



New Horizons for HR

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Introduction

This time I wanted to talk about the need for change in the traditional Human Resources function. In this article we will discuss the evolving HR landscape and challenge some of the assumptions that we generally make in the traditional HR role.

How Did We Get Here?

These days, if you attend a meeting of HR professionals, you will probably see a lot of agreement about what they see as their biggest challenge - for the HR function to become a more effective strategic partner.

But what you will probably not see is a general agreement on what exactly that means – in terms of a plan for action or measurement criteria. You will however likely hear a great variety of differing views and perspectives on this issue.



In terms of HR, this reflects the differences of opinion about what a “strategic partnership” really is:

- Exactly what is the “strategic” HR challenge facing so many companies in the emerging global competitive landscape?
- What is the meaning of a “partnership” in terms of HR versus operational roles and responsibilities?

To understand the real issue better, first we need to review where we are today and how we got here. On one hand, what companies usually describe as their HR “strategy” often is really only made up of a very generic vision statement and a more or less detailed operating plan. This should not be too surprising, because for many companies, defining HR strategy has simply become an exercise in positioning themselves within a certain industry with known generally accepted HR procedures and policies.

For many corporations, establishing the strategic business agenda has been about setting fairly generic goals such as: improving operational efficiency, by increasing quality, enhancing customer service, becoming cost effective, attaining six sigma standards, etc. HR strategy therefore follows suit in a fairly generic and predictable pattern.

Today’s HR function has a strong emphasis on procedures and processes to support the operating plan. Policies for hiring, appraisal, development, compensation, change management, diversity, etc. are the tools of the HR trade. Simply evaluating the efficiency of HR processes has become the standard scorecard for measuring success.

Nobody disputes the need for operating efficiency if the HR function is to be effective in achieving and maintaining sound business performance. But in the changing global landscape, operating efficiency based on set processes alone will not by itself guarantee business success.



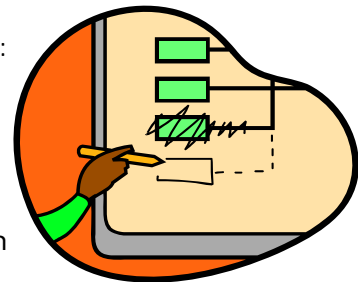
Regrettably as a strategic partner, HR is typically defined by trying to answer the question: “How can HR develop a set of supporting processes to meet the existing strategy of the business?” Unfortunately, this method of incorporating the HR function into the strategic plan makes some rather broad assumptions that may lead to less than optimal results. This method of involving HR in the strategic plan:

- assumes that HR is developing processes and plans that are linked to a genuine business strategy rather than simply an operational plan.
- assumes that HR’s added value derives from best practice processes.
- assumes that the partnership role of HR is primarily in the execution of a part of the overall strategy.

The HR strategy challenge facing companies now, requires a change from focusing on developing operational process driven procedures to a course of new discovery. This challenge brings to the forefront the limitations of the existing “It’s all about execution” old style management manna. It means that HR needs to develop a response that is based on being active participants in the creation of business strategy. It should result in raising the bar for core competencies and creating new competitive capabilities.

A New Approach to the Evolving Competitive Business Scene

Traditionally, setting business strategy starts with a question like: “How do we beat our competitors?” Deciding on business strategy has been focused how to do better within the existing ‘generally accepted’ business parameters rather than to try thinking outside of the box and take the business to new limits by challenging what is ‘generally accepted’. The traditional approach is based on the premise that the key to higher business effectiveness relies on simply removing inefficiency.



Today however, managers are dealing with new competitive realities. Their environment is shifting in very unfamiliar ways as the trusted traditional industry roadmaps dissolve and the landscape evolves into more uncertain vistas characterized by constant change. Healthcare, entertainment, consumer electronics, information technology, telecommunications, financial services and energy are all examples of industries that no longer adhere to conventional patterns.

New ‘combination’ product categories (e.g., cell phone as camera), and melding technologies are causing big ripples in the pond of the traditional value chain. More multifaceted value networks are springing up in which competitors, suppliers, consumers and collaborators play multiple and overlapping roles.

The economy in China, normally labeled as emerging, is offering very different opportunities from their original attractiveness as a low-cost outsourcing location. China is becoming a hotbed of radical business model change. And because China is an emerging economy, consumers in China may have a more active role in influencing the future of many industries than in more financially advantaged world economies with organizations more set in their ways.

When you factor in the constantly changing world of de/re-regulation and the influential economics of the ongoing digital revolution, it is easy to see why the essential challenge for strategy is the capacity to rethink and reshape the nature of the game and the rules it is played by.



For example, Sony has a plan to change from being a consumer electronics company to a digital entertainment firm, while Intel and Microsoft are trying to source new business growth areas beyond their position in the personal computer industry. Consider how aircraft engine makers such as GE and Rolls Royce are experimenting with new models that will add service and inventory logistics systems to engines in order to provide solutions to airlines that go well beyond simple engine performance.

This involves a challenging journey of discovery. It emphasizes the need for new thoughts about tactical direction, and to change the character of the execution agenda to that of quickly acquiring new organizational competencies based on new knowledge. This is not simply enforcing order in reaching known efficiency goals.

This also raises many questions about how to deal with internal management tensions between rather independent business units in the modern company. Many opportunities to design a new business strategy must span multiple businesses and require horizontal, collaborative management that goes beyond simply transferring best practices. It's more about creating "next practices".

The HR Challenge

HR needs to take a proactive, not a reactive role as a partner in determining strategic direction. If HR practices are entrenched in old ways of thinking, they may actually support the old assumptions about organizational leadership and development. The essential test is whether the HR plan is mainly focused on enabling the company to play the existing games better, or to proactively create new mindsets.



So here are a few questions for HR practitioners to consider in order to become a better strategic partner and create value in a different way.

- How can we partner with the key decision makers in the business to eliminate organizational barriers that make it difficult to leave the past behind and reinvent the future?
- How can we pilot a sound, on-going course of action to encourage executives to examine and question entrenched assumptions about structures and accepted beliefs?
- What can we do to enable our organization to elevate inter-business or inter-functional teamwork to a new level in order to take advantage of new business convergence opportunities?
- What is our role in building a company-wide capacity for innovation, particularly in creating new business models, not simply new products?
- What processes do we have to influence innovation across all borders of the organization?
- How can we create a team of managers with insight into new opportunities at the outskirts of our industry, knowledge and experience?
- What changes do we need to make to traditional executive development systems to make this happen?
- How do we create a faculty for new knowledge discovery, not simply for enabling the transfer of existing knowledge?
- How do we ensure that the company maintains a strong capacity for new knowledge acquisition, especially if it threatens old knowledge?
- Are we creating truly global executives rather than simply multi-domestic ones?



In the same way that senior operational managers are being forced to rethink their own assumptions and conventions about overall business strategy, HR professionals should re-examine their own methods for developing HR strategy.

I hope that you have found some of this information to be useful and look forward to seeing you next time. Good business to you.



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