

# HR's Role in High-Performing Companies

**Written by:** Ron Lawrence and published with permission by Canadian Management Centre

What creates high-performing companies? Customers, investors, and employees try to answer that question and that academics and business theorists study and debate it endlessly. In his best-selling book *Good to Great: Why Some Companies Make the Leap...and Others Don't*, Jim Collins writes that companies can't achieve great things without great people. But what defines "great people?" Are they the smartest, most ambitious, most aggressive?

In reality, creating a high-performing company depends first on finding and hiring the right people, then nurturing, developing, and rewarding those people to deliver "great things." This is the role of Human Resources: managing human capital to create a healthy company culture that delivers high performance.

HR plays the complex role of an organization's cultural steward. A steward can serve as an advocate and an assistant, as a guide and a mentor; someone who has to deliver the truth, even when it's difficult to hear. Within this context, the best HR professionals know how to shape a company's culture by balancing creativity, especially in finding and developing talent, and discipline.

## Core Tasks of HR Professionals

1. **Attract and identify talent.** This process begins during recruiting with effective sourcing strategies and selection practices and continues once people are hired. HR needs to make sure the right people are placed in the right roles within the company, and that employees understand and truly feel they are valued contributors.
2. **Assimilate talent into the workforce.** The HR department needs to integrate new talent effectively, whether that talent comes as a result of hiring or perhaps from an acquired organization. Clearly, HR seeks to assure employees that the company will strive to meet their needs while employees actively work to excel in their jobs. If done consistently well by HR, the company's culture takes on a positive tone from the very beginning of an employee's tenure.
3. **Develop and assess talent.** One of the keys to effective training and development within a company is clear, visible support from senior leaders. Senior participation shows that development and growth matter to the business and that personal investment in improvement is really encouraged. If leaders say "development matters" but then fail to support that message with action, cynicism takes root quickly. Nothing will diminish employees' personal investment faster than seeing a lack of commitment from senior leadership.

In addition to employee development, companies need to assess people's performance in their roles to see if they are learning and improving as a result of their training experiences. Accordingly, effective performance management practices—clear goal-setting, midpoint reviews, and annual appraisals—must be part of the culture. HR should

provide common standards determined according to the company's values and collaborate with management so that employee contributions can be measured accurately. Remember, assessment is not just a matter of determining who's a high-performing employee and who isn't. It's also about recognizing human potential: who can be developed into a leader and raise the company to a higher level of high performance?

4. **Develop rewards and incentives to increase retention.** Effective HR professionals continually ask key questions: "Are we offering the right combination of compensation and benefits that allow us to optimize our workforce? Do our rewards drive the behaviors and performance we want? How do our company's employment practices stack up against Fortune 100 companies or those rated as "best places to work?" Coupled with the right performance plans and assessment mechanisms, higher retention based on effective compensation leads to a high-performance culture, as well as the productivity and results every organization desires.
5. **Implement an effective exit strategy.** While this role can sometimes be a challenge, especially in the context of stewardship and preserving (or improving) a company's profile, the best HR departments are good at both identifying the best talent, and also making the tough calls on marginal contributors. Of course, there is a continuum here: from aggressive "top grading," in which the best employees are handsomely rewarded and weak players managed out, to being endlessly patient and forgiving of poor contribution. The ideal strategy lies somewhere in between, where, guided by HR, a company establishes and abides by employee performance standards and measurements and then commits to making decisions based on them.

The desired outcome for all of these HR core processes is to create a positive, engaging company culture. To do their jobs consistently and effectively, HR professionals use several human capital metrics to do their work: they monitor attrition and retention rates, levels of employee engagement, and industry-specific salary and benefits packages. They also measure the intangibles. For example, is the company parking lot deserted at 5 p.m.? Or, are there still cars there at 8 p.m., a reflection that your associates are giving you greater discretionary effort? Do employees seem happy, and do they say so? Do employees strive toward what Jim Collins calls "Level 5 leadership," where ego takes a back seat to company goals?

While there is no single measure within HR that conclusively points to the existence of a positive or negative company culture, HR professionals must rely on and analyze several indicators before making decisions related to their roles as company stewards.

### **Nurture an Employment Brand**

The goal of every HR department is to create not only a positive company culture where employees strive to emulate Jim Collins's Level 5 leaders, but also a positive "employment brand." These are the companies that people regard as good places to work, a reputation that creates a cycle in which it becomes easier to find and keep great talent. Being labeled in this way is no accident and requires high-level strategic work.

*Fortune* magazine's annual list of the "100 Best Companies to Work For" is filled with examples of businesses with a positive employment brand. Such companies as Genentech— ranked number 1 in 2006— Whole Foods Market, and J.M. Smucker perform well year in and year out

because, in part, they have a good employment brand. Collins's book lists other companies that consistently perform well financially, such as Wells Fargo, Pitney Bowes, and Walgreens because they value their employees and treat them well. With those conditions as a backdrop, companies have a much better chance at reaching their highest level of performance.

### **Mediocrity Leads to Disappointment**

HR is charged with inviting the right people into a company and then building a positive company culture. The right people can take an average set of employment goals and elevate them to a higher level. On the other hand, brilliant strategy executed with mediocrity leads inevitably to disappointment. If a company's HR department isn't utilizing the firm's human capital effectively, then executives and others need to find out why.

Quite simply, it's one thing to hire people; it's another to hire the best people and have them show up ready to work, prepared and enthusiastic about contributing. If a company isn't there just yet, HR professionals and others within the company need to tackle some important questions:

- What will it take for us to become a high-performing company?
- How can we make our employment brand more attractive?
- How can we create a culture that encourages employees to take on leadership roles?

Finding the answers may take work, but as the stewards of company culture, HR professionals must seek to create that unique value for the organization. They know that finding, developing, and leveraging the right human capital is as integral to high performance companies as the creation of the strongest business plan.

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