Navigating HR's Impact: HR Competency and Capability Study (HRC²S)

McGraw Hill Webinar September 24, 2021

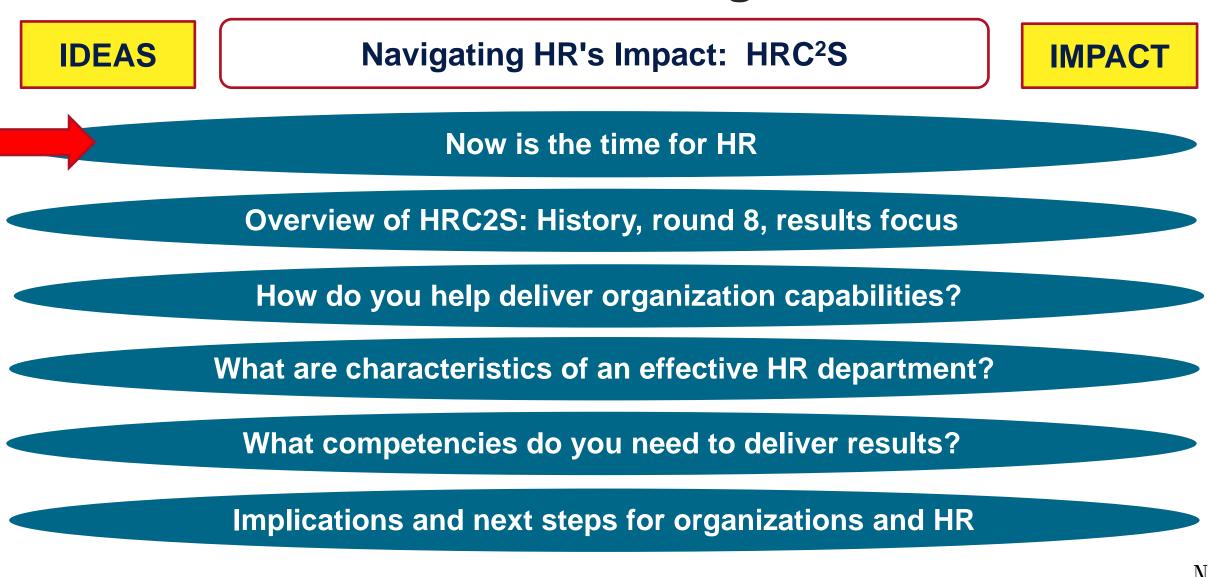
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Business Capabilities

HR Department Results

Overall Goals and Agenda



Now is the time ... Today's business context



Increasing Attention to "HR" Issues

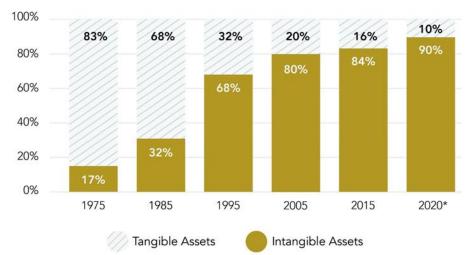
New SEC Rules

on Human

Capital

Disclosures

COMPONENTS of S&P 500 MARKET VALUE



SOURCE: OCEAN TOMO, LLC INTANGIBLE ASSET MARKET VALUE STUDY, 2020

Report of the **NACD Blue Ribbon Commission** CULTURE AS A CORPORATE ASSET

PUBLISHED BY THE NATIONAL ASSOCIATION OF CORPORATE DIRECTORS

Lifting the lid on the value of a company's human capital



Human Capital as an Asset: An Accounting Framework to Reset the Value of Talent in the **New World of Work**



Business

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MAKING SEWER OF THE BUSINESS ROUNDTABLE

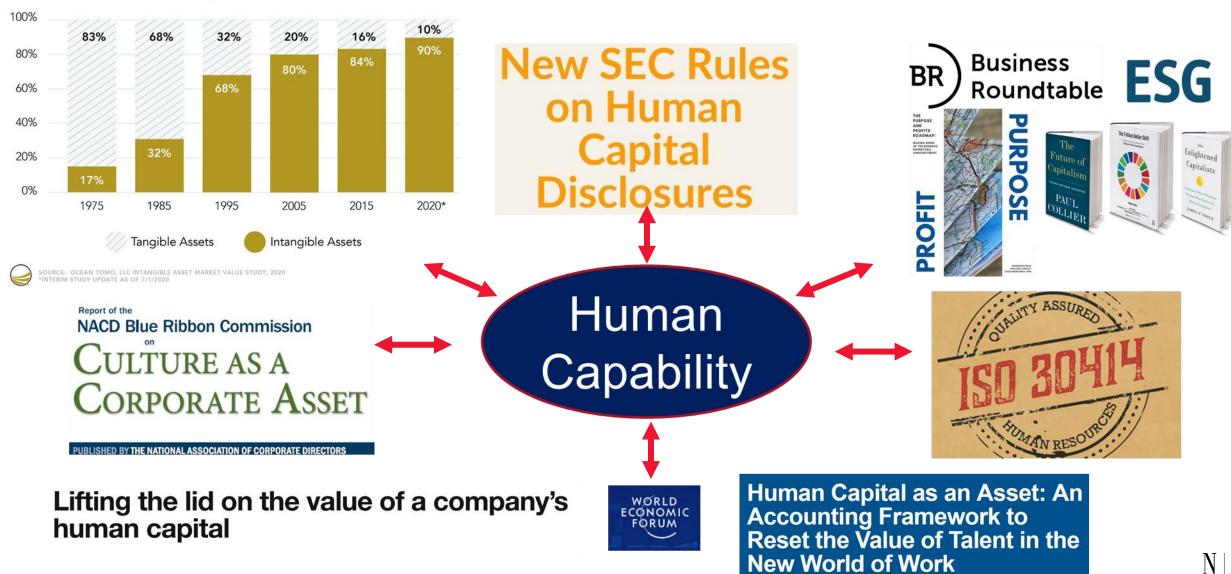
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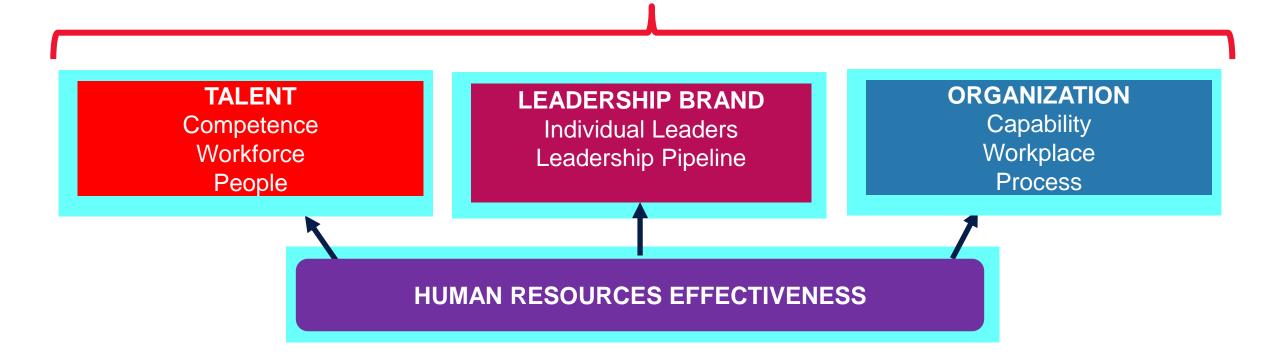
Now is the time ... for human capability

