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HR Value Proposition

by

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and

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Dave Ulrich is on a three-year sabbatical (until July 2005) from the University of Michigan, where he is a professor of business, to serve as president of the Canada Montreal Mission for the Church of Jesus Christ of Latter-day Saints. Professionally, he studies how organizations use human resources to build capabilities of speed, learning, collaboration, accountability, talent, and leadership. He has helped generate multiple award-winning databases that assess alignment between business strategies, HR practices, and HR competencies, and he has consulted and done research with more than half the Fortune 200.

He has published more than 100 articles and book chapters and 12 books, including *Why the Bottom Line Isn't: How to Build Value Through People and Organization* (with Norm Smallwood), *Results Based Leadership: How Leaders Build the Business and Improve the Bottom Line* (with Norm Smallwood and Jack Zenger), and *Human Resource Champions: The Next Agenda for Adding Value and Delivering Results*.

He was editor of *Human Resource Management Journal* (1990–1999), and has served on the editorial boards of four other journals. At present, he is on the Herman Miller Board of Directors and is a Fellow in the National Academy of Human Resources. In 2001, he was ranked by *BusinessWeek* as #1 management educator and guru, and in 2000, he was listed in *Forbes* as one of the “world’s top five” business coaches.

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He is director of the Michigan Human Resource Executive Programs in Hong Kong, Singapore, and India as well as the Michigan Global Program in Management Development in India. He is also a distinguished visiting professor of business administration at Instituto De Altos Estudios Empresariales (Argentina), and teaches at Mt. Eliza University (Australia).

His research focuses on linkages between HR practices and business strategy, high-value-added HR strategies, and implementing business strategy through people. He has published on these topics in the *Human Resource Management Journal*, *Human Resource Planning*, and *Personnel Administrator* and has contributed numerous book chapters. In 2000 the editorial board of the *Human Resource Management Journal* named his article “If HR Were Strategically Proactive?” the best HR paper of the year. He has consulted with major corporations on every continent. Among his clients have been General Electric, Motorola, Harley-Davidson, Citicorp, Cisco, General Motors, Saudi Aramco, Texas Instruments, BP, Goldman Sachs, and Hewlett-Packard. He completed his Ph.D. at UCLA, where he specialized in organization theory and business policy and strategy.

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HR Value Proposition

Preface

We like human resources (HR). We like HR practices that deal with people, performance, information, and organization because they create an infrastructure that affects employees, customers, line managers, and investors. When HR practices align with strategies, goals are met and sustained. We like the HR function because it allows functional experts to help sustain organization results. When the HR function operates well, it becomes an exemplar of how to bring specialist expertise to business requirements. We like HR professionals because, for the most part, they value people and they work to create both competitive and compassionate organizations. When HR professionals develop competencies and play appropriate roles, they become partners and players in the business. We like the intellectual challenges of figuring out how HR practices, functions, and professionals add even greater value.

For the last twenty years of our professional lives, we, along with others, have been committed observers of and champions for the HR profession. We have turned our commitment into action through education and practice. We have had the privilege of training thousands of HR professionals at the University of Michigan and elsewhere. We have worked in hundreds of companies to assess and improve their HR effectiveness.

In this process, we have learned a great deal about how to position and focus HR. In the 90's, the book HR Champions (by Dave Ulrich) discussed the *deliverables* of HR and identified four roles that HR professionals play: employee champion, administrative expert, change agent, and strategic partner. When HR professionals play these roles, HR focuses more on outcomes than on activities. Employee champions deliver competent and committed employees. Administrative experts deliver efficient HR practices. Change agents deliver capacity for change in individual behavior and organization culture. Strategic partners deliver business results.

In the early 2000's, Dave Ulrich and Norm Smallwood's Why The Bottom Line Isn't discussed *intangibles* and suggested that HR investments build organization capabilities. These organization capabilities generate market value through the intangibles they create. Capabilities that lead to intangible market value include: talent, speed, collaboration, accountability, shared mindset, learning, and leadership. HR professionals make intangibles tangible by building organization capabilities. Organization capabilities are the deliverables of HR.

Each of us has previously published on the changing role of the HR profession. Wayne Brockbank received the paper-of-the-year award from The Human Resource Management Journal for asking what would happen "If HR Were Strategically Proactive?" His paper addresses the future of HR and its role in building competitive advantage.

