



Get HR to the Top

Include HR in the executive team – and make people the star performers in pursuing sustained competitive advantage.

_____ by Gary Pienaar and Laetitia van Dyk

The advent of the globalised economy has been characterised by rapid and unpredictable change, which has brought about radically different laws of doing business. Competitive advantage is no longer a lasting concept – especially that which has been built up over years. Besides, textbook methods for accomplishing growth by cutting costs and making operations more efficient have gradually been imitated by all. The opportunities for improvement along these avenues have dried up. In today's economy, winning the battle for competitive advantage rather depends on the ability to keep learning and innovating faster than your competitors.

As a result, the contemporary world of business has to tap much more into the creativity and

knowledge of its workforce. This is having a major impact on the people element of business and organisational life.

Innovative behaviour requires committed people and an environment that encourages and rewards creativity and risk-taking. Many analysts agree that future business success will depend largely on the ability to attract and retain skilled people, and keep them performing at their very best. Hence the effective management of a company's human capital is viewed as a very important weapon for achieving and maintaining a competitive edge.

Not surprisingly, new demands are being placed on people management practices, such as appointment, career management, leadership

development, competency development, training, performance management and reward practices. The human resources (HR) function, as the custodian of many of these processes, is forced to reconsider its place in the modern-day company.

A research project was initiated at the University of Stellenbosch Business School (USB) to learn more about how global businesses manage their people so as to stay competitive in international markets. The South African business arena, too, has been affected by the worldwide trend of globalisation. Local companies increasingly have to square up to global competition, and many have gone global themselves. The study therefore targeted a number of South African global businesses in order to determine how their HR functions have geared themselves to support their global strategies and to ensure sustained competitiveness.

The findings clearly show that HR has a major role to play. It needs to be at the front line where the strategic decisions of the business are made, and it has to adopt a strategic position in shaping the workforce to execute those decisions effectively.

■ Investigating HR's changing role

The research project started with a literature study

WHAT THE LATEST RESEARCH IN LITERATURE TELL US ABOUT HR

Changing employee needs. Research conducted in the United States over the past decade indicates a different mind-set towards careers. Increasingly, employees want to be in control of their own careers. They want to be rewarded for the value of their contributions rather than on tenure, and seek opportunities for development and growth, a challenging work environment, and frequent change. People are more likely to leave if such needs are not met, and trust their own abilities to earn a living outside the traditional corporate organisation.

Distributed work. Computer and communications technology has made distributed work and telecommuting a reality. People readily collaborate while working in different physical locations, across different time zones, or across organisational boundaries. Other factors also force organisations to become more distributed, like the high costs of offices in urban centres and employees wanting a better work-life balance in their careers. Home offices are becoming popular as people discover that they work on-line at home almost as easily as in the office.

More and more companies also collaborate across boundaries as alliances, joint ventures, subcontracting and other outsourcing arrangements are becoming prevalent. In addition, greater numbers of contract employees provide companies with the flexibility to expand and contract without the costs associated with full-time employment.

The impact on HR. All these changes come at a price. Employees place more demands on their employers. With distributed arrangements, organisational cohesiveness is more difficult to maintain. The benefits of face-to-face problem-solving and supportive relationships among colleagues are harder to come by. Telecommuting and working from home also require new levels of discipline. Clearly, the contemporary workplace will require both the organisation and managers to change the ways they think about employees, how they interact with them, and how they monitor their performance.

A changing role for HR. The conventional value proposition of the HR function emphasises high-quality services in response to business needs. This is no longer adequate. To be successful today, businesses have to compete capably in three markets: the financial market, the product-customer market, and the talent market. In both the financial and customer-product markets, businesses apply sophisticated decision tools and practices to stay ahead. The time has come for the HR function to approach the talent market, in similar fashion, with sophistication and professionalism. The competition for scarce talent demands from organisations to create a quality work environment that not only attracts exciting new talent, but also retains and develops the existing talent in the workforce.

Does a new focus for HR make sense? There is growing empirical evidence that advanced people management practices make good business sense. Research shows that companies that implement HR best practices improve business performance and achieve better returns, both on assets and on shareholders' equity.

of recent research and trends in people management practices. Using these findings as a framework of enquiry, an in-depth empirical investigation was

vision, five prominent companies were selected for the study: Anglo Platinum, MTN, Old Mutual, Barloworld, and SA Breweries. Comprehensive

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done into the people management practices of South African global organisations. To have a fair representation of South African businesses with a global

interviews were conducted with HR executives of the respective companies, and various company publications, websites and reports were scrutinised.