COMPONENTS of S&P 500 MARKET VALUE



Overview of Human Capability

HUMAN CAPABLILITY





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HR Competency and Capability Study

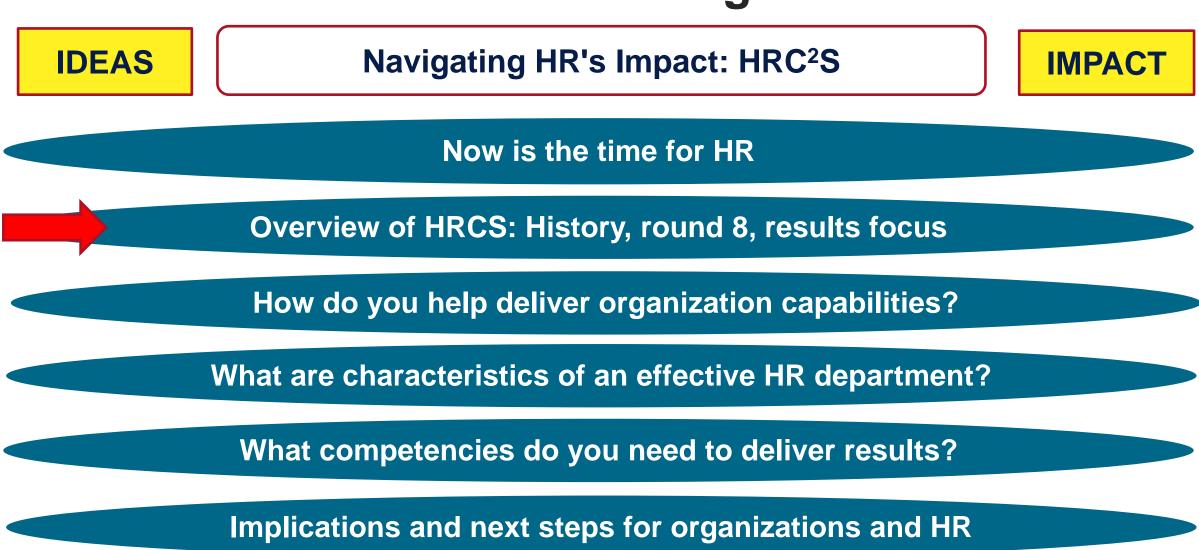
To Navigate HR's Impact: HR trends/assumptions

How can HR people and departments deliver more value?

Emerging Trends/Assumptions

- 1. HR is not about HR, but **delivering value** to all stakeholders inside (employees, business strategy) and outside (customer, investor, community)
- 2. HR contributes **human capability** (talent, leadership, and organization) to all stakeholders
- **3. HR reinvention occurs** through the HR department, HR people, and business conversations

Overall Goals and Agenda







MICHIGAN ROSS / The RBL Group

How can HR people and departments deliver more value?



© The **RBL** Group

HRC²S Round 8: Research team

- Mike Ulrich, Co-Director
- Pat Wright, *Co-Director*
- Erin Burns, Co-Director
- Scott DeRue, Co-Director
- Kaylene Allsop, Project Manager
- Dave Ulrich, Advisor
- Wayne Brockbank, Advisor

MICHIGAN ROSS

The **RBL** Group



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HR Competency and Capability Study

HRC²S Round 8 Partner Associations

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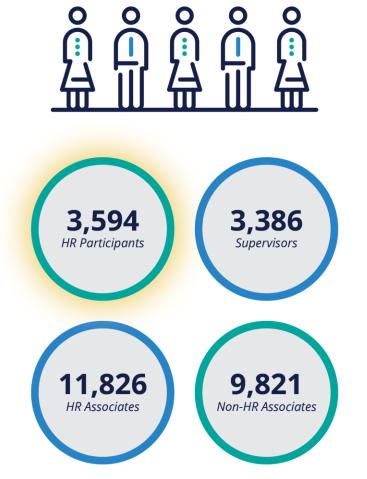
HRC²S Round 8: Participant Demographics

Study Participants

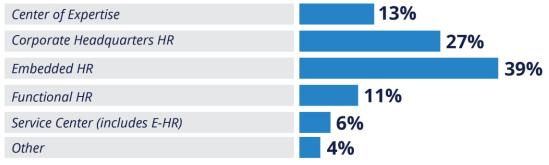
Global norms are based on the overall mean from the following respondents:

Total # of Respondents: **28,627**

Organizations: **1,013**



Primary Role of HR Participant



Primary Level of HR Participant

C-suite	4%	
Executive/Vice President	5%	
Director/Senior Manager		29%
Manager/Supervisor/Senior Technical		33%
Professional/Individual Contributor		25%
Other	5%	

Total Tenure of HR Participant

	·
0-5 years	11%
6-10 years	18%
11-15 years	23%
16-20 years	20%
20-25 years	14%
More than 26 years	14%

How to navigate HR's impact going forward?

HRCS round 8 focuses on the following questions:





What should be the characteristics of an effective HR department?



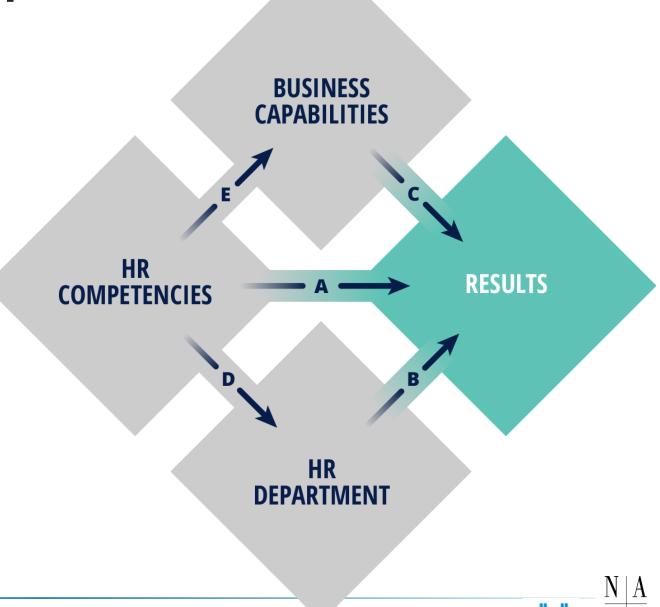
What **competencies** do you need to deliver personal, stakeholder, and business results?