For over fifteen years, we have conducted on-going research on HR competencies, most recently synthesizing that work in Competencies for the New HR (by Wayne Brockbank and Dave Ulrich) published by Society for Human Resource Management, the University of Michigan, and Global Consulting Alliance. In this work, we focus on how HR professionals can identify and master crucial competencies for business success. As a result of fifteen years of research, we have accumulated the largest data set in the world on HR competencies that differentiate business performance and define what HR professionals should know and do.

More recently, HR Business Process Outsourcing by Ed Lawler, Dave Ulrich, Jac Fitz-enz, and James Madden suggests ways to deliver the administrative work of HR through outsourcing. We argue that the field of HR is being split in half. Much of the traditional, administrative, and transactional work of HR, e.g., payroll, benefits administration, staffing policies, training logistics, and so forth must be carried out more efficiently. Most large firms have either built service centers and invested in HR technology, or outsourced these transactions. What is left after transactional HR has been automated, centralized, eliminated or outsourced forms the heart of this book, The HR Value Proposition.

As we have attempted to apply the above ideas, we continue to be confronted by future focused questions such as:

- Why does HR matter so much more today?
- How do I convince my line manager to pay attention to HR issues?
- What specific things can HR do to connect with customers, investors, employees, and line managers?
- What are emerging HR practices? While deliverables (outcomes, intangibles, or capabilities) are important, what are the investments in HR practices that make these outcomes happen?
- How do we create a powerful line of sight between business strategy and HR?
- How do we organize our HR function? In particular, after we outsource transaction work, how do we organize to deliver more strategic HR work?
- How does HR help to build, not just measure, intangible value creation?
- What are the evolving and emerging roles for HR professionals?
- What knowledge, skill, and ability should HR professionals demonstrate that impact business performance?
- How can we develop more capable HR professionals and department to do the above?

These are the questions that remain after re-engineering, automating, or outsourcing HR. These are the questions we address in this book.

We continue to believe that HR professionals should focus more on deliverables than on doables or activities. We believe that key deliverables are organization capabilities and intangibles that define the organization's identity and personality and that deliver high performance to all stakeholders. We believe that HR leaders can align practices to more effectively execute business strategy. We believe that HR professionals who demonstrate the right competencies and play the right roles will be more effective than those who do not. And, we believe that with creative thought and discipline these beliefs will become actions that deliver value. In sum, we believe that this a great time to be an HR professional.

In this book, we expand on these beliefs and provide empirical and best-practice evidence that show how to turn these ideas into action.

In writing this book, we made a strategic choice to offer an integrated blueprint for the future rather than to deal with one piece of the overall HR puzzle. Our previous works covered subject such as "HR roles" or "HR deliverables as intangibles" or "HR strategy" or "HR competencies" or "HR outsourcing." This book brings all those elements together in an integrated blueprint for the future of HR. As a result, it could be sub-titled, "HR *NOT* for Dummies." This is a complex book. It offers more content than cheerleading. It offers a range of ideas on an integrated model of how HR can and should be performed. It is an action book, filled with ideas on how to *do* HR rather than merely advocate positions about what HR can and should become.

The essential message of our work is very simple: HR must deliver value. HR practices must create value in the eyes of investors, customers, line managers, and employees. HR departments must be organized. They must implement strategies that create value by delivering business results in efficient and effective ways. HR professionals deliver value when their personal competencies deliver business results. Value is the foundation and premise of our HR architecture. The HR Value Proposition offers an integrated approach to what HR professionals and departments can and should do to create sustained value.

In drafting this book, we chose to present tried and tested work as well as innovative and leading-edge ideas. Often, the tools and cases reflect what we have learned from both successes and failures. By extending what *is*, we hope to be thoughtfully challenging and defining where the HR profession can and should move.

We believe the 14 criteria for value around which the book is organized apply to large global multinational firms. We offer examples of how firms headquartered in Europe, Asia, and North America create value through investments in HR. But the principles also apply to small firms and public agencies. We share a number of stories of how smaller companies deliver value through HR. In fact, we believe that the HR challenge is greater in firms with only a few HR professionals because those HR professionals must be both generalists and specialists. Also, we believe that as scrutiny of public agencies increases, people will gain an enhanced appreciation of the centrality of HR in building capabilities.

