THE FUTURE OF HUMAN RESOURCE MANAGEMENT

64 THOUGHT LEADERS EXPLORE THE CRITICAL HR ISSUES OF TODAY AND TOMORROW
What are the talent pools (e.g., jobs, roles, or competencies) in your organization, where a 20 percent improvement in quality or availability would make the biggest difference to organizational success? The answer reveals the “pivotal talent pools,” which are the vital targets for HR investments and leader attention. Yet, today most organizations have many opinions and little logic or data to answer this fundamental question. In addition, the task is about to become much more difficult because the very definition of organization success changes from strictly financial to sustainability.

This chapter describes two paradigm shifts and how to address them. The first paradigm shift is Talentship: HR and business leaders must broaden their traditional focus beyond just HR services, toward a “decision science” that enhances decisions about human capital, wherever they are made (Boudreau and Ramstad, in press-b). Talentship has many implications for HR strategy, organizational design, service delivery, and competencies. One implication is that “talent segmentation” is as vital as “customer segmentation” (Boudreau and Ramstad, in press-a). Part of talent segmentation is identifying “pivotal talent pools”—where human capital makes the biggest

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difference to strategic success. The second paradigm shift is that HR and business leaders increasingly define organizational effectiveness beyond traditional financial and shareholder outcomes to encompass sustainability—achieving success today without compromising the needs of the future.

Fortunately, a common strategic human capital logic can reveal pivotal talent under both definitions and thus uncover important insights about the talent implications of the shifting definition of strategic success.

**The Traditional “Prize” of Financial Returns Is Shifting toward Sustainability: Is HR Ready?**

The traditional business paradigm strives to achieve financial returns—or maximize shareholder value—through competition. Human resource management (HRM) responds with “strategic” logic showing HR’s contribution, also defined in financial terms. Yet, even as the HRM profession works diligently to understand the business in traditional financial terms, the very definition of organization success is changing. The shareholder value paradigm is challenged by the argument that organizations should strive for an expanded prize—sustainability. The World Commission on Environment and Development defines sustainability as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development, 1987).

Sustainability is just emerging, but it includes values, governance, transparency, and ethics, as well as goals such as diversity, social responsibility, supporting human and employee rights, protecting the environment, and contributing to the community. Sustainability includes the bottom line, because financial viability is necessary for organizational survival, but it defines success beyond financial results. For example, the working conditions of employers and their suppliers have become a de facto standard for many firms because sweatshop scandals have hurt a number of famous brands.

Sustainability is not a fringe issue. Corporate heavyweights like Shell, BP, and DuPont, as well as the United Nations (UN) and International Labor Organization (ILO), are all embracing sustainability. It is particularly relevant to mission-driven organizations such as governments, charities,
and universities. Sustainability rarely appears in strategic HR plans, and its implications for strategic HRM have received less attention. Yet, as organizations increasingly embrace sustainability, so must HR.

**The Traditional HR Paradigm Applied to Financial versus Sustainability Goals**

The traditional HR paradigm defines HR contribution as supporting organization goals through aligned HR policies, practices, and programs. Combined with traditional financial goals, this HR paradigm emphasizes *compliance* with legal regulations (e.g., reducing risks of costly legal actions), *efficiency* in HR processes (e.g., minimizing cost per hire, HR staff per employee, and the time to train), *client satisfaction* with HR practices, and (more rarely) *effectiveness* of HR programs in enhancing employee characteristics (capabilities, culture, attitudes, or motivation). Perhaps the best example is measuring return on investment (ROI) in HR programs, such as showing that training costs are offset by improved sales knowledge related to increased sales.

The traditional HR paradigm of service delivery is also the typical way HR connects to sustainability. The ILO Declaration urges the elimination of child labor, forced or compulsory labor, employment discrimination, and the promotion of free association and collective bargaining.¹ The UN Global Compact adds that companies should protect internationally proclaimed human rights and ensure they are not complicit in human rights abuses.² HR programs such as performance management, selection, and training can reflect fair treatment, respect for collective association rights, work-family balance, and reward not only economic performance but also community involvement or reduced environmental emissions. HR can measure sustainability-related knowledge, behaviors, attitudes, and motivation, as well as collective activity, community involvement, and employee health and safety. Such measures often appear in corporate sustainability or social responsibility reports to investors.

These actions are important, but the HR paradigm is still traditional—applying sustainability to the policies, practices, and activities within the HR function. Other important connections go beyond HR practices and
can be understood only with a more strategic HR paradigm that connects human capital to sustainable strategic success.

**A New Paradigm for Strategic HR: The Talentship Decision Science**

HR has struggled to define what it means to be strategic. The answer lies not just in benchmarking HR organizations, but in the evolution of more strategic functions such as finance and marketing (Boudreau and Ramstad, 1997, 2003). The marketing decision science enhances decisions about customers, and the finance decision science enhances decisions about money, so a talent decision science should enhance decisions about talent, both within and outside the HR function.

