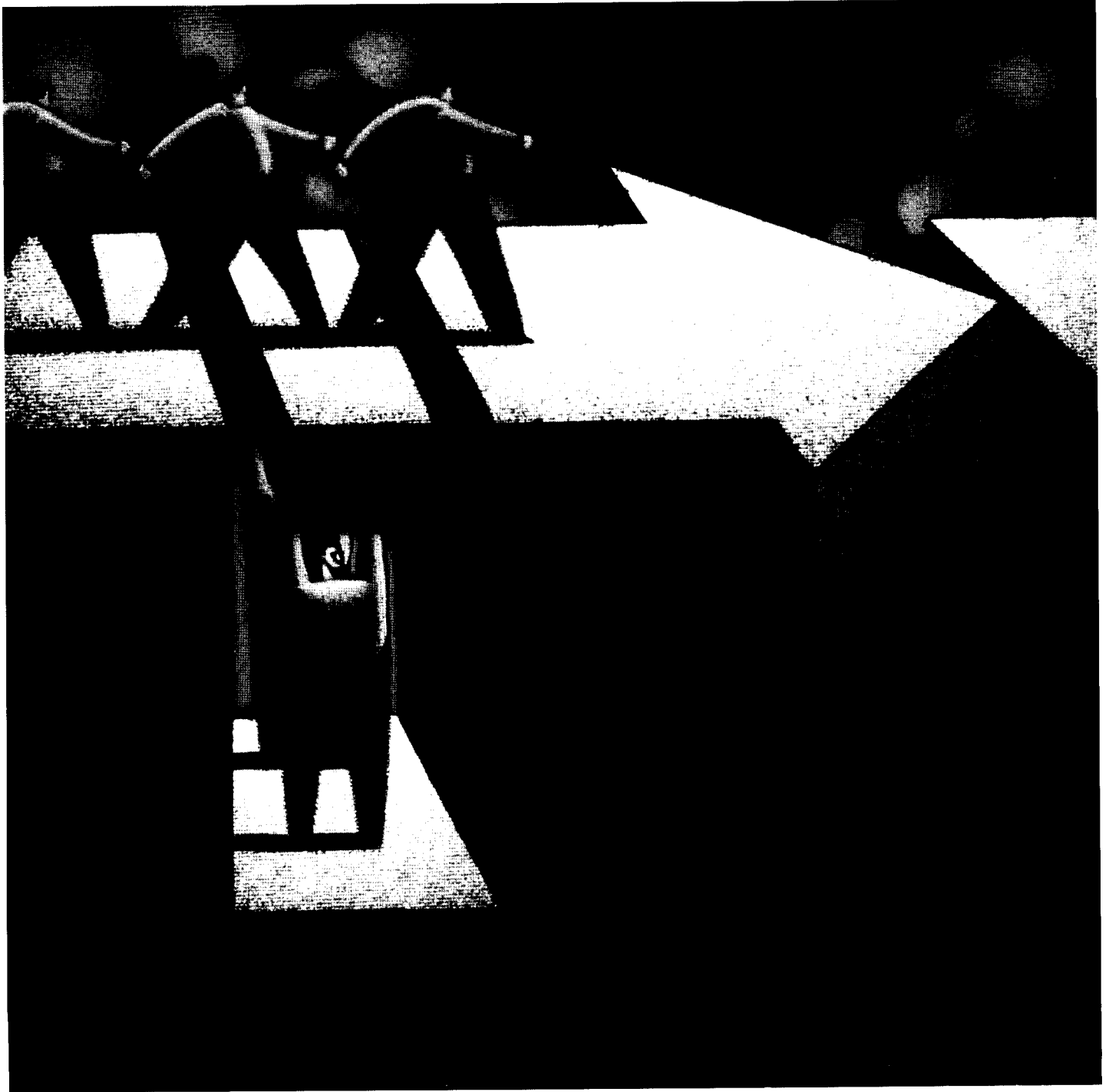


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The Strategic Roles of Human Resource Development

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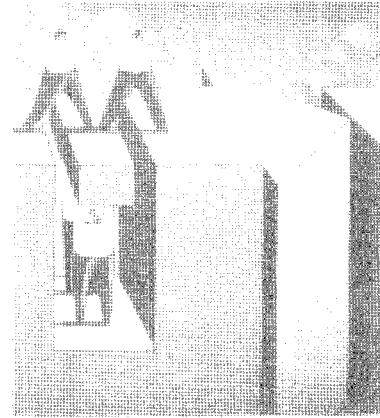
This article discusses the theoretical issues surrounding the role of HRD in organizational strategic planning. Two factors have influenced the evolution of HRD toward a more active role in the formulation of business strategy: (a) the centrality of information technology to business success, and (b) the sustainable competitive advantage offered by workforce expertise. These two factors work together in such a way that the competitive advantages they offer are nearly impossible to achieve without developing and maintaining a highly competent workforce.

