Building HR Credibility

Creating confidence is the name of the game in today’s turbulent environment. Credibility is the ante HR needs to join the game as businesses aim to deliver confidence for customers, investors, communities, and employees.

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THE RBL INSTITUTE | MINI FORUM WHITE PAPER | DEC 2008

Participating RBL Institute Members:
Michele Bolden, Pfizer | David Icikson, Goldman Sachs | Keith Lawrence, Procter & Gamble (P&G)
Eva Sage-Gavin, Gap | Richard Taylor, Intel | Rick Vanasse, Bon Secours | Quinn Wilson, Flextronics

After twenty years of talking about “getting a seat at the table,” high performing HR professionals no longer need an invitation to take their seats at the executive table. In most organizations today, HR has a seat at the table and can influence and impact business decisions. However, HR leaders must maintain credibility and consistently demonstrate value-add in order to stay at the table. In our research on HR competencies (Ulrich et al., HR Competencies, 2008), we found that top HR professionals are credible activists who have personal credibility and a point of view on business issues.

This white paper reviews challenges to building credibility—or being a credible activist—and suggests solutions to those challenges as shared by senior HR executives from Bon Secours, Gap, Goldman Sachs, Intel, Pfizer, and P&G.

PAPER OVERVIEW AND EXECUTIVE SUMMARY

1. Why Credibility Matters for HR

2. Challenges we face in building Credibility
   a. Knowing the business, both inside and outside
   b. Struggling to connect HR’s work to the business
   c. Creating confidence that HR’s role is essential to building value
   d. Overcoming legacy beliefs about HR’s role
   e. Failing to see systemic patterns in events
   f. Lack of aggressiveness and contribution with a customer-focused attitude
   g. Aligning HR to the company culture

3. Barriers to overcoming challenges and best practices for addressing each barrier

   Credibility Barrier #1: We don’t know why we’re not credible, and therefore, we are not meeting line manager’s expectations
   Best Practice #1: Survey business leaders to identify why some HR people are seen as credible and some are not
   Best Practice #2: Clarify and communicate. From the top down, clarify the line’s expectation of HR and ensure HR understands expectations
   Best Practice #3: Develop “Rules of Engagement” and “Non-Negotiables”

   Credibility Barrier #2: We don’t know what our people don’t know
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   Credibility Barrier #3: Our people don’t have the right skills
   Best Practice #5: Aim for a target mix of backgrounds, skills, and experience in the HR team
   Best Practice #6: Give selection a higher priority than training when aiming to upgrade HR skills
   Best Practice #7: Create Career Accelerators within the HR Organization
   Best Practice #8: Use research to guide curriculum development, then couple training with organization structure and rules for engagement
   Best Practice #9: Ensure there is an HR advocate on
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The Board of Directors

**Credibility Barrier #4:** We don’t structure ourselves to align HR with the business

Best Practice #10: Create a specific organizational structure and role for strategic HR business partners

**Credibility Barrier #5:** HR is reactive rather than proactive

Best Practice #11: Don’t just look into the strategy mirror, look through it
Best Practice #12: Hold HR to the same standards our customers hold our companies to

**Credibility Barrier #6:** We don’t hold our people accountable for credibility

Best Practice #13: Embed “credibility” (clear demonstration of understanding of the business + impact) into performance standards for HR professionals

### SECTION 1: WHY CREDIBILITY MATTERS:

Since 1988, RBL Institute faculty have studied and conducted research to understand the competencies HR professionals need to add value for their businesses. Over the years, credibility has consistently surfaced as the variable that has high impact on HR’s ability to add value. Interestingly, in the latest round of research (2008), items related to “credibility” and items related to “proactive impact” factored together, resulting in the competency domain: Credible Activist.

In the research, HR professionals who were rated high on “credible activist” proved to have the most powerful impact on both perceptions of individual performance and on business performance. In fact, of the six competency domains that factored out in the study, the credible activist domain accounts for the largest portion (22%) of HR’s impact on business performance.

