

HRQM and Colliding Gyroscopes

An alternative way of looking at value creation in organizations¹

How can we look from a different angle at the role and status of HRQM, explicitly integrating “quality” as an added value to HRM-decisions? Focussing upon the added value of the human dimension to strategic decisions in business is a new and slippery road; it is, as HRQM classes at the HAN University have already shown, a road that deserves more attention. In our paper we will explain what the integrative approach towards human resources and quality management does to our students, what the didactics and philosophy behind this approach are and how our students can contribute to the company’s profitability by focussing upon value creation within a systemic account of performance, gyroscopic thinking and internally motivated contributions to strategic decisions.

INTRODUCTION

Over the past years, there has been a big change in the roles for the Personnel and the Quality Departments in organizations. These roles changed from being administrators to, more recently, being critical components in the competitive success of the business.

From the 1970’s managers and other decision makers are focused on tangible goods and financial resources. The role of the departments for personnel and quality is mostly to support back-office functions, mainly legislation requirements, payroll and personnel data maintenance.

Today, almost every manager refers to the “people” in terms of “human capital” involved in the corporation’s success. Since the past twenty years, corporations are beginning to embrace this “Human Capital approach”. It considers the money spent on fostering innovation in the workforce as an investment. This “transformation” of the role of Human Resources and Quality Management has many consequences.

DEVELOPMENTS IN HR: FROM ADMINISTRATING TO ADDED VALUE

Using a figure for this transformation from personnel and quality management to an integrated HRQM in Business (Figure 1) it is possible to divide this development in three main categories.

These categories explain not just the needed change in focus of the HR and QM departments, but more important, shows the added value of this transformation for HRQM as an added value to the company.

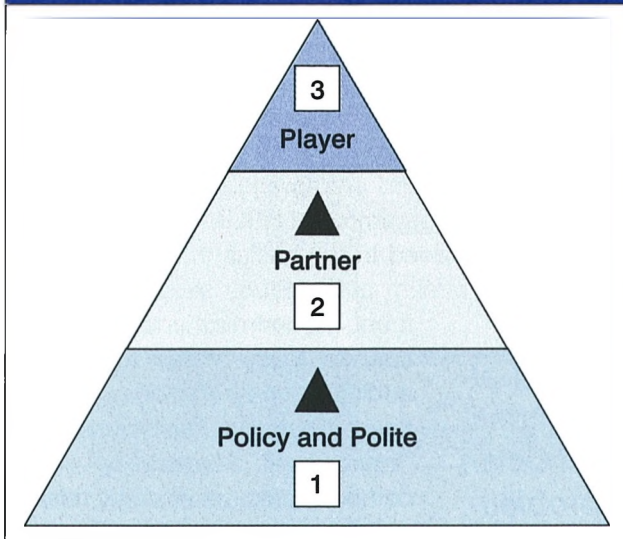
The “Policy and Polite” Phase

In the 1960’s and 1970’s the role of the personnel departments in organizations became clearer. Due to legislated corporate responsibility for workforce practices and worker safety the personnel function was es-

¹ This article is based on the paper presented to “New Trends and Tendencies in the Human Resource Management – East Meets West” Conference (June 13–14, 2008), Pécs, Hungary

Figure 1.

Transformation of personnel and quality management to HRQM business



established and the “Personnel Administration” was introduced. Separated from or combined with the “Payroll Department” in many businesses, this department was primarily responsible for managing personnel information, data, and processes, ensuring that the organizations complied with employment legislation.

Managers and employees of these departments served as “controllers” to ensure that employment practices and policies were adhered throughout the organizations. These Departments were often also the “polite” group in the organization: responsible for coordinating social events like company picnics and other outings, sending birthday notes to employees and carefully acting in the organization where little value was placed on the organizational and business impact of personnel management. At the same time there a start was made in implementing theory, models, methods and systems to control the quality in the organization. Mostly this was not executed by special departments but by independent “quality controllers”

Partner Phase

As globalization continued, so did competition between organizations in the business. Continued downsizing and off shoring drove organizations to operate at much lower costs in order to be more competitive. Into the 1980s and 1990s, the role of the “personnel administration” and “personnel depart-

ment” began to transform. Furthermore, the “quality control” began to gain more interest, even leading to special “quality departments” within the organizations.

These Departments were mainly focused on improving the product quality and the processes. Sometimes, they were integrated as part of the Personnel Departments in relation to the control of the quality concerning personnel-related processes (health and safety) and their quality aspects (quality of labour)

Many personnel departments re-branded themselves as “human resources departments” (HR) or “Personnel and Organization departments” (in Dutch: “P&O-afdeling”) to better align the new “needs” of the business.

At the same time, confidence in these departments continued to go down. In most companies a lot of these departments are still separated from the rest of the business, having no links to managers, their decisions, or the workforce. Those HR and quality departments wanting to be integrated in the organization’s strategy struggled with the way of doing this.

