

# Time to join the chain gang

IT IS often said that HR is introverted – that the organisational function responsible for learning doesn't learn enough itself. HR professionals are prone to benchmarking and to copying "best in class" solutions, despite the fact that a willingness to look outside the box can generate new, more creative approaches. Supply chain management (SCM) is a good example.

SCM is about achieving value at each stage of the supply chain. It aims to secure maximum benefits and value for a company, its shareholders and customers. There are many obvious parallels with HR.

- Adding/measuring value. Within an organisation HR should aim to maximise the value of the employee life cycle: from recruitment and selection through to induction, performance management, career development and, lastly, exit. But how often does HR ensure that it adds value throughout the process, and how good is it at measuring the value that individuals add as they move through their careers?

People are a key component of every value chain within an organisation, from input to output and in all the supporting processes. How much does HR focus on the value that each individual creates in their role? Is that value measured? Do HR managers intervene to maximise that value by supporting – or removing – poor performers and by ensuring that good performers' potential value is delivered?

- Just-in-time management. SCM involves the measuring of inventories to ensure that the right stock – and only the right stock – is available when it is needed. HR could learn a thing or two from just-in-time inventory management. A similar approach to human capital management can support succession and resource planning as well as the regular recruitment process. It can prevent internal clients from complaining about the time it takes to recruit people

## **Tendering is not the only area in which HR can learn from procurement best practice, says Richard Finn. Human capital management can also benefit**

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and the inadequacy of the organisation's skill base.

- Technology. Many HR managers would give their eye teeth for the sophisticated technology that supports SCM. With a similar level of investment, HR professionals could track progress in recruitment and selection and acquire a better understanding of the fundamental skills of their people. This would aid the movement of people to where they can add most value for themselves and the organisation.

- Flexibility. SCM has created value for organisations by making them better able to respond to the demands of clients. Good SCM lets an organisation switch from one product to another with ease, to customise products to order and to do these things while managing resources efficiently. The effective management of a company's human capital demands a similar level of flexibility – and of creativity.

We're all aware of the debate about the need for HR to be recognised as a fundamental business discipline – an area that is seen as integral to a company's strategic business planning. If HR is to justify such a place on the boardroom agenda it has to earn this status. There will always be aspects of HR that remain largely transactional, but the real value of the function should be judged on its ability – like SCM – to devise and deliver creative solutions that provide direct business benefits.

Lastly, it is worth remembering that the people element of an organisation's value chain often extends outside that organisation. Its customers and investors are contributors to stakeholder value. And the behaviour of employees at its suppliers and distributors will have an impact on its customers. In the same way that SCM would attempt to manage the whole value chain, HR departments should consider the culture and competence of the people outside, as well as within, their organisation.

SCM has become a critical boardroom topic by demonstrating the value it can create for the organisation. HR can do the same. If boards were to take the same rigorous, holistic approach to their human capital management policies as they do to SCM, they would see instant benefits. World-class examples of SCM are dynamic and adaptive, and this is what is required of world-class human capital management.

At the core of a well-run supply chain is the ability to balance demand and supply hour by hour. Imagine the benefits that would accrue to organisations that could control the demand and supply of their human capital in a similar way.