
The State of HR Development: Taking Stock

Walter Jochmann

For over three decades, HR development has been a fixture amid the traditional range of HR functions – support services, strategy, controlling, policy, and payroll accounting. It has grown from its original function, dedicated to analysing and developing the potential of young leaders and providing training and qualification services. Indeed, over time HR development has become the source and engine for central development concepts that go far beyond surveying individual training needs. There is a growing realisation in the business community that the failure of corporate strategies is most commonly due to a lack of qualifications or motivation on the part of key employee groups. The success of complex customer-oriented and service-centric business is determined by employee skill sets. This realisation has boosted the presence of HR development in line managers' minds. HR specialists are no longer alone in understanding that a number of HR development processes and concepts are decisive for the commercial growth of any business. The most common operational use of the term “human capital” refers to the development of transferable skills in all employees that aim to meet future business needs (Jochmann, Kötter, & Dievernich, 2006).

Nevertheless, the current status of HR development is not quite satisfactory. Discontent arises concerning the efficiency of qualification activities, the interchangeable nature of many requirements models, and the narrow focus on a selected group of high potentials. The key challenge for HR development in the coming decade will be to optimise the strategic foundation of its main concepts and toolkit. It will also be tasked with designing more effective qualification services, with a view to their workplace application. Finally, HR developers should concentrate more on strategically crucial or customer-oriented job families and on assessing the commercial viability of investments into HR development (Jochmann, 2006).

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1 The Rise and Rise of HR Development

The functional term HR development used here refers to the common responsibilities found in organisational charts, and, thus to the structural make-up of HR departments. This umbrella term typically covers the following specific functions:

- Designing (and sometimes executing or supervising) training concepts,
- Conducting potential analyses and status quo assessments for junior executives in increasingly higher rungs of the hierarchy as a part of executive development,
- Analysing qualification requirements,
- In-house development or procurement of professional and technical training modules,
- Advising management on questions of potential utilisation, performance optimisation, and career development,
- Supporting change processes with dedicated workshops and training,
- Establishing platforms for learning – from traditional training curricula to modern, web-based modules or interactive forms of learning, i.e.: “blended learning”.

Our recent HR climate index (Kötter & Ruppel, 2007) suggests that investments in HR development tend to follow the commercial status of the company or industry in question. Training and qualification budgets are a flexible variable that can be reduced at no great cost – at least for the short term. However, this can negatively impact the strategic success factors of a company over the medium term. The organisational infrastructure of HR development has seen a consistent positive trend in the recent past, especially in terms of its headcount and the number of key positions/specialists in the area. We can safely assume that 25 % of today’s HR professionals work in HR development or training functions. This quantity corresponds to the importance of its function, and its leverage, in terms of strategy implementation, corporate profiling, or innovation security in contributing to successful customer management. Figure 1 reflects the top priority awarded to HR and executive development within the wider canon of HR services over the recent past.

The pay bands and the typical career tracks of HR developers also attest to this emphasis placed on HR development by leading HR managers. It frequently turns out to be a route toward taking over overall HR responsibilities. In the past, this was reserved for HR policy or administration specialists. Increasingly, when given the required on- or off-the-job training, leading positions in HR or executive development can enhance an executive career track as much as experience in other top support functions (business partner principle or job rotation from other areas). Another insight into the growing importance of HR development can be gained by examining the strategic goals of HR as a whole, e.g. in terms of the following questions:

- What are the top ten current HR targets named in the relevant strategy documents?
- What are the top management’s main expectations concerning HR?

