Global HR Competencies

Mastering Competitive Value from the Outside-In

DAVE ULRICH, WAYNE BROCKBANK, JON YOUNGER, AND MIKE ULRICH

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Chapter 1: Overview and Logic

Wayne Brockbank

This book focuses on the competencies and practices that characterize high-performing HR professionals and businesses. We address this issue on both a global and a multiregional scale. That is, several chapters focus on the HR world as a whole. Others focus on specific parts of the world: Africa, Australia and New Zealand, China, Europe, India, Latin America, the Middle East, North America, and Turkey. These chapters examine conditions in each region or country, discussing their implications for business in general and for HR practices in particular. The common point of reference for each chapter is the Human Resource Competency Study (HRCS), which is the world’s longest ongoing research on HR competencies and practices. It has generated the largest data set on these issues, considered both globally and on a regional basis.

Tata Group: HR Competencies in Action

The Tata Group, headquartered in Mumbai, India, is the wealthiest conglomerate in India, with 424,365 employees and annual revenues of US $83.3 billion.1 In 2009, the Reputation Institute ranked it as the eleventh most reputable company in the world.2 It is an ideal experience to open this book because it has been remarkably effective at balancing complex paradoxes: diversification versus integration, global versus local, economic performance versus social contributions, family legacy versus professional management, and competing through scale versus innovation. It is a role model for any company coping with the contradictions of the twenty-first century. It is also an example of how HR helps confront the organizational challenges inherent in modern life.

The Tata Group consists of 95 companies in seven business sectors: information technology and communications, engineering projects and services, steel and other materials, services (including five-star hotels and life insurance), energy, consumer products, and chemicals.3 Thus, it is one of the world’s most diversified conglomerates. Despite this diversification, it also works to find ways to use commonalities to enhance efficiencies, distribute best practices, provide more unified customer-facing experiences, and sustain the powerful Tata brand.

In 1991, Rajan Tata became chairman of Tata. At that time about 5 percent of Tata’s revenue came from outside India. Today about 66 percent of its revenue is from outside the country. This remarkable expansion has come about through a combination of organic growth (as with Tata Consulting Services) and acquisitions (as with Tata Automotive). From 2004 to 2011, Tata acquired almost seven companies per year on average.4 The most visible of these was Jaguar-Land Rover, acquired in 2008 for US$2.3 billion. In the midst of such growth, Tata works diligently to retain local leadership and line talent. It has gained a reputation for working closely with local government, union, and community leaders to ensure that its acquisitions result in a win-win situation for all stakeholders. Tata managers seek to connect to the society and environment in which they operate.

A noteworthy aspect of Tata is the manner in which it balances its economic and social performance. Its vigorous and sustained financial performance and work ethos are well known. Tata is also strongly committed to improving the quality of life in the communities it serves, building community schools and clinics, founding and supporting universities and institutes, providing scholarships to underprivileged but high-potential students, and helping fund dozens of non-governmental organizations (NGOs). This philanthropic orientation is not just embedded in its collective psyche, it is also embedded in the ownership structure that was established by the founding father of Tata.

In emerging economies, privately held firms tend to be dominated by individual families.5 For many years Tata’s senior management came from the Tata family, but the Tata board has recently appointed someone from outside the family, Cyrus P. Mistry, as deputy chairman and heir apparent to the position of chairman. He was thoroughly vetted by the board as someone who has an outstanding academic background, has participated effectively on the boards of several other companies, is insightful about the future of business in India, has a vision of the global economy, is humble, and has the values necessary to run the Tata group.
Economy and Innovation in Tata

Tata does a remarkable job at competing on the bases of both scale and of innovation. Given India’s large population and high rate of poverty, it is not surprising that the “wealth at the bottom of the pyramid” concept would originate there.6 Within this environment, Tata has mastered scale and disciplined cost control as exemplified by the US$2,500 car, the Nano. At the same time, the company’s history reveals a hotbed of innovation.7

- 1933: The invention of ring spindles for textile manufacturing
- 1902: India’s first luxury hotel (the Taj Mahal)
- 1932: India’s first airline

And Tata’s legacy of innovation continues today.

