REQUIREMENTS FOR A MODERN HUMAN RESOURCES ORGANIZATION

DELIVERABLE 3B

MYRA HOWZE SHIPLETT

Contract No. DFD-I-00-08-00070-00
A Task Order under the ENGAGE IQC

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INTRODUCTION

The modern human resources organization must provide both strategic and operational services to its customers. In many countries this dual role represents a challenge for the current human resources organization. A very different set of capabilities and competencies are required of the human resources leaders, managers, supervisors and employees if they are to provide strategic and operational services successfully.

The evolution of the human resources function reflects the evolution of how public and private organizations value employees. Through much of the 20th century employees were viewed as costs which should be minimized whenever possible. Only in the last decade of the 20th Century did organizations begin to view their employees as important assets whose capabilities needed to be not only be maintained, but also developed. This change in value is directly related to the transformation of economies from "muscle" based to knowledge based.

For most of the history of humankind, individuals were valued for the strength of their bodies rather than the capabilities of their minds. In the world of day, and certainly the evolving world of the 21st century, where knowledge is doubling every 18-24 months, and is being shared through the power of information technology, the most effective and successful public and private sector organizations are thinking differently about the value of their employees. Even jobs in trades and manufacturing, which have traditionally been considered "muscle" jobs, require highly skilled workers to use the robots which help construct cars and other complex machinery, or help construct buildings and roads.

Another factor adding to the need for human resources organizations to change is the discovery that the most effective and efficient public and private organizations define their mission, their values and their strategic goals and objectives. These products are then used to decide how fiscal and human resources will be assigned to assure the most effective use of the organization's human talent and to assure that the fiscal resources are used to achieve maximum value in producing goods and services for citizens (public sector organizations) and customers (private sector organizations).

The impact on the human resources organization is that it, too, must now understand that only processing personnel actions and papers and similar services are not longer effective or acceptable. Properly designed Information technology hardware and software can produce most of this type of work. The human beings are needed to design and execute the strategies, programs and policies that assure the organization can meet its strategic goals and objectives.

This change naturally led to an examination of the competencies required for the modern human resources organization. The paper discusses the evolution of competencies in the first decade of the 21st Century. Appendix A has a more detailed description of competencies developed by the internationally known researcher on HR competencies, Professor David Ulrich.

One of the best explanations of the changes taking place and the reasons for these changes was prepared by Professor Andy Smith, as part of the Consortium Research Program supported by the state and territorial governments Australia. The paper is included in its entirety in Appendix B. As Professor Smith so eloquently states:

> *People are the assets on which competitive advantage is built, whether in the public or private sector, whether in the corporate world or in the world of education. In the words of the latest theory on human resource management, people are an "inimitable" asset. People and their skills are the one thing that competitor organisations cannot imitate. So human resource management and the practices associated with it have become accepted by managers in all forms of organisations as one of the most important strategic levers to ensure continuing success.*[1]

Strategic Human Capital Models[2]

The interactions of human beings and organizations determine the success or failure of each. The relationships are complex and that complexity is multiplied hundreds of times through actions, reactions, and interactions between and among employees: with each other and with the various components of the organization in which they work. General systems theory provides a way to understand these actions and relationships, and a way to help structure human capital management policies, programs, and procedures so that they help the organization achieve its strategic goals and outcomes, and so that individual employees are able to achieve maximum effectiveness as employees.

Recently, both scholars and practitioners, seeking to understand how organizations work so that they can become both more efficient and effective, have come to understand that general systems theory also provides a foundation for understanding the linkages between the human beings who work in organizations and the organization itself.

These new insights have helped drive the evolution of human resources management theory, practices, policies, and process into more defined notions of strategic human capital management. The difference between human resources management and strategic human capital management is three-fold.

First, as implied by the word **"strategic," t**here is a direct and inextricable link between the theory, policies, programs, and processes that apply to people in an organization and that organization's strategic plan which defines critical goals, objectives, and outcomes for the organization.

Second, as implied by the words **"human capital,"** there is recognition that an organization's employees are assets who bring value to an organization, and that the value of these individuals increases as they work and learn within the organization.

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[1] Professor Andy Smith, Consortium Research Program, Department of Education, Science and Training (DEST), Government of Australia. 2006, p 1.