Managers are used to making decisions based on tangible assets such as revenues and the supply chain. Human resource and quality management and the value of employee relations and their development in relation to quality are most of the not tangible and therefore hard for executives to understand!

As a result, HR and QM departments are still in this phase very rarely consulted or included in organizational and strategic decisions, both at the board level and on the day-to-day approach.

Player phase

In the last ten years organizations are facing even faster changes in a very short span of time. There is a tremendous pressure on managers to create highly flexible and innovative strategies to compete and increase profits and market share while decreasing costs. Managers not only have to ensure that they are delivering shareholder value; they also have to prove that they can deliver added value to the organizational profit.

Today’s organizations are realizing that, as many resources as possible have to be taken into account focussing on value-added activities in order to achieve organizational objectives. Organizations

start outsourcing the standardized back-office functions in order to focus more on *strategic* and *competitive* activities. They need innovations and efficient and effective management of the workforce as key competitive advantages, enhancing the importance of human resource and quality management. Their problem, however, is how to manage and measure the contribution of the organizational talents. Employees cannot be compared with other points of leverage, such as financial capital, patents, products, state-of-the art facilities or machinery. Especially if one takes into account the contribution to quality. Or-

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ganizations now struggle with what to measure and how to clearly tie employee metrics to quality and organizational performance.

NEW COMPETENCIES NEEDED! REDEFINING THE PLAYING FIELD OF HRQM

Like any other business manager, HR and quality managers and consultants have to prove themselves and their added value time and again.

No longer are corporate “people” and “quality issues” the exclusive province of the personnel and quality managers and consultants that were, and often are, not involved in strategic decision making and whose contribution to the bottom line often goes unrecognized.

The new HR and Quality managers and consultants will have to be players that help to drive and steer the human resource and quality with strategies in a focus to align with corporate goals and ob-

jectives. Not only as partners, but as entrepreneurs and “players” finding their way to measure the success of this strategic focus against the organization’s objectives.

THE STUDY STREAM HRQM

The answer on this new approach and the way to become a “player” and entrepreneur can be found in the new study programme of HRQM of Arnhem Business School. Added to the basics that are taught in the Bachelor stream of the Study stream “Management, Economics and Law”, this specific study stream offers two additional competencies; “International Business Awareness” and “Intercultural Adaptability”. Both competencies are strongly related to each other and find their base in two visions:

International Business Awareness: “You can’t manage things that you can’t describe”¹

Management of the contribution of “people” to quality in the organization is an intangible issue and maybe even “impossible” to manage, but the management of “Human Resource and Quality” is not. If the “person” would be divided from the “human resource” that he or she is for the organizational goals it is possible to develop systems and strategies that can make both measurable (Figure 2).

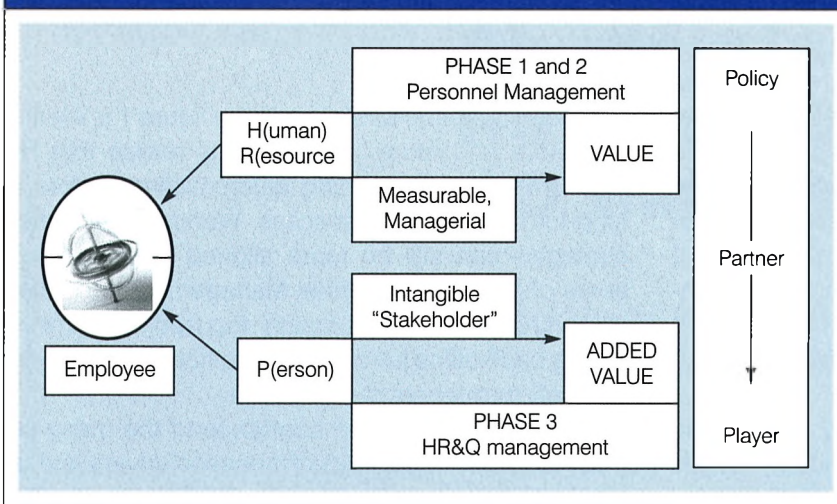
The “P(erson)” behind that “H(uman) R(esource)”, the employee, is the one that has the abilities to deliver the important added value in the “value chain” of the company. It becomes clear that the person is the most important “stakeholder”, who, if taken care of, can and will improve the contribution (the value) to the company.

This requires that the HRQM role moves closer to the strategic part of the management in organizations. Especially in internationally oriented organizations and businesses.

Nowadays it is necessary for every manager to think, look and act internationally. This requires a le-

1 Quote by Kaplan & Norton 2001

Figure 2.
Dividing the employee in “human resource” and “person”



gitimizing of the strategic HRQM role in international settings in which the local situations will be constantly influenced by the international market. A relevant issue here is the increasing globalization of MNE's but also of SME's which demands different strategic thinking concerning human resources and quality. Strategic thinking influences for instance questions pertaining to diversity, the international workforce, ethical issues, change management or intercultural management, all parts of the Arnhem HRQM study programme. Linking these questions to the student's own study profile gives added value to the strategic embedding of their qualifications in business life in which competition, surviving, changing and many other aspects are fundamental.

