HCM Workshop Strategic Business Partnering

*Delivering Strategic HR
and Results for Your Business*

The **RBL** Group
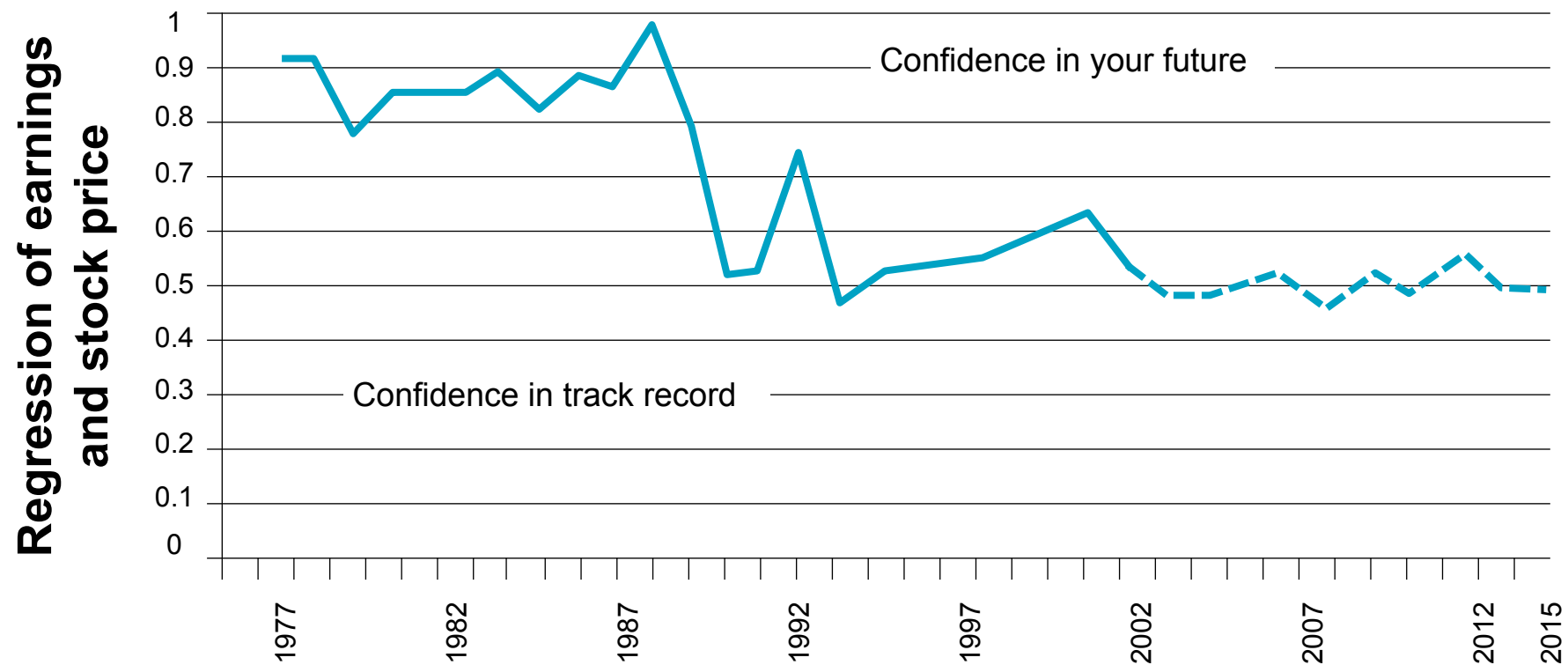
HCM
Human Capital
Management Club

Objectives of the workshop
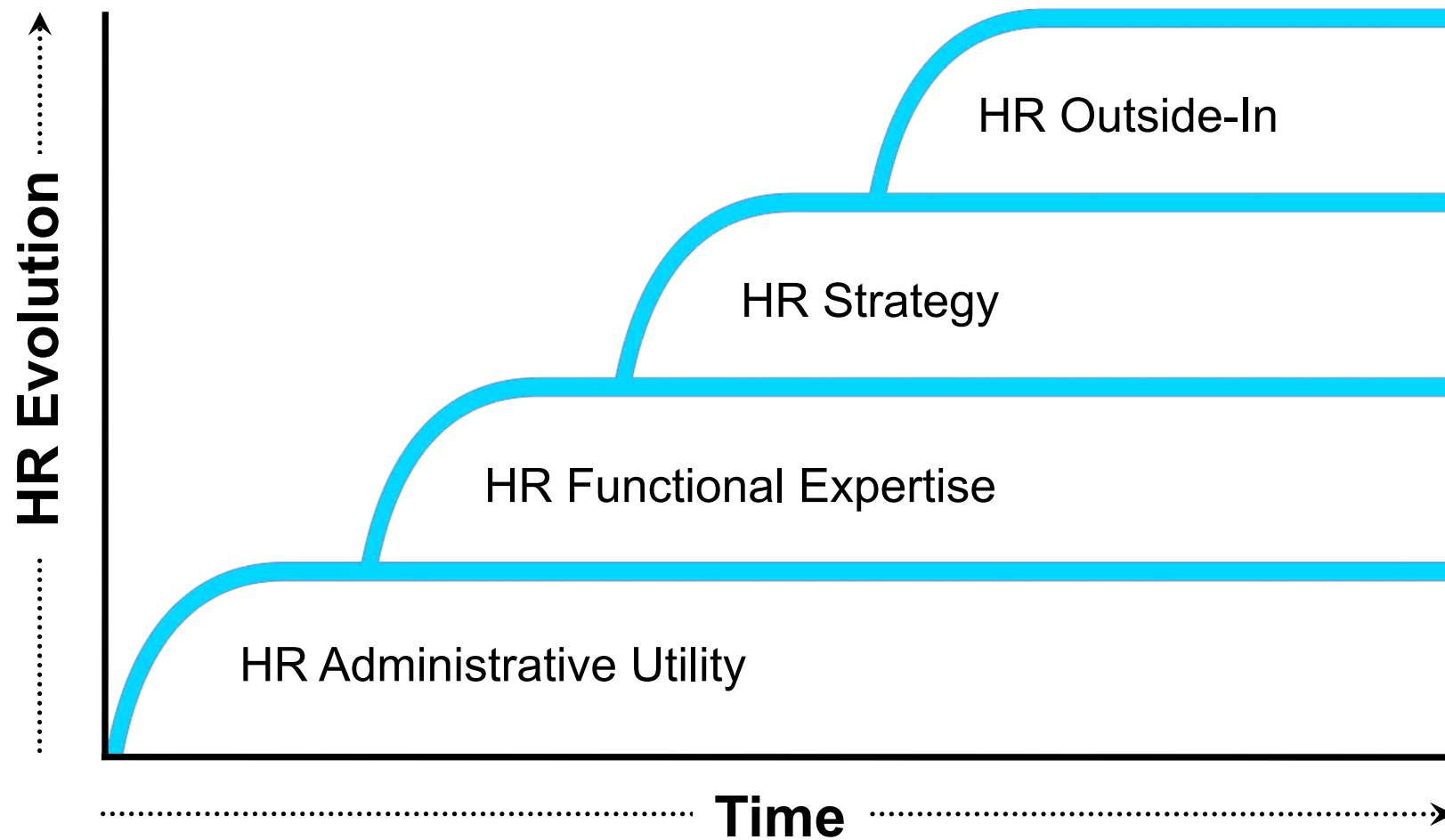
By the end of this session, participants will:

- Understand the key concepts of HR from the Outside In
- Understand why the market context matters
- Understand what are the critical competencies needed
- Understand the RBL Approach of Strategic Business Partnering Development

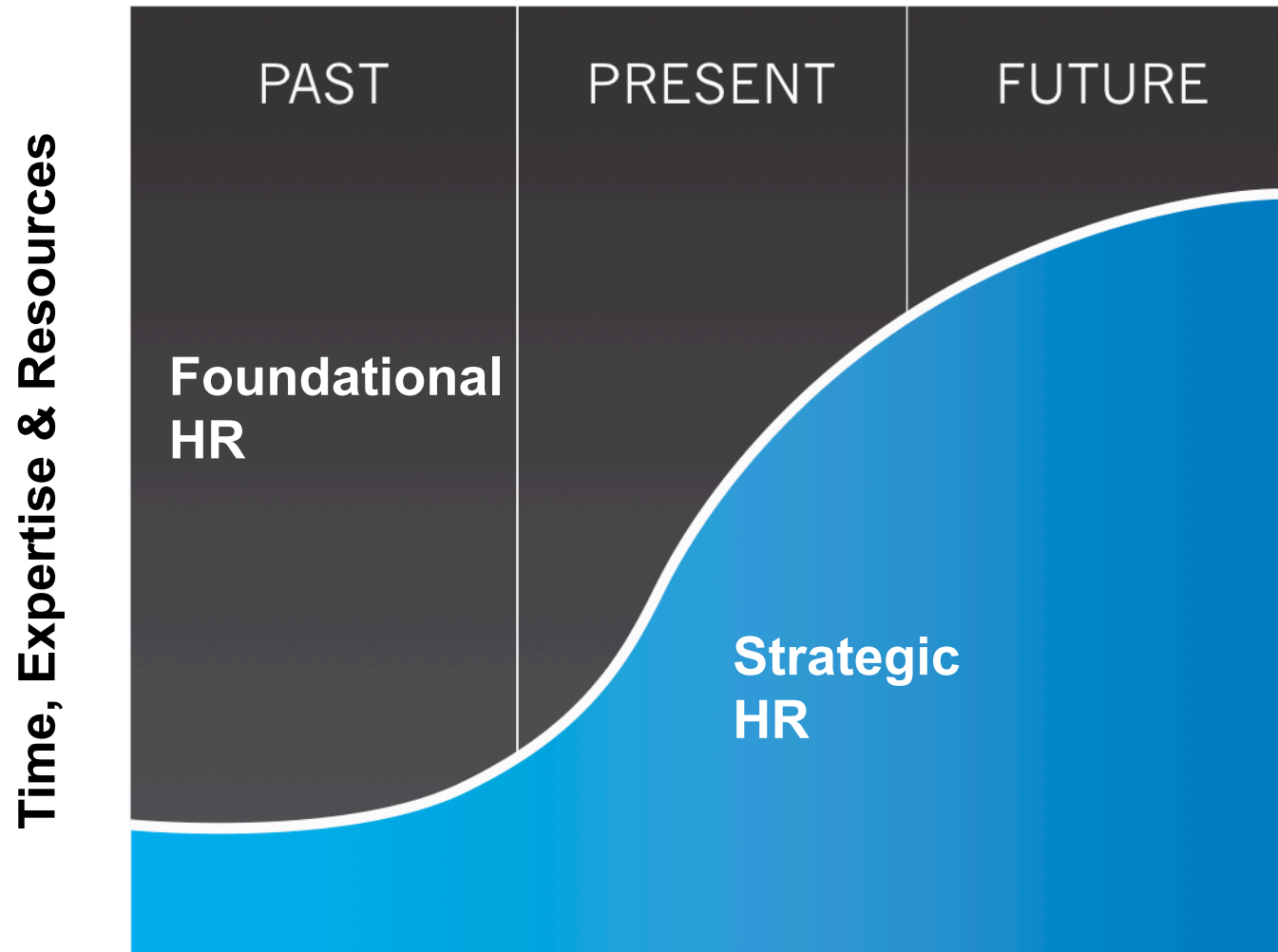# Financial results account for a shrinking proportion of a company's market value

How to increase investor confidence in future?

