

‘This will be the decade of the human side of business’

- Wayne Brockbank

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Wayne Brockbank is Director of the well-known Global Programme for Management Development (GPMD) and Clinical Professor at the Michigan Business School. Prior to his arrival at Michigan, he taught graduate business courses at Indiana University, UCLA, and Loyola-Marymount University. His teaching experience focuses on strategic human resource management, strategy formulation and implementation, organisation design, and international business. Prof Brockbank also consults for several top-notch companies in the US, Europe and India.

At the University of Michigan’s Executive Education Centre, Professor Brockbank is the Faculty Director of the Strategic Human Resource Planning Programme and the Advanced Human Resource Executive Programme. He is the Co-Director of the Human Resource Executive Programme. These three executive programmes have consistently been rated as the best HR executive programmes in the US and Europe by Business Week. He is also the Director of the Human Resource Executive Programme in Asia and a core faculty member of

the Michigan Senior Executive Programme.

Making frequent trips to Chennai to speak to senior executives participating in the GPMD run jointly in India by the Academy for Management Excellence and the University of Michigan, Prof Brockbank took time off to speak to Praxis on a wide range of issues confronting HR. Excerpts from the interview:

Do you see, in the Indian or US context, that the HR policies that companies in the high-tech/infotech sector follow are very different from what typically old economy companies follow?

It’s useful to see these infotech companies from a global perspective. The only barrier to moving intellectual capital from one country to another is the push of a button. The best practices in HR in emerging new companies have to be viewed on a global scale because that’s how competition is. Perhaps, most multinational companies that have moved into India have provided the groundswell for the high-tech sector in India to mushroom the way it has today.

While addressing the issue of HR in these



Pic: Sheju John

Prof Brockbank speaks to participants of the Global Programme for Management Development in Chennai.

high-tech companies, you have to distinguish between the well-managed old economy companies as well as the not-so-well managed. My guess is that there are more similarities between an HLL and an Infosys in the way they hire, retain and use people than there are differences. However, the high-tech companies by definition have short cycle times. They rely entirely on intellectual capital, because that's the only thing that they have. The value is in the people they have, how they are being managed, what capabilities they are developing.

There are three issues here: how you get the people, how you retain them and how you use them. We have some empirical evidence that these three are merging together: i.e., the best way to get the people and the best way to keep them is to use them in the best way and provide them opportunities for growth.

The other thing we are seeing is the role of people in the new economy is being empirically expressed in stock valuations. In the traditional world of brick-and-mortar companies, there is a very strong correlation between a company's short-term earnings

and its stock value. Traditionally, that relationship has been around 90 per cent. Such has been the case for the past 30 years – until 1990. In the last 10 years that percentage has been halved. Now, only about half the value of publicly traded companies is a statistical function of earnings.

A 1998 study by Ernst & Young looked at what 'sell side' and 'buy side' analysts use as the basis for making buy or sell recommendations based on non-financial criteria. The study found that the analysts look at the quality of management, their strategy and their logic, how they manage people, do they have a succession policy, the culture that spawns innovation and compensation policies that link compensation to performance. This is the world in which HR plays an important role.

The point is, in this high tech world, the brick-and-mortar yardsticks of short-term financial results are increasingly less correlated to stock performance.

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In the Indian context, at one stage it was thought that throwing money after people was enough to keep them. But, today, companies have realised that it's not enough and they need to go beyond that to retain their people. Infotech companies have brought a new style of management to their organisations that are flatter and less hierarchical. Is this a new paradigm?

There are two issues: What are the organisational structures in these companies and second, is there a new logic to hiring and keeping people. In the organisation structure of the future you are certainly seeing flatter organisations. Flattening in the typical brick-and-mortar company was driven by cost whereas in the high-tech world, flattening is driven by the need for greater speed and mobility. You are seeing the CEO getting down to talk to people down at the shop floor – in this case the programme labs; that's because those people in the labs are the ones who are creating the wealth for the company. They may be creating more wealth than the two layers of management that sit between them and the CEO.

That creates a challenge for Indian organisations where career progress has been measured by hierarchical levels. These levels provide opportunities for career progression, but are concurrently the natural enemy of a high-tech, fast-moving organisations.

To what extent is money important? To what extent does money retain people?

First you have to throw money at people to get people to come to work at your firm in the first place. That's a basic. But then, you have to make a distinction between what's going to get people to work for you and what's going to keep them engaged productively. In the high-tech world, the hiring policies have changed. Earlier, it was how much money you're going to put on the table.

