

Flexibility, Receptiveness, and Governance

Lie at the Core of HR Excellence

Interview with **Ashok SOM**, associate professor and Co-Chair of the Management Department at ESSEC Business School (France), April 2008

There is no longer any doubt that HR excellence and strong company performance go hand in hand. But what exactly is meant by HR excellence, how is it evaluated, and what skills must the HR department call upon to achieve this excellence? Professor Ashok Som answers these questions by offering a twin perspective comprising both European practices and those of his native India.

CAREER



Ashok SOM received his doctoral degree from the Indian Institute of Management in Ahmedabad and has been associate professor at ESSEC since 2002. Notably, he has acquired expertise both in Europe and in emerging Asian countries, and has penned numerous academic articles. His research focuses mainly on the relationship between strategic processes and HR practices during restructuring and the role of HR in shaping corporate governance practices. He is also a lecturer, a consultant (for Lafarge, LVMH, Renault, France Telecom, etc.), and author of *Organization Re-design and Innovative HRM* (Oxford University Press India), which is due out in November 2008.

What are the hallmarks of an excellent HR department?

An efficient HR department produces the following results: an abundance of job applications for skilled positions, low staff turnover, reductions in sick leave, greater customer satisfaction and loyalty, innovation, creativity and risk-taking, and high levels of productivity and profitability. Research has clearly identified a link between training, motivation, and increased employee responsibility on the one hand, and on the other, worker satisfaction, productivity, and corporate financial health.

What qualities are necessary to achieve such high efficiency?

First of all, **flexibility**, which means being able to adapt processes to the pre-

vailing conditions—and this is essential in order to meet the HR department's primary goal of retaining staff. Let's take the example of the Indian company that recruited a Swedish VP of Design and which, through a lucrative financial package, was able to convince him to move to India. Six months into the job, the manager announced that he wished to bring his male partner over from Sweden. The company had never encountered a scenario like this one in its 150-year existence! But the HR managers were able to convince the CEO to adapt the system so that the pair could enjoy the same expatriation benefits as those set up for heterosexual couples. Job mobility in Europe will make this type of flexibility vital in the next ten years.

This adaptability must also be expressed through **receptiveness**, as an efficient HR department needs to be able to think ahead by gathering information on employees' developmental needs. Lastly, we must remember that efficiency is also thoroughly dependent on **governance**. Transparency among the systems in place and fairness in the application of standards and rules are crucial in order to retain high-performing employees, regardless of the HR department's ability to create and implement innovative policies.

Do you often see these qualities in the workplace?

Whether in India or Europe, few companies are adaptable. There are, however, many good practices on both sides ...

... of the world, which indicate that HR departments are capable of flexibility, receptiveness, and governance. These initiatives notably include job rotation, openly recognising the most productive individuals and teams, setting up a staff restaurant in a very hierarchical company, and creating dedicated mini-teams to manage the career progression of high-potential employees.

How can HR be guided towards more efficient practices?

Empirical research provides some promising leads. For example, when implementing progressive HR policies, research proves that it is always more efficient to choose a combination of practices rather than a single one. What's more, it appears that these

practices from both sides of the world to slowly converge. Countries like China and India have seen enormous changes in how their companies are run, because—as they increasingly open up to the outside world—they now have to compete with multinationals alongside traditional local firms. The relative strengths of HR in these emerging countries have been lifelong employment, the motivation to renew and implement new practices, respect for older workers, support for proactive practices, the recruitment of more and more professional executives, job rotation, coaching, an overhaul of performance measurement systems aligned with sector best practices, flexible working hours, and a growing need for diversity. Persistent relative weaknesses are nepotism, the use of

'Since it is difficult to measure the impact of HR practices on quarterly results, the HR department needs to reinvent itself constantly.'

practices work better in the long term (3 years and over), which suggests that they should be integrated into the working environment in order to reap the benefits.

Our studies have also shown strong links between certain HR practices and company performance in India and France. With regard to the role of HR, the following practices seem to be closely linked with organizational performance in France: general fairness in HR policies, benchmarking of the HR department against global excellence practices, and HR managers taking on the role of coaches rather than enforcers. In India, however, performance is more related to the availability of HR managers, as well as how proactive and well respected they are.

What are the relative strengths of HR practices in emerging Asian countries?

The opening up of emerging economies over the last ten years has caused HR

local networks for HR decision-making practices, the practice of quickly changing positions to seize the best opportunities, and the inexistence of resignation interviews.

Is HR in need of yet more renewal?

Ten years ago, Dave Ulrich analysed HR as a strategic partner, a change agent, and an administrative expert. Today, organizations must stop viewing HR as a label and think of it as an asset that they must strengthen and in which they must place their trust. And since it is difficult to measure the impact of HR practices on quarterly results, the HR department needs to reinvent itself constantly! This is possible when CEOs create a governance structure which encourages wholesale innovation and where HR managers promote togetherness and staff participation while at the same time keeping a close eye on changes in the working environment. ■

Key research findings

- Training, motivating, and giving employees responsibilities increases company performance
- An innovate HRM = an HRM capable of adapting its practices
- Poor governance ruins all the benefits of innovative HR practices
- Innovative HR practices have more impact on company performance when they are implemented together
- Fair HR policies, benchmarking of the HR department, and adopting a coaching rather than a regulatory role are the three most performance-enhancing HR practices in French companies.

References

- "Innovative Human Resource Management and Corporate Performance in the Context of Economic Liberalization in India," *International Journal of Human Resource Management*, 2007.
- "What Drives Adoption of SHRM Practices in Indian Organizations," *ibid.*
- "Bracing MNC Competition through Innovative HRM Practices: the Way Forward for Indian Firms," *Thunderbird International Business Review*, 2006.
- "Vers quelles innovations RH dans les entreprises françaises ? Une étude exploratoire" (avec J.L. Cerdin) (Towards which HR Innovations in French Companies? An Exploratory Study (with J.L. Cerdin)), *Gestion* 2000, 2005.
- "Redesigning Human Resource Function at Lafarge," *Human Resource Management*, 2003.