Credibility with business leaders, customers, and investors allows good HR people in leading global companies to play a strategic role and ensure that people and organization contribute to business success. Credibility, trust and confidence is the grease which allows HR leaders to successfully fill the following roles, especially in difficult economic times:

- Clarifying strategic direction and making sure that employees understand and are engaged to the direction for the firm
- Helping make strategy happen by defining and delivering leader behaviors consistent with the strategy
- Designing HR practices (staffing, training, paying) to align with and drive the strategy
- Ensuring that employees throughout the company have the competencies and commitment to do their job well
- Creating capable organizations that can learn, change, innovate, and operate with efficiency
- Building leadership bench and brand for current and future leaders
- Aligning a firms internal culture with its external firm brand so that employees deliver value to customers outside

Ensuring HR professionals are credible activists is essential to the success of any modern HR organization (see HR Competencies). No one doubts the findings of this research, but most still worry about how to systematically help HR professionals become credible activists.

### SECTION 2: CHALLENGES TO BUILDING CREDIBILITY:

If ensuring credibility is so important, why is it so elusive to many HR professionals? RBL Institute members related that the following challenges HR organizations often face can corrode credibility:

1. When HR work is not connected to business deliverables (operating rhythm, processes, customers, etc.)
2. When HR professionals lack the personal confidence in their interactions with line managers and fail to appreciate the essential role of HR in building business value
3. When HR professional don’t know the business, both inside and outside.
4. When HR work is not aligned to company culture, especially during times of change.
5. When HR remains mired and unable to overcome legacy beliefs about HR’s administrative role
6. When HR work gets caught up in the day-to-day fire fighting and fail to see systemic patterns in events
7. When HR professionals lack aggressiveness and fail to contribute with a customer-focused attitude
SECTION 3: BARRIERS AND BEST PRACTICES

We are all acutely aware of the challenges faced by HR professionals in becoming credible activists. The following section outlines why these challenges persist (six credibility barriers) and offers twelve best practices Institute members are currently implementing. We provide a high-level summary of each best practice and encourage you to explore how each of these ideas might be applicable in your organizations.

Credibility Barrier #1: We don’t know why we’re not credible, and therefore, we are not meeting line manager’s expectations

*Best Practice #1: Survey business leaders to identify why some HR people are seen as credible and some are not*

Keith Lawrence explained that in their effort at P&G to improve HR credibility and value-add, they found it most effective to ask their line managers what differentiated a good or bad HR person. After a thorough analysis, they identified two key barriers keeping line managers from viewing HR people positively that they are now continuing to address through a variety of interventions. The first is a mindset difference and the second is a reactive versus a proactive approach. Mindset means line managers and HR professionals continue to see HR as an administrative not strategic role. Proactive means that HR professionals need to take a position on HR and business issues.

*Best Practice #2: Clarify and communicate. From the top down, clarify the line’s expectation of HR and ensure HR understands these expectations.*

As a follow-on to the best practice shared above, in P&G’s analysis they learned that line leaders had negative perceptions of HR professionals who viewed their role more narrowly than the role their line leaders were expecting them to perform. Many of these HR professionals were stuck in the old “personnel” management mindset. Their response to this expectation gap involved the HR executive team helping line managers set expectations with their HR partners. Additionally, HR executives ensured that they held their teams accountable to develop strong consult-

Best Practice #3: Develop Rules of Engagement and Non-Negotiables for HR

HR must be clear about how it shows up by setting clear rules of engagement. Given unprecedented growth and a need to raise the bar for HR, Quinn Wilson described how Flextronics recently structured their organization such that each senior level manager was paired with and HR Business Partner (see best practice #9). However when the line managers got their hands on an additional HR resource, they immediately wanted to use their HR Business Partner for any and all things, including addressing some of the tactical issues (e.g. payroll processing, online staffing tools, etc). To ensure the HR Business Partners remained a strategic resource, Quinn and the senior HR team created very specific guidelines (rules of engagement and non-negotiables) around who does what and who interfaces with whom in order to reinforce the separation between tactical and strategic. These non-negotiables also provide a healthy check and balance system when individual business unit leaders want to create their own customized version of an HR service and help avoid unnecessary duplication of effort. Additionally, as these rules of engagement are explicitly connected to the company’s culture, both HR and line managers have increased clarity around HR’s purpose and value-add.

Credibility Barrier #2: We don’t know what our people don’t know

*Best Practice #4: Gather data to map the skills, competencies, and experience HR people bring to the table*

Eva Sage-Gavin and Kate Aiken from the Gap described a rigorous study they performed to analyze what Gap HR people were bringing into the room. One of the most significant findings was that most of their HR people had holes in their skill sets. In particular, many in their HR team lacked the standard business acumen skills (finance and mathematics, statistical analysis, marketing basics, etc) that most professionals in other functions already had. Mapping
the skills and experiences of their entire HR teams proved to be very helpful in knowing which topics to provide focused training on to bridge the knowledge gap at the Gap. With these skill gaps on the table, the Gap is now using the RBL HR Competency Model to provide research-based direction for HR professionals as they develop within the organization.

