



Role of HCM to business performance

*Practices , Implementation
Benchmarking and Future
Challenges*

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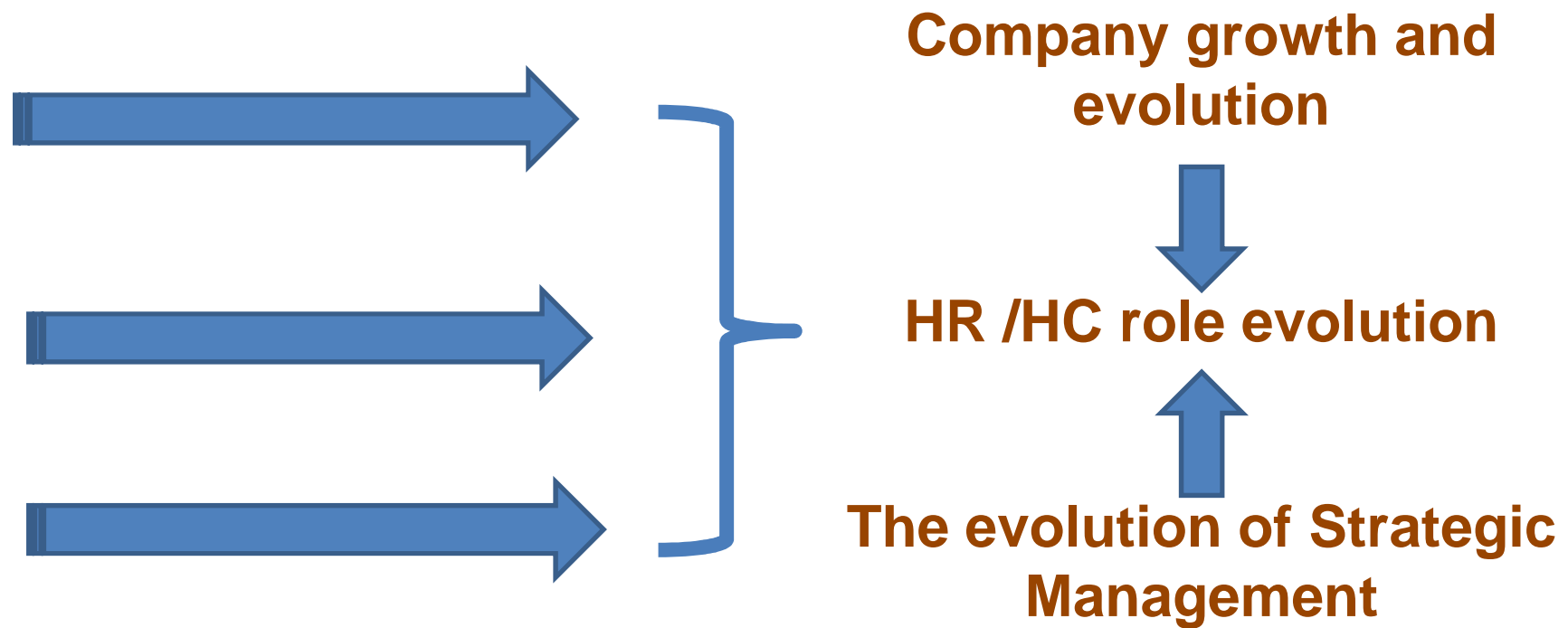
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How do corporate do with their “human resources” role and expectation

1. Growing role HRM
2. Archetype of Human Capital Initiatives through Practices and future challenges
3. Role of Academic and HR Consulting and Education
4. Current Interest Research
5. Action proposed to Business – Academic – HR/HC consulting

1. Growing Role of HRM/HCM

The HR role evolution



Mature – sustain and keep growing – key players → Human Resources versus Human Capital

- John Ingham → Strategic Human Capital → from value for money → adding value → creating value
- Ulrich dkk → Value proposition “ *HR can have an important influence on the shareholder value...To create this value however requires a fundamentally different perspective on HR ; a perspective probably more accurately described as human capital management than as HRM. The concept of human capital management emphasizes the essential point that a firm’s human resources and subsequently its HRM system can be more than a cost to be minimized (Becker et al 1997)* ”
- Jim Collins dkk → Good to Great dan Bradley Hall → New Human Capital Strategy , Human Capital build Organizational → Business Performance

