

**HARRT at UCLA**

HUMAN RESOURCES ROUND TABLE  
Since 1986



# THE NEW FACE OF HR:

New Perspectives, New Opportunities

April 29, 2015

TOWERS WATSON 



**HARRT** *at* **UCLA**

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*Since 1986*



# Leveraging HR Strategy For Competitive Advantage

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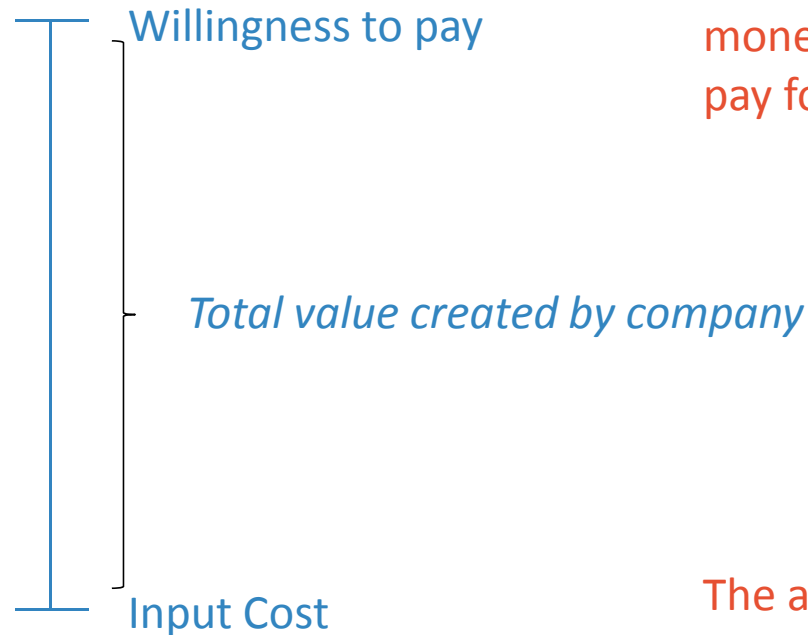


# Strategy

*“That’s too vague... No one will know what it means.....”*

*“That’s the beauty of it! We can define it however we want!”*

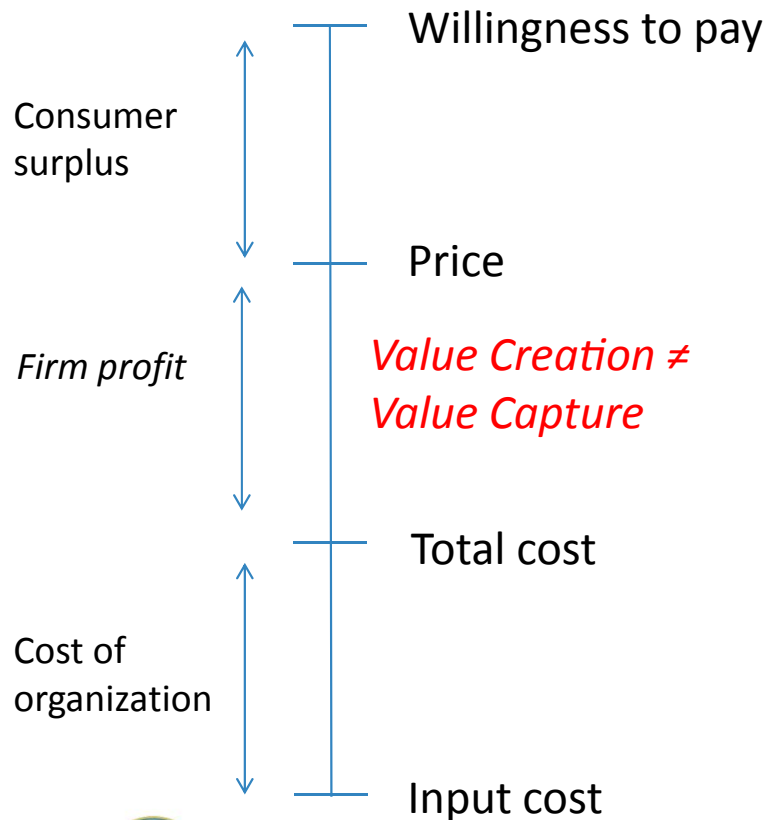
# Strategy: a simple framework



The maximum amount of money that your customer will pay for your product or service

The amount spent on physical inputs that your organization transforms into your final product or service

# Value Creation vs. Capture



The maximum amount of money that your customer will pay for your product or service