Figure 2 reveals the direct and indirect links of these considerations to the capacities of HR developers and confirms that HR development is a change catalyst

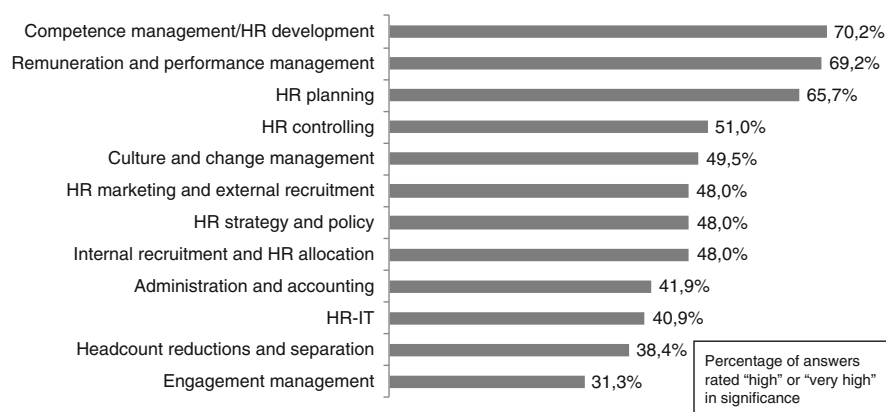


Fig. 1 Competence management and HR development as a top function of HR

Top 10 HR Targets*	Impact on HR Development
Improving leadership/management quality	
Remuneration and incentives	
Recruitment	
Qualification and training	
Change management	
Performance management/MbO	
Demographic trends	
Competence-and Skills management	
Succession planning/management	
Talent management	

Key: Direct impact on HR development Partial impact

Fig. 2 The leverage of HR development (source: Kötter & Ruppel, 2007)

in approx. 40–65 % of cases. In other words: certain HR development activities, which can offer a convincing conceptual basis and are implemented with a high level of competence on the part of HR developers and line managers, have a definite impact on the goals of HR and the services that top management expects it to provide. This is no longer restricted to the traditional combination of staff appraisals and potential analyses on the one side and functional qualification and empowerment for people's current or future tasks on the other. An essential element now consists of safeguarding the organisation's competences in strategic activities. Corporate competences refer to a selection of functional and personal qualities that are relevant for all individual jobs within a business. Competences also apply to all job groups across the organisation – with particular emphasis on product

development, sales management, and corporate management. Successful companies understand that they need to mirror the strategic success factors within their markets, while still ensuring uniqueness with these distinctive qualities: their unique selling and unique competence proposition (Prahalad & Hamel, 1990). Recent research in intangible asset management has been considering the extent to which personnel factors play a part in achieving this uniqueness. Traditional asset evaluations include a survey of the company's current tangible assets and their development over time, including all balance sheet assets like buildings, production facilities, other real estate, etc.

By contrast, intangible assets cover the difference between the company value as traded on the open market (market capitalisation) and its book value (Kaplan & Norton, 2004). Analyses have shown that five to eight strategic success factors determine the makeup of intangible assets in many industries. Human capital accounts for 40–60 % of these intangible assets, followed by strategic and structural capital, customer value, and brand image. When we remember that a considerable share of human capital is determined by the quality of the right employee groups placed in key positions HR development appears to be a first-rate measure of crucial intangible assets. Quality, in this case, refers to the availability of inelastic competences, staff satisfaction, motivation and commitment.

2 The Processes and Instruments of HR Development

By contrast to the broad and comprehensive term “function”, “processes” refer to specific workflows with clearly defined start and end points. Between these two points, most processes cover three to eight individual steps at varying degrees of detail. These steps form the habitat of the process' actual work application (relating to other business processes via deadlines, shared responsibilities, or linked competences or decisions). Figure 3 presents a typical process landscape, which distinguishes between strategic, supporting, and administrative HR processes. Some of its terms are represented as classic sub-functions in the organisational charts of HR organisations, whereas others – e.g. succession or performance management – make up a thematic umbrella for a set of related activities. The rationale consists of these qualities:

- Each process is based on performance criteria with defined timeframes, costs, and output qualities.
- Responsibilities are allocated with respect to the form of overall responsibility and reporting lines. Different roles are to be given to people in charge of specific activities and to decision-makers.
- The required forms of interdepartmental cooperation and shared work format in the sense of instruments, output records, and IT systems are defined.
- Quantity and quality can be benchmarked throughout the process.