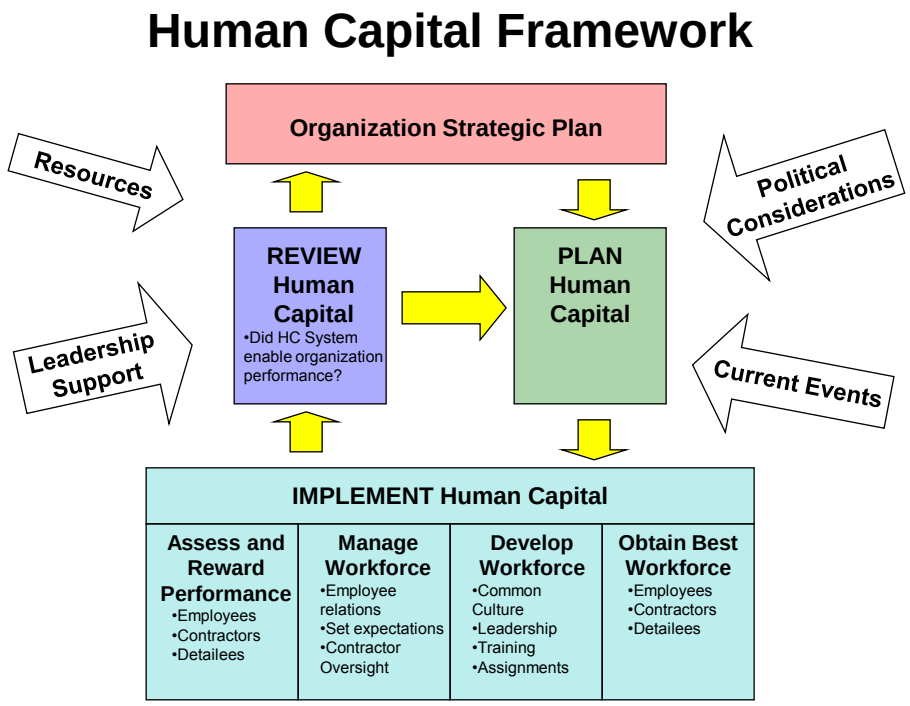
[2] Adapted from: Grunin, Susan Krup, PhD, Joels, Kerry,EdD, Shiplett, Myra Howze, Strategic Human Capital Management: A Practical Guide, pp.2-15. Used with permission from the authors.

Third, the organization must invest in its employees by providing education, training and professional develop to help assure that employees continue to have the capabilities needed to do the work of the organization successfully.

Below are three Strategic Human Capital Models that can be used when thinking about human resources management. All provide the **systemic** linkage between and among the components of the human capital management system (recruitment, retention, compensation, performance management, training and development, etc.) and with the organization's strategic goals and objectives.

This linkage is critical because human capital management programs have no intrinsic value in and of themselves. They have value only as they become enablers that facilitate accomplishment of the organization's strategic goals and objectives.

Model One[3]



This model is relatively simple. The arrows show the *external influences* which impact human resources programs. The resources available – money, people, time, equipment, space and other resources significantly impact what organizations need to accomplish. When identifying the organization's strategic human capital needs, the ability to achieve those needs is always influenced by the resources available.

[3] Ed Stephenson, Model Designer, Model developed by Human Capital Working Group for the Project on National Security Reform, Myra Howze Shiplett Working Group leader, March 2009.

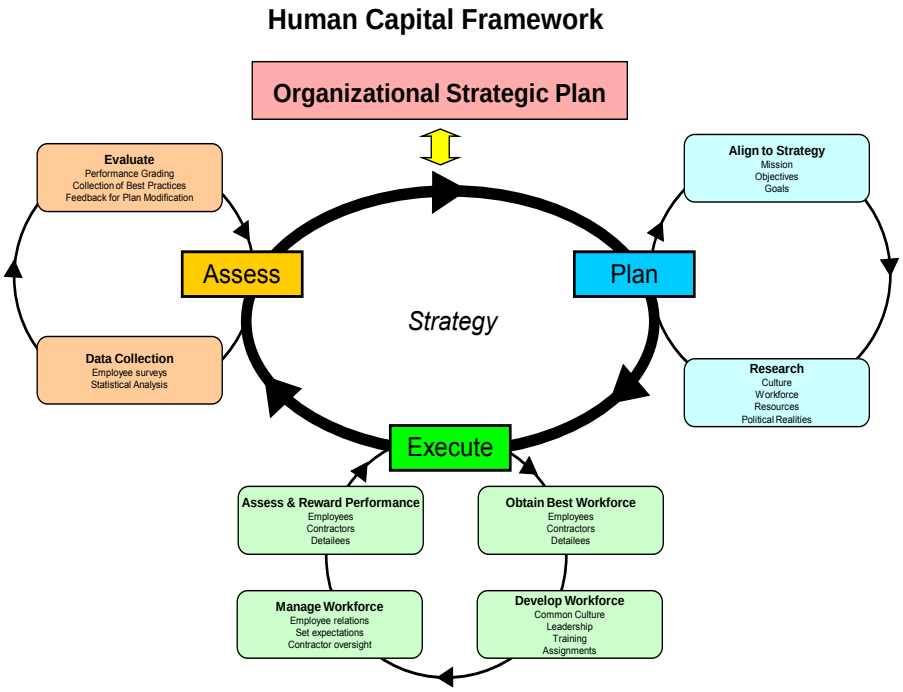
Equally important is the support of the organization's leadership. A Human Resources Office can have the most appropriate and useful programs ever devised, but without leadership support it is difficult to implement these programs. That is why a critical successful factor for modern HR programs is the ability to gain the support of the organization's leaders and then play a significant role in supporting the human resources function.