Human resource development (HRD) has served the needs of organizations to provide employees with up-to-date expertise. Advances in HRD models and processes have kept pace with the increasingly sophisticated information and production technologies that continue to diffuse throughout our nation's most vital industries (Swanson and Torraco, 1994). During this period of rapid technological development, the HRD function could be relied upon to support a broad range of business initiatives that required a competent workforce. Critical business issues, from new marketing strategies to innovations in production technology, were based on, among other factors, the performance capabilities of those expected to use these new work systems. As a factor integral to business success, employee expertise itself has been expanded through effective programs of employee development. Expertise is defined as the optimal level at which a person is able and/or expected to perform within a specialized realm of human activity (Swanson, 1994). In short, the development of workplace expertise through HRD has been vital to optimal business performance.

Yet today's business environment requires that HRD not only *support* the business strategies of organizations, but that it assume a pivotal role in the *shaping of business strategy*. Business success increasingly hinges on an organization's ability to use employee expertise as a factor in the shaping of business strategy. This article examines the strategic roles of HRD. As a primary means of sustaining an organization's competitive edge, HRD serves a strategic role by assuring the competence of employees to meet the organization's present performance demands. Along with meeting present organizational needs, HRD also serves a vital role in shaping strategy and enabling organizations to take full advantage of emergent business strategies. Both the strategy supporting and strategy shaping roles of HRD have distinctive features that are evident in the business practices of successful companies. This article examines the origins and distinctive features of the strategic roles of HRD, and illustrates these roles with examples from today's most innovative organizations.

HRD to Support Business Objectives

The HRD function has long been relied upon to support a broad range of business objectives that require competent employees. Business objectives themselves are almost as diverse in nature as the



Successful business strategies increasingly turn on the organization's ability to apply state-of-the-art expertise to new and emerging business opportunities.

wide range of organizations that articulate them. Business objectives can span long- and short-term time frames, and can focus on broad business issues (e.g., diversification in the defense industry in the post-cold war era) and more specific issues (e.g., reduction of employee turnover in company field offices). The rationale for using HRD interventions to support business objectives is quite straightforward: Enhancing employee expertise through HRD increases the likelihood that business objectives will be achieved (Jacobs and Jones, 1995; Swanson, 1994).

There are numerous examples of how HRD is used to support business objectives. Indeed, most HRD programs referred to as somehow having "strategic" value assume roles that are supportive of a given business strategy. The education and training used to support business objectives at Motorola is typical of the challenges and opportunities faced by many organizations in today's business environment. What Motorola discovered earlier than most organizations that began introducing new sophisticated technologies into the workplace was that their employees did not have the skills to make full use of the technologies (Agrawal, 1994). Companies that compete in the fast-paced communications market where customers are particularly innovation-conscious must deliver high-quality, reliable products despite short product development cycles. Motorola sought production advantages through both the integration of new technology and the development of employee expertise. Motorola offers on- and off-site classroom education and training, laboratory training, and structured training in the workplace for employees at all levels of the organization. In addition to supporting Motorola's successful pursuit of its business objectives, many of its education and training initiatives serve as examples of best practices against which other organizations' HRD functions benchmark their performance. Thus, Motorola provides an early and influential example of HRD used to *support* business objectives.

Many additional cases in which HRD supports the implementation of business strategy can be cited. Training and other initiatives associated with total quality management have been critical in transforming marginal manufacturing plants into successful facilities (Sullivan, 1994). HRD continues to be a primary vehicle for assuring mandated levels of employee competence and public safety in highly regulated sectors like the nuclear power industry (Paquin, 1994). Several

leading corporations consider the value added through state-of-the-art employee expertise so important to their operations that they have created extensive internal systems for providing education and training. Examples of these systems include the Texas Instruments Learning Institute, the Xerox Palo Alto Research Center, and Disney University (Brown, 1991; Mancuso, 1994).

HRD, Expertise, and Strategy

HRD is moving beyond a role that is exclusively supportive of business strategy. Increasingly, HRD is assuming a more influential role at the point of strategy formulation and is becoming one of the key determinants of business strategy. Successful business strategies increasingly turn on the organization's ability to apply state-of-the-art expertise to new and emerging business opportunities. In today's marketplace, organizations that possess or can quickly achieve the levels of employee expertise required to meet emerging business needs will win; those that don't will be left behind. This rapidly changing business environment requires a dynamic strategic planning process and flexible use of resources. As will be demonstrated in this article, HRD has assumed a formative role in both the strategic planning process and in developing innovative, competent human resources.

However, present conceptions of the strategic role of HRD, if HRD is even thought of in a strategic context at all, view it in a role that is simply supportive of a given strategy. Strategies for product innovation or cost leadership, for example, are usually conceived and adopted by the organization, and when implementation constraints surface, only then is formal consideration given to employee expertise and the training implications of the strategy. Although the role HRD serves in support of strategy is necessary and important to operational success, HRD can offer an organization even greater strategic value.

This section lays the groundwork for demonstrating a more influential role for HRD in becoming an important determinant in the formulation of strategy. First, two factors that have had a major influence on expanding HRD's strategic role are examined. These two forces are: (a) the centrality of information technology to business success; and (b) the sustainable competitive advantage offered by workforce expertise. Although not always obvious, there is a natural fit between initiatives for developing employee expertise and the organization's strategic direction.