- 1995: India’s first branded jewelry
- 2002: The world’s slimmest designer watch
- 2007: India’s first teraflop supercomputer
- 2008: India’s first full-length 3D animated film

Because of Tata’s ability to maneuver through such paradoxes, Bloomberg Businessweek has rated it sixth among the world’s most innovative companies, right behind Apple, Google, Toyota, GE, and Microsoft.8

HR IN TATA

Tata’s HR practices play important roles in its success. Some of the impact of HR has been directly through HR professionals and departments; some has been through the partnership of HR with senior executives who help set the tone and direction of the companies’ HR policies.

From the beginning, Tata’s founders, Jamset Tata and his son Dorab, recognized that the company’s ability to achieve its potential depended heavily on its ability to recruit the best talent. In the company’s early years, they established the India Institute of Science. This early investment in human capability has been followed by the Tata Institute of Fundamental Research, the Tata Institute of Social Sciences, the JRD Tata Ecotechnology Centre, the Energy and Resources Institute, and many others.

From Tata’s inception, balancing economic success with a nascent expression of corporate social responsibility became the company’s norm. For example, in 1932 Dorab placed nearly all of his personal wealth in a trust that now accounts for 66 percent of the Tata Group’s ownership. The Tata Trust was created to give back to the community with a mandate to be used "without any distinction of place, nationality or creed."9 As stated by Satish Pradhan, executive vice president of HR, “We have to be profitable but we go beyond. The purpose of our business is to give back to the community. This is a basic value.”10

This quality is reinforced by HR practices, including the recruitment of people who embrace this legacy and by implicitly evaluating people on both “talking the talk and walking the talk.” In addition, Tata conducts Tata Administrative Service (TAS), a comprehensive developmental program for 25 to 30 of Tata’s high-potential employees. Offered annually, it includes a three-month stint in rural areas where participants undertake community improvement initiatives. They return with a greater appreciation of Tata’s social values and the social relevance of economic success.

The various Tata companies share a dominant HR logic. Line managers and HR executives jointly identify key industry trends and the sources of competitive advantage that are required in their respective companies. They then translate these sources of competitive advantage into specific cultural attributes and accompanying behaviors that are required in the business. The generic process is adapted to local conditions so as to avoid a one-size-fits-all mentality, but the intent is the same: to enable HR to add substantive support to the company’s sources of superiority over its rivals in the context of market realities.

Tata’s headquarters HR plays several roles in contributing to the performance of individual companies and to the group as a whole. It is the custodian of the group values: integrity, understanding, excellence, unity, and responsibility. Headquarters HR executives work with HR leaders across the group to set and ensure standards of excellence within the company’s HR community. They sponsor regular meetings of the company HR heads to facilitate internal benchmarking and sharing of best practices. The headquarters HR unit also sponsors the group HR Internet portal.

A number of other HR practices enable Tata to balance its paradoxes as a group and as individual companies:

- People with specific technical skills are transferred from one group company to another. This seeds best practices and provides opportunities for professional growth.
- Tata has developed a business and values-centered leadership framework that is applied to the recruitment, development, evaluation, and compensation of each professional, as well as to succession planning. This framework is shared across group companies and contributes to building the Tata leadership brand. Formany years, the Tata Management Training Centre has likewise contributed to the development of TMTC key leaders throughout the group companies. Its renowned general management program, the Tata Group Executive Leadership Seminar, is designed and delivered by faculty from the Ross School of Business, at the University of Michigan. Participants come from companies across the group and are taught the best concepts and practices in...
specific areas that are integrated into a general manager’s agenda. Tata has developed two major initiatives that also cut across business lines: Tata Quality Management (TMTC) and Tata Business Excellence. These programs are likewise taught and reinforced at TMTC.

