

Talent & Organization Performance

Human capital strategy as a business differentiator

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As industries around the world turn their attention to a new era of growth, the importance of an enterprise's human capital has risen dramatically. Acquiring and retaining new customers; generating new ideas; improving productivity: these challenges place new demands on the workforce and those who lead it.

Every company engages in some sort of workforce planning, of course, and has processes in place to source, develop and deploy its people. Yet the economic downturn and the speed of marketplace change have outstripped the ability of traditional talent management programs to meet business needs.

Executives must now pursue a more comprehensive and integrated *human capital strategy* that includes the management of talent as well as the associated leadership, culture and organization components that multiply the value of talent and create an enterprise that is better able to execute business strategy and adapt to a changing marketplace.

There is urgency here but also opportunity. Those who can effectively translate their business strategy into an actionable human capital strategy can drive a new

kind of competitive advantage—one extremely difficult for others to imitate.

Linking business strategy to human capital requirements

HR is the corporate function tasked with acquiring, developing and deploying the people needed for an enterprise to be successful. Yet many HR departments struggle to gain a deep enough understanding of how business goals translate into specific workforce and organization needs. What's missing at many companies is a strong program, led from the top, to articulate the human capital dimensions of a business vision at a strategic level (see chart). Without this human capital strategy, HR can't see at a broad enough level, and senior management can't see at a detailed enough level.

An effective human capital strategy helps put in place the right leaders to source, develop and direct the right workforce talent, supported by the right culture, organization and operating model. Work in the human capital dimension underpins many of the company's most important decisions about where and how to compete. It also supports the enterprise as it

The relationship between business strategy, human capital strategy and HR strategy



balances short-term decisions with longer-term imperatives. In this way, a human capital strategy supports an enterprise in meeting today's urgent needs while also helping it become agile enough to reposition itself for ongoing market competitiveness and growth.

Creating and implementing a human capital strategy

A program to create and implement a human capital strategy involves multiple phases of work across four primary work streams—talent, leadership, culture and organization—supported by program management and governance to help guide the entire endeavor.

Talent

The primary activity of the talent work stream is to define the workforce capabilities needed to execute the business strategy. Therefore, the first step is for executives to review the company's current business strategy to determine not only which specific capabilities are required by the workforce but also what other impacts the business strategy may have on the workforce. Perhaps new approaches to recruiting and hiring are necessary, or the company may need to source talent in different locations.

More detailed workforce planning is then conducted, at which time a company determines the workforce supply it needs—how many people are required for each type of job, now and in the future. The next step is to analyze any potential gap between existing workforce competencies and those needed to execute the business strategy going forward.

If properly designed and executed, programs within the talent work stream of the human capital strategy can significantly contribute to a company's ability to attain its business goals, and to attract, motivate and retain the right people.

Leadership

The leadership development aspects of an organization's human capital strategy focus on several key questions:

- What is the specific value that is expected to be delivered by senior leaders? Beyond their official job titles, what are the particular outcomes they are expected to produce?

- What attributes, capabilities and behaviors are expected from future leaders?
- How can organizations use leadership development as a competitive advantage?

Companies then must put in place leadership development programs that are closely tied to the needs of the business strategy and the shifting marketplace.

Culture

Executives used to look upon corporate culture as a "soft and fuzzy" area over which they had little control. High-performance businesses, however, don't see it that way. Today's senior leaders are increasingly finding that their business strategies stand little chance of being adopted and executed if the current culture of their company impedes the ability to accommodate change and support the business vision.

This work stream of the human capital strategy identifies cultural implications of the business strategy, including whether the corporate culture is aligned with the business strategy. If the culture is aligned, executives must help reinforce those attributes that support the execution of strategy. If the culture is not aligned, then specific programs must be put in place to influence the culture and push it in the right direction.

It is possible to gain a detailed, measurable picture of a corporate culture. GE Healthcare, for example, has been focused on creating a more collaborative and customer-centric culture. The company used Accenture's Culture Value Analysis methodology to examine six particular characteristics of more open collaboration: teamwork, trust, managing conflict, minimizing political maneuvering, eliminating siloed behavior and openly sharing information across the organization. The diagnosis identified several areas where GE Healthcare could strengthen its collaborative capabilities to take advantage of opportunities for growth.

Organization

Executives often overlook the fact that their company's organization structure and operating model has a profound effect on how effectively people perform on the job. Talent dimensions such as employee sourcing, training, leadership development and culture change cannot be effective if the operating

model and organization design interfere with implementation.

From a design perspective, effective reporting structures, financing, operations, budgets, rewards and so forth must be in place. Similarly, the operating model of the business must organize work in an optimal way and then help people act on strategic priorities in proper sequence.

Conclusion: Sustaining your competitive differentiation

The nature of competition today is shifting across almost every industry. Can companies continue to innovate, and to execute strategy, at the speed required to compete in the marketplace? The answer to that question largely depends on an enterprise's investments in its human capital assets.

Sourcing and retaining top talent in the right numbers and the right places is a key part of the equation. Equally important, however, are the leadership qualities, cultural characteristics and organization structures that enable workforce talent to help the company as a whole achieve high performance.

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