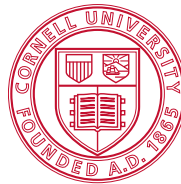


Making Human Capital the Creative Core of Strategy Execution



Cornell University
ILR School



**The imperative for
business leaders is
to build organizational
capabilities that support
innovation, flexibility,
collaboration and
continuous learning.**

In the face of intense competition and rapidly changing market requirements, business leaders must continually calculate how to achieve ambitious goals. They must confront economic uncertainty, environmental risk, social change and other volatile forces. To execute successfully in this difficult environment, they must embrace a new way of thinking, one that makes human capital the centerpiece of their business strategy. Their imperative is to build organizational capabilities that support the innovation, collaboration and continuous learning essential for success in a complex, fast-changing environment.

Dynamic change, as well as innovation, demands robust human capital that is fully engaged and agile, aggressively developed and skillfully deployed. Yet, despite an overwhelming need to draw upon it, human capital still remains a lightly tapped resource. Are organizations superficially enamored with the value of human capital or just unaware of what it takes to leverage such a powerful asset?

Today's fragile economy is a continuous reminder that resources are constrained and even the richest firms face tough trade-offs in the pursuit of their strategic goals. Global business demands set the success bar even higher. These factors underscore the importance of human capital development that matches a firm's strategic direction and makes the most of precious human resources. Comprehensive human capital development integrates three essential elements:

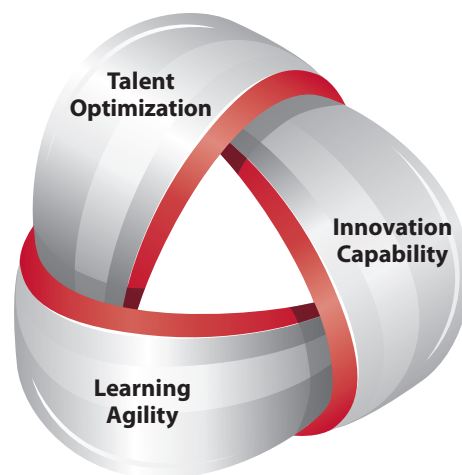
- Talent Optimization
- Learning Agility
- Innovation Capabilities

What is the value of this approach? A well-executed human capital development plan provides the blueprint to create and sustain an agile, flexible and collaborative organization. Ideally, it is a useful analytic to identify organizational priorities, assess capabilities and define performance gaps. It also provides the basis of a learning strategy for companies of all sizes and helps them determine how to best invest resources to maximize business results.

"Organizations must determine if they have the capabilities to meet their strategic plan, including people, operations and information," says Rick Bellingham, an organizational consultant. "A significant problem is how to generate the next big idea in the marketplace. To do this, organizations must relate, collaborate and innovate."

With this mandate, human capital can be the most significant distinguishing factor to create the superior intellectual capital necessary for bringing new and improved offerings to the marketplace, increasing productivity and enabling strategic change.

Integrated Human Capital Development



Capitalizing on Human Capital

Financial capital has lost some of its primacy as the catalyst of growth. Human capital is primed to become a more dominant variable and a key driver of productivity and profits. It is by far the most abundant, flexible and readily leveraged resource organizations have. A well-considered, well-executed human capital development initiative yields a virtually limitless resource essential in a knowledge-based economy.

“It’s important to create an environment in which people think in a new way, with a workforce that is constantly learning, adjusting and adapting to new technology,” says Chris Collins, director of the Center for Advanced Human Resource Studies (CAHRS) at Cornell University’s ILR School. He continues: “Look at the success of high-growth companies like Google and Apple. The potential for innovation and growth at these organizations is a big reason they have a higher market cap than many large, traditional organizations with greater current revenue.”

“Fully engaging the talents of different people makes an organization that is adaptive.”

Focusing on Collaboration and Innovation

Effective human capital utilization – matching the right people to the right tasks – has the potential to enhance client and customer interactions, as well as foster internal relationships necessary to pursue new opportunities. Specifically, it enables a shift from an individual-focused culture to behaviors focused on collaboration and generative thinking.

