

# 'There are no short cuts, no easy solutions. It will take a coordinated range of initiatives in a number of areas and HR will be one of the more prominent.'

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'I think people in Denmark are aware that our productivity is below OECD average. Prior to the financial crisis Denmark had a tremendously high productivity gain, but now the picture is certainly different. So much so that the Prime Minister has launched a committee to look at productivity. It's now given a very high level of importance within the government. It's also very deliberate that the word 'productivity' has been used - to combine the best of the past, productivity in a traditional sense, with looking at Denmark's role in today's global economy and seeing what new initiatives or tools we need.

Part of the explanation as to why productivity is low is a lack of benchmarking. By that I mean there isn't a very strong tradition in Denmark for measuring things. Einstein once said: '*Not everything that counts can be counted, and not everything that can be counted actually counts*'. That picks up the national attitude that we have a qualitative approach more than a quantitative approach. When American companies first came to Denmark they had a much more quantitative approach to their business that included performance management, psychological testing, grading of people, making individual differences very explicit. There was a lot of initial antagonism towards this approach, but now it has changed and we have a more quantitative culture that legitimises measuring things and making individual differences visual. But there's a saying in Danish: '*What you don't*

*know, you don't feel bad about*' and if you don't measure things how could you feel bad about a given phenomena? For example, if you don't have staff turnover figures why should you take the issue seriously? The very moment you realise that the figure is 5% or 10%, or whatever it might be, you realise that you must do something about it. The very fact of having a figure forces you to make a decision. Figures open doors.

We have also been trapped by success. Traditionally we've had very high job satisfaction levels, everything was successful. In Denmark we talk about 'resting on your laurels,' where companies can be extremely successful almost regardless of how they go about it. Because of this they eventually lose their agility in much the same way that some bird species in New Zealand have lost their ability to fly because they have perfect conditions with no natural threats. However these birds are now almost extinct because of changing environmental factors and this is what I mean by companies being trapped by their success and never considering that one day there might be an outside threat. So as individuals, organisations and nations we need to prepare for this.

We've already been passed by a lot of so called developing countries that we believed would take decades to get close to where we are. We were wrong. They have a hunger that perhaps we have lost and that's exactly why the government set up this committee. It realised up front that there are no short cuts, no easy solutions and it will take a coordinated range of initiatives in a number of areas where HR will be one of the more prominent.

A key question is whether or not HR is seen on the same level as the rest of the top management team? This issue has been studied extensively in the Cranet Project ([cranet.org](http://cranet.org)), a coordinated survey involving private and public organisations in 50 countries. There some of the key issues are looking at HR in terms of strategy, practice and influence. To what extent is HR involved in the formulation of strategy? Are they involved in the development of the strategy or merely the implementation? Compared to Denmark, Sweden and Norway got high marks on the formal role of HR in the top management team. The good news is that we now know this and have the opportunity to change the way we think about HR.

There's a general awareness about the importance of HR for the very simple reason that up to 80% of the total costs of a business can be related to personnel. So you don't actually need to have a burning interest in HR, you just need to look at the budget and the focus will automatically be there, whether in a bank or a hospital. All Nordic countries are knowledge economies and that should actually speak in favour of taking HR seriously. The tradition is there, we're currently just not good enough at it. Not good enough at optimising human resources.

One of the specific initiatives that need to take place is what's called Vertical Integration. An increasing awareness and understanding of the link between the overall business strategy and the HR strategy. In other words, whatever you do in HR has to be very closely coordinated with the business you're in. What's the business strategy? How do we distinguish ourselves from other companies? What are the overall objectives, the overall values, the leadership principles and so on? You can't do any meaningful HR work until you find out, or you're told, what the overall organisational strategy is. The only way to do it is to totally understand the culture of a company before you can start recruiting people and fitting them into that culture in a way that allows them to be top performers.

It's not just the culture, but that's definitely part of it. And it's very easy to have HR initiatives which are colliding with the organisational culture. Your compensation scheme, your talent management programme and so on have to reflect whether it's a very competitive culture or a very egalitarian one. Saying we provide better service than our competitors or that we have a better set of values - organisational contextual factors - has to be converted into an HR strategy. For example, over 20 years ago the CEO of Scandinavian Airlines asked himself what he could do to make people fly his airline? They flew from the same airports to the same airports as their competitors, they took the same time to get there, they served the same food and, as it was a very controlled market at the time, even the airfare was much the same. So he said: 'I will prioritise three things, punctuality, service and a focus on the business traveller rather than the backpacker.' The first 2 of these are HR based and he made 25,000 people understand it, accept it and



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implement it in their daily work. It went like a laser beam through the entire organisation so that everyone knew exactly what the strategy was and their role in it. That's basically the embodiment of vertical integration, a clear and consistent link between the overall business strategy and what you do in HR. Horizontal integration is just as important and refers to consistency between the various HR tools you use. In other words, going back to the earlier example, if you have a very individualistic culture you'll recruit people who are motivated by competition. You'll have a salary structure that reflects individual differences. You'll have a talent management programme where you identify the very best - and you make it very visible to the entire organisation that these people are your talent. There's a consistency between the way you recruit, train and reward people, no matter what the culture is. This creates synergy, in contrast to hiring people who are very competitive and having a salary structure where you pay them the same flat rate, creating a discrepancy between the way you recruit and reward.

A third initiative is an increased focus on middle managers. We used to believe that in the future we wouldn't need middle managers because people could manage themselves. In fact, the role of the middle manager has been redefined from being somebody who just 'manages down' to someone who's an ambassador for the overall company strategy, values and norms - 'managing up.' You may be a store manager for one of our 82 grocery stores and of course you have to optimise the profit of that particular store, but at the

same time you're 1/82th of a team trying to move the entire organisation forward in a certain direction and we don't accept the fact that you have a very limited approach to your managerial role by saying as long as I make a profit in my store I don't care about the organisation. Today you have to care about the whole organisation.

Research has shown us that translating this into performance is the result of three components, ability, motivation and opportunity (The AMO Model). There's a direct link and a multiplicative relationship between them: if you don't have the ability, the performance will be zero. If you have the ability, but don't have the commitment, the performance will be zero. If you have the ability and the commitment, but you don't have the opportunity, the performance will be zero. More often than not, it falls to the manager to ensure that all three are in place.

There's traditionally been a very solid platform of confidence and ability in Denmark arising from the education system and a tradition of on the job training. It's also easier to be involved in the decision making process as a non managerial staff member. At the same time we have just about the highest unionisation rate in the world which provides both informal and formal access to managerial decisions. The unions are seen as a partner in helping to activate the resources of an organisation. As a result, there's been a good platform for experiential learning and being involved in management decisions. On the other hand, Danes spend about 7 years in an organisation before they move on, whereas in other countries it can be up to 10 or 12 years. Up to 1/3 of the entire workforce changes job externally or internally every year, so the role of HR in making the most of those changes is absolutely vital.'

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