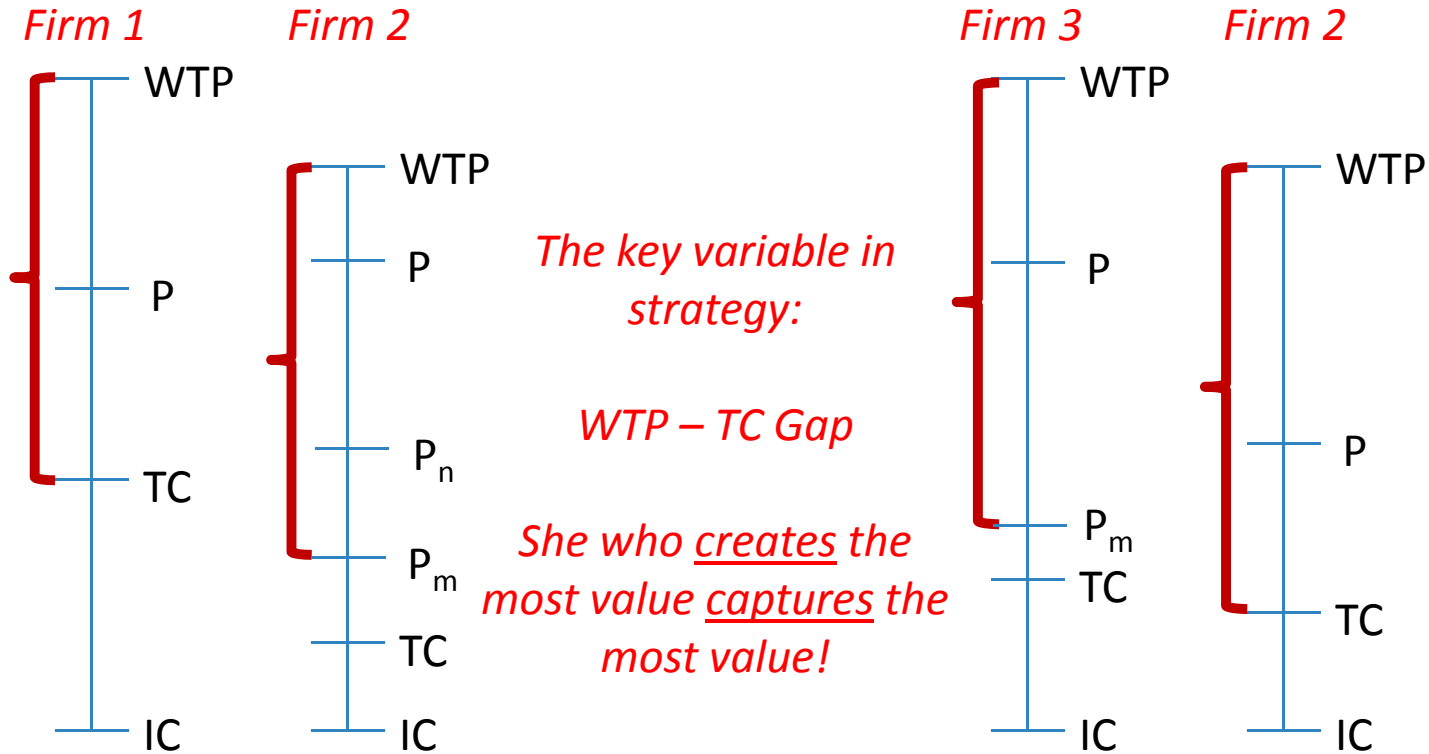
Actual amount of money that you charge your customer

Input cost + the cost your organization pays to transform the inputs into your product or service

The amount spent on physical inputs your organization transforms into your final product or service

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# The secret to value capture



*The key variable in strategy:*

*WTP – TC Gap*

*She who creates the most value captures the most value!*

*Firm 2 will “win”*

*Cost Strategy*

*Firm 3 will “win”*

*Differentiation Strategy*

# Porter's Generic Strategies



## Cost Strategy

- Create value by decreasing costs more than the corresponding decrease in WTP

## Differentiation Strategy

- Create value by increasing WTP more than the corresponding increase in cost

# What's Strategy?



Align activities to create value

A strategy is **an integrated set of activities** that positions a firm **in an industry** so as to generate superior financial returns **over the long run**

Different than competitors  
in some way

Generate competitive advantage



# The three big ideas in strategy



1. Value creation FIRST
2. Strategy is about concrete activities that are different from competitors and create value (decrease costs more than WTP, or increase WTP more than costs)
3. Always consider the TRADE-OFFS that stem from any activity that leads to competitive advantage