Depending on the chosen level of detail, the end product consists of three to five exclusive HR development processes as well as neighbouring processes that involve HR development aspects.

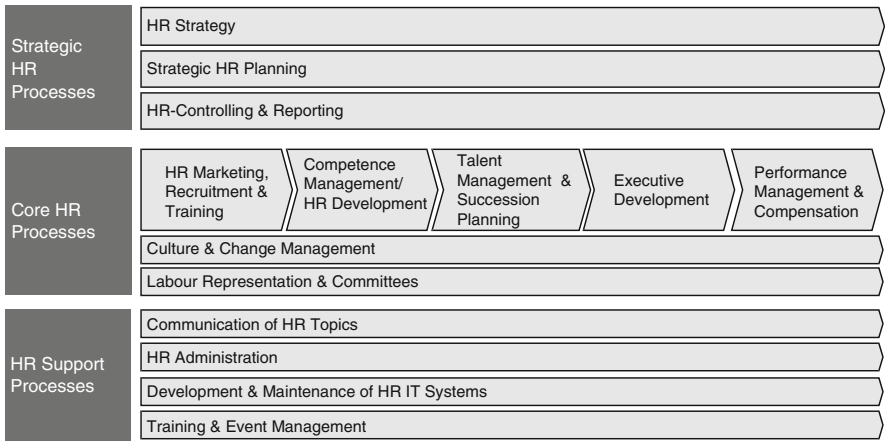


Fig. 3 HR process landscape

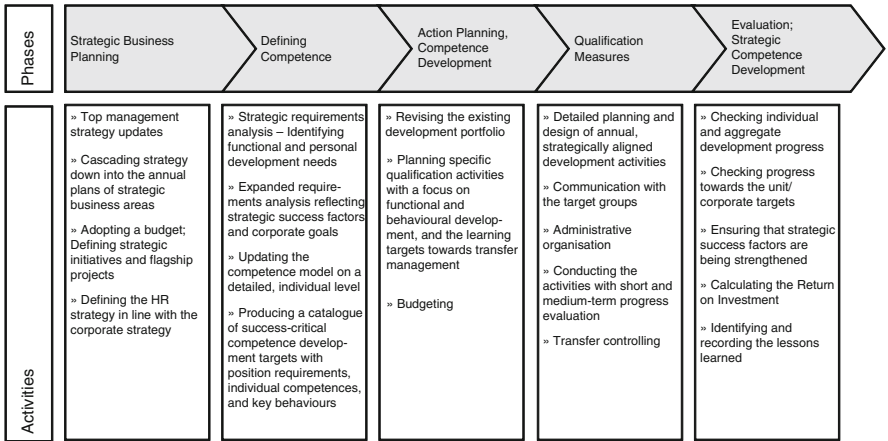


Fig. 4 The strategic competence management process

An example of such a detailed process is given in Fig. 4: “Strategic Competence Management”. Building on a common conceptual foundation, companies should, however, develop their own, bespoke process profiles to match the required applications and the concepts and instruments that are already in place. In practical use, the illustration given here would also name all relevant instruments for each step in the process and include the responsibilities of the key actors. The process used in our example, strategic competence management, is a relatively recent development, evolving from the past focus on operational training processes. It pays particular attention to transforming the organisational competences already discussed above. The changes are to be structured using a corporate model of

competence (Jochmann, 2006). In the currently dominant format, such models of competence cover 10–20 general dimensions of competence and are specifically relevant to top and key positions. This means that they tend to neglect essential job groups on the client-facing or operational side. They focus narrowly on management and leadership qualities, forgetting about key technical competences. In view of demographic change and the impending qualified specialist bottlenecks, safeguarding the supply of technical, information- and process-competent human resources is becoming increasingly vital. Integrated business models that cover sales, service, and high-quality customer service demand a lot more from many employee groups and give the technology- and client-related competences a central place next to the quantitative side of HR planning. The competence manuals produced by strategic competence management define what is to be considered average performance, special potential, or top performance for all job groups by giving clear examples or behaviourally oriented performance indicators. The strategic competence management process is not aimed at identifying individual people's training needs, but rather at assessing the need of qualification programmes for entire job groups or an even more comprehensive use.

