EWOP

European Work and Organizational Psychology

inPractice

e-journal of the European Association of Work and Organizational Psychology (EAWOP)

Editorial

Dear Colleagues,

a warm welcome to the "Zero number" of EAWOP´s new e-journal "EWOPinPractice" (European Work and Organisational Psychology In Practice)!

The objective of EWOPinPractice

As you know, EAWOP publishes already one predominantly scientifically oriented journal: EJWOP, the European Journal of Work and Organisational Psychology. The endeavours of the current editor Christian Dormann, University of Mainz/Germany, as well as his associate editors Jan de Jonge, Eindhoven University of Technology/The Netherlands, Vicente González-Romá, University of Valencia/Spain, and Rolf van Dick, Universities of Frankfurt/Germany and Aston/ U.K., and of course of their predecessors are paying off splendidly: The journal at time being is very well established and acknowledged in WOP academia throughout Europe and more widely.

Nevertheless, the EAWOP General Assembly in Istanbul last year decided to launch a second journal. This time, a more hands-on, strongly application oriented journal for WOP professionals was asked for. It was requested that there was quick and easy access to the journal, with possibilities to share knowledge and discuss approaches and experience. In addition, there should be opportunities to build networks in the field aiming to bridge the gap between scientists and practitioners and constituent and single members across Eastern and Western borders.

In order to achieve this goal, the idea is to launch an e-journal, exclusively accessible by each EAWOP member on the EAWOP website, appearing twice a year (at least for the start. Moreover, it should provide state-of-the-art and proactive information and encouraging dialogue on common down-to-earth issues and problems and their prevention and solution.

After some drafting and talking and in the last phase discussion with the Constituents, the Executive Committee and the Editorial Board are proud to present to you today the Zero number of

EWOPinPractice (European Work and Organizational Psychology in Practice).

We hope this pilot issue of EWOPinPractice will facilitate the application of Work and Organizational Psychology in Europe and beyond. We want to promote that along with the application of hard facts and technical and economical information will come the application of soft facts and the incorporation of human resources in corporate policies and strategies in order to achieve sustainable results and humane conditions of labour and collaboration.

The Editorial Board

The Assembly appointed Ute Schmidt-Brasse, PSYCON/Germany, to prepare the first steps towards the intended e-journal. In future, there will be a bigger crew to serve you:
Ute Schmidt-Brasse will act as the editor, assisted by Heiko Schulz, PSYCON/Germany, Dr. Angela Carter, University of Sheffield and Just Development/U.K., will resume the role of co-editor, supported by an assistant, too. Prof. Ana Passos, ISCTE Lisboa/Portugal will be the link to the Executive Committee and will also be responsible for the IT materialisation.

Configuration of the e-journal

From time to time, there will be special issues of the EAWOP e-journal - either dedicated to a current theme where expert colleagues will be asked for contributions or accumulating and documenting an EAWOP congress or so. In contrast, the "ordinary" issues will publish incoming primary publications from the applied WOP field submitted by single members as well as "best of" from national journals and congresses/ conferences showing the entire variety of our profession.

Each issue will start with a short editorial note and then present the papers. The e-journal will refrain from disseminating EAWOP news because this is the business of the EAWOP newsletter.

EWOPinPractice will be run in English only. Submission will be electronically in Word format in order to be put online without major adaptation. Other than with EJWOP, there will not be a strong reviewing process – every author is himself of herself responsible of what he or she is bringing forward. For precise details of the overall format, please, read and follow the EWOPinPractice Style guide below provided by the co-editor, Dr. Angela Carter.

How to contribute and live EWOPinPractice?

As you can see by this explanation, EWOPinPractice will be "your" journal, it is largely up to you and your activities what will be the contents and the frequency of the e-journal. Already today, we call on you single members to submit papers about down-to-earth subjects or problem resolutions you think worthy to be discussed throughout the European WOP community. We also would like to stimulate the Boards of Constituents or those colleagues responsible to scrutinise their national WOP journals and conference readers for papers suitable for discussion with an amplified audience.

We would very much like to encourage you to use EWOPinPractice as a professional platform by giving constructive feedback to the authors and discussing the contributions vividly. According to the saying "Knowledge is the only asset to be increased by sharing" you may write to the authors and we will make your annotations and additions as well as the replies of the authors known to the audience during one month after appearance.

The paper of the Zero number

We are very proud and thankful that our colleague Kristiina Fromholtz-Mäki, SR HR Manager with Nokia Corporate Functions, Espoo, Finland, left us her Istanbul key note presentation of May 15, 2005, for the "0" edition. In this paper Kristiina Fromholtz-Mäki deals with the "Challenges for the HR in global companies" she is encountering or proactively anticipating in her daily life as a HR manager and WO psychologist. She acquaints us with six factors defining global competitive environment followed by six strategic action areas which will differentiate global companies. She will highlight those actions by hands-on examples of Nokia HR practices. After a general description of Nokia HR Kristiina Fromholtz-Mäki will display her ideas for shared activities between WOP & industry and share her view of HR challenges. To end up with, the HR impact on business success will be discussed.
We very much hope that this paper will trigger an essential dialogue and stimulate other colleagues to share their opinions and ideas with the EAWOP community. You are heartily invited to contribute!

With this outlook we wish you
"happy reading the Zero number of EWOPinPractice"

and, regarding the season, a Merry Christmas and Prosperous New Year! Looking forward to your suggestions and feedback

Ute Schmidt-Brasse   Dr Angela Carter
Editor EWOPinPractice   Co-editor EWOPinPractice

PS.
Outlook: A second line of the e-journal will be opened later, providing a platform for emerging research.

