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The new challenges, roles and competencies of human resource management

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Keskusteluaiheita – Discussion papers

No. 742

Pentti Sydänmaanlakka

**THE NEW CHALLENGES,
ROLES AND COMPETENCIES
OF HUMAN RESOURCE MANAGEMENT**

This paper is based on the keynote speech given at the Applied Econometrics Association (AEA) Conference on *Econometrics and Human Resource Management* held in Helsinki in September 22-23, 2000, and hosted by ETLA.

SYDÄNMAANLAKKA, Pentti, THE NEW CHALLENGES, ROLES AND COMPETENCIES OF HUMAN RESOURCE MANAGEMENT. Helsinki: ETLA, Elinkeinoelämän Tutkimuslaitos, The Research Institute of the Finnish Economy, 2000, 6 p. (Keskusteluaiheita, Discussion Papers, ISSN 0781-6847; No. 742).

ABSTRACT: Human resource management is experiencing a time of great changes and is, thereby, facing new challenges and roles. It is no longer enough merely to adapt to the ongoing changes. Instead human resource management needs to increase its concern of how to create the future. Old beliefs, thinking patterns and ways of action do not allow this, however. The basics of human resource management have to be re-shaped by new thinking to enable the building of a new framework that helps perceiving the features of the new economy. These are the lines along which the present paper proceeds.

KEY WORDS: human resource management, HRM, new economy

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TIIVISTELMÄ: Yrityksissä tapahtuva henkisen pääoman hallinta (HRM) on suurten muutosten kohteena. Edessä ovat uudet haasteet ja roolit. Enää ei riitä, että HRM sopeutuu menossa oleviin muutoksiin. Henkisen pääoman hallintastrategioiden linjauksissa tulisi päinvastoin kiinnittää entistä enemmän huomiota siihen, miten tulevaisuuteen pystyttäisiin myös vaikuttamaan. Vanhat luulot, ajattelumallit ja toimintatavat eivät tätä salli. Tästä syystä HRM:n perusteita on muokattava uusia ajattelumalleja heijastaviksi, jotta syntyisi uusi kehys, jonka avulla uuden talouden piirteet olisivat helpommin ymmärrettävissä. Näitä linjoja pitkin etenee käsillä oleva kirjoitus.

AVAINSANAT: henkisen pääoman hallinta, HRM, uusi talous

Where are we going?

We are living in a time of continuous change, in a constant turbulence. This means that we cannot always easily analyze and manage change. Things will happen and we do not always have the answers why. Turbulence is a situation where the pace of change and complexity exceed our capability to understand the change analytically. It is like sitting in a small boat in the middle of a fast-flowing river and trying to keep our own boat afloat and steady. We don't have energy for anything else. The main reasons for this uncontrolled situation are the following: so many changes happen, changes are complicated and we are always in a hurry. In the middle of this hurry we should have time to stop and to reflect, assess critically and question prevailing assumptions and values. We should consider where are we going.

Also human resource management is in a time of great changes. Do we know there, where we are going? Do we have some kind of vision about the company and work community in the future? In what kind of working community do we want to work in 2010? What will be the probable working place in the year 2010? Is that the right development path and direction? Who is steering these changes? The tough competition and blind market forces? Should we steer these changes? We need in human resource management more the spirit of how to create the future and not only of how to adapt to the changes. A doer has also to be a visioner.

Human resource management has come to a certain point in its life cycle, where we cannot advance anymore with old beliefs, thinking patterns and ways of actions. We have to renew our thinking concerning the basics of human resource management. We have to build a new framework that supports how we perceive the matters in a new economy. We have to have courage to question old beliefs and values. Only by doing so can we really renew ourselves.

What is human resource management?

Human resource management is people management, management of human beings. Its starting point is the idea that human resources are the most important resource of the company. Competence and commitment of employees are the only sustainable competitive advantage of the company in long term. Human resource management is a strategically important process whose importance has grown strongly during the last years. Very often the important factor to limit the operation is the lack of competent employees.

In human resource management the responsibility is shared. It is shared by top management, line management, HR-professionals and employees. It is not always easy to combine the different objectives of these four groups, but it is necessary for human resource management to operate efficiently. The role of the line management will become stronger all the time. They should be capable to offer good leadership services to the subordinates. At the same time the role of employees has changed to be more independent. Teamwork and self-management are hot issues in many organisations.

Through good human resource management both the organisation and its employees should achieve their own objectives. If individuals do not achieve their own objectives in

one organisation, they will choose another one. With good human resource management we can motivate, reward, develop and offer challenging tasks so that employees will stay.