Flat world/Global Competitive → HC build competitive advantage
/core competence

- Porter with his competitive advantage theory → core competence
- Malcolm Baldrige Criteria Performance for Excellence (MBCCPEE) → relate to **STRATEGIC HUMAN CAPITAL**
- **Strategic Human Capital Management role**

Barlett dan Ghoshal 2002 → MIT sloan management review stated that HCM Initiatives should related with Strategic Focus based on Competition Stage



STRATEGIC HR Role relate to Company level of competition

	Competition for Product and Markets	Competition for Resources and Competencies	Competition for Talent and Dreams
Strategic Objectives	Defensible product –market position	Sustainable competitive advantage	Continuous self – renewal
Major tools perspectives	<ul style="list-style-type: none"> Industry /competitor analysis Market segmentation and positioning Strategic planning 	<ul style="list-style-type: none"> Core competencies Resource –based strategy Networked organization 	<ul style="list-style-type: none"> Vision and Values Flexibility and innovation Front-line entrepreneurship and experimentation
Key Strategic resources	Financial Capital	Organizational Capability	Human and Intellectual Capital
Perspective on employees	People viewed as factors of production	People viewed as valuable resources	People viewed as ‘talent investor”
HR’s role in strategy	Implementation, support	Contributory	Central
Key HR activity	Administering of recruitment training and benefits	Aligning resources and capabilities to achieve strategic intent	Building human capital as a core source of competitive advantage

* sumber : Christopher A Barlett and Sumantra Ghoshal – MIT Sloan Management Review volume 43 no 2 (2002)

2. Archetype of Human Capital Initiatives through Practices and future challenges

In 2011 – 2012 SBM ITB conducted



**HCM Benchmarking
Indonesia
corporation**

Theoretical finding from empirical → 10 elements of HC that implement in best practices across industry

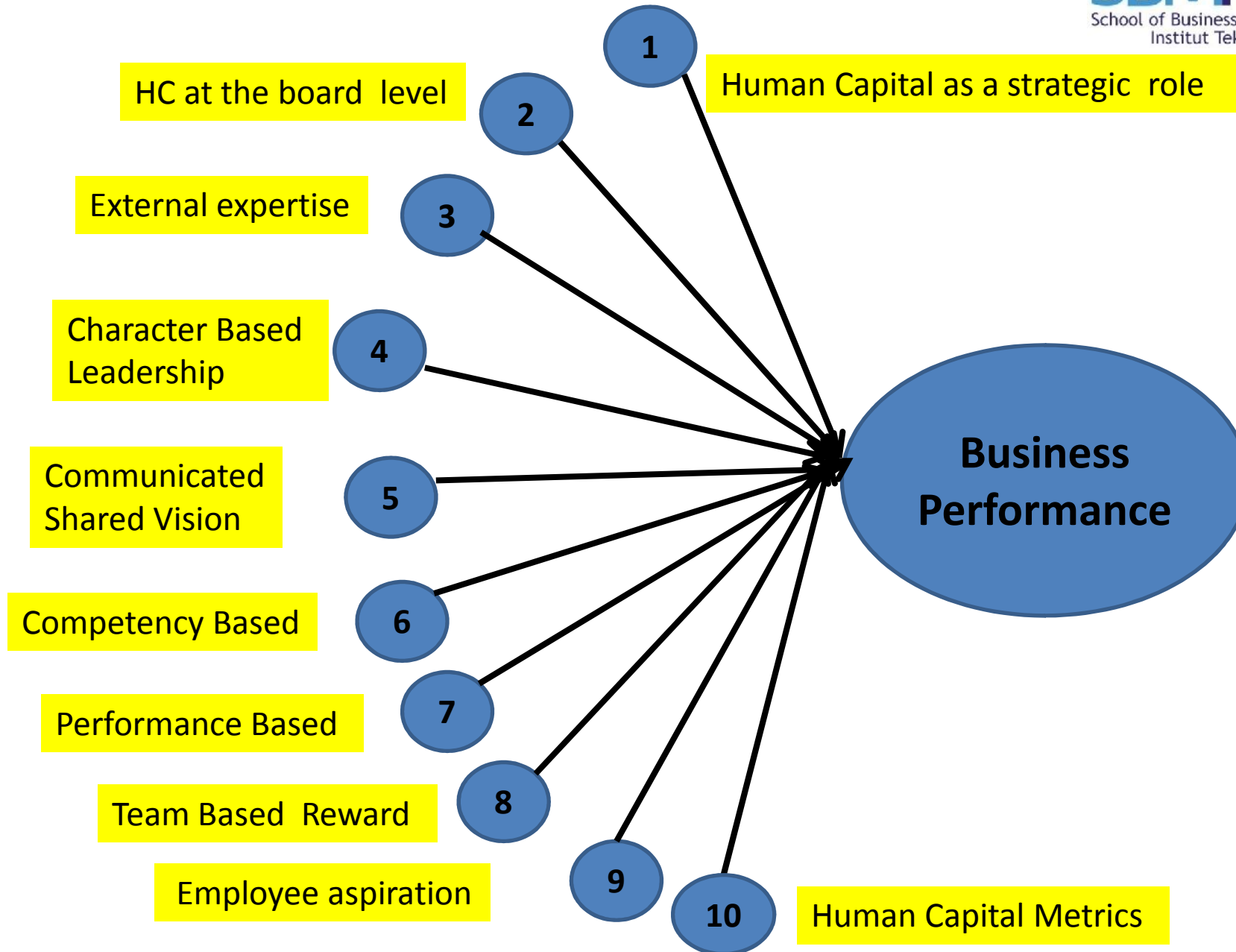
- 1. Perceive that HRM as important as Business Strategy*
- 2. There are HC executive involved in “management team” → Head /Director HR/HC*
- 3. Leverage Human Capital Management with external expertist*
- 4. Recruit and select manager /leader based on essential characters that relate to business objectives*
- 5. Shared Vision to almost employee*
- 6. Recruit , develop and retain employee based on competency that relate to business performance*
- 7. Implementation of a Clear, Accepted Performance Management System that boosting Company Performance*
- 8. Well Supporting Reward Management System*
- 9. Employee Aspiration Management System*
- 10. Metric / clear and easily understood HR activities that relate to business performance (HR metrics)*