This “HRD – business strategy linkage” is the basis for HRD’s influential role as shaper of strategy. Jacobs and Jones posit the argument as follows: “Organizations in the new economy have come to realize that employee expertise is a vital and dynamic living treasure. The desire for employee expertise is meaningless unless an organization can develop it in ways that respond to the business needs” (1995, p. 178).

The Strategic Value of HRD

Two factors that have influenced the evolution of HRD toward a more active role as a key determinant of business strategy: (a) the centrality of information technology to business success, and (b) the sustainable competitive advantage offered by workforce expertise. These two factors work together in such a way that the competitive advantages they offer are nearly impossible to achieve without developing and maintaining a highly competent workforce.

Organizations have rushed to embrace information technology as a way to improve overall efficiency and reduce costs. Yet, it is not the information technology itself, but the way information technology is thoroughly integrated into major business processes, that represents the greatest opportunity for the successful transformation of outdated business processes (Davenport, 1993). Information technology is being applied across industries in virtually every major service and manufacturing process as a way of rapidly transmitting data to crucial process decision points, integrating component functions that were formerly isolated, and improving the overall quality and timeliness of key business processes. However, those who have successfully used information technology to improve business performance will quickly point out that these advantages will not materialize without highly competent people to both implement and utilize these innovative work systems. The human capacity must exist to use information technology to maximize performance. Employee expertise is critical to an organization’s ability to capitalize on the vast opportunities afforded by information technology. HRD is then in a strategic position to assure that the required expertise is available and effectively utilized.

Once competitive advantage is attained and begins to attract the attention of other key players

in the marketplace, an organization’s premier market position can quickly erode unless the organization finds ways to sustain its present advantage or generate new ones. Organizations in market leadership positions realize sooner or later that human resources are ultimately the only business resource with the creativity and adaptive power to sustain and renew an organization’s success despite changing market conditions (Torraco, 1993). The development of employee expertise provides a potentially inexhaustible source of ideas for further innovation and increased productivity because the most basic output of the highly competent employee — knowledge — is not used up in the process of producing it (McLagan, 1989). Investments in employee education and training increasingly fund the development of an infrastructure to support the sustainable competitive advantage that a highly-trained workforce provides.

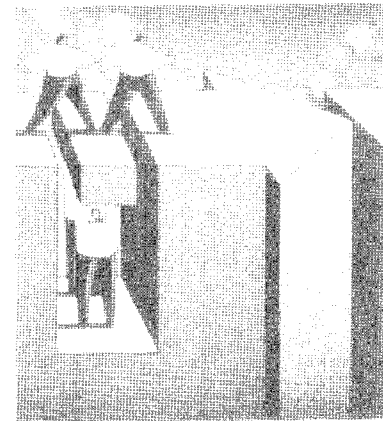
Developing employee expertise at all levels of the organization and using knowledge as a catalyst for growth and competitive advantage represents a major frontier in organizational performance that is only now beginning to be fully appreciated (Senge, Kleiner, Roberts, Ross, and Smith, 1994; Nevis, DiBella, and Gould, 1995).

The Nature of the HRD – Business Strategy Linkage

The influential role of HRD as a shaper of strategy is premised on a clear understanding of the relationship between the development of employee expertise and the ways in which strategy emerges. This section describes both traditional and contemporary notions of strategy and examines the relationship of between strategy and HRD.

A straightforward definition of *business strategy* is given by Tichy, Fombrun, and Devanna: “strategy is the process by which the basic mission and objectives of the organization are set, and the process by which the organization uses its resources to achieve those objectives” (1982, p. 47). HRD becomes a critical component in this view of strategy as the developer of key resources — the human resources — needed to achieve business objectives. Setting strategy itself may involve using a broad range of analytical and decision making techniques that assist strategists in determining the present status and future direction of their

Organizations in the new economy have come to realize that employee expertise is a vital and dynamic living treasure. The desire for employee expertise is meaningless unless an organization can develop it in ways that respond to the business needs.



organizations. Strategy has been traditionally described as a deliberate process of planning in which data are analyzed using prescribed techniques (e.g., environmental scanning, competitive benchmarking, analysis of strengths, weaknesses, opportunities, and threats [“SWOTs analysis”], and portfolio analyses). Informed judgments are then made about the organization’s future plans, and objectives are set to guide the organization toward areas of potential gain while steering it clear of possible threats (Marrus, 1984).

Yet, business strategy is more than a plan of action for addressing business conditions anticipated in the future. Strategy is a dynamic phenomenon that necessarily unfolds over a period of time in a business environment that is inherently unstable. While strategies may be based on structured planning and analysis, they also emerge out of the many business opportunities and constraints that continually challenge organizations. That is, strategies may be deliberate, but they may also emerge from events. As expressed by strategy theorist Henry Mintzberg, “strategy can *form* as well as be *formulated*. A realized strategy can emerge in response to an evolving situation, or it can be brought about deliberately, through a process of formulation followed by implementation” (1987, p. 68). While we may be capable of devising more effective strategies, enlightened strategists also allow strategies to develop out of the organization’s action and experiences. They acknowledge that decision makers cannot possibly anticipate every environmental event and contingency in advance. Indeed as longitudinal research on business strategy has shown, strategies that have successfully materialized have both deliberate and emergent components (Mintzberg, 1987). Successful crafters of strategy treat it as both a deliberate and emergent process.