The operational qualification process, by contrast, revolves around annual staff appraisals, focusing on investigating any potential performance shortfalls, assessing the employee's competence, giving behavioural feedback, and rating the employee's potential. This produces a set of behavioural goals and individual development activities for each employee, which are aimed at either maintaining his or her capabilities for the current function (compensating for any weaknesses or preparing for the future) or paving the way toward new levels of responsibility or a new functional remit. The sum of such qualification processes represents the organisation's annual plans for internal or external behavioural or functional training, coaching, autodidactic study, or networking/sharing of experiences. Donald Kirkpatrick and James Kirkpatrick's call for effective transfer and evaluation cycles (2006) remains a challenge, especially in the following aspects:

- Ensuring participants' grasp of the training contents in terms of the desired knowledge or methodological approaches.
- Encouraging the use of training in staff behaviour during key work incidents.
- Achieving better work performance.
- Securing a positive return on investment for the expenses that were necessary.

The succession management process includes the annual review of all key positions and their incumbents with a view to possible reappointments/rotations, preparation for new duties and identification of poor performance. This also entails giving preference to members of the talent pool in the allocation of training opportunities or appointments. In this respect, it is essential to cover the quantitative staffing needs of the key job groups for the medium term at the very least. The target should be to fill 60–80 % of key position vacancies with internal candidates and to ensure sufficient reserves for 80 % of acute necessity appointments. At the forefront, this process relies on the integration of the business plans and strategies in terms of executive recruitment needs. It also relies on the decentralised surveying of performance and potential reserves, ascertaining these with cross-comparisons and

external benchmarks. Needless to say, matching the right positions with the right candidates in the transfer phases is particularly important to succession management. Finally, the process is responsible for designing suitable job rotation and qualification measures. With the goal of internal recruitment in mind, potential successors should be in place, with additional fallback reserve candidates, for each key position. The high potential pool, if available, plays a major part in this, as its members are already being groomed for a future in top management via preferential treatment or international assignments.

In the performance management process, the attention of HR development turns to the high-quality preparation and execution of cyclical staff appraisals. One important factor in this process is the supervisors' rating of their people's competences, as it

- Represents the root causes for performance successes or shortfalls in the competence rating,
- Identifies development needs with a view to possible future responsibilities or functional remits,
- Translates identified shortcomings into a set of suitable development activities, supported with dedicated action plans and, optionally, change scorecards,
- Supports the rating of the employee's potential for future duties and, possibly, greater responsibility, by defining potential indicators and ensuring a uniform assessment standard for the entire organisation.

These HR development processes need to be grounded in a set of dedicated concepts. The most frequent concepts are the following:

- Career and career track models (including career formulas, the role of international placements, job rotation policy, etc.)
- Corporate models of competence
- Development principles, with statements of the company's commitment, definition of staff's own responsibility, etc.
- The desired corporate culture, with leadership and cooperation principles, defined corporate and social responsibility statements, commitments to fair business practices, or statements on equal opportunities/diversity, etc.
- Corporate remuneration concepts, also in terms of variable-pay incentives for reaching development targets.

When putting these concepts into practice, companies need standardised tools, usually implemented in the form of purpose-built IT solutions. Medium-sized organisations typically require five to ten such instruments in their HR development activities, a number that rises to 15–20 at larger corporate organisations. These instruments include:

- Appraisal forms,
- Potential rating forms,
- Succession management forms,
- Career planning forms,
- Individual development plans,
- Target agreements,
- Supervisors' ratings,

- HR portfolio,
- Tools for the immediate and medium-term assessment of qualification activities. The HR development processes are sustained by a range of different roles:
- Supervisors – as mentors or coaches and immediate observers of their people in real professional situations
- HR professionals/HR developers – as business partners or specialists and advisors or coaches
- External trainers and coaches – as unbiased specialists and change agents

Good concepts and HR policy documents can only become a reality if these actors are fully qualified to make their contributions to the process. Key actors must also be aware of the need to communicate with their people about their work.