Confidence in your future

Confidence in track record

Regression of earnings and stock price

1977 1982 1987 1992 1997 2002 2007 2012 2015

The evolution of human resources . . .

HR Evolution (vertical axis)

HR Outside-In

HR Strategy

HR Functional Expertise

HR Administrative Utility

Time (horizontal axis)

What we see happening

HR outside-in: HR practices

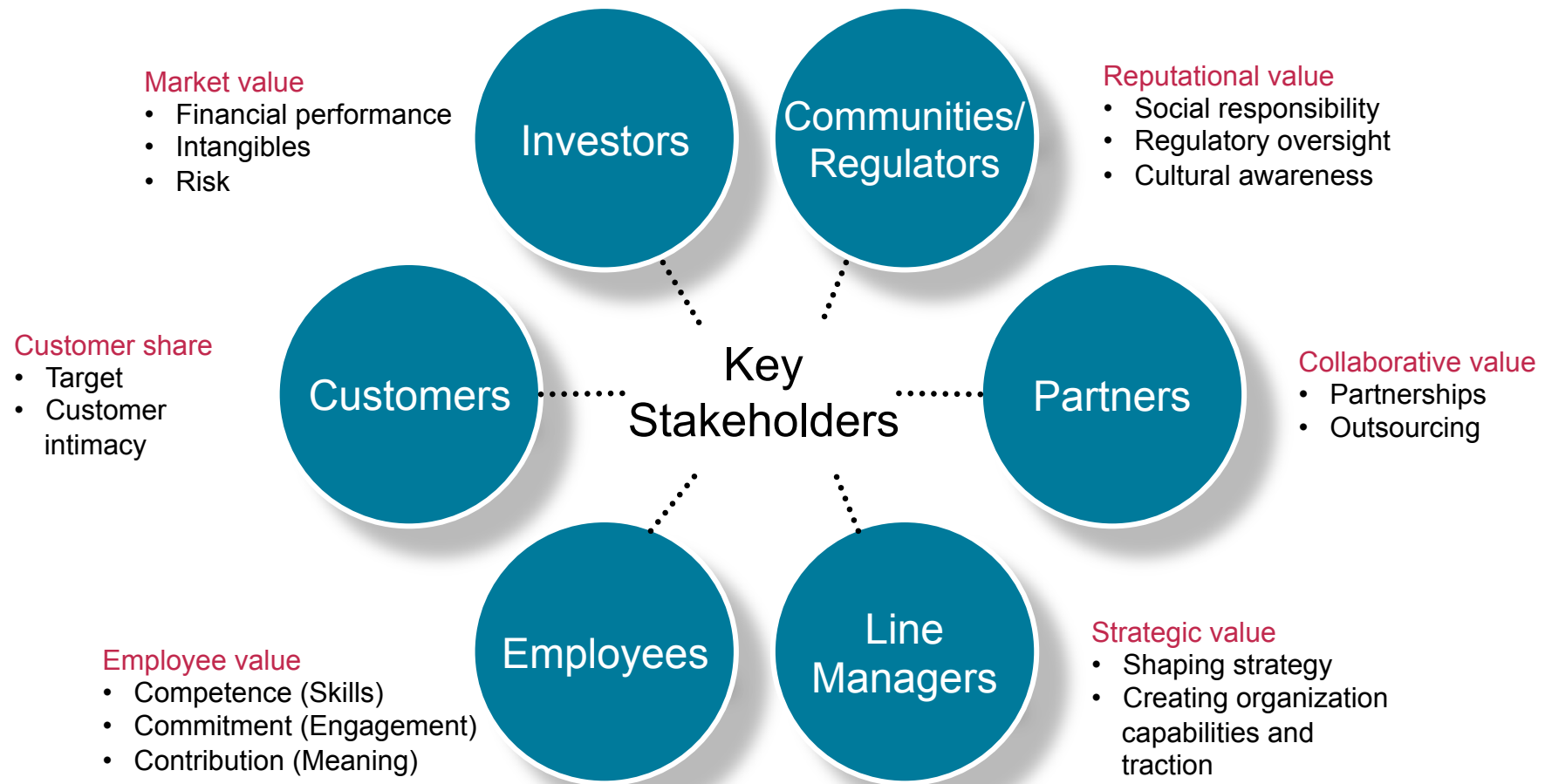| HR domain	Examples of outside-in
Staffing	Are we the employer of choice for employees our customers would choose?
Training & Development	Do we involve customers in designing, attending, and delivering training and development?
Performance Management	Do our standards for effective performance match our customer expectations?
Rewards	Do we involve our customers (suppliers & investors) in allocating rewards?
Communication	Do our communication tools link employees and customers?
Leadership	Have we created a leadership brand where leaders actions are tied to customer expectations?
Culture	Does our culture have the right events, patterns, and identity?

TLCA HR Professionals: Criteria for effectiveness . . .

Outside-in Diagnostic

- Am I aware of general business conditions that affect our industry and organization?

- Do I see my organization through the eyes of customers, investors, suppliers, regulators, and other external stakeholders?

- Do I spend time with external stakeholders?

- Do I align my HR work with expectations of external stakeholders?

HR Outside-In:
HR Creates Value to Key Stakeholders

Market value
- Financial performance
- Intangibles
- Risk

Reputational value
- Social responsibility
- Regulatory oversight
- Cultural awareness

Customer share
- Target
- Customer intimacy

Collaborative value
- Partnerships
- Outsourcing

Employee value
- Competence (Skills)
- Commitment (Engagement)
- Contribution (Meaning)

Strategic value
- Shaping strategy
- Creating organization capabilities and traction

Investors

Communities/ Regulators

Customers

Key Stakeholders

Partners

Employees

Line Managers

HR value is achieved by starting from the

OUTSIDE → IN

Not from the inside-out.

As we create value from the outside-in, we need to answer four crucial questions

Why — HR Value

Where — Business Context | Stake-holders

What — Individual Ability | Leadership | Organization Capability

How — HR Department | HR Professionals | HR Practices | HR Analytics

VUCA World

Volatile

Complex

Uncertain

Ambiguous

Some key quotes from General Frank Kearney

- Disciplined processes create agile organizations

- Quick action requires lots of precision

- Have decentralized execution of centralized operations

- Teach people how to think not what to think

- Empower people to apply ideas and innovate

- Plans are nothing; planning is everything

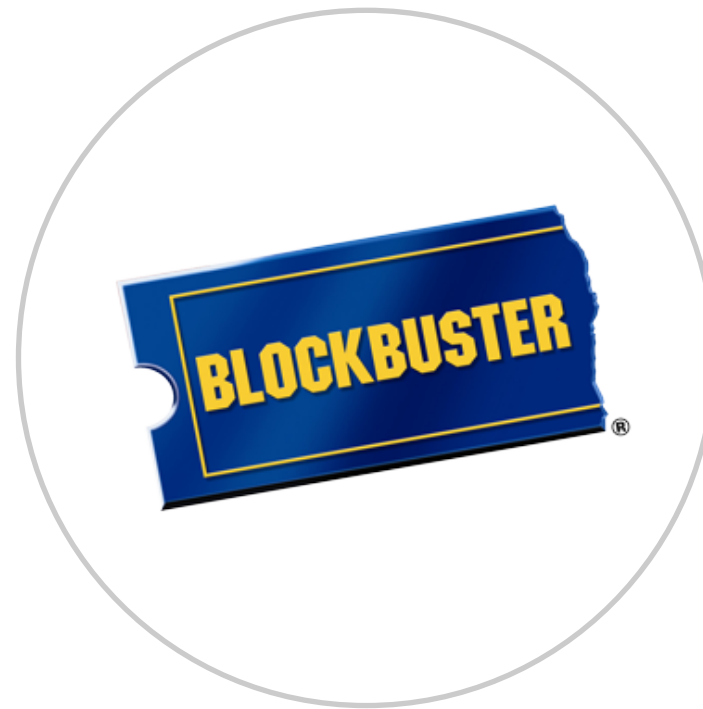# Why is knowledge of external reality so important?

Market Place T^1 Market Place T^2

Organizational Capabilities T^1 Organizational Capabilities T^2

Hit or missed trends: **digital music**

Hit or missed trends: **movie streaming**

Hit or missed trends: **online shopping**

Business knowledge of HR professionals

Business Knowledge	Effectiveness	Differentiates Performance
HR	High	Low
Internal Operations	Medium	Medium
External Reality	Low	High

Stakeholders are affected by emerging trends

Social

Technical

Economic

Political

Environmental

Demographic

Table group discussion

Social
Technical
Economic
Political
Environmental
Demographic

- Choose one company on your table for this exercise.

- As a group, provide your assessment on what trends will impact this company using the STEPED model.

- Capture your comments on a flipchart.

