

Strategic Human Resources Management: A Decade in Review

Interviewed by:

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Back in 1999, Queen's IRC Senior Research Fellow Dr. David Weiss offered a far-reaching view of the forces affecting human resources management. A decade later, David takes a look back and a prescient look forward to make sense of the rapid changes in the profession. What does he see?

In 1999 you spoke to Queen's IRC about strategic HR management. At that time you noted three key external pressures on the HR environment: competitive forces, customer expectations and values, and access to capital. In the past decade, what has fundamentally changed in the HR environment and what has stayed the same?

In some respects these three forces have increased in significance since their emergence in 1999 and have created challenges regarding access to talent. These include:

- **Competitive forces:** In the last decade we have seen greater alternatives for employees to work outside of large organizations and to do well, creating a new competitive force for talent that many HR professionals did not anticipate. In part, the brand of the "large" organization has become a problem; younger workers, and some older workers, are saying, "I can actually earn a living by working in environments outside of large companies or public sector environments." HR professionals need to sell the notion that working in larger organizations is a valuable career opportunity.
- **Customer expectations:** One of the ideas in the 1999 IRC article was that HR has to focus on how it works internally to create value for the external customer. Some HR professionals were surprised by this expectation. However, now it has become better understood that it is essential for HR professionals to focus on the external customer in order to deliver internal value to the business.
- **Access to capital:** For several years in the past decade, the issue of access to capital and measuring the return on investment of human capital actually reduced in importance. Many organizations created a great deal of wealth that reduced the need to focus on an ROI of human capital. However, since the September 2008 economic crisis, this issue has re-emerged as quite a significant issue.

A fourth issue that has developed, which is of equal or even greater importance to HR professionals, is the leadership talent gap. The leadership gap has been documented widely and validated. The essential root causes of the leadership gap are as follows:

- Initially, there was a concern that the "baby boomers" would retire en masse and there would be a shortage of leadership talent. With the recent economic crisis and the elimination of forced retirement in many organizations, a new concern has emerged that the baby boomers may not retire, which will limit the career opportunities for younger talent because of the lack of upward mobility. The repercussion of not addressing this challenge is that younger talent will not want to join or stay within larger organizations.
- A number of organizations eliminated many middle management career steps without identifying alternative ways to develop their leadership talent. This has created a significant experience gap between lower levels of leadership and more senior levels.

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- Perhaps the greatest area of the leadership gap is how leaders are able to approach and manage complexity. This challenge is not just a North American problem. I recently was speaking at a conference in India and they too were concerned about the leadership gap. Notwithstanding the fact that India did not experience a baby boom phenomenon, they still are challenged by the new complexities of their economic environment. For example, many leaders within India have worked effectively within their own country. However, as companies in India globalize, either in support of global companies or as global players themselves, they expect their leaders to interact cross-culturally and deal with new complexities which, in some cases, are new to them.

The leadership gap is a very significant challenge for HR professionals to mitigate the risk associated with not having the required leadership capacity for the business. The two books I coauthored in this past decade, *The Leadership Gap* (Wiley, 2005), and its sequel, *Leadership Solutions* (Jossey-Bass, 2007), explore the challenges of the leadership gap and what is needed to measure and build the leadership capacity organizations require.

In the midst of increasing global and demographic challenges in the workplace, what does HR mean now? How is it functioning in most organizations today?

Many organizations view HR as a key asset to help their organization transform and to be successful. HR departments are often expected to lead many organizational systems such as how to address leadership capacity gaps, engage and align the workforce, implement change effectively, facilitate organizational structural change, and manage outsourced HR transactional and technological services effectively.

However, there are still organizations that view HR as primarily a transactional service, with the focus on compliance. One reason why this has persisted relates to the rise in importance of two other enabling functions within businesses: finance and legal. Since the emergence of Sarbanes Oxley, many organizations have introduced regulatory and governance controls that have increased the profile of the chief financial officer and the chief legal officer to mitigate financial and legal risk for their organizations and ensure compliance. Consistent with the finance and legal developments, HR has been asked to reemphasize its control and compliance function to ensure that the organization is compliant with regulatory and policy-related human resources issues.

One might think that the two perspectives of HR, as a key strategic asset versus compliance, are really a continuum and many HR organizations would fall somewhere in the middle. However, it appears that the executives of organizations either lean towards one perspective or the other and HR (as a function) tends to be perceived as either more strategic or as more compliance-oriented. This pattern appears to be reflected within mature industries that are more concerned with compliance and have relegated HR's role primarily towards compliance activities, while other growth industries recognize the strategic value HR can provide and focus it more on delivering strategic value.

In what ways is HR adding value to the organization's overall performance?

