

## 10. Human resources

Human resources is the set of individuals who make up the workforce of an organization, business sector, or economy. "Human capital" is sometimes used synonymously with human resources, although human capital typically refers to a more narrow view (i.e., the knowledge the individuals embody and can contribute to an organization). Likewise, other terms sometimes used include "manpower", "talent", "labor", or simply "people".

The professional discipline and business function that oversees an organization's human resources is called human resource management (HRM, or simply HR).

### 10.1 Overview

#### The term in practice

From the corporate objective, employees are viewed as assets to the enterprise, whose value is enhanced by development. Hence, companies will engage in a barrage of human resource management practices to capitalize on those assets.

In governing human resources, three major trends are typically considered:

**1. Demographics:** the characteristics of a population/workforce, for example, age, gender or social class. This type of trend may have an effect in relation to pension offerings, insurance packages etc.

**2. Diversity:** the variation within the population/workplace. Changes in society now mean that a larger proportion of organizations are made up of "baby-boomers" or older employees in comparison to thirty years ago. Advocates of "workplace diversity" advocate an employee base that is a mirror reflection of the make-up of society insofar as race, gender, sexual orientation etc.

**3. Skills and qualifications:** as industries move from manual to more managerial professions so does the need for more highly skilled graduates. If the market is "tight" (i.e. not enough staff for the jobs), employers must compete for employees by offering financial rewards, community investment, etc.

In regard to how individuals respond to the changes in a labor market, the following must be understood:

Geographical spread: how far is the job from the individual? The distance to travel to work should be in line with the pay offered, and the transportation and infrastructure of the area also influence who applies for a post.

Occupational structure: the norms and values of the different careers within an organization. Mahoney 1989 developed 3 different types of occupational structure, namely, craft (loyalty to the profession), organization career (promotion through the firm) and unstructured (lower/unskilled workers who work when needed).

Generational difference: different age categories of employees have certain characteristics, for example, their behavior and their expectations of the organization.

## **10.2 Concerns about the terminology**

One major concern about considering people as assets or resources is that they will be commoditized and abused. Some analysis suggests that human beings are not "commodities" or "resources", but are creative and social beings in a productive enterprise. The 2000 revision of ISO 9001, in contrast, requires identifying the processes, their sequence and interaction, and to define and communicate responsibilities and authorities. In general, heavily unionized nations such as France and Germany have adopted and encouraged such approaches. Also, in 2001, the International Labor Organization decided to revisit and revise its 1975 Recommendation 150 on Human Resources Development, resulting in its "Labor is not a commodity" principle. One view of these trends is that a strong social consensus on political economy and a good social welfare system facilitates labor mobility and tends to make the entire economy more productive, as labor can develop skills and experience in various ways, and move from one enterprise to another with little controversy or difficulty in adapting.

Another important controversy regards labor mobility and the broader philosophical issue with usage of the phrase "human resources". Governments of developing nations often regard developed nations that encourage immigration or "guest workers" as appropriating human capital that is more rightfully part of the developing nation and required to further its economic growth. Over time, the United Nations have come to more generally support the developing nations' point of view, and have requested significant offsetting "foreign aid" contributions so that a developing nation losing human capital does not lose the capacity to continue to train new people in trades, professions, and the arts.

## **10.3 Chief human resources officer**

### **Evolution of the profession**

The role of the Chief Human Resource Officer has evolved rapidly to meet the human capital needs of organizations operating across multiple regulatory and labor environments. Whereas CHROs once managed labor operations in just one or two countries, today many oversee complex networks of employees on more than one continent and implement workforce development strategies on a global scale. CHROs are especially important now in helping companies navigate the workforce issues associated with expanding into emerging markets, and in developing labor policies to suit different regions of the world while preserving a company's core culture.

The strategic role of the CHRO has also expanded as workforces are increasingly composed of knowledge workers, and companies have required better systems to compete for scarce high-skilled workers. Rather than focusing exclusively on personnel issues and service delivery, CHROs today must concentrate on creating strong talent pipelines to both enhance organizational decision-making and secure future growth. These changes in the business landscape have required the CHRO to heighten the focus on talent, capabilities and company culture.

### **Responsibilities**

According to an annual survey conducted over the past six years by the largest industry group for Chief Human Resource Officers, the HR Policy Association in the United States, top CHRO concerns over the years fall roughly into three broad categories: talent, capabilities, and culture.

### **Talent**

Talent management includes building the quality and depth of talent, including a focus on succession and leadership/employee development. In a separate survey of over 200 U.S. and European CHROs, University of South Carolina Professor Patrick Wright found that nearly all participants cited 'talent' as the top priority on their CEO's agenda for HR.

Based upon a company's business strategy, goals and objectives, the human resources function will help to ensure there is a pipeline of talent to meet its performance and growth objectives. This requires that turnover is managed effectively, that there is a broad and robust pool of potential external candidates to fill position openings, and that programs are established to develop the internal bench of talent to fill successively broader and more responsible positions. Additionally, the human resources function must help ensure the company retains high performing and high potential talent through the proper management of training and development opportunities, mentoring, coaching and the allocation of rewards.