Could we set an overall vision for human resource management? A vision which would steer its working and show the direction for it. This should be possible and we need that urgently. The overall goal of human resource management is to create, develop and maintain

- efficient organisations, so that they are competitive;
- learning organisations, so that they are successful also in the future;
- well-being organisations, so that their employees are motivated and able to work effectively in the long term.

It is extremely important to balance these three dimensions – efficiency, learning and well-being – in a proper way. How it is done varies a lot from one organisation to another. If we are only focusing on efficiency we are working in very short time frame. Efficiency in the long term takes into account also learning, renewal and well-being of employees. A work career is a marathon run, not 100 meters spurt. In a marathon there are places for rest at regular intervals.

The concept of human being behind human resource management

We seldom stop to reflect what is the concept of the human being behind our daily work. Are employees only a resource that we can use and utilise however we want? At least some part of Finnish managers is thinking in this way. According to the study of the MPS Consulting Group some 38 per cent of Finnish directors believe that the employer has the right to take everything out of its employees. This kind of result is very depressing.

We should have a concept of the human being behind human resource management, which starts from the basic assumption that the personnel are not only a resource but have a value in themselves. Respect for the individual should be the basic value in every organisation. We should also look at our individuals as total persons. Total wellness or well-being is the concept that we need here. Total wellness means that we have five different areas of conditions, which are:

- professional condition
- physical condition
- mental condition
- social condition and
- spiritual condition.

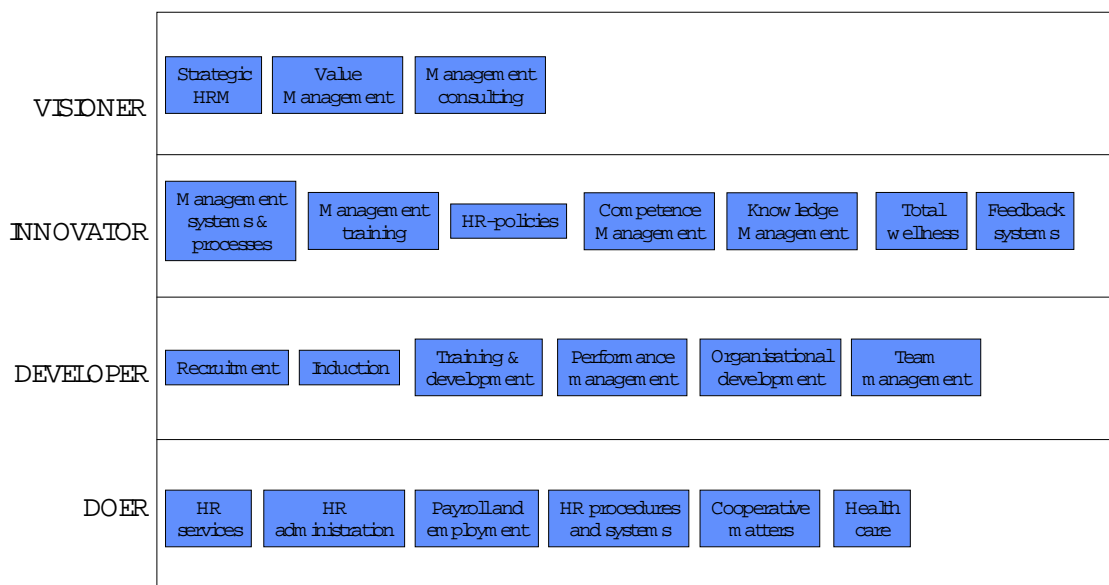
We should be fit in all of these in order to feel well. We need all of these in order to have enough energy to work in our present challenging work environment. Comprehensive growth of the individual should be the ultimate goal of human resource management. The organisation should not be only a "money making machine" but a living organism that offers employees possibilities to work, be together and grow comprehensively.

The new roles of human resource management

The top management is expecting a lot from human resource management because the competitive advantage depends more and more on the employees of the company. Expectations are focused, for instance, on areas like performance, competence and knowledge management and you should get results very quickly. The HR professional has many roles. She or he should be at the same time doer, developer, innovator and visioner. This model is applied from the model of *Dave Ulrich*.

The *Doer* is the provider of basic services, which mostly means the traditional personnel administration. The *Developer* takes care of the competencies and motivation of employees. The *Innovator* is implementing changes and she or he should be an expert in change management. The *Visioner* searches for new directions and visions and is an expert in strategic management. These different roles can be seen as a staircase of human resource management. On every step we can find tasks which are specific for that particular level (*Figure 1*).