- Tata prides itself on finding and hiring the finest minds in India, regardless of caste, nationality, or religion. The internal job-posting program is designed to minimize the nepotism and under-the-table payments that are prevalent in some parts of India.

The Tata experience exemplifies the emerging challenges that face HR professionals and the opportunities that, along with agendas and competence, will allow HR leaders to respond. Thus, the company provides the context within which we write this volume.

The World of HR Today

We share a deep commitment to the potential of HR to add substantial value as a source of competitive advantage. When HR focuses on creating human talent and organizational capability that connect to customers and lead the competition, it has the ability to be fundamental to major business outcomes: market share, revenue growth, profitability, and sustainability. This is not hyperbole or a statement of faith; it is an observation based on our 25 years of empirical research.

In addition, the world of business is going through dramatic transformations on a global scale. The good news for HR is that we know its work matters most under conditions of change. The bad news is that HR professionals do not have to look for change; it is looking for them across a wide variety of fronts:

- Interconnected and interdependent globalization
- Growth of emerging markets and the subsequent shift from low-cost labor as the primary differentiator to high-quality products and innovation
- Growth of economic wealth in developing economies
- Growth of international investments
- Mandates for global sustainability
- Growth in the global population, primarily in developing countries
- Increase of middle-class purchasing power, 80 percent of which will come from emerging markets in Asia
- Continuation of the information revolution
- Radical obsolescence of technological know-how
- Internet-based networking—more than 30 percent of the world’s population has Internet access in early 2012, and the proportion is only likely to rise
- Greater regulation with concurrent growth in market-based competition
- Customization of technological platforms
- Reduced cost and enhanced speed of global communication

The Purposes of HR

In this context, we have developed a distinct point of view concerning the purposes of HR. We see six high-level purposes through which HR adds value to the business:

HR professionals should be the best thinkers in their companies about human and organization issues. HR professionals usually agree with this position; however, line executives frequently tell us that it is not actually true in their organization. They sometimes suggest that HR is more of an internal police function, that HR professionals serve as process facilitators or transactional administrators and focus more on internal HR issues rather than critical business problems. Nevertheless, we strongly contend that HR professionals should be the intellectual architects designing talent and organization agendas for their organizations.

HR professionals must be equal partners with line executives to accomplish the organization’s purposes. Suppose that the CEO indicates that the firm should go in one direction, while the compensation system rewards people for going in a different direction. Which direction will people choose? If such a disconnect occurs, the influence of leaders and the influence of the collective HR practices will cancel each other out and the competition wins. Thus, it is imperative that HR and line leaders be yoked together and headed in the same direction as partners.

HR needs to be responsible for both the talent agenda and the organization agenda. The talent agenda calls for having the best individuals in the industry as defined by customer and competitive requirements; the organization agenda defines how people work together, how they think, and how they behave together to create the competitive capabilities. It is not sufficient to have talented individuals. Talented individuals must function in a cultural environment in which they can make optimal use of their knowledge, skills, and abilities.
HR can and should contribute substantially to revenue growth. A basic principle of economics is that nothing you do inside a firm means much unless it helps bring in cash from the outside. If there is no demand for a product, its economic value is zero, no matter how much of it you make. Therefore, HR professionals must have a line of sight to the outside customer. This argument is the basic premise of this book’s companion volume, HR from the Outside In. If HR is to be a partner to the business and if the customer of the business is the outside customer, HR’s line of sight must also run outside to that customer.

HR needs to create and sustain economic intangibles that are valued and rewarded by capital markets. Such intangibles include:
- Keeping promises by delivering consistent and predictable results
- Articulating a compelling strategy for the future of the business that encourages and supports customer intimacy, product innovation, and geographic expansion
- Investing in core competencies by identifying and providing concrete investments in people and money
- Building organization capabilities such as collaboration, speed, accountability, learning, leadership, or shared mindset.

