

HR THINK TANK 2024



A STUDY CURRENT PEOPLE-RELATED BUSINESS CHALLENGES AND EXPECTATIONS OF HR PROFESSIONALS



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FOREWORD BY PRESIDENT, ASSOCIATION OF HUMAN RESOURCE PROFESSIONALS IN SRI LANKA (AHRP) **ROSHAN KULASURIYA**

Dear HR Professionals,

I am honored to share a momentous achievement by the Association of Human Resource Professionals in Sri Lanka (AHRP) – the release of our pioneering white paper on contemporary HR capabilities crucial for business success. This achievement symbolizes our unwavering dedication to advancing the HR profession and nurturing a community that continually enhances the capabilities and marketability of HR professionals. In a time characterized by unprecedented economic, social, and political challenges, the role of HR professionals has never been more pivotal. Our study, which engaged 20 Chairmen/Chief Executive Officers from prominent Sri Lankan organizations, stands as the first of its kind conducted by a professional body. The outcomes of this study, including the HR Core Capability model, Functional Competency model, and HR Leadership model, represent a significant leap forward in defining the indispensable capabilities required from HR professionals by organizations in Sri Lanka. Our objective is to furnish a robust framework that empowers HR professionals to adeptly navigate the constantly evolving business landscape.

I extend my heartfelt gratitude to the esteemed world HR body, Society for Human Resources Management (SHRM), for their steadfast support and invaluable contributions to our endeavors. I also wish to express my deepest appreciation to the 20 Chairmen/CEOs of esteemed organizations who graciously provided us with their invaluable support and insights.

Furthermore, I wish to express my deepest appreciation to the project team whose magnificent effort and professionalism made this endeavor possible. Your dedication and commitment have been instrumental in achieving this milestone. As we progress, let us steadfastly uphold our commitment to continuous learning, innovation and collaboration. Together, let us harness the insights garnered from this study to elevate the HR profession and catalyze positive transformation within our organizations and beyond.

Thank you for your unwavering dedication and support.

MESSAGE BY VICE PRESIDENT, EXTERNAL ALLIANCES, AHRP **OSHANA DIAS**

Dear HR Think Tank Community,

As we mark the 5th anniversary of HR Think Tank, we are delighted to convene our 6th edition of this esteemed gathering. What began as a conversation with Achal back in 2018 has blossomed into a pivotal event in the HR calendar, exemplifying our commitment to shaping the future of HR practices.

This year, 2024, represents a significant milestone for us. With over 300 participants, this is our largest assembly yet, underscoring the growing importance of HR in driving organizational success. Our theme, "Building Capabilities for Business Outcomes," resonates deeply in today's dynamic business landscape.

A highlight of this year's proceedings is the unveiling of a bespoke capability study focused on Sri Lanka. Titled "Current People-Related Business Challenges and Expectations of HR Professionals," this study offers invaluable insights into the evolving role of HR and the essential competencies needed to drive business excellence.

The launch of this white paper will be accompanied by a panel discussion featuring four CEOs who participated in the study, alongside in-depth sessions covering key aspects of the model. Mercer will delve into Total Rewards, while Sandbox, our Organizational Experience and Development Partner, will provide invaluable insights.

Our objective is clear; to foster a culture of collaboration and continuous capability development that directly impacts business outcomes. This commitment extends beyond borders, as evidenced by our collaboration with SHRM. Together, we are dedicated to amplifying the influence of HR capabilities on organizational success, charting a course towards excellence.

I am excited about the potential of this study to serve as a cornerstone for further growth, equipping us all with the tools to sharpen our capabilities and drive tangible business results. Together, let us embrace this journey of learning and transformation, as we navigate the ever-evolving landscape of HR excellence.

ABOUT THE CAPABILITY STUDY BY PROJECT CHAIRMAN, HR CAPABILITY DEVELOPMENT PILLAR, AHRP

RAVI JAYASEKERA

Dear colleagues and HR professionals,

For years, HR leaders have been seeking ways to establish themselves as credible business partners within their businesses. While numerous perspectives and opinions have been shared, the Association of Human Resource Professionals (AHRP) took the bold step to validate these insights through a rigorous research study.