The deliberate and emergent properties of strategy help to explain why strategies arise in unique and sometimes unintended ways. Strategy formulation is a fluid process that defies precise specification, and it is clearly more art than science. While the competitive environment certainly contains objective features, two organizations in the same industry may take quite different views of a given set of internal or environmental conditions. Organizational strengths, size, history, culture, and risk-orientation

all influence how an organization might approach potential business opportunities. Where one organization sees unacceptable risk, another sees the possibility of lucrative returns; where one perceives new technology as a threat, another looks for ways to capitalize on it.

Similarly, the relationship of HRD to business strategy depends on the strategic context in which the organization is operating. HRD’s point of leverage in the strategy formulation process is determined by the centrality of employee expertise to business success. Many high technology companies in the communication and computer industries compete in markets where technical innovations are continuous and the half-life of knowledge is measured in months, not years. For these organizations, the availability of state-of-the-art employee expertise has a much stronger influence on strategy formulation than in stable, less knowledge-intensive markets like those in the utility and food processing industries. In the former case, availability of the required expertise must be considered up-front as business strategy

Strategy is a dynamic phenomenon that necessarily unfolds over a period of time in a business environment that is inherently unstable.

is taking shape. Knowledge drives product innovation and employees are the carriers of that knowledge. As a vehicle for the continuous development of employee expertise, HRD is a crucial antecedent to successful business strategy. In these situations, HRD actively shapes strategy. In other business contexts, strategy may be based on providing reliable, high quality products in stable markets less affected by continuous innovation. Strategies for assuring reliable service and consistent quality, like those

followed by food processors and electric companies, are supported by HRD after strategy has taken shape. Because their customers want quality and consistency, these companies rely on HRD to support the expertise needed to insure these outcomes. In these situations, consideration of HRD’s role comes after strategies are formulated and have proven their worth. HRD adds value later in the process during strategy implementation. Again, HRD’s point of leverage in the strategic process is determined by the centrality of employee expertise to business success.

As will be demonstrated in the sections that follow, it is the emergent properties of strategy that allow HRD to exercise considerable leverage in shaping the future direction of the organization. This influential role of HRD is made possible because high levels of employee expertise are

inevitably required if organizations are to fully and quickly capitalize on *emergent opportunities* for business growth as strategy unfolds within a broader context of business development.

HRD as a Shaper of Strategy

Thus far we have examined the strategic role that HRD plays in *supporting* strategies to achieve the goals of the organization. Although the role HRD serves in support of strategy is necessary and important to operational success, HRD can offer even greater strategic value to organizations. Next, a more influential role of HRD—that of a major force in the *shaping* of emergent strategy—is examined.

The expanding influence of HRD can be seen in patterns of business development both from within organizations and from a more global perspective. Both views of the strategic role of HRD are examined in this section. First, strategic initiatives based on employee expertise are briefly illustrated in successful manufacturing and service organizations where they have become firmly established. Then, the business planning and relocation strategies of multinational corporations are examined. These strategies are increasingly based on the availability of a competent workforce and reflect changing patterns of workforce skill development at the global level.

HRD and Strategy in Organizations

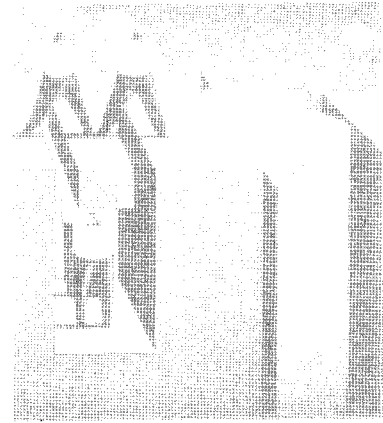
Successful companies advance from a solid base of proven competence within distinctive market niches to exploit emerging business opportunities in related areas. For general direction, the guidance offered by deliberate, purposeful strategy is useful and relevant for organizations operating in familiar markets where they possess a distinctive competence. By continuously developing employee expertise in key domains of product and market expertise, competitive advantage is achieved and maintained.

Yet, many organizations now consider the availability of state-of-the-art employee expertise to have a similar degree of influence on strategy formulation as do other strategic considerations. Among the environmental opportunities and threats and the organizational strengths and weaknesses that influence strategic planning, one or more of these factors is generally more dominant in any given planning process than other factors. The relative emphasis given to determinants of strategy such as technology, human resources, competitive factors, financial

assets, and other factors shifts from one planning context to the next. Strategic factors affecting the design and capability of a product may be dominant in one context, whereas factors affecting product cost and availability may be more important in another setting. The point here is that HRD and the employee expertise it provides have taken a major step forward in joining other key determinants of business strategy. The recent experiences of successful organizations now support the increasing influence of HRD. Examples of the strategic role of HRD from companies that rely on employee expertise to capitalize on business opportunities are described next.