- Total time: 20mins

What customers experience and how employees act makes your firm brand real to target customers
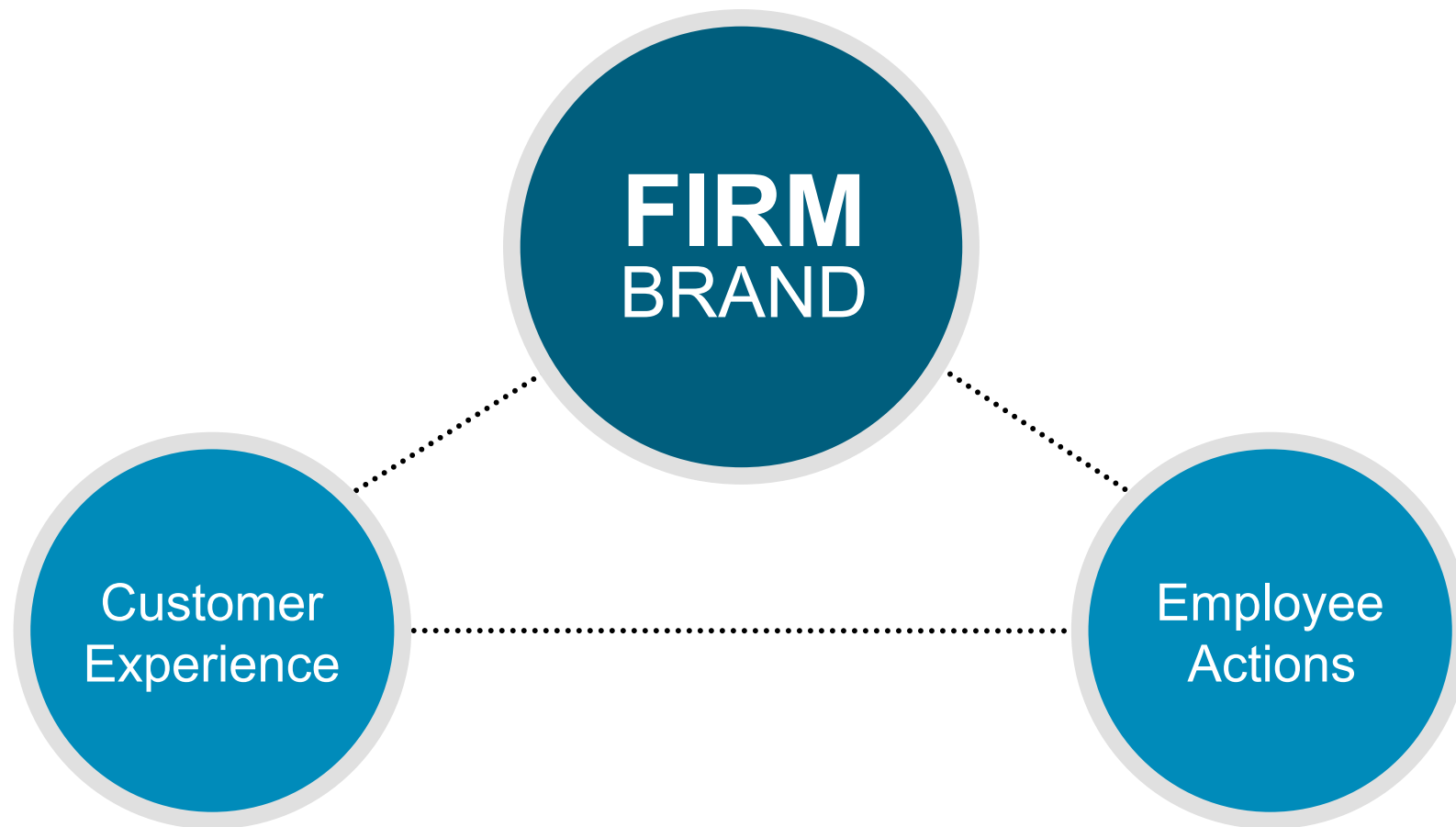
Customers experience firm brand through employee actions

High performing brand
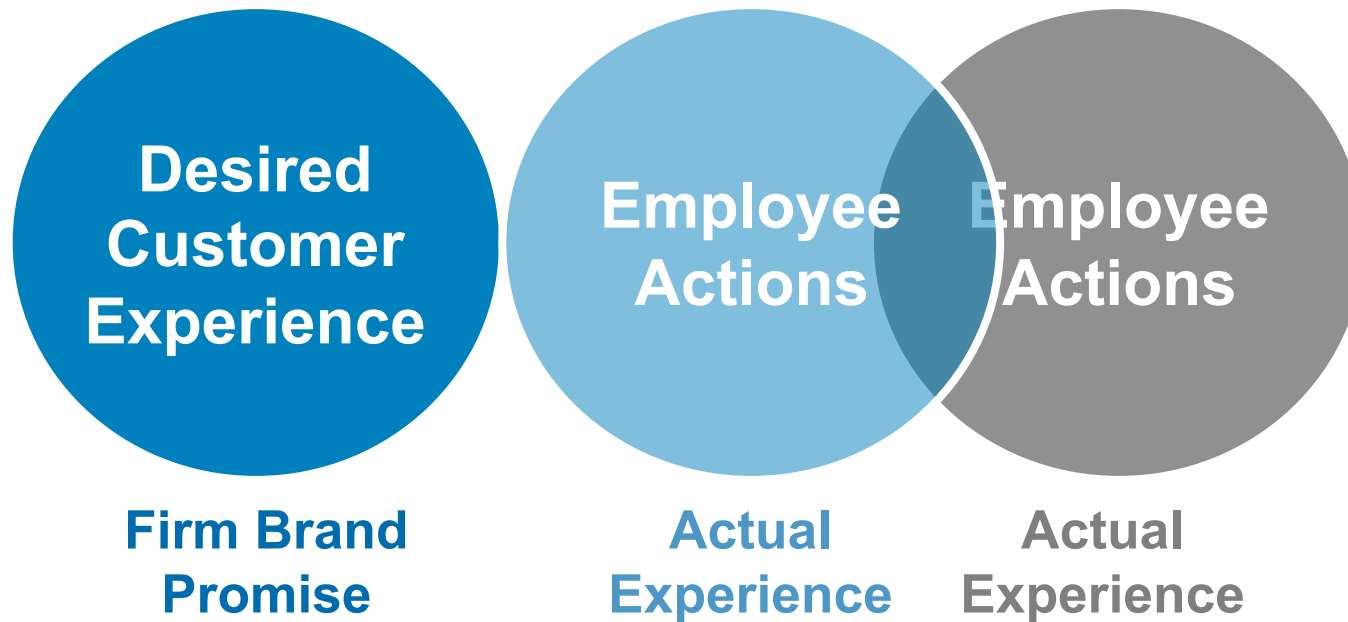
Desired Customer Experience

Employee Actions

Employee Actions

Firm Brand Promise

Actual Experience

Actual Experience

Controllable factors that increase investor confidence in future . . .

Architecture for Intangibles*

Keeps Promises

Compelling Strategy

Core Technical Competencies

Social/Cultural Capabilities

Intangible Value

Strategic HR

Builds targeted organization capabilities driving customer and investor confidence in Intel's future: innovation, talent, efficiency, collaboration, leadership . . .

Deliver on quarterly earnings promises

Clarity about how we will win in our industry

Invest in technical capabilities that are consistent with our strategy for winning

How we win through people and organization

Source: How Leaders Build Value: Ulrich and Smallwood
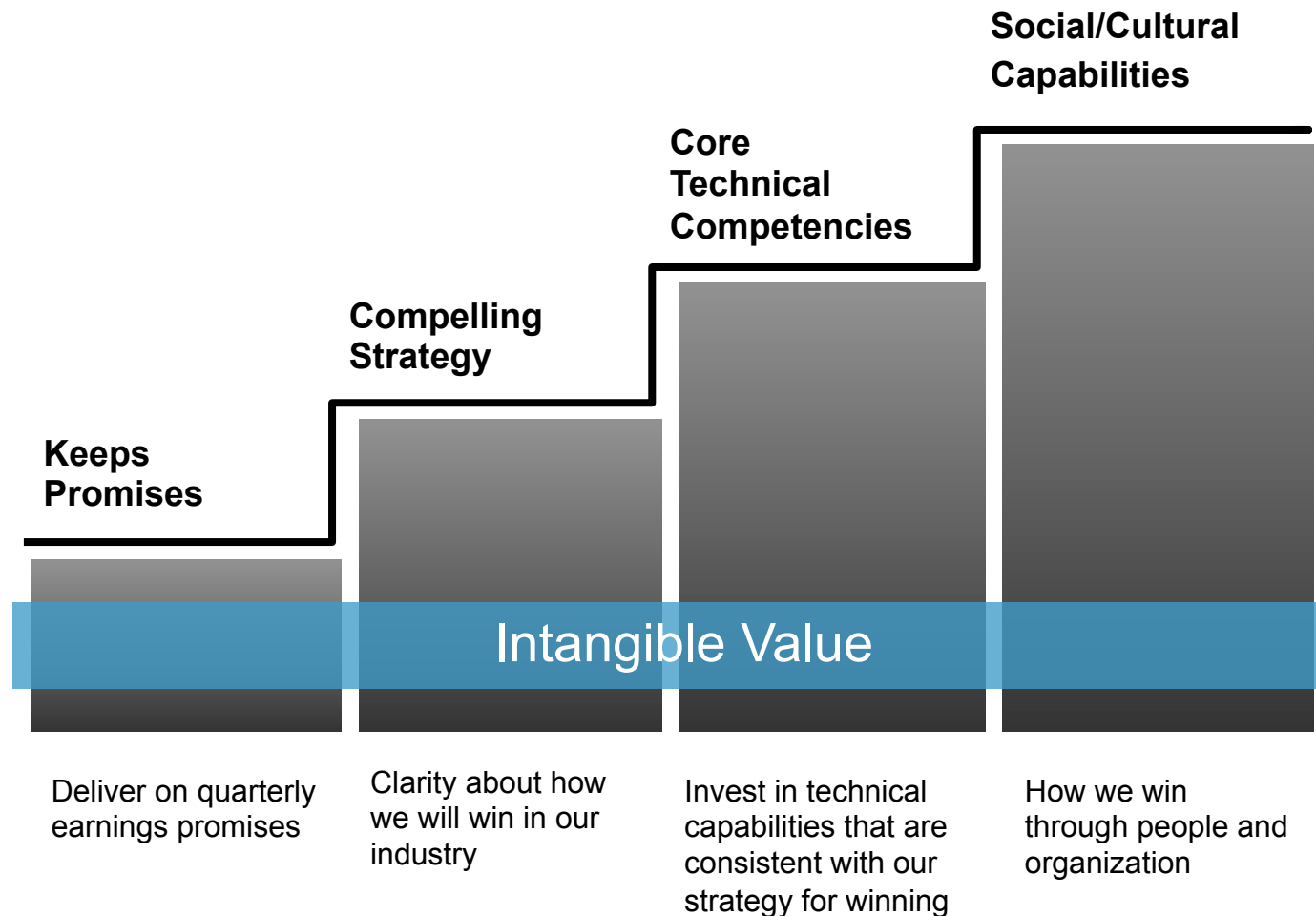
Principles of strategy and organization, and their implication for HR business partners

1. Competitiveness does not equal strategy, but strategy times organization.

2. Organization does not equal structure, but capability.

3. Organizational capability can be defined, aligned, and created.

HR business partners create value as they build organizational capabilities that connect employee actions to customer expectations.