There are always political considerations both within and outside the organization which can influence human resources strategic goals and outcomes. In Indonesia, the President and the legislature have decreed that government reform is a top priority. These political considerations influence the attention given to HR programs and processes. Modern, successful human resources programs and HR leaders must be able to respond appropriately to these external influences if the HR function is to be seen as a value added function in the organization

Current events also influence the Strategic Human Capital planning process. If the Attorney General wants to increase the knowledge and capabilities of AGO staff, then there will likely be a significant emphasis on issues such as identifying professional, leadership and core competencies that the staff must possess.

The Organization Strategic Plan bar with the arrows showing movement between the Plan and reviewing and planning for human capital needs provides the linkage between strategic planning and human capital planning and program activities. The final component is implementation of various human capital programs and initiatives.

Model Two[4]



Model Two demonstrates with circular and integrated nature of human capital with the organization' strategic plan, and identifies three phases – assess needs, plan to meet those needs, and execute the plan. Each of these phases is essential components of every successful modern human resources program.

This model provides a stronger visual message about the integrated and related nature of human resources with strategic planning and between and among the "assess, plan and execute" phases of human capital programs and processes.

Model Three[5]

Model Three emphasizes the systems relationships between the organization's strategic plan and human capital programs and processes. It provides a broader perspective than the first two models because it shows that the work environment and culture and the work processes influence and are influenced by the organization's strategic plan, decision support systems of the organization, the various human resources systems, the performance management system, the reward systems, and the organization structure.