# Effective Strategies Answer 3 Questions

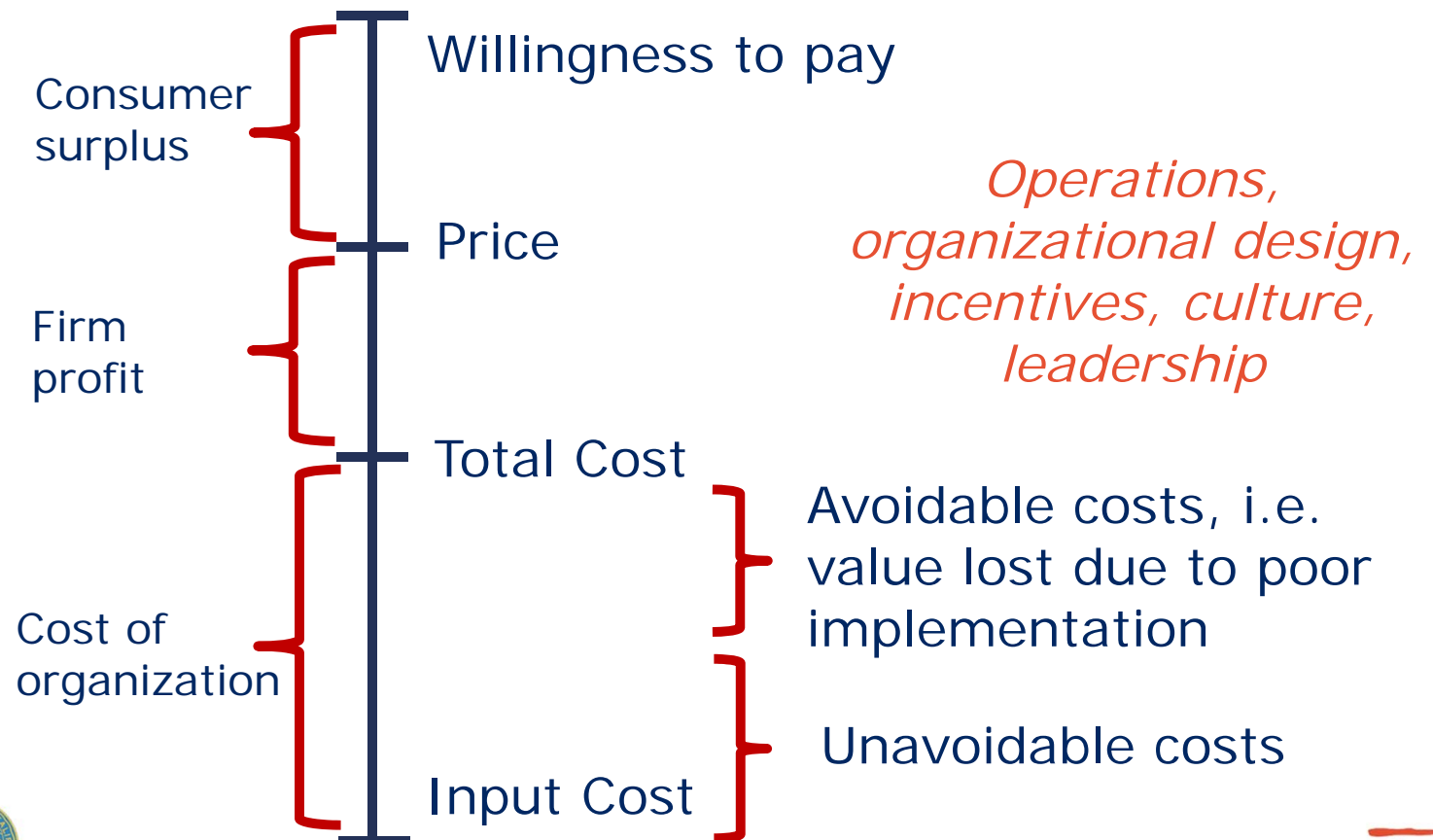


How will we create value?

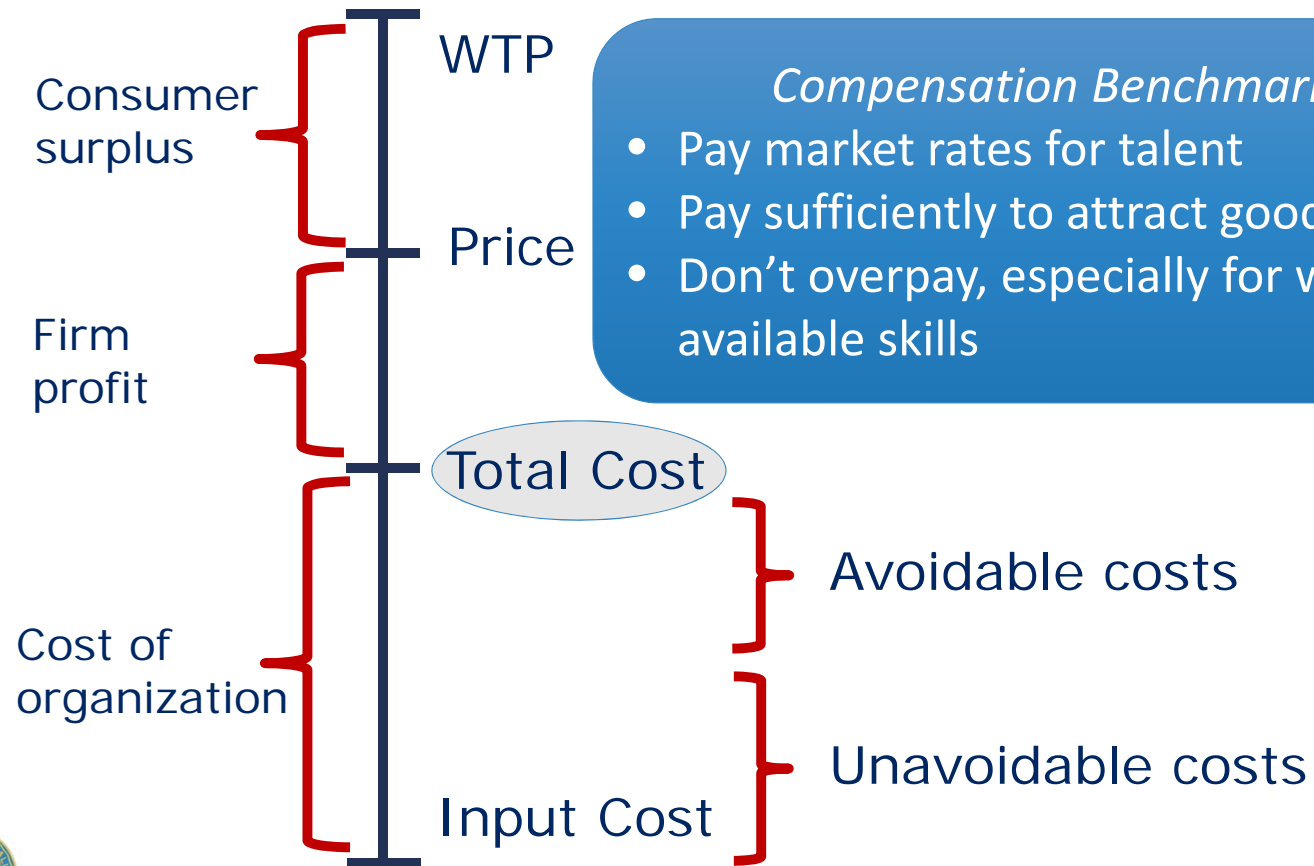
How will we capture value?

How will we deliver value?

