Building Strategic HR Capability

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“HR Professionals that succeed will be constantly learning and growing.”
—Dave Ulrich

Our Premise: Over the last decade, the human resources function has played a more strategic role within the business. The function has moved beyond being known as “personnel management” to leading and influencing many dimensions, such as strategy, organization design, and leadership development—to name just a few. The challenging global economy and dramatic impact of change has raised the bar on what companies are looking for from Human Resources. The challenge has been how to build the capabilities that are essential to being a highly effective strategic HR leader fast enough to keep pace with the demands being placed upon us.

KEY QUESTIONS

1. Based on your experience, what are the critical few capabilities HR must have in order to be an effective strategic HR business partner?
2. What specific approaches are you finding successful in building these capabilities within HR? What is working in your organization?

INSIGHTS FROM THE DISCUSSION

- Human resources is “center stage” as more companies realize the important role individual and organization effectiveness plays in driving long-term business success. The role of HR as a strategic business partner has never been in greater demand.
- Increasing demands on HR warrant the profession to identify what capabilities really matter and proactively invest to ensure it has the knowledge, skills, and experience to improve the business. Capabilities noted on the call by participants included strategic acumen (business acumen), data and analytics capabilities, being effective change agents, strategic planning and visioning skills, business focus (including understanding the future state of the business), being better advisors and thought leaders, understanding business opportunities, and global workforce planning skills, including talent development and mobility—to name just a few.
- In a global research study on what it takes to be a successful HR professional, The RBL Group has identified six key competency domains: strategic positioner, credible activist, capability builder, change champion, HR innovator and integrator, and technology proponent.
- Given people are pressed for time, developing talent is increasingly being done through blended approaches to learning (i.e., less classroom instruction and more training via social media and on-the-job experiences).

GROUND-BREAKING RESEARCH ON HR COMPETENCIES

The RBL Group and the Ross School of Business at the University of Michigan recently completed the largest global study of HR professionals ever conducted. The 2012 HR Competency Study explored the question, “What knowledge and abilities are necessary for successful HR professionals?” This research has been conducted for 25 years to define what makes an ef-
fective HR leader and how they can impact business success. Six domains of HR competencies were defined both in terms of what HR should focus on (e.g., strategy, HR, change) and how HR should focus on that area through their role (e.g., positioner, champion, builder, innovator, integrator). Together they define the skills and knowledge that HR professionals should possess. These areas are universally applicable, holding true across regions of the world, roles within HR, and the size of the organization. Refer to figure 1.

We will explore these six competency domains with specific examples highlighted by participants on our mini forum call.

- **Strategic Positioner.** High-performing HR professionals think and act from the outside-in. They are deeply knowledgeable of and are able to translate external business trends into internal decisions and actions. They understand the general business conditions (e.g., social, technological, economic, political, environmental, and demographic trends) that affect their industry and geography. They target and serve key customers of their organization by identifying customer segments, knowing customer expectations, and aligning organization actions to meet customer needs. They also cocreate their organizations’ strategic responses to business conditions and customer expectations by helping frame and make strategic and organization choices.

- **Bon Secours** and **Cardinal Health** see HR as needing a strong business focus, in particular, on understanding the future of their respective businesses. Their industry (healthcare) is undergoing radical changes, and HR’s business knowledge is critical to being able to set the strategic direction and rapidly respond to changing needs.

- **UBS** believes that HR professionals must have a natural interest for the industry they are working in to be credible with business leaders.

- **Accenture** is focused on providing strategic HR support to business leaders - becoming better thought leaders, strategic partners, and helping business leaders understand the shifting external market, accelerating the development of capabilities in priority emerging markets while meeting the demand for specialized skills in mature markets.

- **Credible Activist.** Effective HR professionals are credible activists because they build their personal trust through business acumen. Credibility comes when HR professionals do what they promise, build personal relationships of trust, and can be relied on. Being a trust advisor helps HR professionals have positive personal relationships. It means to communicate clear and consistent messages with integrity. As an activist, HR professionals

Figure 1: 2012 HR Competency Domains
have a point-of-view, and not only about HR activities. Some have called this “HR with an attitude.” To be credible activists, HR professionals need to be self-aware and committed to building their profession.

- **Cardinal Health** sees HR serving a critical role as advisor to leadership. This includes bringing a voice of reason and at times a voice of conflict. Smartly driving constructive conflict is healthy to ensure the organization makes the best decisions to meet the needs of all of its stakeholders.
- **UBS** has identified that successful HR leaders also practice empathy. In this day and age of overwhelming business pressures and an unrelenting focus on driving bottom line results, practicing this skill can get pushed to the back burner.
- **Accenture** is developing HR characteristics for the long term where HR will possess exceptional knowledge of Accenture’s business; be visible and relevant to Accenture employees, clients, and communities; remarkably skilled at seeing around the corners, anticipating business challenges and opportunities, and rapidly mobilizing into action that drives measurable business outcomes; build thriving relationships with and be widely acknowledged as a trusted advisor in the eyes of Accenture people.