HR should see itself as a fundamental source of competitive advantage—and create practices that support that view. Since the beginning of the industrial revolution, core technical knowledge has been the fundamental source of competitive advantage in almost every industry. For example, if you’re in the automotive industry, does your firm have the technical knowledge to design and build a car? In the pharmaceutical industry, does your firm have the technical knowledge of molecular structures of medicines that can treat diabetes? The problem is, of course, that the shelf life of technical knowledge has drastically shortened in the past couple of decades. If your firm knows something, your competitors probably know it as well. If technical know-how is no longer a source of competitive advantage, then what is?

The final frontier of competitive advantage is no longer what your firm knows but what your firm is able to create. So you need to address some new questions: Does your firm have a culture that fosters creativity, innovation, and learning? Does it have the requisite cultural capabilities of flexibility, adaptability, and agility? Does it have a culture that is nimble, fast, and proactive? When technical know-how was the source of competitive advantage, engineering was the way you built that competitive advantage. But in an age of technological turbulence, when company cultures must be tailored for sustainable success, you need to look beyond engineering and ask, “Which department should have the best thinkers and creators of the cultural agenda?”

Years of research strongly indicate that HR is the answer. In this age of technological churn, HR becomes an ultimate locus for building competitive advantage.

### Purposes and Vision of the Human Resource Competency Study

Over the 25 years of this study, we have sought to contribute to the progress of the HR profession by pursuing five purposes:

- We want to understand, at a basic level, the competencies that exist within the HR profession. What are they? How are they bundled into useful categories for development and application?

- Which of these competencies have the greatest impact on personal effectiveness as seen by those who are most familiar with an individual’s functioning as an HR professional?

- Which of these competencies have the greatest influence on business results? In selecting this focus, we differentiate between the competencies that are basic entrance requirements into the field and those that make successful HR professionals.

- How is the HR field as a whole evolving? Over the years of the study, we have gathered enough data about HR professionals to identify the trends that have a reasonable probability of taking HR into the future. For example, we have found that a small but important number of HR activities are rarely done very well, but when they are done properly, their impact on business success is substantial—making them potential sources of competitive advantage. This is what we have sought, and this is what we have found.

- How can competencies be defined and standards raised on a global scale? As business has become more global, so has the HR function. In nearly all companies, HR departments have responded to the mandate to expand their global perspectives and capabilities. In some companies, HR has even led the globalization charge.

Not too many years ago, most HR best practices and publications originated in North America. It is now becoming clear that many best HR practices are being developed and implemented throughout the world by thoughtful, business-focused
HR professionals. With this volume, we hope to help facilitate a greater understanding of the HR field on a global scale by tapping into the world’s largest database on the competencies and practices that add the greatest valuations originated in North America. It is now becoming clear that many best HR practices are being developed and implemented throughout the world by thoughtful, business-focused HR professionals. With this volume, we hope to help facilitate a greater understanding of the HR field on a global scale by tapping into the world’s largest database on the competencies and practices that add the greatest value.

HRCS Research Methods

From its inception, the HRCS was designed in close cooperation with leading practitioners, line managers, HR associations, and academicians. HR and line managers have knowledge, skills, abilities, and experience that make their involvement in these processes important. Prominent academicians are up to date on the emerging research, theories, and concepts of organization and HR.

Before the first round of the survey in 1987 and each subsequent one (in 1992, 1997, 2002, 2007, and 2012), the research team went through a three-step process. First, we examined the relevant literature on business trends, HR practices, and competencies. Second, we interviewed hundreds of HR professionals, line executives, and academicians and consultants in individual interviews or in semistructured focus groups. Third, in the rounds following 1987, we focused on those items that were most important from the preceding years.