EWOPinPractice - Style guide

This document presents the overall format of articles to be presented in EWOP InPractice. It is important authors use this guide to enable high quality publications to be presented with a fast turn-round time.

Material offered to EWOPinPractice is considered a publication and should not be offered, in this form for publication elsewhere. It will be read by the editor for suitability of publication but it will NOT be peer reviewed. The material must be original to the author(s) and if material is presented from other authors it should be properly cited.

Prepared manuscripts should be submitted in ENGLISH as WORD documents, using Excel or PowerPoint for any pictures, diagrams or tables. Documents should be no longer than 6,000 words. The entire document should use Arial 12 font and should be single spaced. Please number the pages throughout the document. Submit this as a WORD file and note Adobe Acrobat so that formatting can take place. Please note that articles that do not follow this style guide will be returned to the authors until they resemble the appropriate style.

Manuscripts should be submitted to the editor Ute Schmidt-Brasse schmidt-brasse@psycon.de ***by 31 March, 2007.*** For the following issue, the deadline will be 30 September, 2007.

Title
The title should be single spaced, centred and in bold. Minimal capitalisation should be used (only putting a capital letter at the beginning of the sentence). The full name of the author(s) and the name of their company / institution and country of origin should be represented. Please also enter an email address for correspondence about the material presented. For example:

**Style guide: Instructions to authors preparing
material to be submitted to EWOPinPractice**

Dr Angela J Carter

Just Development
UK
a.carter@sheffield.ac.uk

Information about the author
It would be helpful to have a short biography of the author (maximum 50 words) on the title page.

Abstract
Each manuscript should have a short abstract (max 100 words). This should explain in simple terms what was done, what happened and what conclusions are drawn.

Headings
Main headings should be bold and centred. Sub headings should be first flush with the left margin and at the next level indented. For example:

Introduction

The beginning
Blah …………………..

    The next piece
Blah……..

Body of text
Do not indent the paragraphs and justify the left of the margin and NOT the right. Key paragraphs can be separated by one line spacing.

With the exception of the main headings the text should not be in bold. Please emphasise specific terms of importance with italics.

Please do NOT use headers, footers or footnotes unless absolutely necessary. However, footnotes may appear at the bottom of a table or figure to assist the understanding of the material presented.

Please do not use too many different systems of bullet points or numbering; try to stick to either numbers or bullets and not both. When ending a list of numbered or bullet points please use a full stop. For example:
- First
- Second.

Alternatively this type of format can be used:
Nokia's annual Performance Management Process consists of a) objective setting; b) Personal Development Plan creation including competence assessment; c) Achievement review; and d) Annual performance review.

To assist the readers please try to complete sentences or paragraphs at the end of each page so that they do not run over.

Margins
Publication is based on A4 page size and use 3 cm margin on the left side.

Tables and Figures
Please refer to tables and figures as Table 1 or Figure 1 and describe where the figure/table can be found (e.g. below or overleaf). While the manuscript is in preparation it is acceptable to put the Tables and Figures after the body of the manuscript and before the references. But please tell us where you want these to be placed in the final version (e.g., after the third paragraph on page 7). Once the manuscript is finalised these will be included in the document.

Appendices
Appendices are acceptable as part of a manuscript. Reference in the body of the manuscript should be made specifically to an appendix "see Appendix A". Use capital roman letters to organise appendices, not numbers. Place appendices at the end of the text, before the references section.

References
In general, authors should use the APA style guide for preparation of citations. Separate references by 6point spacing before the paragraph.
It is important that the citations are given in full to aid the readers to source these materials. If referencing proves difficult the editors will assist authors in their final preparation. Here are some examples:

Handy, C. (1989). *The Age of Unreason.* Cambridge, M.A.: Harvard Business School Press.

Carter, A.J. (2006). Spotlight on I-O Organizations: I-O or OP: what's in a name? *The Industrial-Organizational Psychologist, 43,* (2), 33-37.

Carter, A.J., & West, M.A. Sharing the load: Teamwork in healthcare settings. In R.L. Payne and J. Firth-Cozens (Eds.), *Stress in health care professionals.* Chichester: Wiley.

Varian, H.R (2006). The future of electronic journals.
www.arl.org/scomm/scat/varian.html

Dialogue with the author(s)
We would like to run a discussion with the author of an article for up to a month after the piece has been published. That is why we want your email address. Please collate these conversations and return these on a weekly basis over the one month period to Ute Schmidt-Brasse schmidt-brasse@psycon.de in order to be added to the web.

We hope that we have given you enough information to produce your document for publication. Should you be unsure of any of these points please contact Ute Schmidt-Brasse schmidt-brasse@psycon.de or Angela Carter a.carter@sheffield.ac.uk. We look forward to reading your articles.

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And now the paper:

Challenges for the HR in global companies

Key note presentation, May 15, 2005
Paper presented at 12th European Congress of Work and Organizational Psychology,
Istanbul, May 12-15, 2005

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Kristiina Fromholtz-Mäki currently works as a Business HR Director for Nokia Corporate Functions after having served this company in several global Human Resources Development and Business Human Resources management positions. Kristiina is trained as a psychologist as well as for children counceling and adult psychotherapy. Currently she is a postgraduate student at Helsinki University of Technology for Industrial Management and Organizational Psychology. Before joining Nokia in 1997, she had several years of experience in psychotherapy, and in international business consultancy with change management support, leadership development solutions and management team development approaches.