L. M. Ericsson Corporation is a Swedish telecommunications equipment manufacturer that reconfigured its sprawling international operations to streamline its design and product development functions (Flynn, 1994). What to outsiders appeared as a major corporate restructuring was in fact a fundamental reconception of how work was accomplished based on expanding the breadth and depth of employee expertise across previously inviolable divisional and functional boundaries. After employees from diverse disciplines analyzed the value added at key points along the product development cycle, they together reconfigured their individual contributions to production into broader, cross-functional processes. Drawing on newly acquired expertise supported by HRD in systems thinking, business process analysis, and other key technical skills, employees themselves redesigned major business processes and produced a matrix system for sharing information and production technologies among the 40 labs of this research-intensive organization. Relying heavily on multidisciplinary collaboration and these newly acquired skills, employees have, since 1990, been able to design telecommunications equipment and set up manufacturing and service networks simultaneously. What used to be an organization that behaved like seven different companies and was slow in bringing new products to an innovation-conscious market is now a leader in lightweight, digital mobile phones and asynchronous switching, and has surpassed \$10 billion in annual sales.

Home Depot has become a dominant force in the home improvement business in part by making a conscious effort to learn from every aspect of its business (McGill and Slocum, 1994). It continues to achieve a phenomenal annual growth rate within the industry by dedicating its people, policies, and practices to developing expertise



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and learning through every dimension of its business. Home Depot explicitly pursues objectives to ensure a long-term, competitive advantage through processes supported by HRD to turn experience systematically into learning opportunities and by maintaining employee expertise at state-of-the-art levels. Company interactions with employees, customers, vendors, suppliers, and competitors are constantly analyzed to reap value-added lessons from a variety of business experiences, whether they involve a sales transaction, a delivery, a management meeting, or an unhappy customer or employee. On one hand, Home Depot invests in developing employees at all levels of the organization. Entry level employees receive nearly four weeks of training and participate in periodic conferences and training sessions at the store and company-wide levels. On the other hand, Home Depot values learning from customers in any way it can. It allows building contractors to use its makeshift classrooms in each store to share their needs and expertise with employees and other customers. Home Depot has added contractor check-out areas and new products for first-time home buyers in response to suggestions from both its own employees and customers. Home Depot demonstrates a recent and compelling example of the growth that can be achieved when organizations make a conscious effort to learn and develop new expertise from every aspect of their business. Similarly, managers of Ford Motor Company and DuPont have largely attributed recent improvements in business performance to their expertise in applying systems thinking and process knowledge to core business issues (Senge, Kleiner, Roberts, Ross, and Smith, 1994).

HRD and Expertise from a Global Perspective
HRD as a major force in the shaping and emergence of business strategy can also be seen from a global perspective. Levels of education and expertise among populations of geographical regions in the world vary widely when viewed from a global perspective. But the traditional view that the most educated and most educable people are predominately in the Western industrialized nations is changing rapidly. In some regions of the world, the levels of education, particularly in technical and scientific areas, and the readiness of the population to acquire even higher levels of training is at least as favorable as it is in the United States. Singapore and Malaysia have invested heavily in an infrastructure for developing targeted industry-specific expertise

and have attracted export-oriented manufacturers and advance technology from abroad. China and India are rapidly developing workers capable of absorbing new technologies and direct a large proportion of their top students into elite technical institutes.

Just as we witnessed a recent shift in domestic manufacturing offshore to take advantage of lower labor costs for unskilled workers, the planning and location strategies of large corporations increasingly target countries other than the U.S. for business development based largely on the availability of a technically competent workforce. Rather than the offshore relocation of manufacturing based on *unskilled* labor, today's relocation patterns are increasingly based on the need for more *skilled* labor. *Business strategies are increasingly predicated on the availability and sustainability of state-of-the-art expertise.* As HRD efforts and worker expertise in less developed countries rapidly improve, corporations are shifting their locations and centers of expansion away from the West to countries like Malaysia, Taiwan, and Singapore. Recent examples of relocation strategies based on the availability of highly skilled workers include Hewlett-Packard's design center for advanced "personal digital assistants" and new portable ink-jet printers in Singapore, Intel Corporation's product development and manufacturing center in Penang, Malaysia, Motorola's new semiconductor and telecom equipment plant in Taiwan, and Robert Bosch's (the German engine and automotive parts firm) new manufacturing operations in the Czech Republic (*Business Week*, 1994).

HRD and the Shaping of Business Strategy
In addition to capitalizing on the availability of skilled labor abroad, corporations have responded to the recent openness of China, the former USSR, and other nations to market-based economies. While corporations are still concerned about the political and economic instability that underlies social turbulence in many parts of the world, recent social and economic changes have created vast opportunities for new business development for enterprising firms around the globe.

