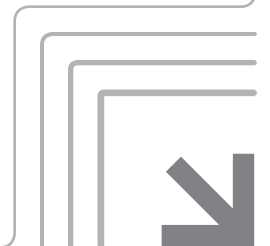


Competencies for HR Professionals Working Outside-In



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



Competencies for HR Professionals Working Outside-In*



Dave Ulrich, Jon Younger, Wayne Brockbank, and Mike Ulrich

No one can deny the incredible uncertainty faced by global businesses during the last five years: prolonged recession, national and organization debt crises, government bailouts, the Arab Spring and other political uncertainty, rise of the internet cloud and social media, and increased employee skills, uncertainty, and cynicism. These business contextual changes have required a new set of competencies for HR professionals.

Since 1987, our research has identified the skills that determine effective HR professionals. The research has a strong empirical foundation with rigorous statistical analyses, a global sample, a measurement approach focused on personal and business performance, and perspectives from both HR professionals and their HR and non-HR associates. With this current 2012 data set, we have completed six waves of data collection on what makes an effective HR professional. Over these 25 years, the fundamental skills required for HR professionals have remained much the same (know the business, deliver value-added HR practices, manage change, and have personal credibility), but the specific competencies have evolved based on changing business conditions and expectations for the HR profession.

Our 2012 competency data set for HR professionals, as with our previous work, is a unique partnership with many leading HR professional associations. This round includes the active participation of HR colleagues in Australia (AHRI), Latin America (IAE), China (jobs51), India (NHRD), Middle East (ASHRM), Northern Europe (HR Norge), and South Africa (IPM). With their support, and the active involvement of RBL Institute members and the University of Michigan, we have collected global data from over 20,000 respondents and 650 organizations. These data come from line managers HR and non-HR Associates who rated HR professionals on 139 behavioral and knowledge-based competencies. They tie HR competencies to both personal effectiveness (*compared*

to other HR professionals you have known, how does this participant compare?) and seven dimensions of business performance.

In this round of research, we have identified six domains of competencies that HR professionals must demonstrate to be personally effective and to impact business performance. These competencies are driven by three themes facing businesses today:

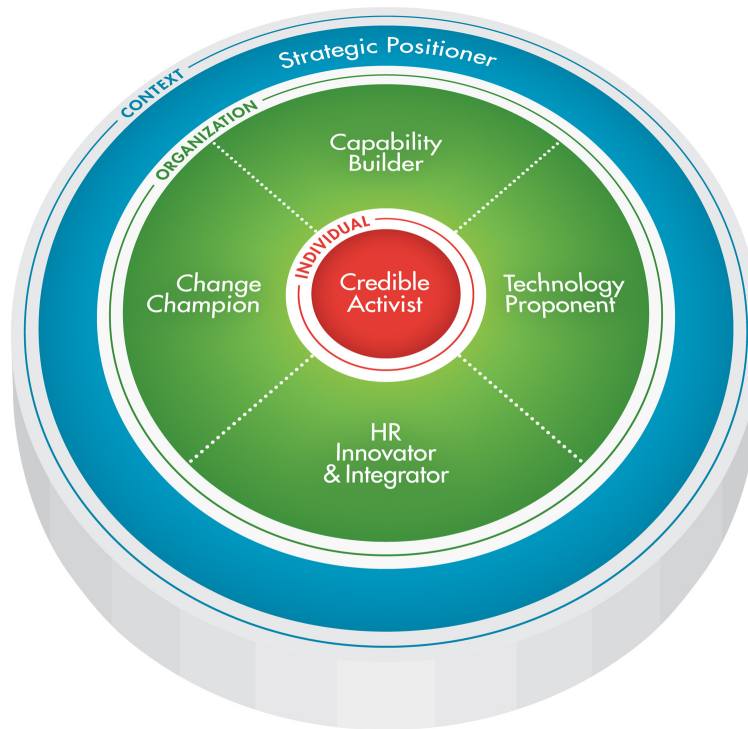
- 1. Outside-in:** which means that HR must turn outside business trends and stakeholder expectations into internal actions.
- 2. Individual-collective:** which means that HR targets both individual ability and organization capabilities.
- 3. Event-sustainability:** which implies that HR is not about an isolated activity (a training, communication, staffing, or compensation program) but sustainable and integrated solutions.

