The Impact of HR Competencies and HR Department Activities on HR Value Creation:
Round 7 of the HR Competency Study

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Sponsored by the Ross School at the University of Michigan and The RBL Group along with 22 regional partners around the world, we are delighted to present the results of the 7th round of the HR competency study (HRCS). For almost 30 years the HRCS has empirically defined the competencies of HR professionals and how those competencies impact performance. In this round we collected over 30,000 worldwide surveys rating the competencies and performance of more than 4,000 HR professionals from more than 1,500 organization units. The results simultaneously build upon insights from prior rounds and generate new insights for the HR.

What Drives the Perceived Performance of Individual HR Professionals?

Competencies of HR Professionals
We found that about 50% of the perceived performance of HR professionals that we can explain in our study comes from their perceived competencies.

HR professionals deliver business value through nine competencies (see model in figure 1). Business success comes when we can effectively translate business strategy into the right employee actions. HR professionals who help the organization effectively translate strategy into action must first be competent ***strategic positioners*** – i.e. they must have and apply knowledge of business context and strategy. HR professionals who are strategic positioners are able to accurately set the agenda for action within the organization by helping people point in the right direction.

In addition to pointing people in the right direction, however, HR professionals must also be ***credible activists*** - i.e. they must have relationships of trust and influence with key people within the organization. Credible activists are able to get people moving in the required direction. Thus, strategic positioners set the direction and credible activists actually get people moving in that direction. Both of these competencies are critical for driving performance.

A new competency to this round of research is ***paradox navigator*** – i.e. the ability to navigate the many embedded tensions in business operations (e.g. long term vs. short term focus, centralized vs. decentralized operations, internal vs. external focus, etc.). HR professionals are constantly wrestling with embedded tensions that must be resolved in some circumstances and cultivated in other circumstances in order to help the business move forward. Wisely navigating these many embedded tensions becomes one of the central challenges for modern HR professionals.

In addition to these three core competencies there are also six HR enablers – i.e. competencies that enable the translation of business strategy into individual action. Three of these enablers focus on building a strategic organization:
- ***Culture and change champion:*** Able to make change happen and to weave change initiatives into culture change.
- ***Human capital curator:*** Able to manage the flow of talent by developing people and leaders, driving individual performance, and building technical talent.
- ***Total reward steward:*** Able to manage employee wellbeing through financial and non-financial rewards.

The other three enablers focus on tactical delivery:
- ***Technology and media integrator:*** Able to use technology and social media to drive create high performing organizations
- ***Analytics designer and interpreter:*** Able to use analytics to improve decision making

- ***Compliance manager:*** Able to manage the processes related to compliance by following regulatory guidelines.

Each of these HR competencies is important for the performance of HR professionals. In more fine grained analysis, however, we see that some competencies seem more critical for certain stakeholders. Creating value for internal stakeholders such as line managers and employees requires being a credible activist. Creating value for external stakeholders such as investors and external customers, however, requires being a strategic positioner.

Figure 1:
HR Competency Model: Round 7

Demographics and Career Histories of HR Professionals
In addition to exploring how HR competencies relate to the perceived performance of HR professionals, we also explored the demographic characteristics and career histories of those HR professionals. We were intrigued to learn that about 35% of the perceived performance of HR professionals comes from their demographics and career histories.

Additional Findings for Individual Performance – the problem of self-reports in HR research
We have many additional findings related to demographics, regions, industries, and so forth, but one of the most critical findings relates to the poor quality of self-report data. Self-ratings had almost no relationship with performance while other-ratings had a very strong relationship with performance. This findings suggests that non-self-ratings may be particularly important when determining how competencies relate to performance.

What Drives the Perceived Performance of HR Departments?
We also studied how the HR competencies in HR departments and the activities of those HR departments related to the value the HR department creates for different stakeholders. A key overarching finding was that the activities of HR departments consistently explain more of the HR department performance than the competencies of the HR professionals within those departments (see table 1). This is particularly true for internal stakeholders. We believe this starts to indicate the relative importance of the team in HR rather than the individual. We can have great HR people, but we need the HR department to be doing the right things if we want to have impact.

Table 1: Relative importance of HR department activities compared to HR competencies in explaining the value HR departments create for different stakeholders[1].

	External Customers	Investors/ Owners	Communities	Regulators	Line Managers	Employees
HR Professional Competencies	24.8%	15.3%	22.0%	33.5%	10.0%	7.6%
Activities of HR Departments	59.1%	69.2%	76.6%	39.5%	89.2%	89.6%
Other Variables (e.g. strategy, culture)	16.1%	15.5%	1.5%	27.0%	0.8%	2.8%
Multiple Regression adj. R^2	*0.481*	*0.424*	*0.364*	*0.283*	*0.485*	*0.570*

We explored the activities of HR departments that most impacted HR value creation for key stakeholders. We organized activities of HR departments into four domains of activity:
- ***Employee performance HR practices:*** HR activities that help employees develop their skills and abilities (e.g., performance appraisal, training, engagement)

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[1] The table shows three groups of variables and the relative impact of each group. The results are scaled to 100% for convenience to show the relative impact of each group.

- **Integrated HR practices:** HR activities that offer integrated and innovative solutions to business problems (e.g., developing an HR strategy linked to organization strategy, offering integrated HR solutions to business problems, HR being a cultural role model for the organization)
- **HR analytics practices:** HR activities related to a scorecard for the HR department
- **HR role in information management:** HR role in managing information to make better business decisions (e.g., bringing external information into the organization, using information to drive competitive advantage, using data for decision making).

In Table 2, we show that *integrated HR practices* have the most impact on internal stakeholders (employees and line managers), but *HR's role in information management* has much more impact on external stakeholders.

These findings suggest that HR professionals should learn to work together in creating HR practices that offer integrated solutions when serving line managers and employees. But, when working to position HR within the external business context, HR professionals need to master the flow of information to drive business results.

Table 2: Relative Importance of HR department Activities in explaining value created for different stakeholders.[2]

	External Customers	Investors/ Owners	Communities	Regulators	Line Managers	Employees
Employee Performance HR	2.3%	0.1%	4.8%	4.4%	1.3%	3.6%
Integrated HR	13.4%	41.9%	14.1%	49.8%	86.9%	91.3%
HR Analytics	2.0%	0.0%	2.3%	0.6%	1.8%	3.0%
HR Information Management	77.4%	55.6%	67.8%	36.5%	0.0%	0.3%
Total percentage explained by competencies	59.1	69.2	76.6	39.5	89.2	89.7

Conclusion and implications
CEO surveys increasingly point to businesses winning through differentiating themselves through organization and people. Competitors can more readily match access to capital, strategic intent, and operational excellence. In this research, we have identified what individual HR professionals should know and do to respond to these business opportunities. HR professionals need to be *paradox navigators* who effectively manage the inherent tensions in the business. HR professionals need to be both strategic *positioners* who understand business context and can think outside/in and *credible activists* who influence through relationships of trust. HR professionals also need to understand and master strategic and foundational HR enablers. These findings have implications for who is hired into HR, how HR professionals are trained, promoted, and paid.

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[2] This table shows the relative importance of each of the HR activities by scaling the results to 100% for convenience.

In addition, we found that HR professionals have more impact on key stakeholders when they work as an effective HR department.   The old adage, "I like my HR professional, but I hate HR" needs to change because the HR department's activities have more impact on all stakeholders than individual HR professionals.   In particular, managing information and integrated HR solutions shapes the agenda of an effective HR department.

We are confident that these findings and the subsequent implications for developing HR professionals and creating HR departments will enable HR to continue to add value.