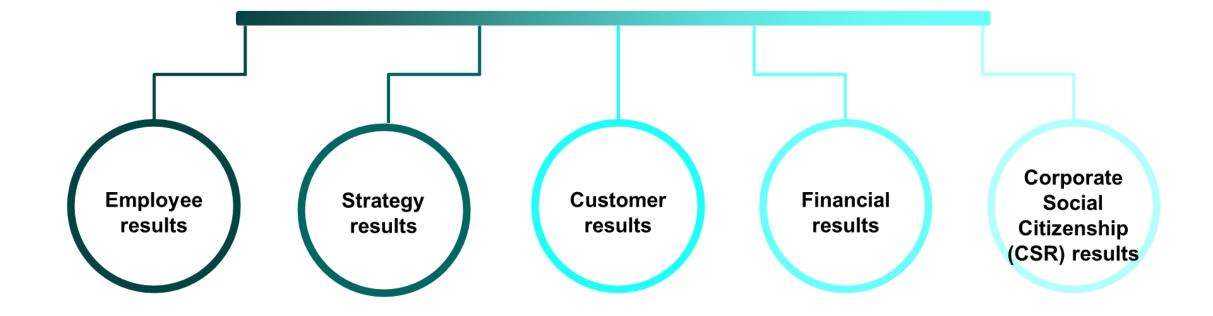
How to navigate HR's impact

Start with results:

- HR is not about HR, but delivering results...
- For the business
- For stakeholders (internal and external)
- For self (personal effectiveness)



What results matter most to my business?





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HR Competency and Capability Study

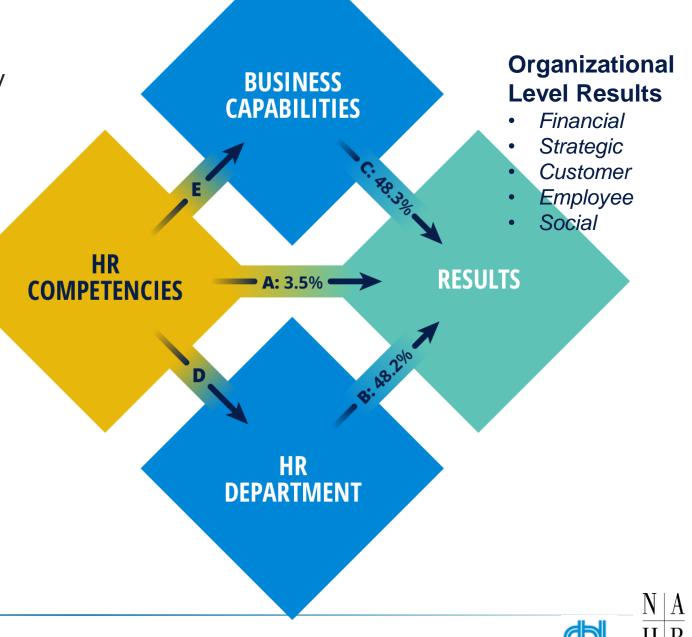
HRC²S : Overall results

25% of the Variation in Business Results is Explained by Capabilities, HR Department, and HR Competencies

1. What **competencies** do you need to deliver personal, stakeholder, and business results? (path A)

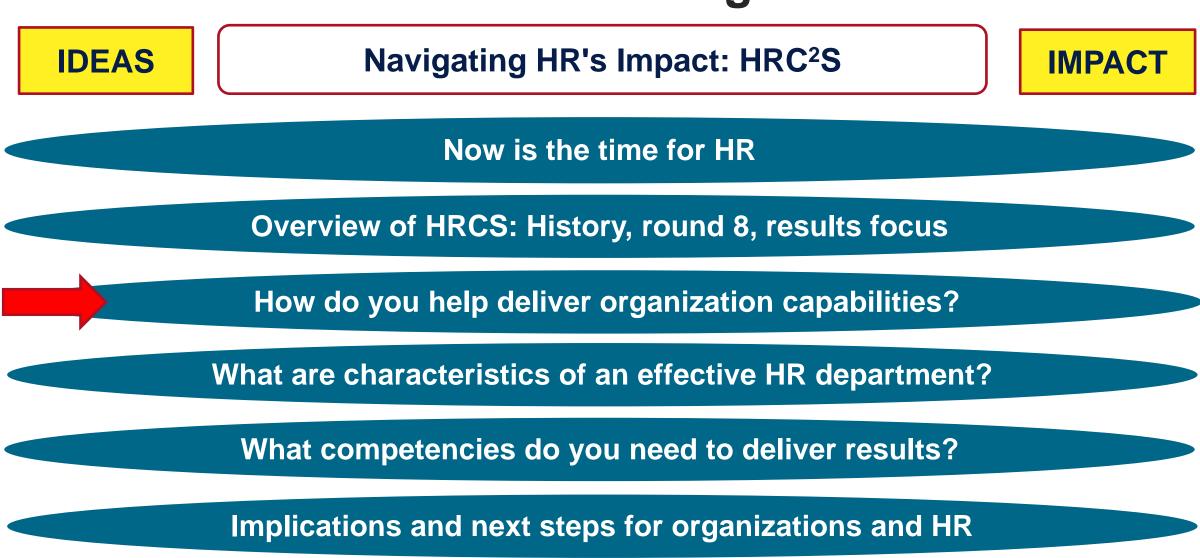
2. What should be the characteristics of an effective **HR department**? (B, D)

3. Which **business capabilities** should you help create to deliver business results? (C, E)



Overall Goals and Agenda

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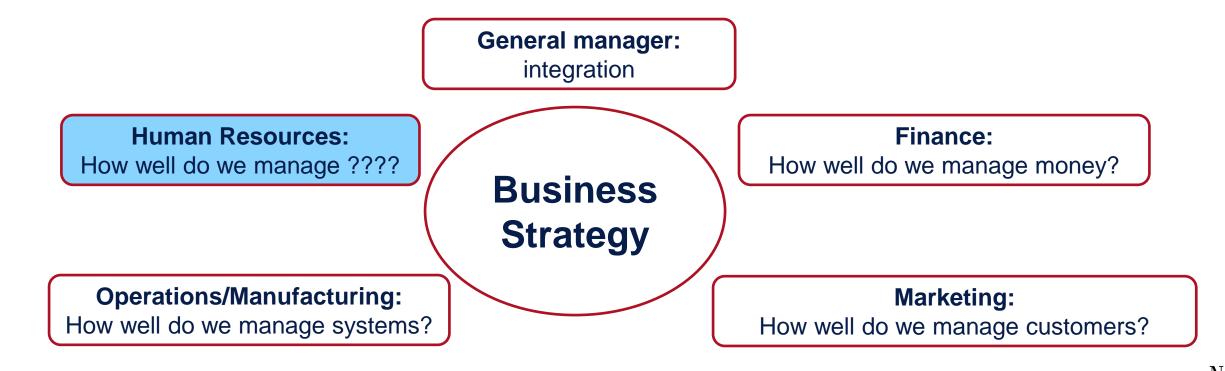


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HR is not about HR ...

