

Recent Study Shows Impact of HR Competencies on Business Performance

Wayne Brockbank, Dave Ulrich, Jon Younger, and Mike Ulrich

For the past 25 years, the University of Michigan and the RBL Group, together with research partners from around the world, have conducted the Human Resource Competency Study. Every five years, thousands of HR professionals and their line associates have been involved in the study. The most recent round was completed in 2012 with over 20,000 global participants. This article reviews the most recent findings and explains their implications for the HR profession.

This research begins with the assumption that HR professionals should shoulder responsibility for being the best thinkers in the company about the human and organizational sides of the business. They should be the corporate thought leaders in framing the HR strategy through which the people and organization may be positioned to create competitive advantage. They ensure that people and organizations are created and sustained to optimally deliver value to external and internal stakeholders by implementing the business strategy. They partner with line executives in the fulfillment of these responsibilities by engaging line executives in developing, approving, and implementing human and organizational agendas. To fulfill these purposes, HR professionals must have the knowledge, insights, skills, and experience that are most relevant for the companies and competitive markets within which they add value.

Given the accelerated rate of turbulence in almost every aspect of business, maintaining knowledge, insights, and skills that are relevant at any given time is no small feat. The percentage of global wealth that is created in one country and is transmitted and consumed by other countries continues to rise at an increasing rate. Increased globalization is facilitated by the remarkable decrease in the costs of communications (e.g., Skype). While costs of communications are decreasing, the speed of communications continues to exponentially increase (e.g., Moore's Law). Such communications build communities of networks that a few years ago would have been impossible (e.g., Facebook). Such networks reduce coordination costs and enhance the market power of consumers (e.g., Craigslist) and the bargaining power of employees (e.g., Glassdoor).

Technological advancements not only facilitate communications but also accelerate product and service development on a global scale (e.g., Innocentive.com). In the midst of technological change, we see a decrease in performance combined with an increase in the aging workforce and uncertain immigration laws. As a result, the United States (as an example) is facing a conspicuous shortage of skilled labor. As the supply side of labor becomes more problematic, uncertainty on the demand side likewise increases with a greater percentage of gross domestic product

(GDP) in the service sector, turbulence in the financial sector, and productivity pressures in the manufacturing sector. All of these combine to create a context in which HR professionals must continually update their competencies.

Since its inception in 1987, the Human Resource Competency Study has documented the emerging requirements of HR professionals. This research has focused on four principal research questions:

1. What are the primary competency categories or domains (factors) of HR professionals?
2. How well do HR professionals perform in each competency domain?
3. Which competencies have the greatest impact on individual performance of HR professionals as perceived by their line and HR associates?
4. Which competencies have the greatest impact in differentiating HR professionals in high-performing firms from those in low-performing firms?

The 2012 iteration of the study builds on the methodology that we have previously applied, including collaboration with many leading HR professional associations and universities. This round includes the active participation of HR colleagues in Australia (AHRI), Latin America (IAE), China (51Job), India (NHRD), the Middle East (ASHRM), Northern Europe (HR Norge), South Africa (IPM), and Turkey (SCP). These are in addition to the active involvement of contacts from the RBL Institute and the Ross School of Business at the University of Michigan.

Because of the changes and challenges that confront the global HR community, we began our research agenda with each regional research partner conducting focus groups to

identify the business, organizational, and HR trends in their locations. With these results, the regional research partners met to share their findings and to formulate questions that would be included in the survey. We then collected data from over 20,000 respondents and 650 organizations. The basic research approach is a 360-degree methodology in which HR professionals evaluate themselves. They then select a sample of four to eight HR and line associates. These associates then evaluate the knowledge and skills of the participating HR professionals on 139 behavioral and knowledge-based competencies. They also rate the overall competence of their participating HR professionals and the overall effectiveness of their companies in seven dimensions of business performance.

PRIMARY COMPETENCY CATEGORIES FOR HR PROFESSIONALS

In this round of research, we have identified six domains (i.e., statistical factors) of competencies that HR professionals must demonstrate to be personally effective and to affect business performance (see **Exhibit 1**).

