



## What is Strategic HR?

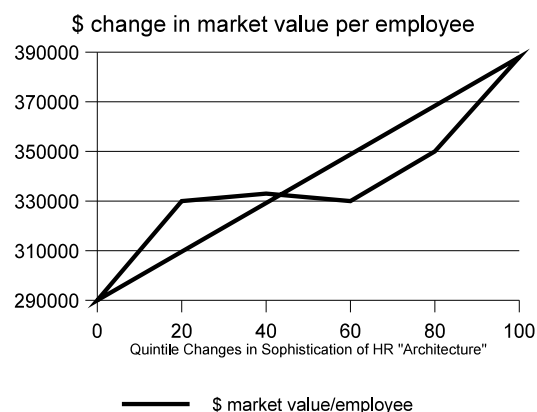
Frequently HR is seen as purely an administrative function and as simply a cost centre: HR administers all that stuff associated with personnel, and it doesn't really add value to the organisation in any really measurable way. This is hardly a view that sits well with the oft proclaimed statement: "People are our most valuable asset".

In fact we know from vast amounts of research that people are indeed an organisation's most valuable asset and also that how they are managed contributes hugely to the success of an organisation.

As we progress into the new economic paradigm (globalisation and the increasing demands for continuous change, innovation, adaptability, speed, etc.) we also find an increasing reliance on "human capital" as the resource which allows businesses to meet those demands.

So the "old" forms of competitive advantage (barriers to entry, low availability of substitutable products, strong bargaining position, and low competitor rivalry) either erode or become less important. It is people and how they are managed that become the source of competitive advantage.

Now many businesses, realising the importance of human capital, have instituted "best practice" in HR, and this certainly makes a difference to the organisation's performance. For example, we can note that many more hours are devoted to training in the top 10% of companies when compared to the bottom 10%; and a far higher percentage of employees receive a performance appraisal in the top 10% when compared to the bottom 10%, and so on. However, studies show that while best practice leads to an improvement in performance, this tends to reach a plateau (we can invest more and more in best practice but not receive a commensurate return). Now a very interesting fact is that we can see a surge in performance (a rise above the plateau) amongst those companies who go beyond best practice (see diagram below). These are the companies who have instituted Strategic HR.



Strategic HR involves the alignment of HR with the core value proposition of the organisation, and a focus on "deliverables", not just "doables". Thus, in Strategic HR we look for the drivers (eg., customer satisfaction) of the value proposition (eg., sales growth) and we focus on delivering the performance behaviours (eg., knowledgeable and timely front-line staff) which will positively contribute to the key drivers of business performance.

Nexus has facilitated many organisations in the development of a strategic focus to HR, including the implementation of a Strategic HR Model covering HR competencies, HR practices, HR systems, and HR deliverables. Nexus is mindful of providing real-world and practical solutions: for example, we work with our clients in actually aligning HR systems (eg., work design, performance measures, rewards, etc.) with company specific strategic goals.