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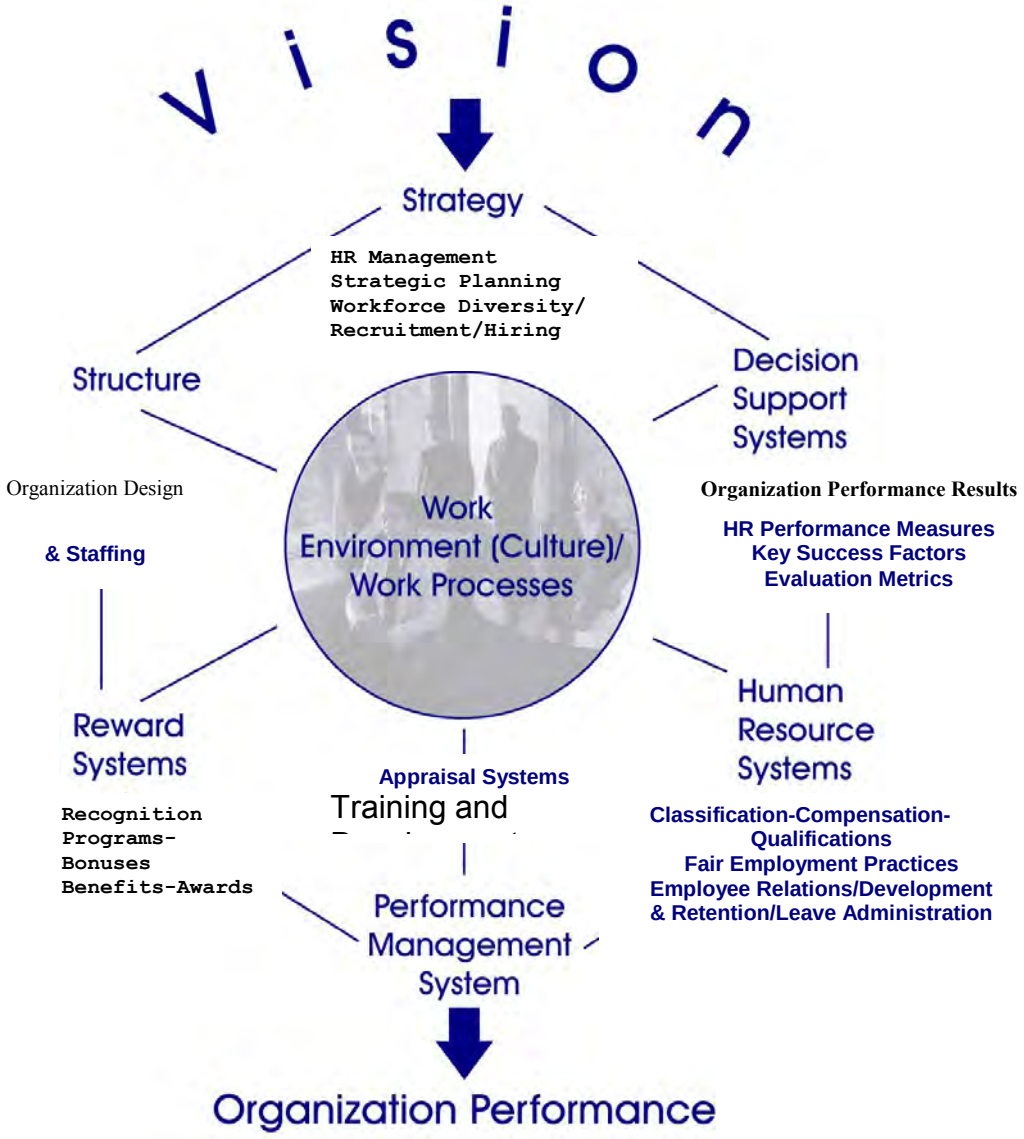
[4] Anita Blair and Mike Thomas, Model Designers, Model developed the Human Capital Working Group, Project on National Security Reform, Myra Howze Shiplett Working Group leader, March 2009.

[5] Grunin, Joels, Shiplett, Strategic Human Capital Management, p.3



All three strategic human capital models illustrate how human capital strategic management functions must be considered in relationship to the organization's vision, mission goals, and its HCM functions. It provides trends, tips, and tools for effective human capital management; and it highlights the key issues to assist all mangers in better understanding the business connections and alignment between corporate strategy and the human resources functions. The alignment is best done using a strategic human capital framework or model.

In selecting a human capital model that best suits the Office of the Attorney General (AGO) the decision must take into consideration the culture and strategic goals of the AGO, the culture of public service in Indonesia and the end state the organization wants its human resources programs to achieve.

Functions of a Modern Human Resources Organization

In the table below is a defined list of functions performed by modern human resources management organizations.

Table 1 Functions Performed by Modern HR Management Organizations

STRATEGIC FUNCTIONS **Strategic Planning -** includes strategic planning, strategic human capital planning, strategic human capital planning implementation Strategic Planning is an organization's processes and methods for defining its future direction by identifying the organization's programmatic goals and the outcomes that must occur if those goals are to be achieved. This analytical process normally also includes the allocation of financial and human resources to achieve the goals and outcomes agreed upon. The product of the strategic planning process is a strategic plan. Strategic plans usually focus on five-year increments. The programmatic and resource allocation results of the strategic plan are reflected in the annual business or operating plans of subordinate units and in employee performance requirements. Organizations that use strategic plans to assure alignment between strategic goals and outcomes and the specific areas of responsibility and accountability of organizations and individuals tend to be more successful than those which do not have a structured process and methods. The Strategic Plan is supported by the Strategic Human Capital Plan which focuses specifically on the human capital programs and initiatives which must be in place to support the organization's strategic goals and outcomes. The Strategic Human Capital Implementation Plan is the document which defines how the action items in the Strategic Human Capital Plan will be developed and implemented and who has responsibility for these actions and activities.
Workforce Planning - includes workforce analysis and planning including planning for the general workforce, succession planning for critical occupation categories, succession planning for all levels of leadership positions, planning for the acquisition of individuals through contracts, grants, volunteers and other alternatives sources. In more recent literature and practice, this is labeled Multi-Sector or Blended Workforce Planning. For the AGO, workforce planning also includes the Staffing Assessment Program Workforce Analysis is the analytical exercise to assess current workforce composition and demographics in relationship to the current and future workforce needs of the organization. The first step in workforce analysis for the AGO is the application of the Staffing Assessment formula. Using this as the point of departure, workforce analysis considers the competencies needed for the current and future work, the presence of those competencies in the current workforce, the age and retirement eligibility of current staff, attrition data, recruitment data and the like. Based on the Workforce Analysis, organizations develop Workforce Plans which detailed how and within what timeframes the organization will shape and/or reshape its workforce to assure that the organizations has the competencies needed to meet its strategic goals and outcomes successfully. Succession Planning specifically examines workforce needs in areas such as mission critical occupations or leadership positions and develops plans and programs to assure that the organization has the talent it needs to assure its successful survival.