Even as organizations evaluate opportunities for expansion abroad, instability and change in many sectors of our own economy continue to reshape the business environment in many domestic industries. Witness the volatility in the health care industry, widespread restructuring

throughout corporate America, government downsizing and the privatization of government services, and continued turnover among successful and failed business ventures. Indeed, changes in the global economy are mirrored by equally destabilizing changes in the business environment at home. Few organizations, regardless of their size or global reach, remain untouched by these pervasive changes.

Always an uncertain undertaking, devising strategy is a particularly precarious process under such volatile circumstances. Pursuing deliberate strategy, although systematic and goal-oriented, is certainly less fruitful during periods of business instability. Direction from present plans can be quickly lost as the need for strategic adjustments and new business directions emerge. It is during such periods that the emergent nature of strategy offers the most potential opportunity and the promise that future business growth can evolve from quite uncertain origins.

While the emergent properties of strategy seem elusive, some organizations appear to be pre-positioned to capitalize on emerging opportunities in the marketplace. By fostering cultures of innovation and flexibility, these organizations are capable of rapid adaptation to changing events and emerging business opportunities. The development of employee expertise now represents a critical strategic imperative for organizations wishing to both create new opportunities for growth and take advantage of the opportunities that inevitably unfold in a rapidly changing business environment. Only through the explicit adoption of policies for advancing employee expertise can organizations fully capitalize on the emergent properties of strategy. As business conditions force the reshaping of strategy, competence and flexibility at all levels of the organization become more critical to business success. In the midst of emergent strategies, planners and decision makers with HRD backgrounds are in the best position to examine business opportunities, determine the key performance requirements of new business objectives, and position highly competent people within state-of-the-art work systems to achieve those objectives. The emergent properties of strategy inevitably require high levels of employee expertise to fully and quickly capitalize on opportunities for growth as they become available.

Yet, how does HRD assume such a strategic role in actively shaping the direction of the firm? HRD that is truly of strategic value to an

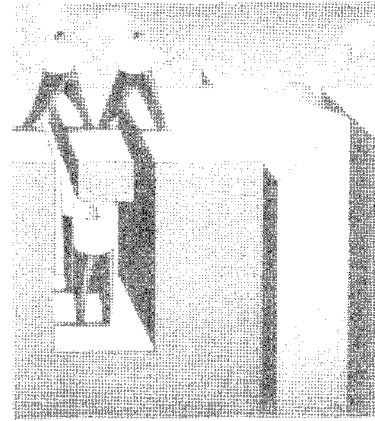
organization has three important attributes: (a) it is rooted in needs and outcomes that are performance-based, (b) it has earned credibility and respect among key stakeholders by demonstrating its strategic capability, and (c) its role as shaper of strategy arises as organizational leaders acknowledge the importance of strategy's emergent properties, for only emergent strategy can be actively shaped by influential forces such as HRD. Each of these strategic attributes of HRD is examined next.

Adopting a Strategic HRD Perspective

HRD that is truly of strategic value to an organization: (a) is performance-based, (b) demonstrates its strategic capability, and (c) is responsive to the emergent nature of strategy. The first two of these are attributes of HRD itself, whereas the third element is dependent upon the nature of the strategy with which HRD interacts. All three of these features taken together determine HRD's strategic value and must be attended to if it is to adopt a strategic perspective.

Performance-Based HRD

HRD serves a broad range of interests and outcomes in organizations. The primary purposes to be served by HRD can range from programs intended to meet the personal development needs of individuals (e.g., identifying individual learning styles or personal financial planning) to HRD programs necessary for everyone in the organization (e.g., programs addressing a new performance appraisal method or role changes secondary to structural reorganization). Many HRD programs, while carefully developed and well-received by participants, are not intended to be performance-based. For example, programs that address personal learning styles, individual career planning, and health or lifestyle enhancement, while inherently valuable to individuals who benefit from the broader perspectives they offer, are not based on business performance requirements. These programs are intended to address the personal interests of individuals and groups within the organization. Although HRD can serve a variety of interests and should address the personal needs of employees whenever possible, HRD that purports to be of strategic value has stepped forward onto hallowed ground. For HRD that offers real strategic value to the organization must contribute directly to important business goals and must be based on key business performance requirements (Swanson, 1994).



In the midst of emergent strategies, planners and decision makers with HRD backgrounds are in the best position to examine business opportunities, determine the key performance requirements of new business objectives, and position highly competent people within state-of-the-art work systems to achieve those objectives.

Viable organizations continuously encounter new performance requirements in their efforts to adapt successfully to changing market demands. Although these performance needs may exist at the organizational, group, or individual levels, true performance needs are ultimately rooted in the core processes that constitute the distinctive competencies for which customers rely on the organization (e.g., providing premium quality, innovative products, high value-added service). While valuable HRD programs can be offered to enhance the learning and personal interests of individuals, performance-oriented HRD distinguishes itself from these programs through consistently offering high-leverage interventions based on critical insights gained from performance analysis. Performance analysis starts with a clear definition of a performance problem through accurate identification of actual and desired performance requirements at the organization, process, and individual levels (Swanson, 1994). Up-front performance analysis that acknowledges the multiple determinants of work performance provides a reliable framework that leads to improvement. None of the strategic roles of HRD discussed in this article can be assumed unless HRD is first based on an analysis of key performance needs and directed at meeting important business outcomes. Even HRD that simply supports the execution of a given strategy, such as being the quality leader in a given product line, must be performance-based. Future business directions that should be guided by organizational strategy are based on the organization's core strengths and competencies, and ultimately, it is the organization's performance in the marketplace that determines success. HRD that purports to be of strategic value must, first of all, be performance-based.