The application and challenges in improving SHCM role toward company performance in Indonesia

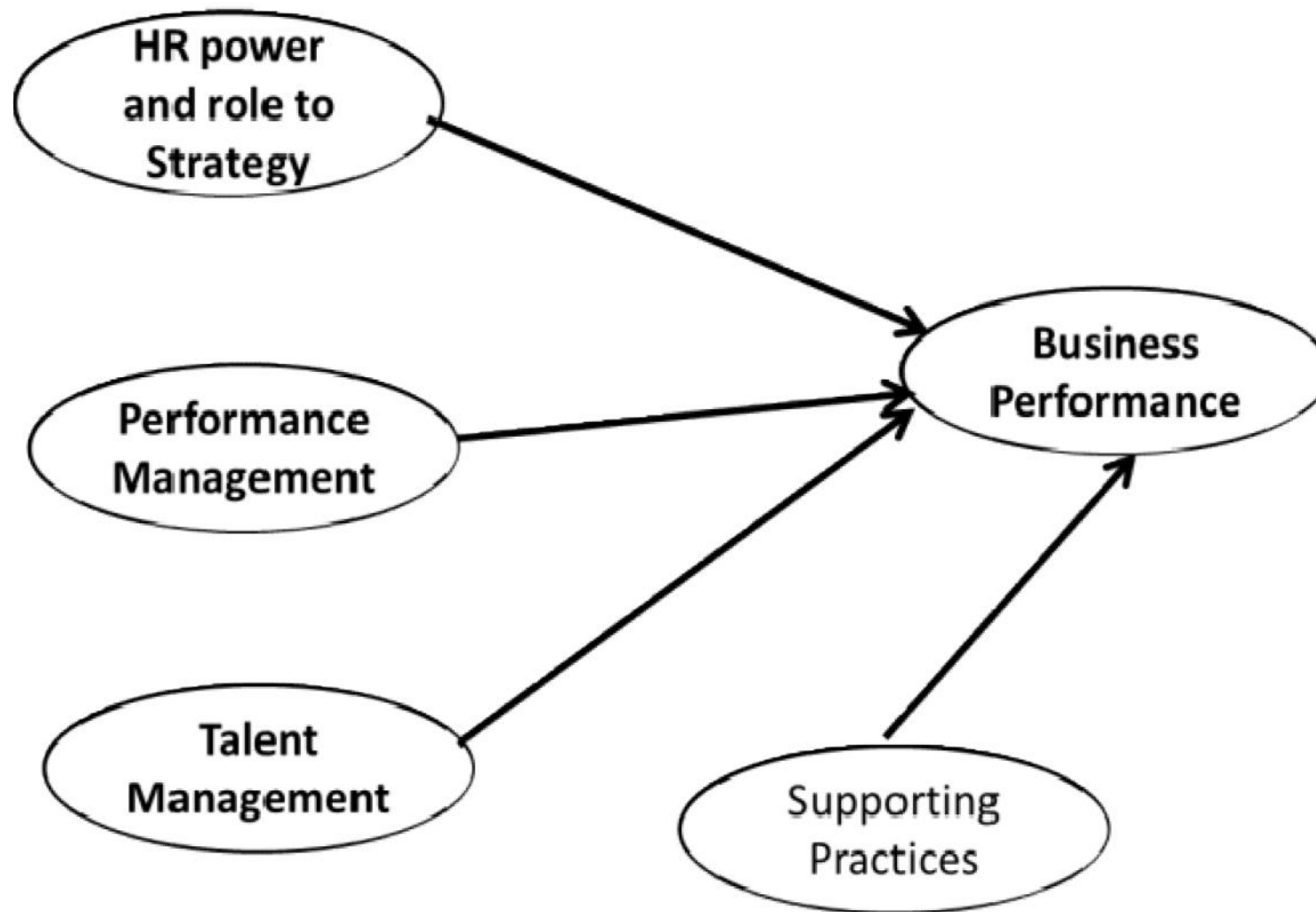
- ✓ 23 companies were invited to participate
- ✓ 16 were involved

