
and
- c) Implicit assumptions that if we get our inputs and processes right, then the outputs will look after themselves.

Current demands for higher organisational performance and accountability are such that, regardless of whether any or all of the above explanations are valid, more effective performance management is now an imperative. Effective performance management is clearly an organisational capability: it is embedded in the organisation's values, it is reflected in consistent behavior, and it is enabled by systems and processes. Effective performance management is an integral

part of the processes of control, audit, resource allocation, decision making, reward, training and development systems. Effective performance management now spans internal and external (outsourced service providers, strategic partnerships) aspects of the organisation's functioning. Effective performance management must integrate organisation wide, unit and individual performance indicators. There is no shortage of challenges for those who seek to develop the skills and systems that will embed this capability. By the very nature of human behavior and the complex linkages between inputs processes and outputs, attributions are rarely easy to identify and measure. The key challenges are to balance hard and soft performance measures, to recognise the difference between lag and lead indicators, and to build in both short and long term performance measures. Where we can add value is to develop processes that gain people's commitment to performance management as an integral part of "what we do around here". Like learning and development, performance management has often been considered as an add on or something done by someone else. To fulfil it's role in control and accountability and as a catalyst for improvement, performance management must be embedded in both the values and behavior of our people and be reinforced and enabled by efficient systems and processes.

6. HR SYSTEM INNOVATION AND IMPLEMENTATION With the exception of Pathfinding Leadership, the other four capabilities discussed so far focus primarily on current performance. In a competitive and rapidly changing world performance enhancement is increasingly the outcome of fundamental

organisational renewal rather than just a benefit of cost reductions or increased efficiency. Such renewal is best stimulated by a strong focus on clients' needs, by members who are both committed and highly skilled, working in a context that encourages experimentation and accepts considered risks. Like successful performance management, innovation must become a "norm" – something that everyone does as part of their daily work experience. Like successful performance management there must be signals that send messages that innovation is valued and resourced; and there must be systems that ensure individual and collective innovation is rewarded. Yet innovation is often less than half the challenge that this capability presents. Successful implementation is often more difficult in the face of resistance to change, scarce resources and the urgent and competing demands of our daily lives. Thus this capability is often embedded by two different yet interdependent groups: the creators and the action people. Building systems and a work environment that encourages and integrates these often separate processes is clearly a challenge for the HR function.

CONCLUSION In these two articles I have offered ways in which we can identify how people add value to the organisations that are so central to our society and our personal lives. Once identified we need to recognize that these sources of value must be realized by embedding capabilities that deliver the benefits for customers, members and shareholders. Some capabilities contribute more to some quadrants than others. For example, Performance Management

and Strategic Alignment focus primarily on delivery, yet act as catalysts to drive the development that will enhance future performance. Pathfinding Leadership contributes most to the quadrant strategic development. HR System Innovation and Implementation is most relevant for both operational and strategic development. Stakeholder Engagement and Decision Support span all four quadrants of value add.

The challenge for us is to identify priorities in where people's contributions can add value to our organisation. Then to recognise that this value can only be added by developing both individual competencies and organisational capabilities that translate the ideas into action and then results.