The Workforce Analysis, Workforce Plans and Succession Plans provide the foundation information for all operational human resources programs including recruitment, hiring, placement, orientation, performance management, compensation/rewards, benefits, promotion, retention, leadership development and employee development, talent acquisition and outsourcing, talent exit and employee and labor relations,

Organization Development (Structure, Change, Culture) **-** is an organization's process and methods for developing its internal capacities to help assure its current and future success in accomplishing its strategic goals and objectives. This category includes activities which support an organization's problem solving and renewal capabilities and capacities including assuring that:

- Work is organized efficiently and effectively into jobs and career paths, with associated authority, responsibility and accountability;
- The organization's values and culture are clearly aligned with its mission;
- Mechanisms (e.g. periodic reviews of program and/or resource allocations) exist to assess whether subordinate units within the organization are meeting agreed upon programmatic and employee performance requirements; and
- Periodic examination and evaluation of programs, policies and procedures occur to reinforce the organization's effectiveness and efficiency.

Knowledge Management - is the set of policies, programs, procedures and tools used to capture, organize, transfer and store knowledge and experiences of individual workers and groups within an organization and making this information available to others in the organization when it is needed. Most organizations consider an information technology tool essential to a successful knowledge management program.

OPERATIONAL FUNCTIONS

Competency Development and Utilization - This category of tool includes the development of competencies and use of competencies in various phases of the employee life cycle with an organization. Competencies are the knowledge, skills, experiences and behaviors required to perform successfully in jobs within the workplace.

Talent Management - includes all facets of an individual's employment with an organization including recruitment, hiring, placement, orientation, performance management, compensation, benefits, promotion, rewards, retention, leadership development and employee development.

Recruitment - is the laws, policies, programs and procedures used to attract well qualified candidates to fill vacancies within an organization. Recruitment includes such activities as:

- Defining the policies and procedures that apply to recruitment activities;
- Defining the competencies and capabilities candidates must possess to function successfully in the organization;
- Developing an annual recruitment plan which identifies and links needs, sources to fill those needs and the financial resources for recruitment activities;
- Defining roles and individuals in the organization who are responsible for recruitment, e.g., HR Department, line managers;
- Developing and applying methods to assess candidate credentials;
- Evaluating the results of recruitment efforts and using those results to refine the recruitment program and processes; and
- Identifying sources for candidates and targeting marketing of positions to the candidate pool interests. Note: the language in the second bullet in retention could be reworked into recruitment.

Hiring – is the set of activities and processes required to place an individual on the organization's rolls. It includes such activities as:

- Checking references and/or getting college transcripts

• Preparing, mailing, tracking letters of offer
• Arranging enter on duty dates and related activities
• Assisting the new hire's supervision in making all the reporting arrangements
• Assisting the new employee with the pre-employment package of forms to be completed

Orientation – is a set of events and activities which provide new employees an introduction to the organization's mission, vision, values, culture, strategic goals and outcomes, business processes and its human resources policies and practices.

Placement – is a set of activities and processes which assures that an individual employee is placed in a position for which he/she is qualified and for which there is real work to be accomplished.

Performance Management - is the laws, policies, programs, processes and tools used to define a mission and desired outcomes, setting performance standards, linking budget to performance, reporting results, and holding public officials accountable for those results. Performance management concepts and practices are applied to both organizations and employees in organizations.

Compensation/Rewards – is the law, philosophy, policies, programs and practices associated with employee pay, as well as the financial and intrinsic rewards and incentives that organizations use to pay, reward and retain employees.

Benefits - A non-salary remuneration in the form of insurance, pension, compensated time not worked or other program generally entitled by virtue of one's employment status.

Promotion – Movement from a lower level to a higher level position within the organization. Most public organizations have merit based promotion laws, policies and procedures.

