

The *Journey* of HR

An Excerpt from *HR Competencies* (SHRM, 2008)

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What knowledge and abilities distinguish successful HR professionals? For the past twenty years, the Human Resource Competency Study (HRCS) has actively pursued this question. This study has greatly influenced the field of HR in general and defined what is required to be a successful HR professional.



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For more than 20 years, we have been participants in and observers of the human resources (HR) journey. Along the way, we have tracked the evolution of HR in response to increasing demands. This journey has more of a direction than a destination. HR wants to add value, to contribute in meaningful ways to employees and line managers inside the company and to customers, communities, partners, and investors outside the company. At times, those on the journey have been the target of snipers who discount HR's value and want to send it back to its administrative beginnings. At other times, progress has been slowed by cynics who doubt that HR can overcome its legacy and fully contribute. For the most part, the journey has been forward-looking, with growing momentum toward true value creation.

The following examples illustrate how the journey affects many in and out of the HR profession:

- Robert is a 52-year-old career HR employee. He started in compensation analysis, but has worked through many HR positions, including plant HR director, labor relations specialist, and corporate compensation director. Now he is an HR generalist in a large business unit. He finds himself under increasing pressure to know the business, to talk with senior managers about how to deliver on their results, and to participate in business strategy discussions. While he likes the increased attention and salary, he secretly wonders if he knows enough about business to really make a difference.
- Judy studied psychology because she likes people, but when she looked for a job in business, organizational development was the closest match to her background. She enjoys working with teams to help individuals work through their differences and become focused on a common goal or agenda. Lately, the teams she coaches have become more globally diverse with team members from varied backgrounds, and these teams have

enormous business pressure for results. Her manufacturing teams have to reduce inventory, increase turns, and increase quality. Her marketing and customer teams have to build customer share with demanding customers. Her corporate staff teams have to justify their existence at the risk of outsourcing. She worries that her team-building skills are not sufficient to help these teams have good relationships and deliver results.

- Harvey moved from a line manager role to the head of HR. The previous HR leader held the job for many years and had enormous personal credibility. People liked him and enjoyed working with him. Harvey, who is biased toward sales and marketing, has found that the HR team focuses mostly on activities, not deliverables. When he asked for HR metrics, his direct reports prepared activity grids of things they did; for example: number of people with so many hours in training, number of people hired, percent of people with pay-for-performance goals, days lost to benefits, etc. He learned from sales that the key is not activities, such as making sales calls, but results such as making sales. He worries that his charter is not to do more, but to deliver value – which means helping the business succeed. He wonders if his HR staff is up to the task.
- Helen is excited to be the general manager of her company's largest division. She knows that in this job, she has the responsibility to transform the business. She has created a plan with a new product mix, go-to-market strategy and financial controls. But she finds that her organization, the culture and people in the division are not moving fast enough. She feels that ultimate transformation will require a change in her people's mindset, so she turns to the head of HR for advice.
- Daniel is the HR director of a small but rapidly growing bank in India, which is hiring thousands of people every month to keep up with demand, and

losing thousands of people every month to other entrepreneurial companies. Daniel is concerned that his relentless focus on recruiting and retention prevents him from helping the business in other ways.

Each of these individuals is somewhere along the HR journey. Robert is feeling the pressure to respond to increasing business demands. It is not enough for him to be technically competent in the latest compensation, labor, or staffing practices, he now needs to engage in defining and delivering business results. Judy cannot rely on her personal reputation and high emotional intelligence to help people work together; she has to help teams respond to real business pressures. Harvey has been charged with upgrading an HR function that is slow to change. Helen knows that her business objectives depend on the quality of talent and organization she has. She hopes HR can help her deliver on her ambitious goals. Daniel is so focused on selecting, hiring, and retaining talent that he has no time to invest in or build better capability for the business in other strategic areas.

On their respective HR journeys, each of these people requires a fresh look at what it takes to be successful. They each live in an organizational world where the demands have increased and more is expected from HR. Responding to these demands will require dramatic shifts in what they know and do.

We have spent the last 20 years doing empirical research and field practice to learn specific ways in which HR can respond to current organizational challenges. We now have a longitudinal database of some 40,000 data points—the most comprehensive empirical study of the HR profession available. The richness of these data allows us to zoom in on specific issues and compelling features of HR’s journey. This book will be devoted to exploring and illuminating these issues.

WHAT IS HUMAN RESOURCES?

The term “human resources” may refer to five different subjects, each of which we hope to inform through the research and recommendations in this book.

The HR Profession

The HR profession is growing dramatically in numbers, global reach and scientific sophistication. Consider the record membership in many HR-oriented professional associations around the world:

- Society for Human Resource Management (SHRM): over 225,000 members
- Chartered Institute for Personnel Development (England and Europe): 127,000 members
- Canada Council of Human Resources: 24,000 members
- Australian Human Resource Institute: 15,000 members
- National Institute of Personnel Management, India: 11,000 members
- Association of Brazil for Human Resources: 8,000 members
- Institute of People Management, South Africa: 8,000 members

In addition, there are literally hundreds of national and local HR associations worldwide attempting to offer insight and advice on the changing HR profession. Many universities have established HR centers which focus research, teaching, and students on HR challenges; for example: Cornell, University of Illinois, Rutgers, and University of Southern California in the United States; London Business School, Henley, and Rotterdam School of Management in Europe; IAE in Argentina; and Tsinghua University in China. This book offers a long-term empirical view of what is required for HR professionals and HR departments to deliver value. Often, the HR profession is influenced by fads and clever ideas that are not grounded in research. As the HR profession becomes more of a discipline and science, fads will be replaced by decision rules grounded in research. These decision rules will guide the profession to have the impact it desires.

The HR Department

HR often refers to the department or function. As startup organizations grow, business leaders realize that they need functional expertise to meet changing business needs. Finance, IT, marketing, and HR-functional areas become separate departments or functions that

bring their expertise and knowledge to solve business problems. In larger organizations, HR departments may be very complex, with HR professionals working in embedded organization units (business, functional, or geography units), in centers of expertise where they offer specific technical advice, or in corporations where they oversee all HR work within a company. The HR department may be thought of as a “business within a business,” as these departments have strategies, goals, and the challenge of allocating resources to deliver value. This book will propose specific ways that HR departments can be focused and organized to operate more efficiently and effectively.

