

HaRe Group newsletter: 5 May 2003

Subject: Building competitive advantage

If your organisation has a business strategy that differentiates your products (or services) from your competitors, would you copy the production/ operating procedures used by other companies, or promote the same value proposition to the same markets or customer audience? Of course not!

Why, then, do so many organisations tend to copy "best HR practice" benchmarks, or adopt the HR processes and systems of successful companies that may have very different business strategies? The lack of alignment between "the best" HR program and business strategy can be profound. For example, broadbanding may be very successful in a market leading company producing highly innovative products, but it could be a disaster in a company that has a strategy based on operational efficiency and mass customisation. Likewise, long-term equity-based incentives may be just right for the entrepreneurial employees in an innovative company, but inappropriate for a risk-averse company.

It's widely accepted that imitating the business strategies of industry leaders will not create long term value - so why should a clone of their HR strategies and programs create and sustain a high-performance culture?

So what's the solution? In recent years, many organisations have turned from HR benchmarking to enhancing the core capabilities of their people - this knowledge creation & management (organisational learning) will feed a strong competitive advantage. However, this competency-based strategy relies on talented people being attracted to and retained by the organisation. "Human capital" has therefore become the keystone to business success.

Since business success also thrives on personal networks, more flexible processes and customer relationships, all employees need a work environment that is tuned to allow them to perform at their peak. It's the employees' freedom to fully exercise their capabilities that will build competitive advantage - and competing companies realise this. Market leaders know that they lack the talented people to create enough value from their invested capital, which makes your talented people vulnerable. In this environment:

- more employers are seeking the unique mix of those human capital factors that will support business strategy and help drive organisational success;
- more companies are measuring the impact of their HR programs and making changes that will focus employees on key business objectives;
- value-based management and tailored reward & recognition programs are becoming more critical factors in the HR strategy mix.

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