Abstract

The purpose of my presentation is to describe how global companies apply work and organization psychology knowledge and what are key HR challenges. This is a business needs driven presentation and the main contents are:
• Six factors defining global competitive environment
• Six strategic action areas which will differentiate global companies
• Examples of Nokia HR practices combined with those six strategic action areas
• Nokia HR
• Ideas for shared activities between WOP & industry
• HR challenges and HR impact on business success.

Introduction

To define the shared context for my presentation I briefly define six key contextual factors, which describe the current business environment and challenges for all global companies.

1. Global economy – organizations must acquire global awareness and leverage. Global awareness and sensitivity will enable firms to adapt products to local conditions and culture
2. Technology – fueled by digitalized hardware and software, will make the world faster and smaller. With technology, an office will be location independent but more defined by connection and contact
3. Speed – will be the major determination of success. Product life cycles will shorten, and first-mover advantages will become even more important. Speed will mean change towards risk-taking and innovation.
4. Customization – consumer customization will be target for market research. Employee customization will also occur to attract and keep top talent. Customized deals will require more flexibility than rules; service more than systems and commitment more than consistency.
5. People - Intellectual capital and knowledge of people – firms that access, leverage and create knowledge will win. Organizations must become thought leaders and set the rules of the game rather than be constrained by being strategic followers.
6. Profitable growth – firms that do not meet financial goals will fail. Financial success will become not just reducing costs but creating growth. Cost-reduction pressures will continue as evidenced in attention to improve processes, avoiding redundancies and higher productivity. An agenda for growth will continue through attention to global distribution (selling product and services to new markets) customer intimacy (selling more to existing customers); and innovation (creating new products and services). Leaders of the future will have a clear strategy for growth and costs simultaneously.

Changes in environment will affect changes in organizations

Organizations can be seen more as a community, where people involved with an organizational community remain together to pursue a common purpose. A community is something where people will have both inspiring and engaging intellectual challenges and deep feelings of emotional belonging to the community. In this context, insightful top managers recognize as well that it is impossible for them to have all the answers; they are willing to learn along with others, and understand that uncertainty created by the changes in the environment affects people at the top as well as those lower in the organization.

Success will be created by leaders who will execute through interactions that are based on sharing insight, knowledge and responsibilities for achieved outcomes.

How organizations succeed to manage following six strategic action areas will differentiate them within competitors. These are based on research results (Ireland & Hitt, 1999) but have been identified as very important areas also for Nokia.

a) Determining the firm's purpose or vision.

A recent survey of 1450 executives from 12 global corporations found that the ability to articulate a tangible vision, values and strategy for their firm was the most important of 21 competencies considered being crucial skills for global leaders. Inspiring vision, values and clarity of strategic focus areas get people motivated to work for the company.

Some examples of Nokia activities are:

Nokia has a very long tradition in annual strategy creation process, which involves hundreds of leaders and experts from all parts of the global organization. This strategy creation process analyzes the external and internal environment and shapes efficiently the current strategy. The strategy creation process as such can be seen as a very important process to create shared insight about the firm's vision and strategic focus areas globally.

This process can be seen also as an annual 'action learning process' for senior management to share and update their knowledge about the business.

Strategy communication is also a big global effort, using latest technology, to involve as many as possible to get fresh views from the new strategy at the same time.

Business strategies will be cascaded down in organization into unit and department strategic objectives and finally into individual objectives.

b) Exploiting and maintaining core competences

Only the combinations of a firm's resources and capabilities that are valuable, rare, and costly to imitate and for which there are no equivalent strategic substitutes can be rightly identified as core competences. Only when uniform agreement exists within the organizational community about which resources and capabilities are indeed core competences can appropriate actions be designed to exploit them in the marketplace. The competitive value of core competences increase through their use and continuing development. A firm's privately held knowledge is the foundation of its competitively valuable core competencies and is increasing in importance as a driver of strategic decisions and actions. The most effective strategic leadership practices in the 21st century will be ones through which strategic leaders find ways for knowledge to breed still more knowledge.

Some examples of Nokia activities are:

Competence management includes global competence definitions, globally consistent job profiles and career paths for different functional areas. All of them can be found in SAP based tools and they help people e.g. in defining job profiles for recruitment, to evaluate the competence levels in annual development discussions or to create a plan for individual
career moves.

Basis for knowledge management is huge amount of function and unit specific intranet pages, where a lot of shared insight regarding different topics have been collected and is available for all relevant people. Efficient internal networking between units, functions and people creates another source of knowledge sharing and creation.

c) Developing Human Capital.

Human Capital is the knowledge and skills of a firm's entire workforce or citizenry. A survey of American Management Association revealed that 47 % of respondents worked in firms that faced skilled labor shortages. 54.7 % of the same group believed that the shortages in skilled personnel would be worse in 2000 and beyond.

Another study showed that companies that invest 10 % more in education receive 8.5. % increase in productivity. In contract, companies boosted their productivity by only three percentages as a result of 10 percent increase in capital expenditures.

Some examples of Nokia activities are:

Nokia People Strategy is integrated with Nokia business strategy and creates the strategic focus for people development activities globally.

All Nokia units have a common approach for Competence and Resource Strategy creation process, which is integrated with the business strategy process and creates the foundation for unit specific competence development and resourcing action plans.

