

Developing HR as a Core Competency: An Approach for Gaining Competitive Advantage

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Abstract

Environmental changes are remodelling the approach with which organizations create value and conduct business. These changes have initialised the urgency of creating a scenario where the organizations will be in a position to create and sustain difference in their capabilities and functions over and above their competitors. Consequence of this ongoing challenge is particularly compelling HR function to step up their capabilities for adding value so that the only non-imitable resource of the organizations, namely, capabilities of employees can be identified and utilized as a source of differentiator. Though till now the process of inculcating a set of competencies by HR function has been initialized but has not been fully implemented due to lack of awareness on the part of the organisation about the benefits derived from such competencies. This necessitates the need for identification of the set of competencies required for HR function and inducting them into the practices and policies of HR. The present study, therefore, is an attempt to explore different kinds of competencies which will craft HR not only as a source of competitive advantage for the organizations but also as a core competent component of the organization. The study also suggests that HR should take a leading role in implementing competencies suitable for the business to attain its ultimate objectives.

Keywords:

Core Competency, Human Resources, Competitive Advantage, Key Result Areas

JEL Classifications: O15, C120

Introduction:

Environmental changes are remodelling the approach with which organizations create value and conduct business. These changes have initialised the urgency of creating a scenario where the organizations will be in a position to create and sustain difference in their capabilities and functions over and above their competitors. This has also led organizations to realise that human resources are critical to organizational success and are the key source for sustained competitive advantage as these are non-imitable resources of the organizations which cannot be copied (Wright et al. 2001). Consequently, organizations now-a-days are working with HR function for identifying and implementing certain practices which will differentiate it from its competitors at market place. These distinctive practices are the competencies which will provide sustained competitive advantage and can rekindle HR as core competency of the organization (Prahalad and Hamel, 1990). The present study

is, therefore, an attempt to examine different HR competencies practiced by the organisations which may lead to the competitive advantage. Based upon the benefits derived by various organisations from different competencies adopted by HR, this study summarises course of action which will assist HR to rekindle itself as core competency of the organization by providing competitive advantage to the organization.

Research Methodology

The present study is based on the review of existing studies from a variety of fields conducted to know the different kinds of competencies implemented by various organisations. By bringing together different theories and identifying their implementation in the corporate sector, this study is trying to make an attempt in suggesting how different kinds of competencies can craft HR not only as a source of competitive advantage for the organizations but

also as a core competent component of the organization. Accordingly, contributions of different researchers in the field of research where HR has been portrayed in a leading role in implementing competencies for attainment of ultimate objectives of organisations were taken without any set date range in order to ensure the most comprehensive analysis of those competencies of organisation which has given them an edge as compared to their counterparts.

Theoretical Framework of Core Competency

The concept of core competency was first brought out by Selznick (1957) to depict the corporate advantage through various value activities by using distinctive competency. Prahalad and Hamel (1990) defined Core Competency as a "key ability or strength that an organization has acquired and differentiates it from others, gives it competitive advantage, while contributing to its long-term success." They further explained that core competency can be in any form including technical know-how, a reliable process or close relationship with customers etc. The idea underline is core competency can be anything which is non-imitable and provides competitive advantage to an organization over its competitors. Prahalad and Hamel (1990) indicated the presence of strong linkage between Core Competency and corporate competitive advantage and stated that core competencies are linked with competitiveness. Besides, Chen and Chang (2011) indicated that Core Competencies are more comprehensive than KSAs. To quote an example, they further explained that core competencies can be used to assess and train employees for future needs, while KSAs focus typically on what is needed to do the job today. Moreover, Competencies are build upon the same KSAs but are more inclusive in the sense that they also include traits, motives, and behaviours (Hayes, 1979; Hartle, 1995). Additionally, key knowledge, skills and abilities can be clustered to form a set of core competencies that determine superior, not just basic, performance (United States Office of Personnel Management, 1999). Thus, core competencies can then be linked to a set of behaviours that answer the question, "How do we know good performance when we see it?" which can serve as the foundation to hire, train and develop employees and ultimately to set their pay. Moreover, Lahti (1999) explained that the concept of core competency is derived from set of competencies that highlights a close linkage to the strategic thinking, which though originated from individual level yet can be easily linked to organizational level. This linkage combined the concept of core competency and resource-base essence with strategic thinking and implementation process (Barney and Wright, 1998; Mueller, 1996). This implies that only the resources (hard competencies) and capabilities transformed (soft competencies) into core competency can become competitive advantage (De Saa'-Pe'rez and Garcí'a-Falco'n, 2002). In this context, many organizations such as