Customer expectations

Customer expectations

Customer expectations

Organizational capability joins culture and competence

	Individual	Organization
Social/Cultural	Interpersonal Competence	**Social Organizational Capability**
Technical	Technical Competence	Core Technical Capabilities
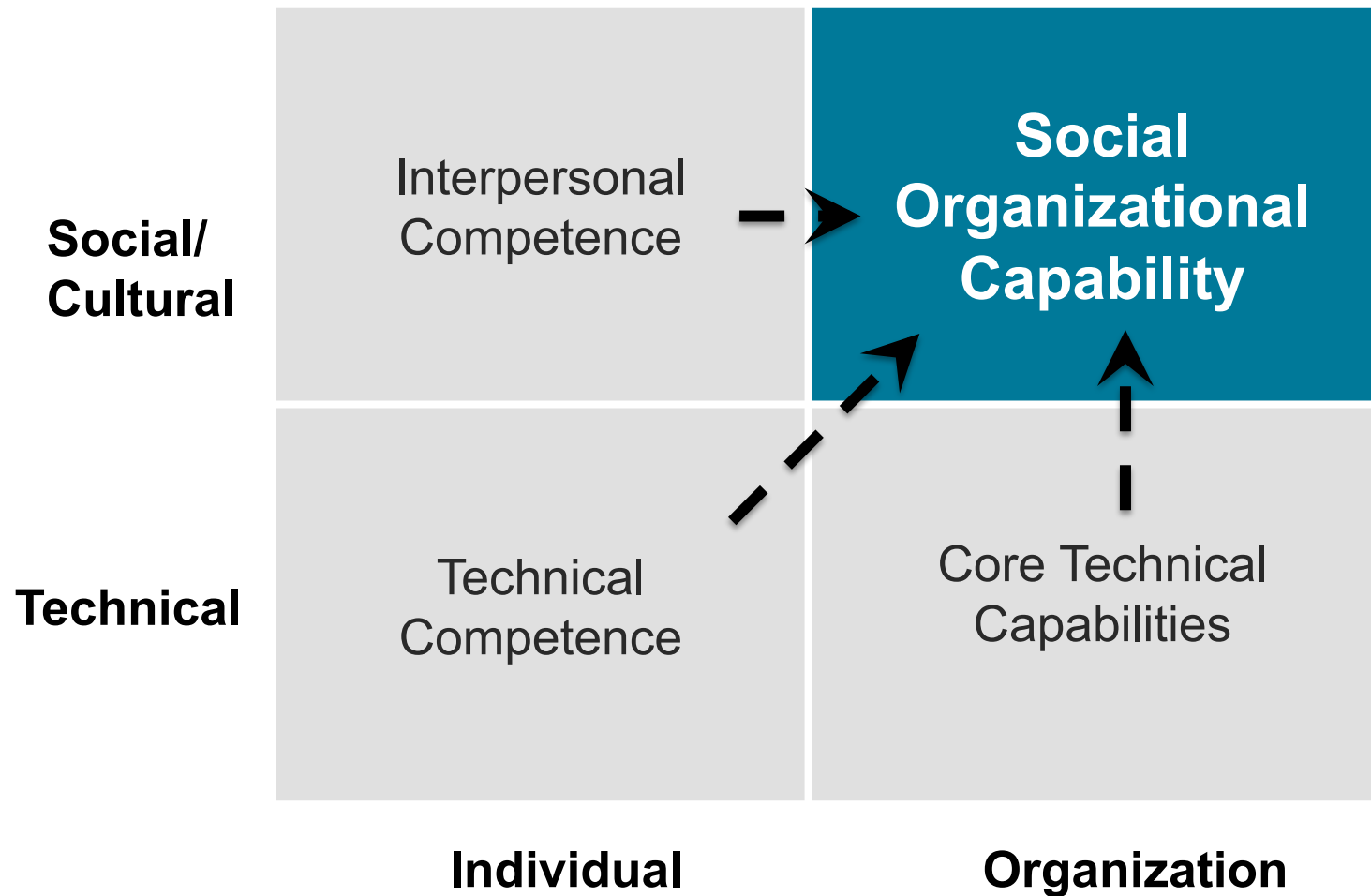
Social Organization Capabilities make our firm brand identity sustainable

"Social" Organizational capabilities define what you must be best at to deliver strategy and firm brand:

- What the organization is good at and known for
- Defines the critical drivers of sustainable strategy by shaping how people work together
- Creates cultural "stickiness" by converting the firm brand identity into operational systems and practices

Organization is not structure

*It is building capabilities that customers want
(and that boost confidence in future)*

Company		Capability
GE	→	Leadership, Accountability
Apple	→	Innovation
Walmart	→	Efficiency
Singapore Airlines	→	Customer Connectivity
Google	→	Learning
Your company	→	?

Organizational capabilities

Social Capabilities

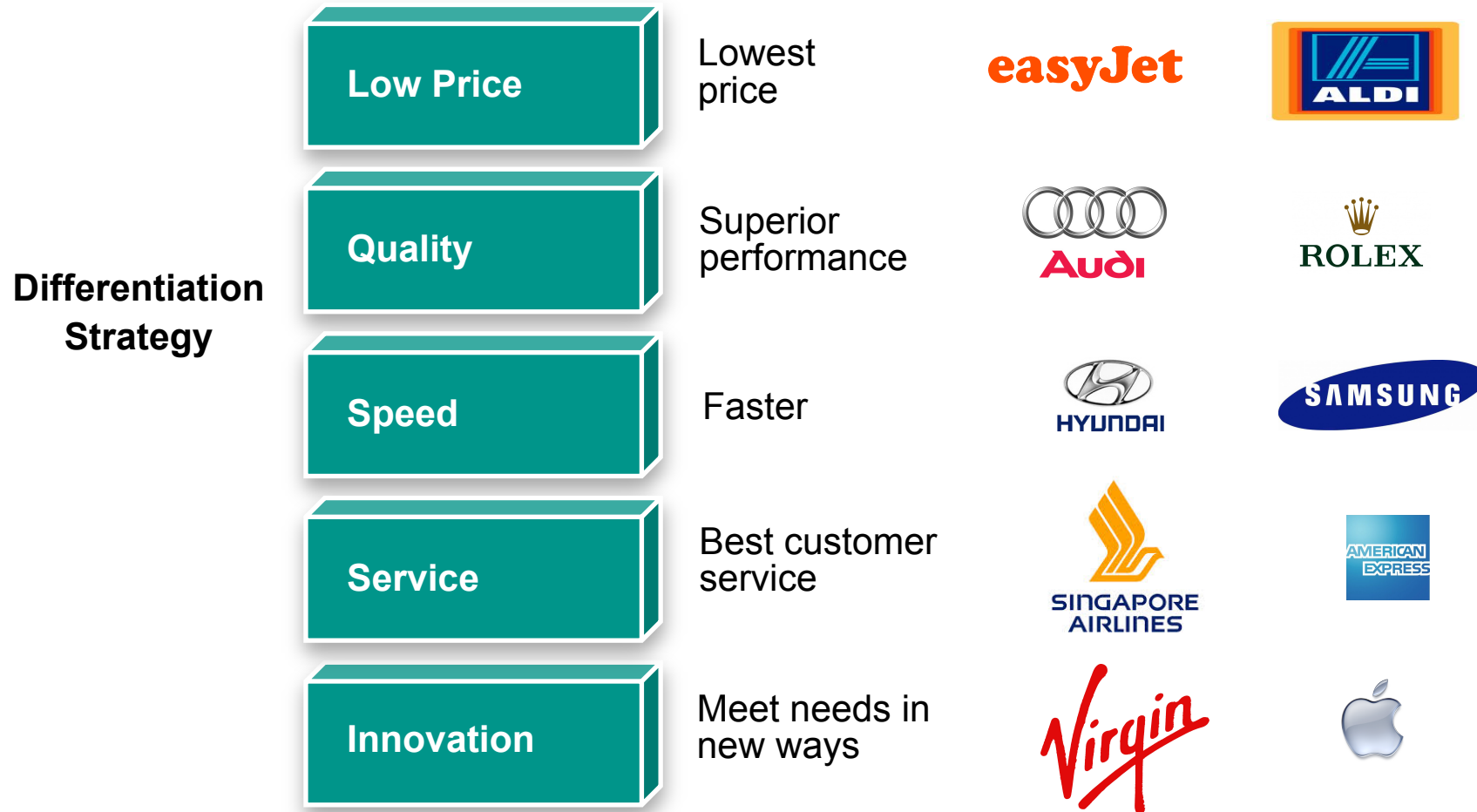| Social Responsibility	Strategic Alignment	Talent
We are good at establishing a strong reputation for sustainability, philanthropy, and employability in our industry and community.	We are good at creating a shared agenda around our strategy.	We are good at attracting, motivating, developing, and retaining talented and committed people.

Accountability	Collaboration	Leadership	Learning
We are good at creating and enforcing standards that lead to high performance and execution.	We are good at working together across boundaries to ensure leverage and efficiency.	We are good at building leaders that execute today and generate confidence in the future.	We are good at identifying and applying best practices.

Customer Capabilities

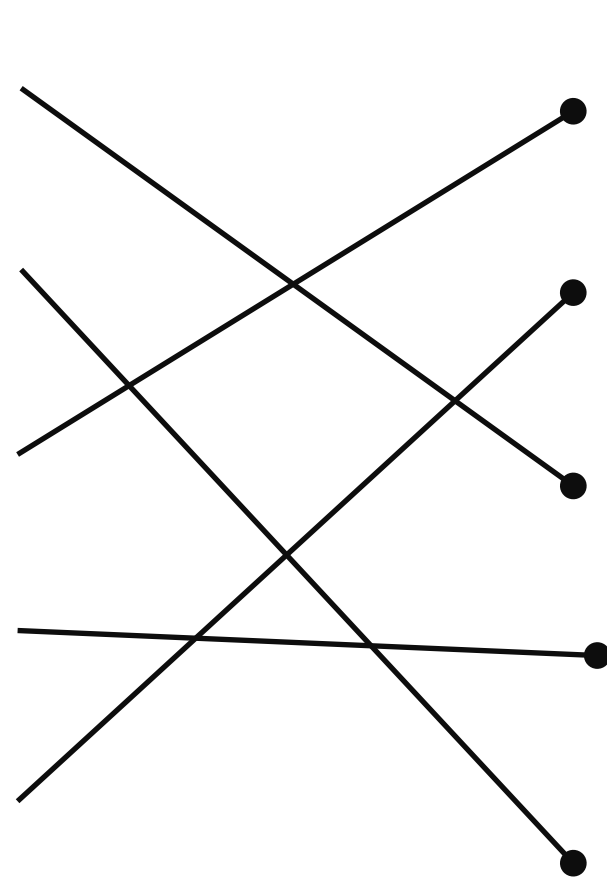| Efficiency	Speed	Customer Connectivity	Quality Mindset	Innovation
We are good at reducing costs through people, product, and process.	We are good at making important changes rapidly.	We are good at fostering enduring relationships of trust with target customers.	We are good at tirelessly focusing on quality and reliability.	We're good at generating new approaches to product, administration, and/or business model.