The finance decision science provides well-articulated logic, models, and methods that use accounting data to improve decisions about deploying financial assets. The finance department doesn’t make most of these decisions—they are made by managers across the organization. The finance decision science is different from accounting, but accounting remains a critical professional practice.

Today’s HR is similar to accounting. It is and will remain a critical and important professional practice. Yet, we still lack a well-developed decision science for human capital or “talent.” This is not surprising. Modern accounting is 400 years old, but finance evolved around 1900 (Johnson and Kaplan, 1991). The professional practice of sales goes back to ancient times, but the decision science of marketing emerged only in the twentieth century (Howard, 1957). Yet, a talent decision science is vitally needed today for all the well-known reasons that it is increasingly important to enhance talent decisions, including structures, behaviors, capability, learning, collaboration, shared culture, and so on. In several companies, we have labeled it Talentship because it focuses on decisions that improve the stewardship of the hidden and apparent talents of employees. This chapter illustrates one Talentship, showing the human capital implications of defining organization as purely financial versus as sustainability.

One element of any decision science is the logic that connects decisions about the resource to organization success. In finance, the formula for ROI produces a number, but its more important purpose is to articulate what
factors are relevant to financial investment decisions and how they combine. In this case, it is economic inflows and outflows, matched over time, and appropriately discounted to reflect future risk and inflation. Similarly, a talent decision science requires frameworks that show what factors are relevant to decisions about talent and how they combine. HR investments affect “pivotal talent segments” that enhance the processes and resources that most affect sustainable strategic success. Research in areas as diverse as industrial psychology, sociology, and operations management increasingly focuses on these connections (Boudreau, 2004). The HC BRidge framework, discussed next, is a model that articulates those connections.

The HC BRidge Framework

Boudreau and Ramstad created a model, the HC BRidge Decision Framework, that outlines the logical connections supporting talentship. The HC BRidge framework is based on three anchor points: impact, effectiveness, and efficiency that are common to all business decision sciences (Figure 34.1).

**Efficiency** asks, “What resources are used to produce our HR policies and practices?” Typical indicators of efficiency are cost-per-hire and time-to-fill vacancies. As noted earlier, when applied to sustainability, efficiency would focus on the resources used to bring HR practices into compliance or to provide incentives that reflect community, environmental, or social goals.

**Effectiveness** asks, “How do our HR policies and practices affect the talent pools and organization structures to which they are directed?” Effectiveness refers to the effects of HR policies and practices on human capacity (a combination of capability, opportunity, and motivation) and the resulting aligned actions of the target talent pools. In the traditional HR paradigm, effectiveness would include trainees’ increased knowledge or performance ratings of those receiving incentives. Effectiveness applied to sustainability draws attention to human capacity and aligned actions that go beyond traditional job and performance requirements. Capability might include knowledge about the organization’s social responsibility and ethics codes, opportunity might include time off from work to do volunteer tasks in the local community, and motivation might include employee perceptions that activities related to sustainability are noticed and rewarded.
Impact reflects the hardest question of the three and most vividly illustrates the fundamental differences revealed by a focus on talent decisions, beyond simply HR service delivery. Impact asks, “How do differences in the quality or availability of different talent pools affect strategic success?” This question is a component of talent segmentation, just as in marketing a component of market segmentation asks, “How do differences in the buying behavior of different customer groups affect strategic success?”

Even using the traditional financial definition of success, impact can reveal surprising results. One organization initially believed the most important talent pool was sales representatives because revenue was important. Working through the impact elements of HC Bridge revealed that there was relatively little to be gained in improving the quality of sales reps. This talent pool had received much attention already. They were high performing, making further improvements difficult. HR investments would make a bigger difference in the talent pools affecting product development, which
had been relatively ignored, and thus offered ample improvement opportunity. Applying the impact question to sustainability can reveal similar unseen talent contributions and new directions for HR.

There are some key lessons here about Talentship and talent segmentation. First, they are not about dropping HR’s focus on efficiency and effectiveness but rather about adding impact. Second, they suggest that HR programs applied across the board may be more focused, making HR investments in the talent pools that produce the best return. Third, Talentship breaks the traditional HR silos by clearly showing that it takes a mix of interventions to improve the performance of the pivotal talent (e.g., the sales support staff). Now, let’s apply HC BRidge to the role of HR in sustainability, achieving today’s goals without compromising the needs of the future.

**COMBINING THE NEW PARADIGMS: TALENТSHIP PLUS SUSTAINABILITY**

We can summarize our discussion about HR and sustainability along two dimensions: first, whether the “prize” is primarily profits or sustainability and, second, whether the HR paradigm reflects the traditional one of service delivery or the new paradigm of a decision science (Figure 34.2).

