

The New HR Competencies: Business Partnering from the Outside-In



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Any good HR professional wants to be better. This begins with a desire to improve followed by a clear understanding what it requires to improve. Since 1987, we have chronicled what it means to be an effective HR professional. With this current 2012 data set, we have completed six waves of data collection that trace the evolution of the HR profession (see insert 1 for methodology and insert 2 for the history of this research).

This research is important for the HR profession because it defines what it means to be an effective HR professional. Being an effective HR professional is not just knowing the body of knowledge that defines the profession but being able to apply that knowledge to business challenges. As the sheer number of global HR professionals climbs close to one million, it becomes increasingly important for this relatively new profession to define what it means to be effective. HR effectiveness matters more than ever because leaders of business and not-for-profit leaders have increasingly recognized the importance of individual abilities (talent), organization capabilities (culture), and leadership as key to the success of their organizations. HR professionals should become insightful advisors and architects on these issues. In an increasing world of change, there has never been a greater need to identify what HR professionals must be, know, do, and deliver to contribute more fully to their organizations.

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 respond to a number of themes facing global business today:

- **Outside-in:** HR must turn outside business trends and stakeholder expectations into internal actions.
- **Business-people:** HR should focus on both business results and human capital improvement.
- **Individual-organizational:** HR should target both individual ability and organization capabilities.
- **Event-sustainability:** HR is not about an isolated activity (a training, communication, staffing, or compensation program) but sustainable and integrated solutions.

- **Past-future:** HR should respect its heritage but shape a future.
- **Administrative-strategic:** HR must attend to both day-to-day administrative processes and long-term strategic practices.

Our research found that by upgrading their competencies in six domains, HR professionals can respond to these business themes and create sustainable value (see figure 1). These six HR competence domains come from assessment by HR professionals and their line associates (over 20,000 global respondents) to 139 specific, competency-stated survey items.

- **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 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 co-create their organizations' strategic responses to business conditions and customer expectations by helping frame and make strategic and organization choices.
- **Credible Activist.** Effective HR professionals are credible activists because they build their personal trust through business acumen. Credibility comes with 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 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 not much attention will be given to them. To be credible activists, HR professionals need to be self-aware and committed to building their profession.

- *Capability Builder.* An effective HR professional melds individual abilities into 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 organizations. Such capabilities include customer service, speed, quality, efficiency, innovation, and collaboration. One such emerging capability 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.
- *Change Champion.* As change champions, HR professionals make sure that isolated and independent organization 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.

- *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 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."
- *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.

Because these six domains of HR competence respond to the external trends we identified, they 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%

These data show 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 all size 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. Again, the key issue is for HR professional and department to work together and to mutually reinforce their efforts so that they collectively reach the tipping point of high performance.

These findings begin to capture what HR professionals need to know and do to be effective. They are further refined in table 2, which shows the specific factors within each of these six domains and how they affect both perceived effectiveness of HR professionals and business success.

Table 2: Subfactors for HR Competence on Individual Effectiveness and Business Success

Sub Factor for the Six HR competency domains	Mean (1 to 5)	Individual Effectiveness 100%	Business Success 100%
Strategic Positioner			
Interpreting global business context	3.83	4.4	4.2
Decoding customer expectations	3.83	4.4	5.2
Co-crafting a strategic agenda	3.96	6.3	4.6
Credible Activist			
Earning trust through results	4.36	6.9	4.0
Influencing and relating to others	4.24	7.0	4.1
Improving through self-awareness	4.08	6.5	4.7
Shaping the HR profession	4.13	4.4	2.9
Capability Builder			
Capitalizing organizational capability	4.03	5.4	5.3
Aligning strategy, culture, practices, and behavior	3.94	5.3	6.1
Creating a meaningful work environment	3.94	4.1	5.2
Change Champion			
Initiating change	3.94	5.4	4.8
Sustaining change	3.91	4.7	5.7
HR Innovator and Integrator			
Optimizing human capital through workforce planning and analytics	3.95	5.5	5.6
Developing talent	3.83	4.0	5.3
Shaping organization and communication practices	3.94	5.8	5.6
Driving performance	3.87	4.7	5.2
Building leadership brand	3.87	4.9	5.4
Technology Proponent			
Improving utility of HR operations	3.72	2.9	5.0
Connecting people through technology	3.77	4.6	6.3
Leveraging social media tools	3.68	2.7	4.7
Overall R ²		.431	.108

Based on these data, some implications for HR professionals include:

- 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 internal HR responses that align with these external requirements.
- 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. Earn trust by delivering what you promise.