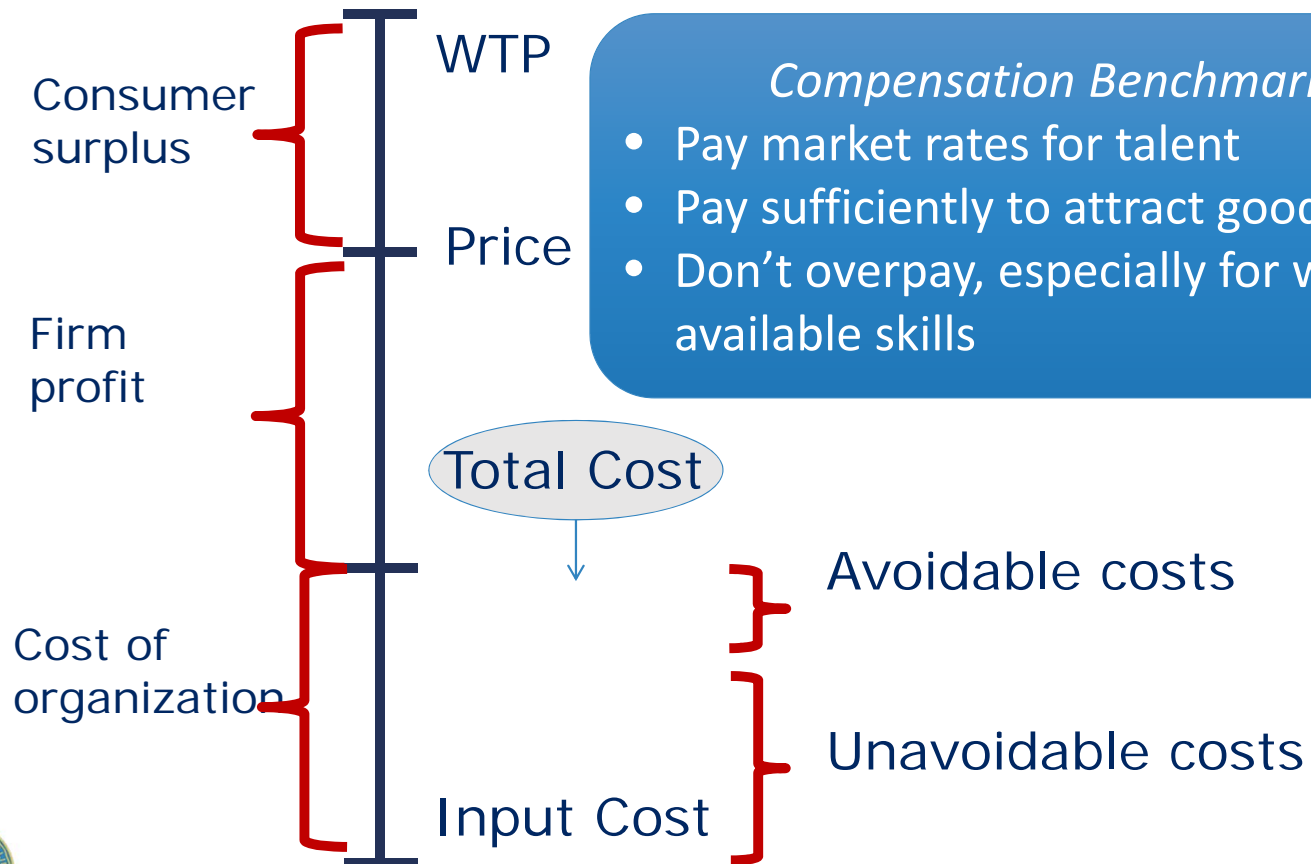
# Value Leakage



# Human Resources 1.0



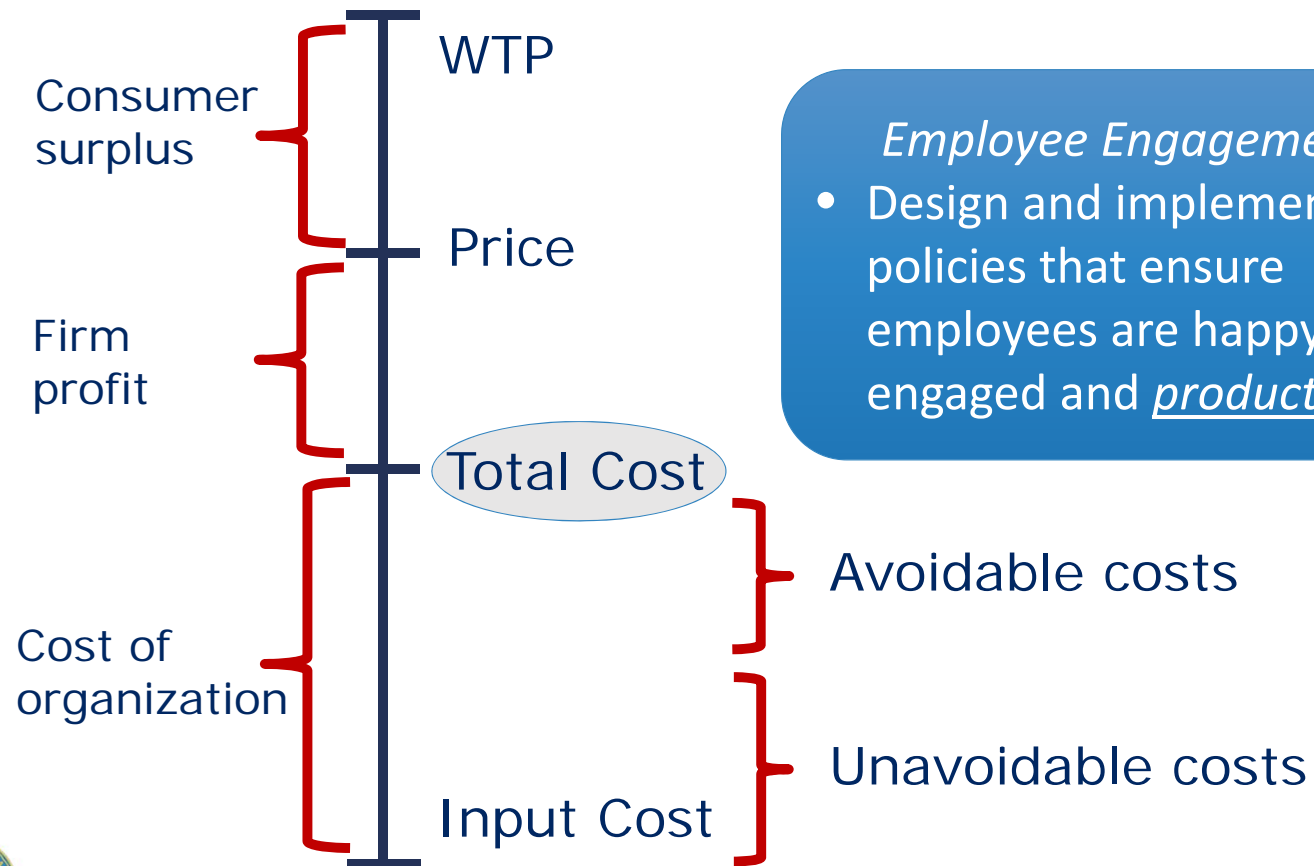
# Human Resources 1.0



*Compensation Benchmarking*

- Pay market rates for talent
- Pay sufficiently to attract good people