- Public Listed Company
- Employee more than 1000
- “sustain and growth companies”
- Willing to share and open information

Basic Model



MODEL



Research Objectives

- To identify “the relationship model ” of HC variables to business performance
- To identify the most predictors of HC initiatives/element to business performance in Indonesian contextual
- To examine “current state of HC implementation industry” and “company gaps to current state”
- To identify which are the most high impact HC initiatives
- Company respondent may use this model to develop its own research and find specific recommendation to improve its business performance through HC intervention

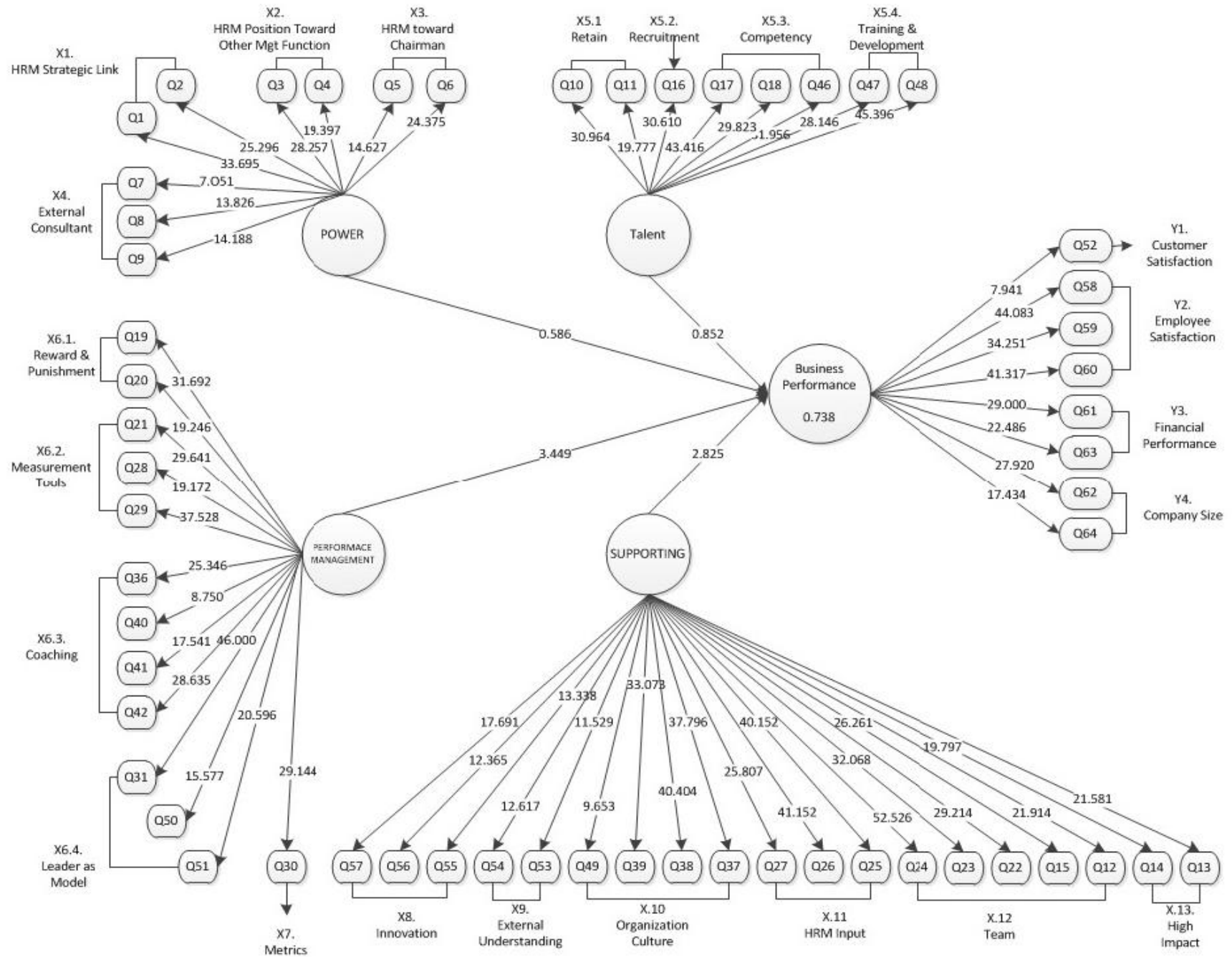
HC IMPROVEMENT program?

**PREDICTOR
To
PERFORMANCE**

HIGH	PRIORITY 1	PRIORITY 2	INNOVATIVE MAINTAIN
Medium	PRIORITY 2	MAINTAIN	CAREFULLY MAINTAIN
LOW	Cost Reduction	Cost Efficiency 2	Cost Efficiency 1
	LOW	MEDIUM	HIGH

MEASUREMENT

Research finding



$$Y = C + \beta_1 \text{Power} + \beta_2 \text{Talent} + \beta_3 \text{Performance} + \beta_4 \text{Supporting}$$

$$\begin{aligned} \text{Business Performance} = & \text{Constanta} + 0.586 \text{Power} + \\ & 0.582 \text{Talent} + 3.449 \text{Performance Management} \\ & + 2.825 \text{Supporting} \end{aligned}$$

	Value	P
Power	0.586	0.55790
Talent	0.582	0.56059
Performance	3.449	0.00056
Supporting	2.825	0.00475

Research confirmed that there are two elements of strategic human capital practices that really significant predictors to business performance, those two were **Performance Management and HR supporting.**

HC Power as predictor?

- Even though PLS on model shows that the relationship of HR executives position and function do not significantly predict business performance. This finding may explain by the highly selective sampling of “big public company” that known having best human capital practices.
- All of company respondent have human capital executives at Directors level, and have direct line to company chairman.
- It proved by the data average of HR Power and function to support business strategy are already high (range from 4,1 to 4,6 out of 6 scale) seen at table 7.
- This finding made we should rethink about the challenge face of company with lower Human Capital Leaders power and function.