The USB investigation found that, in the studied organisations, the role of the HR function has been largely transformed into that of a strategic partner in the executive structures. As such, co-addressing the strategic challenges of the organisation appears high on the agenda of the HR function. HR has definitely become more business-focused in its approach, and furthermore accepts the responsibility to be a catalyst in improving the ways managers lead their people and in developing the workforce to make a more effective contribution. The past role of being a provider of people-related services has made way for a role of actively supporting business and strategic decisions.

The findings show three areas where all the HR units see themselves as fulfilling a pivotal role:

- sourcing and maintaining strategically important skills for the organisation;
- creating a sound work environment; and
- actively supporting desired business performance levels.

Each of these areas spans a wider range of strategically integrated and mutually supportive activities. The principles on which HR should model its role in new-economy companies – as found by this research – are summarised in the table on the next page.

Sourcing and maintaining strategically important skills

Recruitment

Company growth and sustained competitiveness necessitate a continuous supply of new people and skills. Because of the scarcity of specialist skills, the competition for talent is fierce. Recruitment strategies have to be creative and accurate, and are increasingly approached with a marketing mind-set. Companies realise they have to market themselves effectively to the right candidates to attract sufficient numbers. The recruitment strategies of the studied organisations are based on the following:

- A trusted network of external recruitment agencies.
- A strong in-house recruitment arm to allow organisations to be more proactive in sourcing talent.
- Marketing an attractive employment proposition that is based on extensive research to understand how young graduates in selected target markets perceive the company.
- Use of the company intranet to source suitable »

| STRATEGIC ROLES OF HR | | |
|--|-----------------------------------|---|
| Sourcing and maintaining strategically important skills for the organisation | Creating a sound work environment | Actively supporting desired business performance levels |
| <i>Through strategies of</i> | <i>By way of</i> | <i>By facilitating</i> |
| Recruitment | Creating an employee brand | Performance criteria setting |
| Retention | Culture and values | Team participation |
| Learning | Leadership development | Performance appraisal |
| Managing intellectual capital | Employee involvement | Performance encouragement |
| | Work-life balance | |

in-house candidates for vacant positions as well as to invite staff referrals of external candidates. Internal recruitment helps to reduce costs and enhances the mobility of skills and talented employees throughout large distributed organisations.

- The application of rigorous assessment procedures, including the use of psychometric batteries, to ensure that high-performance working environments are maintained.

Retention

The scarcity of skills in the market results in the continuous threat of losing high-potential employees. This means that the HR function has to stay abreast of what the market is prepared to pay for different skills. Reward and incentive packages have to be carefully designed and kept up to date to prevent key staff being lured away. Some of the studied companies add scarcity allowances to the pay of skill categories that are in high demand.

These companies want to know why people leave, and most of them conduct exit as well as follow-up interviews. The information gathered is recorded, analysed for trends, and regularly reported to executive levels.

Companies have realised that retention is not only driven by attractive pay and incentive schemes. Many other factors influence people's decisions to stay, such as the opportunities for further development, career prospects, and the attractiveness of the general work environment. These aspects are addressed in other sections that follow, but are also integrally part of retention strategy.

Learning

The pressure on businesses to innovate and find new avenues of competitive advantage, as well as the shortage of specialised skills in the market, drive them towards becoming learning and self-refreshing organisations. For most of the companies studied, employee development has even become a key business priority.

Companies invest substantially in their capacity to train staff at all levels. Not only have they developed sophisticated needs assessment techniques, they all have major in-house training facilities and run joint programmes with colleges and other learning institutions.

Managing intellectual capital

It is recognised as a crucial part of the HR strategy that people and intellectual capital

All the studied companies actively manage their internal talent

are the company's most valuable asset. All the studied companies actively manage their internal talent. Typically, high-potential employees are identified for promotion and future growth as a basis for succession planning. Talent pools may distinguish between people earmarked for executive positions, more junior people with high potential, and employees with scarce and critical skills. Talent strategies do not stop at identifying the right people, but include exposing them to appropriate training, work experience and other

career-enhancing activities.

Talent reviews are conducted regularly at different organisational levels and progress information is presented and discussed at executive levels. For instance, one of the companies periodically draws up a people balance sheet which consolidates all people-related information and trends to support decision-making and risk assessment.

Creating a sound work environment Employee brand

In order to attract top-class talent, companies have realised that they need to develop a compelling employment brand. To achieve the desired status of a sought-after employer in the talent market they have to offer a strong employee value proposition, which may include tempting benefits, attractive careers and career development opportunities, and an appealing work environment.