Retention - is the laws, policies, programs and procedures used to retain the talent that is recruited into the organization. Retention includes such activities as:

• Defining the policies and procedures that apply to retention activities;
• Identifying the strategies and tactics to retain needed talent, e.g. financial incentives, work assignment incentives, work-life incentives such as flexible work hours, developmental incentives such as training or special assignments, and the like;
• Defining roles and individuals in the organization who are responsible for retention of talent, e.g., HR Department, line managers, agency executives;
• Developing methods to assess the degree to which the organization is able to retain the talent it needs and wants to retain e.g. employee satisfaction surveys, turnover statistics, exit interviews; and
• Evaluating the results of retention efforts and using those results to refine the retention program and processes.

Leadership Development - is an organization's processes and programs for assuring that the organization has and will continue to have a supply of well-developed talent from which to select its current and future leaders. Workforce development includes such such things as:

• Rotating assignments to assure future leaders have a variety of work experience within the organization;
• Mentoring and coaching;
• Special development assignments; and
• Formal training in leadership tasks and competencies

Employee Development - is the range of activities and programs that organizations provide to help assure that employees at every level of the organization have the competencies and capabilities required to carry out the work of the organization effectively and efficiently.

Talent Acquisition/Outsourcing - includes laws, policies, programs and procedures for acquiring talent and/or goods and services through contracts, grants, academic centers of excellence and the due diligence required for outsourcing decisions.

Talent Exit - includes laws, policies, programs which govern an employee's leaving the organization. They include resignation, termination for performance or conduct issues, death, illness and the like.
Employee and Labor Relations - includes the laws, policies, programs and processes which benefit employees and make a positive contribution to enhancing work life within the organization. They include employee assistance programs, leave and vacation programs, alternative work schedules, union and professional organization relationships, actions taken when the workforce must be reshaped through reassignment, downsizing or contracting out and similar activities.
Technology based Tools – are the stand alone or integrated system or application designed to provide information used in HR decision-making, programs and functions. These include: • Enterprise-wide systems for capturing workforce demographics and for processing personnel and payroll actions and activities; • Learning management systems; • A wide variety of "stand alone" systems that support individual human resources programs and functions.
Business Case Analysis/Data Driven Decisions – are qualitative and quantitative analytical tools which assist in developing data driven business/organization cases that support human resources program proposals.

Human Resources Competencies Required

Over the last quarter of a century much time and effort was invested in research to identity the competencies needed for high performance human resources organizations. The graphic below, developed by the National Academy of Public Administration[6] in 2001, represented the latest thinking in competency development for public service organizations at that time. As the Academy noted at the time the study was released:

> *"Competencies cannot be used effectively in a vacuum. They must be developed and implemented within the framework of the organization's strategic goals, business objectives and culture."*

Since 2001 HR competencies have continued to evolve representing the evolving nature of HR work and the expectations of the organization leaders, its employees, and HR professionals themselves. The fundamental competencies identify by NAPA continue to be the foundation for effective HR professionals.

Successful organizations, public and private, want an effective *business partnership* between the organization's leaders and employees and the HR professional. Now, more than ever, HR programs and processes must be directly aligned with the organization's mission, vision and values. Equally important, the HR professional must be *an expert* in HR principles and practices, able to analyze specific situations and adjust the solutions as required. The successful HR professional must also be a leader who is able to carry out his/her responsibilities ethically and create trust among those within the organization and that who seek to be employee by the organization.

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[6] Changes in Human Resources Function Since 1996: Implications for Federal HR Competencies, National Academy of Public Administration, Washington, DC, March 2001.

Change in now constant in most organization which requires the HR professional to be able to both *anticipate the change and design legal and creative solutions to accommodate the changing needs of the organization.* Being a change agent also requires the ability to build coalitions and the influence and persuade others to try new solutions.

And finally, the most effective HR professionals must be advocates for both the organization and for its employees at every level, which having a professional demeanor that convey both respect for employees and absolute professional competency to solve the issues at hand.