Potential social, "cultural" capabilities

Capability	Description: We are Good at:	Current level of performance: Industry parity (P); Below (B); World Class (W)
Leadership	Building leaders at all levels that generate confidence in the future.	
Strategic Unity	Creating a shared agenda and broad commitment and engagement around our strategy	
Customer Connectivity	Fostering strong and enduring relationships of trust with target customers	
Corporate Social Responsibility	Establishing a strong reputation for sustainability, philanthropy, and employability in our industry and community	
Quality mindset	Ensuring culture and mindset of quality and performance	
Collaboration	Working together across boundaries to ensure leverage and efficiency	
Learning	Generating, generalizing, and implementing ideas with impact	
Innovation	Creating new products, services and ways of working that are commercially successful	
Talent	Attracting, motivating, developing, and retaining talented and committed people	
Speed	Making important changes rapidly	
Efficiency	Reducing the costs of our business activities without hurting the core business	
Accountability	Creating and enforcing standards that lead to high performance and execution	

Identifying your CVP: Why customers buy from us

Differentiation Strategy

Low Price	Lowest price	easyJet / ALDI
Quality	Superior performance	Audi / ROLEX
Speed	Faster	HYUNDAI / SAMSUNG
Service	Best customer service	SINGAPORE AIRLINES / AMERICAN EXPRESS
Innovation	Meet needs in new ways	Virgin / Apple

Match the business to its dominant customer value proposition

Pulling it together with an example: Southwest Airlines firm brand identity and related capabilities

Single Business
Direction of Growth: Keep seats full
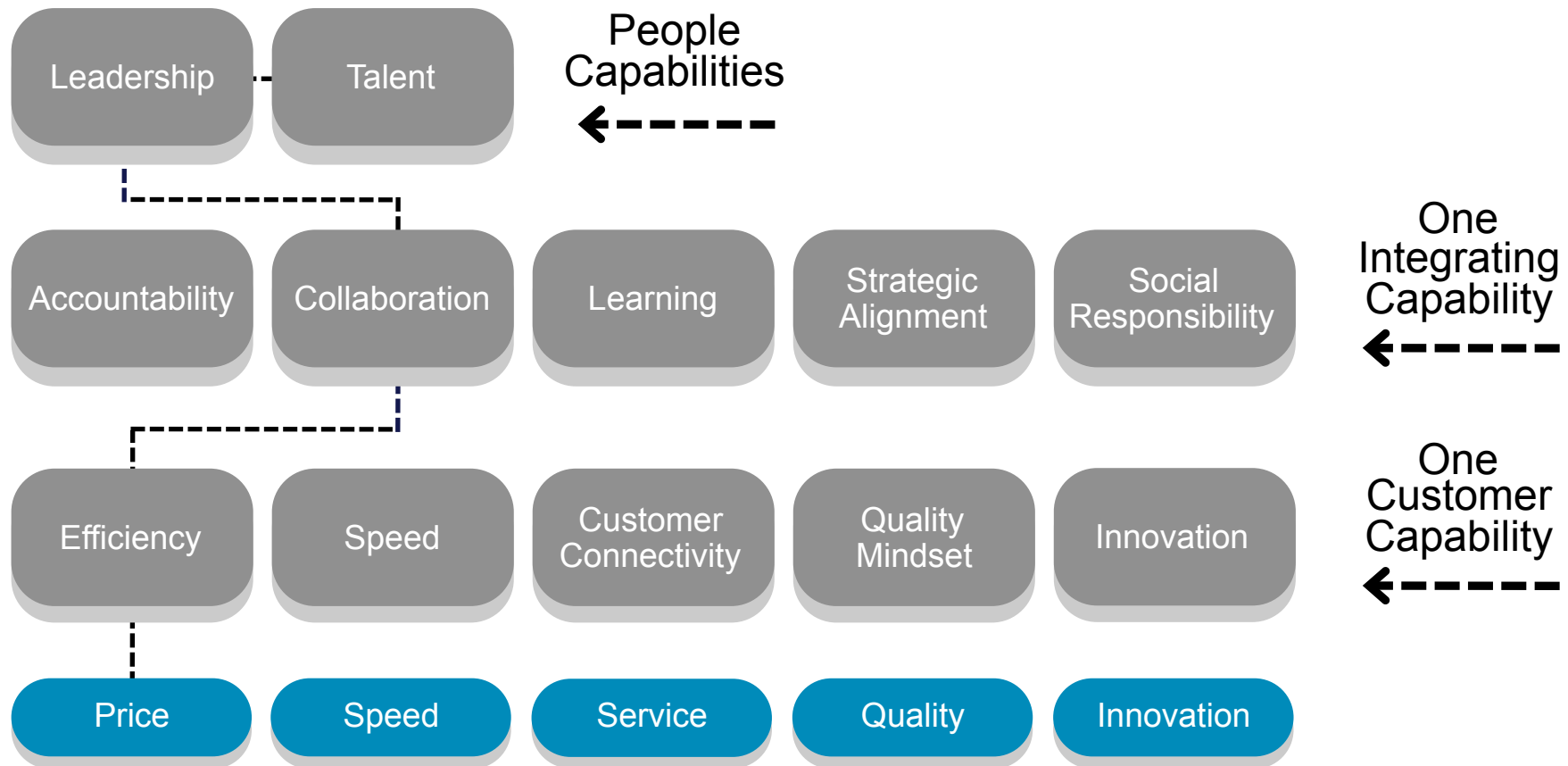Customer Value Proposition: Lowest Price
SWA Firm Brand Identity:

CHEAP | FUN | ON-TIME

Make Identity real to

Customer experience   **HIGH PERFORMANCE CULTURE**   Employee actions
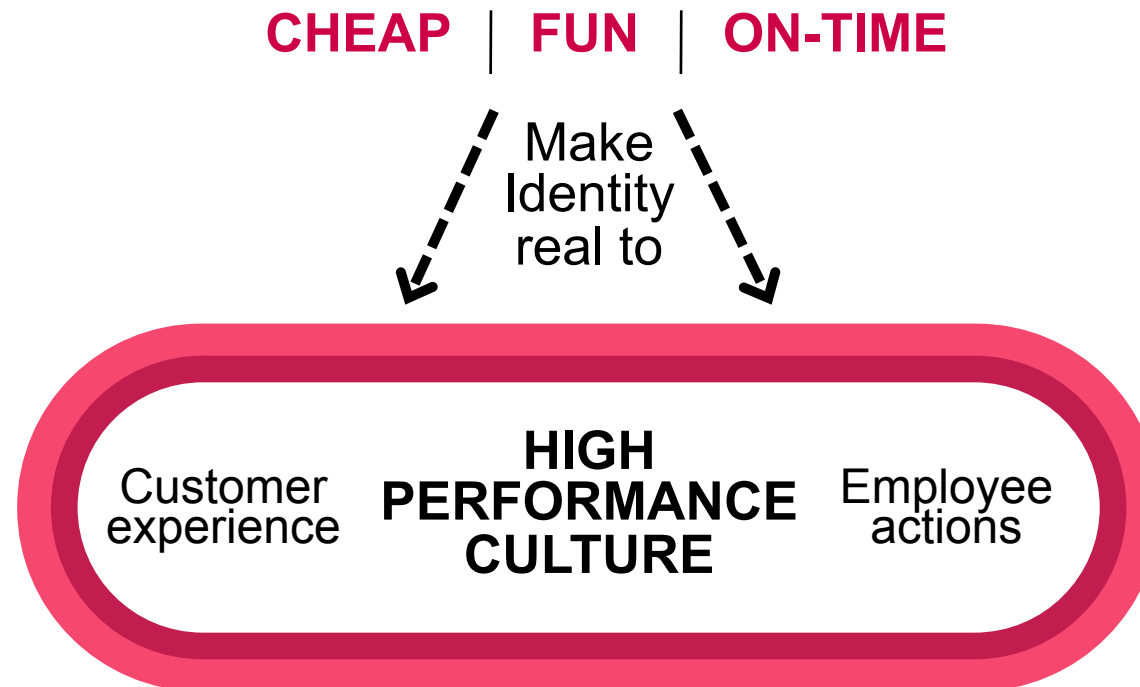
Southwest Airlines capabilities align well

| Leadership | Talent | | | | **People Capabilities** ← ‑ ‑ ‑ ‑ |

| Accountability | Collaboration | Learning | Strategic Alignment | Social Responsibility | **One Integrating Capability** ← ‑ ‑ ‑ ‑ |

| Efficiency | Speed | Customer Connectivity | Quality Mindset | Innovation | **One Customer Capability** ← ‑ ‑ ‑ ‑ |

| Price | Speed | Service | Quality | Innovation |

SOUTHWEST

What are three words or phrases that describe how your company wants to be known to target customers?