- Don't overpay, especially for widely available skills

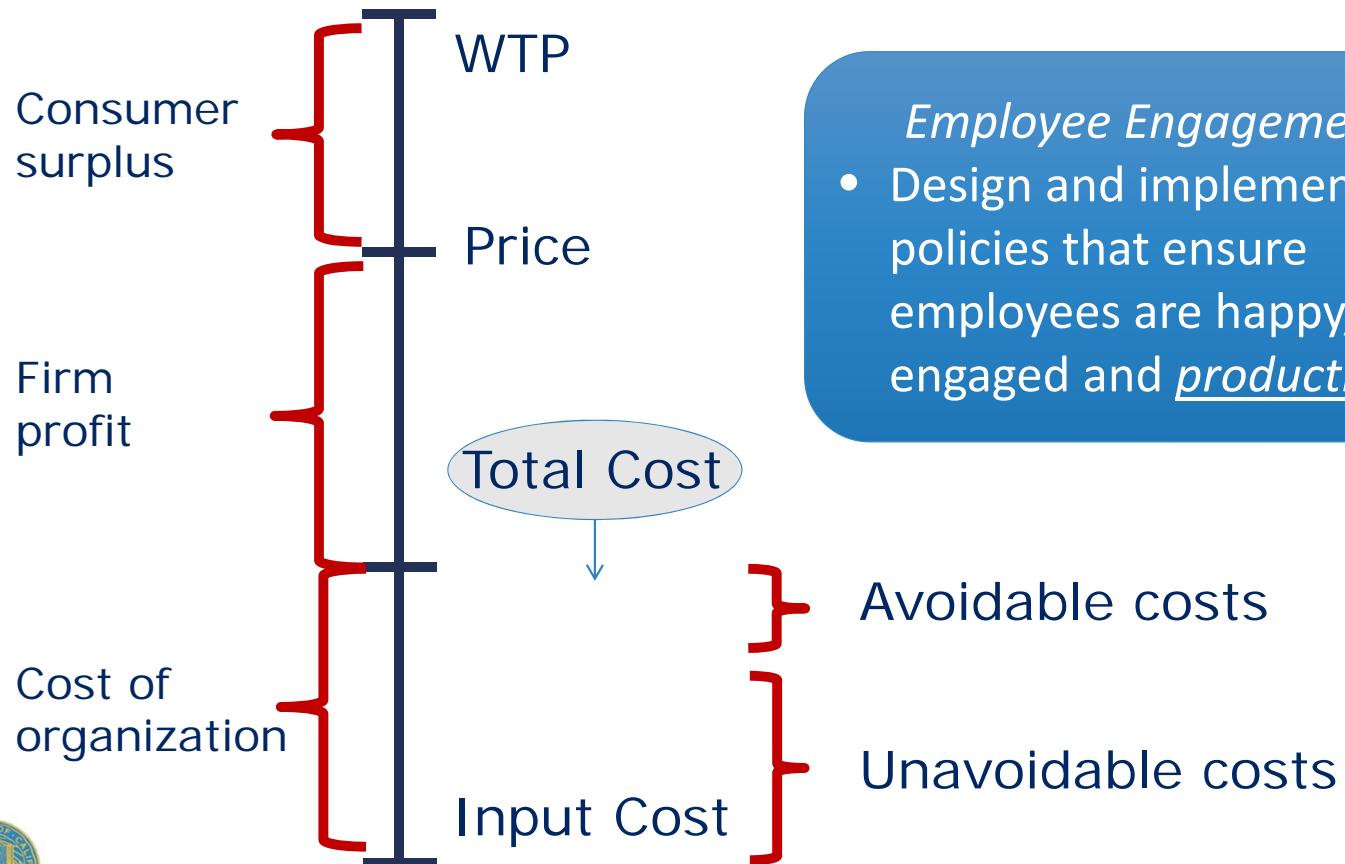
# Human Resources 2.0



*Employee Engagement*

- Design and implement policies that ensure employees are happy, engaged and productive