One of the leading and most influential international thought leaders on the issue of HR competencies is David Ulrich. Professor Ulrich and colleagues published their latest study in 2007. Entitled HR Competencies: Mastery at the Intersection of People and Business, the book is authored by Wayne Broadbank, Dani Johnson and David Ulrich was published in 2008 by the Society for Human Resources Management, Alexandria VA. A detailed article on these evolving competencies can be found at: http://marino72.files.wordpress.com/2009/06/hr_competencies_increased_expectations.pdf

In the article on their research, Dr. Ulrich and his colleagues made the following points:

> *In the world of business, familiar themes continually surface.1 Globalization has made the world a global village and new markets (particularly in China, India, Brazil, and Russia) offer new challenges and opportunities. Global issues . . . . become important elements of managerial choice. Technology has increased accessibility, visibility, and*

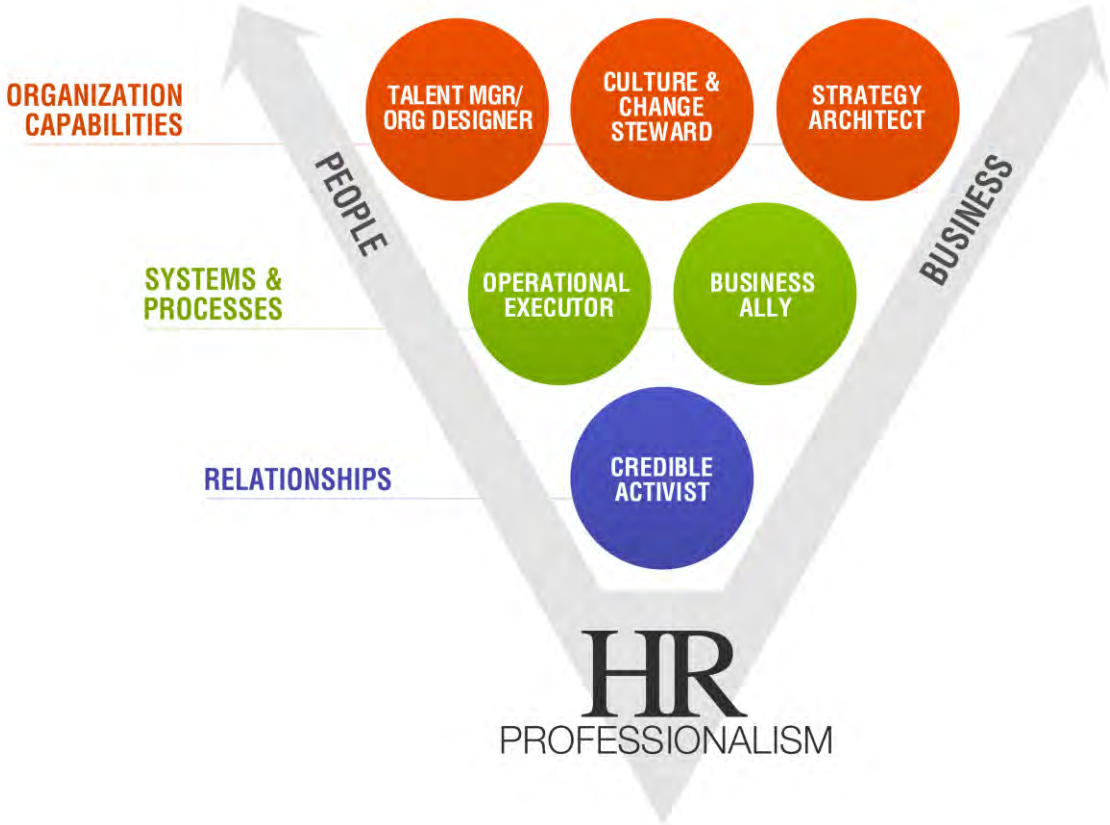
connection. The connected world is smaller, changing rapidly, and transparent. Customers have become increasingly segmented, literate, and demanding. Investors have become increasingly attuned to and actively concerned about not only financial results, but also intangibles. Competitors come from both traditional large global players and increasingly smaller inventors. Employees represent increasingly diverse demographic backgrounds. In some parts of the world, employees are aging more than in others. Employee expectations are constantly rising as they gain in education and skills.

Most of these trends are outside the control of any one individual or any one company. They occur in both predictable and unpredictable ways. They affect all aspects of business from how to fund a firm to how to position the firm in customer minds and how to engineer and deliver products. They also affect human resources. HR practices are becoming more integrated, aligned, and innovative. HR departments are operating more like a business within the business with a clear strategy and channels of distribution. HR professionals are being asked to help businesses compete, and to do so, HR professionals must not only observe, but also understand and adapt to these business trends. HR professionals are expected to contribute by the competencies they possess…

For HR professionals to respond to changing… conditions, they must demonstrate new competencies. HR professionals who would have been successful in previous decades would not be effective today. (emphasis added) We have worked for the last 20 years to identify the competencies that enable HR professionals to respond to the [current organization conditions. HR competencies are the values, knowledge, and abilities of HR professionals. HR professionals with the right competencies will perform better. They will be more likely to engage employees, to serve customers [and citizens and to produce tangible results].