The study, conducted with 20 CEOs and Chairpersons of leading companies in Sri Lanka, revealed the capabilities most in demand by CEOs in the country. Interestingly, the research identified the need for HR leaders to develop a set of core capabilities beyond HR functional competencies to be successful. This highlights that while HR functional expertise is necessary, that alone is not sufficient to become a credible strategic partner to the business.

I am confident the research findings will provide valuable insights to HR professionals from various perspectives and use cases.

As the Project Chair, I would like to express my sincere appreciation to Dr. Chandana Wijayanama for his tireless efforts in conducting the research and developing the white paper. I would also like to thank my fellow project team members, Isuru Gunasekera, Darshi Talpahewa, and Aruni Abeysekera for their active participation, knowledge sharing, and unwavering support throughout the project.

I am confident this research will be a valuable resource for HR professionals seeking to establish themselves as credible strategic partners within their businesses.

KEY FINDINGS OF THE STUDY BY EXECUTIVE VICE PRESIDENT, AHRP **CHANDANA WIJAYANAMA**

Dear HR professionals,

This study gathers valuable insights into the role of HR and the necessary capabilities from CEOs and Heads of Organizations of prominent corporations in Sri Lanka. Encouragingly, these organizations are looking to elevate the role of HR to a higher level, seeking greater involvement in business decision-making processes. This shift in expectations is driven by the escalating complexities and opportunities inherent in the BANI/VUCA (brittle, anxious, non-linear, incomprehensible/volatile, uncertain, complex, ambiguous) environment.

The findings of this study highlights a clear expectation of CEOs that HR professionals must possess a robust comprehension of business operations. Additionally, HR professionals are expected to demonstrate proficiency across six capability domains. In addition to the Core Capability model and the Functional Competency model, a model for HR Leadership has emerged. The AHRP Core Capability model functions as a valuable instrument for identifying suitable candidates for HR roles within organizations. Concurrently, HR professionals can leverage this model to facilitate their personal and professional growth. We have outlined plans to extend this study by conducting a more in-depth examination of HR Functional Competencies in the subsequent phase.

We extend our sincere appreciation to the CEOs and Chief Human Resources Officers (CHROs) for their enthusiastic support, which has been instrumental in the success of this study.

ENDORSEMENT BY CEO, SHRM (INDIA, ASIA PACIFIC AND MENA REGIONS) **ACHAL KHANNA**

Dear friends,

During the past few years, the world has seen a huge number of challenges and today, Sri Lanka is passing through an unprecedented passage of time of economic, and social challenges in its history. These challenges are reshaping the way we do business and may also influence the way we engage people in our workplaces. Whilst the context and the shape of people processes change, HR capabilities too are expected to get upgraded. Hence, we at SHRM are proud to be associated with the study conducted by our partners AHRP, which will pave the way to define the new capabilities and behaviors of HR professionals in this geography. This study was much needed and is a timely document for professionals to refer to as a guide for action in this changing times.

ABSTRACT

The Association of Human Resource Professionals in Sri Lanka (AHRP) conducted a groundbreaking study to uncover contemporary HR capabilities needed for business success. This initiative was undertaken against the backdrop of Sri Lanka contending with a myriad of economic, social, and political challenges. The study involved 20 Chief Executive Officers (CEOs) from prominent Sri Lankan corporations to gather their insights and expectations from Human Resource (HR) professionals. Subsequently, a focus group discussion with 8 HR directors was convened to carefully analyze and synthesize the inputs garnered from the CEOs. The CEOs unequivocally articulated their primary expectation: HR professionals should exhibit astute business acumen. They also noted that while HR professionals possess a commendable level of functional competence, their efficacy in contributing to strategic business discussions needs improvement. The expectations of HR professionals towards business acumen are encapsulated within the Core Capabilities. An inductive research methodology was employed to delve into the details of the respondents' inputs. The outcomes of this study encompass the HR Core Capability model, a Functional Competency model, and an HR Leadership model. While the HR Capability model has been thoroughly examined, further discussion is warranted to delineate HR Functional Capabilities in greater detail.