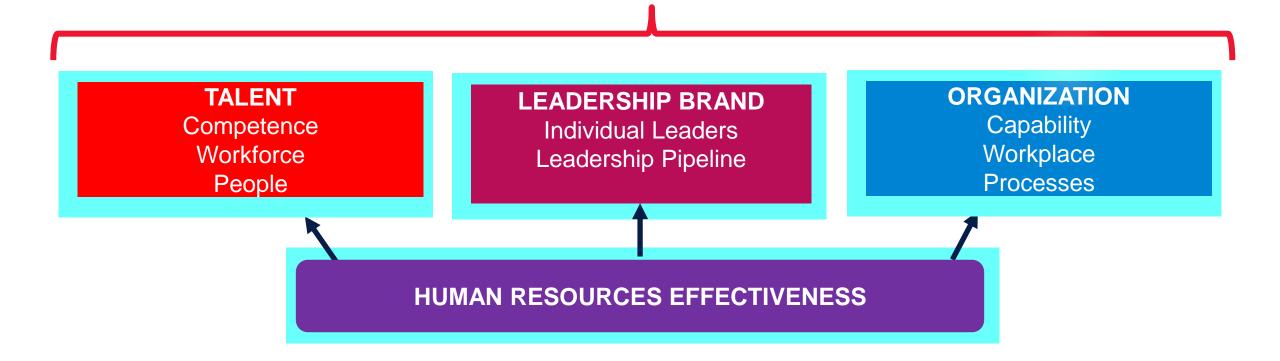
Outcomes/Contributions:

What are the "outcomes/contributions" of effective HR? (e.g., finance delivers economic insights; marketing customers; manufacturing quality products, HR ... ??)



Overview of Human Capability

HUMAN CAPABLILITY



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HR Competency and Capability Study



Which business capabilities deliver business results?

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DESCRIPTION	IMPORTANCE TO BUSINESS	CURRENT EFFECTIVENESS
Establishing a reputation for sustainability, philanthropy, and employability in our industry and community		
Our values and purpose drive our employees and attract customers		
Our employees are highly skilled and considered best in the industry		
We quickly adapt our processes, products, services, etc. to meet changing demands		
Building leaders that execute today and generate confidence in the future		
Creating and enforcing standards that lead to high performance and execution		
Generating, generalizing, and implementing ideas with impact		
Using predictive analytics, artificial intelligence, machine learning, digitalization, etc to drive value for stakeholders		
Working together across boundaries to ensure effectiveness and efficiency		
Creating a shared agenda and broad commitment and engagement around our strategy		
	 Establishing a reputation for sustainability, philanthropy, and employability in our industry and community Our values and purpose drive our employees and attract customers Our employees are highly skilled and considered best in the industry We quickly adapt our processes, products, services, etc. to meet changing demands Building leaders that execute today and generate confidence in the future Creating and enforcing standards that lead to high performance and execution Generating, generalizing, and implementing ideas with impact Using predictive analytics, artificial intelligence, machine learning, digitalization, etc to drive value for stakeholders Working together across boundaries to ensure effectiveness and efficiency Creating a shared agenda and broad commitment and 	DESCRIPTIONTO BUSINESSEstablishing a reputation for sustainability, philanthropy, and employability in our industry and communityOur values and purpose drive our employees and attract customersOur employees are highly skilled and considered best in the industryWe quickly adapt our processes, products, services, etc. to meet changing demandsBuilding leaders that execute today and generate confidence in the futureCreating and enforcing standards that lead to high performance and executionGenerating, generalizing, and implementing ideas with impactUsing predictive analytics, artificial intelligence, machine learning, digitalization, etc to drive value for stakeholdersWorking together across boundaries to ensure effectiveness and efficiencyCreating a shared agenda and broad commitment and

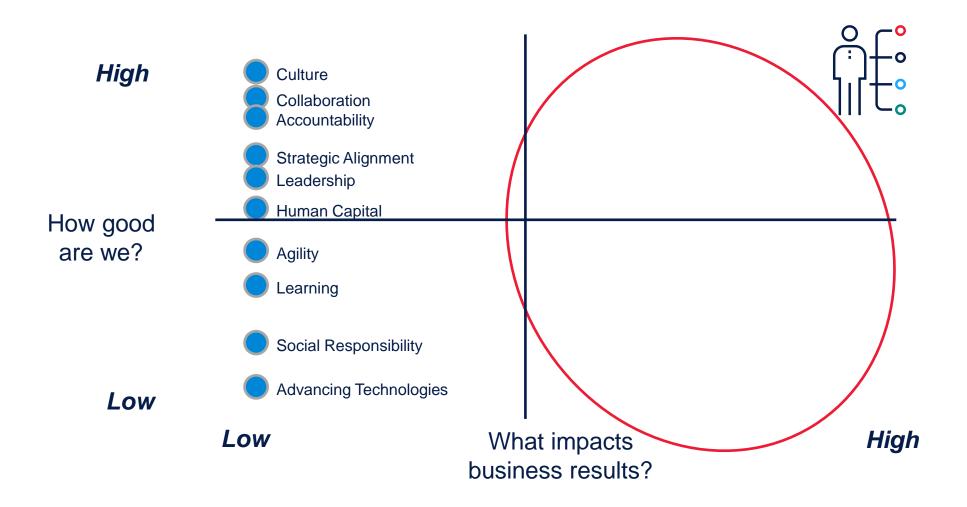


Which of these do you think has the most impact on business performance?

- 1. Social Responsibility
- 2. Culture
- 3. Human Capital
- 4. Agility
- 5. Leadership
- 6. Accountability
- 7. Learning
- 8. Advancing Technologies
- 9. Collaboration
- 10. Strategic Alignment

Poll

How are we doing and where should we focus?





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HR Competency and Capability Study

HRC²S Capability Summary

10 Capabilities	A Mean (1,013	B Overall results score	C Financial	D	E Customer	F Employee	G CSR
1. Leadership	orgs) 4.84	9.9%	9.9%	8.5%	7.4%	6.9%	6.8%
2. Strategic alignment	4.85	3.6%	5.6%	2.8%	5.3%	8.9%	3.5%
3. Social Responsibility	4.48	19.5%	11.5%	9.3%	9.0%	11.5%	45.1%
4. Accountability	4.88	8.3%	6.5%	10.3%	10.4%	7.8%	4.5%
5. Collaboration	4.90	5.3%	2.9%	10.6%	7.4%	5.7%	5.9%
6. Learning	4.68	6.4%	7.3%	9.0%	5.5%	8.5%	7.4%
7. Human Capital (talent)	4.82	13.4%	8.2%	16.6%	13.5%	18.1%	6.5%
8. Culture	4.96	16.6%	19.1%	13.7%	18.1%	16.5%	9.0%
9. Agility	4.74	10.5%	24.0%	12.2%	17.7%	10.3%	3.2%
10. Advancing Technologies	4.37	6.4%	4.9%	6.9%	5.8%	5.8%	8.1%

