

Dave Ulrich: Getting HR Right

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By Rita Zeidner

University of Michigan business professor Dave Ulrich has made a name for himself warning human resource professionals to change how they do their jobs, or risk irrelevancy. In his latest book—his 15th—*HR Transformation: Building Human Resources from the Outside In* (McGraw-Hill, 2009), co-written by Justin Allen, Wayne Brockbank, Jon Younger and Mark Nyman, he argues that HR professionals who refuse to reinvent themselves by aligning their duties with their companies' business objectives put their jobs on the line and their organizations at risk. Via e-mail, Ulrich expounded on the theme:

You have been urging HR professionals to get strategic for years. And yet there is still a perception that some companies succeed in spite of HR professionals, not because of them. Is this fair?

In any change effort, I see 20-60-20. Twenty percent of the time, someone is doing great work without outside intervention; 20 percent of the time, they never will; and 60 percent of the time, with good coaching and dedicated effort, things will improve. HR professionals' contributions to companies' success follow a similar pattern. Twenty percent of company leaders are finding that HR is instrumental in building sustained business success, 20 percent may never get there, and 60 percent are moving toward it.

What role should HR play in shaping an organization's culture?

We—my colleagues at the RBL Group—define culture from the outside in, as the internal application of a company's brand. This means starting a culture discussion by getting consensus about one crucial question: What do we want to be known for by our best customers in the future? HR can facilitate this cultural clarity work. Then, this identity needs to be made real to all employees by adopting four processes:

- Development of a leadership brand consistent with the company brand.
- Communication of the brand to all employees.
- Communication of behavioral expectations consistent with the culture.
- Embedding the cultural identity in management practices, including who we hire, what we try and how we pay.

Your book is about keeping HR relevant. And yet you suggest that some HR functions still should be outsourced. What functions are those and why?

Outsourcing any function occurs when company leaders conclude that they will accept industry average for the outsourced activity. This means that the outsourced activity is not a differentiator in terms of competitiveness. Insourcing is necessary to identify HR practices that create unique competitive advantages to customers and value to investors. For example, one might outsource training registration since this activity will not differentiate your company. But you would probably not want to outsource leadership development completely since you want to create leaders uniquely qualified to deliver your company's message.

You propose the "judicious and targeted use of outside consultants" to assist in HR transformation. What kind of work should consultants be hired to do and why shouldn't a company develop this expertise in-house?

Sometimes, people inside a company have deep experience in the company, but may not easily access knowledge or insights from other sources. Consultants might bring fresh views and alternative perspectives not evident to those inside. Consultants might be able to work across political and cultural barriers that repress change. We believe in not becoming dependent on outsiders, but working to transfer external insights and knowledge into those inside organizations.

Some of the organizational design strategies you recommend, such as the creation of shared service organizations, are only practical in larger companies. What transformational strategies would be practical for smaller organizations?

HR transformation is not just how HR is organized. Large and small organizations have to answer the four HR transformation questions: why, what, how and who. Under the "how" question, one dimension of HR transformation requires organizing an HR department. In a small company, the HR department should be organized to match the structure of the company. If the small company is organized as a single business, the HR department is organized as a single business with a head of HR and functional specialists reporting to the head of HR.