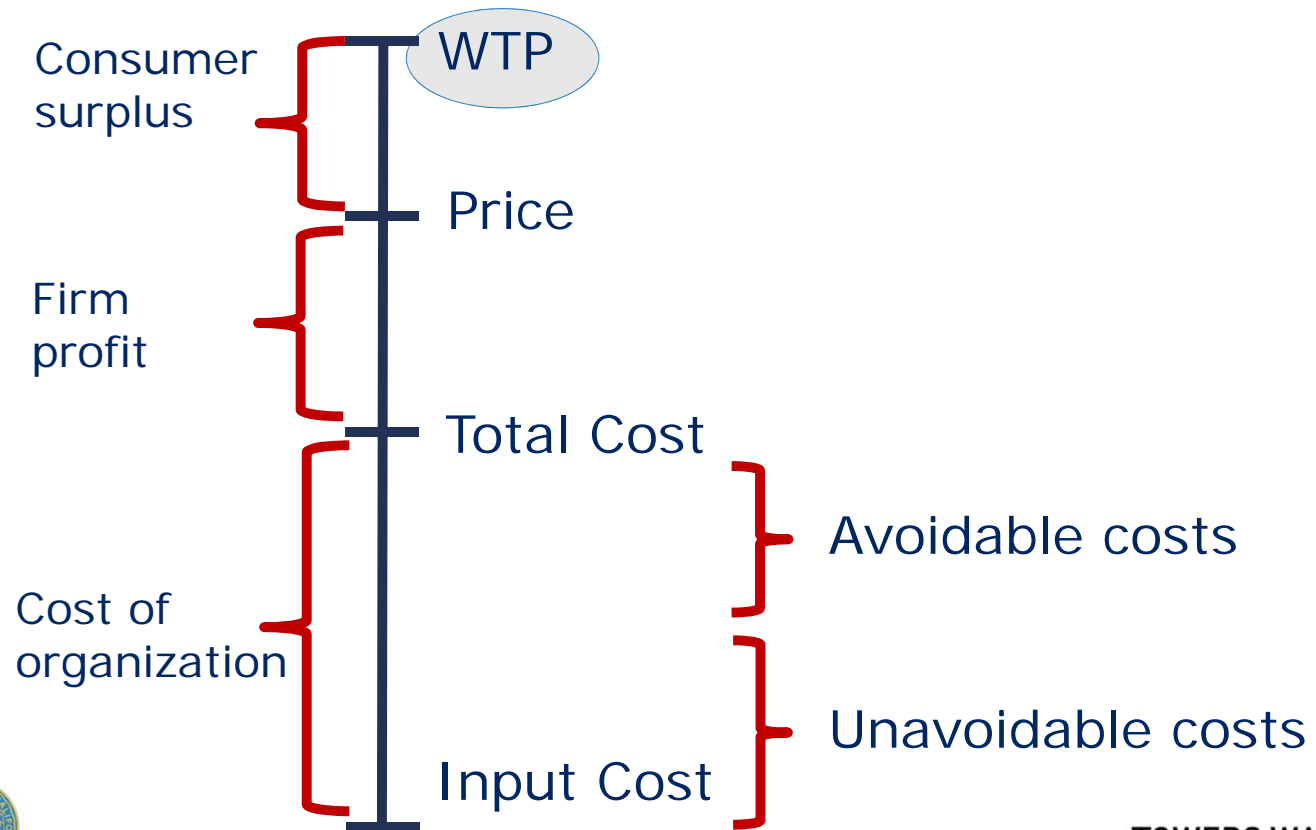
# Human Resources 2.0



*Employee Engagement*

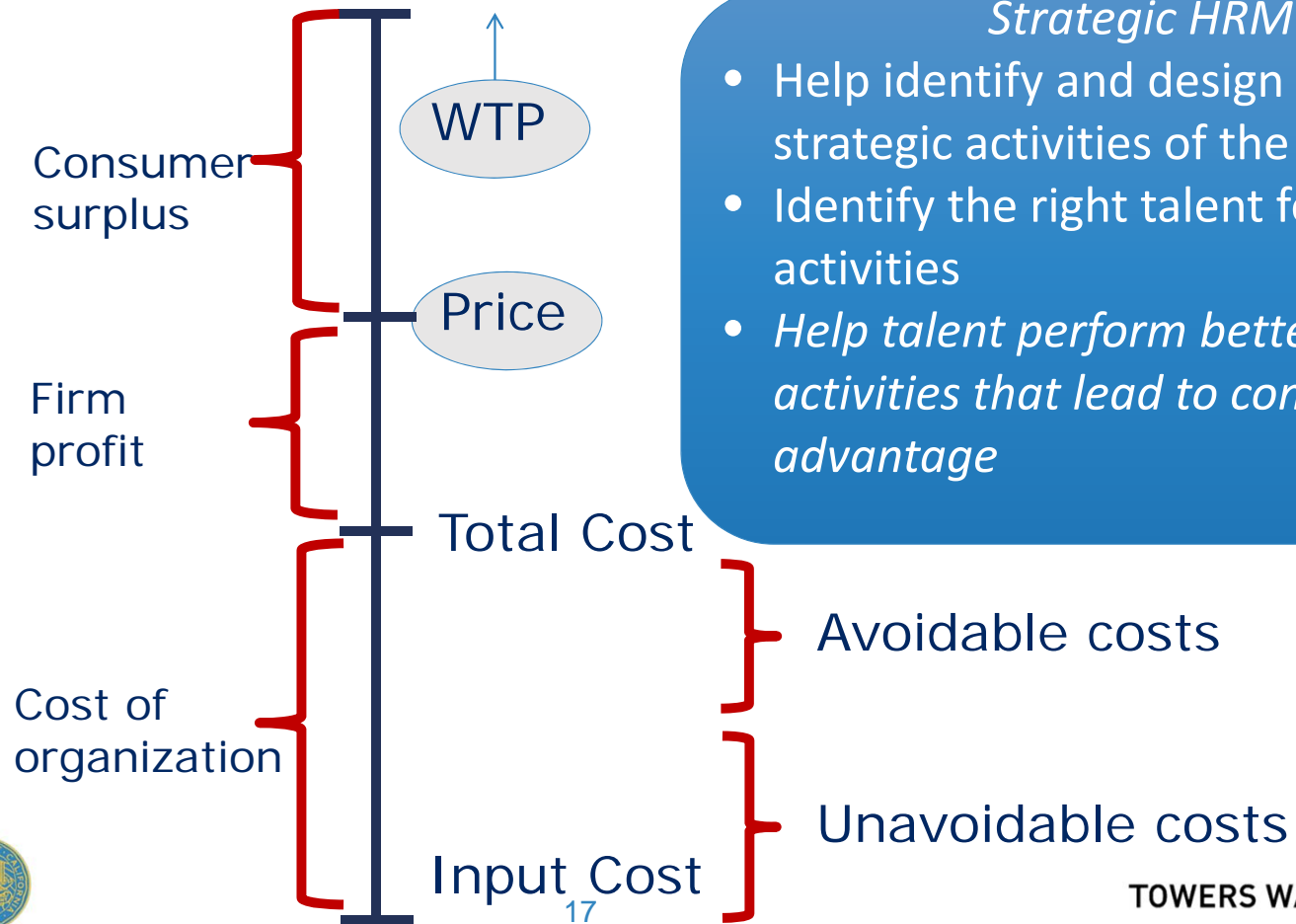
- Design and implement policies that ensure employees are happy, engaged and productive

