

## CLARIFYING OUR RAISON D'ETRE: Identifying How HR Adds Value

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In this article I will present a case as to why and how the contributions and roles of human resource (HR) leaders, managers and specialists can now be clearer, more central and more valuable than ever before. This case is predicated on the premise that we become more specific and rigorous as to **how** we add value to our organisation's customers/clients, shareholders and members (employees ). If this case is sustained it will put to rest the insecurities that have characterised our occupational group over the past two decades. These insecurities have been reflected in concerns such as "is HR a profession?" "Will we become less relevant as some of our core activities are outsourced"? and "how can we gain and maintain a seat at the table and exercise more influence?" One outcome from clarifying how we add value will be enhanced occupational self efficacy. Enhanced occupational self efficacy in turn will enable a more effective contribution and create increased levels of value and satisfaction for practitioners.

My thinking has been clarified and stimulated by an insightful article by Wayne Brockbank (1999) "If HR Were Really Strategically Proactive." In this article Wayne builds on the fundamental distinction between **strategic** and **operational** levels of HR contribution by contrasting the **reactive** and **proactive** roles that practitioners can play. His primary assertion is that while **reactive operational** contributions establish HR's credibility, we can create competitive advantage most effectively by contributing **proactively** at the **strategic level**. An example of such a contribution would be identifying an organisation as an acquisition prospect on the basis that its workforce, culture and systems create capabilities that would, when merged successfully, provide the acquiring organisation with superior performance and a source of sustainable competitive advantage. Such an acquisition criterion transcends the traditional financial considerations that have dominated most mergers and acquisitions. It also opens up new roles and sources of value add for HR leaders, but it demands new ways of thinking and new skill sets.

It is possible to extend Wayne Brockbank's insights by replacing the terms "reactive and proactive" with "delivery and development". The reasons are twofold. First, the terms "reactive" and "proactive" have widespread connotations that can overvalue proactive behaviour and detract from the reality that, in a rapidly changing environment, reactive management is both inevitable and often a valid response that requires its own set of demanding skills. A second and more crucial justification for distinguishing between the delivery of HR value add and the development of HR value add lies in the qualitatively different organisational capabilities required to ensure both current performance and long term organisational success (Turner and Crawford, 1998). To ensure sustained organisational success, managers and leaders must simultaneously manage both the present and the future.

Managing the present – what I refer to as delivery –is concerned with superior performance in the short term. While contributions in this time horizon encompass both strategic and operational management, primary effort is directed at operational considerations. It requires a 'here and now' focus and relies more heavily on a reactive orientation, convergent thinking, the reality of present circumstances, attention to detail and closure. It is often characterised by attention to the organisation's internal dynamics. Managing the future – what I refer to as development – ensures the sustained relevance and performance of the organisation in the long term. It requires a more outward, opportunistic focus characterised by divergent possibility thinking, learning, innovation, longer time horizons and a proactive orientation. Development requires contributions at the operational level - enhancing performance in terms of prevailing goals and success indicators- and the strategic level - reviewing and perhaps changing goals, strategy and measures of success.

The paradox for corporate leaders, executive committees and HR practitioners is to simultaneously resolve the often competing demands of the present and the future; and the potential clashes between short and longer term benefits. For example, if cutting costs is a short term imperative and if we downsize, what implications does this have for the commitment of our people and our skill sets in the medium to longer term? One implication that flows from this perspective is that some of us are better equipped to deliver, develop and manage the present than the future, or vice versa. In turn, we often need combinations of people working in teams to confront

and resolve the dilemmas that arise from simultaneously attending to and managing the demands of delivering in the present yet preparing for the future.

A caveat. Differentiating development from delivery carries the same risks as separating planning from doing or strategy formulation from implementation. For the purpose of analysis the distinction has value. However in practice the processes must be closely integrated - often by the same people - to achieve the best outcomes. We will return to the implications of this caveat later in this article.

### Four sources of HR value add

Using the distinctions between operational and strategic, delivering and developing HR value add, we can now explore the specifics and the demands of these contributions. Figure 1 provides an overview of the four sources of HR value add. We will consider each quadrant in turn.

#### MODE OF CONTRIBUTION

		<b>Delivery</b>	<b>Development</b>
Level of Contribution	Operational	<u>QUADRANT 1</u> OPERATIONAL DELIVERY	<u>QUADRANT 2</u> OPERATIONAL DEVELOPMENT
	Strategic	QUADRANT 3 STRATEGIC DELIVERY	QUADRANT 4 STRATEGIC DEVELOPMENT

**Figure 1: Sources of HR Value Add**

	<b>D</b>	<b>D</b>
<b>O</b>		
<b>S</b>		

This quadrant encompasses the day to day management of people's contributions to their organisation. We often mistake this quadrant as the portfolio of HR systems that are our bread and butter: recruitment, selection, induction, training, development, performance management, recognition and rewards. In reality it includes how our managers manage their people, job and organisation design, and the rituals, icons, values and ceremonies that shape both individual and collective behaviour, commitment and contributions.