Pepsi, Walmart etc. are utilizing their resources as core competency whereas organizations like Microsoft, Ernst and Young, Polaroid etc. have transformed capabilities as their core competency. The core competency of Pepsi is mass production and distribution of bottled drinks which enabled its presence in all the remote areas of India. Similarly, Wal-Mart is also utilizing its resources and has massive "real time" information system which distinguishes it from its competitors. There are organizations, namely, Microsoft, Ernst and Young and Polarid which are utilizing their capabilities for bringing core competencies. Microsoft's capability of designing user friendly software products provides them competitive advantage in software industry. Similarly, Ernst and Young's core competency is the capability to perform audit functions for Fortune 500 Companies and Polarid has core competency of manufacturing self-developing film.

HR as Core Competency

The point worth mentioning here is that when a firm uses a new technology, it can create a short run competitive advantage or first mover advantage (Barney, 1991). But is not sustainable because competitors can imitate or purchase the sources of the advantage. (Amit and Schoemaker, 1993; Barney, 1991; Collis and Montgomery, 1995). But human resources are the most non-imitable resource of an organization that are rare and cannot be copied by the competitors (Wright et al. 1994). In addition to it, HR is the only true differentiator between the two similar organizations in their ability to attract, develop and retain their high performing workforce (Bandyopadhyay, 2010). Hence, HR department of the organisation should try to leverage the immense capabilities of company's HR in order to convert it into Core competency. The first and foremost step in this direction is to identify and then to adopt a set of policies and practices of core competency components which will preserve this valuable asset (Srivastava 2005; Bogner et al. 1999; Javidan 1998 and Bani-Hani and AL-Hawary 2009).

Facets of Core Competency

Researchers and academicians have identified set of competencies required by HR in order to become effective in their roles and ultimately leading to core competency. Accordingly, functional competencies, behavioural competencies, Generic Competencies, Generic technical competencies and functional technical HR Competencies have been identified (Rao. 1990, 1992; Ramnarayana, 1990; Gupta, 1990, Pareek, 1990; Dixit and Rao, 1992; Dixit and Dixit, 1992). Most of the discussions and supporting research till date have focused on widely generalisable core HR competencies. In this direction, HR Compass (2009) specified some competencies which can be adopted by the organizations in India. A closer look at these competencies

will illustrate that without a combination of professional qualification, relevant experience and training, it will be impossible to master those competencies. The agency further states that Core Competencies can be grouped as:

1. Functional Behavioural HR Competencies includes service orientation, personal credibility, execution excellence
2. Generic behavioural HR Competencies includes strategic thinking and alignment, change orientation and networking management.
3. Generic Technical Competencies includes business knowledge and financial perspective.
4. Functional Technical HR Competencies include HR planning and staffing, performance management, training and development, talent management, compensation and benefit, managing culture, design and change, labour laws, building HR strategy and international management.

Further an attempt to cluster HR competencies has been initiated by Bandyopadhyay (2010). He categorised HR competencies into three broad segments:

1. Role Specific HR Competencies: These are the personal competencies required to perform critical HR roles like interacting effectively with management and employees, solve broad organizational problems and represent strategic importance of HR to the success of organizations.
2. Business Specific HR Competencies: These are the competencies which are required to understand the overall business of the organization. These are related to common business management practices. Until HR professionals acquire these competencies, they cannot design and deliver HR interventions that support business.
3. Industry Specific HR Competencies: These are the advance set of competencies which are industry specific and includes business knowledge and financial perspective.

Again, Brockbank and Ulrich (2004) try to summarise different competencies into four major elements which are essential for every HR department. The elements consist of personal credibility, business knowledge, HR delivery and HR technology.

Figure I: HR Competencies (Brockbank and Ulrich Model)



Source: Boselie and Paauwe (2004).