HR Practices

HR is the label we put on a specific set of practices, policies, procedures, and programs that manage people and organizations. There are dozens of HR practices that may be created. We have clustered this array into four categories.

People

Many HR practices deal with the flow of people within an organization. These practices include recruitment, staffing, orientation, training, development, retention, outsourcing, and other programs related to the movement of people within an organization

Performance

HR practices may deal with measurement, performance appraisal, compensation, rewards, and benefits. These practices deal with ensuring accountability through managing performance from individuals, teams, and organization units.

Information

HR practices increasingly focus on communication processes within a company, such as external public relations and internal employee communications. Communication practices need to be aligned with other HR practices to send signals to people both inside and outside the organization.

Work

HR practices related to the workflow include how to work in teams, how to design and deliver administrative policies, how to manage terms and conditions of work (e.g., labor relations), how to facilitate work processes

redesign, how to design of physical facilities and space, and how to structure a company to align with strategy. These HR practices also affect both talent and organization capability.

In this book, we will agree with others who argue that these practices need to be both aligned and integrated. Alignment means that these practices should help deliver strategic goals; integration means that they should work together. We also want to identify which HR practices are emerging and which ones will have the most impact on business results.

HR Professionals

For many people, HR refers to the group of people who make up the profession, who work in HR departments, and who design and deliver the HR practices. As suggested in the introduction, demands on HR continue to increase, and the expectations on HR professionals have changed dramatically over the 100 years since the National Cash Register Company established the first personnel department after a particularly rancorous strike in 1901.

Originally, HR professionals were expected to be administrative experts who facilitated transactions related to people and handled workforce grievances. Then, HR professionals argued that they should become partners and have a place at the management table. Today, HR professionals in leading firms sit at the table and have opportunities to participate fully in business discussions. In our research, 66% of the people who answered our survey said that their vice president of HR reported directly to the CEO. To contribute and add value to these discussions, HR professionals must not only ensure smooth administrative systems, but also consider the strategic implications of talent and organization choices. HR professionals are the primary audience for this book. We want to identify the competencies required to be an effective HR professional and suggest specific ways to assess and build the competencies that really count.

HR Issues

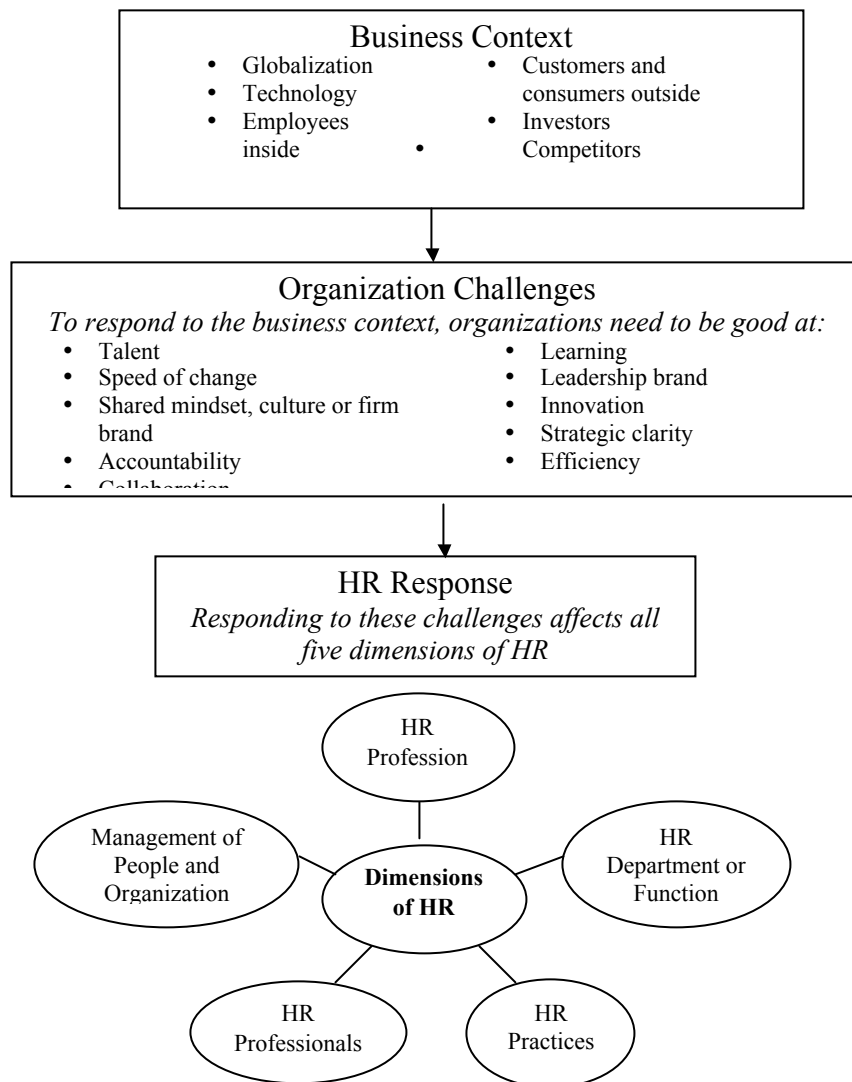
Finally, HR is often used as the label for a broad category of issues related to people management (talent, human capital, workforce) and organizations (teams, organization capability, culture), not just those issues within the HR department. The workforce and workplace are

increasingly a critical part of a firm's ability to deliver on its goals. Line managers are the ultimate owners with responsibility to ensure that an organization has both the right talent in place to deliver on expectations to customers, shareholders, communities, and employees, and the right organization capabilities in place to sustain a culture and reputation. Numerous efforts like the war for talent, balanced scorecards, and lists of top companies to work for have prescribed how line managers can better manage their people and organization. This book will suggest not only what line managers can expect from HR professionals, but what they must value, know, and do to ensure that people and organizations deliver value.

Each of these five views of HR is driven by a common agenda: to deliver value. When HR departments, practices, professionals and people focus more on what they deliver than on what they do, value is created. This value might come from people being more competent or committed and/or organizations having the capabilities required to meet customer and investor expectations. Thus, the HR journey has a definite direction (to create value) and growing ranks of travelers who are committed to follow through on this promise.