Credibility Barrier #3: Our people don’t have the right skills

*Best Practice #5: Aim for a target mix of backgrounds, skills, and experience in the HR team*

Richard Taylor explained that during the last few years, Intel has sought to balance a specific mix of people working in HR, with one third coming from traditional HR backgrounds, one third coming from other analytical functions (operations, engineering, finance, legal, etc.) and one third from external disciplines, including consultants, anthropologists, etc. Each of the three groups brings their networks into the HR function. They balance this mix throughout the organization, from new recruits to the Head of HR (e.g., Richard, head of HR for Intel, was previously Intel’s Controller). As they seek out individuals from different functions, Richard has developed a “seed operation” recruiting process, where he finds the best talent from another function to bring into HR, and then encourages them to bring their best people from elsewhere in the organization. They have found success in structuring this balance. As with most any approach, there have been some pitfalls. For example, just as it can be difficult to develop business analytics skills amongst some HR people, they have found that not just any engineer (or individual from a different discipline) can perform well in an HR position, and Intel is currently tightening up its selection and training efforts to address these selection issues and finding great success.

*Best Practice #6: Give selection a higher priority than training when aiming to upgrade HR skills*

Executives from Intel, P&G, Flextronics and Pfizer all agreed that while some people can be trained and can change, it is generally much more effective to focus on the selection process when upgrading HR and building credibility. Keith Lawrence from P&G explained that when recruiting for HR business partners, they focus on hiring people who have previously demonstrated the essential “HR business partner skills” and then they build the HR-specific skills around them. P&G looks for the ability to lead, have courage, make data-backed decisions, and take strong stands. Pfizer looks for experience managing large-scale change and the ability to handle difficult situations with senior leaders. Flextronics focuses on negotiation skills, conflict management, and strategic planning, and Goldman Sachs focuses on intellect and integrity. Eva from the Gap also emphasized the importance of adding “insight skills” to analytical skills ensuring social responsibility and employee advocacy in a strategic business partner skill set. Each company might have slightly different need based on their strategy, but all agreed that you select for personality traits and spend considerably more time finding the right person for HR business partner roles than they do hiring other HR staff.

*Best practice #7: Create Career Accelerators within the HR Organization*

Creating “career accelerators” positions are also a critical method for improving the skill base of our HR teams. Career accelerators involve strategically moving high potential talent in and out of HR positions. For example, Pfizer recently brought in a twenty-year sales veteran into HR and for an 18-month assignment to round him out before taking a larger general management assignment. After successfully learning more about managing organizations and people from a different angle, he was promoted to a regional president role. In a similar way, P&G has been very formal about building HR assignments into career paths for multiple disciplines. An individual seeking to become a P&G plant manager must first successfully fill an HR assignment for two to three years. Meanwhile, high potentials in HR are given cross-functional assignments in management, sales, etc. before stepping into senior level HR roles. The cross-fertilization effect has a tremendous impact on increasing critical skills, building networks, and improving credibility.
Best Practice #8: Use research to guide curriculum development, then couple training with organization structure and rules for engagement

After ensuring a strong selection process, the right type of training can also be helpful. Over the last 5 years, Flextronics has seen an ever-heightening need to move their HR team from traditional personnel management to strategic HR. Quinn Wilson described how they leveraged the HR Competency research from The RBL Group to design a career-acceleration training curriculum. From an HR 101 course to essentials like consulting skills and negotiation skills, they’ve combined training with HR rules of engagement and non-negotiables, and a new HR organizational structure to upgrade their HR function over a very short period of time. Quinn attributes the success of their HR organization to deliver on business needs in a rapid growth environment to these three essentials. While many HR organizations provide training for their teams, the key to Flextronics’ success was that (a) their training was based on current competency research, and (b) they coupled training with specific guidelines and a new organizational structure.

Best Practice #9: Ensure there is an HR advocate on the Board of Directors

Rick Vanasse explained that at Bon Secours Health System the Chairman agreed to invite a couple of credible HR executives to join the board of directors. These board members have since been in an ideal position to ask the line leadership the kinds of questions which reinforce the work the HR team is trying to accomplish. Including an HR advocate on the board has both increased credibility for HR, and created a pull from line managers for HR to upgrade its skill set.