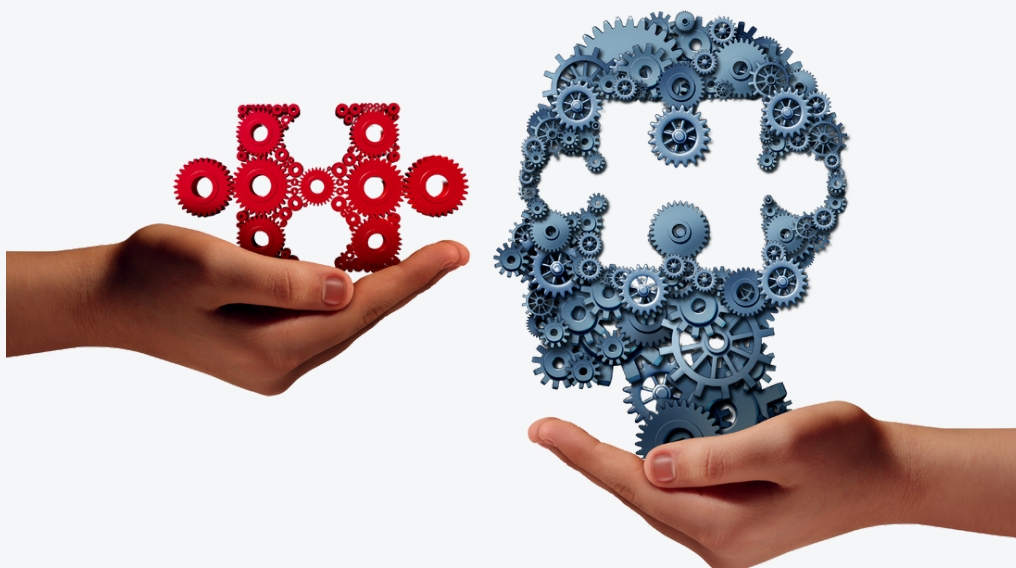


INTRODUCTION

The contribution of people is crucial to business success. Business leaders are tasked with engaging individuals possessing the right capabilities to drive value creation. Human Resources (HR) plays a pivotal role in modern organizations, crafting and executing strategies to fulfill the "**people agenda**" and meet organizational objectives. In the face of an ever-accelerating and complex world, leaders must continuously challenge conventional beliefs and innovate to develop effective people strategies.

Sri Lanka currently grapples with unprecedented economic and social turbulence, reshaping business operations and altering how people are engaged in workplaces. This necessitates frequent upgrades to people processes, influenced by global mega-trends such as technological advancements, preferences of the Gen Z workforce, political instability, and urbanization. Key areas of focus include technology integration, flexible work arrangements, flatter organizational structures, employee well-being, and Diversity-Equity-Inclusion initiatives.

Alongside these process changes, there's a corresponding need for HR professionals to upgrade their capabilities. As such, this study aims to identify the essential capabilities required from HR professionals by corporations in Sri Lanka.



BACKGROUND & PURPOSE



The effectiveness of the Human Resources function hinges upon its ability to translate context into actionable frameworks. Recognizing this imperative, AHRP, as the premier body dedicated to HR professionals in Sri Lanka, has taken proactive measures to investigate prevailing business challenges and expectations pertinent to the HR function. This aims to develop an enhanced capability charter for HR in Sri Lanka. The study focuses on HR Core Capabilities, which serve as foundational pillars for the development of more intricate functional capabilities. Its findings will aid in aligning business and functional aspects for HR professionals in Sri Lanka and similar contexts globally.

WHAT WE DID

To grasp the complexity of this topic, an inductive research approach was followed, leading to the use of the Grounded Case Study (GCS) methodology.