After these preparatory activities, we constructed the survey for each of the six rounds. Since we want to examine which competencies are related to both individual effectiveness and business success, we developed measures for two outcome variables. We measured individual performance, or personal effectiveness, by asking both HR and non-HR associates of the HR participant, “Compared to other HR professionals you have known, how does this participant compare?” Business success was measured using an aggregate index of seven dimensions: profitability, labor productivity, new product development, customer satisfaction, attraction of required employees, regulatory compliance, and answers to the question, “Compared to the major competitor in your industry, how has your business performed financially for the last three years?”

We also asked questions concerning HR department issues: Which stakeholders receive the greatest focus from the HR department? What are the focal activities of the HR department? How effective is the HR department overall? What is the influence of the HR department relative to other functions?

In every round of the study, we have applied a 360-degree methodology. HR participants completed a survey on themselves. They also selected a set of associates who were familiar with their functioning in the field and did the rating. Some of them were HR professionals, and many were non-HR clients, including line executives. Thus, we ended up with three categories of respondents: the HR participants themselves, their HR associates, and their non-HR associates. This is a much richer approach than relying on any one category of respondents. Over the years of the research, the survey has become increasingly global. We have been honored by the involvement of outstanding colleagues from around the world. Our 2012 research advances the global range of the study by including the leading HR professional organizations in Australia (AHRI), China (51job), India (NHRD), Latin America (IAE), the Middle East (ASHRM), Northern Europe (HR Norge), South Africa (IPM), and Turkey (SCP), and through our own extensive networks in North America, including the Ross School of Business at the University of Michigan.

Table 1.1 HRCS Respondents by Research Round

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<tbody>
<tr>
<td>Business Units</td>
<td>1,200</td>
<td>441</td>
<td>678</td>
<td>692</td>
<td>413</td>
<td>635</td>
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<tr>
<td>HR Participants</td>
<td>1,407</td>
<td>751</td>
<td>664</td>
<td>1,192</td>
<td>1,671</td>
<td>2,628</td>
</tr>
<tr>
<td>HR and Non-HR Associates</td>
<td>8,884</td>
<td>3,805</td>
<td>2,565</td>
<td>5,890</td>
<td>8,414</td>
<td>17,385</td>
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<tr>
<td>Total Respondents</td>
<td>1,200</td>
<td>4,556</td>
<td>3,229</td>
<td>7,082</td>
<td>10,063</td>
<td>20,013</td>
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</table>
Overall, we have collected information from more than 55,000 respondents in more than 3,000 businesses, including more than 20,000 individual respondents in 2012. (See Table 1.1.) This table vividly illustrates the point that the results don’t just represent HR people talking about what they think matters; they also include insights from those outside HR.

Over the years we have seen distinct and useful trends in respondent characteristics, as detailed in Table 1.2. In our sample there are an increasing number of women, more educated but with less work experience, who work as individual contributors. There has also been an increase in the proportion of functional HR specialists and a decrease among the HR generalists in the sample. The proportion of individuals from smaller and medium-size companies has grown. This gives a better mix of participants from companies of different sizes so that we are able to generalize the implications of the findings for HR professionals in all businesses.

Table 1.2 Characteristics of the Human Resource Competency Data Set, Rounds 1 to 6