The focus on talent includes recruiting, hiring, staffing, training, developing talent and building capabilities, together with integrating, assessing, motivating and retaining skilled talent across the corporation. It also includes employee, management and executive development as well as succession planning. The CHRO is the key resource in working with the board on CEO and senior management succession. Successful companies are highly selective in hiring, source candidates from a broad pool of applicants, invest in developing all employees, and disproportionately invest in high performing, high potential employees in high impact positions.

### **Capabilities**

Managing corporate capabilities includes dealing with rapid changes in technology, globalization, and the increasingly complex external context of government regulations and public policy (impacting union and employee relations, executive compensation, health care, retirement programs, health and safety, etc.).

The key capabilities required will vary by company based on business strategy and the competitive global environment. Adapting to new technologies and sources of information and communications are essential to success for all companies. Other capabilities include managing the external context, managing a multi-generational workforce, adapting to change and operating effectively in different cultures and business structures are capabilities the HR function must help the company develop.

### **Culture**

Cultural issues include organizational change, agility, social networking, ethics and values, innovation, customer focus, employee engagement, diversity and inclusiveness, and multiculturalism.

The human resources function has a leadership role in helping shape the culture of the company. Ensuring that the values of the company are communicated and understood at all levels, providing clarity as to the expected behavior of all employees and the development of a high performance culture are important aspects of the CHRO role. When an employee's behavior is inconsistent with the values of the company, the human resources function is responsible for ensuring that such situations are dealt with fairly. The HR function also helps the organization establish and maintain high levels of employee engagement and commitment.

Increasingly, companies are relying on external partners, joint-ventures, as well as merged and acquired companies as sources of innovation, capabilities and growth. Establishing a culture that is supportive of such external partnerships is an area where the HR function plays an important role.

Summarizing the findings of a recent study of HR leaders, Randy MacDonald, IBM's CHRO, indicated that three key workforce gaps CHROs cite as the biggest opportunities for HR include:

Cultivating creative leaders - who can more nimbly lead in complex, global environments

Mobilizing for greater speed and flexibility - producing significantly greater capability to adjust underlying costs and faster ways to allocate talent

Capitalizing on collective intelligence - through much more effective collaboration across increasingly global teams.

### **Path to becoming a CHRO**

The CHRO is the top HR position, but few people who attain this role arrive there by working exclusively in the HR function. In a 2011 survey of top HR leaders, roughly two-thirds of CHROs indicated they worked outside HR at some time in their career. There is also significant movement between companies with only 36% of US CHROs gaining their position through internal promotion. In terms of HR experience, one survey indicated that the most common area of functional experience for CHROs is talent management; the next most common experience is compensation and benefits, followed by organizational culture. Current CHROs have had broader functional experience in HR than their predecessors and are less likely to have had experience in labor relations than past CHROs.

## **How CHROs describe their job**

Two recently published books about the CHRO profession, *The Talent Masters: Why Smart Leaders Put People Before Numbers* by Bill Conaty and Ram Charan; and *The Chief Human Resource Officer, Defining the Role of Human Resource Leaders* by Pat Wright, offer unique insights into the profession from its leading practitioners.

The perennial top priority for CHROs is talent management. In *The Chief Human Resource Officer, Defining the Role of Human Resource Leaders*, Eva Sage-Gavin, CHRO for the Gap emphasizes this point saying, "... at the end of the day, you and your team are the experts at talent management and must be able to understand and identify good versus great talent... Identifying critical positions, the great attributes needed to fill them, and prioritizing recruiting strategies accordingly was the key to success, whether I was working with engineers, apparel designers, or international operations management." Kevin Cox, CHRO for American Express, argues that "Great CHROs (and great CEOs) understand that talent needs to be developed in thoughtful, but not incremental, ways. Getting the balance right between 'stretch' and 'in over her head' isn't easy, but it is vital to the success of a world-class talent strategy."

The CHRO helps the company build sustainable competitive advantage through the selection and development of top talent that possess capabilities that help differentiate the company from its competitors. Conaty and Charan emphasize this point in *Talent Masters* by noting that "Only one competency lasts. It is the ability to create a steady, self-renewing stream of leaders. Money is just a commodity. Talent supplies the edge. We can't put it any better than Ron Nersesian, the head of Agilent Technologies' Electronic Measurement Group: 'Developing people's talent is the whole of the company at the end of the day. Our products all are time-perishable. The only thing that stays is the institutional learning and the development of the skills and the capabilities that we have in our people.'"

Other leading CHROs emphasize additional aspects of HR leadership, such as delivering results with a global team – a major challenge identified by Hugh Mitchell, CHRO for Royal Dutch Shell– and developing and communicating an employee value proposition that will differentiate the company in its efforts to attract and retain the caliber of talent needed to achieve its business objectives, as emphasized by Michael Davis, CHRO for General Mills.