- ❑ *Strategic Positioner.* High-performing HR professionals understand the global business context, including social, political, economic, environmental, technological, and demographic trends, and translate these trends into business implications. They understand the structure and logic of their respective industries and the underlying competitive dynamics of the markets that they serve, including customer, competitor, and supplier trends. They then apply this knowledge in developing a personal vision for the future of the company. They participate in developing

	Column I Mean Score on This Competency Domain (1 to 5)	Column II Impact on Perception of HR Effectiveness (Beta Weights Scaled to 100%)	Column III Impact on Business Performance (Beta Weights Scaled to 100%)
Credible Activist	4.23	22%	14%
Strategic Positioner	3.89	17%	15%
Capability Builder	3.97	16%	18%
Change Champion	3.93	16%	16%
Human Resource Innovator and Integrator	3.90	17%	19%
Technology Proponent	3.74	12%	18%
		Multiple R^2 42.5%	8.4%

Exhibit 1. HR Performance and Effectiveness in Each Competency

customer-focused business strategies and in translating the business strategy into annual business plans and goals.

- *Credible Activist.* HR professionals in high-performing firms function as credible activists. They do what they say they will do. Such results-based integrity serves as the foundation of personal trust that, in turn, translates into professional credibility. They have effective interpersonal skills. They are flexible in developing “positive chemistry” with key stakeholders. They translate this positive chemistry into influence that contributes to business results. A major way through which such influence is established is through consistent, clear, and insightful verbal and non-verbal communications. They also have confidence in their opinions about the business. They take strong positions about business issues that are grounded in sound data and thoughtful opinions. They are not only activists for the business;

they are also advocates for the importance of HR in driving business results.

- *Capability Builder.* An effective HR professional creates, audits, and orchestrates an effective and strong organization by helping to define and build its organization capabilities. Capability represents what the organization is good at and known for. These capabilities outlast the behavior or performance of any individual manager or system. Capabilities have frequently been referred to as a company’s culture. Such capabilities might include innovation, speed, customer focus, efficiency, and the creation of meaning and purpose at work. HR professionals can help line managers create meaning so that the capability of the organization reflects the deeper values of the employees.
- *Change Champion.* Effective HR professionals develop their organizations’ capacity for change and then translate that capacity into effective change processes and structures.

They ensure that the capacity for change on the inside is equal to or greater than the rate of change on the outside. They ensure a seamless integration of change processes at the institutional, initiative, and individual levels. They build the case for change based on market and business reality; they overcome resistance to change by engaging key stakeholders in making key decisions and building their commitment to full implementation. They sustain change by ensuring the availability of necessary resources, including time, people, capital, and information, and by capturing the lessons of success and learnings from failure.

- ❑ *Human Resource Innovator and Integrator.* A major competency of effective HR professionals is their ability to integrate HR practices around a few but critical business issues. The challenge is to make the HR whole more effective than the sum of the HR parts. Occasionally subprocesses within HR departments fail to be unified, with different HR processes going in different directions. The result is conceptual and process inconsistency. Mixed messages are sent, and levels of performance are diminished. On the other hand, high-performing HR professionals ensure that desired business results are clearly and precisely prioritized, that the necessary organization capabilities are powerfully conceptualized and operationalized, and that the appropriate HR practices, processes, structures, and procedures are jointly aligned to create and sustain the identified organizational capabilities. As they do so with discipline and consistency, they help the collective HR practices to reach the "tipping point" of impact on business results.

- ❑ *Technology Proponent.* As discussed earlier, the upheaval in the world of technology continues unabated. This dynamic aspect of business is having a pronounced impact on the HR profession. For many years, HR professionals have applied technology to the basic HR work. HR information systems have been applied to enhance the efficiency of HR processes, including benefits, payroll processing, health-care costs, recordkeeping, and other administrative services.

In this round of the competency survey, we see a dramatic change in the implications of technology for HR professionals. High-performing HR professionals are now involved in two additional categories of technological applications. First, HR professionals are applying social-networking technology to help people stay connected with each other. They help guide the connectedness of people within the firm and the connectedness between people outside firms (especially customers) with employees inside the firm. Second, in the high-performing firms, HR professionals are increasing their role in the management of information. This includes identifying the information that should receive focus, bundling that information into usable knowledge, leveraging that knowledge into key decisions, and then ensuring that these decisions are clearly communicated and acted upon. This is an emerging strategic competency through which HR will add substantive value to their organizations.

LEVEL OF PERFORMANCE IN EACH COMPETENCY

In Exhibit 1, the remaining three research questions are answered.

From Column I in Exhibit 1, we assess in which of the HR competency domains HR professionals tend to perform best. We found that HR professionals function best as credible activists. They are effective at building their credibility by establishing relationships of trust, by effectively communicating key business and HR issues, and by actively advocating insightful opinions that move the business forward.

They perform the core of the competency domains at a somewhat lower level of effectiveness. They contribute to the establishment of a customer-focused business strategy; they translate the business strategy into important organizational capabilities; they build and sustain organizational capabilities through the disciplined and integrated application of HR innovations; and they create organizations that are flexible and adaptable in achieving business results.