Overall, CEOs of 20 companies were interviewed. 13 of them were among the top 20 companies in the list of LMD Top 50 Companies from 2013 to 2021. Another 7 companies were selected based on the recommendation of the CEOs of the first 13 companies. In 3 instances the interviews were conducted over video conferencing. The interviews lasted approximately 50-60 minutes. During the interviews, pre-prepared semi-structured questions were used along with an exhibit of HR functional areas prepared by executive committee members of AHRP, who also serve as heads of HR functions in leading corporates in Sri Lanka. All the interviews were audio recorded and transcribed later.



Figure 1
*Research process
and phases*

Several months prior to the CEO interviews, a public forum for HR professionals was organized by the AHRP on the topic of “Employing Tomorrow's HR, Today”. 4 CEOs participated in a panel discussion at this forum and provided 7 key messages on their expectations from HR professionals. These key messages were also incorporated as inputs to the study.

WHAT WE DID (CONTINUED...)

The researchers gathered multiple HR functional areas from the interviews with the CEOs. To organize the presentation of data in a structured and concise manner, a focus group discussion was conducted. The focus group discussion was attended by 8 CHROs who are also executive committee members of the AHRP. These CHROs represent leading organizations in Sri Lanka.

The researchers combined inputs from multiple sources such as a public forum, in-depth interviews, and a focus group meeting (**Figure 1**). Thereafter, the data were further conceptualized to simplify the outcome.

WHAT WE FOUND

While every CEO acknowledged the significant economic and social issues that are prevalent at present, they also highlighted the opportunities for new business. All the CEOs acknowledged the need for HR professionals to make considerable shifts in the way they currently operate – so that the futuristic opportunities could be seized by the respective organizations. As some of the CEOs described:

- The ability of HR professionals to adapt to new ways of operating is key.
- HR professionals are expected to be more engaged with the people in the organizations to create and drive solutions.
- However, it is not easy to find HR professionals who are equipped with the necessary competencies.

These expectations of the CEOs clearly demonstrate the need to review the present understanding of HR capabilities. Further, the capabilities of HR professionals must be upgraded to improve the contribution and effectiveness of the HR function.



Figure 2

*People-related business challenges
and opportunities*

WHAT WE FOUND (CONTINUED...)

The top people-related business challenges and opportunities were described by the CEOs. The topics of economic uncertainty, brain-drain, talent shortage, retention, HR capabilities, multiple generations, and compensation were the top-of-mind concerns. All the expressed challenges and opportunities are represented in a word cloud in **Figure 2**.

The CEOs have clear expectations from HR professionals. They acknowledge that the HR function has gained much importance in the VUCA environment we live in. Moving out from the classical “supporting role”, HR professionals today are well poised to hold the position of a business value creator.

“In every decision in the new environment, the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Chief Human Resources Officer (CHRO) or the Chief People Officer (CPO) have a critical role to play. We spend so much of our time allocating financial resources and business analytics but if we don't place the right person for such roles all our planning will fail. At a time like this when there is so much volatility and uncertainty, having such importance on the contribution of the CHRO (and the CHRO having that business acumen) towards the business strategy is critically important (Respondent #14)”.



Table 1 below summarizes the CEOs' expectations in terms of the critical contribution needed from HR professionals.

#	Activity
1	Know the business of your organization.
2	Sharpen your ability to predict the future regarding people matters.
3	Be the value creators of people and business matters.
4	Learn to navigate through ambiguity.
5	Take the lead in building world-class talent, teams and leaders.
6	The importance of HR's role is second to none. Live up to the challenge and claim your spot.
7	Stay close to people and be able to represent them.
8	Sharpen ability to spot and groom talent.
9	Develop strategies for productivity improvement.
10	Craft more interesting and challenging jobs; introduce modern work strategies such as remote work given the new generation's preference for varied roles and personal time.

#	Activity
11	Play the organizational communicator role so that organizational intentions are not misunderstood.
12	Connect people with the purpose of the organization.
13	Ability to sense the sentiments around you and to guide people in the right direction.
14	Champion strategy execution and change management.
15	Support developing soft skills and professional skills in employees.
16	Support building relevant and practical curriculums where HR is taught.
17	Be able to understand various generations at the workplace and their mindsets.
18	Develop collaborative strategies and work processes.
19	Being the catalyst of transformation.
20	HR should understand internal and external customers.

