

Add More Value

Transform your function.



by Dave Ulrich and Wayne Brockbank

AS THE PRESSURE MOUNTS TO DO more with less and as people factors become more important, the HR function must be transformed to turn strategy into sustained results.

The ability of people to do their jobs derives in part from how HR practices affect them. Also, customers who desire to maintain long-term relationships with their suppliers recognize that a supplier's HR practices help assure them a steady flow of desirable products and services. And, investors who realize that intangibles determine much of a company's wealth, look to HR as a source of a firm's market value.

For each of these stakeholders—line managers, employees, customers, and investors—the transformation of HR revolves around a simple idea: All HR investments must deliver value.

Stages of Transformation

We recommend moving through five stages. Each stage defines criteria for what makes an effective function.

Stage 1: Know the external business realities (technology, economics, globalization, demographics). Internal HR actions must reflect and influence external business realities. HR professionals should discuss the external realities and connect them to their work. Knowing business realities makes it possible to put practices in context, tie them to competitive challenges, and relate them to concerns facing line managers. These contextual factors offer the rationale for why a transformation should occur. Everyone should be conversant with both the realities of the external world and how HR actions will help your firm compete in this changing context.



- **Criterion 1:** Recognize external realities and adapt practices and allocate resources accordingly.

Stage 2: Serve internal and external stakeholders (customers, investors, managers, and employees). Value is defined by the receivers more than by the givers. To deliver what matters most to your stakeholders, focus on the deliverables (outcomes) rather than on the doables (activities). The deliverables involve investor intangibles, customer share, and capabilities.

- **Criterion 2:** Create market value for investors by increasing intangibles.

- **Criterion 3:** Increase customer share by connecting with target customers.

- **Criterion 4:** Help managers deliver

strategy by building capabilities.

- **Criterion 5:** Clarify and establish an employee value proposition and enhance individual abilities.

Stage 3: Craft practices (people, performance, information, and work). HR practices institutionalize beliefs and values, and make them real to all stakeholders.

For example, the way you hire, train, or pay people or the way you organize work sends messages to people about what matters most. By creating practices around people, performance management, information, and work flows, you shape identity and personality. These practices deliver value to stakeholders when they are aligned with your goals. They become cultural pillars.

- **Criterion 6:** Manage people processes and practices in ways that add value.

- **Criterion 7:** Manage performance processes in ways that add value.

- **Criterion 8:** Manage information practices in ways that add value.

- **Criterion 9:** Manage work flow design and processes in ways that add value.

Stage 4: Build resources. Your function

needs a strategy and structure that will deliver the most value. The strategy will help you focus on key factors and respond appropriately to realities; the structure will organize resources in ways that govern how work is done.

- *Criterion 10:* Align the HR function with the strategy of the business.

- *Criterion 11:* Have a clear strategic planning process for aligning HR investments with business goals.

Stage 5: Assure professionalism. Each professional must play a role and master competencies to deliver value. Roles represent what people do; competencies define how they do it. Functions are only as good as the people who inhabit them, so having clear roles and distinct competencies ensures that they will deliver the value they intend.

- *Criterion 12:* Have professionals who play clear and appropriate roles.

- *Criterion 13:* Build professionals who demonstrate competencies.

- *Criterion 14:* Invest in training and development of professionals.

With these 14 criteria in place, leaders may now turn the desire for transformation into action to create value for employees, line managers, customers, and investors.



Broad Implications

This new picture of HR has several implications.

Implications for managers. General managers set expectations. When managers demand value from HR investments, they set high standards that communicate aspirations and shape how professionals act.

The general manager should highlight HR's impact on investor, customer, business, and employee results. HR issues should be part of every manager's performance scorecard, since managers base their identity on delivering value through people.

Implications for senior HR executives. Senior executives have many conversations that lead to action. With the HR value proposition as a foundation, these conversations focus on results relevant to each stakeholder. With investors, conver-

sations focus on how intangibles can create sustained market value. With customers, conversations focus on customer needs and expectations and increased customer share. With line managers, conversations center on delivering business strategies. With employees, conversations propose an employee value proposition that assures that if and when employees deliver value, they will get value. With HR professionals, conversations capture both the roles and competencies they require to deliver value.

Each conversation is then sustained by creating strategies, organizations, and practices that endure. Conversations turn into commitments and rhetoric into results.

Implications for HR professionals.

When roles are clear, professionals can describe what they do in ways that set expectations of themselves and others. When competencies are defined and demonstrated, professionals know how to deliver value. To be competent in your role, you need a mental model of the value you create, and then assess yourself against that model. Careers for HR professionals who fully grasp and deliver value

may vary widely.

Implications for the HR profession.

Leading thinkers, admired firms, and respected executives converge on issues central to HR. Good-to-great companies, leaders who execute, firms with reputations as best places to work, and leaders in management's hall of fame all exist because of the people and organization practices that are put in place.

Now, business success comes from HR, and the DNA for HR success is the value proposition. With this value proposition, the HR profession has a point of view about what can be for all stakeholders, a set of standards about how HR investments in strategy, structure, and practices should be made, and a template for ensuring that each professional contributes. The value proposition is the blueprint for the future. **LE**

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Action: Use these criteria to transform any function.