Linking HR to Customers

“What’s next for HR: A sales person would be crazy to try to sell a product or service without inviting HR who can sell the longer term relationship.”

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THE RBL INSTITUTE | MINI FORUM WHITE PAPER | OCT 2008

Over the last 30 years HR professionals’ view of who they work for has evolved. Only a few years ago, managers of Industrial Relationships groups were formed to negotiate terms and conditions of work with unions. These groups morphed into Personnel Departments who provided detailed reports on how people were hired, trained, compensated and fired. As business evolved, so did HR, with Human Resources managers realizing that employee commitment inside the company predicted customer engaged outside the company. More recently we’ve seen Business Partners enter the scene. These sophisticated HR leaders understand the business and how align both individual abilities and organization capabilities to help execute business strategy. One important and emerging feature of the business partner model is that HR professionals must know and understand customer needs.

This paper suggests the HR can and should connect with external customers and postulates that this customer connection role enables HR professionals to more fully create and deliver value.

In Section I we provide brief case studies from three RBL Institute members Cardinal Health, Procter & Gamble (P&G), and Royal Bank of Scotland (RBS), who collectively employ over 400,000 people worldwide and are leading the charge to connect HR to customers in their respective industries. Each sketch is accompanied with a question about how to use HR to connect with key customers.

SECTION I: CASE STUDIES

Cardinal Health:
Cardinal Health’s 43,000 employees generate over US $91 Billion every year as they team to deliver pharmaceuticals and other medical equipment. In the complex world of healthcare, Cardinal has recently made a number of moves to get closer to its customers. Among other actions, they split and de-layered their organization to get decision making closer to customers, they realigned...
their sales force, and they tied goals and incentives to a “voice of the customer” survey. Additionally, HR has organized town hall meetings where key customers such as hospital administrators are invited to talk and answer questions from groups of leaders. The customers they invite are usually those who haven’t had good experiences and Cardinal employees are given the opportunity to hear about their experiences first-hand.

With both analytical and anecdotal data in hand, the HR team has reviewed each of its practices and policies to ask, “how does this policy/practice affect our customers?” Programs, practices and policies that aren’t improving customer experience are being cut.

Question: We currently ask ourselves how our HR policies and practices will affect the customers, how do we best ask our customers if our practices and policies will deliver the results they need?

Royal Bank of Scotland:
With over 238,000 employees globally, RBS is a leading bank in Europe and throughout the world with annual revenues of over US $15 billion. Customer interfaces are generally face-to-face in a branch, on the phone, or online, and as with most retail banks, RBS believes that customer service is the key to its success. Consequently, they have developed a number of methods for gathering customer feedback, including surveys, focus groups, and “mystery shopping” where they send anonymous “customers” to purchase financial products at their banks and return with evaluations of the service provided. The feedback data gathered is then used to adapt and change training programs.

In the meantime, in a recent extensive analysis, RBS found a significant correlation between employee engagement, leadership, customer satisfaction and sales, with sales increasing as leadership improves at a branch level. With the correlation data in hand, RBS is looking to launch refined leadership principles as they believe leadership will be a key to success going forward.

Question: How do we best engage our customers to determine if we have the right leadership principles?

Procter and Gamble:
There are over 135,000 employees in the P&G community, working in over 80 countries to generate over US $83 billion a year. As he looks to continue to grow in the future, CEO A.G. Lafley is guiding his company known for superior brands and strong leaders to focus on customers’ “moments of truth”. P&G identifies both consumers (people who use their products) and customers (businesses, or retailers, who sell their products). The first moment of truth is when the consumer sees the product on a retailer’s shelf and decides to buy it, and the second moment of truth is when the consumer actually uses the product and forms and opinion about that product. Lafley has asked every employee and each function to ask, “how do we win at these moments of truth?”

In response to Lafley’s challenge, HR played a key role to charter an initiative to seek feedback from customers about the competencies, skills, and behaviors P&G employees need to win in each moment of truth. HR then led in the analysis and synthesis of the customer feedback to outline a new set of competencies called the “P&G Success Drivers”. HR then translated the competencies into HR initiatives, processes and practices which they have implemented.

Question: Things are going well and we feel there is a strong tie between HR activities and customer needs, however, how do we keep customer connectivity real in the long run for our customers?

SECTION II: HR/ CUSTOMER CONNECTION MODEL

With these case studies in mind, and in response to the questions raised, the model on the following page provides a framework for linking HR to customers. The model outlines four steps to link HR to customers and identifies six areas HR Leaders can focus on to forge lasting customer connections.

Step 1: Insights and Information
The first step is critical and must be completed in order for the other three steps to be successful. HR Profes
sionals must understand who customers are, why they are (or are not) customers, and what they expect. They must know them, all of them.

For example, at P&G the customers are both the consumers and the retailers. For Royal Bank, the customers range from checking account holders to commercial finance brokers. At Cardinal Heath they are the hospital administrators, the physicians, the patients and insurance companies. HR must have information and insights about the customers: Who are they? Why do they buy from us? What are their buying criteria? To access these insights, HR professionals may regularly review the business environment their customers are working in, the threats they face and opportunities they seek to capitalize on. They may synthesize data about customer financial conditions, about consumer innovations and trends, and about customer expectations. HR Professionals must know the customer as well as the sales people know the customer because while Sales is the messenger of the solutions a company offers, HR is responsible for ensuring the company has the organization capabilities to deliver on Sales’ promises over time.