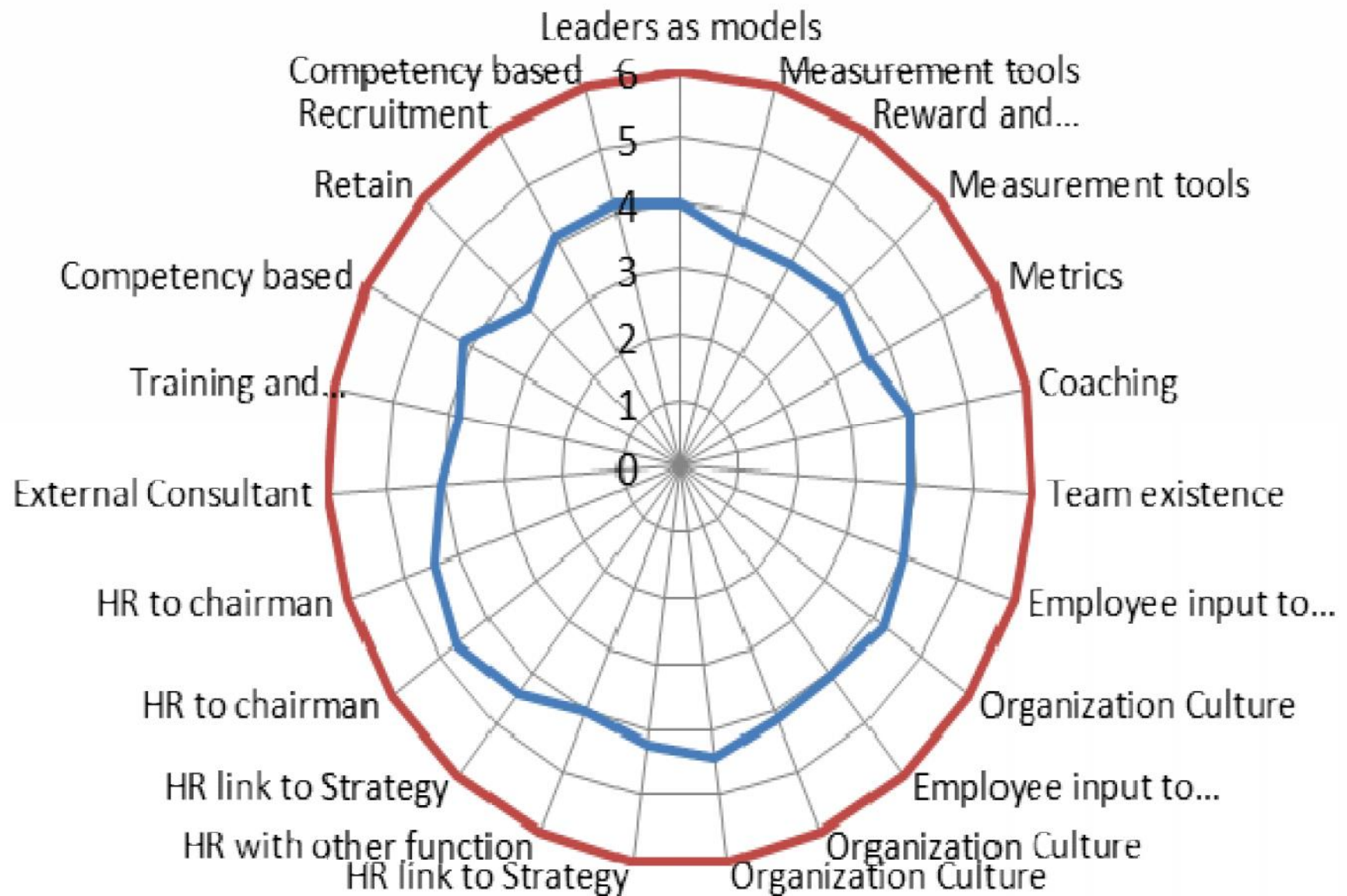
CFA Performance Management Dimension Variables

	Statement	Measurable indicators	CFA
Leaders as models	Q31	Our leaders leading effectively toward goals	46
Measurement tools	Q29	We are clear about our key performance indicators	37,528
Reward and punishment practices	Q20	Reward and punishment were well understood	31,692
Measurement tools	Q21	All Key Performance Indicators are communicated well	29,641
Metrics	Q30	We have HC metrics to business performance	29,144
Coaching	Q42	All of us responsible to our work	28,635

Supporting practices dimension CFA

	Statement	Measurable indicators	CFA
Team existence	Q24	<i>We have program to enhance team spirit</i>	52,526
Employee input to HR policy	Q26	<i>We believe that employee suggestion will be considered by management</i>	41,152
Organization Culture	Q38	<i>We do understand the meaning of our culture to our daily work</i>	40,404
Employee input to HR policy	Q25	<i>Give suggestion is not taboo</i>	40,152
Organization Culture	Q37	<i>We do aware to company culture</i>	37,796
Organization Culture	Q39	<i>We aligned our work to company culture</i>	33,078