3 HR Development as a Building Block of HR Strategy

HR work is cyclical work. Periods of reacting to changes that affect the organisation are followed by periods in which it is important to take the initiative in the pursuit of benchmarks or ambitions. Figure 5 paints a picture of the current topics of interest and targets for HR professionals as revealed in the Kienbaum studies already quoted earlier and in many workshops and discussion forums on the topic. We can see the role of internal projects or strategic campaigns that span many years, e.g. the establishment of HR as a business partner, or the re-envisioning of the business model with an emphasis on support and shared service. Formulating a dedicated strategy for the function of HR brings these improvement projects together under a single vision or long-term ambition, a specific business mission, and a set of medium-term, strategic goals for HR. Such strategies determine where HR specialists will focus our work and how we define our unique service propositions. Formulating a business mission helps us define our value contribution to the other parts of the organisation, our key client groups, and the central commercial processes of the business. An internal analysis of around 70 potential HR targets reveals the following set of key targets:

- Performance management – remuneration and incentive systems, workforce productivity, HR costs, and work efficiency.
- Competence management – recruitment and retention, maintaining qualification levels, and improving leadership and management quality.
- Culture and change management – position of the employer, staff satisfaction and commitment, supporting growth and change processes.
- Internal goals of the HR section – efficacy and efficiency of HR processes, customer management, and measurability of the HR value contribution.

The place of HR development and competence targets as well as the projects and core activities that relate to them are also reflected in monitoring models. The measurement criteria for HR development command extra attention, in particular concerning performance indicators such as:

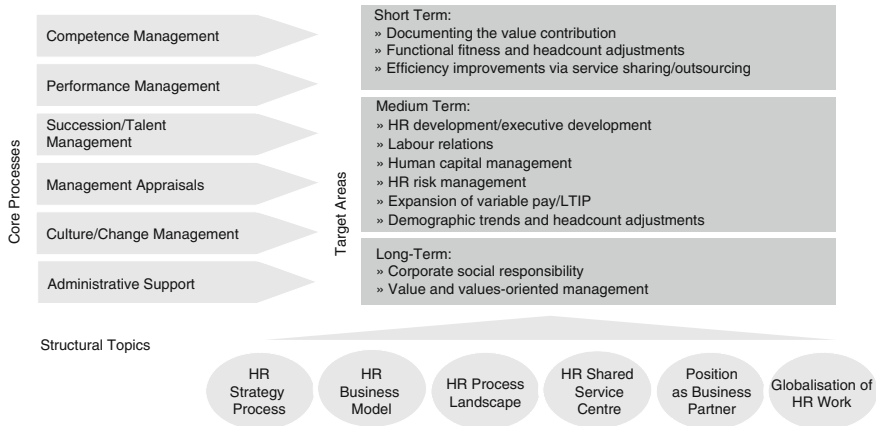


Fig. 5 HR trends 2009: processes, structures, and topics

- The fit of the competence levels for all essential job groups,
- Percentage share of top and key positions covered by succession management and talent pool systems,
- Cost benchmarks and the commercial viability of HR development activities,
- The degree of transparency of the available management and junior management potential,
- Readiness and aptitude for learning among essential employee groups.

HR development considerations play an even more central role in the core messages of HR function, often known as HR principles or people strategies. Many studies show that the most sought-after group of university graduates for any given position values the availability of development opportunities, ideally in combination with appealing career models, when looking for a potential employer. In turn, companies expect them to invest a certain degree of initiative, openness for feedback, readiness for self-development, and efficient learning skills.