Focusing on human capital development enables organizations to think more broadly, plan more wisely and be more innovative, says Samuel Bacharach, director of Cornell ILR’s Institute for Workplace Studies in New York City. “Connecting people is what’s new in organizations. Highly innovative organizations require openness and integration of diverse people with a broad range of capabilities. Fully engaging the talents of

different people makes an organization that is adaptive,” Bacharach says.

New technologies and a pervasive emphasis on personal and professional networks have made connectivity more natural and its value more readily apparent. Still, organizations are at the early stages of capitalizing on this connectivity and becoming more purposeful in the way they optimize networks within their own walls, as well as outside.

Diane Burton, innovation expert and associate professor at Cornell University’s ILR School, says that a shift towards greater collaboration makes good business sense. She sees a parallel in scientific inquiry. Broad scientific communities share resources and often collaborate across departments, institutions and industries. Many of the recent game-changing breakthroughs in information technology and life sciences have occurred because leading companies recognize that when they extend themselves outside their organizational boundaries, their partnerships yield important benefits. There must be an ability to “access the marketplace for ideas,” she says, and to increase “external connectivity.” This ability dramatically improves the chances for innovation to occur and generates more possibilities for ideas to enter the organization.

While some believe that smaller companies and startups are more innovative because their workforces are not constrained by traditional infrastructure, that’s not always the case. Many big companies continue to be research and development powerhouses, and many are seeking to adjust their operations by learning from others.

“Some companies, such as Procter & Gamble, are developing smaller entrepreneurial centers within the organization, giving people the freedom to think differently and without the binds that usually are found at larger companies,” Collins says. “A large company’s success in human capital depends on how leaders view it. It takes time for established companies to change their DNA.”

By recognizing that human capital can be harnessed through effective internal processes and external relationships that leverage knowledge resources, leading firms maximize their opportunities to innovate and create value.

Enhancing Agility and Leadership

Creating collaborative teams also is critical to learning agility. Not only do people improve individually, they raise the level of the people around them and expand the knowledge base of the group. They are also more likely to be creative and generate novel ideas that can drive the business agenda.

One practitioner, Lynn Oppenheim, president of the consultancy CFAR, notes that with organizational structures evolving to matrices instead of hierarchical structures, groups of people are charged with working together toward a common goal, but often lack the communication and decision-making capabilities to succeed.

Within this collaborative context, organizations must also focus on the type of leadership required going forward. “Too often, the traditional approach to identifying high-potential employees is not done in the context of a company’s long-term strategic goals,” says Laura Georgianna, director of Organization Capability and Development at Welch Allyn, a global medical diagnostic and healthcare company. Companies must ask themselves, “Are we being clear about the talent we need in the future?” In fact, she says, it’s possible that “those identified in today’s business as being high-potential may not have the capabilities to be the leaders of the future.” With a greater emphasis on collaboration, intellectual flexibility and the need to rapidly convert learning into innovation, many leaders will need to adopt new approaches to be effective in their future organizations.

Cutbacks during the recession resulted in drastically reduced training and education investments. Clearly, there is a need to rebuild, but in a new way. Although development plans were often cut at all levels, Andy Doyle, senior vice president at Oppenheimer Funds, has found that the broad midsection of an organization often lost out disproportionately.

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“Training has become bifurcated,” he says, with ample C-suite and executive education on one end of the spectrum and specific, functional training on the other. “There is much less for middle managers, heads of business units and lines of business. Investment there is much rarer.”

By ‘skipping the middle,’ organizations miss the opportunity to tap into the frontline experience and creative potential that these groups can bring to the enterprise. While this suggests greater investment in a time of perceived scarcity, it is vital to recognize that this group can be a significant and productive source of innovation.

Diagnostics for Action

Some key human capital development questions for an organization might include:

- How will our people execute our strategic plan?
- Which business units are most strategically important in the near- and long-term?
- Do our HR and operational strategies align to enable execution?
- What are the immediate pain points or opportunities to focus on?
- How would innovation and collaboration help us meet business objectives?
- What skills, abilities and approaches will future leaders need?

Implementing Human Capital Development

“Human capital is essential to strategy execution and it must be part of the C-suite agenda. Progressive leaders drive the thinking and behaviors needed to make big changes,” observes Michael Serino, executive director of Human Capital Development at Cornell University’s ILR School. “A well-intentioned, intuitive response does not sufficiently address the systemic considerations at play, especially when executed at an enterprise scale. These moves take discipline and organizational patience to see results.”