These action plans includes unit specific actions and utilizes also Nokia Learning Centre delivery. Nokia Learning Centre operates in all regions globally, and provides hundreds of learning solutions in 15 functional areas. Most of the programs are open-enrollment programs for all Nokia people; only few of them are nomination based for selected target groups.

Nokia's approach for developing people consists of right recruitment decisions, good induction and learning philosophy defined in 70-20-10 principles. This means that 70 % of the learning takes place in job related activities; 20 % through assessment and mentoring and 10 % is based on more traditional learning solutions. Nokia has created several functional learning paths, including all 70-20-10 learning activities, for different functional areas.

Nokia's annual Performance Management Process consists of a) objective setting; b) Personal Development Plan creation including competence assessment; c) Achievement review; and d) Annual performance review.

d) Sustaining an effective organizational culture.

Organizational culture refers to the complex set of ideologies, symbols and core values shared throughout the firm. Culture is rooted in history, held collectively, and is of sufficient complexity to resist many attempts at direct manipulation. Because it influences how the firm conducts its business, as well as the methods used to regulate and control the behavior or organizational citizens, culture can be a competitive advantage for a firm.

Some examples of Nokia activities are:

Culture is highly supported and demonstrated by Nokia top management.

Nokia has created a tailor-made NMLA 360 process and its content is based on Nokia Values (Customer satisfaction, Achievement, Continuous renewal and Respect) and describes and evaluates management behaviors against those statements. The intent is to give feedback to all managers after every second year. Annually approx 3000 managers get both feedback reports and participate in individual feedback and coaching session as a part of 360-evaluation process.

Annual employee satisfaction survey: Listening to You – has real value in collecting feedback from organizations, participation being at 75 % level from all employees. Results will be defined for all teams at their team level. LTY action planning creates actions to improve the areas, which have been recognized to need improvement. Annual LTY results have improved year by year over several years. LTY includes all important dimensions connected to corporate culture.

e) Emphasizing Ethical Practices

Ethical practices serve as a moral filter through which potential courses of action are evaluated. In the 21st century, effective strategic leaders will use honesty, trust and integrity as the foundations for their decisions. Strategic leaders displaying these

capabilities are capable of inspiring their employees and developing an organizational culture in which ethical practices are the behavioral norm. Establishing ethical practices will be difficult for strategic leaders in the 21st century's global economy because of the significant diversity of the cultures and economic structures within with firms will compete. An understanding of the interests of all legitimate stakeholders will come only through analysis of ands sensitivity to cultural diversity.

Some examples of Nokia activities are:
Strong ethics has always been important for Nokia. Global SOX project, where internal controls will be defined according to SOX act (mandatory for all companies listed in NY stock), will be based on documenting existing good internal controls practices.
Individual and annual performance management process is based on assessment; where 60 % is based on job activities ('what has been achieved') and 40 % is based on evaluation of individual values based behaviors ('how has results been achieved')
This evaluation has impact on individual compensation and also in selecting future leaders. Without good values based behaviors it is very difficult to get promoted to higher positions in Nokia.

f)   Establishing Balanced Organizational Controls
Organizational controls are the formal, information-based procedures that strategic leaders use to frame, maintain and alter patterns of organizational activities. Effective top managers seek to develop and use a balanced set of strategic and financial controls. Typically, this outcome is achieved by using strategic controls to focus on positive long-term results while pursuing simultaneously the requirement to execute corporate actions in financially prudent and appropriate manner.

Some examples of Nokia activities are:
Business reporting process is efficient and fast to deliver results from business operations.
Nokia has always been open for feedback and different kind of results analysis. Each function have their function specific metrics, most often they follow the balance scorecard idea, including measures for 'hard' and soft' sides of operations.

HR in Nokia

The HR organization is currently organized in three parts, Operational HR, Content and Process Development and Business HR.

The *Content and Process Development* unit is responsible for concepts, processes and tools development. The main content areas are:
Reward & Benefits; including Job leveling & profiles; Compensation; Incentives; R&D project incentives; Sales Compensation; Benefits; International Transfer Management; Executive Compensation; Equity Process; Management Review Process.
Resourcing & Employment; including Resource Planning & management; Recruitment; Employment and Employment Communications.
HRD; including Competence Management; Performance Management; Talent Management; Management & Leadership Development; Executive Development; Learning Solution Creation and Learning Centre Network

Organizational Development and Change; including Macro Trend identification; Change; Organizational Feedback; Organizational Capability; Organization design / effectiveness; EVP – philosophy; Coaching and Facilitating - individual and team .

Operational HR is the biggest function, working in all countries, providing HR services for all line managers, using global processes and SAP based HR tools.
The main processes are:

- Resourcing, including recruitment, assessment, induction, university co-operation, external employees processes etc.
- Performance management, including objectives setting, achievement review, personal development plan creation and annual performance evaluation
- Compensation & benefits; including job contract, salary offers; annual salary increase process
- Learning (individual & corporate learning), including professional competence development, interpersonal skills development, management and leadership development and organizational learning
- Listening to You, annual employee satisfaction survey
- Leadership review – annual review to develop key potentials
- Mentoring programs & management coaching.

Business HR works with unit management teams, and they have strategic partnerships with senior management. The focus on their job is strategic and on processes having impact on the whole global organization.