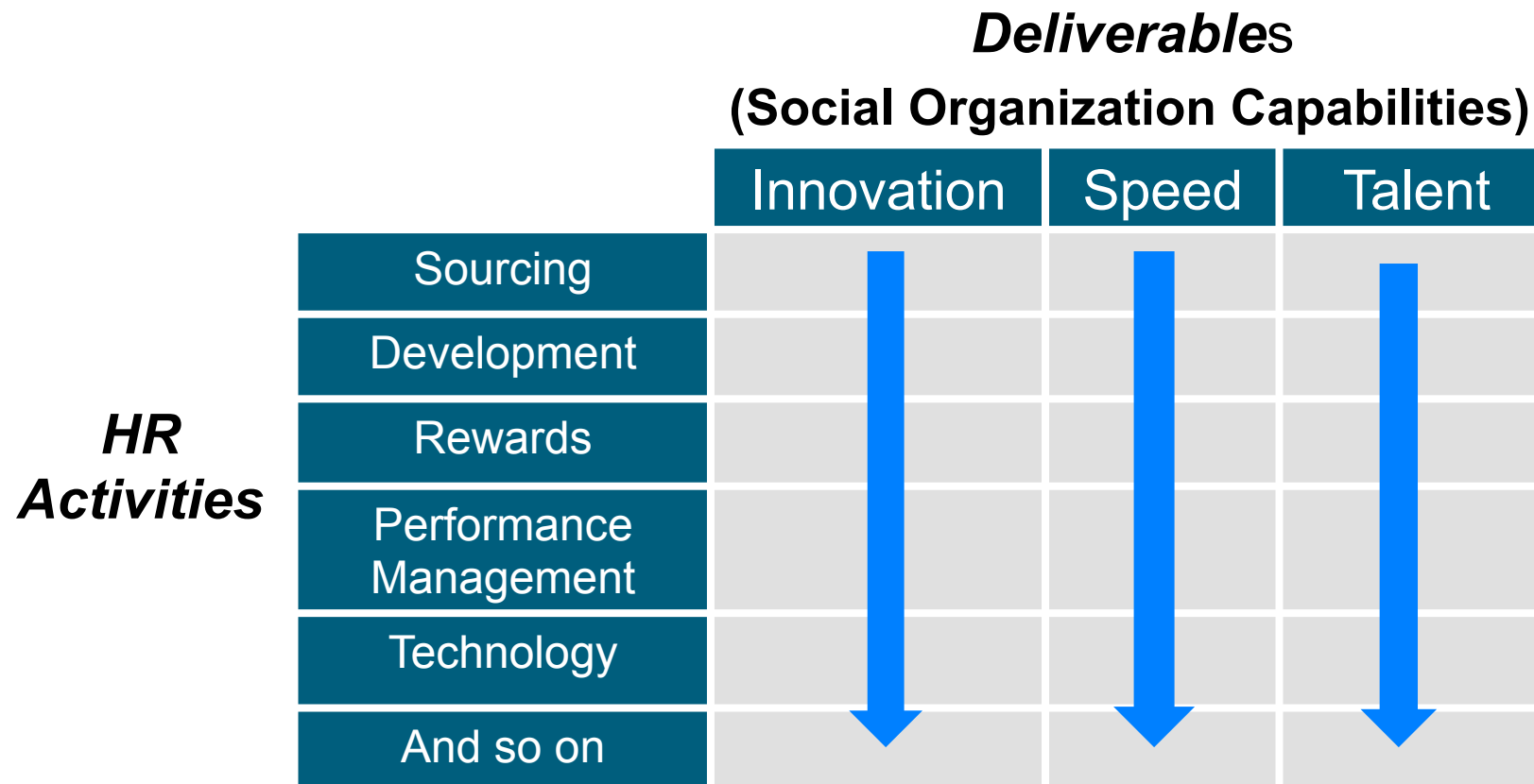Our CVP + three descriptors of how we want customers to experience it:

1.

2.

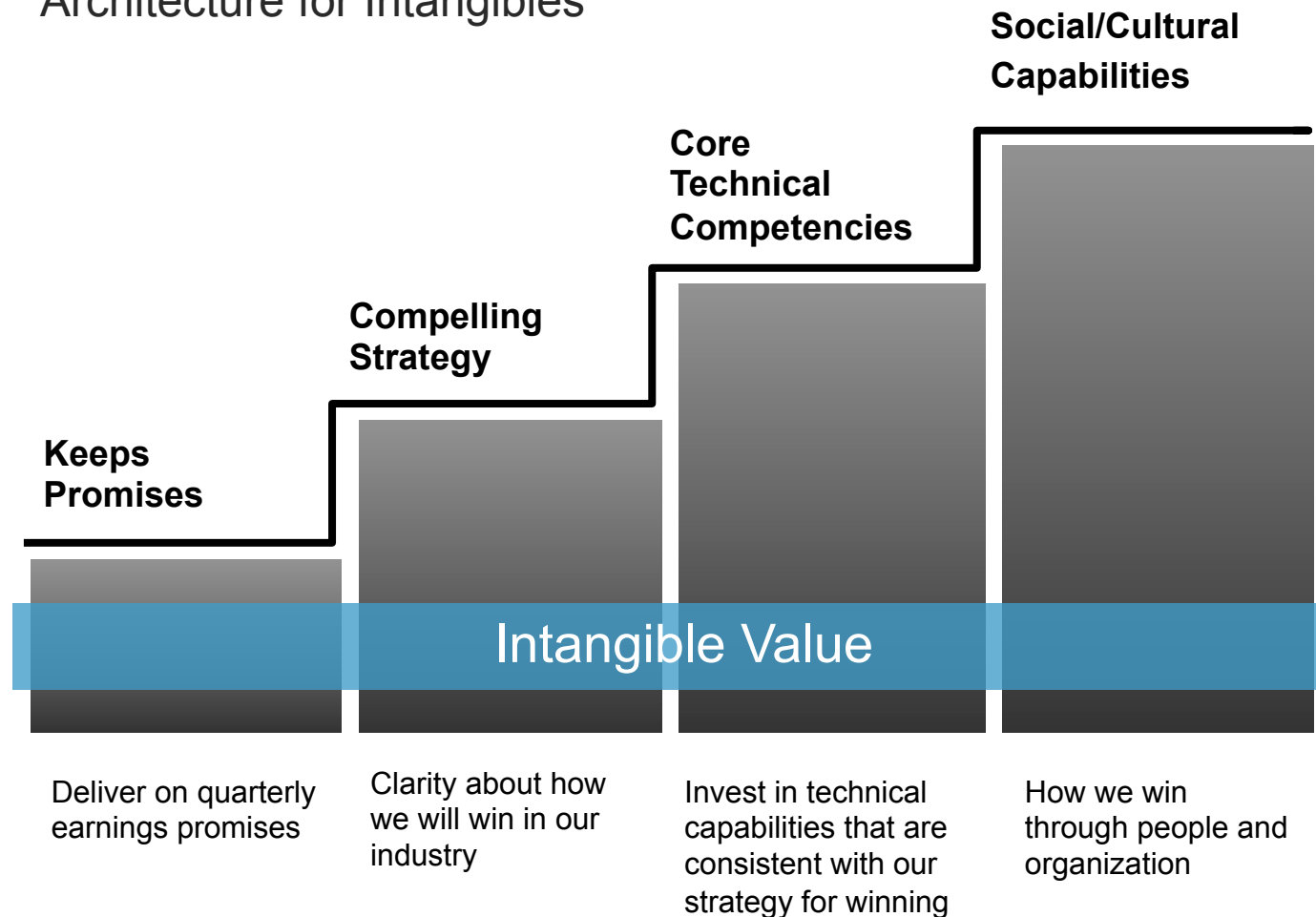3.

Exercise: Your firm's assessment

Social Capabilities

Social Responsibility	Strategic Alignment	Talent

Accountability	Collaboration	Leadership	Learning

Customer Capabilities

Efficiency	Speed	Customer Connectivity	Quality Mindset	Innovation

Customer Value Proposition

Price	Speed	Service	Quality	Innovation
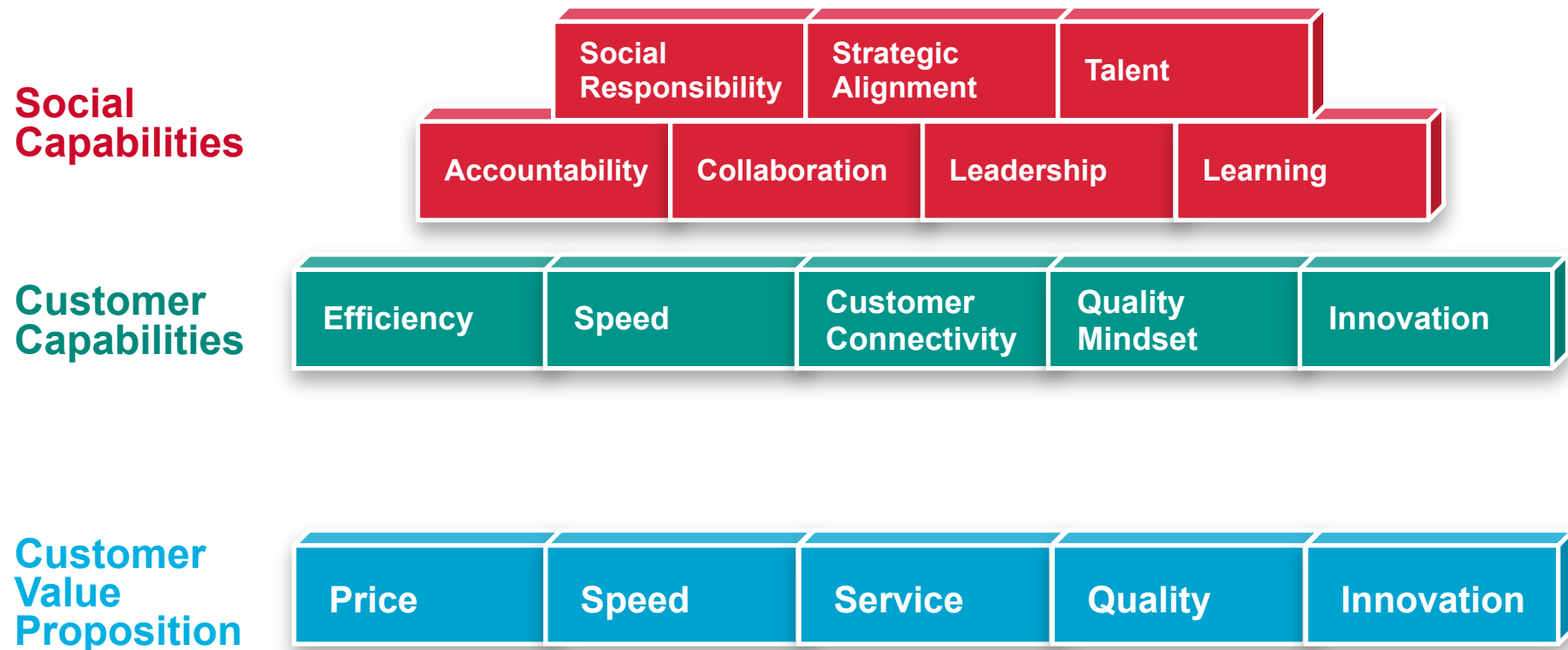
TLCA HR must shift from optimizing HR activities to optimizing business capabilities from rows to columns

*Deliverable*s

(Social Organization Capabilities)

	Innovation	Speed	Talent
Sourcing			
Development			
Rewards			
Performance Management			
Technology			
And so on			

HR Activities

Controllable factors that increase investor confidence in future . . .