High Performance HR (Wiley, 2000) introduced three areas of HR contribution to an organization. These are:

- **Core People Processes** focus on the employee's life cycle at work (including HR's role in finding, developing, and retaining talent).
- **Organizational Value-Add Processes** describe HR's role in systemic organizational processes, such as succession management, leadership capacity, restructuring, change management, and engaging the workforce.
- **Business Transformation Processes** focus on the key people or organizational processes that mitigate the major business risk. For example, in 1999 many organizations were concerned about information technology (IT) talent retention, mostly driven by the anticipated challenge of Y2K. Retention is a core people process, but because it became a high risk for organizations at that time, it became one of the business transformation processes that HR needed to focus on to mitigate the risk of losing IT talent.

These three areas of HR contribution have withstood the test of time. However, our preferred label for the business transformation process has changed to "the HR value proposition." An HR value proposition is the promise to deliver a top priority HR solution targeted to remedy a critical business risk. It is identified through a deep understanding of what the business is facing and what the intentions are in terms of growth and the creation of value to its external customers. HR must identify the people and organizational risks associated with the key business strategy and determine how to mitigate the priority risks.

One challenge for HR professionals when identifying the HR value proposition is to understand the business from the business perspective and not just from an HR perspective. I observed this problem when I asked HR professionals to interview line managers as part of the data collection for an HR strategic plan. The HR professionals tended to produce HR-related answers, rather than business answers. For example, if an HR professional asks a line manager, "What are the business challenges you are currently experiencing?" the line manager often answers with HR-related challenges, such as "I have a few people who are leaving the company" or "I have a team that is not performing well." The HR representative often accepts the line manager's response and assumes he or she now understands the business challenges. However, the line manager's answer is not his or her overall business challenge, rather it is the challenge associated with HR that the line manager thought would be of greatest interest to the HR professional. The HR professional needs to discover the existing business challenges that do not necessarily have immediate and obvious HR implications. The HR professional then needs to use his or her expertise to identify the people and organizational risks associated with that business challenge and propose how to mitigate that risk for the business.

The HR value proposition lets the executives know what HR stands for. It identifies how HR focuses its efforts to deliver value to the business and mitigate strategic risk. It creates focus for HR professionals to align all their efforts to deliver strategic value to the business.

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How can HR measure or validate this organizational effectiveness?

High Performance HR was one of the first books to focus on the ROI of human capital as a key area for HR (see Chapter 10). In the research article, “HR Metrics That Count,” we presented research that identified the areas where HR is currently measuring people performance and where it needs to do this in the future. In *Leadership Solutions*, we explored the issue of how HR should measure leadership capacity to target its efforts in overcoming the leadership gap.

One important idea in *Leadership Solutions* is that the best measure of leadership capacity is a measure of your organization’s current leadership capacity versus where your organization needs to be to deliver the required business outcomes.

The same is the case for measuring organizational effectiveness. The best measure is to compare the current level of organizational effectiveness against the level of organization effectiveness that is required. This is a different measurement question then, “How am I doing on organizational effectiveness versus a best-practice organization?” A best-practice organization may have a context that is radically different than yours. We prefer an internal measure of what you are currently doing, versus what is required for the organization to succeed. The good news about this approach to measurement is that the data are in your own hands because you are assessing your own organizational effectiveness gap. The problem though is that it is labour intensive to collect the data and to specify your requirements.

There is a growing emphasis in many organizations on measuring organizational effectiveness and the return on investment of human capital. However, the challenge still exists to define the areas of measurement precisely to be able to guide the business in its human capital investments effectively.

In 1999 you discussed organizational capability as a key factor for HR success. To what extent is leadership capacity the new critical success factor for HR?

When Ulrich and Lake published the book *Organizational Capability* in 1990, many struggled with the idea that an organization can have a capability. An organization is an inanimate entity. However, what emerged over time was the realization that a systemic capability exists within organizations that can be tapped into, developed, and grown. In a recent article, “Leadership Capacity: The New Organizational Capability,” we identified how leadership capacity is a critical organizational capability for many organizations. It focuses on the leadership capacity that is required to achieve business success. For example, consider that you had 100 percent of the capacity you require in leadership—then your organization would be operating at full throttle. Consider the alternative, that your organization had 40 percent of the capacity of the leadership talent that it requires—then you have a leadership gap of a significant proportion. The gap is the difference between the leadership capacity you have currently and the leadership capacity you require. You then would need to determine what you will do to build the required leadership capacity. *Leadership Solutions* provides a methodology for doing that: how to measure what we believe is the leadership capacity required to deliver the business outcomes and how to build that capacity.

Organizational change is a reality that is getting more complicated and certainly isn't going away for most companies today. What can HR professionals do to help their organizations thrive and survive in constant change?