- Competence and Resource Strategy creation, embedded with business strategy creation, including key capabilities development and resourcing planning
- Management Review Process, including unit target setting and achievement review; Strategic Leadership Review for key potentials development; individual senior mgmt annual target planning and performance evaluation, Executive development and personal development plan creation for senior mgmt
- Talent Management Approach, including talent pool identification, leadership and management reviews, broad analysis of development opportunities, job rotation activities and assessment and mentoring activities
- Learning (individual & corporate learning), including professional competence development, interpersonal skills development, management and leadership development and organizational learning
- Competence management; including job profiling and career paths
- Compensation & benefits; including job profiling & grading, individual contract based on job profiles and salary ranges; annual salary increase processes; equity nomination process
- Organizational design and renewal projects
- Change support in change projects
- Management team development
- Mentoring programs & management coaching.

Examples of our HR challenges and where research could provide more support

Currently it seems that the official organization structure is needed for describing reporting and profit/loss responsibilities, but there is also an informal organization structure, where we can see the increase of networking and lean organization.

This informal organization seems to be connected to the mode of operation, which emphasizes relationship building, networking, communication, sharing information and knowledge.
To lead efficiently this kind of mixture of formal and informal organization, requires good competences both in defining and inviting people to follow shared direction, and creating inspiring and engaging emotional climate for them.

Based on my experiences I have two examples where Work and Organizational Psychology could have strong role in supporting global (all) organizations.

First, Work and Organizational Psychology and research could support organizations to have deeper *understanding and knowledge and more research based approaches and models in several HR practice areas*. E.g. the following topics are important for global companies currently, and organizations are looking for knowledge and best practices, when developing their approaches. I have defined my examples according to theory tradition:

  a. Work psychology research tradition to understand individual people and their development
- Intellectual and emotional engagement
- Motivation
- Trust
- Cross-cultural differences in global companies
- Competences and their development
- Relationship building.

  b. Organizational psychology to understand organizations, changes and group dynamics
- Organizational structure & design
- Matrix organization model
- Remote / virtual team leadership in global context
- Coping with continuous and revolutionary change
- Relationship building in corporate context.

  c. Strategic management to understand business strategies
- Strategic changes
- Strategic partnerships
- Networked mode of operation
- Innovation
- Knowledge /service business model.

  d. Economics to understand business transaction and P/L structure.

e. Industrial management to understand business value chain
  - Internal services value chain (e.g. HR).

And some topics without clear theoretical foundation:
  - Talent management & development
  - HR processes & models
  - Strategic HR models
  - HR measures.

Secondly I would like to ask, how Work and Organization psychology defines its role in *developing HR professionals*? HR as profession requires a multi-scientific background, where to be successful, you need strategic and business knowledge, economic/ business value chain knowledge and work & organizational psychology knowledge and HR processes knowledge and understanding. Universities of technology and economics, as having deeper connection with businesses, have realized this need already. The question is, how universities, having deep tradition in work and organizational psychology will tackle this challenge.

My opinion is that if we want to influence on work environment to be more satisfied for all today's important parties (employees, organizations/companies and stakeholders) we have to be involved into planning and decision making in the field.

This means that we need (more) Work and Organizational Psychology practitioners to work for organizations either as external consultants or internal resources, e.g. HR professionals.

One concrete example of action area is that compared with psychotherapy certification processes, Work and Organizational Psychology could provide certification development processes both for experts focusing on deeper expertise in some specific area or generalists, e.g. HR managers.

An Expert's certification path could include development processes for e.g. Resourcing & Assessment; Coaching & Mentoring; Competence management & development; Management & Leadership Development; Organizational Design; Change management; Organization, Team and Management Team Development.

A Generalist certification path could complement university education to broaden the knowledge and understanding with several those areas mentioned above, supporting thus highly professional HR generalists development.

Some observations of HR strategy and planning from 1970s to the future, based on research, but also relevant for Nokia

Continuity in HR refers to the three challenges always in front of HR. At heart, HR is and always has been about implementation and execution, responding to business needs and the economic climate, and less about independent organization. These three challenges are: a) attract, develop and retain talent; b) align, engage and measure and reward performance; and c) control/ reduce HR spending.

These challenges are timeless, and every HR function can be arranged under one of them. You may even say these are why HR exists: it fulfills these tasks for the

organization. Because of this, HR leaders have to handle all these challenges; HR strategists need to pay attention to all of them.

Particularly intriguing is how these challenges wax and wane depending on the economy. All three all always present, but which one dominates depends largely on the robustness of the economy and the job market. When jobs are plentiful and talent is in shorter supply, attracting, developing and retaining moves to the forefront and somewhat less attention is paid to the other two. When there are more people than jobs, and there are pressures on profits, increasing productivity through measurement and reward and cost controls/reductions take the main stage.

This argues for a huge level economic knowledge and awareness among HR leaders and strategists. They should be able to make a nimble reading of the economic situation – macro, industry, company and division – to know what to emphasize.

HR being truly strategic requires to keep in mind how all these elements, the changes from functional to capability to results strategies, the three constant challenges of HR and the power of contextual influences (the economy, technology, globalization and the changing workforce) – interact as we survey past, present and future in HR Strategy and planning. As Jim Walker in his classic book ' Human Resource Planning' 1980, already pointed out, strategic HR is hard work.