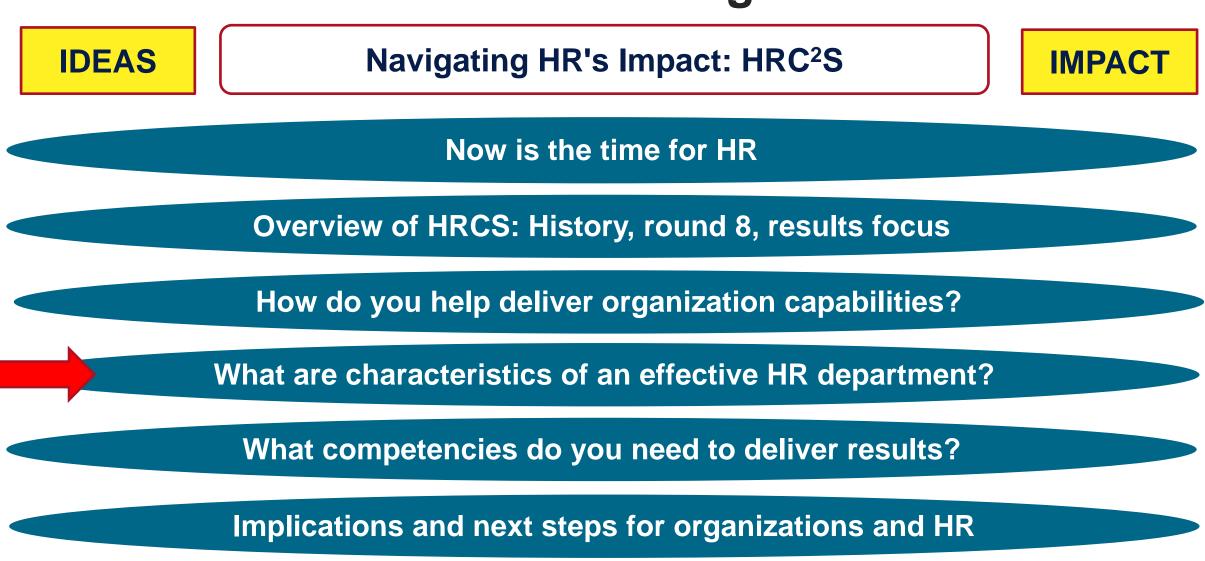
HR Competency and Capability Study

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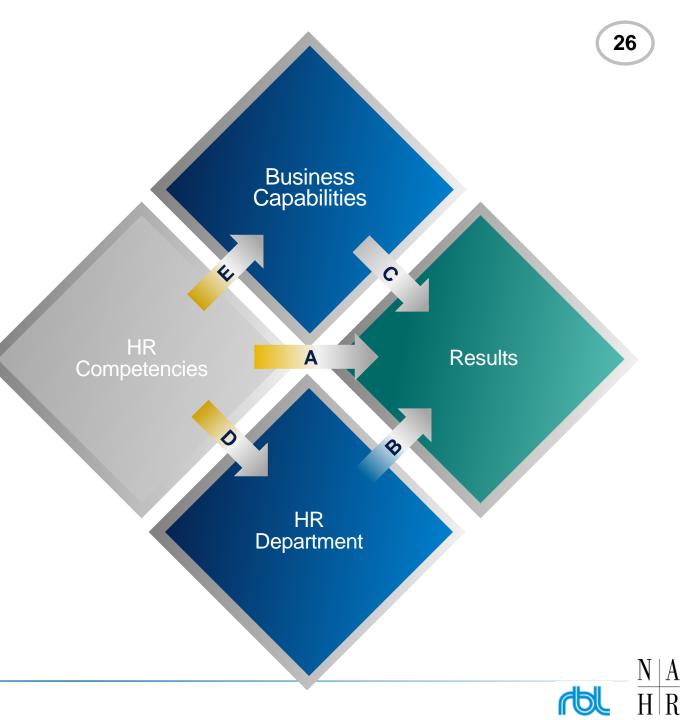
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Overall Goals and Agenda



2. What characteristics of an effective HR department build business capabilities and drive business success?



HR Department:

What characteristics of an effective HR department build capabilities and drive business success?

- **Employee Practices:** HR policy/practices used for employees
- **Practice Alignment:** HR practices aligned to support development of key strategic capabilities
- Stakeholder Value: HR designs/delivers practices to add value to stakeholders
- Information and Analytics: HR accesses, acquires, and acts on information/analytics
- Capability Support: HR department effectiveness at supporting capabilities
- HR Department Credibility: HR department is seen as credible
- Reliance on HR: Organization relies on HR to provide insights

Which of these do you think has the most impact on business performance?

- 1. Employee Practices
- 2. Practice Alignment
- 3. Stakeholder Value
- 4. Information and Analytics
- 5. Capability Support
- 6. HR Department Credibility
- 7. Reliance on HR

Which of these do you think has the most impact on business performance?

- 1. Employee Practices
- 2. Practice Alignment
- 3. Stakeholder Value
- 4. Information and Analytics
- 5. Capability Support
- 6. HR Department Credibility
- 7. Reliance on HR

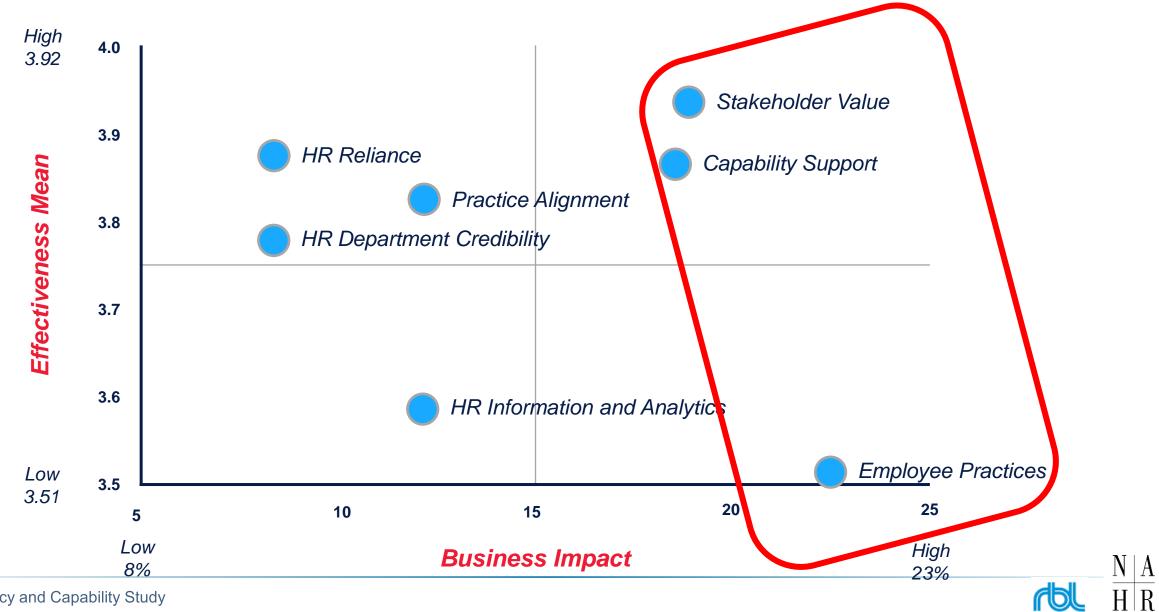
What should be the characteristics of an effective HR department?