Architecture for Intangibles*

Social/Cultural Capabilities

Core Technical Competencies

Compelling Strategy

Keeps Promises

Intangible Value

Strategic HR

Builds targeted organization capabilities driving customer and investor confidence in Intel's future: innovation, talent, efficiency, collaboration, leadership . . .

Deliver on quarterly earnings promises

Clarity about how we will win in our industry

Invest in technical capabilities that are consistent with our strategy for winning

How we win through people and organization

Source: How Leaders Build Value: Ulrich and Smallwood

Leadership Brand results from two trends

TREND 1:   *Leader and Leadership*

TREND 2:   *Inside and Outside*
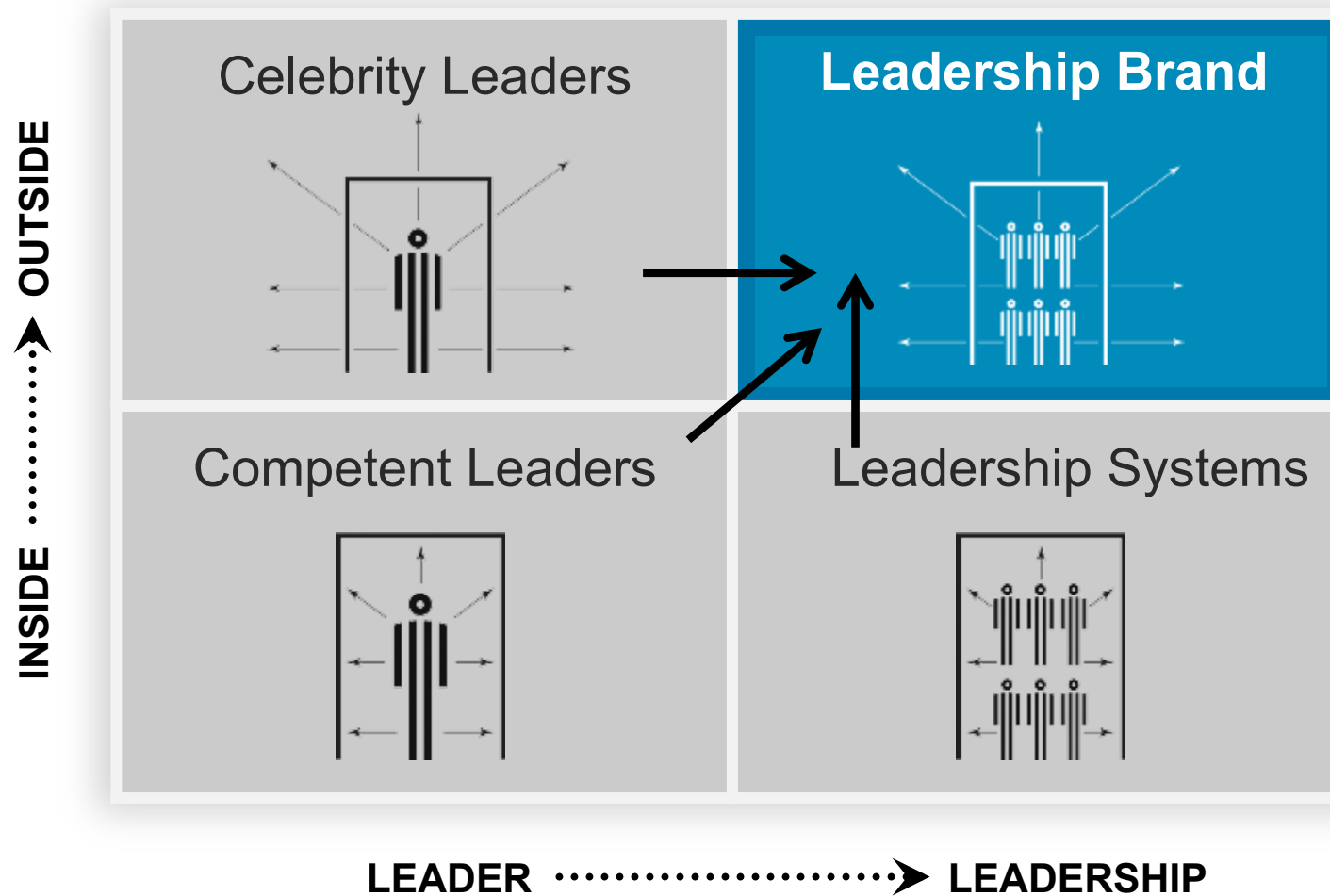
Leader and leadership
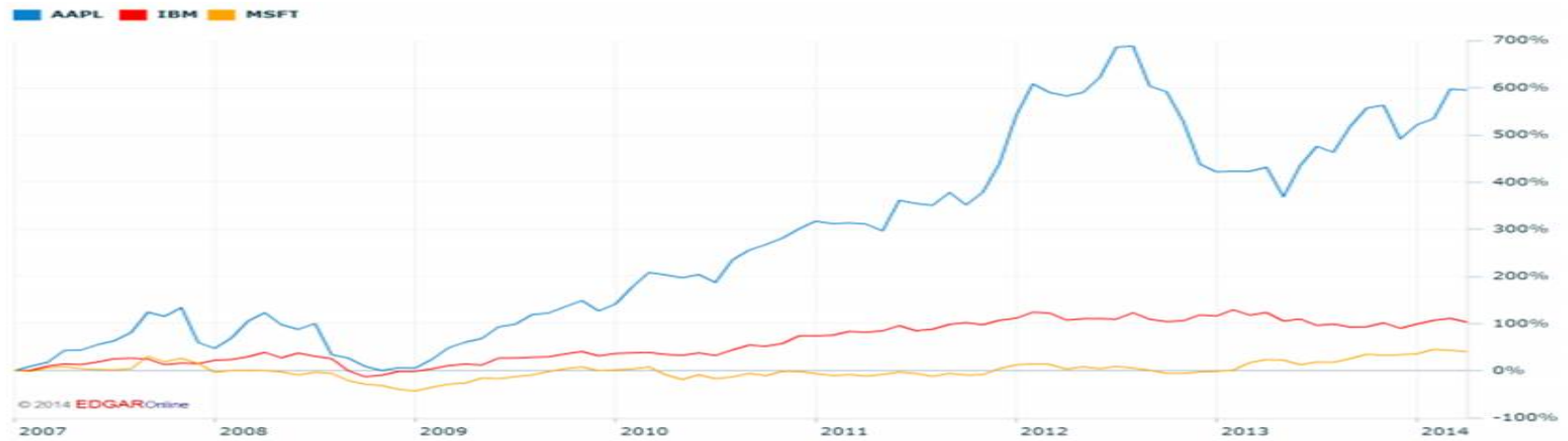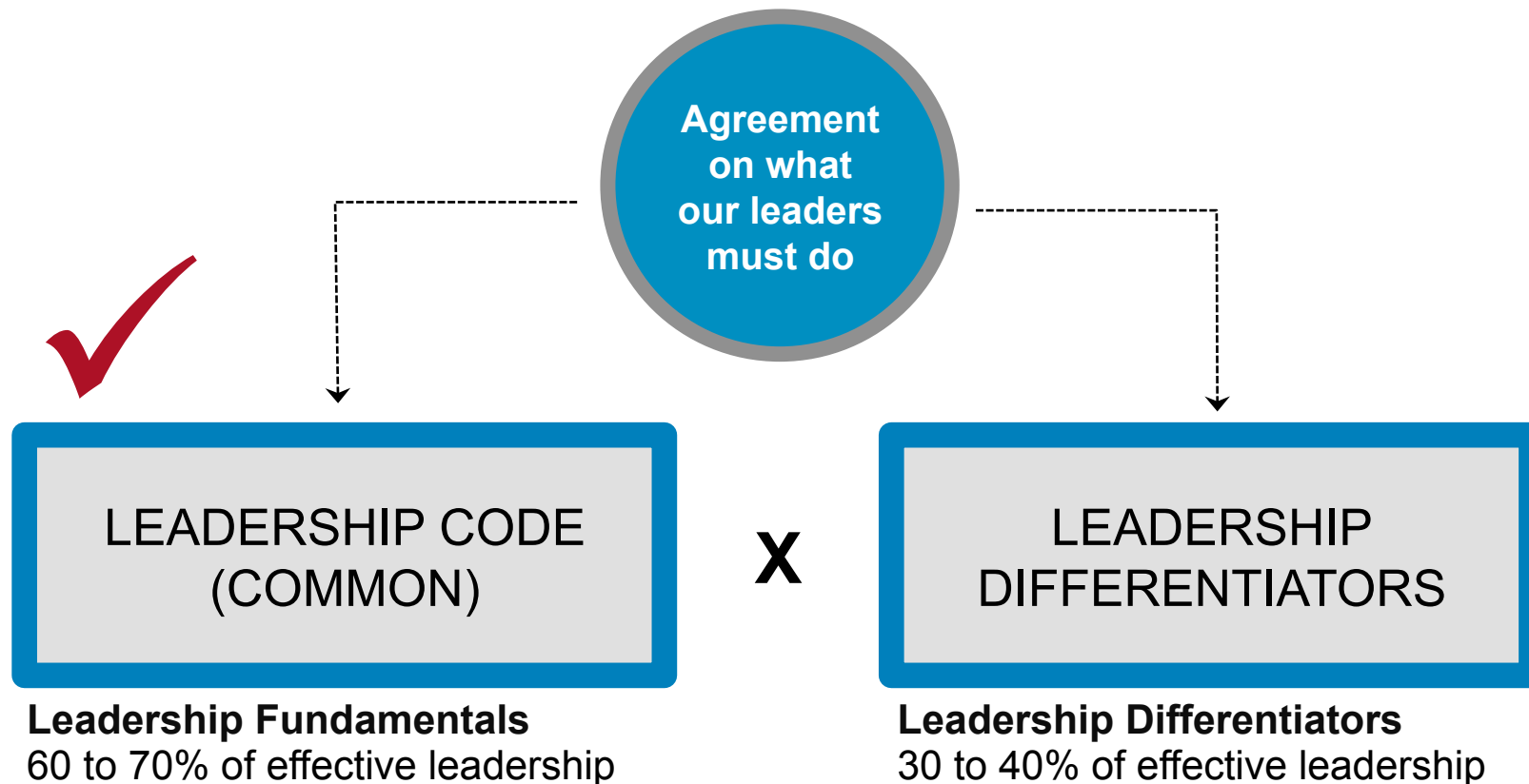
Inside and outside
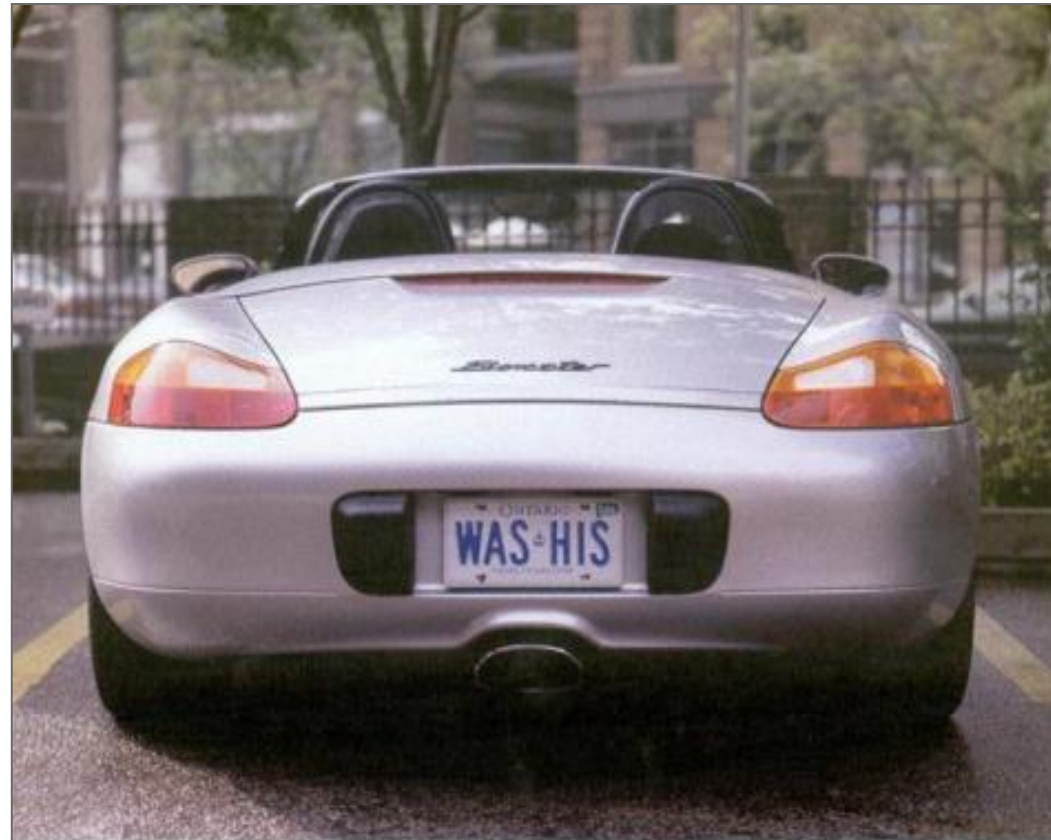
Leadership Brand