By targeting each of these five dimension of HR (profession, department, practices, professional, and broader issues of people/organization), we want to ensure that the new HR will exceed the expectations of employees

Figure 1.1: *The New HR*



and line managers inside an organization and investors, customers and communities outside. To deliver value, the new HR needs to understand the business context and challenges contained in a changing business context as shown in Figure 1.1.

CHANGING BUSINESS CONTEXT

Similar themes surface in conferences focused on the world of business. Globalization has made the world a global village with new markets offering new challenges and opportunities, especially in China, India, Brazil, and Russia. Global issues like trade barriers, exchange rates, tariffs, and distribution have become important elements of managerial choice. Technology has increased access, accessibility, visibility, and connection. The connected world is smaller, rapidly changing, and has more open information. Employees represent increasingly diverse demographic backgrounds including not only race and gender, but personal preferences, global or cultural backgrounds, and orientation to work. In some parts of the world, employees are aging more than in others. Employee expectations are constantly rising as they gain in education and skills. Customers have become increasingly segmented, literate and demanding. As they have greater choice, they become more selective with whom they work. Investors have become increasingly attuned to and actively concerned about not only financial results, but intangibles. Competitors come from both traditional large global players and increasingly smaller innovators.

Many spend enormous time specifying these trends and their implications on business in general and HR in particular. Most of these trends are outside the control of any one individual or any one company. They occur in both predictable and unpredictable ways. They affect all aspects of business, including how to fund a firm, how to position the firm in customers' minds, and how to engineer and deliver products. They also affect human resources. HR's legacy was to monitor terms and conditions of work through industrial relations, then to design systems and practices that shape how people are treated in an organization. With this orientation, HR professionals had little reason to be more than casual

observers of business trends. Now, the HR profession is being asked to help businesses compete, and to do so, HR must not only observe, but understand and adapt to these business trends.

Organization Responses

The business context offers challenges to which organizations must respond. When organizations are defined through their capabilities more than their hierarchies, managers have to learn to create capabilities to respond to these business challenges. These capabilities represent what the organization is known for, what it is good at doing, and how it patterns activities to deliver value. The capabilities define many of the intangibles that investors pay attention to and the firm brand to which customers can relate. These capabilities also become the middle ground between line managers who build strategies and HR professionals who implement strategies.

Line managers take primary responsibility for shaping strategy and HR professionals take primary responsibility for crafting HR practices to support the strategy. But line managers and HR professionals share in the diagnosis and investment in organization capabilities. For line managers, these capabilities become the culture that drives sustainable business success. For HR professionals, these capabilities become the deliverables or outcomes of their work. These capabilities can be tracked and measured so that they are taken seriously within the organization. In Figure 1.2, we have identified 10 possible capabilities, each of which define an organization capability and specify expectations for HR professionals. Understanding and delivering against these capabilities raises the bar for HR.

Talent

We are good at attracting, motivating, and retaining competent and committed people. Assuring talent means going beyond the platitudes such as "people are our most important asset" and "strategy follows people" and investing time and resources to secure superior talent. Employees must be both competent and committed. Competent employees have the skills for today's and tomorrow's business requirements. Committed employees deploy those skills regularly and predictably.

Figure 1.2: Organizational Capabilities and their Implications for HR Professionals

Principle: We are good at...	Capability: An organization is known for and successful if...	HR professionals should be able to...
Talent: Assuring competent and committed people	It is able to attract, motivate, retain and engage competent employees	<ul style="list-style-type: none"> Do talent audits of what is and what isn't necessary Build an employee value proposition that engages talented employees
Speed: Making important changes happen fast	It is able to change and change quickly to align with customer needs	<ul style="list-style-type: none"> Build and enact a disciplined change process Assimilate change into a new identity
Shared Mindset: Turning customer reputation and identity into employee actions	It is able to build a culture that reflects customer expectations and turns them into employee actions	<ul style="list-style-type: none"> Perform a cultural audit Make customer reputation real to employees
Accountability: Implementing disciplines that result in high performance	It is able to meet commitments and do what it says it will do	<ul style="list-style-type: none"> Build and implement a disciplined performance management system Follow up to ensure consequences
Collaboration: Working across boundaries to ensure leverage and efficiency	It is able to make the whole more than the sum of the parts	<ul style="list-style-type: none"> Increase efficiency through productivity improvement efforts Increase leverage by sharing ideas, people, products, services
Learning: Generating and generalizing ideas with impact	It is able to generate new ideas and then generalize those ideas across boundaries	<ul style="list-style-type: none"> Generate new ideas by experimenting, acquiring skills, continuous improvement, benchmarking Generalize ideas across boundaries
Leadership Brand: Embedding leaders throughout the organization who embody the Leadership Brand	It is able to identify a Leadership Brand that connects customer reputation and employee behaviors	<ul style="list-style-type: none"> Ensure that leaders demonstrate leadership basics, or the Leadership Code Prepare a statement of Leadership Brand and invest in it
Customer Connection: Building relationships of trust with targeted customers	It is able to create a variety of practices that creates customer connectivity	<ul style="list-style-type: none"> Track share of targeted customers Create plans that result in a convergence between employee and customer mindsets
Innovation: Doing something new in both content and process	It is able to innovate and create new ways to do things	<ul style="list-style-type: none"> Establish an innovation protocol that helps shape new ideas Instil a spirit of innovation among all employees
Strategic Unity: Articulating and sharing a strategic point of view	It is able to create a unity of shared understanding of the desired strategy	<ul style="list-style-type: none"> Create an intellectual, behavioral, and process aganeda Track strategic unity
Efficiency: Managing costs of operation	It is able to manage costs efficiently	<ul style="list-style-type: none"> Use the balance sheet and income statement to track efficiency Reduce costs through process, people and projects

HR professionals may assess the extent to which their organization regularly attracts and keeps top talent and the extent to which that talent is productive and focused. Assuring competent employees comes as organizations buy (bring in new talent), build (develop existing talent), bound (move the right talent into increasingly responsible positions), borrow (access thought leaders through alliances or partnerships), bounce (remove poor talent), and bind (keep the best talent). See Chapter 5 for more information on the “six Bs.”

Speed

We are good at making important changes happen fast. Gaining speed goes beyond change to fast change. Speed means that the organization has an ability to identify and move quickly into new markets, new products, new employee contracts and new business processes. Leaders embed this capability into the organization by being focused on making decisions rigorously, by implementing change processes throughout their organization, by removing bureaucratic barriers to change, and by eliminating organizational viruses. Building the capacity to change takes time because the laws of inertia keep change from happening but when large firms can act like small nimble firms, they have mastered the speed capability.

