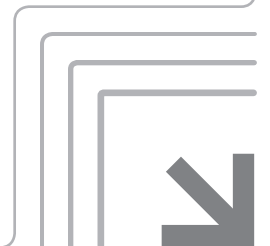


# The Future is Now: HR Competencies for High Performance

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# The Future is Now: HR Competencies for High Performance\*



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For the past twenty-five years, the University of Michigan and The RBL Group together with research partners from around the world have conducted the Human Resource Competency Study. Every five years, thousands of HR professionals and their line associates have been involved in the study. The most recent round was completed in 2012. This paper reviews the most recent findings and explains their implications for the HR profession.

This research begins with the assumption that HR professionals should shoulder responsibility for being the best thinkers in the company about the human and organizational sides of the business. They should be the corporate thought leaders in framing the HR strategy through which the people and organization may be positioned to create competitive advantage. They ensure that people and organizations are created and sustained to optimally deliver value to external and internal stakeholders by implementing the business strategy. They partner with line executives in the fulfillment of these responsibilities by engaging line executives in developing, approving, and implementing human and organizational agendas. To fulfill these purposes, HR professionals must have the knowledge, insights, skills, and experience that are most relevant for the companies and competitive markets within which they add value.

Given the accelerated rate of turbulence in almost every aspect of business, maintaining knowledge, insights, and skills that are relevant at any given time is no mean feat. The percent of global wealth that is created in one country and is transmitted and consumed by other countries continue to rise at an increasing rate. Increased globalization is facilitated by the remarkable decrease in the costs of communications (e.g., Skype). While costs of communications are decreasing, the speed of communications continues to exponentially increase (e.g., Moore's Law). Such communications build communities of networks that few years ago would have been impossible (e.g., Facebook). Such networks reduce coordination costs and enhance the market power of consumers (e.g., Craigslist) and the bargaining power of employees (e.g., Glassdoor).

Technological advancements not only facilitate communications but also accelerate product and service development on a global scale (e.g., Innocentive.com). In the midst of technological change, we see a decrease in performance combined with increase in the aging workforce and uncertain immigrant laws. As a result, the U.S. (as an example) is facing a conspicuous shortage of skilled labor. As the supply side of labor becomes more problematic, uncertainty on the demand side likewise increases with greater percent of GDP in the service sector, turbulence in the financial sector, and productivity pressures in the manufacturing sectors. All of these combine to create a context in which HR professionals must continually update their competencies.

Since its inception in 1987, the Human Resource Competency Study has documented the emerging requirements of HR professionals. This research has focused on four primary research questions:

- What are the primary competency categories or domains (factors) of HR professionals?
- How well do HR professionals perform in each competency domain?
- Which competencies have the greatest impact on individual performance of HR professionals as perceived by their line and HR associates?
- Which competencies have the greatest impact in differentiating HR professional in high-performing firms from those in low-performing firms?

The 2012 iteration of the study builds on the methodology that we have previously applied including collaboration with many leading HR professional associations and universities. This round includes the active participation of HR colleagues in Australia (AHRI), Latin America (IAE), China (51Job), India (NHRD), Middle East (ASHRM), Northern Europe (HR Norge), and South Africa (IPM). These are in addition to the active involvement of contacts from the RBL Institute and the Ross School of Business at the University of Michigan.

Because of the changes and challenges that confront the global HR community, we began our research agenda with each regional research partner conducting focus groups to

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identify the business, organizational, and HR trends in their locations. With these results, the regional research partners met to share their findings and to formulate questions that would be included in the survey. We then collected data from over 20,000 respondents and 650 organizations. The basic research approach is a 360-degree methodology in which HR professionals evaluate themselves. They then select a sample of four to eight HR and line associates. These associates then evaluate the knowledge and skills of the participating HR professionals on 139 behavioral and knowledge-based competencies. They also rate overall competence of their participating HR professional and the overall effectiveness of their companies in seven dimensions of business performance.

### WHAT ARE THE PRIMARY COMPETENCY CATEGORIES OR DOMAINS (FACTORS) OF HR PROFESSIONALS?

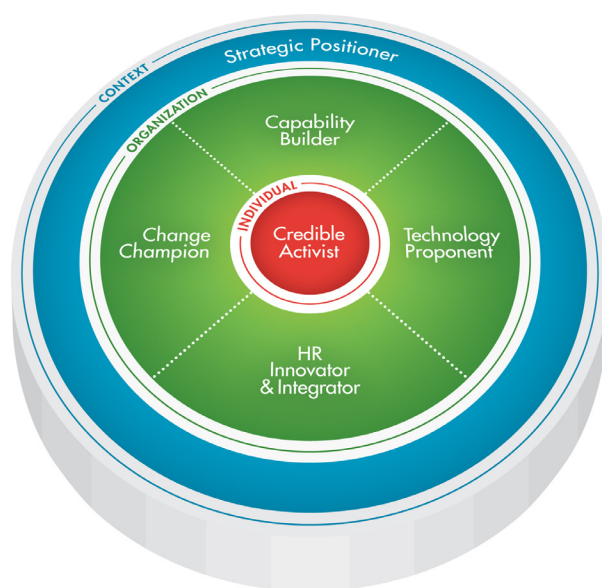
In this round of research, we have identified six domains (i.e., statistical factors) of competencies that HR professionals must demonstrate to be personally effective and to impact business performance (see figure 1).