High Performance HR included "Implementing Change and Transition" (Chapter 9) as a business transformation process for HR. Implementing change management has become a standard expectation of HR departments and HR professionals. Leading change is fundamental, but the new development is that HR needs to become engaged in identifying the changes at an earlier stage. Organizations are recognizing that change emerges from innovative ideas that are essential for success. HR needs to extend its role in change management to an earlier stage where it can add value by facilitating innovative thinking processes. HR's role then is to facilitate and stimulate thought in addition to taking the thought once it is developed and helping people accept the change associated with the innovative idea. HR is not expected to have the innovative answers, but it should have the expertise to facilitate the innovative thinking process. This is an emerging expectation of HR in some organizations currently (see *Innovative Team Learning* by Weiss & Legrand, 2009).

Let's look now at the impact of technology on HR over the last decade. In the past decade, technology has changed payroll functions, it has changed health benefits administration, and it has changed how recruiting is done. We have Facebook, LinkedIn, and new social networking media that are also changing how we recruit and hire people. In many respects, technology has been restructuring the role of HR.

Many companies now have almost completely outsourced background checking and other automated processes. How can HR professionals grasp technology and use it to competitive advantage?

Technology innovations are changing the nature of HR work rapidly. Here are some examples:

- **Communicating innovatively:** The technology advances have provided HR professionals with innovative and effective ways to communicate and engage all employees and leaders. Most organizations structurally put external and internal communications in the same department primarily because the technical skill of communications is then located within the same unit. However, whenever there is an external and internal communication resource challenge, the external communication often receives the greater emphasis. Some organizations have identified this pattern and have either assigned internal communications as a direct report to HR or they have required dedicated resources within a communications department to be the HR business partner on communications. HR needs to leverage all the technology at its disposal to maximize its voice in internal communications. Many executives are writing blogs, more employees are accessing each other in alternative ways, and new communities of interest are developing within organizations. However, HR in most organizations is not taking accountability for internal communication. In many cases, it is a missed opportunity for some HR organizations to galvanize and engage the workforce in creative new ways.

HR needs to leverage all the technology at its disposal to maximize its voice

Influencing and consulting skills continue to be very important, but it has become even more demanding.

- **Opportunities within outsourced firms:** Technology advances have created major opportunities for HR outsourcing firms that supply technology-based transactional services to clients. These kinds of services require a significant investment in ongoing innovation to continue to be a value to organizations. Many companies do not have the expertise to deal with that kind of innovative technology or the desire to invest and upgrade it continually. The challenge for HR professionals in the outsourced companies is to simplify and translate their complicated technological language in a way that becomes understandable for their clients and to tailor their solutions to the specific needs of each of their HR business clients.
- **Managing outsourced vendors:** A new challenge for HR in businesses is to be able to manage the outsourced vendors – the external innovators who are providing service to them. HR needs to translate the vendors' work into their company's language so that it is understood. If HR is considering outsourcing various parts of its shared services, it should identify an internal resource who will be accountable for the outsourcing process. The accountable HR manager needs to understand what is being outsourced. The number one way HR can save money in outsourcing a service is to optimize the service to be outsourced prior to outsourcing. Outsourcing companies often charge a premium to take your ineffective HR process and *optimize* it for you. Some organizations have to learn that if they bring in the expertise to optimize the HR service initially, then they will be able to negotiate a much more cost effective and efficient agreement with their outsourcing service provider.

Let's consider the professional development needs of the HR practitioner. In 1999 you cited three skills which you thought were critical for professional development: enhanced professional expertise; influencing and consulting skills; and understanding customer needs and business acumen. In the past decade, have you seen any significant changes in these competencies to be a successful HR professional?

The need to understand business and customer needs has become an essential professional development need for HR. What was perceived as an innovative idea ten years ago is now viewed as a fundamental and required HR competency. HR professionals who are disconnected from the business and cannot see how they can add value to the business customers are likely to be marginalized.

Influencing and consulting skills continue to be very important, but it has become even more demanding. HR succeeds at leading change, mostly through influence. HR professionals need to fully understand the business risks and identify how HR can participate in mitigating the risks associated with people and organizational processes. HR is expected to propose people and organizational solutions that often are complex, and HR professionals will have to be able to communicate these solutions and show how they add value to the business, mitigate risk, and measure how these interventions improve performance. HR needs to communicate its insights in business language so that the business leaders will understand the HR recommendations and will support and resource it properly.

In terms of HR professional expertise, there have been changes in the HR expertise that is required. Here are some examples:

- **Change management:** HR professionals now need to be on the front end of the change process to facilitate the identification of innovative new directions that will necessitate a change in the future.
- **Engagement:** HR needs to link engagement with alignment to achieve high performance (see *The Leadership Gap*, Chapter 7). HR needs to focus on how to align the entire organization to the business outcomes and at the same time engage people effectively to give their discretionary effort to the business.
- **Cross-functional alignment:** HR needs the expertise to lead the cultural change to remove what is popularly referred to as “silos.” A silo is a deeply embedded sub-culture in a part of an organization that is much more dominant than the organization’s overall culture. What happens is that people prefer to make decisions in the best interests of the sub-culture (in support of their silo) rather than making decisions that balance the needs of their own local environment with the overall needs of the business. HR professionals are expected to have the expertise to transform this silo sub-culture and to ensure that they work cross-functionally to deliver value to the overall business.