While Dr. Ulrich and his associates use the language of private sector organizations, their findings are equally applicable to public sector organizations. The impact of globalization and technology, the need to respond more rapidly to changing issues and conditions, a workforce whose expectations are growing and a citizenry who expectations of government performance are also growing represent the issues of public organizations.

The graphic representation of their competency model is found below along with a more detailed discussion of the particulars of each competency.



The Competencies and their Elements[7]

The six competencies and the elements that make them up offer the outlines of what it takes to be successful. **The Credible Activist** is respected, admired, listened to and offers a point of view, takes a position and challenges assumptions by:

- Delivering results with integrity.
- Sharing information.
- Building relationships of trust.
- Doing HR with an attitude (taking appropriate risks, providing candid observations, influencing others).

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[7] Robert J. Grossman, "*Researchers have updated the portfolio of competencies for high-performing HR professionals",* HR Magazine, Vol 52, No. 6.

The **Cultural Steward** recognizes, articulates and helps shape a company's culture by:

- Facilitating change.
- Crafting culture.
- Valuing culture.
- Personalizing culture (helping employees find meaning in their work, managing work/life balance, encouraging innovation).

The **Talent Manager/Organizational Designer** masters theory, research and practice in both talent management and organizational design by:

- Ensuring today's and tomorrow's talent.
- Developing talent.
- Shaping the organization.
- Fostering communication.
- Designing reward systems.

The **Strategy Architect** knows how to make the right change happen by:

- Sustaining strategic agility.
- Engaging customers.

The **Business Ally** contributes to the success of the business by:

- Serving the value chain.
- Interpreting social context.
- Articulating the value proposition.
- Leveraging business technology.

The **Operational Executor** administers the day-to-day work of managing people inside an organization by:

- Implementing workplace policies.
- Advancing HR technology.

In comparing the two competency models, the Ulrich model has refined certain of the competency areas, and has added a new competency area – Talent manager and organization designer which recognizes the importance of attracting and developing the organization's talent, developing rewards systems that recognize employee achievements, assuring that the organization is designed to support the strategic goals and objectives and fosters communications.

Comparison of the Two Models

Table 2 Comparing Two Models

National Academy Competency Model	Ulrich and Associates Model
Business (Organization) Partner	Components of Strategy Architecture & Business (Organization) Ally
Leader	Components of Credible Activist and Strategy Architect
Change Agent	Cultural Steward
Advocate	Credible Activist
HR Expert	Operational Executor
	Talent Manager/Organization Designer

Technology Required

The modern HR organization is supported by technology. The technology does the following.

- Processes and tracks personnel actions such as hire, transfer, promotion, remuneration changes and the like.
- Provides for an electronic file of the personnel actions of each employee.
- Provides a method for applying via a website or other electronic portal and responses to applicants can be sent electronically.
- Analyzes the credentials of candidates for hire, transfer or promotion against an established set of criteria and provides a list of potential eligible candidates.
- Provides a self-service portal so that employees may update personal information such as name changes, address changes, and the like.
- Provides an audit trail to assure compliance with established rules, regulations and procedures.

Most importantly, the technology tends to increase the speed and accuracy of the work and reduce the paperwork burden associated with human resources programs and functions. If technology is not available, the organization must take this into account when deciding on the number of positions required to staff the HR organization appropriately.

Partnership with Senior Leaders

Historically Bureaus of Personnel have operated as administrative functions will little access or ability to influence the larger organization's policies and strategic outcomes. In the most successful public and private organizations this is no longer the case.

In many organizations, employee salary and benefits represent one of the largest, if not the largest, single expenditure of public funds. Advanced research on employee

engagement suggests that the human resources policies and practices of an organization have significant influence on its success or failure. Employee engagement is also a key indicator of whether an organization can attract and retain a well qualified workforce.

In a world where the competition for the best talent for organization is predicted to increase substantially over the next three to five decades, the successful public organization must have a human resources organization that hires and developed well educated and experienced HR professionals.

This new generation of HR professionals must work directly with the senior leadership of the organization in order to both understand the substantive and strategic goals of the organization and in order to design and execute human resources policies and programs which are tailored to support the organization's strategic goals and objectives.