- *Strategic Positioner.* High-performing HR professionals understand the global business context including social, political, economic, environmental, technological, and demographic trends and translate these trends into business implications. They understand the structure and logic of their respective industries and the underlying competitive dynamics of the markets that they serve including customer, competitor, and supplier trends. They then

apply this knowledge in developing a personal vision for the future of the company. They participate in developing customer-focused business strategies and in translating the business strategy into annual business plans and goals.

- *Credible Activist.* HR professionals in high-performing firms function as Credible Activists. They do what they say they will do. Such results-based integrity serves as the foundation of personal trust that, in turn, translates into professional credibility. They have effective interpersonal skills. They are flexible in developing “positive chemistry” with key stakeholders. They translate this positive chemistry into influence that contributes to business results. A major way through which such influence is established is through consistent, clear, and insightful verbal and non-verbal communications. They also have confidence in their opinions about the business. They take strong positions about business issues that are grounded in sound data and thoughtful opinions. They are not only activists for the business; they are also advocates for the importance of HR in driving business results.
- *Capability Builder.* An effective HR professional creates, audits, and orchestrates an effective and strong organization by helping to define and build its organization capabilities. Capability represents what the organization is good at and known for. These capabilities outlast the behavior or performance of any individual manager or system. Capabilities have frequently been referred to as a company’s culture. Such capabilities might include innovation, speed, customer focus, efficiency, and the creation of meaning and purpose at work. HR professionals can help line managers create meaning so that the capability of the organization reflects the deeper values of the employees.
- *Change Champion.* Effective HR professionals develop their organizations’ capacity for change and then translate that capacity into effective change processes and structures. They ensure that the capacity for change on the inside is equal to or greater than the rate of change on the outside. They ensure a seamless integration of change processes at the institutional, initiative, and individual levels. They build the case for change based on market and business reality; they overcome resistance to change by engaging key stakeholders in making key decisions and building their commitment to full implementation. They sustain change by ensuring the availability of necessary resources including time, people, capital, and information and by capturing the lessons of success and learnings from failure.
- *Human Resource Innovator and Integrator.* A major competency of effective HR professionals is their ability to integrate HR practices around a few but critical

Figure 1: 2012 HR Competencies for the Future



business issues. The challenge is to make the HR whole more effective than the sum of the HR parts. Occasionally, sub-processes within HR departments fail to be unified with different HR processes going different directions. The result is conceptual and process inconsistency. Mixed messages are sent, and performance is suboptimized. On the other hand, high-performing HR professionals ensure that desired business results are clearly and precisely prioritized, that the necessary organization capabilities are powerfully conceptualized and operationalized, and that the appropriate HR practices, processes, structures, and procedures are jointly aligned to create and sustain the identified organizational capabilities. As they do so with discipline and consistency, they help the collective HR practices to reach the “tipping point” of impact on business results.

- Technology Proponent.** As discussed above, the upheaval in the world of technology continues unabated. This dynamic aspect of business is having pronounced impact on the HR profession. For many years, HR professionals have applied technology to the basic HR work. HR information systems have been applied to enhance the efficiency of HR processes including benefits, payroll processing, healthcare costs, recording keeping, and other administrative services. In this round of the competency survey, we see a dramatic change in the implications of technology for HR professionals. High-performing HR professionals are now involved in two additional categories of technological applications. First, HR professionals are applying social networking technology to help people stay connected with each other. They help guide the connectedness of people within the firm and the connectedness between people outside firms (especially customers) with employees inside the firm. Second, in the high-performing

firms, HR professionals are increasing their role in the management of information. This includes identifying the information that should receive focus, bundling that information into useable knowledge, leveraging that knowledge into key decisions, and then ensuring that these decision are clearly communicated and acted upon. This is an emerging strategic competency through which HR will add substantive value to the organization.

### HOW WELL DO HR PROFESSIONALS PERFORM IN EACH OF THE PRIMARY COMPETENCY DOMAINS?

In table 1, the remaining three research questions are answered. From the first column in table 1, we assess in which of the HR competency domain HR professionals tend to perform best:

- HR professionals function best in the domain as Credible Activists. They are effective at building their credibility by establishing relationships of trust, by effectively communicating key business and HR issues, and by actively advocating insightful opinions that move the business forward.
- They perform the core of the competency domains at a somewhat lower level of effectiveness. They contribute to the establishment of a customer focused business strategy; they translate the business strategy into important organizational capabilities; they build and sustain organizational capabilities through the disciplined and integrated application of HR innovations; and they create organizations that are flexible and adaptable at achieving business results.
- The domain in which HR tends to be the weakest is in understanding and applying technology to build HR efficiency, to leverage social networking, and to manage the flow of strategic information.