Figure 1. The roles and specific task areas of human resource management



The human resource managers are facing challenging roles and tasks today and especially in the future. In order for the HR-manager to be able to excel in these roles, he or she has to be convincing and able to sell ideas to others. *Matti Alahuhta* said at the *Management Center Europe Conference* in 1997 that the HR-manager should be a value-adding HR-partner. The HR-manager should be a person who

- understands the business
- is up-to-date on trends and best practices
- is proactive and pragmatic
- listens to the organisation

- is flexible, yet persistent
- is able to prioritise and
- implements efficiently.

Figure 2 displays the competence profile for a HR-director which I developed a couple of years ago after planning and development discussions with my superior. From this competence profile we can see the great expectations and competence needs for HR-professionals. The work of HR-professionals is more and more like the work of management consultants. HR-managers should take this role or otherwise it will be outsourced and taken care of by consulting companies, which are strongly expanding to this area at the moment.

Figure 2. An example of the competence profile of an HR-director

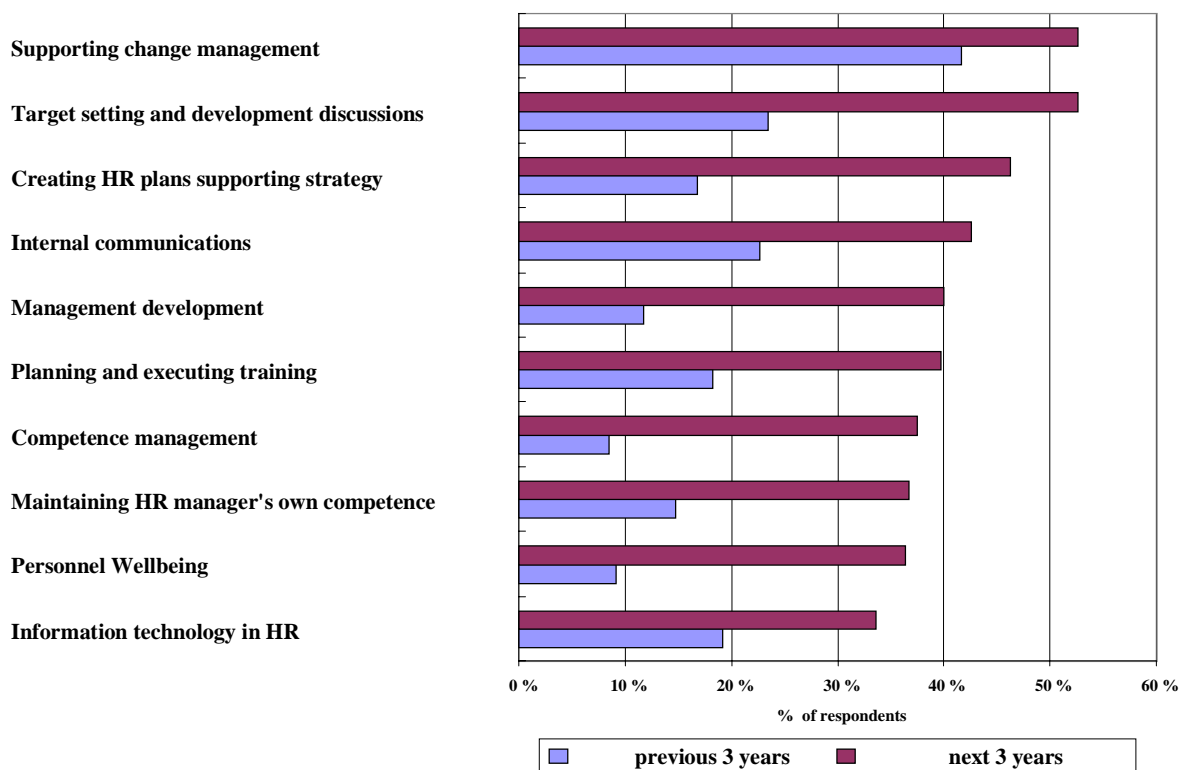
1. STRATEGIC CAPABILITY - seeks involvement in strategy formulation and contributes to the development of business strategies - develops and implements coherent and integrated HR-strategies in support of business plans	1	2	3	4	5
2. BUSINESS AWARENESS - understands the activities, processes and technology of the business - identifies opportunities to contribute to creating added value and enhancing competitive advantage and intervenes as necessary	1	2	3	4	5
3. PROFESSIONAL DEVELOPMENT AND UNDERSTANDING - continually improves and extends professional knowledge and skills - ensures that the line management colleagues understand the significance of new developments and "own" any new or changed processes	1	2	3	4	5
4. INTERNAL CONSULTANCY - systematically analyses organisational and people issues to produce practical ideas for improvements - coaches line managers in identifying organizational and people issues and implementing improvements	1	2	3	4	5
5. ORGANIZATIONAL EFFECTIVENESS - understands the key factors which contribute the organizational effectiveness and develops improvement plans and programs - contributes to the development of a high quality, committed and flexible workforce	1	2	3	4	5
6. QUALITY - contributes to the development and implementation of a total quality approach throughout the organization - identifies, defines and meets internal customer requirements, responding quickly to their needs	1	2	3	4	5
7. SERVICE DELIVERY - anticipates requirements and set up or adapts HR-services to meet them - provides cost-effective services in each of the main areas of HRM	1	2	3	4	5
8. LEADERSHIP AND MANAGEMENT - provides excellent leadership and guidance to the members of HR-function - improves and maintains the quality of the support the function provides to line managers	1	2	3	4	5
9. INNOVATION - contributes to the development of innovation abilities of the organisation - produces annually 1-3 innovations in HRM area	1	2	3	4	5
10. CO-OPERATION - seeks actively new ways of improving co-operation at NTC and Nokia level - shares all professional knowledge among all Nokia HR colleagues	1	2	3	4	5