Today's workforce is brighter than my generation. They don't look solely at short-term earnings. As part of their financial calculations, they will ask not only how much money are companies going to put on the table, but they also ask: “Through the job they are giving me and the work that I will do, can it maximise my long-term earnings

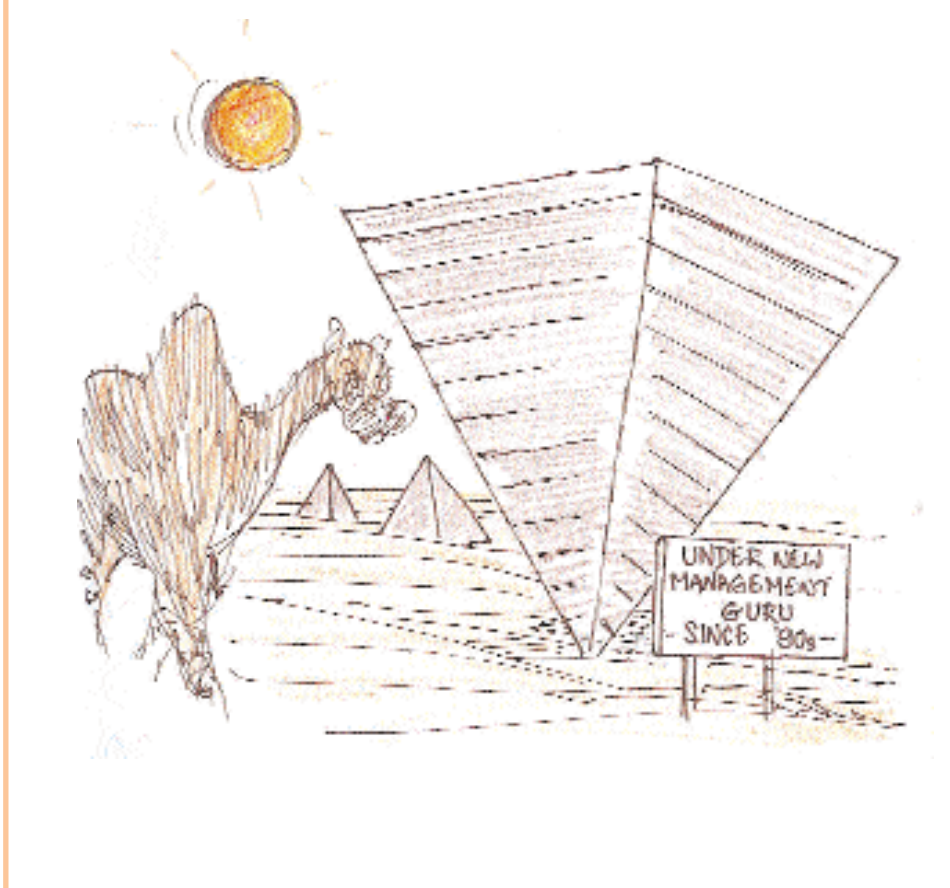
potential?” They expect to do work that can add value to the company in jobs where talent is scarce. If they believe that a company can put them in such kinds of challenging environments and positions, then that company gives them the opportunity to maximise long-term earnings for employees and for the company.

This also matches with what a company would want to do – put out goods and services that are scarce and add high value in order to maximise their earnings. Therefore, the mandate is: How do you structure work to make it meaningful and challenging? Companies such as GE have spent the past 20 years looking at this and it's one of the reasons why it is so successful. It has constantly been reorganising its work and its way of thinking to get rid of the old, bureaucratic ways of doing things so what stays behind is the valuable work for which the marketplace will pay. Today, some of the old smokestack companies are doing it.

For the high-tech companies this is absolutely necessary, otherwise they can't get these smart young people to come and work for them and maximise their personal earnings while they create value for their companies. Thus, companies have a mandate to create jobs that are both meaningful and scarce. That is a major challenge for all companies including those in India.

Have companies developed innovative methods to give incentives and motivate employees? Today, in the Indian context ESOP has become a bad word and is no longer an attractive proposition. People say ESOPs are fine, but what more? There are several companies who do events to bond their people together. Does that help? In this context, what are the other ways in which companies are retaining employees?

Company events do bond employees together, but you should remember that such events are icing on the cake. They are not the cake. The other 364 days, you should eat the cake and not the icing. In addition to company events, you need to give employees work that is meaningful and productive and I would much rather see an HR person spend his or her time thinking how to



organise work that is meaningful than planning company social activities. The two worlds have to co-exist; it's important to give people a sense of belonging. Social activities are fine, but they can't replace the financial well-being of an employee.