In this way it is possible to make complementary methods and approaches to existing theories, systems and methods like for instance the 'Balanced Scorecard' by Kaplan and Norton (1992).

Intercultural adaptability: “Don't try to motivate people, just try to reward their motives!”

The international business offers possibilities for intercultural settings. This requires not only the insight capabilities, skills and analytics tools that are created in the past and into today, but also the *new ability* to interpret and use them. The challenge is to combine the instruments and skills on the one hand and the creative and innovative interpretation and application on the other hand and to see the HRQM study programme as a new way to develop compe-

tencies like “Intercultural sensitivity and adaptability”. Important competencies that help HRQM graduates to make value-creating management decisions about investments and divestitures.

This “new ability” to interpret instruments, skills, models or theories in the teaching of HRQM students presupposes a systemic way of thinking giving them as a manager the possibility to give the employees clear insights of their own “share” in the value creation of the organization. This can and will provide an answer to the personal motives of the employees; it specifically gives them satisfaction

and therefore a powerful 'reward'.

These are not really the indicators in the way of “measuring” as we are used to but they can be influenced and made possible by the use of HR and quality instruments. That is why HRQM graduates know that the motive is one of the important values in the value chain of the organization.

“People have an innate, biologically founded need for rewards or attentions” to satisfy them (cf. Maslow's pyramid, self-actualization, or Kohlberg's description of moral development) and to make them contribute to the organization. An important part of this specific vision, related with the motive about this is based on a research done by J. Vinke in which he searched for the answer why people will work in an organization. This research that has been awarded with the HR Talent Trophy in the Netherlands shows that it is important to search for the motive of the employee and to find a function for the employee in which it is possible for the employer to reward that specific motive of the employees In this way it is possible to make the employee part of the value-chain and can his motive be a performance driver as mentioned in the modern “HR-score card approach” by Becker et al. (2001).

If this can be realised the employee will find the best motivation to work for the company: his own reward for the reason to join the organisation. This approach is already been implemented by organisations and it is also one of the pillars of the didactical approach that lecturers use in the HRQM study programme. The motive of the student is one of the

key-drivers that are related with the learning style of the student and in the didactical approach the lecturers use this and help the students to find the ultimate reward for this. In this way students not only learn to be a good administrator and partner when it comes to HR and QM, but they also learn to enjoy their functions and to become a "player". To be a *player* in this new corporate world, HRQM graduates have to be proven to be successful partners in business. To develop as such they have to understand the needs of the international business and can leverage this understanding to attract and retain a competitive, engaged, and impassioned driven (international) workforce.

Added with the competence to have the intercultural adaptability to look at individual motives they can offer organizations a type of value creation. This can no longer be viewed as a mere cost of doing business. It will be the ultimate added value for the organizations and the investment and entrepreneurial challenge of the future.

CHANGE IN DIDACTICAL APPROACH

A couple of years ago Arnhem Business School integrated separated disciplines like HRM, Quality Management, Communication and Business Ethics in common lectures. The reason for this was to look for a didactical approach within the before mentioned 'system-thinking'. By integrating disciplines, lecturers experienced an approach that every activity of each student is also a 'creation of value', as long as it is part of the total chain of creations. This "value chain" is the total system of creating values in the student's own study. By visualizing these 'performance powers' and making them visible and "measurable" with progress-indicators the lecturers are able to make clear to the students and themselves that and how each student is the "creator of value" for the own study. This offers the added value to the student and the HRQM professional field they will be working in as well.

The core of the study stream is focused on the requirements from the professional business field. The added value in this approach is the new "value creation" for this professional field in the future from the entrepreneurial student. In this way HRQM students prove their readiness with a "Practise what you preach" approach. Their study is based on this and at the end of the study HRQM graduates are the

"new" managers that are ready to enter the "new" HRQM professional field!

CONCLUSION

The transformation as shown in the figure 1 is inevitable. More and more, organizations realize that HR and QM are the importing differentiating factors in long-term competitive success. Workforce and their strategies can still be more aligned with organizational objectives. Personnel Management and Quality control is nowadays mainly focused on administering back-office functions and is not necessarily leveraged throughout the business.

HRQM graduates can contribute to the many capabilities that impact key performance drivers and ultimate business performance, workforce productivity, and human resource and quality developments. With a more strategic role that extends beyond ensuring efficiency and cost reducing in back-office functions, HRQM graduates are primed to be the new "players" that can help organizations change the way they leverage their employee-stakeholders. They can compete and deliver added value to the organization and related improved customer satisfaction and profit."

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