Quantitative finding



Performance Management Challenges

	Med	Max	Measurable indicators
Leaders as models	4,01	6	Our leaders leading effectively toward goals
Measurement tools	3,61	6	We have an outstanding key performance indicator
Reward and punishment practices	3,61	6	All of us understand the existence reward and punishment
Measurement tools	3,74	6	All KPI are communicated well
Metrics	3,57	6	We have HC metric to business performance
Coaching	3,97	6	All of us are responsible to our work

Supporting HR challenges

	Med	Max	Measurable indicators
Team existence	3,9	6	<i>We have program to enhance team spirit</i>
Employee input to HR policy	4	6	<i>We believe that employee suggestion will be considerate</i>
Organization Culture	4,22	6	<i>We do well understand the application of company culture</i>
Employee input to HR policy	4,07	6	<i>We are conditioning to give suggestion</i>
Organization Culture	4,14	6	<i>We aware to our business culture</i>
Organization Culture	4,42	6	<i>We all aligned our job standard with company culture</i>

TALENT BASED HUMAN CAPITAL

	Med	Max	Measurable indicators
Training and Development	3,83	6	Work Ethic and quality of work are well communicated
Competency based	4,14	6	We have integrated based competency training
Retain	3,56	6	We have system to retain high potential and high performer
Recruitment	4,08	6	We proud of our highly competitive recruitment program
Competency based	4,14	6	We apply Competency based human resources management

Directors' opinion ->Human Capital Challenges

- predicting business environment,
- linking business strategy with human capital strategy,
- developing measurement tools and metrics ,
and
- creating supporting culture

Final comment

- ✓ All HC directors mentioned that external industry turbulent impacted to human capital initiatives.
- ✓ On the other hand human capital must respond strategically with all level of turbulence (Vaughan,J, 2008).
- ✓ It seems that the **competent HR or HC executives must be a strategic thinker.**
- ✓ All HC directors mentioned that the other challenge they faced are the external environment that highly impact human capital strategy (Whiteley,P, 2008).
- ✓ There is a deep **need of Performance Management System**
- ✓ Eventhough that all respondents realized that practices of strategic human capital are in well crafted and well aligned with business strategy (Moss, 2008), company should aware about **the supporting culture.**

Applied to company

Performance Management Challenges

	Med	Max	Pers XYZ	Measurable indicators
Leaders as models	4,01	6	3,2	Our leaders leading effectively toward goals
Measurement tools	3,61	6	3,3	We have an outstanding key performance indicator
Reward and punishment practices	3,61	6	3,3	All of us understand the existence reward and punishment
Measurement tools	3,74	6	3,2	All KPI are communicated well
Metrics	3,57	6	3,2	We have HC metric to business performance
Coaching	3,97	6	4,2	All of us are responsible to our work