Each quadrant provides opportunities for HR contribution as we have seen, but the most untapped area is the top right, where Talentship is applied to sustainability. Organizations can use the same HC BRidge framework that connects talent to financial goals to understand where talent connects to sustainability goals.

In the upper-right quadrant, the impact question now becomes, “In which talent pools will HR interventions have the most impact on sustainability?” The pivotal talent pools for traditional financial goals vary with organizations’ strategies and competitive challenges, and it’s the same with sustainability. Each organization must work through the impact elements to find the pivotal talent for sustainability. An example from DuPont will show how Talentship and HC BRidge reveal strategic talent differences between exclusively financial and sustainability goals.

In 2000, DuPont and three other large agricultural companies agreed to share technology, free of charge, with African scientists to increase food
Figure 34.2
How the Talent Paradigm and the Organizational Prize Define the Strategic Talent Questions

<table>
<thead>
<tr>
<th>Talent Paradigm</th>
<th>Organizational Prize</th>
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<tbody>
<tr>
<td>Emerging: Talentship</td>
<td>Traditional: Financial</td>
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<tr>
<td></td>
<td>Do we make excellent decisions about the talent resources that are pivotal to our financial results?</td>
</tr>
<tr>
<td></td>
<td>Emerging: Sustainability</td>
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<tr>
<td></td>
<td>Do we make excellent decisions about the talent resources that are pivotal to sustainable strategic success?</td>
</tr>
<tr>
<td>Traditional: HR Service Excellence</td>
<td>Are our HR policies and practices efficient, and do they produce acceptable returns on investment?</td>
</tr>
<tr>
<td></td>
<td>Are our HR policies and practices consistent and compliant with sustainable employment relationships?</td>
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production in areas where mass starvation is a recurring threat. They would donate patent rights, seed varieties, laboratory know-how, and other aid to African agricultural scientists working with small farmers to battle plant disease, insects, and drought (Holliday, 2003).

A traditional strategic analysis reflecting only financial outcomes and competition would identify patent rights, seed varieties, and laboratory know-how as strategic resources. It would identify processes such as commercialization (transforming discoveries into product/service features that customers will pay for and applying them to high-profit and/or high-volume products) and protection (creating legal or physical barriers around intellectual property to keep competition at a disadvantage). In the impact analysis of the traditional financially driven strategy, pivotal talent would include research scientists and intellectual property lawyers. The key aligned actions for scientists would be to direct their research toward discoveries that yield highly profitable product features. For lawyers, aligned
actions would be to create patent or other legal protections against competitive espionage and copying.

Applying Talentship and HC BRidge to the sustainability objective of alleviating hunger in Africa uncovers different talent implications. The resources of laboratory know-how and seed varieties are still important, but now it is for their effectiveness in hunger reduction, not just profits. Patent rights may actually be detrimental because starvation reduction requires knowledge that is unprotected, so that collaborating companies and African communities can easily copy and disseminate it. Commercialization is less critical than transforming discoveries into product/service features that provide the greatest nutrition and applying them to low-cost and easily used products. Protection is less critical than dissemination (making knowledge easily copied, transmitted, and applied to maximize collaboration). The aligned actions for DuPont’s scientists would now be to discover what starvation-preventing product features can be cheaply and easily deployed. DuPont’s laboratory talent must not only develop seed varieties that can be profitably cultivated in Africa but also find seed varieties that thrive in starvation-prone areas and that produce food products that efficiently alleviate starvation. A pivotal talent pool will be translators and trainers, whose aligned actions would be to transfer knowledge quickly and widely, not only to the communities that must apply it but even to competitors.

Where Next for HR and Sustainability?
The movement to seek sustainability, not just financial returns, is embryonic in the United States, but has significant momentum globally. Decision makers, opinion leaders, voters, and employees care about sustainability. They want corporations to reduce the externalities that burden future generations. Sustainability is not just good ethics; it’s potentially good long-term economics, as executives in major global multinational organizations have stated. HR has an important role to play in sustainability.

Compliance and social accountability for HR programs are an important beginning. However, organizations will achieve sustainability more effectively if they adopt a decision science that helps them better understand and articulate the connections between talent and sustainability. The deep line
of sight created by a decision science provides the alignment necessary to drive execution through effective decisions about human capital, within and beyond the HR function.

Leading organizations are using frameworks such as Talentship, HC BRidge, and talent segmentation to enhance execution of traditional financial goals. A talent decision science, built on these ideas, applies equally well to sustainability goals. Using a common, logical, decision-based framework for both financial and sustainability goals makes the implications for talent decisions vividly apparent. This takes the debate about HR’s role in strategy and sustainability beyond rhetoric and toward logical analysis and consistent execution.

Notes

References

