



Book HR Transformation

Building Human Resources From the Outside In

Dave Ulrich, Justin Allen, Wayne Brockbank, Jon Younger and Mark Nyman
McGraw-Hill, 2009

Recommendation

Is your company’s human resources operation a true “business partner” that makes a major contribution to your bottom line? Or does it merely fulfill the daily tasks of hiring, firing and paying your employees? If the latter, don’t worry – that can change. So say the human resources experts who founded the RBL Group and the RBL Institute, a consultancy and an educational organization dedicated to helping HR leaders attain new levels of professionalism. Using the institute’s tools and tactics, you can “transform” your human resources department into a valued, knowledgeable and contributing member of your corporate team. While you don’t have to be a human resources professional to benefit from this book, its HR-speak presents a pretty dense thicket that might daunt a novice. Nevertheless, *BooksInShort* suspects that dedicated professionals will find valuable strategic knowledge here that makes the effort worthwhile.

Take-Aways

- Your human resources department should make valuable contributions to your company’s bottom line.
- Yet many HR departments concentrate only on their “internal functions.”
- Instead, HR should take a full corporate view to become a strategic “business partner.”
- Accomplishing this requires committing to a four-step “HR transformation”:
- The first step analyzes your firm’s “business context” to learn how HR can contribute to the company’s success.
- The second step “defines the outcomes” or capabilities you wish HR to foster.
- The third step is to “redesign” your human resources department to upgrade its results.
- The fourth step focuses on the transformation process’s "accountability" to stakeholders.
- Those stakeholders include not just employees and managers but customers, investors, rivals, vendors, regulators and the larger community.
- Flextronics, Pfizer, Intel and Takeda have successfully implemented HR transformations at different stages of their businesses and for different reasons.

Summary

Not Good Enough

Your human resources department is not performing as an integral part of your business if all it accomplishes are “internal” tasks such as recruiting, orienting, evaluating and paying your employees. HR instead should look beyond those duties and become a major “strategic” contributor to your firm’s bottom line. It should support the business objectives of the larger organization. Accomplishing this requires an “HR transformation.” To institute this process at your organization, implement four, often concurrent, phases:

1. “Business Context”

To explain why your company needs a human resources transformation, you need to understand the firm’s overall business. This means going beyond your HR knowledge to ascertain and comprehend the interests of your stakeholders, who extend far beyond the organization’s employees and managers. Stakeholders include your customers and shareholders, as well as your competition, vendors, government regulators and the community in which you work. All these parties’ circumstances and needs should be a part of your HR transformation plan.

“The essence of a transformed HR department is the orientation to run the HR department like a business within a business.”

Start by making a business case for your HR transformation. For example, to create a context, you could tie HR’s goal of recruiting better talent to the company’s objective of competing more aggressively with another firm’s better-selling product. Or you might take into account the impact of anticipated changes in federal regulations on future HR needs. Or you could restructure your HR policies to prevent the “knowledge gap” your aging workforce portends.

“The biggest challenge for HR professionals today is to help their...organizations succeed.”

To assess your progress in this phase, consider the “milestones” and “outcomes” your initial work should achieve. You must: 1) present your business case for an HR transformation and take on the acknowledged role of change champion, 2) select an implementation group that has management support, 3) build a “clear statement” for transformation, and 4) communicate that rationale so that everyone in the firm is on board.

2. “Outcomes”

Once your stakeholders understand the reasons for your HR transformation, figure out how each of those groups will benefit from the change, thereby providing you with a measurement scale to grade your progress. For example, high-performing employees who show greater commitment and stay longer with the company would represent a good indicator of success. If your executives have the right talent in place at the right time, your transformation is working. And if your firm gains the confidence of its regulators, that’s a good clue the right changes are happening. An HR transformation will alter your firm’s “fundamental identity, culture or image.”

“When people understand the why of change they are more likely to accept the what.”

Your human resources department’s goal is to build corporate capabilities; this may include activities you are already working on in some of the following areas, such as:

- **“Talent”** – Your organization finds and keeps skilled and engaged employees.
- **“Speed”** – You can take advantage of new business opportunities quickly.
- **“Shared mind-set”** – Your external reputation and your internal culture closely align.
- **“Accountability”** – You appropriately reward employees for good performance.
- **“Collaboration”** – You tear down silos between departments.
- **“Learning”** – You encourage creativity everywhere in your company.
- **“Leadership”** – Your firm has a strong bench of current and future leaders.
- **“Customer connection”** – You nurture long-lasting bonds with your clients.
- **“Innovation”** – Your firm always looks to the next challenge and opportunity.
- **“Strategic unity”** – Everyone knows the company’s distinctive business strategy.
- **“Simplicity”** – You avoid unnecessarily complicated business methods.
- **“Social responsibility”** – Your firm benefits others inside and outside the company.
- **“Risk”** – Your organization handles risk well so it can better weather adversity.
- **“Efficiency”** – You conduct business in a productive and cost-conscious manner.

“HR transformation begins with an understanding of the context in which business operates...This context provides the rationale for why HR transformation should occur.”

In this second step, your milestones should include: 1) a decision on the “top two to four capabilities” your business needs to develop to achieve its strategic goals, 2) a way to “operationalize” those capabilities as the measurable results of your HR transformation, and 3) a demonstration of how expanding these capabilities will help your stakeholders.

3. “HR Redesign”

After you’ve outlined the “why” and “what” of HR transformation, focus on the “how” by auditing your HR setup and professional staff. To begin, ask and answer three questions:

1. **“Who are you?”** – The response to this question defines your strategic HR vision and should describe no more than three vital roles that HR’s staff plays; for example, your firm might need HR to act as a “facilitator, coach” and “partner.”
2. **“What do you deliver?”** – This answer sets forth your mission: Focus on and cultivate the capabilities that HR has promised its stakeholders.
3. **“Why do you do it?”** – This connects HR’s activities to the business’s objectives. State each service HR provides, and finish it with “so that...” to pinpoint results.