Demonstrating the Strategic Capability of HRD

Being performance-based is not enough to demonstrate fully the strategic importance of HRD. HRD will only be perceived as having strategic value if it also demonstrates genuine *strategic capability*. As HRD demonstrates strategic capability, it earns respect and credibility as a full partner in forging the organization's future direction.

HRD's demonstration of strategic capability goes beyond simply being able to provide interventions that support a given strategic initiative.

Strategic capability is based on an HRD philosophy that reflects the unique value of human resources to pursue long-range business goals flexibly and the conviction that people are the only organizational resource that can shape and recreate the ways in which all other business resources are used (Torraco, 1993). HRD demonstrates its strategic capability as it adds two important dimensions to the organization's business planning process: (a) providing education in the concepts and methods of strategic planning and systems thinking to those responsible for setting the strategic direction for the organization; and (b) playing an active role in strategic planning through direct participation of HRD professionals in the business planning process. Together these two features dramatically emphasize HRD's value to the business planning process and distinguish HRD that has strategic capability from traditional training that is primarily focused on meeting individual needs or that is only peripherally related to the strategic objectives of the organization.

The first of these strategic capabilities, providing education and training in strategic planning and systems thinking to those responsible for setting the strategic direction for the organization, is needed because some of those who participate in business planning may not possess a broad perspective on the business or may not be able readily to apply the perspectives they have to the planning issues at hand. Presumably, those who participate in strategic planning possess the business acumen and understanding needed for meaningful contributions to long-term planning. However, strategic planning requires a sophisticated array of conceptual, analytical, and interpersonal skills. Business planning involves strategic decisions that are frequently group decisions. Planners, therefore, need skills in defining problems, facilitating analysis by the group, resolving communication breakdowns, reaching consensus, and building commitment. Important analytical and visioning skills needed by business planners include environmental scanning, analyses of industries and competition, organizational analysis ("SWOTs"), competitive benchmarking, using systems frameworks to identify inconsistencies and threats to business development, and clarifying and articulating a unified organizational mission.

HRD will only be perceived as having strategic value if it also demonstrates genuine *strategic capability*.

Those who participate in business planning are often strong in some of these planning skills but not in others (Catalanello and Redding, 1989). And even those who seem to have a more complete picture of the business planning scenario often fail to account fully for the emergent properties of strategy. On the whole, it is unlikely that all who will participate in strategic planning will possess the full range of skills listed here. The HRD function can take the initiative by insuring that business planning is not a process that is entered into blindly by some who will inevitably lack a few of these important skills and perspectives.

The second way in which HRD demonstrates strategic capability is the active participation of HRD professionals in the business planning process. The importance of HRD to strategic planning is reflected in the centrality of employee expertise to maintaining competitive advantage in today's business environment. As emphasized earlier in this article, even well-planned strategies cannot stand up indefinitely to the uncertainties of the marketplace. However, human competence is a stable and renewable resource upon which today's organizational strategies must be based if they are to remain viable. HRD professionals add a valuable dimension to the strategic planning process by insuring that planning is based on an accurate assessment of current and achievable levels of employee expertise. In addition, HRD professionals represent unique perspectives on the workforce when answering the following questions that are central to the strategic planning process:

- Given critical success factors in the organization's market niche or industry, what domains of employee expertise are crucial to achieving key business objectives in each operational area? That is, what skills must the organization make the most of to succeed?
- What are the capabilities of the HRD function (in terms of its strengths and weaknesses) to provide state-of-the-art development of workforce skills?
- How do the organization's HRD systems, methods, and technologies stand up against best practices in the HRD profession?

The proactive use of data in these and other areas provided by the HRD function is indispensable to effective business planning. Like those who lead other functions considered crucial to the business, HRD professionals must

communicate to the organization that, in response to even the most pressing business demands, the HRD function can be relied upon to deliver and support key expertise when and where it is needed by the workforce. Ultimately, this is the most visible and valuable measure of strategic capability.

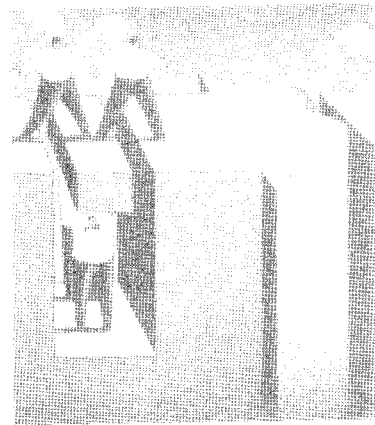
HRD that is directed at business performance requirements and that demonstrates strategic capability will not need elaborate promotional measures to be widely recognized as offering strategic value to the organization. But HRD cannot consistently represent these attributes without a close partnership with planners and direct involvement in the planning process itself. That is, in addition to being performance-based and demonstrating strategic capability, strategic HRD is also dependent upon the nature of the strategy with which HRD interacts. Treating strategy as an emergent process is an important prerequisite for HRD that consistently offers strategic value. This determinant of HRD's strategic role is considered next.