Table 1*New expectations of the CEOs from HR professionals*

CORE CAPABILITY MODEL FOR HR PROFESSIONALS

Researchers also probed the CEOs on generic capabilities expected to be equipped by HR professionals. The Core Capabilities applicable to HR professionals are demonstrated in **Figure 3**. The Core Capabilities are organized under 6 capability domains (Effective Communication, Relationship Management, Leading Self and Others, People Consulting, Tech and Digital Agility, and Outcome-Focused Business Mind).

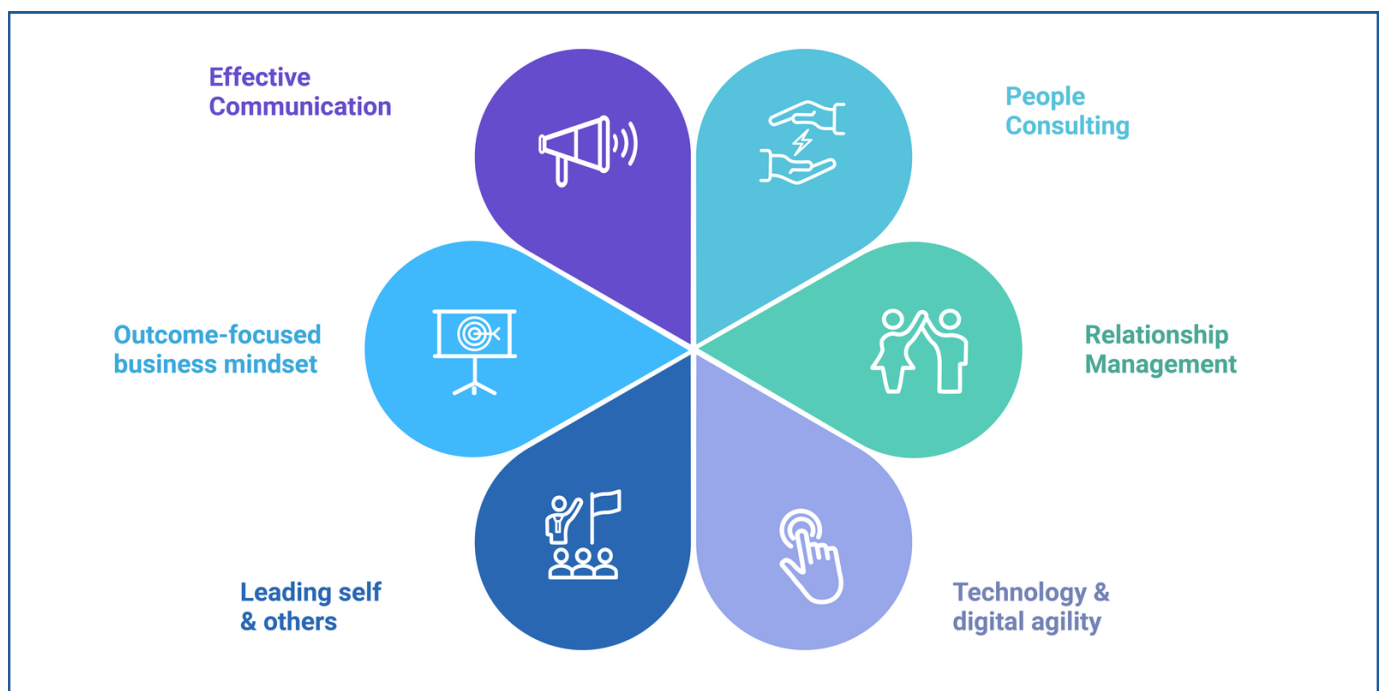


Figure 3
Core Capability model applicable for
HR Professionals

The outcome of the current study provides clarity on the capability subdomain. The HR Capability model and the specific abilities clustered under the HR Capabilities (**Figure 4a and Figure 4b**) can be used by HR professionals to set the focus on the areas of HR effectiveness and business partnership.