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<td>Gender:</td>
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<tr>
<td>• Male</td>
<td>77%</td>
<td>78%</td>
<td>70%</td>
<td>57%</td>
<td>46%</td>
<td>38%</td>
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<tr>
<td>• Female</td>
<td>23</td>
<td>22</td>
<td>30</td>
<td>43</td>
<td>54</td>
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<tr>
<td>• High school degree</td>
<td>3%</td>
<td>7%</td>
<td>4%</td>
<td>4%</td>
<td>9%</td>
<td>3%</td>
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<tr>
<td>• Associate college degree</td>
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<td>7</td>
<td>6</td>
<td>9</td>
<td>12</td>
<td>7</td>
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<td>• Bachelor degree</td>
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<td>43</td>
<td>42</td>
<td>42</td>
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<td>• Graduate degree</td>
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<td>43</td>
<td>48</td>
<td>45</td>
<td>41</td>
<td>51</td>
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<td>Level in HR Department</td>
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<tr>
<td>• Individual contributor</td>
<td>20%</td>
<td>24%</td>
<td>29%</td>
<td>24%</td>
<td>28%</td>
<td>34%</td>
</tr>
<tr>
<td>• Manager of individual contributors</td>
<td>36</td>
<td>41</td>
<td>34</td>
<td>34</td>
<td>30</td>
<td>39</td>
</tr>
<tr>
<td>• Director of managers</td>
<td>36</td>
<td>29</td>
<td>30</td>
<td>31</td>
<td>20</td>
<td>19</td>
</tr>
<tr>
<td>• Top manager</td>
<td>8</td>
<td>6</td>
<td>7</td>
<td>11</td>
<td>21</td>
<td>7</td>
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<td>Company Size</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>• 1-199</td>
<td>15%</td>
<td>17%</td>
<td>22%</td>
<td>25%</td>
<td>31%</td>
<td>19%</td>
</tr>
<tr>
<td>• 500-999</td>
<td>10</td>
<td>9</td>
<td>13</td>
<td>15</td>
<td>14</td>
<td>33</td>
</tr>
<tr>
<td>• 1,000-4,999</td>
<td>25</td>
<td>22</td>
<td>34</td>
<td>33</td>
<td>28</td>
<td>10</td>
</tr>
<tr>
<td>• 5,000-9,999</td>
<td>11</td>
<td>12</td>
<td>11</td>
<td>9</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>• Over 10,000</td>
<td>39</td>
<td>40</td>
<td>20</td>
<td>18</td>
<td>20</td>
<td>28</td>
</tr>
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<td>Years in HR:</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>• 5 years of fewer</td>
<td>10%</td>
<td>14%</td>
<td>13%</td>
<td>25%</td>
<td>24%</td>
<td>25%</td>
</tr>
<tr>
<td>• 6-9 years</td>
<td>14</td>
<td>19</td>
<td>15</td>
<td>18</td>
<td>20</td>
<td>18</td>
</tr>
<tr>
<td>• 10-14 years</td>
<td>26</td>
<td>24</td>
<td>21</td>
<td>22</td>
<td>23</td>
<td>25</td>
</tr>
<tr>
<td>• 15 or more years</td>
<td>50</td>
<td>43</td>
<td>51</td>
<td>35</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>Primary Role:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Benefits, medical, and safety</td>
<td>6%</td>
<td>5%</td>
<td>5%</td>
<td>4%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>• Compensation</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>6</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>• HR planning, strategy, and affirmative action</td>
<td>6</td>
<td>8</td>
<td>5</td>
<td>8</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>• Labor relations</td>
<td>6</td>
<td>8</td>
<td>5</td>
<td>6</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>• Organizational development, research, and effectiveness</td>
<td>2</td>
<td>5</td>
<td>3</td>
<td>13</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>• Recruiting</td>
<td>3</td>
<td>6</td>
<td>4</td>
<td>4</td>
<td>6</td>
<td>11</td>
</tr>
<tr>
<td>• Training and communication</td>
<td>7</td>
<td>14</td>
<td>6</td>
<td>12</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>• Generalist</td>
<td>61</td>
<td>45</td>
<td>60</td>
<td>48</td>
<td>49</td>
<td>40</td>
</tr>
</tbody>
</table>
In Table 1.4, we break down the response rate by industry in each region. The data set has strong representation from service, manufacturing, and banking, but the regional differences are interesting. The Middle East sample is strongest in the chemical industry (including petrochemical). Australia is strongest in public administration. Europe and Asia are strongest in the banking sector. Africa is strongest in services. Finally, Turkey is strongest by far in the wholesale and retail sectors.