Step 2: Moments of Truth / Touchpoints
Along with all employees in an organization, HR professionals must understand the business’ moments of truth or critical touch points. As described above, P&G identified two key moments of truth: (1) when the consumer picks the P&G product from the shelf in a store, and (2) when the customer uses and develops an opinion about the product. Each company must identify the moments of truth for their customers, and then HR professionals should know and understand these moments, what causes them and how they tie to the financial success of the firm. HR professionals who regularly reinforce the moments of truth make sure that their HR actions are guided by customer expectations.

Step 3: Manage the Customer Experience
HR can play a key role in managing and evaluating the customer experience. Working with sales, marketing, quality and other functions, HR can support focus groups, customer service evaluations, and other data gathering activities. As seen at P&G, HR should also be a key player in data analysis and synthesis. With this customer data in hand, HR professionals are ready to move to the next step.

Step 4: Sustain with HR Practices
HR professionals are in a unique position to deliver on the promises salespeople make by ensuring that the organization is able to successfully execute. Sales often delivers a single event (“we will provide you the product or service you contracted for); HR can complement this event by making it into a pattern (“we will build an organization that continually meets your needs.”) Using customer information gathered in the previous three steps, HR leaders must make changes in staffing, training, communication, rewards and recognition, organizational structure, and leadership that sustain a customer connection. Knowing the customers and understanding why and when they buy the product will greatly enhance HR’s ability to make decisions in system, practice, and policy design which will improve the customer experience. Our three case study companies agreed that these six areas must be clearly aligned with customers. They also said that their experience has shown that
leadership and rewards are the two areas that can have the most impact on improving customer experience, and therefore increasing revenue.

SECTION III

In Section II, our Linking HR to Customers model provides a path to answer the questions posed by Cardinal Health and RBS. In this final section we address P&G’s question: How do we keep customer connectivity real in the long run for customers once there is an established link between HR and Customers? As depicted in figure 2, we identified three key iterative actions HR should focus on.

Know the Business Environment:
HR departments must create long-term systems and incentives to ensure that HR professionals are continually aware of the changing business environment. Just as a solid sales department would provide its people with regular and important updates, the HR department should do the same. HR people should be held accountable to know the business. HR must be reading about customers, understanding the external pressures and be able to speak to outsiders about the business as well as anyone else.

Recently a senior P&G HR executive was asked to speak to Wal-Mart. Instead of starting her presentation with the HR and organization issues she was asked to address, she began with an impressive overview of the business environment. The Wal-Mart team was impressed that they were listening to a true business leader, and were more engaged when reviewing the people and organization issues.

Design, Align, and Redesign with the Customer:
To sustain long-term customer connectivity, HR Leaders need to create sustainable processes which ensure that the customer is either present or their ideas are in the room when programs and practices are designed (staffing, training, communication, rewards and recognition, organizational structure, and leadership).

A great example of this is Hallstein Moerk, Chief HR Officer at Nokia. When Hallstein gathered his senior HR team at the end of 2007 to plan the major HR strategy and initiatives for 2008, he invited a couple of customers to participate in the meeting. Every time the HR team came up with a new program or initiative, they would ask the customers to weigh in. Sometimes the customers would say, “yes, that’s exactly what we need.” yet other times they would say, “sounds like an interesting idea, but it doesn’t help me!” Customers in the room proved to be a significant benefit for Hallstein and his Nokia team. When there is a clear line of sight between HR investments and customer requirements, both customers and HR win.

Long Term Partnering Relationships:
HR Leaders need to broker opportunities for their professionals to regularly have face-to-face interaction with customers. As a function, HR has core capabilities that can and ought to be used to deliver value for customers. For example, several HR departments partner with customers to provide training, co-develop leadership, and do team building. RBS requires their HR team to spend at least two days each year interacting with customers (in a call center, at a branch, etc.). See HR Competencies page 128 (Ulrich et al., 2008) for additional examples.

Regular face-to-face time between HR and customers is good, AND for true long-term sustainability, HR must take these partnering relationships a step further and be a regular and active participant in the sales process. When a sales person engages with a customer, they can ensure their interaction is a good event (e.g. buy my...
product or service and it will solve your problem today). However, when an HR person participates in the sale, the company can promise the customer a future pattern rather than simply one event. Instead of just buying a product or service, the customer can be clear that they are buying a relationship because they know that HR has the ability to ensure that talent and organizational systems are in place to guarantee long-term delivery. In this new paradigm, HR in the customers mind becomes the guardian and creator of the long-term relationship. This is the future of HR: a sales person would be crazy to sell a product or service as an event without inviting HR who can sell the longer term relationship.

**WHAT’S NEXT FOR HR: CUSTOMER CONNECTOR**

If HR’s most important deliverable is organization capability (see Capitalizing on Capabilities, Ulrich & Smallwood, HBR June 2004, p119) who is in a better position to clearly communicate the organization’s capabilities such that customers have confidence in the organization’s ability to deliver in the long term?

Currently some good HR organizations are “customer centric.” They make a concerted effort to understand customers and keep them in mind when designing HR systems and practices. We now call on HR to be more than just customer centric. HR professionals must be Customer Connectors by having enough credibility to engage directly with customers, involving them in the development of HR practices, and becoming an integral part of the sales process by ensuring customer confidence in the organization’s ability to deliver on promises.

For businesses to thrive in our current environment of heightened distrust and wavering confidence, HR must be linked to customers. HR can make and then sustain that link by following the outlined steps in the two models above. Finally, HR’s next evolution in value creation is centered on linking HR to customers. Strategic HR must push outside of its current box of Business Partner and become the Customer Connector.