The research on HR competencies clearly point out important competencies for HR department. These competencies are relevant regardless of business size, industry, job titles, hierarchical level, or functional responsibilities but not all the competencies can yield same results in different types of organization (Brockbank and Ulrich, 2003; Stemberger, 2002; and Walker and Reif, 1999). They further mentioned that the key for HR department is to understand the importance of the strategic nature of their job and to tie the HR system clearly to the organizational strategy. Further, HR needs to identify and

adopt the set of competencies relevant for their organization which should be aligned with Organizational objective and can craft HR as Core Competency. A closer look at the impact of HR competencies on the organizations adopting those competencies will justify the need and importance of crafting HR as core competency.

Impact of crafting HR as Core Competency

Core Competencies can be used to “raise the bar” of employee performance. In human resources development, competencies are used to identify and close the gaps in individuals' capabilities. In performance management, competencies and results are appraised to connect how a job

was done to the results achieved. Competencies will also help HR to communicate desired behaviours, control costs and increase customer satisfaction (employee satisfaction). A closer look at the benefits derived by various organizations will further strengthen the need of crafting HR as Core competency of the organization by providing competitive advantage.

In this direction, it is important to quote an initiative that has been taken by HPCL. It has an exclusive competency management team at its head quarter and one exclusive member at each of its different zones. A total of 10 members' team is working on a dedicated portal "e-care" for the benefit of all employees. There employees can upload their individual development plans referred to the behavioural and technical competency framework. This has enabled the organization to control attrition rate by considering employees' vision of their growth in the organization (Agarwal, 2010). Similarly, RPG Group follows the philosophy of nurturing leadership pipeline through developing internal talent which act as a glue to the diverse set of business. One of the significant interventions is the constitution of HR- Business Review Board comprising HR heads of all the companies together with president HR. The board focuses on HR competency framework and design the "role competency requirement matrix" for each role. The procedure aims at Development Action Plans (DAP) which assist HR in managing internal talent pool and preparing them to take higher responsibilities in future through succession planning (Rao, 2010). Likewise, 3M has adopted leadership competency framework. The process started with creation of global leadership competency framework that would describe and drive the type of leadership required by the company. In the face of complex competitive pressures, 3M keep their leadership model up-to-date to guide targeted leadership development across its diverse businesses and a strong succession planning process to secure future corporate leadership. The framework identifies competency areas and behavioural anchors which facilitates leadership assessment and development along with executive succession planning process. This has enabled HR to retain competent manpower and preparing them for taking higher level of responsibilities thereby controlling turnover (http://highered.mcgraw-hill.com/sites/dl/free/0073530476/782078/Chapter_One.pdf). Similarly, Honeywell India engages in competency assessment called skill assessment only for the shop floor employees for technical competency. Their process of skill development takes place on the basis of identified competency gaps (Rao, 2010). Another effort has been made by General Motors (GM) through "mysocrates", an E-HR portal to save time, distribution and printing cost thereby enhancing speedy decision making process. The idea behind mysocrates is to create an employee friendly one-stop shop for providing

them support for taking decisions, accessing information about rules, regulations, policies and procedures (http://highered.mcgraw-hill.com/sites/dl/free/0073530476/782078/Chapter_One.pdf). ATandT is also leveraging upon Workforce Career Management initiative as a source of competitive advantage. This initiative enabled HR to develop and implement training curriculum in order to enhance employees to handle diverse and additional responsibilities. This has facilitated the organization to utilize its human resources for diverse projects efficiently (Higgins, 2006). One of the HR core competency of Oracle is to provide continuous development opportunities to its manpower by creating new kinds of job assignments, namely, cross functional job postings, job rotation through HR specialties, special project that require new skills which ultimately reduces cost, provides holistic view about the organization. This has also encouraged internal harmony among employees and reduces conflicts within the organization (Yeung, 1996). A significant step has also been taken by LG Electronics to adopt certain policies and practices for making LG a better place to work. It has a comprehensive online recruitment management system which enables the organizations for screening candidates. The system also provides an overall view about the mindset and psychology of the candidate through a series of psychometric tests which helps in finding out the fit between candidate's mindset and organizational requirements about candidate's mind set. It also includes negative interview to access the capability of candidate to perform in case of high stress situation. LG has ambassador programme where a dedicated mentor goes to the worker's house and talks to his family and discuss their problems etc. and tries to make their situation better. LG has formed some informal clubs for de-stressing employees and every employee has to be a part of one or the other informal club. All this has enhanced employee productivity, reduced absenteeism and turnover, control cost and reduced conflict within the organization. Infact, LG has been benchmarked in terms of lowest manpower cost <http://www.lg.com/in/about-lg/careers/why-lg/best-place-to-work.jsp>.