- Understand the key organizational capabilities required for your organization to achieve its strategic goals and meet the expectations of customers, investors, and communities. Learn to do an organization audit that focuses on defining and assessing the key capabilities your company requires for success and their implications for staffing, training, compensation, communication and other HR practices.
- Make change happen at individual, initiative, and institutional level. 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. Be able to make isolated events into integrated and sustainable solutions.
- Innovate and integrate your HR practices. Innovation means looking forward into the future with new and cre-

ative 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. Evolve your organization's HR investments to solve future 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%). HR professionals need to work together as a unified team to fully create business value. The specific requirements of an effective HR department and their impact on business success are shown in table 3.

Table 3: The Impact of Characteristics of an HR Department and Business Success

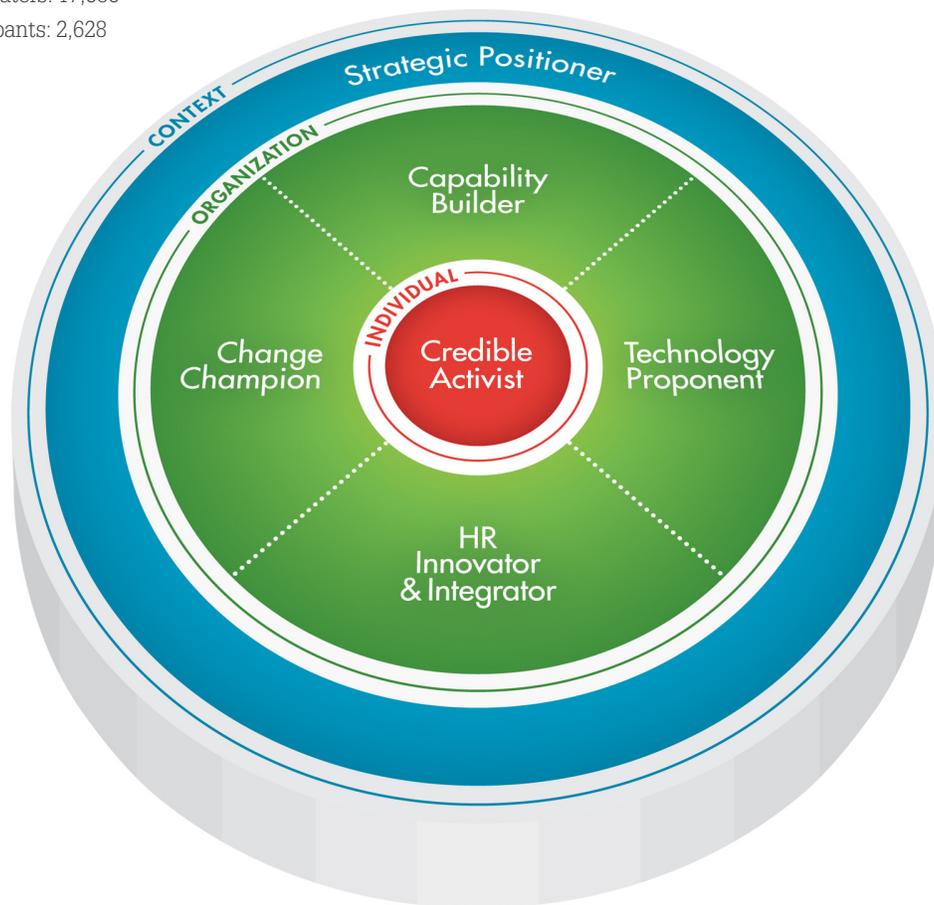
To what extent are the following true of your HR Department?	Mean (1 to 5)	Relative Weighting on Business Success (100 points)
Interacts effectively with the Board of Directors	3.67	7.7%
Has clear roles and responsibilities for each of the groups within HR (e.g., service centers, centers of expertise, embedded HR)	3.65	7.6%
Matches the structure of the HR department with how the business is organized	3.64	7.8%
Ensures that HR initiatives enable the business to achieve strategic priorities	3.62	9.7%
Develops an HR strategy that clearly links HR practices to business strategy	3.61	9.2%
Ensures that the different groups within HR work effectively with each other to provide integrated HR solutions	3.50	8.2%
Effectively manages external vendors of outsourced HR activities	3.49	8.3%
Invests in training and development of HR professionals	3.46	7.3%
Ensures that HR is a cultural role model for the rest of the organization	3.42	8.4%
Holds line managers accountable for HR	3.38	8.2%
Connects HR activities to external stakeholder expectations (e.g., customers, investors)	3.25	8.9%
Tracks and measures the impact of HR	3.22	8.8%
Multiple Regression R ²		.317