Emergent Strategy and HRD

At present, HRD serves a role that is predominantly supportive to strategy. HRD that primarily serves to support the execution of a given strategy fills an adjunctive role to strategy that is clearly more deliberate than emergent. Unfortunately, a majority of today's HRD that purports to be of strategic value may provide the workforce with important expertise, but does so after the formulation and adoption of strategy. *HRD cannot add value to the shaping of strategy if the strategy is already fully formulated.*

While HRD can improve operational performance by providing skills in areas such as process improvement and customer sensitivity, HRD is inhibited from making truly formative contributions to strategic innovation and performance if deliberate strategic plans are handed down from a small group of management elite to the rest of the organization in pre-packaged form. HRD and other functions critical to organizational performance cannot actively shape strategy if strategy is already structured and positioned in the organization as a given.

The benefits of developing and using employee expertise to capitalize on evolving business opportunities can only be fully realized if strategy is treated as both a deliberate and emergent phenomenon. The potential for HRD's strategic leverage must exist by treating strategic planning as an emergent process. Further prescriptions for advancing the strategic contributions of HRD are



Strategic HRD is also dependent upon the nature of the strategy with which HRD interacts. Treating strategy as an emergent process is an important prerequisite for HRD that consistently offers strategic value.

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of little value if strategy is fully formulated and adopted without the performance perspectives that HRD offers.

Examples of Strategic HRD

The following case examples are of *deliberate* strategic planning involving HRD. The first example is from a high-technology medical corporation that produces artificial body organs. The firm's core expertise has been a creative integration of multi-disciplinary theory and practice in a technical health care context.

The general strategic business goal is to keep the company on the cutting edge of an intensely competitive industry through an expert workforce. HRD, as a part of the top management team, works to determine the workforce expertise required by the firm to invent and produce products that do not yet exist and that most likely require expertise in theoretical and technical areas that are often viewed separately.

HRD's strategic contribution is in (1) systematically guiding the process of visioning the technological future through the eyes of the technological and business leaders of the firm, and (2) determining the workforce knowledge and expertise required to perform in those "future states." The outputs of this ongoing strategic analysis process serve as primary input to the overall strategic business planning process, thus, influencing the business direction of the firm. In this way, HRD is a key determinant of the strategies developed to achieve future organizational goals.

The second example of HRD's involvement in deliberate strategic planning is found in a large provider of health care insurance. The traditional core expertise of the insurance firm had been defined by a conservative culture. Furthermore, the culture was built on power relationships among an uneasy mix of underwriting and sales personnel. The changing conditions of regulations, increased costs, competition, and new technology has shaken the organization to the core. The old power-relationship model was filled with ineffective methods of achieving goals in the new business environment.

HRD, revitalized through an infusion of new leadership and a new performance consulting model (Robinson and Robinson, 1995), took on the role of improving performance rather than simply providing training events. In this new role, the analysis of performance gaps within and between the individual, process, and organization

levels yields broad-based participation in performance diagnosis, systemic understanding, and strategic goal setting that shape the firm's present and future operations.

HRD regularly engages top management as partners in diagnosing performance problems and provides critical information to the top management team about performance disconnects that exist in present and emergent strategies. For example, it is common that systemic performance issues that are initially viewed as job level concerns may actually require much broader consideration at the process level. From this level of analysis, the redesign of business processes and the redefinition of performance goals often emerge as strategic mandates.

These two illustrations highlight the potential of HRD as a partial determinant of the organization's strategic and operational direction. Each example clearly demonstrates that expertise at the three levels of performance — individual, process, and organization — can be aligned for the purpose of shaping strategy.

Conclusion

This article has examined the strategic roles assumed by HRD functions that offer a key contribution to their organizations — the development of employee expertise that is vital to optimal business performance. HRD has been traditionally relied upon to serve in roles that are supportive of the strategies chosen to guide organizations. Although the supporting role of HRD is important for operational success in assuring the employee competence to meet present performance demands, HRD can offer even greater strategic value as a key determinant of business strategy. The centrality of information technology to business success and the potential for sustainable competitive advantage through employee expertise have underscored the increasing strategic value of HRD. HRD has been a key enabling force in strategies based on product innovation, quality and cost leadership, customized service, and strategies for global relocation based on workforce skills.

In summary, HRD that seeks to deliver employee expertise of genuine strategic value to the organization must adopt a systemic perspective of its role and demonstrate the strategic attributes discussed in this article. These strategic attributes are reflected in HRD that: (a) is performance-based; (b) demonstrates strategic capability; and (c) is responsive to the emergent nature of strategy.

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