## From managing employees to designing organisational capability

For many years, Human Resources was primarily associated with administration: recruitment, contracts, payroll, training, employee records and compliance. These activities remain important, but organisations increasingly expect the Peoplefunction to contribute to a much broader question: **How can we organise and develop people in ways that help the business achieve its strategy?**

This shift changes the role of HR. Instead of asking only, *"How many people do we need?"*, organisations need to ask, *"What capabilities will we need to compete successfully in the future?"*

Consider a company that has decided to compete through innovation. It hires highly qualified engineers, invests heavily in technology and establishes an innovation department. Yet employees complain that managers reject ideas that might fail, decisions require several layers of approval, and departments rarely share information. After two years, the company concludes that its employees are "not innovative enough."

The problem may not be a lack of talent. It may be the organisational environment in which talent is expected to operate. Employees can possess creativity and technical expertise, but organisational structures, leadership behaviours, incentives and processes can either enable or constrain those capabilities.

This illustrates an important principle of People Management: **people performance is not simply an individual characteristic; it is influenced by the system in which people work.**

The same principle applies to productivity. When productivity declines, organisations sometimes immediately look for an employee-related explanation: insufficient motivation, poor skills or weak performance. However, productivity can also be affected by inefficient processes, unclear responsibilities, excessive hierarchy, inadequate technology, poor management or conflicting objectives.

For example, imagine two sales teams with equally experienced employees. Team A spends significant time obtaining internal approvals and entering the same information into three different systems. Team B has clearer decision rights and a simpler process. If Team B generates more sales, it would be misleading to conclude that its employees are simply "better."

The distinction between **individual capability and organisational capability** therefore becomes important. Individual capability refers to what people know and can do. Organisational capability refers to what the organisation can accomplish through the way it combines people, structure, technology, processes and leadership.

This also explains why People Strategy should be connected to Business Strategy. Suppose a company's strategy is international expansion. Its People Strategy might need to address

international leadership, cultural intelligence, mobility, local labour-market knowledge, succession planning and the ability to coordinate geographically dispersed teams.

If the company's strategy instead focuses on operational efficiency, its people priorities may look very different: process expertise, workforce planning, productivity, automation, performance management and cost-effective organisational design may become more important.

There is therefore no universally "best" People Strategy. Its relevance depends on **what the organisation is trying to achieve**. This creates a challenge for People leaders. They need to understand not only employees and HR processes, but also the organisation's business model, competitive environment, operating structure and strategic priorities.

They also need to resist the temptation to prescribe solutions too quickly. If employee turnover is high, for example, the immediate response might be to increase salaries. But turnover could also be related to management quality, career opportunities, workload, recruitment practices, organisational culture or labour-market conditions.

The first responsibility of strategic People Management is therefore **diagnosis**.

Before asking *"What HR programme should we introduce?"*, the better question may be:

**"What is actually happening in the organisation, why is it happening, and what evidence supports our explanation?"**

Only after answering these questions can the organisation decide whether the appropriate intervention involves recruitment, development, leadership, organizational redesign, compensation, technology, process improvement—or something else entirely.

Strategic People Management is therefore less about having more HR programmes and more about understanding the relationship between strategy, people, structure, culture and organisational results.