Path B: HR Department and Impact on Business Results

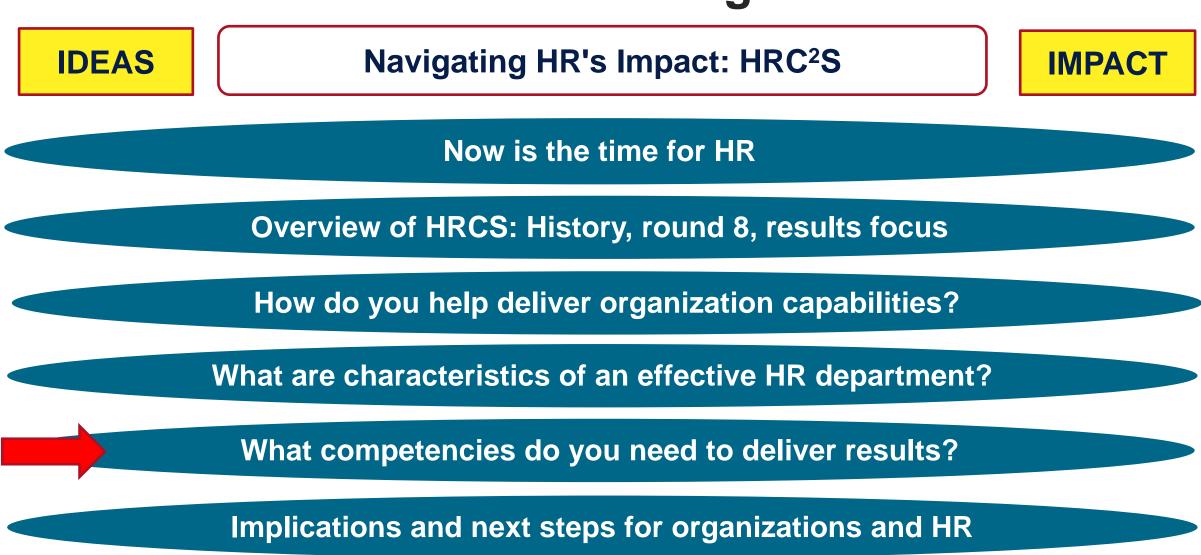
HR Department	Mean	Business Results (100)
Employee Practices: HR policy/practices used for employees (10 items)	3.51	23%
Practice Alignment: HR practices aligned to support development of key strategic capabilities (12 items)	3.84	12%
Capability Support: HR effectiveness at supporting capabilities (4 items)	3.86	19%
Stakeholder Value: HR designs/delivers practices to add value to stakeholders (5 items)	3.92	19%
HR Department Credibility: HR department is seen as credible (11 items)	3.79	8%
HR Information and Analytics: HR accesses, acquires, and acts on information/analytics (7 items)	3.59	12%
HR Reliance: Organization relies on HR to provide insights (9 items)	3.89	8%
Overall regression	_	48.2%

Prioritizing HR Department Actions



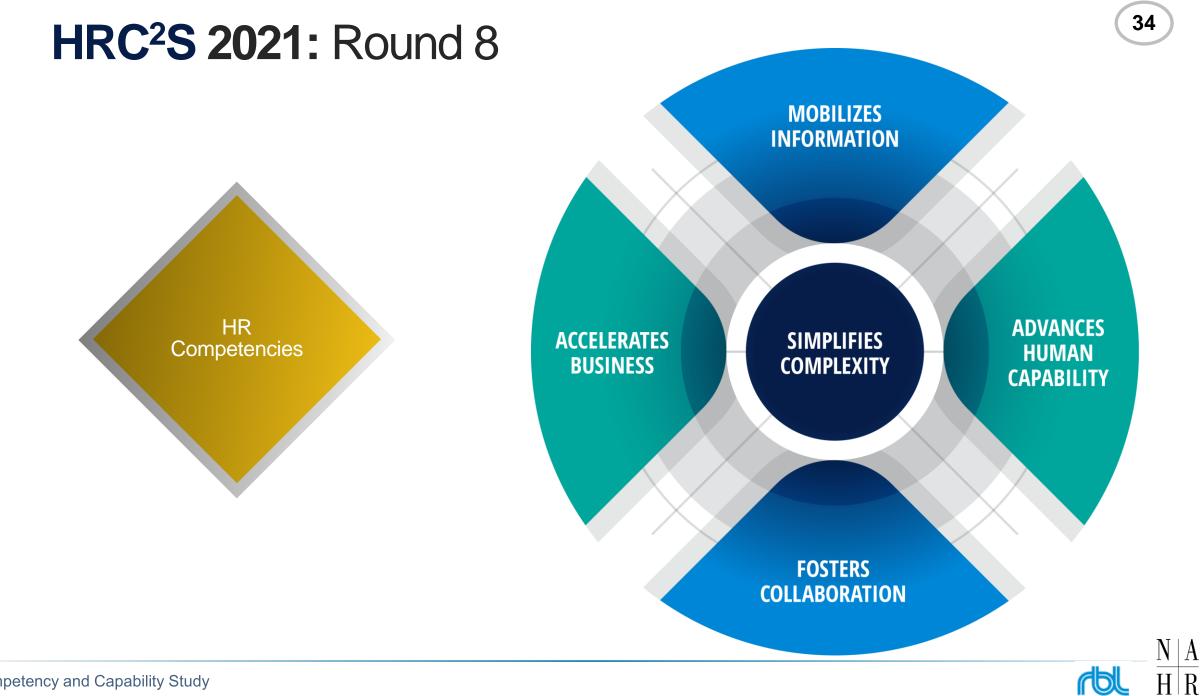
HR Competency and Capability Study

Overall Goals and Agenda



What **competencies** do you need to deliver personal, stakeholder, and business results? (Path A)



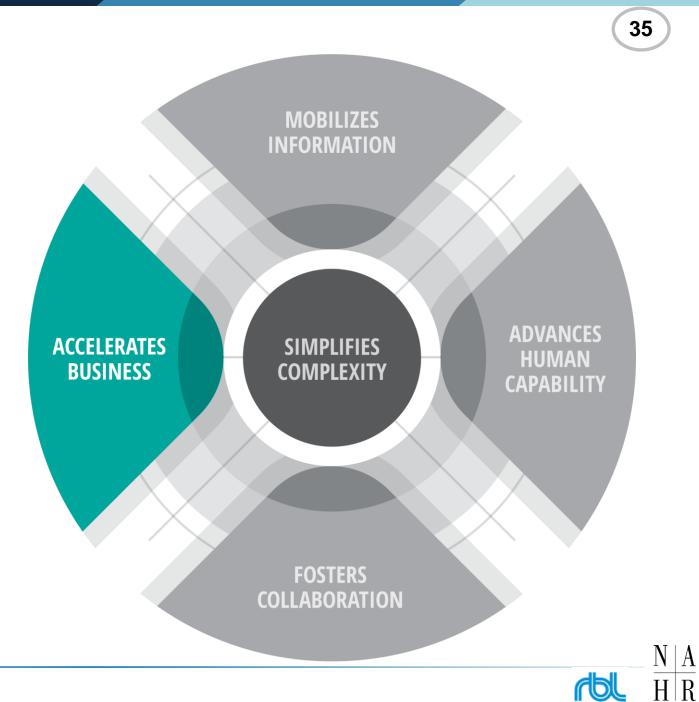


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HR Competency and Capability Study