Conclusions

To respond to the increased demands, Human Resource must define, delineate, assess, and improve their performance. Wanting to contribute to the business is not enough they need to know how to contribute. A number of HR professionals are busy benchmarking with other companies to find best practices which they can replicate in their organisation. While it is good to have an external orientation but one should not blindly adopt the successful practices. The need is to consider the excellence of the practice with respect to their own context and adapt it with

suitable modifications. It has been observed, after reviewing different competencies adopted by the organizations, that HR department which holds certain core competencies have a competitive edge over those who don't and can give the business a competitive advantage in their industry. Organizations in India have started taking steps in this direction by identifying and then adopting certain competencies with respect to one or more policies and practices. Some of them includes, Leadership competency adopted by HPCL, RPG and 3M; comprehensive online recruitment initiative taken by LG etc. Those organizations that have started executing the process of identifying and adopting different competencies are enjoying the benefits of having competitive advantage over its competitors though they have not inculcated competencies in all the HR policies and practices. The point here worth mentioning is that if organisations are achieving better results like controlled cost, less attrition rate by just inculcating one or two such practices then surely they can achieve competitive advantage if they adopt more such practices. These results will justify HR relevance and presence and ultimately provide competitive advantage to the organization. Therefore, HR should start with defining their core competencies to obtain competitive advantage. For example, recruitment is not a core competency but recruiting efficiently and in a more effective way than the competitors can be a core competency. If HR draws attention to this point, they can both define set of core competencies and improve their current competencies. In order to create a competency-led strategy, it is firstly expected from HR to define their core competences. Secondly, it is expected from them to find out whether their skills are truly superior and sustainable, thirdly, how much value that core competency will add to the organization and lastly, is the core competency integral to their value proposition (Ipcioglu and Uysal, 1997). Though some efforts have been made by various organizations to differentiate the critical HR competencies needed in their own context (e.g., Lawler, 2003), yet there is a need for more research on part of the organizations. The organizations, thus, focus on identifying the competencies for all the HR activities by recognising various contextual factors likely to influence the relative importance of the various competencies and the ease with which they can be applied (Roehling et al. 2005). The reality is that organizations are starting from different positions and will need to structure their HR functions in different ways. However, there is no "one size fits all" solution. According to the California Strategic Human Resource Partnership (2000), a consortium of senior HR business executives, the competencies needed by senior HR generalists are very different, for example, from those required of HR specialists at other parts of the organization structure. The Partnership commissioned a study and identified that the overall list of competencies is fairly consistent among companies from

various industries, although different competencies are emphasized in different HR roles. Researchers support the value of developing competencies that are both generic (applicable to companies in different industries) and specific (i.e., highlighting the competency differences in different HR roles and structural levels) which will facilitate HR in emerging as core competent component of the organization. Once the major components are in place, organizations will be able to build structure-based competencies to meet the requirements of the organization. The organizations in India need to focus on assessment of internal factors, such as organizational culture and climate, organizational objectives and strategies, size of business, hierarchical level, cost involved, resources required and functional responsibilities, as well as on external factors such as political, legal, social and technological environment. All these factors affect the decision of choosing the competencies directly or indirectly (Brockbank and Ulrich, 2003) as a fit between these factors and the kind of competencies adopted can only yield fruitful results. These competencies are beneficial not only at organizational but also at individual level. At organizational level, the benefits includes reduced cost, high retention rate, low turnover, high productivity and at individual level, benefits includes increased knowledge through training, overall development of employees, etc. Hence, HR in the Organizations should start identifying and adopt competencies for all the HR practices after considering internal and external factors. It is also important that the competencies applied by HR should be consistently applied within the organizations. Moreover, continuous improvement is also an important aspect in order to maintain that core competency. This will not only benefit the individual and organization but also craft HR as core competency of the organization and finally, justify its present of being as creator and source of competitive advantage.

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