# Human Resources 3.0





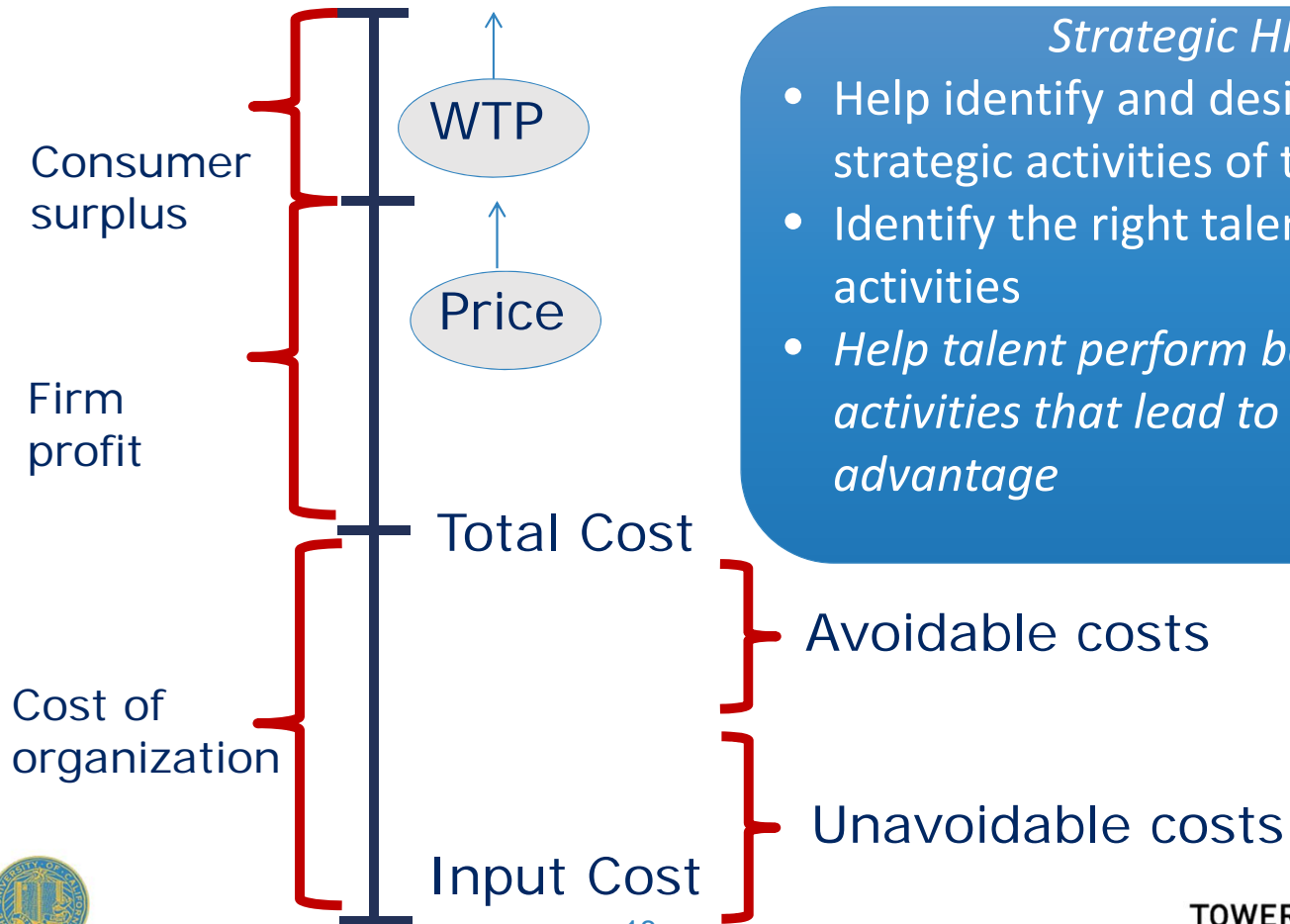
# Human Resources 3.0



*Strategic HRM*

- Help identify and design the key strategic activities of the firm
- Identify the right talent for those activities
- *Help talent perform better at key activities that lead to competitive advantage*