The domain in which HR tends to be the weakest is in understanding and applying technology to build HR efficiency, to leverage social networking, and to manage the flow of strategic information.

COMPETENCIES PERCEIVED TO HAVE GREATEST IMPACT ON INDIVIDUAL PERFORMANCE

In Column II of Exhibit 1, we identify the relative impact of the six competency domains on the overall competence of HR professionals as seen by their respective HR and non-HR associates.

To be perceived as competent, it is most important for HR professionals to exhibit the competencies of a credible activist as described earlier. The other core HR activities are closely bundled together, and this implies that, to be seen as competent, HR

professionals must exhibit the core HR competency domains in an integrated manner.

Excelling as a technology proponent has the least influence on the associates' perceptions of HR professionals. This may partially be due to the low expectations and lack of experience that HR professionals have in this domain.

COMPETENCIES THAT HAVE THE GREATEST IMPACT ON BUSINESS PERFORMANCE

From Column III of Exhibit 1, interesting and, to some degree, unexpected results are expressed.

We found that HR professionals function best as credible activists. They are effective at building their credibility by establishing relationships of trust, by effectively communicating key business and HR issues, and by actively advocating insightful opinions that move the business forward.

First, the close results showing HR's effectiveness as capability builders (18 percent) and innovators and integrators (19 percent) reinforce the logic that HR practices must integrate to create and sustain key organizational capabilities in order to significantly affect business performance.

Second, the impact of HR professionals on business performance through their role as technology proponents is equivalent to their impact as capability builders and innovators and integrators. This is a remarkable and unexpected finding, particularly in light of associates' perceptions in this regard.

CONCLUSIONS

These results are based on the examination of the individual columns of Exhibit 1. When

we look across columns, additional important conclusions can be drawn.

- ❑ What HR professionals do best is exhibit the competencies of a credible activist, but functioning as credible activists has the least impact on business results. One might argue that being a successful credible activist is a prerequisite to being involved in those activities that have a greater impact on business performance. On the other hand, HR professionals should recognize that simply having personal credibility does not mean that they have contributed optimally to business performance. Being popular on the inside does not necessarily lead to creating value on the outside.
- ❑ Likewise, strategic positioner competencies tend to have greater influence on perception of individual performance and less impact on business success. The reverse is true for capability builders. The competencies of capability building have more impact on business success than on individual performance. If you want to be seen as competent, you should focus relatively more on being a strategic contributor; whereas if you want to actually

contribute to business success, you will focus more on the competencies of the capability builder.

- ❑ Most interesting is that the technology proponent domain has the least impact on the associates' perceptions of overall competence and is done least well by HR professionals. But when it is done well, it has nearly as much impact on business performance as the influence of the combined HR practices and the creation of organizational capability. This domain is not done well throughout the global HR community, but when it is done well, it significantly affects business performance. This provides a distinct opportunity to add a differentiating competitive advantage.

This is an exciting time to be an HR professional. This research shows what HR must do to be seen as a competent HR professional and what HR must do to affect business results. This research helps to identify the priorities on which HR professionals should focus in their personal and professional development. As they do so, they will be able to better help themselves and their organizations create value in an increasingly volatile and complex business environment.

Wayne Brockbank is a clinical professor in the Ross School of Business at the University of Michigan. He has written extensively on developing and implementing business-focused human resource strategies. He consults with companies on every continent; his professional focus is on helping HR professionals to create high-performance business cultures that drive value for customers, shareholders, and employees. He may be contacted at wbrock@umich.edu. **Dave Ulrich** is a professor in the Ross School of Business at the University of Michigan and partner at the RBL Group (www.rbl.net). He has written over 20 books and 200 articles on HR, leadership, organization capability, change, and talent. He has won numerous international recognitions for his ideas and insights and consulted with over half of the Fortune 500. He may be contacted at dou@umich.edu. **Jon Younger** is a partner in the RBL Group and leads the firm's strategic HR practice. He has coauthored two books and many articles on HR, talent management, change leadership, and HR transformation. He works with a wide range of leading regional and global companies (primarily in the United States, Asia, and Europe), is a member of a number of advisory boards, and teaches executive education at the Indian School of Business. He may be contacted at jyounger@rbl.net. **Mike Ulrich** is a doctoral student in the Moore School of Business at the University of South Carolina. He holds a master's degree in statistics and worked for two years as a research associate at the RBL Group. He may be contacted at mikeulrich@gmail.com.