With these three trends, figure 1 below points out three spheres of influence of HR work:

- **Individual:** what high-performing HR professionals do as individuals to build effective relationships and reputations within their organization.
- **Organization:** how effective HR professionals design, develop, and deliver HR systems and practices that enable the organization to create capabilities, manage change, innovate and integrate HR practices, and deploy HR technology.
- **Context:** what respected HR professionals do to ensure understanding of the external trends and realities facing the organization, and responsiveness to external stakeholders.

With this as background, each of the six domains of HR competence captures the role and responsibility of HR professionals in creating value (see figure 1).

Figure 1: HR Competencies for the Future



- *Strategic Positioner.* High-performing HR professionals think and act from the outside-in. They are deeply knowledgeable of and able to translate external business trends into internal organization 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 segmenting customers, knowing customer expectations, and aligning organization actions to meet customer needs. They also co-create their organization's strategic response to business conditions and customer expectations by helping frame and make strategic and organization choices.

A consequence of outside-in thinking is the increased tendency for organizations to choose line executives to lead their HR organization. For example, Shira Goodman, head of HR for Staples was previously head of marketing. Christian Finckh, CHRO for Allianz, the global insurance company, was chief operating officer of the asset management business and began his career as an M&A attorney. These line leaders coming into HR may indicate the need to infuse the function with a stronger business focus so that HR can play a more strategic role.

- *Credible Activist.* Effective HR professionals are credible activists. Credibility comes when HR professionals do what they promise, build personal relationships of trust, and can be relied on. Being a trusted advisor helps HR professionals have positive personal relationships. As an activist, HR professionals have a point-of-view, not only about HR activities but about business demands. As activists, HR professionals learn how to influence others in a positive way through clear, consistent, and high-impact communications. Some have called this HR with an attitude. HR professionals who are credible but not activists are admired but do not have much impact. Those who are activists but not credible may have good ideas but will be ignored. To be credible activists, HR professionals need to be self-aware and committed to building their profession. A good example of this competency is Mars, the global consumer products company. At Mars, there is an *expectation* that HR consultants (or, as they describe it, People and Organization or P&O) will operate as “co-pilots” working closely and collaboratively with the CFO and other executives in activities that drive the business forward. It is expected and required that HR professionals will build the quality and consistency of relationships that allow them to do so.

- *Capability Builder.* An effective HR professional creates an effective and strong organization by helping to define and build its organization 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. One of the emerging capabilities of successful organizations is to create an organization where employees find 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.

The International Labor Organization of the United Nations has been a non-profit HR leader in this area. Working closely with the senior management team, the HR leadership has made a significant investment in building accountability as an organizational capability for the future. HR has been in the forefront of enabling the organization to enact a more results-focused, performance discipline. This has been particularly critical at a time when government sponsors of the UN and ILO expect more impact, sooner and sustainably, for their investment in the organization.

- *Change Champion.* HR professionals make an organization's internal capacity for change match 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 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. Under HR head Kathleen Wilson-Thompson, Walgreen's is a good example of an HR change champion. As a new CHRO, Kathleen and her team worked hard to understand

the key business challenges facing the increasingly competitive market, and built the business case for increased emphasis on leadership development. Their work has resulted in a significant long-term organizational investment of time and expense but also a strong agreement among the senior management team that the effectiveness of current leaders and development of the next generation of leadership is fundamental to the organization's performance.

- *Human Resource Innovator and Integrator.* Effective HR professionals integrate innovative HR practices into unified solutions to business problems. To do so, they must know the latest insights on key HR practice areas related to human capital (talent sourcing, talent development), performance accountability, organization design, and communication. They must also be able to turn these unique HR practice areas into integrated solutions, generally around leadership brand, that match business requirements on a global scale. Effective HR professionals help the collective HR practices to reach the tipping point of high impact on business results by ensuring that HR practices are focused with discipline and consistency on a few but centrally important business issues.

A few years ago, two of the authors were invited to work with the top 75 HR leaders of a leading airline. One of us met with the heads of functional areas (compensation and benefits, industrial relations, learning and development) and learned that these individuals and their teams had never met in memory to look at the integration—or lack of same—in how their systems and practices operated. Not surprisingly, the airline suffered a traumatic strike less than two years after we met, attributed to demonstrably poor employee relations.