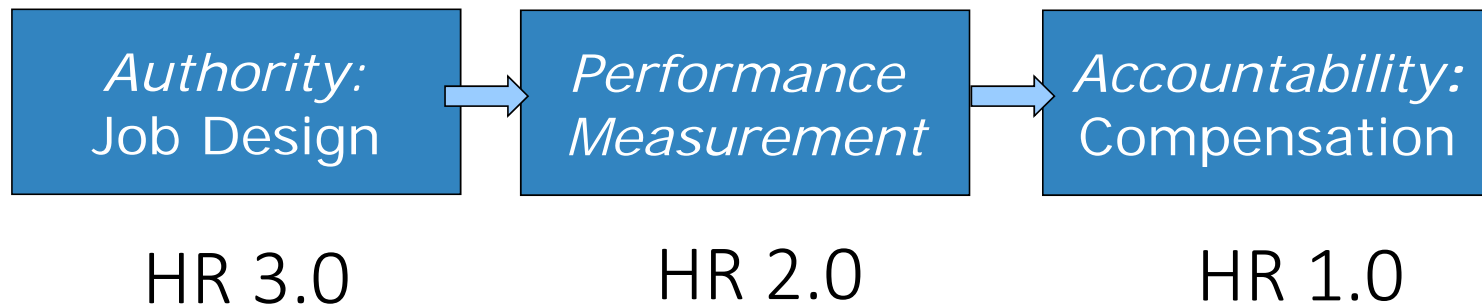
# Human Resources 3.0



## Strategic HRM

- Help identify and design the key strategic activities of the firm
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- *Help talent perform better at key activities that lead to competitive advantage*

# Holistic human resource management



HR *links* and *aligns*:  
*authority* and *accountability*

## Traditional HR vs. HR 3.0



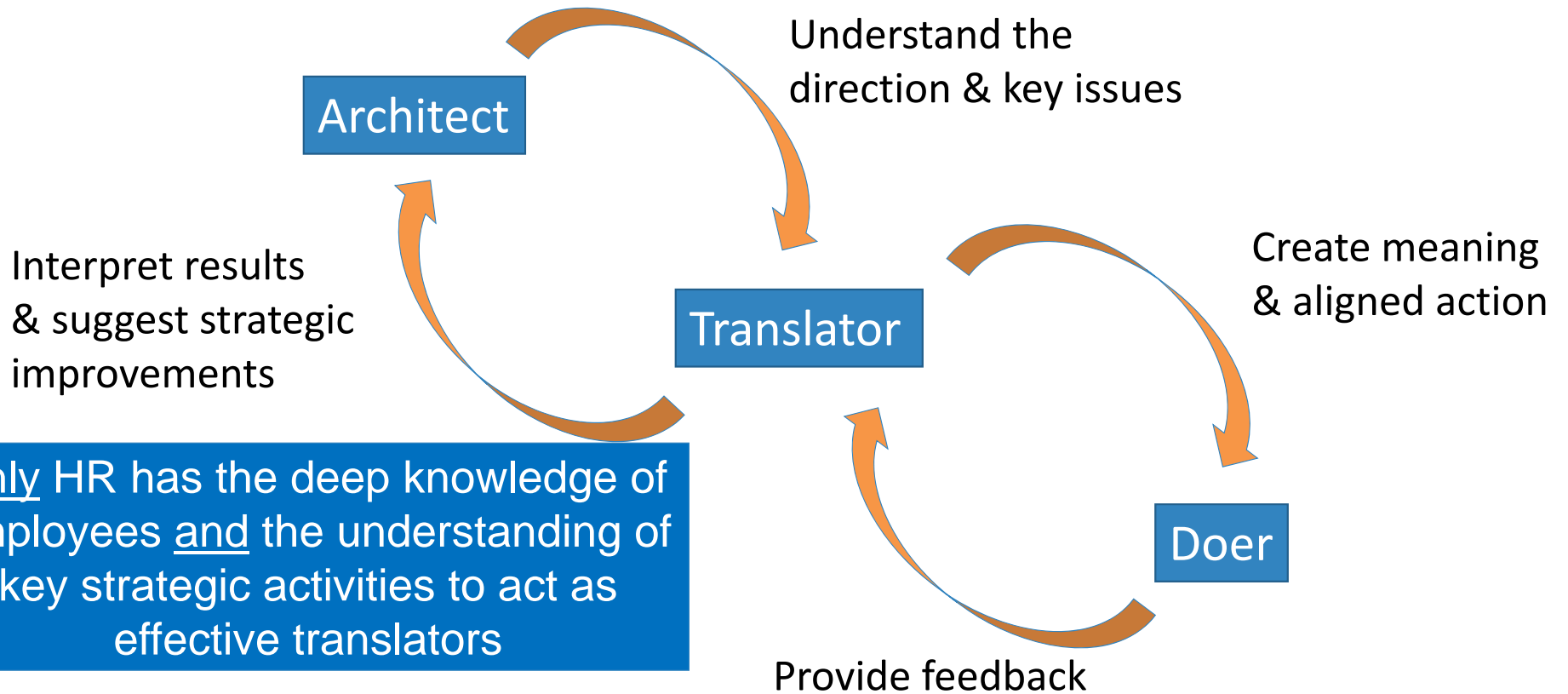
### Traditional HR (1.0 and 2.0)

- Cost-focused; keep organization efficient
- Benchmarking – being similar to the competition
- Employee satisfaction and engagement
- Support function

### HR 3.0 (and beyond)

- Value-focused; heavy emphasis on activities that increase WTP more than C
- Competitive differentiation – key activities that make us different
- Employee match with and improvement in strategic activities
- **Strategic function**

# HR 4.0: human resources as translator of strategy



Only HR has the deep knowledge of employees and the understanding of key strategic activities to act as effective translators

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