Shared Mindset

We are good at ensuring that customers and employees have positive images of and experiences with our organization. Gaining a shared mindset, or firm brand identity, becomes a vital capability. Many firms have moved from individual product brands to firm brands. The Marriott name on a hotel adds value because it gives the traveler confidence in the product. Being affiliated with the Olympics brand is worth millions to companies that want to be associated with the positive image of the Olympics tradition. HR professionals help identify and shape their shared mindset, or firm brand, by building a consensus among their management team of what they want the firm to be “known for” by its best customers in the future. Once a consensus is reached on this identity, they may invest in a series of actions to make the identity real to both customers and employees.

Accountability

We are good at the disciplines that result in high performance. Some firms have developed accountability habits. It is not acceptable to miss goals. Performance accountability becomes a firm capability when employees realize that they must meet their performance expectations. Accountability comes when strategies translate into measurable standards of performance, and then when rewards are linked to meeting or missing standards. When there is a line of sight between rewards, appraisals, and strategies, accountability is more likely to follow. When an HR professional designs an employee performance appraisal form, it should reflect the strategy the employee is attempting to accomplish and what specific actions the employee should take to help accomplish the strategy. Financial and non-financial rewards reinforce the strategy and enable the employee to receive clear and definitive feedback on his performance.

Collaboration

We are good at working across boundaries to ensure both efficiency and leverage. The whole needs to be greater than the sum of the parts. Some organizations have more value when broken in pieces, rather than held together. These organizations do not understand that collaboration is a capability. Collaboration may come when the combined organization gains efficiencies of operation through shared services, technology, or economies of scale.

Collaboration also may come when the combined organization accomplishes more together than it could separately through learning and sharing ideas across boundaries, allocating resources to key areas, and creating strategies that leverage products and customers. HR professionals build collaboration by seeking both efficiencies and leverage throughout the organization.

Learning

We are good at generating and generalizing ideas with impact. Generating new ideas comes from benchmarking (seeing what others have done and adapting it), experimentation (trying new things to see if and how they work), competence acquisition (hiring or developing people with new skills and ideas), and continuous improve-

ment (improving on what was done through suggestion systems and process analysis). Generalizing ideas means that the ideas move across a boundary of time (from one leader to his or her successor), space (from one geography to another), or structure (from one business unit to another). Sharing ideas across boundaries may be done through leveraging technology, creating communities of practice, or moving people. HR professionals who encourage individual and team learning also can create organization learning through these practices.

Leadership

We are good at embedding leaders throughout the organization who deliver the right results in the right way by carrying our leadership brand. Some organizations produce leaders. These organizations generally have a leadership brand, or clear statement of what leaders should know, be and do. A leadership brand exists when the leaders from top to bottom of an organization have a unique identity. These leaders are identifiable. They are focused. They possess attributes of success and deliver results. HR professionals have the responsibility to produce the next generation of leaders by helping establish the leadership brand, assessing the gaps in the present leadership against this brand, then investing in future leaders.

Customer Connection

We are good at building enduring relationships of trust with targeted customers. Many firms have discovered through customer value analysis that 20% of customers account for 80% of business performance. These targeted customers become absolutely critical for a firm to compete and win. Customer connectivity originates in a variety of practices. It may start with databases that identify and track each individual customer preferences. Customer connectivity may also come from dedicated account teams who build long-term relationships with targeted accounts.

Customer connection may also come from involving a customer in the firm's HR practices. To leverage such opportunities, many firms are including customers in staffing, training, compensation, and communication practices. The net result of these activities is customer intimacy and the resultant sales. Customer connectivity may also be enhanced when large proportions of the employee population have meaningful exposure to or interaction

with external customers. All of these result in an information and mindset convergence between employees and customers.

Innovation

We are good at doing something new in both content and process. Innovation focuses on creating opportunities for the future rather than relying on past successes. Innovation fosters growth. It excites employees by focusing on what can be, anticipates customer requests and delights customers with what they did not expect, and builds confidence with investors by creating intangible value. HR professionals who focus on innovation constantly ask, "What's next?" in all domains of their business. Innovative product offerings include revolutionary new products or product extensions (that is, added features, performance, or functionality). Business strategy innovation changes how the enterprise makes money (as with the current emphasis on services), where the enterprise does business (opening up new geographies), how the enterprise goes to market (via new channels), how the customers experience the firm (its brand identity), or how the firm serves customers (as when eBay discovered it could grow by helping customers sell things to each other). Administrative innovation occurs when new processes are introduced in finance, IT, marketing, HR, manufacturing, or other staff systems.

Strategic Unity

We are good at articulating and sharing a strategic point of view. More organizations have strategies than accomplish them. Often this comes because there is not a unity of shared understanding of the desired strategy. Three agendas go into creating strategic unity. An intellectual agenda assures that employees from top to bottom share both what the strategy is and why it is important. This agenda is delivered through simple messages repeated constantly. A behavioral agenda assures that the strategy shapes how employees behave by telling employees what to do and by asking employees what they will do based on the strategy. By allowing employees to define their behaviors relative to strategy, they become committed to it. A process agenda ensures that the organization's processes, such as budgeting, hiring and decision making, align with strategy. These processes may be reengineered to ensure that they create unity. When all three agendas are in place, strategic unity follows.

Efficiency

We are good at managing the costs of operation. In competitive markets, managing costs efficiently increases flexibility. HR professionals may reduce costs through process, people and projects. Process improvements come through kaizen or other productivity improvement efforts that reduce variance, remove steps in getting work done, reduce inventories and work space, and assure a flow of products and services. People improvements come from doing more with less through technology, teams, and more efficient processes. Project investments come from managing capital spending to allocate money wisely for future investments. HR professionals who only pay attention to costs and ignore growth fail because no company can save its way to prosperity, but HR professionals who avoid costs and efficiency improvements will not likely have the opportunity to grow the top line.

Clearly, these are not the only capabilities that HR professionals working with leaders may instill into an organization. But they are indicative of the types of capabilities that make intangibles tangible. They delight customers, engage employees, establish reputations among investors, and provide long-term sustainable value. These capabilities become the intangibles that investors value and the deliverables that HR departments must offer.