Human resource strategy and planning has changed and grown significantly during the last 25 years. We can track these developments from functional strategies in the 1980s to capabilities strategies in 1990s to results strategies today. Strategic shifts in HR mirror the business and labor market conditions of the times and follow influential breakthrough in business thinking, from the 7-S model to competing on core competences to the current rise of operating models and execution. Longer –term changes in the employment relationships, from relational to transactional employment and the current emerging three-part workforce of elite, profit makers and costs, provide another important context for HR strategy and way to view the future. Looking ahead we can see differentiated, results-based strategies and we also can envision the need for more vital contributions from HR in HR and business strategy and ethical and cultural leadership.

After 25 years of progress we can look at HR strategy and planning to see where it has been, where it is and where it may go: from little strategic thinking before 1980 to Functional strategies throughout the 1980s and early 1990s to Capability strategies in 1990 to Results strategies, which are emerging today. These ideas are represented in Figure 1 overleaf.

Figure 1: Ed Gubman: HR Strategy and Planning
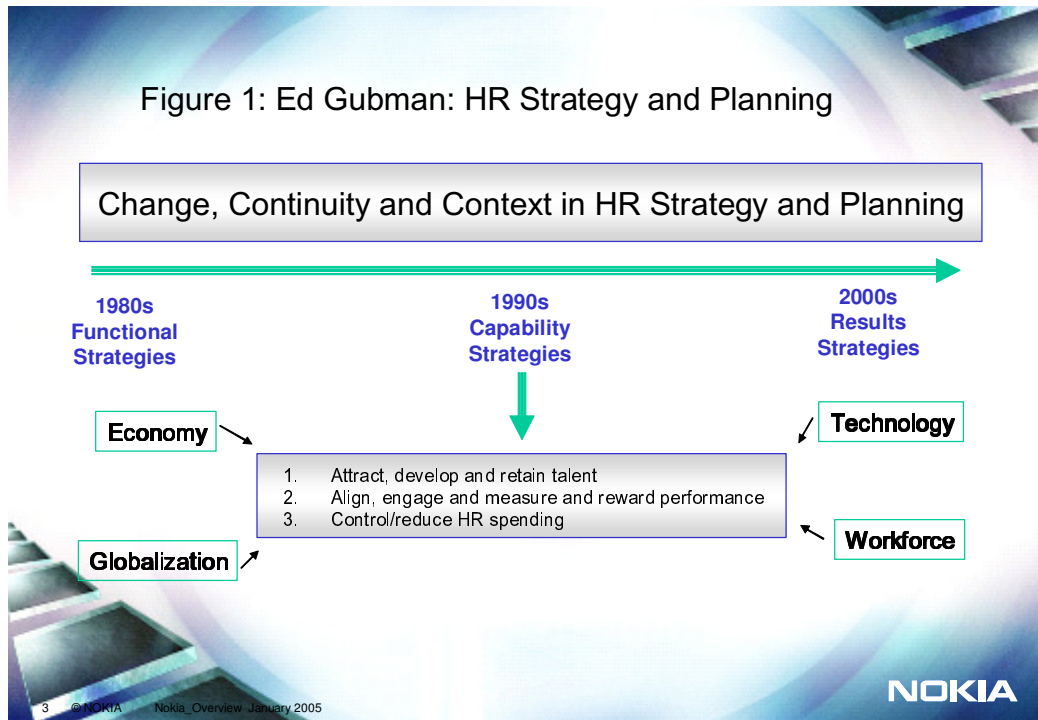
Functional strategies describe HR process that usually is synonymous with parts of the HR department. So we have training strategies or compensation & benefits strategies, depending on which HR programs most need attention or answer some particular organizational issues. A typical example of being 'to develop and implement a training strategy to improve supervisory skills'.

Other examples being HRIS, pay-for-performance programs, TQM impacting also HR.

Re-engineering and downsizings forced HR to move out from functional zone to understand first the bigger picture of the psychology of change and its impact on people and organizations.

Capability strategies address the culture, competences and commitments the business needs to succeed and how HR can secure them. If the business strategy is to become a leader in a new technology, this means organizing and recruiting a new generation of engineers and scientists to launch a research and development group. Or, if the company needs to improve customer service in its call center, in means becoming a leader in work/life programs to attract and retain highly skilled customer service representatives who get more flexible work arrangements. The capabilities perspective had a huge component of internal focus, impacting after business driven capability strategies to HR itself. HR department wanted to become more efficient and effective, and money and resources were available for the HR function, often first time in their life. Technology enabled HR to increase their delivery process on payroll, and employment information.

Outsourcing was taking hold and consulting companies were absorbing many regular functions, as payroll, and they also built call-centers to take over employee services.

HR departments started to divide into three parts:

- Centers of excellence to handle specialty work – compensation, benefits, labor relations etc.
- HR service centers to handle administrative tasks – some outsourced, some kept-in-house
- HR business partners – a role that combined some parts HR generalists with some parts organizational effectiveness consultant. HR business partners were assigned to business units and expected to marshal departmental resources and provide one-stop shopping for their clients.

Lawler & Mohrman (2003) showed in their research that HR in medium and large size companies showed little progress toward fulfilling the strategic partner role. On another hand, managers complained that their existing relationships with familiar generalists or favorite specialists often were interrupted by this change. The main reasons were, that the business line did not care enough about new HR structure to want to learn new roles and relationships. And many HR staffers targeted for business partner role, lacked the requisite skills. In addition to the lack of appropriate training, the change in HR role requires the change in attitude or personality, too.