Mostly, we believe the ideas in the book should be actionable. We invariably begin our engagements with the general goals of: *think* (outside the box, about how to create value), *behave* (turn ideas into action with honest assessments of what is and tools for what can be), and *have fun* (harder to do in a book, unless the fun is learning and playing with the proposed ideas). Because we have a bias towards action and impact, we generally follow a C - I - A teaching model: Concept (what theory and extensive empirical research tells us can be done), Illustration (what is being done by leading companies), and Application (what the reader can do through assessment and investment). As we wrote each chapter, we asked ourselves, “What would an HR professional charged with this assignment need to know and do?” For example, what would the leader need to know and do to improve the performance management process? (Chapter 5) To enhance the flow and utilization of customer information? (Chapter 6) To turn business strategy to HR strategy? (Chapter 7) Or to develop HR professionals? (Chapter 11) So, we provide concepts to frame the issue, illustrations of what others have accomplished, and templates with assessments and tools for action that the reader can adapt and apply.

The target audience for this book is HR professionals everywhere in the world. Any HR professional who wants to add value by building a knowledge base concerning external business realities (Chapter 2), specifying the outcomes of HR (Chapters 3 and 4), by investing in innovative HR practices (Chapters 5 and 6), by upgrading the HR function (Chapters 7 and 8), and by improving professionalism of HR professionals (Chapters 9, 10, and 11) should find this book a useful blueprint. But, we also believe that line managers who are increasingly worried about intangibles, strategy execution, human capital, and other organization and people issues can use this blueprint to determine what to expect from their HR function. As the HR function begins to be transformed, other staff functions such as marketing, finance, information technology, facilities, and research and development may also choose to adapt these ideas to achieve functional excellence.

We hope the book will generate debate. We know that not all of what we propose will work in every situation. But, we hope to provoke thoughts and action that will enable HR to create sustainable value.

While we are responsible for flaws in thinking and writing, we owe a debt of gratitude to many people for their contributions to this book. Most will go unnamed. In thousands of workshops, we have spoken with many thoughtful and dedicated HR professionals about these ideas. We learn from these encounters and are in debt to unnamed professionals who are committed to the HR field, who are dedicated to learning, and who desire to add greater value to business through people. But, some colleagues have been particularly instrumental in shaping our thinking and deserve special attention.

Norm Smallwood, a co-author on other books and partner in RBL, has a knack for turning ideas into action and for getting quickly to the heart of an issue. He is a great partner, colleague and friend whose ideas have shaped our thinking. Our faculty colleagues in the HR programs at

Michigan and elsewhere have shaped our thinking in ways they probably don't even realize. Dick Beatty, Ron Bendersky, John Boyer, Marshall Goldsmith, Lynda Gratton, Gordon Hewitt, Bill Joyce, Steve Kerr, Dale Lake, CK Prahalad, Caren Siehl, Warren Wilhelm are brilliant presenters and shapers of the HR profession. Our work builds on the legends in HR whose ideas we savor and enjoy. John Boudreau, Ram Charan, Jim Collins, Lee Dyer, Bob Eichinger, Fred Foulkes, Jac Fitz-enz, Jay Galbraith, Gary Hamel, Mark Huselid, Bob Kaplan, Ed Lawler, Mike Losey, Henry Mintzberg, Mike Losey, Dave Nadler, Jeff Pfeffer, Libby Sartain, and Sue Meisinger have all influenced the profession of HR by their writing and thinking. We have learned from them. We also have colleagues with whom we have collaborated on numerous projects which have shaped how we perceive HR's place in the business world, including Katy Barclay (GM), Chris Moorhouse (BP), Tony McCarthy (Royal Mail), Ralph Christensen (Hallmark), Pedro Granadillo (Eli Lilly), Paul McKinnon (Dell), Tony Rucci (Cardinal Health), Chuck Nielson and Steve Levin (Texas Instruments), Satish Pradhan (Tata Group), Mike Tucker (Baxter Healthcare), Denise Peppard (Wyeth), Michael Johnson (Williams), Glenn Gienko (Motorola), Andre Van Heemstra and Jan Peelen (Unilever), John Hofmeister (Shell), and Alastair Imrie (BAE Systems).

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We also express our ongoing appreciation to our families: Wendy, Nancy, Carrie, Dave, McKell, Wes, Leah, Monika, Michael, and Brynna. Without them, much of the purpose and joy of all that we do would be lost. With them, life is full of meaning and joy. They are in fact our personal value proposition.

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