The focus areas of human resource management in the future

The *PA Consulting Group* made a survey about human resource management in Finland in the summer of 1999. The results of this survey describe well the present challenges of human resource management. In *Figure 3* we can see which were the ten most important focus areas. It shows which were the focus areas during the last three years and which they will be during the next three years.

Supporting change management is obviously very important. The second area is performance management. This is interesting. It seems to be so that there is a lot of work to be done in this kind of basic things, like performance management. There are four areas the importance of which is growing the most. They are management development, competence management, maintaining the HR-manager's own competence and personnel well-being.

Figure 3. The focus areas in human resource management in Finland



The future focus areas of human resource management can also be presented with the next ten questions. These are the key questions which we have to answer in the coming years:

1. How to implement the renewed performance management system?
2. How to implement competence management?
3. How to support organisational learning?
4. How to implement change management and value management in practice?
5. How to implement knowledge management?
6. How to implement effective and wide (content, geography) human resource information systems?
7. How to develop future managers/leaders?

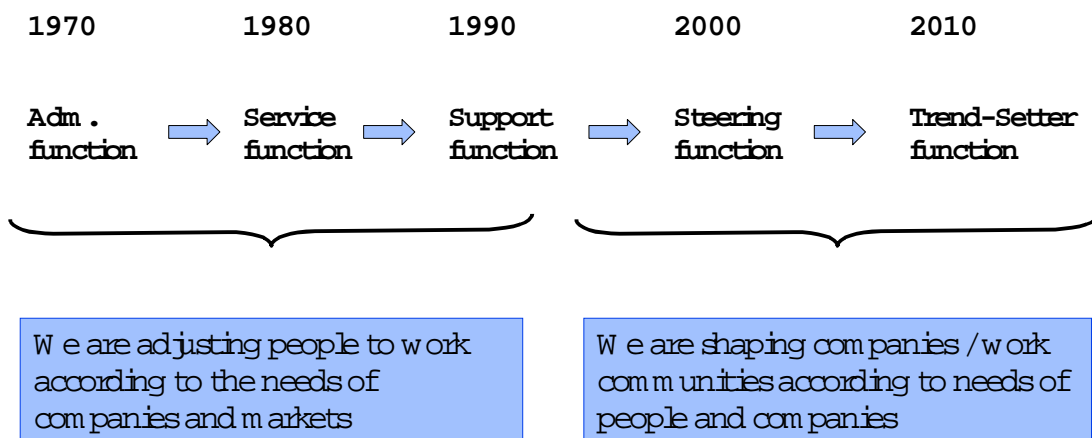
8. How to take care of employees well-being/total wellness?
9. How to update and develop your own competencies?
10. How to implement HR in practice?

Those HR-managers, who will have good answers to these questions and who are also able to implement those ideas with speed, will be successful in the future.

Conclusion: From administrator to trend-setter

In the future organisation the role of the HR-function will be that of a trend-setter. The HR-function has developed the way that is showed in *Figure 4*. During the 70's it was mainly an administration function, during the 80's a service function, and during the 90's a support function. From here on its role could change more and more to a steering and trend-setter function. In this turning point we should also check the framework behind human resource management. In the past we were adjusting people to work according to the needs of companies and markets. In the future we should shape companies and work places according to the needs of people and companies. We should put people at the center of our organisations.

Figure 4. How the HR-function developed from administrator to trend-setter



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