The essential concepts and tools applied in HR development processes are typically overseen by a dedicated HR development competence centre. A decade ago, decentralised development teams working directly with their clients inhabited the development landscape. Today's HR professionals/advisors, acting as local business partners and coaches, are the integrated source for all HR services. They support employees and executives in business units in all HR issues, in critical decisions or conflicts concerning promotion, potential analyses, career planning, or management changes. This does not affect the role of the line manager as the frontline developer, coach, and mentor of his or her people. Being constantly in touch with the employees, understanding their work environment in detail, and knowing the performance they produce makes the line manager the key source for feedback. This is reflected in the annual appraisals conducted by line managers, which combine performance target reviews with looking ahead at the employee's career prospects. Central corporate HR development supports the HR professionals

and line managers at the periphery with training and advice; it plans and implements – be it on its own or with outside consultancy support – necessary seminars for potential analyses or any other related support services.

4 Opportunities for Change and Targets for Intervention

Over the last few years the position of HR among traditional corporate functions has been unstable and often been questioned. However, a slightly positive tendency becomes apparent. Its equipment, in terms of personnel and budget, has been consistent or even improved slightly, and HR professionals have maintained their place just within the top third in salary rankings (Jochmann, 2005). However, there are obvious calls for change from the point of view of top and middle management clients, including:

- Justifying HR specialists' call for recognition as a business partner with substantially better personnel quality, an entrepreneurial outlook, and a better grasp of strategic instruments,
- Documenting the value contribution of HR in general and the pay-off of development investments in particular,
- Using more IT potential,
- Developing innovative concepts to respond to current demographic trends,
- Improving the sense of initiative and being proactive to counter a dominant administrative/specialist focus,
- Acting as a role model in terms of analysing and developing its own competences,
- Raising the HR profile in change projects with communication, mediation, and training services,
- Improving the strategic grounding of its essential activities and making them visible,
- Increasing its activities in terms of direct consulting and advice,
- Bundling and simplifying its toolkit,
- Improving the impact of its training services by integrating them with central business processes and reflecting critical professional incidents.

This wide spectrum of transformative ambitions reveals a basic pattern:

- The consistent use of functionally/behaviourally oriented competence management for HR professionals themselves – an example for others and leverage for the increasingly demanding functions of HR,
- The continued development of the chosen processes and methods in the pursuit of efficiency, efficacy, and innovation,
- The reinforcement of the HR development's cooperation with corporate and departmental strategies, coupled with a business-minded customer focus, adding to what is usually an excellent practical service mindset,
- The intensified reliance on key indicators in HR work with a view to its added value and profitability, as well as long-term human capital development performance tracking.

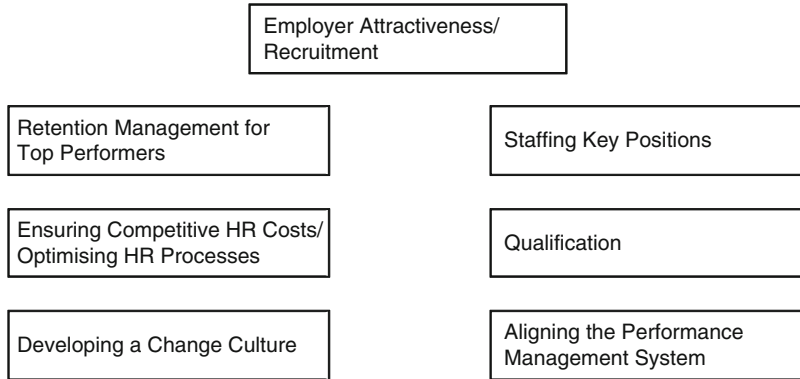


Fig. 6 Key HR activities that underline the success of the organisation as a whole

As a central pillar of the HR function, HR developers – and their colleagues in the HR department – need to focus their work much more intensely on the strategic factors for success, the targets and ambitions of the company, and the challenges of the markets (cf. Ulrich, 2005). Figure 6 outlines a sample of HR management challenges that result from the challenges of business. It clarifies that the successful development of business in tomorrow's global markets will be determined by the competition for economically viable competence and talent.

Further Reading

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