20 Insights on Organizations

Dave Ulrich

How does one improve the organizations that affect them?
Through application of innovative ideas, organizations may be modified and improved.

Many decades ago, I was an aspiring attorney, anticipating law school. By happenstance, I took a course in Organization Behavior, a relatively unknown field at the intersection of business, psychology, and sociology. The professor captured my attention and the ideas captivated my mind and heart. I became obsessed with observing, studying, and improving organizations, with ever increasing understandings of capabilities, leadership, talent, culture, and human resources.

In the ensuing decades, I have had a real privilege of working with brilliant colleagues whose ideas have shaped my thinking. I have also had the opportunity to try to integrate theory, research, and practice to answer simple, but evolving questions:

- Why do organizations matter in our world today? My view is that organizations where people live and work can be a remarkable source of good for people and communities.
- What are unique ways of understanding concepts of organization, talent, and leadership? My view is that organizations can be defined as capabilities like talent, leadership, and culture. Line managers are the owners of organization effectiveness and HR professionals are the architects. So my work to evolve the HR department, tools, and professionals has helped build infrastructure for effective organization.
- How does one improve the organizations that affect them? Through application of innovative ideas, organizations may be modified and improved.

My formal training is as an organization taxonomist who turns complexity into simplicity. The 20 maxims below reflect the assumptions and actions I would recommend to leaders who want to improve their organization.

1. Start from the Outside-In
Most organization improvement efforts begin from some internal crisis: missed profits, eroding market share, reduced employee productivity, etc. I believe that sustainable organization improvement starts by understanding how factors outside the organization affect what happens inside the organization. If the organization cannot respond as fast or faster than their external environment, they will fail. The complex externalities affecting an organization may be simplified into two domains: context and stakeholders. Context refers to the organization’s milieu, the social, technological, environmental, political, economic, and demographic (STEPED) factors that define both country and industry conditions. Stakeholders refers to internal employees and leaders and external customers, investors, and communities that define the niche in which organizations operate. Leaders who find patterns in these contextual assessments and stakeholder expectations anticipate and respond to new requirements. So, start organization improvements with a focus outside not inside.

2. Value Is Defined by the Receiver More Than the Giver
I had the privilege of coaching a senior business leader who was extremely bright. I interviewed his direct reports, peers, and bosses. When we sat down, I shared with him that his colleagues felt he did not “listen” very well, to which is quickly retorted, “yes I do!” As we
explored his vs. their views, he said, “I listen fine because I understand what people are saying about 20 to 30% into the conversation, then I focus on other things while they finish.” I taught him that “listening is not that you understand, but that the other person feels understood.” He stopped, thought about this, and realized that he did not listen very well. This story reflects a profound principle: value is defined by the receiver more than the giver. This principle applies to leaders who want to deliver value by understanding the expectations of those they work with. The principle also applies to organizations as customers determine value. It is important for leaders to define who the receivers are and what receivers define as value.

3. Competitiveness Is Not Strategy, but Strategy × Organization

In workshops, I often pick five random people and ask them to do a fill-in-the-blank strategy exercise:

- Our goal is to be the _________
- By understanding and serving _________
- By created more empowered and dedicated _________
- By investing in _________
- And by working with unyielding _________

Without hesitation people fill in the blanks (best, customers, employees, technology, integrity) at which point I remark that such “strategy” declarations do not equal competitiveness. To compete, and fully differentiate from others, strategy has to turn into organization disciplines and actions. Strategy without organization is false hope. Organization without strategy is mindless activity.

4. Organization Is Not Structure but Capability

Quick, list 3 or 4 companies you admire… often this list might include Apple, Google, Disney, GE, Amazon, IBM, and so forth. Then I ask, “how many levels of management exist at these companies?” No one knows, or cares. We admire companies not because of their morphology or shape, but because of what it is good at doing, be it innovation, customer service, distribution, efficiency, and so forth. The last 20 years have been inundated with ways to change the structure of organizations: resizing, rightsizing, downsizing, reengineering, delayering, and so forth. Today, leaders need to audit their organization capabilities to define what the organization is, should be known for, and is good at doing. Organizations with enduring capabilities survive and thrive.

5. Capability Consists of Talent, Leadership, and Culture

As leaders try to define and create organization capabilities, there are 2 givens and 1 variable. Every organization has to have exceptional talent and leadership. Organizations don’t think; people do and without the right people as the ingredients, organizations won’t succeed. Leaders make choices that align resources to appropriate goals. Leaders set direction and get things done. Every organization requires talent and leadership. Then, organizations need to create the right culture, which reflects the organization’s identity and might include efficiency, innovation, collaboration, customer service, risk management, managing change, and so forth. Talent, leadership, and culture are the core elements of defining organization capabilities; they are also the outcomes of investments in human resources; they are the keys to implementing a strategy; and they are the intangibles investors pay attention to.