At Michigan, about six years ago, we studied what creates a unified focus on winning in the marketplace. One of the things we found is that team-building (i.e., social) events is fourth on the list. We found that what encourages a unified corporate focus is constant interaction of large numbers of employees with customers, competitors and financial expectations of the capital markets. In other words, the issue is to keep

employees (including senior executives) in touch with the external realities that confront the firm. The logic is straightforward – if companies do that, employees will understand what constitutes value creation and will respond. HLL does that probably better than any company in the world; that's a big statement to make. Every management trainee has to spend time in the market with customers. These practices keep them in touch with the marketplace and make them realise that if you want new ideas, it starts out there. It gives people a sense that they not only have a business obligation, but also a moral obligation, to work harder. That has a way of motivating and engaging a young

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person when he or she knows the purpose of the company and what they are working for.

Once a company creates focus on the external market reality, then other practices can play supporting roles. Such supporting practices include leadership, measurement, rewards, promotions and training. In terms of importance of creating a unified and motivating culture, these practices have more influence than team-building and other fun or social activities.

So, there are other things that come into play in motivating an employee. A company can benefit from fun activities; however, statistically, such activities do not add nearly as much as these other things I mentioned.

Is leadership an issue as well, young people are thrown into responsible positions very early in their careers. How do they cope? How do they carry an organisation and team with them?

Ironically in a world where you have fewer leaders (because of delayering) the leadership becomes relatively more important. In old economy, multi-layered, bureaucratic companies, leadership tended to become dispersed.

In the future, leaders will have to do two things. First, the leader of the future will have to be able to conceive a powerful vision of the company’s future. Several years ago, Bill Gates said jokingly that the CEO of the future would need to be a great visionary and would need to be able to type fast.

The leader has to have the big picture in mind, of the company’s role in society, in the marketplace, and in the technological environment. The vision must help the company stay one step ahead of the competition. The vision establishes the premises on which future products and services are based.

Secondly, that vision has to be able to be translated into reality. Bill Gates is perhaps one of the clearest written communicators that I’ve come across. It is important that the vision is communicated continuously and clearly across the entire company. As a side note, he also is a fast typist.

Do you see a transformation in HR

practices in the country, even in the older companies?

Yes, I do see a radical transformation happening on an almost revolutionary scale. To test the resilience of a company to be a high performing one, I use a five-point performance scale. On this scale, a company which is a five does not tolerate low performers. If you don’t perform well, you are fired.

There are companies in India that are beginning to do that. In the US and Europe, there are many companies that have absolute discipline around high performance and are using tough consequences on those individuals who do not perform. GE is like that, so is US Robotics.

At the low end of this scale are companies that are very tolerant of low performers. If an individual does not perform, virtually nothing happens.

Seven years when we started doing the Global Programme in Management Development, I began asking senior executives from India where their companies were on this performance scale. Seven years ago Indian companies tended very strongly to be on the low end of the performance scale – meaning that if people did not meet their performance targets, nothing would happen to them.

In January I asked that question of the participants of this year’s programme. They said that there has been a radical shift to the high end of the performance scale – meaning, if people do not deliver results, then their employment is at risk. Companies that move toward the high end of the performance scale must have outstanding performance measurement system, excellent communication processes and truly effective leadership development capabilities.

Do you believe that this will be the decade of HR?

It’s going to be the decade of the human side of business. Certainly, we are seeing that in the US and Europe because other sources of competitive advantage are quickly becoming relatively less important. Technology is freely available, so is capital, even strategies can be duplicated. Having a good strategy is clearly important, but

people must make it happen. Also we should not forget that people must also design the strategy.

In the midst of enormous competitive volatility, the human side of the business is becoming critical for success. Customers are becoming more demanding, companies are becoming more global, product life cycles are shortening, competition is higher; almost every major trend that exists strongly supports the contention that people are the key to success. It is people who must leverage environmental threats and opportunities creates. That's very encouraging from a HR perspective.

The question is whether the HR departments will play a role in making the human side of the business effective. That question still remains. Clearly, managing the human side of the business has to be done in a partnership between with the HR department and the company's leadership.

Many HR departments grossly underestimate the impact that their activities have on the overall performance of the company. It is essential that both management and HR departments work hand-in-glove to create high performance organisations.

Our research at the University of Michigan has shown a new level of expectations for HR professionals.

For example, in the area of business knowledge we have found that knowledge of HR and knowledge of internal operations does not distinguish high-performing and low-performing HR professionals. What distinguishes high-performing HR professionals from low performers is knowledge of the external environment – competitors, customers, financial markets and globalisation. Knowledge of these is what make the difference. The challenge is that our data also show that the average HR professional is relatively deficient in these areas of business knowledge.

Furthermore, high performing HR professionals are learning to bring change agendas to the leadership table. They are not just partners sitting at the table, but they proactively contribute to business decisions. They contribute to determining the future direction of the firm – what the future



product and service mix has to be.

Such high-performing HR professionals are asking tough business questions. They are bringing non-traditional HR and business data to the table. They are playing much more of a role in shaping the future of the company. That's not a traditional role of a HR professional. But that is the direction of the future. ■