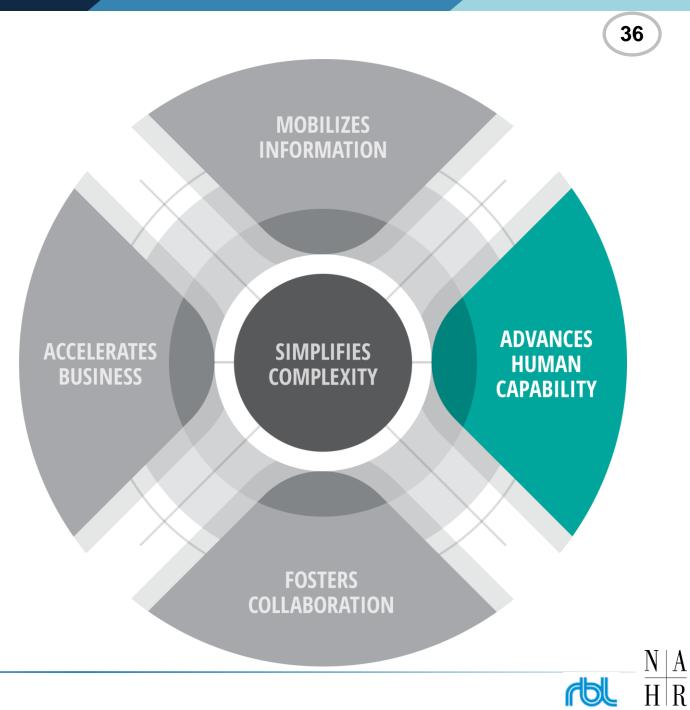
Accelerates Business

- Generates Competitive
 Insights
- Influences the Business
- Gets the Right Things Done
- Drives Agility



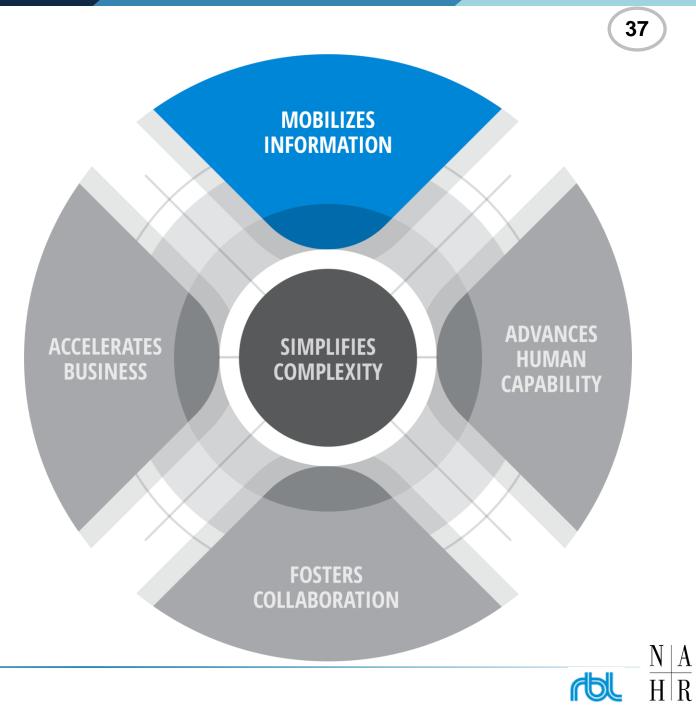
Advances Human Capability

- Elevates Talent
- Delivers HR Solutions
- Champions Diversity, Equity, and Inclusion



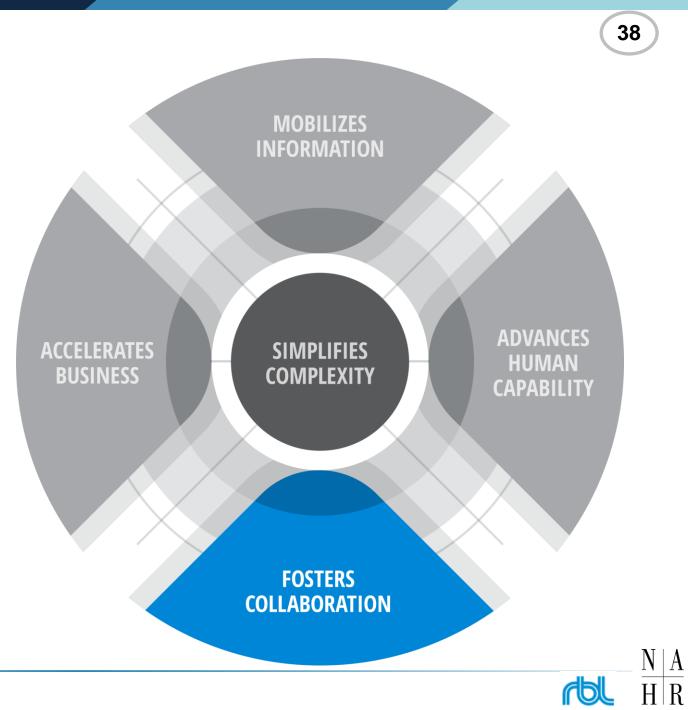
Mobilizes Information

- Leverages Information and Technology
- Guides Social Agenda



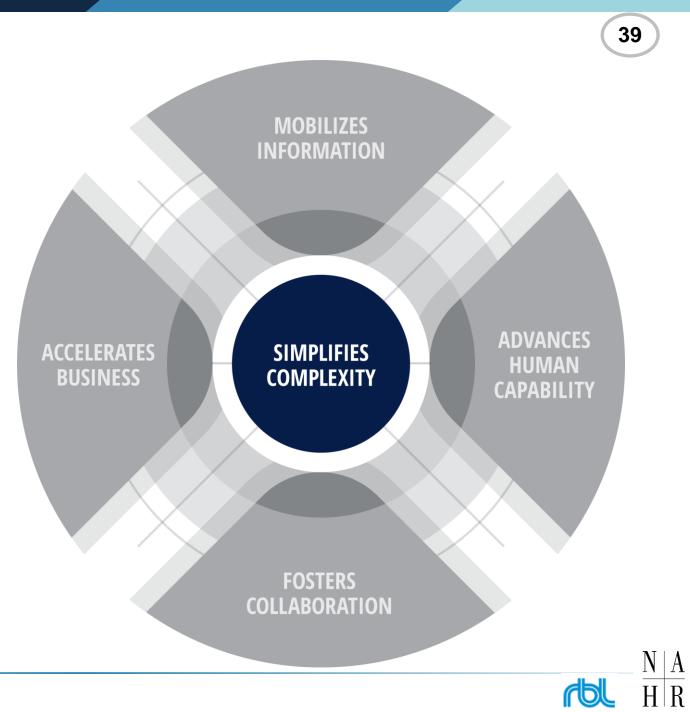
Fosters Collaboration

- Manages Self
- Builds Relationships



Simplifies Complexity

- Thinks Critically
- Harnesses Uncertainty



Which of these do you think has the most impact on business performance?