**Table 1: HR performance in each competency domain and the relative impact of HR competencies on perception of HR effectiveness and business performance.**

|                           | Mean Score on this Competence Domain (1 to 5) | Impact on Perception of HR Effectiveness (Beta weights scaled to 100%) | Impact on Business Performance (Beta weights scaled to 100%) |
|---------------------------|---|--|--|
| Credible Activist         | 4.23  | 22%  | 14%  |
| Strategic Positioner      | 3.89  | 17%  | 15%  |
| Capability Builder        | 3.97  | 16%  | 18%  |
| Change Champion           | 3.93  | 16%  | 16%  |
| HR Innovator & Integrator | 3.90  | 17%  | 19%  |
| Technology Proponent      | 3.74  | 12%  | 18%  |
| Multiple R <sup>2</sup>   |   | 42.5%  | 8.4%   |

### **WHICH COMPETENCIES HAVE THE GREATEST IMPACT ON INDIVIDUAL PERFORMANCE OF HR PROFESSIONALS AS PERCEIVED BY THEIR LINE AND HR ASSOCIATES?**

In the second column of table 1, we identify the relative impact of the six competency domains on the overall competence of HR professionals as seen by their respective HR and non-HR associates. To be perceived as a competent HR professional, the HR professional should focus on the follow:

- Most important is for HR professionals to exhibit the competencies of a Credible Activist as described above.
- The other core HR activities are closely bundled together. This implies that to be seen as an overall competent HR professional, HR professionals must exhibit the core HR competency domains in an integrated manner.
- Excelling as a Technology Proponent has least influence on the associates' perceptions of HR professionals. This may partially be due to low expectations and lack of experience that HR professionals have in this domain.

### **WHICH COMPETENCIES HAVE THE GREATEST IMPACT IN DIFFERENTIATING HR PROFESSIONALS IN HIGH-PERFORMING FIRMS FROM THOSE IN LOW PERFORMING FIRMS?**

From the third column of table 1, interesting and, to some degree, unexpected results are expressed:

- The close results of HR as a Capability Builder (18%) and HR Innovators and Integrator (19%) reinforce the logic that HR practices must integrate to create and sustain key organizational capabilities in order to significantly impact business performance.
- The impact on business performance of HR as a Technology Proponent is at a level that is at the same level of impact as HR as a Capability Builder and as an HR Innovator and Integrator. This is a remarkable and an unexpected finding.

### **CONCLUSIONS**

The above results are based on the examination of the individual columns of table 1. When we look across columns, additional important conclusions can be drawn.

- What HR professionals do best is exhibit the competencies of a Credible Activist; however, functioning as a Credible Activist has the least impact on business results. One might argue that being a successful Credible Activist is a prerequisite to being involved in those activities which have greater impact on business performance. On the other hand, HR professional should recognize that simply

having personal credibility does not mean that they have contributed optimally to business performance. Being popular on the inside does not necessarily lead to creating value on the outside.

- Likewise, having the knowledge and skill to contribute to business strategy as a Strategic Positioner creates impact on business performance when that knowledge and skill are primarily applied to creating organizational capability and building HR practices that create and sustain that capability.
- Most interesting is that the Technology Proponent domain has the least impact on the associates' perceptions of overall competence and is done least well by HR professionals. But when it is done well, it has nearly as much impact on business performance as the influence of the combined HR practices and the creation of organizational capability. This domain is not done well throughout the global HR community but when it is done well it significantly impacts business performance. This provides a distinct opportunity to add differentiating competitive advantage.

This is an exciting time to be an HR professional. This research shows what HR must do to be seen as a competent HR professional and what HR must do to impact business results. This research helps to identify the priorities on which HR professionals should focus on in their personal professional development. As they do so, they will be able to better help themselves and their organizations create value in an increasingly volatile and complex business environment.

# About the Authors

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Dr. Brockbank is a Clinical Professor of Business at the University of Michigan's Ross School of Business. At the Ross School of Business, Dr. Brockbank is the Director of the Center for Strategic HR Leadership and the Faculty Director and Core Instructor of the Strategic Human Resource Planning Program, the Human Resource Executive Program, and the Advanced Human Resource Executive Program.



## **DAVE ULRICH**

Dave has consulted and done research with over half of the Fortune 200. Dave was the editor of the *Human Resource Management Journal* 1990 to 1999, has served on the editorial board of four other journals, is on the Board of Directors for Herman Miller, is a Fellow in the National Academy of Human Resources, and is cofounder of the Michigan Human Resource Partnership



## **JON YOUNGER**

Jon's career has been a mix of consulting, executive management, and HR leadership. Prior to joining The RBL Group, he was Chief Learning and Talent Officer of one of the largest U.S.-based financial services organizations, responsible for the leadership development, corporate learning, staffing, performance and talent management, and succession planning. He has also managed executive compensation and HR strategy.



## **MIKE ULRICH**

Mike's background is focused on research methods and statistical analysis. He holds both B.S. and M.S. degrees in statistics with emphasis on business analysis. Mike has experience in a wide variety of statistical methods, including ANOVA, sample and survey design, structural equation modeling, Bayesian hierarchical models, stochastic processes, and non-parametrics. He has worked on a variety of statistical projects from exit polling to the relationship between job performance and satisfaction.

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