- **Capability Builder.** An effective HR professional melds individual abilities into an effective and strong organization by helping to define and build its organizational capabilities. Organization is not structure or process; it is a distinct set of capabilities. Capability represents what the organization is good at and known for. HR professionals should be able to audit and invest in the creation of organizational capabilities. These capabilities outlast the behavior or performance of any individual manager or system. Capabilities have been referred to as a company’s culture, process, or identity. HR professionals should facilitate capability audits to determine the identity of the organization. Such capabilities include customer service, speed, quality, efficiency, innovation, and collaboration.
  - At **UnitedHealth Group**, HR is working with business leaders and employees to create an environment that encourages career development and exploration to improve talent mobility within and across businesses to meet current and future organizational needs.
  - **Accenture** views advancing HR capabilities as a key part of their growth strategy. In addition to implementing workforce/leadership development programs and specialized career models, Accenture is working to deepen market-relevant specialization by focusing on industry skills, critical roles and domain areas with the highest impact.

- **Change Champion.** As change champions, HR professionals make sure that isolated and independent organizational actions are integrated and sustained through disciplined change processes. HR professionals make an organization’s internal capacity for change match or lead the external pace of change. As change champions, HR professionals help make change happen at institutional (changing patterns), initiative (making things happen), and individual (enabling personal change) levels. To make change happen at these three levels, HR professionals play two critical roles in the change process. First, they initiate change, which means that they build a case for why change matters, overcome resistance to change, engage key stakeholders in the process of change, and articulate the decisions to start change. Second, they sustain change by institutionalizing change through organizational resources, organization structure, communication, and continual learning. As change champions, HR professionals partner to create organizations that are agile, flexible, responsive, and able to make transformation happen in ways that create sustainable value.
  - **HP** is strengthening its capabilities to look at the business in a holistic way to help business leaders make balanced decisions (looking at both their short- and long-term impact) as well as all the key factors (cost, productivity, quality, engagement, etc.).

- **Human Resource Innovator and Integrator.** Effective HR professionals know the historical research on HR so that they can innovative and integrate HR practices into unified solutions to solve future business problems. They must know the latest insights on key HR practice areas related to human capital (talent sourcing, talent development), performance accountability (appraisal, rewards), organization design (teamwork, organization development), and communication. They must also be able to turn these unique HR practice areas into integrated solutions, generally around an organization’s leadership brand. These innovative and integrated HR practices then result in high impact on business results by ensuring that HR practices maintain their focus over the long run and do not become seduced by HR “flavor the month” or by another firm’s “best practices.”
  - **Cardinal Health’s** HR team is focused on assessing capabilities at both the individual and organizational
level to drive business performance.

- **UBS** sees HR working with the business to set the agenda on talent management, which is increasingly important in its growing global business. This includes how to set up succession planning, managing high potentials, and building a culture of development.
- Given the focus on reducing cost and improving productivity at **HP** the last several years, employee engagement has been impacted. HR is working to identify new ways to drive increased ownership to help offset these effects.
- **Applied Materials** is working extensively on global workforce planning as a key competency to drive long-term success. This is combined with stronger data analytics and business consulting and coaching skills.
- **Deutsche Bank** is focused on integrated employee life cycle management, identifying where associates have key needs for HR’s products and services, and making sure that what they are seeking is readily available to them. They have teams working across HR areas to “connect the dots” and looking at systems end-to-end from an employee perspective in order to produce a more integrated experience. Examples are internal career mobility and new hire on-boarding.
- As a part of ongoing HR transformation efforts, **Accenture** is evolving its management operating system (e.g., key business meetings, scorecard/business reviews) to ensure cross team integration of all key transformation/change journey programs, best practices and key market insights.

### Technology Proponent

In recent years, technology has changed the way in which HR people think and do their administrative and strategic work. At a basic level, HR professionals need to use technology to more efficiently deliver HR administrative systems like benefits, payroll processing, healthcare costs, and other administrative services. In addition, HR professionals need to use technology to help people stay connected with each other. This means that technology plays an increasingly important role in improving communications, doing administrative work more efficiently, and connecting inside employees to outside customers. An emerging technology trend is using technology as a relationship-building tool through social media. Leveraging social media enables the business to position itself for future growth.