HR Responses

The response of HR to the business context and organization capabilities requires change in all five dimensions of HR: the HR profession, the HR department or function, HR practices, HR professionals, and HR issues.

HR Profession

The HR profession is moving towards being more aligned with business outcomes. In HR conferences sponsored by HR professional associations, presentations are increasingly focused on business topics and building organization capabilities. While it is imperative that the technical aspects of HR practices remain current, mastery of the technical elements of HR is increasingly only the ticket of admission. For example, SHRM's monthly publication recently has featured headlines and articles that reflect the changing HR profession, such as "HR and the Board," "HR Outsourcing" and "HR Measurement and Analytics." HR professional associations will both lead and respond to the new expectations on HR.

HR Department or Function

To respond to the business context and create requisite capabilities, HR departments are evolving in how they deliver HR. Increasingly, HR departments are being split in half, with one half focusing on HR transactions and operations and the other half on HR transformation and strategic work. Both parts add value: the transaction work ensures efficiency, cost control and error-free work; the transformation work enables strategies to be executed.

HR transactions must be done to ensure that employees' administrative concerns are treated quickly and accurately. But they should also be done to minimize costs while maintaining parity levels of quality and service. The production of administrative efficiency comes through establishment of service centers where HR work is consolidated, through e-HR where employees become self-reliant and connected through technology, and through outsourcing HR to a service provider who can ensure consistency and efficiency. This mix of processes helps streamline and reduce the cost of HR operations. It also reduces the number of people who work in HR by automating, standardizing, and reengineering HR processes. We have also observed that HR professionals can't do the transformational work until they find a way to manage the transactional. There's simply no time. Transactional work is short term, urgent, and concrete. Transformational work is longer term, conceptual, and ambiguous. When faced with both sets of tasks simultaneously, the transactional work wins. Transactional work pushes out the time to do strategic work.

HR transformational or strategic work requires collaboration among embedded HR professionals and those working in centers of expertise. Embedded HR professionals may be called generalists, partners, relationship managers, or business-based HR. Regardless of their title, they are assigned to work with organization units (business, geography, or functional unit). Their task is to participate in the strategic planning process and ensure that strategies happen through organization capabilities. They sit on the management team of their unit, they conduct organization and intangibles audits, they set organization priorities, and they source HR expertise from centers of expertise. They are measured by the extent to which they can help make strategies happen.

HR professionals in centers of expertise are known for their technical acumen. They keep current in their specialty area, but are also able to tailor and adapt ideas to the requirements of the business units. They contract their knowledge to the embedded HR professionals to help solve problems. They create menus of choices for delivering state-of-the-art HR. They share knowledge from one unit to another. They also represent some of the corporate initiatives sponsored by the executives. They are measured by the application of innovative HR practices throughout the company and the extent to which the company shares experiences across units.

HR professionals engaged in operational execution work become consultants and solution providers within the business. These are talented HR professionals who bridge the knowledge from centers of expertise with the strategic requirements defined by the embedded HR generalists. These are the people who make the analytical, operational, and tactical processes of HR happen. They take strategic advice from the embedded HR strategist and couple it with HR insight from the centers of expertise, then define and implement projects. They enable the HR generalists to focus on strategy and the centers of expertise to focus on technical depth.

Corporate HR professionals have responsibility for the HR philosophies that permeate the entire organization. They represent the firm to external stakeholders (regulators, investors, and communities) and need to help establish a corporate brand or reputation. They also help senior executives select HR initiatives that will permeate the entire organization. They work with boards to ensure effective governance and with senior executive leaders as coaches and team facilitators.

The culmination of embedded HR, centers of expertise, operational HR, and corporate HR professionals ensures that the HR organization operates as a unified team that creates value through transformation.

HR Practices

The practices of HR (people, performance, information, and work) are evolving to deliver value. While innovations are occurring within each specific practice (e.g., innovations in executive compensation through performance shares rather than stock options), some patterns are evident across practices. First, the HR practices are being aligned and managed through an external custom-

er and investor lens. In staffing, it is no longer sufficient to be the “employer of choice.” It is important to be the “employer of choice of employees our customers would choose.”

In training, it is no longer enough to offer action learning, case studies, and skill-based training. This training needs to prepare employees who will respond to customer expectations. In communications, it is not enough to share messages with employees, but with customers and investors as well. The practices may be built around customer and investor expectations, such as “Let’s train our employees in what the customer expects them to know.” The HR practices may involve the customer in the design and delivery of this practice; for example, involve customers in designing, participating in, and delivering training activities.

Second, HR practices are increasingly being aligned to deliver strategy through capabilities. The firm’s strategy defines how it allocates resources to respond to the challenges of the business context. The capabilities represent the organization’s unique identity and characteristics that enable it to respond to business context. HR practices that deliver capabilities are much better aligned to strategy.

Third, HR practices are becoming more integrated. A firm might hire people with skills A, B, and C, and then train employees in skills D, E, and F, and pay people to do G, H, and I. The firm then wonders why employees don’t have a shared focus. Integration of HR practices means that they all focus on the same expectations. These expectations are governed by the capabilities the organization is attempting to generate.

Finally, HR practices are evolving to include more practices. Originally, HR practices focused on bringing in good people. HR practices have evolved to include performance management and are continuing to evolve to include communications and work design. Any action within a company that sends signals to employees, customers or investors about what is important and what matters most should be aligned with other HR practices.

Work space is one interesting example. Anyone who has walked into an office building or an office can attest to the signal sent by the work space. The office layout, placement of the desks and chairs, colors, lighting, symbols, and pictures all create an impression of the organization

and the individuals working there. When HR professionals participate in conceiving and designing work places, they help shape the organization's capabilities.

HR Professionals

The business context and organization capabilities required to succeed have raised the bar for HR professionals. Those who succeeded 30, 20, or even 10 years ago likely would not succeed today. HR professionals are expected to play new roles. HR roles play a large part in the identity and reputation of HR professionals. As evidenced in the cases at the beginning of the chapter, HR professionals need to learn how to play roles that require technical expertise and apply that expertise to business performance. HR professionals need new competencies to play such roles. The bulk of this book focuses on the competencies required for HR professionals to play these roles and deliver value.

