



## Human Resources: The Organisation's Corporate Strategist

### What does the term Human Resources mean to you?

Some of our organisations have placed band-aids over the term and now use People and Organisational Development, or People and Culture, or simply People. We like this, but it's not just the name that has to change.

We now live in the web-enabled Innovation Age, and our challenge is to find and develop effective 'creator workers'. Creator workers are those able to access the information within reach of all of us, but whose intuition can integrate multiple sources quickly to create something that has never been seen before. The age of the coming creator worker will be one in which the intangible assets of talent attraction, talent development, talent retention and innovation will be the critical success factors driving sustainable competitive advantage.

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The market value to book value ratio of companies will continue to widen exponentially as more and more value is recognised in these intangible assets, assets which cannot be easily priced at an auction.

What does this mean for the human resources director? They and their departments can no longer be simply transactional back-office overheads providing payroll, OH&S compliance and exit interviews. HR directors now need to be the critical strategists sitting to the CEO's right. With the broadest base of wisdom, they represent an extraordinary balance of intellect, emotional intelligence and intuition,



which will become increasingly valuable to organisations responding to a world that no longer makes sense with nor has time for purely analytical minds.

It also means HR directors have more work to do. Stuck between an old world that needs measurement to prove value and this new world, directors need to prove their worth and the mettle. Measures in total compensation, total turnover, cost per hire, percentage of employees having performance appraisals, and job satisfaction are necessary, but from sufficient. They will need to be able to measure the non-financial statistics that financial analysts have long used to determine the best investments:

Dave Ulrich, long known as the HR director's champion, has written extensively on the competencies that are now required by human resource specialists, which far surpass the traditional technical capabilities in recruiting, compensation and benefits. He speaks of the seven critical steps in any people director's work as:

- Being part of the critical team that will define the firm's strategy alongside the marketing director, the innovation director, the CFO, the CIO and the CEO
- Using this strategy as a way to determine the business case that HR will need to populate the firm with the best talent to execute it
- Creating a 'strategy map' with the C-level team that will translate the strategy into the skills and behaviours required of employees at every level in the organisation
- Identifying the HR deliverables within the strategy map: culture definition and measurement, leadership development, supply and retention of talent, capability building, and employee proposition for engagement.

This will prompt further challenging questions for the HR director, which we have gone into detail in the paper.

The competencies of the people/HR directors of tomorrow will reflect a very strategic background including knowledge of business including financials, strategic, technological, organisational capabilities, understanding customers and competitors and importantly measurement by business results. In addition, the ability to manage change such as diagnosing problems, building relationships with clients, articulating a vision, setting a leadership agenda, solving strategy challenges and implementing directional goals...to name a few. These and other critical strategic level HR competencies will pay off.

## Purposeful human capital management will be the tool of creation for the organisations of our near future.

Clearly, the debate is over. HR matters and people matter. It is timely that the HR Practitioners shift gear and transition to the role of Chief Strategist Officer. A transition vehicle HR can use to shift from transactional to strategic is the current issue of Human Capital Management and HCM reporting.

### From human resource practitioner to leading corporate strategist

Purposeful human capital management will be the tool of creation for the organisations of our near future. But its successful implementation will also be the instrument that transforms human resource practitioners into leading corporate strategists. There are many reasons why this should happen. But first, strategic human capital development will lie at the heart of wealth creation.



## Human capital management - the results are in the data...

A human capital management way of thinking is fundamentally different from human resource management thinking, requiring different skills and approaches to management of the workforce.

Yet research by the Economist Intelligence Unit, based on surveys of 218 executives around the world, found that confidence amongst risk managers is weakest in less traditional areas such as human capital. It found that external drivers to strengthen risk management include demands from investors for greater disclosure and accountability.

The Economist's research was cited in a report published jointly by the Association of Chartered Certified Accountants and the not-for-profit think-tank Net Balance Foundation Limited. The findings were corroborated by these parties' own research conducted in July-August 2007 in Australia whose analysis of the ASX top 50 companies proved demonstrably the value of investing in human capital.

Its report confirmed that investors are actively weighing its results in their own investment decisions. A good example of this is Macquarie Equities' decision in 2006 to favour ANZ Bank stocks over National Australia Bank (NAB); a significant influence in this decision was ANZ's high 'people score'. ANZ's team was found to be highly-motivated, which was considered to be an asset. John McFarlane, former CEO of ANZ, indicated the value in this, highlighting that "soft or 'intangible' assets ... hold the key to a company's long-term performance."

## What forms is investment in human capital management taking?

The findings of the ACCA/Net Balance research showed that leading organisations are increasingly disclosing their approach to managing people as an integral part of their core business strategies. Moreover, many organisations' employees were being engaged in the development of core business strategy.

This strategic approach to managing human capital assets, the report said, ensured business mechanisms were developed that:

- Employee turnover was kept to an acceptable level to ensure the retention of organisational knowledge and learning;
- The workforce could be developed to the maximum capacity, driving productivity;
- Employee engagement (satisfaction) could be sustained at the highest level; and
- That employees could be incentivised to perform to their highest possible standard.

Which organisations are demonstrating a commitment to sustainable human resource management practices, and how are they doing it?

The overall scores against all criteria (a total of 100) ranged from the highest 75 per cent – a score attained by only one company, ANZ Banking Group.

By contrast, the average score of all 50 companies was just 28 per cent

The report described how ANZ's detailed overview of its human capital strategy, recognised its importance and how it fed into overall business strategy and objectives.

The ANZ report also outlined how six years ago a new strategy was developed which placed equal



emphasis on financial performance and people/culture. The bank had declared that: “Cultural transformation had to come from the inside because organisations don’t transform – people do.”

ANZ’s resulting program of engagement had since reached over 30,000 employees, resulting in “a leap in employee engagement levels to 64 per cent in 2007 – 5 per cent above the industry average of 58 per cent”.

Westpac Banking Corporation similarly scored highly, at 69 per cent, through its attempts to report transparently on issues material to stakeholders.

Coles Group, meanwhile, although it fared less well elsewhere, scored 100 per cent, for its disclosures on organisational culture and values. Coles said it aimed to “make Coles Group Limited a better place to work, a better place to shop and a better place to invest. We are striving on a journey to achieve different ways of thinking and diversity. Coles Group Limited is looking for team members who share our passion for excellence, embrace change and are committed to continuous improvement.”

The empirical evidence is in. Investing in human capital management is a key strategic driver of future performance and business value.

The paper outlines further tangible details around:

- A role at the core of wealth creation Human capital in the act of creation
- Human capital in the organisational culture environment
- 8 Steps of Action HR Practitioners undertake do to make the shift to corporate strategists

A full version of this paper is available at [www.mettle.com.au](http://www.mettle.com.au)