HR professionals who understand technology will create improved organizational identity outside the company and improve social relationships inside the company. As technology exponents, HR professionals have to access, advocate, analyze, and align technology for information, efficiency, and relationships.

- **UBS** is investing in building its analytical thinking capabilities to look at many aspects of the organization to identify untapped opportunities to drive improved efficiencies.
- **HP** is leveraging social media to more broadly engage employees. Recently, the global HR community participated online in helping craft a new HR strategy for the company.
- **Accenture** is in the process of refreshing the HRIT Technology Roadmap to enable phase 2 HR transformation, becoming a simpler and leaner HR organization.

### Approaches to Building HR Capability

A wide range of very exciting approaches are being used across RBL Institute member companies to build capability in human resources.

**UnitedHealth Group** has an intriguing certification program for all of its human capital business partners. The program includes required course work, proven ability to use their 360-degree feedback tool and a formal demonstration on how the human capital business partner has addressed a critical business issue and helped improve the business. In addition to this program they use monthly conference calls to exchange best practices across the HR community, they encourage HR career movement across the organization for personal growth and increased business impact and human capital business partners are eligible to participate in executive development programs. HR also fully participates in the same talent management and development processes that business leaders do.

**Accenture** is taking a very pragmatic approach to strengthening capability. It is embedding expected new behaviors into all its leadership training, performance management systems, etc. This provides consistent messaging and coaching on what’s important. For example, instead of HR business partners being just facilitators, Accenture expects them to become heavily involved in solving critical business problems. Accenture frequently polls business leaders to see if they are seeing these new behaviors from HR playing out in the daily
Applied Materials has hired several experts who are now working to build new capability into the HR team. For example, a “boot camp” on global workforce planning was held this year with business leaders to train them on labor economics, key trends, etc. The “boot camp” is a deep dive (for VPs) into specific global business issues that involves real-time training with experts. In addition, Applied Materials’ analytics group has built out new dashboards to be proactive in providing data that is needed for the business. They are training people on how to harness the data being “pushed” and helping leaders become more adept at pulling information from the dashboard.

Bon Secours is continuing down its path of shared services and driving employee self-service. One of the benefits of this transformation is freeing up local HR talent to do higher-level work in support of the business.

At Cardinal Health, HR business partners attended a two-day workshop on organization design during which several models and tools as well key questions to consider during re-designs are covered. Similar workshops were held on change leadership.

Like most companies, Deutsche Bank is finding it very challenging to take employees “off line” to attend training. They also recognize that acquiring new knowledge and skills comes from more than just sitting in a classroom. They have detailed the new behaviors they expect to drive, changing how people think and go about doing their jobs. Senior HR leaders set the example by practicing them. For example, given that driving business results is a key focus for HR, senior HR leaders are encouraged to avoid “HR speak” and provide the business context when updating their teams or managing projects. Also, key projects, like the launch of a new performance management system, are grounded in a solid business case that demonstrates the impact it will have on business performance.

HP is also building learning directly into people’s jobs. They are applying the 70–20–10 rule for building new knowledge (70 percent experiential or on-the-job, 20 percent through social media, and 10 percent via formal education). They are finding that experiential learning is the most effective way to build capabilities. HP’s leadership standards and HR competencies have been built into development planning, which relies increasingly on such avenues as new assignments, role rotations, special projects, etc. Their latest employee survey showed significant improvements in HR engagement.

UBS has recently undergone a significant transformation, which means there has been little time to date to invest in capability development. This is changing with the creation of an HR Business Partner Development track. This eighteen-month effort would encompass workshops, peer coaching, webinars, action learning, external technical education, and mentoring. It’s an eighteen-month journey of learning activity.

**CONCLUDING THOUGHTS**

This recent research on what matters in highly effective HR leaders and departments has helped define what is important to succeed. The key challenge is actually doing it. What can HR professionals do with this knowledge to improve their contribution to their company?

- **Outside-in**: Understand what is happening in the business you are in and translate emerging trends and stakeholder expectations into important internal actions.
- **Business/people**: Focus on both driving better business results and improving your company’s human capital.
- **Individual/organizational**: Invest in strengthening both individual abilities and organization capabilities.
- **Administrative стратегический**: Attend to both the day-to-day administrative processes as well as the longer-term strategic priorities such as change management and organization performance.
- **Event/sustainability**: Develop and effectively implement integrated solutions that will be sustainable over time.
- **Past/future**: Respect the heritage of your firm and HR department, but work proactively to shape its future.

In addition to better equipping HR leaders, education needs to be done with HR’s line leaders so they understand and support the broader role the function can play in driving business success.