CORE CAPABILITY MODEL FOR HR PROFESSIONALS (CONTINUED...)

Effective Communication	Relationship Management	Leading self and others
<p>Being able to articulate the purpose, vision, mission and values of the organization, clarify and align others with it. Able to influence others to achieve organizational goals.</p> <ul style="list-style-type: none"> • Ability to articulate and clarify organizational vision and position in critical matters • Ability to emotionally engage the audience with confidence • Ability to communicate effectively in a crisis 	<p>Being a team player and a collaborator with good interpersonal skills. Ability to work with an orientation towards the Internal Customers</p> <ul style="list-style-type: none"> • Ability to foster Teamwork and Collaboration. • interpersonal skills • Ability to work with an orientation towards the Internal Customers. • Ability to coach and mentor employees. 	<p>Being able to lead and motivate others with knowledge, trust and empathy. Make well-considered, globally-minded and strategically-aligned decisions</p> <ul style="list-style-type: none"> • Ability to motivate and inspire others • Ability to work with a DEI mindset • Ability to foster a growth mindset • Ability to demonstrate adaptability and agility in change.

Figure 4a

HR capability domains and abilities (part 1).

People Consulting	Tech and Digital agility	Outcome-focused business mind
<p>Being able to think critically and provide innovative and creative advice to tough people issues. Influence and facilitate the stakeholders to make the right people decisions.</p> <ul style="list-style-type: none"> • Own stewardship in organizational culture • Hands-on experience and functional knowledge in HR operation • Ability to manage change • Ability in facilitation • Ability to effectively solve problems • Demonstrate consulting and advising skills 	<p>Being able to adopt and leverage technology to achieve agility, efficiencies, and drive value. Implement strategies and mechanisms to secure sensitive personal information.</p> <ul style="list-style-type: none"> • Ability to effectively adopt technology • Ability to adapt digitalization of people processes • Demonstrate understanding of data and information security 	<p>Acting decisively by always keeping the purpose and the business of the organization in mind. Initiate proactively and lead valuable projects.</p> <ul style="list-style-type: none"> • Ability to think critically • Ability to sense and identify issues and future opportunities • Ability to align with organizational strategy • Possess business and commercial acumen • Ability to drive Talent Management processes to suit the needs of the organization • Demonstrate ability to effectively manage and execute projects • Ability to manage in crisis

Figure 4b

HR capability domains and abilities (part 2)

HR FUNCTIONAL COMPETENCY MODEL & LEADERSHIP MODEL FOR HR PROFESSIONALS

In addition to the Core Capabilities needed in Human Resources (HR), researchers conducted an in-depth examination of HR Functional Competencies. Drawing from insights provided by the CEOs, a novel HR Functional Competency model (**refer to Figure 5**) was mapped out.



Figure 5
HR Functional Competency model

Subsequently, a focused group discourse involving 8 Chief Human Resources Officers (CHROs) was convened. The researchers distilled the functional domains into 6 distinct categories.

- Organizational Design
- Talent Management
- Organizational Experience and Development
- Rewards
- Employee Life Cycle Management
- Employee Relations

Each HR functional category includes several subcategories. Altogether, the study revealed 28 HR functional subcategories. They are demonstrated in **Table 2**.