Activities in this quadrant have undergone considerable change over the past decade. People management has been devolved increasingly to line managers and to our members themselves. Many operational activities have been outsourced or relegated to intelligent information systems; other activities have been dropped because they no longer add value. Such changes have freed up HR practitioners to take on new roles and to add higher value add in other areas.

Three implications are worth noting. **First**, this quadrant of activities is the primary source of the HR function's credibility. **Second**, our contributions to operational delivery represent the foundation for higher levels of value add. **Third**, Wayne Brockbank points out that effectiveness at this level of contribution is taken as a "given" in almost all organisations. Thus operational delivery contributions have become more of a **commodity**, and therefore represent a very weak source of competitive advantage for organisations. Note that in industries undergoing transformational change an organisation that **can** secure relative stability and efficiency in its operational activities can achieve a competitive advantage.

	<b>D</b>	<b>D</b>
<b>O</b>		
<b>S</b>		

In this quadrant HR practitioners add value by enhancing the impact of existing HR activities/systems, and by identifying new activities and systems that improve the contribution of people to their organisation's current goals and strategy. Thus the

focus is on the development of current activities and performance in terms of existing performance indicators. Note that while the execution of these initiatives is predominantly at the operational level, they have been driven by strategic considerations. Key features of how we add value at this level include:

1. establishing, evaluating and reviewing the link between current HR practices and organisational performance, then developing improvements in these practices;
2. scanning the external environment for ideas and new practices relevant to the organisation's prevailing goals and strategy, and then implementing them; and
3. creating a culture that is supportive of improvement and innovation in operational HR practices.

As Brockbank observes this category of value add characterises the past decade in HR. Witness the rise in outsourcing to reduce costs and increase focus, the creation of service centres; TQM, job and work group redesign, delaying, benchmarking, climate/culture surveys, web site databases and recruiting, the reassignment of HR to line managers and members. The major drivers have been a shift in focus to the needs of the organisation's customers/ clients and shareholders.

A second implication is that success at this level of value add enhances credibility and opens up access to business issues, partnership and the strategic level of contribution. A third implication is that contribution at this level requires HR practitioners to develop qualitatively new competencies. These include networking and analytical, diagnostic, and methodological skills.

	<b>D</b>	<b>D</b>
<b>O</b>		
<b>S</b>		

This quadrant is the province of the strategic HR manager. It is characterised by HR contributions that have the potential to ensure the effective implementation of

strategy and the achievement of superior organisational performance. Pre-requisites for the realisation of this quadrant's potential include:

1. a clearly articulated organisational strategy (a feature not as common as we might expect);
2. managers at the senior and middle levels who are committed to and sufficiently skilled to actively engage in the HR function and consider people and their contribution as an integral part of their business model;
3. HR managers with credibility derived from effective operational delivery and development, understanding and immersion in business issues, access to and involvement in strategic discussions to identify and execute the HR implications of corporate and business level strategy; and
4. a partnership between managers and HR practitioners built on shared goals and a mutual understanding of what drives organisational performance.

In practice the features identified in 1-4 above are established often as a byproduct of the various ways in which HR adds value at this level. These value adds include:

1. Clarification and communication of, and establishing member commitment to the organisation's strategic fundamentals: its mission, vision, values and strategy;
2. Identifying how the centre (corporate office) adds value in HR terms;
3. Identifying, developing and matching managers and leaders to strategic level positions;
4. Identifying and implementing with managers and members the HR systems and practices that support the business' performance drivers;

5. Working with the executive team to achieve organisational alignment (congruence between strategy-structure-culture-technology and workforce characteristics) and with the various HR systems;
6. Identifying, developing and managing the contributions of the organisation's strategic business partners (for example, external change management and remuneration service providers)
7. Developing the organisation's change management capability; and
8. Identifying monitoring and acting on organisation wide HR performance indicators (for example, culture/climate surveys, corporate talent pools, workforce skill and commitment indices).

In turn, making contributions in terms of strategic delivery implies that HR managers develop new competencies and that the HR function develops new capabilities. For the strategic HR manager, commercial acumen and the capacity to understand the business model, the ability to think conceptually and systemically are essential to the tasks problems and decisions that are features of this level. At the collective level, HR capabilities such as decision support (from intelligent HR Information Systems), stakeholder engagement and performance management at the organisation, unit and individual levels become critical.

In summary, effective HR strategy delivery is on the agenda of an increasing number of organisations. It offers potentially rich sources of superior performance and competitive advantage. It implies that HR strategy supports corporate and business strategy; strategic HR managers enact rather than formulate the strategy. For some organisations and industries this quadrant represents the end of the HR value chain. But an increasing number of organisations and business leaders are discovering the sources of superior performance and competitive advantage offered in Quadrant 4: strategic development.

## STRATEGIC DEVELOPMENT

	<b>D</b>	<b>D</b>
<b>O</b>		
<b>S</b>		

Quadrant 4 is the domain of the strategic HR leader. For leadership implies path finding, identifying or creating opportunities that provide the organisation with sources of competitive advantage and superior performance through the contributions and commitment of its members.