“HR transformation is not a single event – it’s a new pattern of thought and behavior.”

Together, the answers to these questions form an “HR Strategy Statement,” which you should share with all staff in HR and throughout the organization. Three major tenets should inform your departmental reworking: First, ensure that HR’s organizational structure follows that of your firm; for example, a centralized “single business” model keeps HR close to the head office. Second, elevate HR’s performance to the standards of a “professional service organization,” aiding clients like a law firm or ad agency. Third, make certain that everyone understands the difference between “transactional” (administrative) and “transformational” (strategic) HR activities. Organize your HR activities into five “channels” of responsibility:

1. **“Service centers”** – Centralize and automate transactional HR responsibilities.
2. **“Corporate HR”** – HR leaders collaborate on policies with senior management.
3. **“Embedded HR”** – HR professionals work with line managers to implement strategy.
4. **“Centers of HR expertise”** – Specialists design HR services and act as in-house personnel consultants.

5. **“Operational execution”** – HR administrative staffers perform transactional tasks and free its professional executives to concentrate on strategy and goals.

“The most effective HR professionals are both credible (respected, admired and listened to) and active (offers a point of view, takes a position, challenges assumptions). Some have called this ‘HR with an attitude’.”

Your HR transformation should focus on “content” – what HR does – and “process” – how HR can do it better. Content has “four domains”:

1. **“Flow of people”** – Talent management is about combining “competence, commitment” and “contribution.” Employees’ skills are important, but talent alone is not enough. To feel that they are adding value, workers also must be dedicated.
2. **“Flow of performance management”** – HR ensures “accountability, transparency, completeness and equity” by making sure that people are responsible for their results, being upfront about compensation, covering all aspects of performance and by recognizing and rewarding achievement.
3. **“Flow of information”** – HR manages information both from external sources and within the company. It also guides the firm’s internal and external communications.
4. **“Flow of work”** – HR helps in determining who does what, when, where and how. HR confirms that all employees know their job descriptions and goals.

“HR knowledge has a half-life. That is, 50% of what HR professionals should know and do changes every few years.”

Process involves HR’s efforts to “align, integrate and innovate” in each content domain: Align HR to support your company’s capabilities, integrate all HR functions so they “present a consistent point of view,” and innovate by applying new business practices.

The success of your HR transformation will rely on the talents and peak performance of your HR professionals. To upgrade their skills, consider the following four steps:

1. **“Theory and standards”** – Determine benchmarks for “HR competencies,” and ascertain how well your professionals perform at “coaching, architecting, designing and delivering, and facilitating.”
2. **“Assessment”** – Use formal and informal methods of HR performance evaluation, including “self-assessments” and “360-degree feedback.”
3. **“Investment”** – Invest in your HR staff members by providing on-the-job experience, useful training and challenging assignments.
4. **“Measurement and follow-up”** – Develop a benchmark for performance and use it to determine which of your talent investment methods are paying off in terms of results.

“HR is not just about talent or organization, it is also about the two of them together.”

In reaching your HR redesign milestones you will have: 1) devised and communicated your HR Strategy Statement, 2) redesigned the HR department with defined roles and responsibilities, 3) assessed HR activities to ensure congruence with business goals, 4) created a “competency model” for HR staff professionals, and 5) devoted resources to their learning and growth.

4. “HR Accountability”

Your HR transformation will not work unless crucial stakeholders – including your HR leaders, business managers, clients, investors and outside experts – assume responsibility for it. Leaders must include your chief HR executive, the HR heads of important units or regions, and HR veterans who provide guidance and advice. The line managers who are in direct contact with your employees and clients need to understand what your transformation is and why you are doing it. Customers and backers can offer valuable viewpoints, so survey them regularly and involve HR in analyzing that data. Use consultants’ advice prudently, and make sure it is clear, “targeted,” and in the interests of your company and its transformation.

“Change does not happen until the need for change is greater than the resistance to change.”

In the fourth step, your final milestone will reflect that you have selected the appropriate team members to implement an HR transformation that delivers the results your organization needs and wants.

Case Histories

Four companies present useful case studies for HR transformation. Each of these organizations implemented their changes at different stages of their businesses and for different reasons:

- **Flextronics** – Changing market demands and new competitors forced the electronics manufacturing company to reassess its business strategy. It created a “strategic HR organization from scratch” by recruiting experienced personnel and organizing a centralized HR capability that allied itself closely with business imperatives.
- **Pfizer** – The pharmaceutical giant expanded through acquisitions in a decade of skyrocketing growth in the 2000s. It streamlined a “bloated” HR bureaucracy – a result of legacy structures – into “high-impact HR” over a period of strategic planning.
- **Intel** – Innovation in semiconductors and microprocessors, ironically, didn’t extend to its HR operations, which used outdated, manual processes for basic services. Intel’s HR unit went from “tactical to strategic” by focusing on upgrading its tools and empowering its staff to collaborate with Intel’s business units.
- **Takeda Pharmaceuticals North America, Inc. (TPNA)** – A relative newcomer to Western markets, TPNA implemented its HR transformation to exploit its ground-breaking advances in medications. It organized its HR mission to focus on attracting highly-prized talent in the competitive North American markets.

About the Authors

The authors are affiliates of the RBL Group. Co-founder **Dave Ulrich** teaches at the University of Michigan, where **Wayne Brockbank** directs the Center for Strategic HR Leadership. **Justin Allen** is managing director at the RBL Institute. **Jon Younger** heads strategic HR at the RBL Group, where **Mark Nyman** is a