With this data set in hand, we then set to work on the analytical processes. To achieve the objectives of the study, we applied several statistical tools: central tendency analysis, factor analysis, and regression analysis. To more easily interpret the relative impact of competency domains and factors on individual effectiveness and business success, we then scaled the regression beta weights to 100 points.
Evolution of the Human Resource Competency Model

Over time, our findings have evolved as business dynamics and HR have changed. As a result, our basic competency model has changed with each round of research.

In the 1987 model, three main categories of HR competencies emerged from the data: knowledge of the business, delivery of HR practices, and management of change. At that time, HR was stepping out of its traditional roles of driving transactional processes and pursuing functional practices and was beginning to engage in the business and in helping it manage the turbulence that was just beginning. (See Figure 1.1.)

In 1992, personal credibility emerged as an important domain for HR professionals, a requirement for being allowed onto the business playing field. Credibility was a function of working well with senior leaders, communicating with excellence, and delivering results with integrity. As the world passed through the fall of centralized economic models in India, China, and Russia, change management became more heavily weighted. In the midst of a more globally competitive business environment, HR professionals in high-performing firms were spending more time and effort on strategic issues, whereas those in low-performing firms continued to focus heavily on operational-level issues (see Figure 1.2).

In 1997, cultural management made its debut in the Human Resource Competency Model. As a critical capability, cultural management addressed the organization’s collective knowledge, thought patterns, and integrated actions. In high-performing firms, HR professionals played a central role in identifying and implementing organizational cultures that helped the firm win in the marketplace and successfully implement its business strategy.

As culture emerged, so did another important empirical trend that gave substance and direction to culture and became a harbinger of the future direction of the HR field. We were able to verify that HR professionals in general had relatively low knowledge of external market dynamics. However, HR professionals in high-performing firms knew significantly more about external business realities (that is, customers, competitors, industry trends, and globalization) than did their counterparts in low-performing firms. We were able to verify the importance of HR having an external line of sight and not merely an internal one (see Figure 1.3).
In 2002, HR’s role as a strategic contributor asserted itself (see Figure 1.4). The strategic contributor competency domain consisted of an integration of fast change, strategic decision making, and market-driven connectivity. Market-driven connectivity was a concept new to the HR field. As far as we know, this category had not been identified by any previous competency work. This factor consisted of HR professionals identifying important information from the business environment, amplifying that information across the organization, providing the tools that unify the organization around key market information, and reducing the presence of the types of less important information that frequently block attention to more critical market information. By so doing, HR professionals helped their organizations successfully navigate changing customer, competitive, and shareholder requirements.

In 2007 we found that building organization capabilities had become a defining feature. This was an integration of three domains. First, as strategic architects, HR professionals helped formulate and implement the customer-centric business strategy. Second, they built organization capabilities as empirically represented by culture and change management. Third, they aligned talent and organization design activities with the organization capabilities that were, in turn, required by the customer-centric business strategy. We found that to optimize this integration, HR professionals had to excel more than ever before as credible activists in driving business results. Interestingly, non-HR associates had greater expectations for HR professionals to be focused on the external customer than HR professionals did of themselves. We also found an important integration between talent management and organization design—which indicates that the current trend toward framing the HR agenda entirely in terms of talent management to the exclusion of organization design will probably result in a suboptimal contribution to the business. (See Figure 1.5.)
In 2012, we have identified six domains of HR competency. These are represented in Figure 1.6.

- **Credible activist.** HR professionals in high-performing firms function as credible activists. They do what they say they will do. Such results-based integrity serves as the foundation of personal trust that, in turn, translates into professional credibility. They have effective interpersonal skills. They are flexible in developing positive chemistry with key stakeholders. They translate this positive chemistry into influence that contributes to business results. They take strong positions about business issues that are grounded in sound data and thoughtful opinions.

- **Strategic positioner.** High-performing HR professionals understand the global business context—the social, political, economic, environmental, technological, and demographic trends that bear on their business—and translate these trends into business implications. They understand the structure and logic of their own industries and the underlying competitive dynamics of the markets they serve, including customer, competitor, and supplier trends. They then apply this knowledge in developing a personal vision for the future of their own company. They participate in developing customer-focused business strategies and in translating the business strategy into annual business plans and goals.