HR Issues

HR issues encompass the management of people and the organization. We would be remiss if we did not highlight the importance of the line manager in managing both people and the organization. HR is not just for HR. It affects the quality of individual talent and organization capabilities that must exist within an organization. We believe the line manager is the ultimate owner of both the workforce and the workplace. When playing the right roles with the right competencies, HR professionals become activists, executors, allies, architects, stewards, and designers of managing both people and organizations. Line managers retain responsibility, however, for building capabilities that respond to business conditions.

ORGANIZATION OF THIS BOOK

As we have traveled on this HR journey for the past 20 years, we have continually studied how HR can respond to the business context and organization challenges synthesized in this chapter. This book reports that research, with a focus on how the data can be turned into actions that shape the HR profession and departments, as well as its practices and professionals. Chapter 2 provides a "big picture" view of the Human Resource Competency Study (HRCS). We lay out the research design, provide a brief history of HR competency models, and report on findings of past iterations of this research. We also summarize the overall results of the most recent (2007) HRCS. In this survey, we found that HR professionals need to master six competency domains: Credible Activist, Cul-

ture & Change Steward, Talent Manager/ Organization Designer, Strategy Architect, Operational Executor, and Business Ally. The research creating these domains and the overall impact of these domains will be reported.

Chapters 3 through 8 dive deep into each of the six domains, presenting research that articulates the factors that define excellence in each:

- Chapter 3 explores how to be a Credible Activist by simultaneously building relationships of trust and delivering business results.
- Chapter 4 treats the interrelated topics of culture and change, focusing on how to make changes happen while weaving them together into a cultural story.
- Chapter 5 discusses how HR professionals can ensure that their companies have both talented individuals with the ability to compete, and dynamic organizations with the capabilities to sustain new strategies.
- Chapter 6 outlines the role of HR in not only helping execute strategy, but in actively participating in its creation by staying close to external customers.
- Chapter 7 examines the Operational Executor who is responsible to ensure that crucial administrative matters and day-to-day tasks are efficiently and flawlessly delivered.
- Chapter 8 shows why HR professionals must know how companies make money, and the broader societal context in which they compete.

We also share case studies of individuals and companies who excel at the skills required by each domain, and suggest specific development activities to increase HR competence in these skills.

- Chapter 9 takes a research-based look at the HR department. We will identify how the department should connect with key stakeholders, where it should focus attention, and which HR practices should be prioritized to deliver business success. This chapter suggests that it is not just competent HR professionals who make a difference, but also high-performing HR departments.
- Chapter 10 highlights implications of this work for the HR profession and for line managers who have ultimate responsibility for people and organizations. This chapter also suggests that the research we have done may be a model for staff leadership and suggests ways that other functions might engage in similar research to deliver value.

About the Authors



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Dave has consulted and done research with over half of the Fortune 200. Dave was the editor of the Human Resource Management Journal 1990 to 1999, has served on the editorial board of 4 other journals, is on the Board of Directors for Herman Miller, is a Fellow in the National Academy of Human Resources, and is co-founder of the Michigan Human Resource Partnership



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HR Competency Study

Round Five Executive Summary

This Executive Summary reviews the findings of the fifth round of the Human Resource Competency Study, conducted jointly by the RBL Group and the Ross School at the University of Michigan. This study has been conducted 5 times over the past 20 years and has provided the most comprehensive global empirical review of the HR profession. Over the lifespan of the study over 40,000 HR professionals and their line management associates have been involved.

For more detailed information, please see our book "HR Competencies."



HR Competency Study Round Five



EXECUTIVE SUMMARY

This Executive Summary reviews the findings of the fifth round of the Human Resource Competency Study, conducted jointly by the RBL Group and the Ross School at the University of Michigan. This study has been conducted 5 times over the past 20 years and has provided the most comprehensive global empirical review of the HR profession. Over the lifespan of the study over 40,000 HR professionals and their line management associates have been involved.

To expand the global reach of the HR Competency Study, we worked with partner organizations in six distinct regions around the world:

Region & Partnering Organization

- North America, Society for Human Resource Management (SHRM)
- Latin America, IAE School of Business
- Europe, Irish Management Institute (IMI)
- China, Tsinghua University
- Australia, Australia Human Resource Institute (AHRI)
- India, National HRD Network

With the help of these regional partners, Round Five of the HR Competency Study involved the participation of over 10,000 HR professionals and their line management.

The information in this executive summary is divided into three parts:

1. Business Context and Demographics
2. The New HR Competency Model
3. Key Findings

1. BUSINESS CONTEXT AND DEMOGRAPHICS

Business Context

In our dealings in the world of business, similar themes continually surface. Globalization has made the world a global village and new markets (particularly in China,

India, Brazil, and Russia) offer new challenges and opportunities. Global issues like trade barriers, exchange rates, tariffs, and distribution become important elements of managerial choice. Technology has increased accessibility, visibility, and connection. The connected world is smaller, changing rapidly, and has more open information. Employees represent increasingly diverse demographic backgrounds. In some parts of the world, the workforce is aging more than in others. Employee expectations are constantly rising as they gain in education and skills. Customers have become increasingly segmented, literate, and demanding. Investors have become increasingly attuned to and actively concerned about not only financial results, but intangibles. Competitors come from both traditional large global players and increasingly smaller investors.

Many spend enormous time specifying these trends and their implications on the business. Most of these trends are outside the control of any one individual or any one company. They occur in both predictable and unpredictable ways. They affect all aspects of business from how to fund a firm to how to position the firm in customer minds and how to engineer and deliver products. They also affect Human Resources. HR Practices are becoming more integrated, aligned, and innovative. HR Departments are operating more like a business within the business with a clear strategy and channels of distribution. HR professionals are expected to contribute by the competencies they possess.

Demographics

Round five of HRCS is based on a 360 degree methodology with about 1,700 participants and 8,300 associate raters. Overall, this data set is comprised of survey responses from over 10,000 HR professionals and their line management from six regions. More than ever before, this has been a global effort. Number of respondents by region can be seen in Table 1.

Table 1: *Demographics by Region*

	US & Canada	Latin America	Europe	China	Australia/Asia Pacific	India
# of Respondents	2,773	2,127	1,553	2,110	1,235	263
% of Respondents	28%	21%	15%	21%	12%	3%

These respondents comprise three groups:

- Participating HR professionals completed the survey in evaluating themselves
- HR professionals (who are peers or associates) evaluated the participating HR professionals
- Non-HR associates (who are generally line executives and internal customers) evaluated the participating HR professionals

These groups provided the opportunity to look at different perspectives regarding HR as a profession, the HR department, and the competencies needed by HR professionals to be effective in their organization.