Results strategies are comprised of the HR related business outcomes that are part of companies' overall business strategies. For a mega discounter retailer, a HR results strategy is a specific level of speed and cost in recruiting and hiring, designed to provide people at the right time, volumes and prices. Often these strategies are part of the balanced portfolio of performance measures.

Soon after the 'Balanced Scorecard' was published, HR consultants and writers came forward to apply the balanced scorecard for HR purposes. Data has shown that companies using a balanced set of measures outperformed companies that only used financial measures.

HR metrics have been focusing on operational metrics: time to hire, cost per hire, percentage of appraisals completed etc. These measures reinforce HR as an administrative function. More strategic HR measures can focus on the same two things financial analysts do when thinking about a company: return and growth. From a strategic perspective, there are only three sources of real economic return in HR – things that create concrete economic value. They are retention (turnover), productivity (defined as revenues/total compensation) and HR department and program spending.

Growth measures are harder to assign real economic value but, like another growth measure, market share, they show clearly whether HR is trending the right direction and should forecast higher return in the future. Today most important growth measures are:
- Leadership development, measured as the number of unique candidates in the talent pool ready to assume executive and pivotal tasks
- Engagement, measured by surveying and assessing employees' level of intellectual and emotional commitment to their work and
- Diversity, the number of women and people of color in talent pipelines.

It is important to remember that each company situation requires a tailor-made measures.

To meet the expectations of line organization, HR needs to have strategy and planning in the following areas:

HR needs to:
- *Be business driven and keep organizations moving forward. Some* organization still does functional strategies, some are at capabilities, and some are doing results. Some do mix of all three. Wherever the company, it must keep moving up the strategy curve, providing more demonstrated value by creating real business results. Experience also suggests not skipping a step, like jumping from functional strategies to results. Capabilities strategies force process improvements and set the stage for business-workforce strategic alignment.

- *Become strong spokespeople for ethics and advocates for healthy corporate cultures.* This aspect will be more important, based on recent scandals in some companies. HR is best suited to make the business and human case for positive, integrated cultures.

- *HR also needs to keep moving itself forward*, toward the strategic partner role, by becoming better profit-and–loss business leaders. Be the ones to lead companies back into thinking externally, about customers and markets, and how to create unique value for them. And starting to measure HR impacts on real business results, not HR activities.

HR in the key role to create the future success for organizations

A. *How to help individuals succeed in this world?*

To succeed in this chaotic world, we must find an inner peace by reflecting what matters most and by making own decisions and shaping our own identities. People with an inner compass remains calm, instill confidence and keep focused on what matters most.

In organization, where capabilities matter more than hierarchy, people will be expected to think and behave differently. They will be required to be as flexible, committed to learning, boundary-less and team-oriented as their organizations. They must deal well with following five issues: Self-reliance, Resilience; Results; Relationships and Identity.

Self-reliance – How do I assume responsibility for my own career? Self-reliant employees are aware of their skills, of what they want from their work and willing to accountable for making good things happen.

Resilience – Resilient employees keep current on ideas and innovations, network with others, shed obsolete ideas, experiment with new ideas, learn from their failures and successes and thin k about 'what's next'

Results – Since value is defined by the receiver not the giver, to deliver results, you need to identify the recipients of the work you do, to learn what these people want and need, and how can you provide these needs and wants.

Relationships – Through relationships come communities where differences are respected and individuals are valued. Relationships come from building trust. Friendship matters. We need to invest in growing relationships and building relationships by spending time together, communicating concerns for each other,

scarifying personal goals, confirming the value of each other, sharing warmth and personal concern, and working for common goals.

Identity – a personal definition of success helps us avoid being all things to all people and as a result satisfying no one.

 B. *HR key focus areas*

This all means that the challenges for HR leaders will be enormous and potentially, also deeply satisfying.

Based on research results, paradoxically can be stated that the high-pressure and complex business context, which is intensifying the challenge for HR, is simultaneously providing it with an unparalleled opportunity to be relevant and drive improved business performance. Some clear themes and directions, and some outstanding examples, have emerged regarding what HR should deliver well – and therefore what its capabilities should be – in order to meet the weighty new expectations placed upon it.

Research shows that HR has to deliver three key contributions simultaneously in order to help organizations compete in today's business environment.

> *First, flawless HR process services* – ranging from highly technical, for example compensation systems, to administration and transactional services – for all employees using efficient delivery channels, whether internal or external. This is crucial as it underpins HR's credibility in the business.

> *Secondly, a range of 'business partner' consultancy/advisory services* around people management for senior executives be linked to delivering the business' key differentiators and core capabilities. Since it is impossible to excel at everything, HR will have to select, deliver and sustain a balanced portfolio of expert services

> *Thirdly, more 'strategic services'* in organization direction, organizational design and development, values and culture, communication, collaboration, engagement, capability development, organizational effectiveness and passion to improve at business leader levels. This is the growth area for future HR and it involves significant shifts. Importantly, HR must do all this under the same speed and cost conditions as the business itself.

What are the competences to support these activities?

> The 2002 HRSC identified five major competency areas in which HR excelled in high-performing firms.

> 1. Strategic contribution
>   This is the number one category, accounting for 43 % of HR's total impact on business performance. HR is involved at a strategic level in the following four areas:

>   1.1.   Manage culture based on market demands and their company's need to execute strategy. 'Over the past five years, culture management has

replaced change management as the highest-impact HR practice and has replaced personal credibility as the most critical HR competency'.