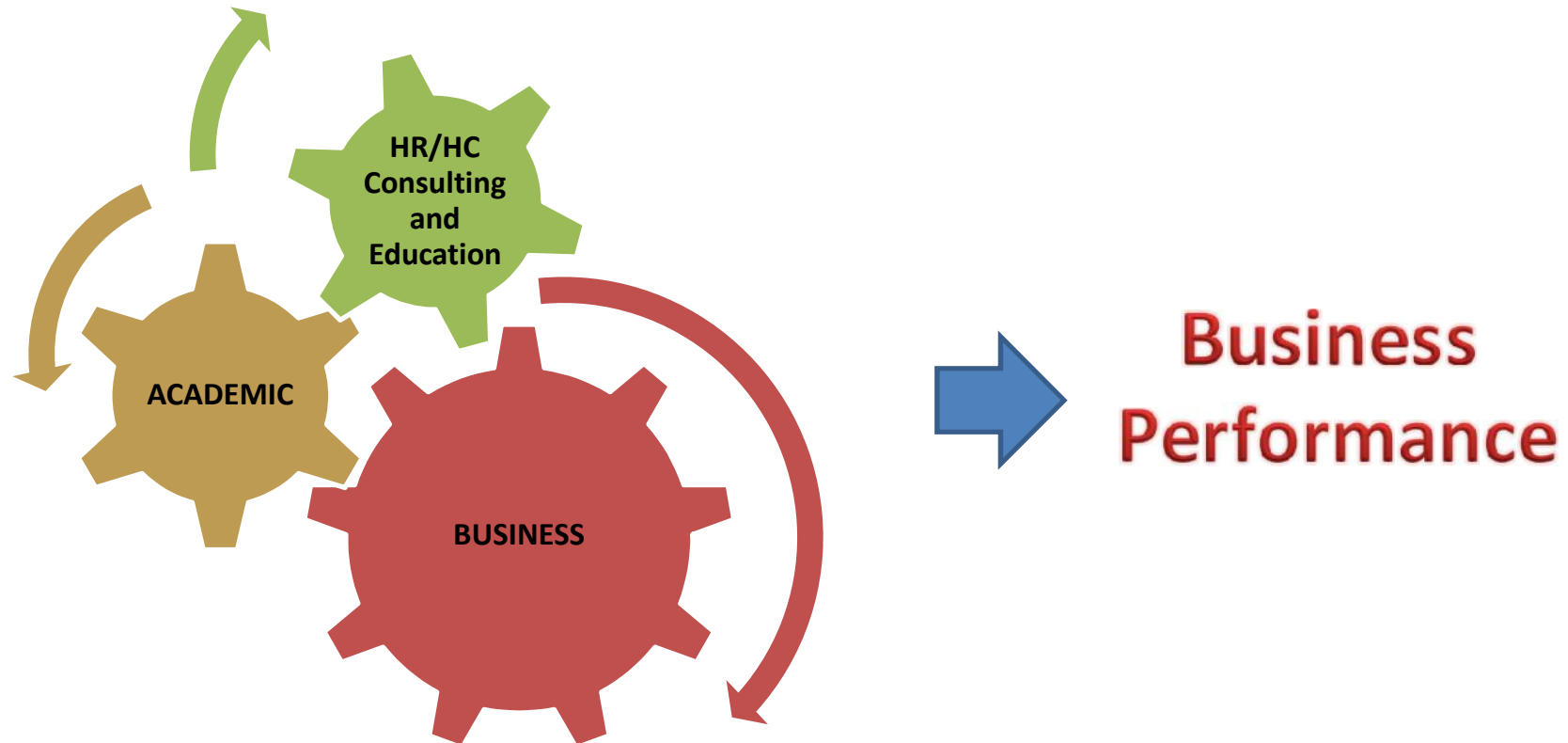
Supporting HR challenges

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3 .Role of HR/HC consulting and Academic



Academic

SBM ITB – HUMAN CAPITAL and KNOWLEDGE MANAGEMENT

- Since 2008 – 2015 : There are increasing number of students (Undergraduate – Graduate (MSM , MBA , DSM) who took People and Knowledge Management as their major (15% – 20%)
- There are huge research on PKM and its impact to business performance -> modeling to business performance

HR/HC Consulting and Education

- Local and international → offering HRM related education, training and development, Leadership Development Program, as well as HR management consultation
- Proposed Model and huge instruments and tools (SBM ITB CCE , Aon Hewitt, Dunamis, IPPM, Accenture, Hay, McKinsey, Saratoga, Mc Bassi, Aberdeen, etc)
- All initiatives should impacted to business performance
- PMSM with “certified HR executives” → soon will be implemented

4. CURRENT INTEREST RESEARCH AREA

- ✓ HUMAN RESOURCES - HUMAN CAPITAL MANAGEMENT
- ✓ LEADERSHIP and CULTURE DEVELOPMENT
- ✓ KNOWLEDGE MANAGEMENT and LEARNING ORGANIZATION
- ✓ PEOPLE and ORGANIZATIONAL CAPABILITY to Business Performance
- ✓ ORGANIZATIONAL HEALTH INDEX (McKinsey approach)
- ✓ LEADERSHIP and BUSINESS STRATEGY relationship
- ✓ TALENT BASED HUMAN CAPITAL
- ✓ COMPETENCY MODEL DEVELOPMENT
- ✓ STUDY on EMOTIONAL INTELLIGENCE to BUSINESS PERFORMANCE
- ✓ EMPLOYER BRANDING
- ✓ HR – SME
- ✓ People and CSR



5 .ACTION PROPOSED

- BUSINESS PRACTICES
- ACADEMIC (School of Business and Management)
- HC /HR consulting and management education

THANK You

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