Within this dataset, several trends are apparent simply by looking at the demographics of the dataset. Some of these trends are as follows:

- *More women in HR.* In 1988, 23% of participants were women; in 2007 (round five), that number had increased to 54%.
- *People joining HR from other areas.* Years of professional experience versus years in HR indicate that HR professionals are joining HR from other functional areas.
- *China has an emerging HR profession.* 60% of participants have fewer than 5 years experience in HR.
- *Functional HR to Embedded HR.* There appears to be a trend away from functional HR and into embedded HR (except China, which remains largely functional).

2. THE NEW HR COMPETENCY MODEL

Six major categories or domains of HR competencies emerged from the fifth round of the Human Resource Competency Study. We define the HR competencies not just as knowledge, ability, and values, but also as the ability to use this knowledge. For example, in the past we defined the domain Business Knowledge as knowledge about the business in which an HR professional works. In the current study, we now call this domain Business Ally, implying a more active role in applying that knowledge. We see HR professionals as needing to know, but more importantly, needing to do what they know. The HR Competency Model (Figure 1) can be found below, followed by a short explanation of each competency domain.

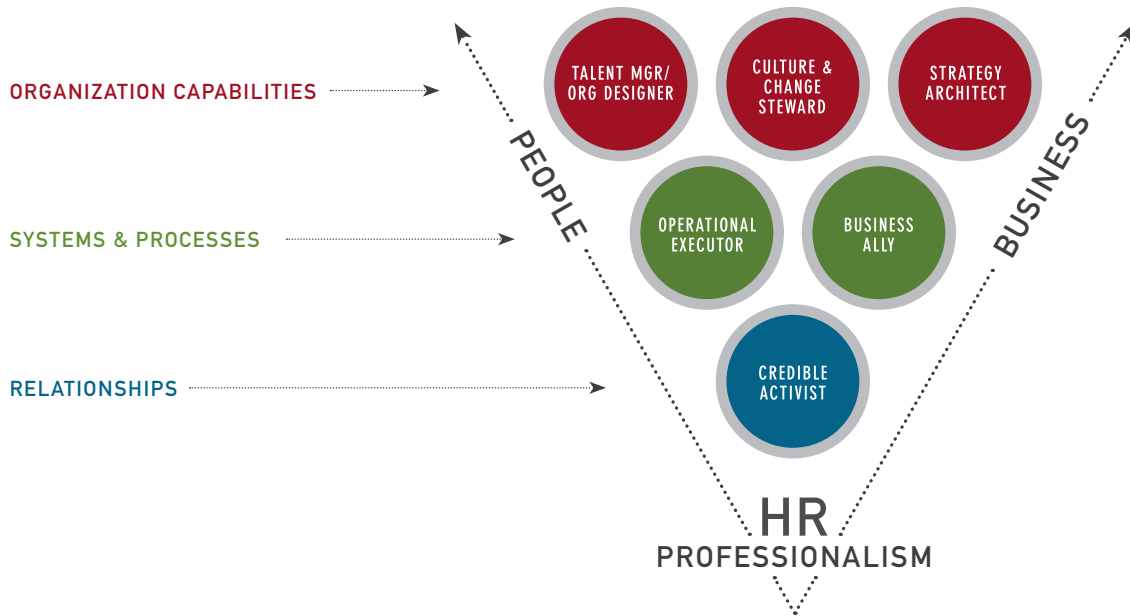
Credible Activist

The HR professional is both credible (respected, admired, listened to) and active (offers a point of view, takes a position, challenges assumptions). Some have called this HR with an attitude. HR professionals who are credible but not activists are admired, but do not have much impact. Those who are activists but not credible may have ideas but will not be listened to.

Culture and Change Steward

The HR professional recognizes, articulates, and helps shape a company's culture. Culture is a pattern of activities more than a single event. Ideally this culture starts

Figure 1: HR Competency Model



with clarity around external customer expectations (firm identity or brand), and then translates these expectations into internal employee and organization behaviors.

As stewards of culture, HR professionals respect the past culture and also can help to shape a new culture. They coach managers in how their actions reflect and drive culture; they weave the cultural standards into HR practices and processes; and they make culture real to employees.

Additionally, successful HR professionals facilitate change in two ways. First, they help make culture happen. Second, they develop disciplines to make changes happen throughout the organization. This may include implementation of strategy, projects, or initiatives. They help turn what is known into what is done.

Talent Manager/Organizational Designer

The HR professional masters theory, research, and practice in both talent management and organizational design. Talent management focuses on how individuals enter, move up, across, or out of the organization. Organizational design focuses on the capabilities an organization has that are embedded in the structure, processes, and policies that shape how an organization works.

HR professionals should make sure that these HR practices are aligned with customer expectations and strategy, integrated with each other, and innovative. HR is not just about talent or organization, but about the two of them together. Good talent without a supporting organization will not be sustained and a good organization will not fully deliver without good talent.

Strategy Architect

The HR professional has a vision for how the organization can win in the future and plays an active part in the establishment of the overall strategy to deliver on this vision. This incorporates recognizing business trends and their impact on the business, being able to forecast potential obstacles to success, and facilitating the process of gaining strategic clarity.

The HR professional also contributes to the building of the overall strategy by linking the internal organization to external customer expectations. This linkage helps make customer-driven business strategies real to the employees of the company.

Operational Executor

The HR professional executes the operational aspects of managing people and organizations. Policies need to

be drafted, adapted, and implemented. Employees also have many administrative needs (e.g., to be paid, relocated, hired, trained, etc.)

HR professionals ensure that these basic needs are efficiently dealt with through technology, shared services, and/or outsourcing. This operational work of HR ensures credibility if executed flawlessly and grounded in the consistent application of policies.

Business Ally

The HR professional contributes to the success of the business. Businesses succeed by setting goals and objectives that allow them to respond to external conditions. HR professionals contribute to the success of a business by knowing the social context or setting in which their business operates. They also know how the business makes money, which we call the value chain of the business (who customers are and why they buy the company's products or services). And, they have a base understanding of the parts of the business (finance, marketing, R&D, engineering) so that they can help the business organize to make money.