One part of the cross-functional alignment challenge is the image that the term “silo” presents—an image of a place on a farm where grain is stored. The common solution to this “silo” problem is to break down the “silo.” That is not a very encouraging image for most leaders. The image that describes the problem better and resonates with many more leaders is to think of the various sub-units as “islands.” We have many parts in organizations that metaphorically live on separate islands. To become one land mass we need to build bridges between some of the islands. In other situations, the islands may only need a fast-moving boat or a ferry to travel from one island to the other to connect the overall enterprise. We need to think about all the “islands” within the organization and determine how to connect the various parts so that the total organization becomes greater than the sum of its individual areas.

How has the role of the HR Vice President and Director evolved and what do you anticipate will occur in the future?

HR vice presidents and directors need to focus on the business and to demonstrate HR professional expertise. Several intriguing developments have occurred, including:

- Some organizations, when HR VPs or directors demonstrate that they really understand the business and have HR professional expertise, have decided to move the HR professionals to senior business unit positions outside of HR. Their logic is that if someone has a deep understanding of the business and knows how to engage and work with people, then that person would be an excellent candidate to lead a line of business. As a result, very talented HR vice presidents and directors are now business unit directors, vice presidents, and even presidents of major companies. This is an exciting development for those individuals and, in some cases, a loss of a key talent for the HR profession.

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- There is a new developing pattern that HR professionals who aspire to become vice presidents are gaining business unit experience as part of their career path. Some companies have found that hiring external candidates to become the vice president of Human Resources has delivered uneven success because some VPs of HR do not have the internal credibility within the local business. An alternative approach that has been highly successful is having a high-performing director of HR take a two-year transfer from HR and work within one of the company's business units. For example, one director of HR moved to a position in Sales for two years. When that individual returned to HR as its vice president, she had the technical expertise of HR combined with the direct experience of being in the business unit. These two capabilities enhanced the new VP of HR's credibility with the executives and throughout the company. She was widely accepted and welcomed as the new executive leader for HR and was able to deliver value to the company and to its employees rapidly.
- A few organizations have encouraged HR professionals to work on special business projects within a business unit to expose them to the business unit challenges directly. This method also develops the HR professional's business acumen and understanding of customer needs and enhances his or her credibility. It also has the advantage of keeping that HR professional within the HR department.
- A reverse pattern that has developed in some organizations is that the HR department is seen as a positive career step for line managers within that organization. It is now more common for line managers to be assigned to HR departments to gain HR experience that will give them a broader perspective of the people and organizational issues they will face in the business units. When they eventually return to their business unit, they then are asked to integrate what they learned in their HR experience to their work. This is a radically different development than what was occurring twenty years ago when line managers close to retirement were sent to HR for the last years of their career in the company.

The key message regarding HR career development is that HR requires a combination of business knowledge and HR professional expertise. It will be difficult for a line manager who does not understand the HR areas of professionalism to take a vice presidential role in HR, just as it would be difficult for a line manager without marketing professional expertise to take on the responsibility of become a vice president of Marketing. There are fundamental, theoretical, and professional models and techniques that are essential in HR. HR vice presidents and directors need to understand and build their credibility within the local business in order to be successful and, at the same time, they need to demonstrate HR professionalism and expertise in order to deliver the greatest value to the business.

What advice would you give to practitioners currently in the field who want to shift their role in HR? What suggestions can you offer to those just starting an HR career?

HR professionals should take personal responsibility for their own development and ensure that they gain exposure to the business beyond the area of HR. HR professionals also should stay close to their HR associations and university alumni and continue to invest in their ongoing learning. HR is a changing and

evolving field of expertise, and it is easy to fall behind and eventually become unemployable. If HR professionals only focus on one particular area of HR expertise, they potentially are putting their broader HR career at risk.

HR professionals also should become knowledgeable of the outsourced service providers and external consultants working in their areas of expertise. Some internal corporate HR professionals who do not network with external service providers have difficulty understanding that area of work and find it very challenging if they want to explore career opportunities outside of corporate life. Networking with their external HR consultants and with external outsourcing firms will help them understand their businesses in the event that a career opportunity in those areas presents itself to them.

HR is, and will continue to be, an exciting career choice that will increase in its importance over the next decade. I look forward to speaking with you again in 2019 to discuss the decade in review and what might occur in the subsequent ten years in this exciting area of professional practice.

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