One approach for organizations is to look at their strategy and identify areas where goals are not being met. This enables leaders to determine which units in an organization are strategically important, says Burton. “You need to know how well each group is doing and its prospects for the future. The focus is not just on individuals, but more broadly on the human capital of the organization as a whole.”

Some organizations may start from a single “pain point” or pursue a full realignment of organizational structures and capabilities to drive future plans. For example, they may be stressing innovation as a focal point to strategy execution. Others may be more attentive to talent management as the core of human capital development. Still others may aspire to leverage knowledge resources by becoming a learning organization.

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The optimal approach is to thoughtfully consider all three areas – talent optimization, learning agility and innovation capabilities – and to calibrate the right level of emphasis and investment to support the firm’s strategic intentions. To understand how an integrated approach might work in an organization, an explanation of each component is provided below:

› Talent Optimization

Talent optimization considers the proposition that striving for excellence is an inherent goal for the individual and the enterprise. The organization that enables personal achievement gains the implied benefits of superior performance. A deep understanding of business strategy drives both interim and long-term workforce requirements. Determining the appropriate profile, size and deployment of human resources necessitates a thorough analysis of strategic intent, while simultaneously evaluating current capabilities and the level of investment required to successfully operate in a hypercompetitive global arena.

Talent optimization requires a well-designed development program that is sophisticated, relevant and flexible enough to meet short business cycles while introducing common language, ideas and tools that provide a foundation for long-term success. In a knowledge-based economy, where talent must be attracted and retained, compensation practices, job designs and career trajectories become part of a broader, more nuanced discussion that must consider social, political and personal values or motivations as well as business needs.

› Learning Agility

Successful strategy is developed from a deep understanding of marketplace opportunities and intelligent alignment of organizational capabilities that can deliver results. This type of strategy-focused organizational learning requires clarity about what must be known, how it is relevant to business initiatives and how those priorities can be meaningfully aligned. Learning

in this context is integrally connected to strategic intent and demonstrably evidenced in both behaviors and operational outcomes.

Every organization, regardless of type or industry, depends on its knowledge resources to achieve success. Closing knowledge gaps and sharing expertise across the enterprise produces new ideas, shortens response cycles and increases organizational capabilities. A focused organizational learning effort that considers knowledge development, transfer and leverage is both a complex set of disciplines and a cultural imperative. One core element to learning agility is collaboration within work groups and across organizational boundaries. Although the benefits of collaboration within organizations is highly desired, it remains elusive for a variety of reasons; yet the learning agility produced through those efforts is an essential capability for every leading firm. Organizational systems, policies and practices that are designed to support and encourage connection and collaboration are essential tools for future success.

› Innovation Capabilities

Marketplace leaders innovate in a variety of ways. Often, the most obvious is through product or service offerings. Yet, innovation opportunities span the entire value chain and affect internal and external processes and relationships. As organizations seek to capitalize on globalization trends and strategic alliances, they inevitably require continuous innovation, resilience and agility.

Innovation occurs best in an environment that supports it and through processes that enable it. Innovation also depends on the ability to productively incorporate diverse contributions. Valuing workforce diversity in the broadest sense implies that those differences yield the greatest benefits for innovation when contributions enable a sense of inclusion and the integration of multiple perspectives.

The spectrum of methods to support innovation is broad, ranging from ideation-orientated creativity to mathematically-based processes.

These approaches must be appropriately employed in order to yield the right outcomes. Likewise, becoming well versed in how social networks within and across organizations influence innovation, collaboration and strategic alignment requires an appreciation for the demands of instantaneous communication, sophisticated engagement methods and flexible organizational structures that can be configured ad hoc.

Human Capital for Creative Alternatives

Tumultuous world events and demanding business imperatives cause leaders to ponder ways to improve competitive positioning so firms can flourish. Most business leaders would probably agree that talent makes the difference between being an industry leader or a laggard.

Leaders must think about people differently and consciously consider the implications of making human capital the centerpiece of strategy instead of an afterthought. A narrow, piecemeal human capital development effort is insufficient for leading firms. A bold, creative and systemic solution is required. This can be realized through the efforts of leaders, at all organizational levels, who operate creatively and energetically to leverage their human capital assets. ■

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