6. Talent May Be Calculated as Competence × Commitment × Contribution

We know it matters. Some go to war for it. Professional sports teams draft for it. Actors audition to show they have it. Others consider it the ultimate solution and try to manage it. Agents contract for it. Some are innately endowed with it while others strive diligently to earn it. All try to grow it. Talent. It is evolving into a science for some HR professionals and a passion for many line managers. A multitude of programs and investments have been made to attract, retain, and upgrade talent. Yet, sometimes after stipulating that talent matters, it is easy to get lost in the myriad of promises, programs, and processes and lose sight of the basics. At the risk of grossly oversimplifying let me suggest that there is actually a deceptively simple formula for talent that can help HR professionals and general managers turn their talent aspirations into actions: Talent = Competence × Commitment × Contribution. Each part of this talent formula may be delineated to improve overall talent.

7. Competence: Invest in Talent through Four Steps

Competent employees have the ability to do today’s and tomorrow’s tasks. Creating competence comes by following four steps.

a. Articulating a theory or setting a standard. Competence begins by identifying the required competencies to deliver future work. HR professionals help general managers create a theory or point of view on competencies that leads to a set of employee standards. The simplest test of the competence standard is to ask target or key customers, “if our employees lived up to these standards, would they inspire confidence from you in our firm?” When customers answer yes, the competence model is appropriate; if they answer no, it needs more work.

b. Assessing individuals and organizations. With standards in place, employees may be assessed on the extent to which they met or do not meet standards. In recent years, most talent assessments evaluate both results and behaviors. An effective assessment helps the individual know what to do to improve and it also provides valuable input to the organization about how to design and deliver HR practices to upgrade talent.

c. Investing in talent improvement. Individual and organizational gaps may be filled by investing in talent. We have categorized these talent investments into six areas:

- Buy: recruiting, sourcing, securing new talent into the organization
- Build: helping people grow through training, on the job, or life experiences
- Borrow: bringing knowledge into the organization through advisors or partners
- Boost: promoting the right people into key jobs
- Bounce: removing poor performers from their jobs and/or the organization
- Bind: retaining top talent

d. Following-up and tracking competence. Ultimately, talent measures should be derived to track how well individuals are developing their skills and how well the organization develops its talent bench. Individual employees can be tracked on their understanding of their next career step and their capacity to do it.
8. Commitment: Build an Employee Value Proposition
Commitment means that employees are willing to give their discretionary energy to the firm’s success. This discretionary energy is generally conceived as an employee value proposition. An employee value proposition makes a very simple statement: employees who give value to their organization should get value back from the organization. Generally, employees are more committed when their organization offers them:
- Vision: a sense of direction or purpose
- Opportunity: an ability to grow, develop, and learn
- Incentives: a fair wage or salary for work done
- Impact: an ability to see the outcome or effect of work done
- Community: peers, bosses, and leaders who build a sense of community
- Communication: knowing what is going on and why
- Entrepreneurship or flexibility: giving employees choice about terms and conditions of work

When these seven dimensions exist in an organization, we suggest that employees have a VOI2C2E.

In recent years, many people are finding that traditional organizations (families, neighborhoods, hobby groups, churches) where people’s emotional needs have traditionally been met are faltering. When people have their needs met through their organizations, they feel that they are contributing and finding abundance. My wife, Wendy Ulrich, and I have scoured theory and research from positive and developmental psychology, individual motivation, personal growth, and organization theory to figure out what organizations and leaders can do to help employees find abundance. We have identified seven questions that leaders may help employees answer so that employees feel an abundance in their work, including:
- Identity: Who am I? How does the employee identity meld with the company reputation?
- Purpose: Where am I going and why? How can the organization help the employee reach his or her goals?
- Relationships: Who do I travel with? How does the organization build a community of support so that an employee feels connected?
- Work environment: How well does the organization create a positive work environment?
- Work challenge: What challenges do I enjoy? How does the organization help an employee find challenging tasks that are easy, enjoyable, and energizing?
- Learning: How well do I learn and grow from my work?
- Delight: What are my sources of delight? How does the organization help the employee have fun?