1.2. Facilitated rapid change, by creating structures and processes that allow the company to respond quickly and collaboratively to opportunities and threats in the market, and are actively involved in eliminating ' low-value work and informational clutter' that hamper rapid response to threat and opportunities.

The HRCS 2002 clearly shows that in today's world, the HR professionals in high-performing firms are both process and content experts, both facilitating the change processes and helping to set 'the direction to the change'.

1.3. Participate in business decision-making. The long-sought-after and much desired role of strategic business partner is a reality in high-performing firms in the study. Hr professional in high-performing firms bring intellectual rigor, when they walk into the room, the business IQ points go up, not down, Brockbank noted.

1.4. Leverage customer information to develop unified and customer-focused organizations. HR managers in high-performing firms play an important role in connecting their firms with their external environment.

2. Personal credibility

HR managers must be credible HR counterparts and business line managers whom they serve, working to deliver what they promise and establish track record and developing effective written and verbal communication skills.

3. HR Delivery

Staffing continues to be most important delivery competency for HR managers, followed closely by development of challenging work experiences, career planning services and internal communication processes.

In the past, organization design was not a critical HR competency. It is now fundamental, the study notes, and includes ' organizational and job restructuring at a business unit as well as on a global scale'.

4. Business Knowledge

HR managers must understand their company's business and industry, including how the company makes money, the activities and processes that are critical for generating wealth, and who in the firm best executes these activities.

What separates HR in high-performing firms is the HR ability to apply that knowledge – 'contributing to strategic decision making, developing competitive cultures, making change happen fast, and creating market-driven connectivity.'

5. HR Technology

HR managers must take advantage of the opportunities to use technology as a delivery method for HR services and to deliver value to their customers.

Technology's impact will be most likely being in time savings rather than cost savings, shifting HR from transaction processing to strategic functioning.

Last but not least: Does HR practices have impact on business results?

One of latest research in this area studied the hypothesis that the relationship between HR practices and organizational effectiveness is mediated by organizational climate (Rogg, Schmidt, Shull & Schmitt, 2001; see Figure 2). The study provided clear evidence for the hypothesis that human resource practices influence organizational climate which in turn influences customer satisfaction indices. The indirect effect of HR practices on customer satisfaction was statistically significant and quite large. According to researchers, this is the first empirical evidence of a link between human resource practices and organizational climate even though such a linkage is consistent with the attraction- selection- attrition hypothesis proposed by Schneider (1979 and the social context model presented by Ferris et al.1998).

The finding that climate was related to customer satisfaction was consistent with the few other studies (e.g. Johnson, 1996, Ostroff, 1993; Ryan et al. 1996, Schmidt & Allschied,1995).

Figure 2: Relationship between HR practices and effectiveness (Rogg et al. 2001)
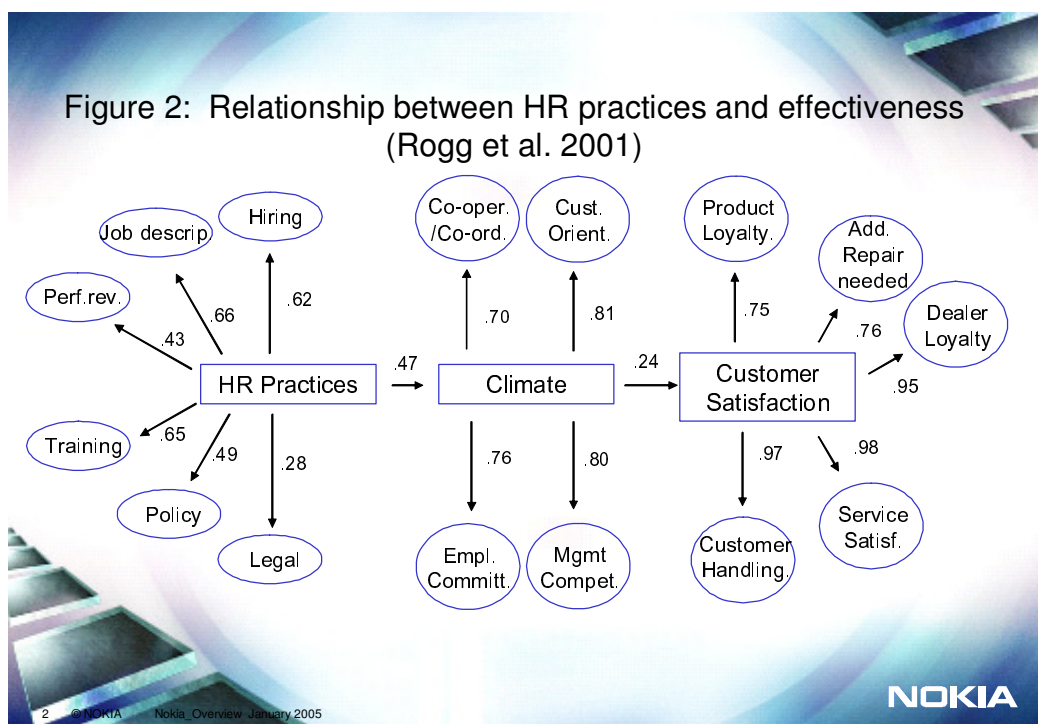
Wayne Brockbank and Dave Ulrich of the University of Michigan have conducted the Human resource Competency Study (HRCS) four times during the past fifteen years. This study of more than 27000 HR professionals and line managers provides a comprehensive experimental view of HR.

The most recent iteration from 2002 shows that HR strategies and activities impact business performance by 10 %.

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