- **Capability builder.** At the organization level, an effective HR professional creates, audits, and orchestrates an effective and strong organization by helping define and build its capabilities. Capability represents what the organization is good at and known for. These capabilities outlast the behavior or performance of any individual manager or system, and might include innovation, speed, customer focus, efficiency, and the creation of meaning and purpose at work. HR professionals can help line managers create meaning so that the capability of the organization reflects the deeper values of the employees.

- **Change champion.** Effective HR professionals develop their organizations’ capacities for change and then translate that into effective change processes and structures. They ensure a seamless integration of change processes that builds sustainable competitive advantage. They build the case for change based on market and business reality, and they overcome resistance to change by engaging key stakeholders in key decisions and building their commitment to full implementation. They sustain change by ensuring the availability of necessary resources—time, people, capital, and information—and by capturing the lessons of both success and failure.
HR innovator and integrator. At the organization level, the major competencies of effective HR professionals are their abilities to integrate HR practices around a few critical business issues. The challenge is to make the HR whole more effective than the sum of its parts. High-performing HR professionals ensure that desired business results are clearly and precisely prioritized, that the necessary organization capabilities are powerfully conceptualized and put into operation, and that the appropriate HR practices, processes, structures, and procedures are aligned to create and sustain those capabilities. As they do so with discipline and consistency, they help collective HR practices reach the tipping point of impact on business results. They also innovate new HR practices, processes, and structures that continually direct HR more fully toward business results.

Technology proponent. For many years, HR professionals have applied technology to their basic work. HR information systems have been applied to enhance the efficiency of processes including benefits, payroll processing, healthcare funding, record keeping, and other administrative services. In this HRCS round, we see a dramatic change in the implications of technology for HR professionals. At the organization level, high-performing HR professionals are now involved in two additional categories of technological application. First, HR professionals are applying social networking technology to help people stay connected with one another. They help guide the connectedness of people within the firm and the connectedness between people outside firms (especially customers) with employees inside the firm. Second, in the high-performing firms, HR professionals are increasing their roles in the management of information. This includes identifying the information that should receive focus, bundling that information into usable knowledge, applying that knowledge to key decisions, and then ensuring that these decisions are clearly communicated and acted upon. This is a newly emergent competency through which HR professionals will add substantive value to their organizations.

These HR competency domains and their implications for personal and business performance are examined in greater detail in Chapter 2.

Endnotes
10. Interview with Satish Pradhan on April 12, 2012.
13. This summary is provided from a working paper from Merouane Merzoug: “The Environment for Global Business.”
16. Ibid.
About the Authors

DAVE ULRICH

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 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.

JON YOUNGER

Jon’s career has been a mix of consulting, executive management, and HR leadership. Prior to joining The RBL Group, he was Chief Learning and Talent Officer of one of the largest U.S.-based financial services organizations, responsible for the leadership development, corporate learning, staffing, performance and talent management, and succession planning. He has also managed executive compensation and HR strategy.

WAYNE BROCKBANK

Dr. Brockbank is a Clinical Professor of Business at the University of Michigan’s Ross School of Business. At the Ross School of Business, Dr. Brockbank is the Director of the Center for Strategic HR Leadership and the Faculty Director and Core Instructor of the Strategic Human Resource Planning Program, the Human Resource Executive Program, and the Advanced Human Resource Executive Program.

MIKE ULRICH

Mike’s background is focused on research methods and statistical analysis. He holds both B.S. and M.S. degrees in statistics with emphasis on business analysis. Mike has experience in a wide variety of statistical methods, including ANOVA, sample and survey design, structural equation modeling, Bayesian hierarchical models, stochastic processes, and non-parametrics. He has worked on a variety of statistical projects from exit polling to the relationship between job performance and satisfaction.
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