CONCLUSION

We are optimistic about the present and the future of the HR profession. And we have empirical reasons for our optimism. We now have specific insights on what HR professionals need to know and do to become better and more effectively deliver value to employees, organizations, customers, investors, and communities. And, we know what the HR department should excel at to help businesses be successful.

Figure 1: HR Competencies for the Future

- Total respondents: 20,013
- Business units: 635
- Associate raters: 17,385
- HR participants: 2,628



Insert 1: HR Competencies Research Methodology

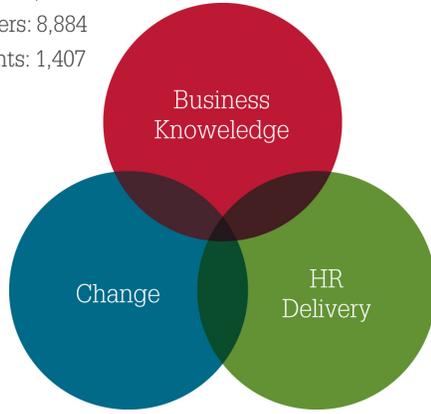
To define competencies for HR professionals, we have relied on focus groups, theory and research, and experience to identify what HR professionals should know and do. In 2012, this work resulted in 139 specific behavioral competencies. To determine if HR professionals possessed these competencies, we used a 360 methodology where HR professionals filled out a self-report survey and then invited both HR and non-HR professionals to assess their ability to deliver these competencies. In addition, the survey had two outcome variables: personal effectiveness (*compared to other HR professionals you have known, how does this participant compare?*) and business performance on an index of seven dimensions of business success.

Our 2012 data set on competencies for HR professionals is a unique partnership with the leading HR professional associations in Australia (AHRI), Latin America (IAE), China (jobs51), India (NHRD), Middle East (ASHRM), Northern Europe (HR Norge), and South Africa (IPM).

Insert 2: Historical Overview of HR Competencies

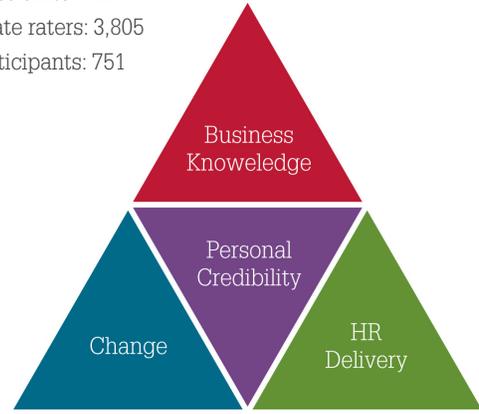
1987

- Total respondents: 10,291
- Business units: 1,200
- Associate raters: 8,884
- HR participants: 1,407



1992

- Total respondents: 4,556
- Business units: 441
- Associate raters: 3,805
- HR participants: 751



1997

- Total respondents: 3,229
- Business units: 678
- Associate raters: 2,565
- HR participants: 664



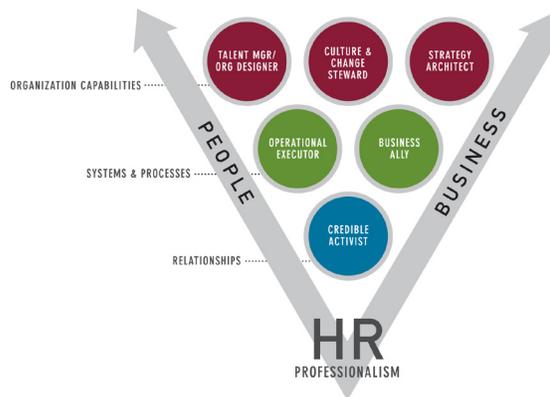
2002

- Total respondents: 7,082
- Business units: 692
- Associate raters: 5,890
- HR participants: 1,192



2007

- Total respondents: 10,063
- Business units: 413
- Associate raters: 8,414
- HR participants: 1,671



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.



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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.

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