Credibility Barrier #4: We don’t structure ourselves correctly to align HR with the business

Best Practice #10: Create a specific organizational structure and role for strategic HR business partners

Flextronics has had quite a bit of success in the last 18 months in creating an organization specifically for “Strategic HR Business Partners.” In doing this, Quinn Wilson described how they have structured an HR Business Partner role aligned with and reporting to each division president. Unlike other organizations that have attempted something similar, Flextronics’ structure is formalized to ensure there is a division of labor between those doing essential, but tactical HR work, and those responsible for overseeing the organization and talent strategy of a division. In recruiting for this new role, the large majority of their talent has come from outside of the organization. Meanwhile, Michele Bolden at Pfizer is developing a similar business partner role and drawing from both existing and new talent. In the same vein, but with a twist, Eva Sage-Gavin explained that HR has gone counter-culture at the Gap. Rather than embedding business partners in organizational units, they are deploying “centralized HR business partner assets” into the business to push the importance of the role and create a tangible division between strategic HR and tactical HR.

Credibility Barrier #5: HR is reactive rather than proactive

Best Practice #11: Don’t just look into the strategy mirror, look through it

Dave Ulrich explained that traditional Strategic HR theory uses the metaphor of business strategy as a mirror. In this line of thinking, HR must reflect its actions off of the mirror so that they are tied with the strategy. While this thinking is helpful, Ulrich suggests that to be truly proactive, HR should look through the mirror. He advocates making strategy a one-way mirror and insists that HR look through mirror and pull the outside expectations of customers, investors and communities into HR work. Goldman Sachs and P&G shared examples of how they ensure HR is looking through the mirror, from sitting on calls with analysts to getting to know the customers of their clients.

Best Practice #12: Change HR’s legacy image by holding HR to the same standards our customers hold our companies to

While HR is getting better in both analytical and insight skills, often there is a great need to change the
business leaders’ views from “legacy HR” to strategic, value-add HR. David Isaacson explained that Goldman Sachs brokers are pushed hard and held to an extremely high standard by their customers. With this in mind, the Goldman HR leadership team believes that HR should be held to the same high, demanding standard, and encourages line managers to push HR and set high expectations. From knowing small things like their schedule, to understanding their customers, HR should know their line clients and understand the pressure they are under. HR can then provide service which will better enable the organization to serve customers. When HR professionals know customer expectations and turn those expectations into organization actions, HR gains credibility. This means HR professionals should spend time knowing and understanding customers and investors outside the organization.

**Credibility Barrier #6: We don’t hold our people accountable to be credible**

**Best Practice #13: Embed “credibility” (clear demonstration of understanding of the business + impact) into performance standards for HR professionals:**

Michelle Bolden from Pfizer pointed out that while HR professionals are measured on a wide variety of metrics, rarely are they measured on how well they know the company’s products or services. They’re not tested on how well they know customers or even who key customers are. Most HR professionals aren’t required to read financial statements or analyze and explain cash flow statements to other employees. Often, while HR professional may own company stock, they are rarely evaluated on what investors are demanding. Measurement drives performance, and Michelle pointed out that for the last 20 years, most HR people haven’t been measured on how well they know the business. This is certainly a topic that could benefit from further discussion and best practice sharing.

**CONCLUSION**

Building HR credibility is doing HR for HR. We must do for ourselves what we hope we can do for our peers in the business. We must avoid being our own worst enemy and help our line managers see us differently. In tough economic times the HR issues become more prevalent than ever. Now is the time when strategic HR leaders can shine and enable the business to distinguish itself from competitors. Creating confidence is the name of the game in today’s turbulent environment. Credibility (credible activist) is the ante HR needs to join the game as businesses aim to deliver confidence for customers, investors, communities, and employees.

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**A TEACHING TIP FROM DAVE**

If you’re with a group of HR professionals and want to point out that HR tends to focus inwardly rather than on business issues, try the following:

1. **Ask:** What’s the biggest challenge you face in your job today?

2. **Classify the answers into two columns: HR centric / Business centric**

3. **How many people stick to the “HR” column (hiring, retention, moral, connecting HR to the business, etc) compared to the “Business” column (we’re losing market share, we need to develop more innovative products, our P/E ratio is down and investors don’t have as much confidence in our ability to deliver in the future, etc). In most organizations you will find that HR is still very inward focused.**

4. **Use the “so that” question to go from HR to business. For example, for the challenge of staffing, the “so that” translates staffing to business outcomes**