3. KEY FINDINGS

In analyzing the data, we spent a lot of time comparing subsets of the data (HR vs. Non-HR, associate rater vs. participant, regions) all of which help identify requirements for how HR can add value. For the purposes of this report, initial impressions and findings are divided into three areas: (1) general findings, (2) findings that matter to the HR professional, and (3) findings that matter to the overall HR department.

General Findings

Differences in Perception. In the comparison of several subsets of this dataset, two specific differences became apparent from the factor analysis.

- *Customer views for HR.* Non-HR associate raters believe that external customers can and should be brought into the HR work. HR respondents did not perceive this. This indicates that HR practitioners may still be defining "customers" as employees and line managers and not as the external customers of the firm. HR professionals need to pay more attention to the real external customer and find ways to bring them into the organization. When this factor

is regressed against business performance, it is 7% higher (27% vs. 20%) for non-HR associates than it is for HR participants and associates, meaning that non-HR associates view it as having a stronger effect on the business than do their HR counterparts.

- *Designing Rewards Systems.* Non-HR associate raters seem to see reward systems (compensation, benefits, performance appraisal, etc.) as connected to the HR practices of talent management and organization development. HR associates and participants put reward activities together with operational/tactical items. This is a fascinating difference in opinion. It may be that HR departments are shifting their more strategic work to talent and organization and compensation is beginning to be more routine and transactional. It may be that compensation and talent management/organization design professionals are becoming separated (compensation people don't attend TMOD conferences, and vice versa). This could be a weakness in building an integrated view of HR practices. Clearly, compensation systems affect, or at least reinforce, actions of employees, but they may not be as integrated as they could or should be with other HR work.

Emerging markets. The amount of emphasis put on each of the competencies for HR professionals varies by emerging vs. traditional markets. In emerging markets (India, China), HR professionals need to pay more attention to the Operational Executor and Business Ally skills, whereas in the mature markets these items are seen as table stakes or tickets of admission to the partner role.

Talent Manager and Organization Designer. In our initial factor analysis, talent and organization items factored within the same domain, indicating that while they are different, they need to be connected. It is not enough to get good people (ergo a danger of moving to human capital) without having an organization that sustains it. This is a significant shift away from the current trend, where many HR professionals focus extensively on talent management. Talent management without attention to organization capability is insufficient. This idea is reinforced by the impact that the HR department has on business performance. HR departments account for around 25% of business performance, while HR competencies of individual HR professionals account for about 20%.

Culture Steward. In previous work, culture was subsumed under “strategic contribution.” This time it formed a unique domain. Evidently in the last few years HR’s ability to define, create, manage, and change culture has become a unique source of competence that HR professionals must demonstrate. Somewhat ironically, this domain is the 2nd highest rated in predicting performance of both HR professionals and HR department effectiveness (above Strategy Architect and Talent Manager/Organization Designer). So, HR professionals are being asked to manage culture and they seem to be doing it better than some of the more traditional roles. This may indicate a shift in how HR is viewed.

Findings for the HR Professional

Business impact. Based on other research, management has about 50% influence on a firm’s performance; the other 50% is outside the control of management (economic conditions, competitors’ actions, etc.).¹ HR is a part of the managerial 50% (in addition to choices about strategy, marketing, manufacturing, etc). The overall impact of what HR professionals know and do has increased in terms of its impact on business performance to roughly 20%. So, the competencies of HR professionals account for roughly 20% of the 50% of managerial impact on business results.

Non-HR respondents want HR professionals to play a more active role. Increasingly, business demands place a higher set of expectations on HR professionals. Non-HR professionals want more from HR professionals than ever before.

Credible Activist. This domain showed the highest importance in predicting the effectiveness of an HR professional. HR professionals must earn their credibility by building relationships of trust, but they then must take an active stance to make a difference in results. Credibility is not enough without action, particularly action within the other five domains.

Culture and Change Steward, Talent Manager/Organization Designer, and Strategy Architect. These three domains of HR competence form a collection of things HR professionals should know and do to make a difference. As noted, culture means turning events into patterns. Talent Managers ensure a flow of future talent. Organization Designers make sure that the organization

has the capabilities to compete. Strategy Architects pay attention to the business’s competitiveness and customers.

Business Ally and Operational Executor. We find that these are table stakes. They are necessary but not sufficient. As mentioned above, in emerging markets (China, India) these are more important for the success of the HR professional than in more mature markets where the managers may assume that HR professionals can do these things.

Findings for the HR Department

HR department focus. HR departments have 25% more impact on the performance of the business than the competencies of the HR professionals. In previous years, we encouraged building the talent of individual HR professionals; now we need to make sure that the HR department works well as a function.

Stakeholders. HR departments need to focus on a mix of all stakeholders to have full impact on the business. We assume (but did not test) that in previous years, HR primarily focused on employees and line managers, but we found that an equal focus on customers, investors, and communities affects business results. It is not enough to have talented HR people; we need capable HR departments. The old adage “I like my HR person; I hate my HR department” may be out of date. We also found that HR departments should build practices and activities with an eye to employees and investors, but they should involve line managers and customers to make things happen.

HR organization. When the HR organization is aligned with the business strategy and with the business organization, higher business results follow.

CONCLUSION

The business context and organization capabilities required to succeed have raised the bar on HR professionals. HR professionals who would have succeeded 30, 20, even 10 years ago would not be as likely to succeed today. HR professionals are expected to play new roles, and to be able to play those roles, they need new competencies. As a result of the HR Competency Study we have a greater understanding of the competencies

needed by HR professionals and agendas needed by HR departments to impact business performance.

Moving forward, we plan to continue data collection in India to get a larger and more workable sample. We will also be partnering with an organization in the Middle East to collect data in that region. This year will be spent continuing the analysis we have begun to better understand the implications of the results of the survey. Our regional partners will likewise be delving into the research to understand the implications for their regions specifically. Future publications and presentations of the results will be directed to both the academic and professional community.

End Notes

1 Anita McGahan and Michael Porter, "How Much Does Industry Matter, Really?" *Strategic Management Journal*, 18 (Summer special issue): 15-30, 1997.

Rumelt, Richard. 1991. How Much Does Industry Matter? *Strategic Management Journal*, 12(3), pp. 167-185.

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