- *Technology Proponent.* In recent years, technology has changed the way in which HR people think and do their 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 can be used to improve communications, to do administrative work more efficiently, and to connect 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.

A.P. Moller Maersk provides a useful perspective on the broader domain of technology. Bill Allen, head of group HR, commissioned a group of young, high-potential professionals to comment on needs for improvement in how the

organization communicates internally. Their guidance: apply the new technologies of social networking. As the team pointed out, the new generation of employees will text before phoning and twitter rather than email.

These six domains of HR competence have an impact on both the perception of the effectiveness of the HR professional and the business performance where the HR professional works (see table 1).

Table 1: Impact of HR Competencies on Perception of HR Effectiveness and Business Performance

	Mean Score on this Competence Domain (1 to 5)	Impact on Perception of HR Effectiveness (Beta weights scaled to 100%)	Impact on Business Performance (Beta weights scaled to 100%)
Credible Activist	4.23	22%	14%
Strategic Positioner	3.89	17%	15%
Capability Builder	3.97	16%	18%
Change Champion	3.93	16%	16%
Human Resource Innovator and Integrator	3.90	17%	19%
Technology Proponent	3.74	12%	18%
		Multiple R ² 42.5%	8.4%

This data shows that to be seen as personally effective, HR professionals need to be credible activists who build relationships of trust and have a strong business and HR point-of-view. They also have to have a mix of competencies in positioning the firm to its external environment (strategic positioner), doing organization capability and culture audits (capability builder), making change happen (change champion), aligning and innovating HR practices (HR integrator), and understanding and using technology (technology proponent). These competencies explain 42.5 percent of the effectiveness of an HR professional.

We found that this same pattern of HR competencies holds across regions in the world, across levels of HR careers, in different HR roles, and in small to large organizations.

These HR competencies also explain 8.4 percent of a businesses' success. But it is interesting that the competencies that predict personal effectiveness are slightly different than those that predict business success, with insights on technology, HR integration, and capability building having more impact on business results.

These findings begin to capture what HR professionals need to know and do to be effective. Some takeaways (based on the reported data in table 1 and additional insights from this survey that are available on www.rbl.net) include:

- Build a relationship of trust with your business leaders by knowing enough about business contexts and key stakeholders to fully engage in business discussions, by offering innovative and integrated HR solutions to business problems, and by being able to audit and improve talent, culture, and leadership.
- Learn to do HR from the outside-in which means understanding the social, technological, economic, political, environmental, and demographic trends facing your industry and knowing specific expectations of customers, investors, regulators, and communities. Then build HR responses that align with these external requirements.
- Be able to do an organization audit that focuses on defining and assessing the key capabilities your company requires for success and then integrating the HR practices in the areas of staffing, training, compensation, communication, organization design, and leadership to build and sustain the key capabilities.
- Make change happen at individual, initiative, and institutional levels. Help individuals learn and sustain new behaviors. Enable organization change by applying a disciplined change process to each organizational initiative. Encourage institutional change by monitoring and adapting the culture to fit external conditions.

- Innovate and integrate your HR practices. Innovation means looking for new and creative ways to design and deliver HR practices. Integrate these practices around talent, leadership, and culture within your organization so that you offer sustainable solutions to business problems.
- Master technology to both deliver the administrative work of HR and to connect people inside and outside to each other. Make social media a reality by using technology to share information and connect people both inside and outside your organization.

We also found that an effective HR department has more impact on a business' performance (32%) than the skills of individual HR professionals (8%). So, HR professionals need to work together as a unified team to fully create business value.

We are optimistic about the present and the future of the HR function. We now have wonderful insights on what HR professionals will need to know and do to respond to the uncertain, global, and complex business world in which they live. We believe that with this guidance, HR professionals can and should invest in themselves to fully deliver the value to employees, organizations, customers, investors, and communities.

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.

Contact us for more information
about The RBL Group products
and services:

Phone 801.616.5600

Email rblmail@rbl.net

Online www.rbl.net

Mail 3521 N. University Ave., Suite 100
Provo, UT 84604



Copyright © 2011 The RBL Group

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or using any information storage or retrieval system, for any purpose without the express written permission of The RBL Group.