While globalisation has unleashed the competitive forces that demand higher performance, changes in the nature of organisations, work, careers and value creation have moved people to the centre of many organisation's strategic considerations. For example, the rise of complex loosely coupled organisations, the centrality of knowledge workers to value creation, the need for more informal team based integrative processes, the increasing importance of the service sector, and relationship creation and development have often combined to focus management's attention on the leadership of people's contributions and commitment as never before.

Consequences of these developments include:

1. The necessity to think and behave in ways that move us beyond HR management to HR leadership: path finding opportunities that create competitive advantage on the basis of people's competencies, potential, commitment and capabilities; and
2. The necessity to build innovation and renewal as corporate capabilities, for the ability of the people to learn will be the organisation's primary basis of high performance, adaption and survival.

How can strategic HR leaders add value in this developmental mode? Options include:

1. Leading processes that enable the organisation to redefine its business model and strategic fundamentals, of growing the new within the old;
2. Identifying, developing or acquiring (through – mergers acquisitions, joint ventures or alliances) capabilities that sustain the organisation's performance and relevance;
3. Identifying, developing and managing the relationships with strategic partners – thought or practice-leaders who can contribute to strategic development; for example, leadership development, and artificial intelligence for decision support;
4. Anticipating and preparing for environmental changes; for example changes in legislation, industry regulation, workforce demographics;
5. Segmenting the organisation's workforce (for example, "makes" - growing within - and "buys" - recruiting from makers), managing the segments differently and focusing scarce resources on strategically critical segments;
6. Integrating HR initiatives with marketing and sales downstream at the customer/client interface; and with finance and IT upstream for better decision making and resource allocation; and
7. Advocating the case for articulated ethics and a more balanced approach to measuring organisational performance and success in terms of member and community well being.

The quest for Quadrant 4 value add: strategic development represents the frontier of competitive advantage for HR. It requires us to exercise more leadership than management, both control and innovation, and both divergent and convergent thinking and behaviour. Some implications are clear. For example the functional boundaries between HR, marketing, strategy, finance and IT will become more

permeable and blurred. This in turn will create hybrid occupations, new career path opportunities, joint data and information bases, joint professional conferences and developmental activities. A second implication is that as our organisation's boundaries become more diffuse, and as we engage more external strategic partners and outsourced service providers, we need to rethink **who we consider to be a member of our organisation** and whose behaviour we are in the business of influencing.

Again this quadrant makes some unique demands on our personal competencies and our organisation's capabilities. At the individual level thought and practice leadership, pathfinding and influence become critical. At the organisational level environmental scanning, HR innovation and functional leadership are pre-requisites for adding value in terms of strategic development.

Some quadrants add more value than others in absolute terms. However, it is unlikely that we can leap from excellence in operational delivery to contributions in strategic development. For the value add quadrants are essentially sequential – the operational categories act as foundations and sources of credibility for the higher value add contributions of strategic delivery and development. Furthermore the effectiveness and credibility of the HR manager will be contingent on her/ his capacity to straddle all four quadrants simultaneously. For the four quadrant framework as presented is essentially static. Given the dynamics of most contemporary organisations, practitioners are required to span, contribute to and be effective in three or all four quadrants. The critical issue for the strategic level manager and leader is: where do I put my focus and efforts to maximise the contribution from our members to our clients and shareholders?

The challenge for each of us is to identify the needs and opportunities in our organisation, develop our own competencies and contributions, then engage our managers and members to create the capabilities that embed HR as an integral part of our business model and day to day practice. Figure 2 provides a worksheet to think through current and future resource allocations.

## Conclusion

Without rigorous frameworks, a recognised and developing body of knowledge and thought and practice leaders, our occupational group has often acted without adequate purpose and conviction. Being marginalised in our organisation or feeling insecure about our destiny can no longer be alibis for inaction or failure to contribute.

In this article we have distinguished between four categories of HR value add, four ways in which we can contribute to both organisational performance and employee well being. Our choices are not mutually exclusive, for the activities in each quadrant are essentially dependent on activities in the other three. The challenges we face include:

- What determines how we should distribute our efforts and resources **across** the four quadrants given our current situation and future aspirations?
- In managing my own career destiny, where do I want to be effective and how can I develop the requisite competencies?
- What HR capabilities do we need to develop to ensure that we add real value to our organisation's clients/customers, its members, shareholders and the community?

This last question will be the subject of my next article, which will appear in August.

**ESTIMATE PERCENTAGES IN YOUR ORGANISATION**

<b>Mode of Value Add</b>	<b>Current Contributions</b>	<b>Current Needs</b>	<b>Future Needs (2-3 years)</b>
<b>Operational Delivery</b>			
<b>Operational Development</b>			
<b>Strategic Delivery</b>			
<b>Strategic Development</b>			

## References

Brockbank, W. (1999), *"If HR were really strategically proactive: present and future directions in HR's contribution to competitive advantage"*. Human Resource Management, Winter, 38,4 337-352

Turner, D. Crawford, M ( 1998 ) *Change Power: Capabilities that Drive Corporate Renewal*. Business and Professional Publishing, Sydney.