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Strategic HCM: Closing the hole in the HR Ozone layer

By Nicholas J Higgins
DrHCM I MSc Fin (LBS) MBA (OBS) MCM I
Dean, International School of Human Capital Management, London & CEO, VaLUENTIS

HR as a profession and a function has its origins borne from back-office administration. However, the past decade has seen the role of the HR function being asked questions about its value contribution to the organisation. The problem for many practitioners is that there has been a lack of a comprehensive strategic framework that looks at the internal and external environment. Not any more. The struggle is over. The profession and function now have the tools and approaches necessary. This short article briefly introduces the new developments.

Imagine Finance

without an accounting framework. No standard balance sheet, no standard profit and loss nor cashflow statements. No standard operating principles or guidelines. No DuPont ratios to provide internal and external analysis and evaluation to speak of. Imagine the confusion and lack of focus. Where would the accounting profession be?

Imagine marketing without a Marketing framework that consists of both an external and internal evaluation of the organisation's environment. Imagine no decision science around consumer behaviour, pricing, product, promotion and channels of delivery. Imagine market surveys and their related science being used only to provide PR statements rather than for product development and customer management? How many organisations would survive or make an adequate return? Where would the marketing profession be?

'In this new world the HR function's internal focus on delivery structure (i.e. shared services, business partner etc) fades into its true lesser context because there is now a bigger external/internal organisational focus to think/do about.'

Imagine no strategic framework to analyse the organisation in its marketplace and where it derives its competitive advantage through understanding the economics at play. Imagine that neither Finance nor Marketing linked into this to provide insight and alignment. How would organisations know what they were doing vis-à-vis the marketplace?

Imagine people management, the one big differentiator of competitive advantage, having no strategic framework to provide analysis and evaluation. Resourcing, talent, reward, retention, measurement all have an external element to their internal focus. Imagine that there are only a few one-dimensional base metrics that provide very limited insight because there is no overall framework to connect them. Imagine that using feedback from employees is used more for PR reasons than for improving employee engagement and productivity through

applying science. Where would the HR/HCM profession be?

Actually, right where it is now. There's no imagining needed. There is no strategic framework to provide meaningful analysis and evaluation. There is no strategic measurement analysis which means that HR spends its time 'aligning' with the business and too often having to justify its existence, despite the everyday effort of hundreds of thousands of practitioners.

There's a hole in the HR Ozone layer and one that continues to cause discomfort.

Granted, HR may have the odd OD framework to hand but it is not the same. Neither is the common process of devising an HR strategy. In the majority of cases both are just examples of implementation plans. It feels too often like HR is 'boxed-in' and despite more recent effort continues to be viewed in a more minor role than it should. But the heat is gradually rising. Questions are being asked. Hard effort is not necessarily smart effort.

Organisations continue to suffer impaired performance through ineffective people management that is neither integrated nor practised to the level or consistency required.

Have you ever wondered why Finance or Marketing never talk of alignment the way HR does? Because being honest, neither Finance nor Marketing is perfect but their associated practice is followed everyday. And the reason why, is because both functions and their associated professions possess strategic frameworks and associated science that is sufficiently developed to provide confidence (in most cases). Period.

Yes – Accounting/Finance has been around for about 500 years and Marketing probably longer. HR by contrast has been going in a recognisable form for about 100 years. Some may argue that this provides mitigating circumstances. I would argue that given the existence of the other two functions, not being able to provide evaluation/science on a

par with them in a hundred years of HR existence raises some pretty big questions.

However, the world HR currently inherits is changing and the old version is disappearing because there is a strategic framework¹, there is a scientific base and there are robust methodologies. HR/HCM can do a strategic analysis and evaluation on people management practice, employee engagement and the link to organisation performance. It can do evaluation and management in a comparative manner and on a consistent basis to provide longitudinal (time-based) comparison. HR/HCM can also provide predictive analysis on a par with Finance and Marketing.

The great advantage is that people management has more dynamic 'variables' to manage making it the most challenging and ultimately more rewarding. Of course, the operational day-to-day stuff is still there much as in Finance and Marketing.

In this new world the HR function's internal focus on delivery structure (i.e. shared services, business partner etc) fades into its true lesser context because there is now a bigger external/internal organisational focus to think/do about.

The lid has been taken off the HR 'box'. Now all that senior HR/HCM professionals have to do is climb out (with help) and view their new world. A glorious opportunity awaits. Yes, sure - it will be challenging but the pay-off is enormous. Put those strategic 3D specs on and enjoy the journey.....the hole in HR's Ozone layer is closing.



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Berkeley Square Campus 2nd Floor, Berkeley Square House Berkeley Square London W1J 6BD	Victoria Campus 27 Floor, Portland House Stag Place London SW1E 5RS
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Tel: +44 20 7887 6121
Fax: +44 20 7887 6100
www.ISHCM.com

¹ Competitive Advantage through Strategic Human Capital Management, Journal of Applied Human Capital Management, Volume 1 Number 1 2007

International School of Human Capital Management

Berkeley Square Campus

2nd Floor
Berkeley Square House
Berkeley Square
London
W1J 6BD

Victoria Campus

27 Floor
Portland House
Stag Place
London
SW1E 5RS

Tel: +44 20 7887 6121
Fax: +44 20 7887 6100
www.ISHCM.com