Not only do companies need to offer these, the market must know about it. This is why the concept of a distinguishable employee brand is becoming so important. The starting point is a happy relationship between the present workforce and the company. Employees are treated more like customers; they must feel that they are working for their employer of choice. This message must also be taken to the external talent market. Many avenues are used to reinforce the employee brand, like television advertising, promotions at business schools and universities, and, importantly, recruitment and job advertising initiatives. Some of the companies studied compare their employment offerings with external benchmarks, while also participating in the Best Company to Work For survey.

Culture and values

Closely related to, and a prerequisite for, a successful employment brand is to have the right company values and culture in place – a value system that mirrors and supports the brand. All the companies studied have been emphasising initiatives to foster the desired culture and values and ensure that they are shared widely throughout the organisation. Different techniques are applied, such as exposing new employees to these values during the initial induction process, corporate

communication programmes, and using leadership development as a vehicle for reinforcing organisational culture.

Diversity is a value to which all the companies attach special importance – not only because of the South African situation, but also on account of their multinational involvement. The geographic spread of these companies means that they operate in a number of different languages and national cultures. HR had to find ways to manage this diversity, and even leverage diversity to their advantage.

Leadership development

People are attracted to and want to be led by reputable leaders. Accordingly, leadership development plays an important role in building the employment brand and, as mentioned, underpinning the value systems. Leadership development has become more than only the development of individuals. Companies see leadership development as a strategic intervention to build the capacity of the organisation to stay on top of its strategic vision.

Involving employees

The focus on an employee brand demands that all employees be made to feel part of the organisation. HR has to facilitate processes whereby employees at all levels are informed and involved. Companies employ different methods, like roadshows, in-house television broadcasts, company publications or intranet podcasts, to communicate important company information – results, achievements, changes, new product launches – to employees. Face-to-face discussions also form part of their communication strategies. Important information is presented at regular team meetings and cascaded down to each level of the organisation.

Consultation with employees is also important. Most of the studied companies have discussion forums functioning at different levels to consult with employees on matters of mutual interest. In addition, internal surveys, for example opinion, climate or culture surveys, are conducted on a regular basis. The outcomes of such discussions and surveys are visibly noted and result in the necessary action plans.

Work-life balance

Work-life integration practices proved to be the biggest challenge for most of the studied companies, with only two having specific programmes in place to deal with these issues. Nevertheless, all of them recognise the long-term importance of employee wellness and attention to work-life balance needs, and have begun to accelerate in this direction. All the companies studied had at least some health and wellness programmes available to employees.

Actively supporting desired performance levels

Performance criteria setting. Companies see to it that performance targets and criteria right

Work-life integration practices proved to be the biggest challenge for most of the studied companies

through the organisation, at all levels, are linked to the organisation's strategic business objectives. Balanced-scorecard-like models are commonly used to ensure that the strategic growth of the business is addressed in a balanced way and alignment is created between business units throughout the company.

Team participation

Ownership of performance targets plays a vital part. Performance criteria setting often takes the form of structured, team-driven processes that define targets in line with higher-level strategic objectives. These team meetings occur on an ongoing basis to review performance and to find ways to solve problem areas and set contingency plans in action.

Individuals participating in setting and managing performance targets also form the forums for identifying training and development needs and proposing continuous improvement initiatives.

Performance appraisal

Performance appraisal has moved beyond being just a routine annual or biannual company event. Several

principles that bolster and accentuate the importance of the process were found in the study, for example:

- Linkage to scorecard measures and business targets of individuals and teams.
- An assessment of how individual behaviours are aligned to and support the company values.
- The use of feedback from sources besides the direct manager, such as 360° feedback mechanisms and input from internal and external customers.
- Assessment of leaders also on matters such as the number of people in their teams that have been developed, staff turnover figures, and team effectiveness scores.
- The comparison of ratings across business units and the calibration of scores to reflect the relative

performance of each business unit. This process, which involves line managers convening, is usually facilitated by HR.

Performance encouragement

Besides the conventional reward and incentive schemes, companies use many other ways to recognise employees for excellent performance. Such initiatives may include acclamation at visible forums, special monetary prizes, nomination for prestigious company awards, and employee-of-the-month labels. Often teams are allowed to nominate as potential recipients of such awards colleagues who in their view add exceptional value. This contributes in important ways to the transparency and legitimacy of encouragement programmes. ■



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This study was conducted by Gary Pienaar as an MBA research project supervised by Prof Laetitia van Dyk. Pienaar's research report, *Competitive people management practices in South African global companies – a comparative study*, was presented to the University of Stellenbosch Business School (USB) in December 2008.



Write to us: Why does HR matter so much more today? Do companies really need people to look after other people?
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