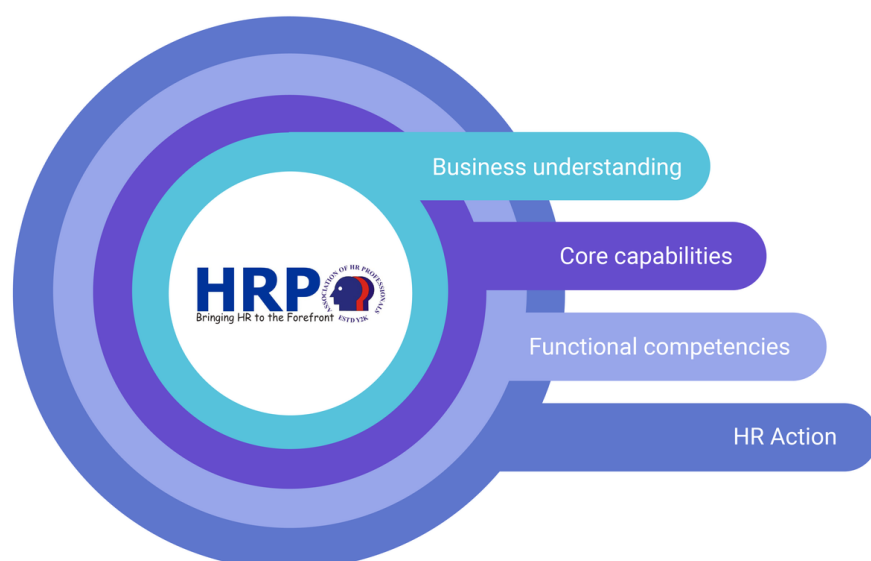
#	Functional Category	#	Functional sub-category
1	Organizational Design	1 2 3 4	Budgeting Competency Mapping Workforce Optimization Alternative Workforce
2	Talent Management	5 6 7 8 9 10	Talent Acquisition Employment Value Proposition Performance Management Learning and Development Career and Succession Development Leadership Development
3	Organizational Experience and Development	11 12 13 14 15 16	Change Management Business Alignment Culture and Employee Experience Employee Communications Employee Engagement Employee Wellbeing

#	Functional Category	#	Functional sub category
4	Rewards	17 18	Compensation and Benefits Management Employee Recognition
5	Employee Lifecycle Management	19 20 21 22 23 24	Digital HR People Analytics HR Policy Framework Employee Mobility HR Shared Services Payroll Management
6	Employee Relations	25 26 27 28	Employment Law Grievance Management Counselling Collective Bargaining

Table 2*New HR Functional Categories and Subcategories*

The research findings underscored the industry leaders' expectation for HR professionals to demonstrate proficiency in the core capabilities and functional competencies mentioned above. As shown in **Figure 6**, a robust understanding of the business is essential for HR professionals to align their efforts with organizational goals. This amalgamation of essential skills forms the cornerstone of success within the HR profession; as such, it is denoted as the **Leadership Model for HR Professionals (Figure 6)**, encapsulating a holistic framework for effective HR leadership.

Figure 6
Leadership Model for HR Professionals



CONCLUSION

This study takes place against the backdrop of economic, social, and political disruptions in Sri Lanka. Corporations are in dire need of top-tier professionals to navigate through adversity. However, a notable trend sees many professionals seeking opportunities abroad for brighter prospects. Notably, HR professionals played a pivotal role in stabilizing workplaces during the COVID-19 pandemic.

Drawing insights from interviews with 20 CEOs/Heads of Organizations representing leading corporates in Sri Lanka, this study aims to capture their perspectives. These CEOs emphasize the need for greater contributions from HR professionals to tackle ongoing business disruptions. While there is a clear expectation for HR professionals to play a significant role in overcoming these challenges, CEOs express reservations about their confidence in HR professionals' capabilities.

As a technical approach to address these requirements, this study presents **three key** outputs:

- **HR Capability Model:** Structured around 6 capability domains and their related subdomains, this model serves as a comprehensive framework for understanding HR professionals' capabilities required to add value to a business.
- **A high-level HR Competency Model:** Although outlined at a high-level, further exploration and clarification into the behavioral aspects are necessary before this model can be effectively utilized.
- **A high-level HR Leadership Model:** Similar to the HR Competency Model, this model requires additional refinement and exploration into behavioral dimensions to facilitate its practical application.

The AHRP Core Capability model functions as a valuable instrument for building HR teams. Concurrently, HR professionals can leverage this model to facilitate their personal and professional growth. We have outlined plans to extend this study by conducting a more in-depth examination of HR Functional Competencies in the subsequent phase.

HR THINK TANK & CAPABILITY STUDY PROJECT TEAM



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