10. Leadership Matters More Than Leader
Leaders and leadership. They’re not the same thing. An effective leader may be no good at building leadership—that is, at developing processes that help other leaders grow and develop.

And over time, leadership matters more than leaders. An exceptional individual leader can deliver outstanding results for a while, but the quality of leadership is what sustains results, allows organizations to align with changing strategies, and builds confidence from employees, customers, and investors. Build leadership by answering three questions: why, what, and how.

11. Why of Leadership: Create a Case for Effective Leadership
Most individuals can identify a leader who made a difference in their professional and personal life. This leader matters because she or he positively affected our lives. In organization, we have found that more effective leaders matter because they increase employee productivity, organization’s ability to deliver strategy, customer connection, investor confidence, and community reputation. When leaders deliver these outcomes, they add value. At a personal level, most individual leaders want to be better; at an organization level, better leaders lead to important results.

12. What of Leadership: Define What Makes an Effective Leader
Everyone has a wish list of what makes an effective leader, which now includes millions of references (google “leader” to find millions of responses). In our research we have used the metaphor of leadership brand to define effective leadership. Any brand has core elements that are basic, or generic, to the brand. We call this the leadership code and have identified five factors all leaders must demonstrate:
- Strategy: leaders understand future contexts and stakeholders and position their organization for the future;
- Execution: leaders make things happen through execution, decision making, accountability;
- Talent management: leaders coach and communicate current employees to have competence, commitment, and contribution;
- Human capital development: leaders invest in future employees through employee branding, workforce planning, and empowering employees;
- Personal proficiency: leaders build trust through intellectual, emotional, social, physical, and spiritual energy.

We found that the leadership code explains about 60 to 70% of what makes an effective leader. The other 30 to 40% are the differentiators, or those things leaders do inside the firm that reflect customer expectations outside the firm. When defining leadership for an organization, we often look at the firm’s brand, or expectations in the marketplace. This brand should then show up in leadership competency models as behaviors, training programs as curriculum, and appraisal systems as standards.

13. How of Leadership: Ensure That Leaders Do What They Know They Should
Most leaders we know want to improve (the why) and even know what to improve (the what), but they often do not make the improvements they know they should (the how). We have studied the research on how leaders can accomplish what they know they should do and identified seven disciplines of leadership sustainability:
- Simplicity: start small, focused on a few key changes
- Time: make sure the change shows up in your calendar in 3 hours, 3 days, 3 weeks, and 3 months
- Accountable: take personal ownership for making the change happen
- Resources: find help in accomplishing the change through coaches and HR systems
Track: measure and monitor the change
Meliorate: learn and grow (demonstrate grit or resilience) in persevering with the change
Emotion: make sure the desired changes are consistent with your personal passion and identity

When leaders follow this STARTME application (see app by this name), they sustain their desired changes.

14. Culture from the Outside-in Shifts from Event to Pattern to Identity
When we work with leaders, we often ask them to answer the question, “what is a culture?” The answers almost always include: values, norms, unwritten rules, behaviors, expectations, and so forth. We note that all of these definitions come from a dominant logic that culture is what happens inside a company “our” values, norms, etc. We believe that the study of culture should shift from an event (an all employee meeting, training program, communication message) to a pattern (how people think and behave) to an identity. By focusing culture on an organization’s external identity (what we want to be known for by our best customers), the events and patterns have a clear focus. When an organization’s external identity drives and reflects its internal culture, it is likely to be more effective and sustained.

15. Culture May Be Embedded through an Intellectual, Behavioral, and Process Agenda
Once a desired culture (identity) is defined, it is important to make it real to all employees through four processes:

- Top/down intellectual agenda: the desired identity has to be communicated throughout an organization. The rule of thumb is 10:1; the message has to be shared 10 times for every 1 unit of understanding.
- Bottom/up behavioral agenda: each employee needs to act on the desired organization identity in their daily behaviors. A great leader said “we teach people correct principles and let them govern themselves.”
- Side/side process agenda: the desired identity should show up in organization process including staffing, promotion, compensation, financial controls, and information technology.
- When these agendas are woven around a desired identity, they ensure that the outside expectations shape employee thought and action.