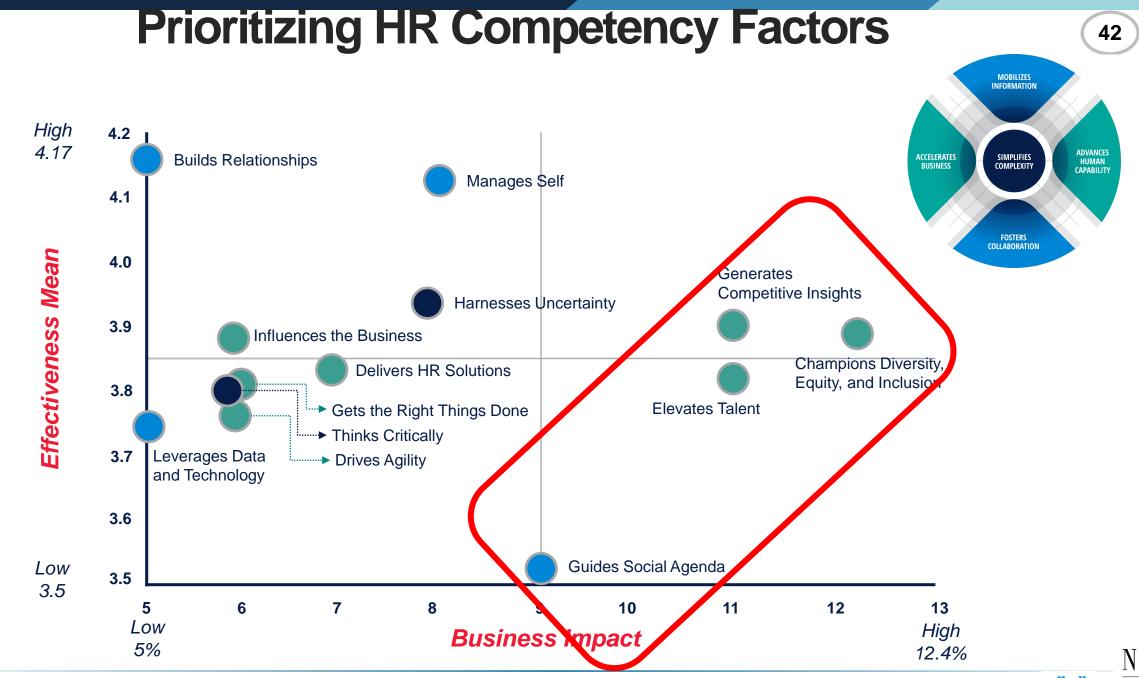
- 1. Accelerating the Business
- 2. Advancing Human Capability
- 3. Mobilizes Information
- 4. Fosters Collaboration
- 5. Simplifies Complexity

HR Competencies and Results

Path A: HR Competencies to Results

		1	2	;	3	4	
•		Mean	Personal Effectiveness (N=3594)	fectiveness (N=3594)		Business Results (N=1013)	
				Internal	External		
	Accelerates Business	3.84	23%	23%	24%	23%	
	Advances Human Capability	3.84	19%	20%	19%	35%	
	Simplifies Complexity	3.83	21%	19%	19%	13%	
	Mobilizes Information	3.67	17%	17%	23%	16%	
	Fosters Collaboration	4.14	19%	21%	15%	14%	
	Overall Regression	_	47.2%	45.5%	44%	3.5%	

*These columns sum to 100%, representing the percentage of explained variance in the model that can be explained by each variable category



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Overview of HR Competencies and Impact

	Organization Capabilities				Organization Capabilities HR Department							Businesss Results
	Social Responsibility	Human Capability	Culture	Agility	Employee Practices	Stakeholder Value	Capability Support	Personal Effectiveness	Internal Stakeholders	External Stakeholders	Overall Performance	
Accelerates Business	15%	21%	21%	25%	24%	22%	23%	23%	23%	24%	23%	
Advances Human Capability	26%	31%	30%	27%	34%	22%	29%	19%	20%	19%	35%	
Simplifies Complexity	11%	15%	13%	13%	14%	22%	15%	21%	19%	19%	13%	
Mobilizes Information	39%	13%	17%	26%	16%	19%	15%	17%	17%	23%	16%	
Fosters Collaboration	8%	19%	19%	10%	12%	15%	19%	19%	21%	15%	14%	

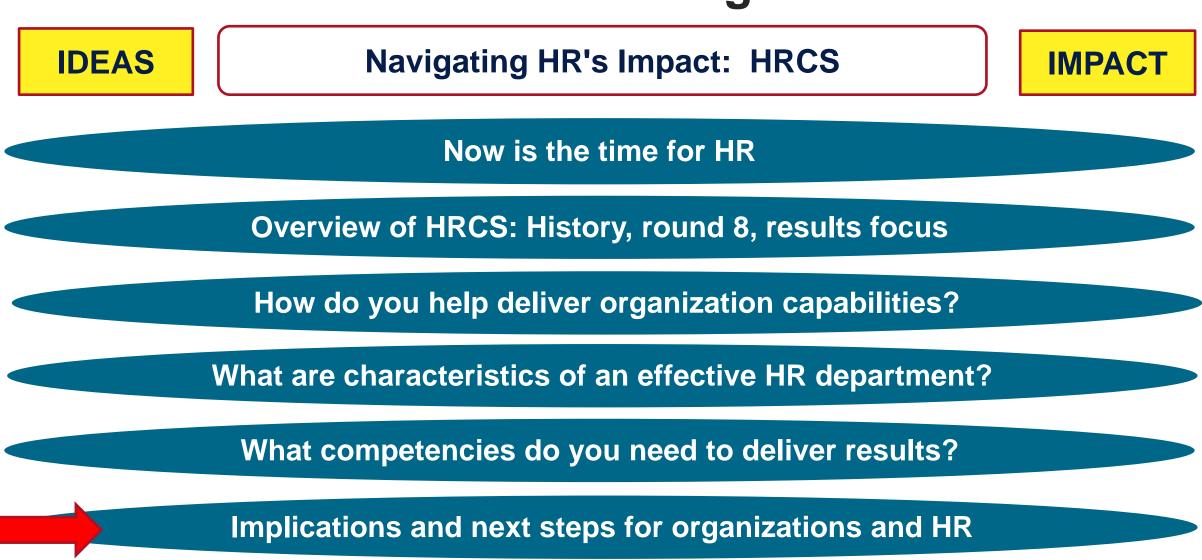
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Overall Goals and Agenda





Implications ..

We live in an ESG World



Business leaders and regulators face human capital challenges



HR has become central to organizational success

Organizations and HR need to deliver value to all stakeholders, not just shareholders Organizations and HR need to build organization capabilities The HR profession needs to rise to the opportunity to deliver solutions to human capability challenges



The BEST is yet AHEAD

Navigating HR's Impact