

BEST PRACTICES FOR SUSTAINABLE HR

Dinesh Kumar*

HR practices have undergone huge changes in the past few years. Many of the traditional functions of HR are today outsourced, leaving HR to perform functions it never envisaged before – that of participating in strategy implementation and of building competitive strategy.

The structure of the organization has also changed, as today we have a “knowledge economy” which places people at the centrestage. At the same time, demographic changes have injected a lot of young people into the economy. As a result, managers have to learn how to manage and develop young people who have great dreams, think of themselves as technologically smart, have little respect for traditional hierarchies and look for challenging work and expect very high pay packets. On the other hand, companies find that graduates of engineering and management often lack basic skills. Companies that publish details of their HR departments report that many graduates are unable to pass a test for recruitment and of those who do; many have to be rejected at the interview stage. Companies are forced to take up the basic tasks themselves -- a kind of vertical integration where companies have to take up even the basic education of their recruits, reports The Economist.

Managing the Young

The big challenge for HR managers is to educate the young people, keep their expectations in check and then to keep people excited about their work. A look at the survey “Great Places to Work” shows that employee-oriented companies try to create organizations that can engage the young generation. They create places of work that are fun and flexible. The work environment must offer freedom but at the same time a sense of togetherness. The young employees demand empowerment, respect and adherence to core values. Above all, they have to drive the passion to work.

These things are easier said than done. It is not easy, for example, to create organizations that have all or some of the above qualities while at the same time pushing for performance. To my mind HR faces the difficult task of managing contradictions: the fun, flexibility and freedom awarded to employees with the pressure of target based performance and that too at least cost. How can a workplace be fun and put pressure on employees at the same time? Any sustainable HR practice must balance the two sides.

Managing Contradictions

The HR manager is caught up, so to say, between the needs of the company on the one hand and the freedom for employees on the other.

*Professor, GJIMT, Mohali

The needs of the company are firmly based in performance. Every quarter, and often every month, companies review their financial results and see whether their performance is satisfactory. For publicly listed companies, results have to be declared in the press. Any slippage in performance is instantly recognized by the stock markets, punishing valuations and decreasing shareholder value. Moreover, companies also face pressures from global headwinds. The economic slowdown in the West has put more pressure on companies to perform in uncertain environments. Many companies face pressures on revenues and profitability because of global changes.

It is a tightrope walk indeed to be treading on these tense ropes while at the same time making work places appealing for youngsters. To do this, HR cannot be content to be a staff function alone. It must be integrated into the real work of the company, that is of serving markets and of creating value. Competitive success can only be achieved if the human resources of a company are capable, accountable and deliver the end product.

Sustainable HR Practices

The shift from an industrial economy to one that is knowledge driven requires new measurements, new goals and new policies, writes Peter Drucker. These profound changes impact on the nature of HR practices. To discover sustainable HR practices, apart from managing contradictions, it will be important to achieve competitive advantage.

Dave Ulrich has written that HR can deliver sustainable competitive edge in the following four ways.

1. HR has to become a partner with functional managers in strategy execution. Employees cannot work in isolation of the market-place; they must deliver planning from conference room to the market, adding value in the process.
2. HR has to become an expert in the way work is organised and executed, reducing costs and delivering efficiency, while at the same time ensuring that quality is not compromised.
3. HR should become a champion for employment, representing employee concerns to management while at the same time work to increase employee contribution.
4. HR must become an agent of continuous transformation, building a culture of high performance and increasing ability to respond to environmental changes.

These functions represent a major change in the traditional role of HR. The new agenda for HR means that every single activity of HR is geared either to serve customers better or increase shareholder value in some way. Sustainable HR, thus, is tied to financial performance.

HR for Competitive Advantage

How is this to be accomplished? In terms of Michael Porter's competitive analysis, while all components, such as costs, technology, manufacturing etc can be copied, HR remains the only tool to achieve competitive advantage. Many companies have been able to achieve this. But to do this HR has to re-orient themselves to be able to fulfill its new role. There are several ways this can be done:

1. **Invest in employee relations:**Drucker mentions in his article, "They're not Employees, They are People," that managing talent is crucial to organizations. He writes that if companies do not pay attention, they are likely to lose competitive edge.
2. **Become a partner in strategy execution:** HR has to move out of the mindset of being responsible for administrative tasks only and become partners in implementing strategy of the company. HR audits are particularly important to highlight the lacunae that require immediate attention.
3. **Become an employee champion:** When employees are continuously being asked to do more and as companies do not offer security, their relationship becomes contractual. In such circumstances, HR has to ensure that companies are able to engage with their employees and to do this, must become an advocate for employees.
4. **Become a change agent:** HR's role as a change agent means replacing resistance with resolve, planning with results, and remove fear of change in favour of excitement with new possibilities.

It is important for companies to keep the health and well-being of their employees because knowledge based skills are quite different from less skilled ones. Finally, it is important to harness the passion of the workforce for achieving the above. How a company does so will determine its long term success, and indeed, its survival. Only by establishing some competitive advantage can companies hope for loyal customers. More and more, the competitive advantage lies in people. In the words of Peter Drucker, "People are our greatest opportunity."