16. HR Professionals Should Be Architects of Talent, Leaders, and Culture; Line Managers Are Owners
Building talent, leadership, and culture requires thought leadership and disciplined action. In a final exam for MBA students, I asked the question: who has primary accountability for HR (talent, leadership, culture) issues within an organization?
- a. Line manager
- b. HR manager
- c. It is shared between line and HR
- d. The consultant
- e. I don’t care, I am going into finance

Most answered “e” … it is shared. And, I marked it wrong. I believe that the primary accountability for HR issues is the line manager who is the owner. HR professionals are architects, not owners. Architects create blueprints of what can be done and facilitate dialogue to come to a common decision if there are multiple owners (husband and wife who disagree). Architects also bring unique insights to offer advice on technical issues and ensure that regulations are followed. HR professionals are social architects who manage the content and process of strategic and organization clarity.

17. HR Organizations Should Align with the Structure of the Business
In the last 15 years, there have been many efforts to restructure the HR organization. In recent years, there has been a movement to ensure that HR has service centers (technology based systems to do foundational HR work), centers of expertise with specialists, and embedded HR with generalists. Some have argued that this structure changes the centralize vs. decentralize debate by doing both; and others have argued that it does not work well. Our view is simple: the HR organization should match the business organization. If a business organization is centralized (single focus on business, organization, and processes), the HR department should be centralized with a head of staffing, training, compensation, benefits, etc., for the entire organization. If a business organization is a holding company with multiple businesses operating independently, the HR organization should be completely embedded in each of the separate businesses. If the business organization is a matrix or allied diversified company, then the HR shared services model applies. Make sure that the HR organization matches the business organization. We find centralized businesses in about 20% of our clients; holding companies in about 10%, and some form of matrix in about 70%. In these 70% of matrixed organizations, HR should operate as a professional services firm within the firm. This means have centers of expertise who have unique knowledge and insights and then who transfer that knowledge through embedded HR generalists to the line manager clients.

18. Align, Integrate, And Innovate HR Practices
There seems to be among HR professionals an endless quest for “best practice” in HR. Conferences, workshops, books, articles, and consultants advocate the latest and greatest HR insight. These fads often fade. Effective HR practices should meet three criteria. First, they should be aligned with not only the strategy (strategic HR), but also with customers and investors outside the organization (HR outside in). This means that the criteria for effective HR are around the ways HR delivers value to strategy and/or external stakeholders. Second, HR practices should be integrated to shift from best practice to best system. An isolated HR practice may not be replicable because it is embedded in a system. Third, HR practices and systems should be innovative. We should constantly be looking for new ways to solve old problems.

19. Competencies of HR Professionals Affect Both Perception of HR Effectiveness and Business Results
For over 25 years, my colleagues and I have studied the competencies of HR professionals. With global data sets every 5 years, using inputs from HR professionals, HR colleagues, and line managers, we have been able to determine the competencies for HR professionals and how these competencies drive business success. In our latest research, we have identified six competence domains (factor analyzed from 140 specific behaviors) that impact the perceived effectiveness of HR professionals and their impact on the business. This is summarized on the following page in Table 1.1.
20. Shift from Analytics as Data or Information to Insights, Implementation, and Impact... Start with the Decision

In recent years, there has been a clamor for better HR analytics with an emphasis on the cloud and data networks. In our view, HR analytics has often started in the wrong place and with the wrong focus. Analytics starts with data and analysis. We believe that there should be an evolution in HR analytics from data to insight to intervention to impact. Data comes from data bases; insight comes from themes in the data; intervention comes from actions based on themes; impact comes from making changes in an organization that impact desired results. We believe that an information capability starts with impact then moves to data. Impact means examining business choices and getting clear about decisions that need to be made to make more informed choices. A decision choice logic for analytics requires a business mindset and a clear understanding of how the business will succeed. The hypotheses that come from this logic can then be tested to improve the quality of decision making.

Ultimately, in the last few decades, I hope these ideas have brought creative insights to the challenges of making organizations more successful, helping leaders make informed choices, and HR professionals deliver value.

About the Authors

Dave Ulrich 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 four other journals, is on the Board of Directors for Herman Miller, is a Fellow in the National Academy of Human Resources, and is cofounder of the Michigan Human Resource Partnership.

Table 1.1

<table>
<thead>
<tr>
<th>Competence Domain</th>
<th>Impact on Personal Effectiveness</th>
<th>Impact on Business Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic positioner: able to turn business knowledge into strategic choices for a business</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>Personal credibility: able to build relationships of trust with key stakeholders</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Capability builder: able to create an organization’s culture or capability and align it to strategy</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td>Change champion: able to help an organization initiate and sustain change</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>HR innovator and integrator: able to align, integrate, and innovate HR practices around people, performance, organization, and leadership</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td>Technology proponent: able to use technology to drive efficiency, relationships, and social networks</td>
<td>Low</td>
<td>High</td>
</tr>
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