Leadership Brand is an organization capability that increases confidence in future results with external stakeholders
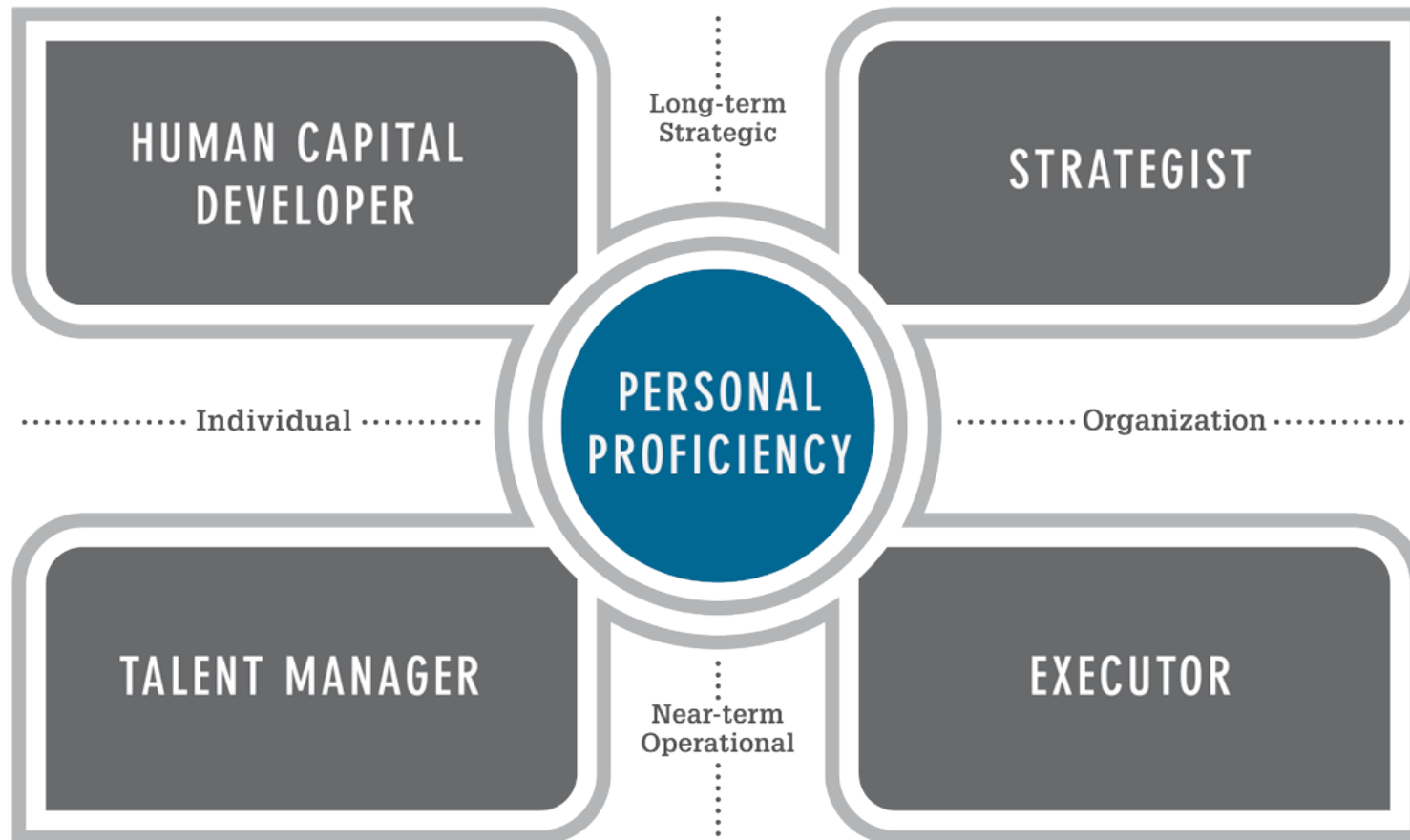
A leadership brand organization capability increases investor, customer and employee confidence in the future

Leaders must nail the fundamentals as well as what makes our leaders unique

Agreement on what our leaders must do

LEADERSHIP CODE (COMMON)

X

LEADERSHIP DIFFERENTIATORS

Leadership Fundamentals
60 to 70% of effective leadership

Leadership Differentiators
30 to 40% of effective leadership

Leadership Code:
The DNA of effective leaders

# HRCS is the most comprehensive review of the HR profession

The most comprehensive assessment of HR competence

History:

- Conducted jointly by RBL, University of Michigan, and regional partners
- Data collected six times since 1987
- Over 60,000 HR participants
- The most comprehensive and rigorous empirical review of HR competence

Composition:

- Global participation
- Small, medium, and large firms
- Representation across industries
- 360º methodology
- Factor analysis approach to competency domain and factor identification

60K

Participants (thousands)

1987 → 2012
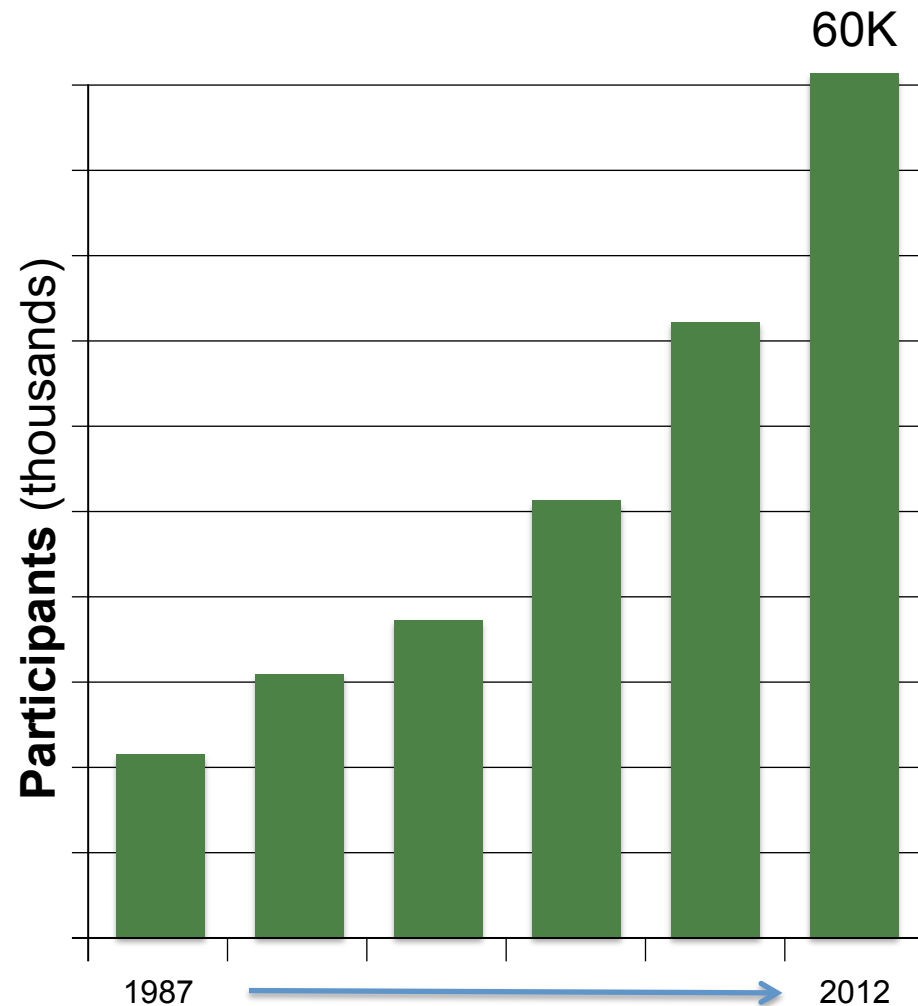
The HRCS 2012 Competency model represents the attributes that are needed to deliver results
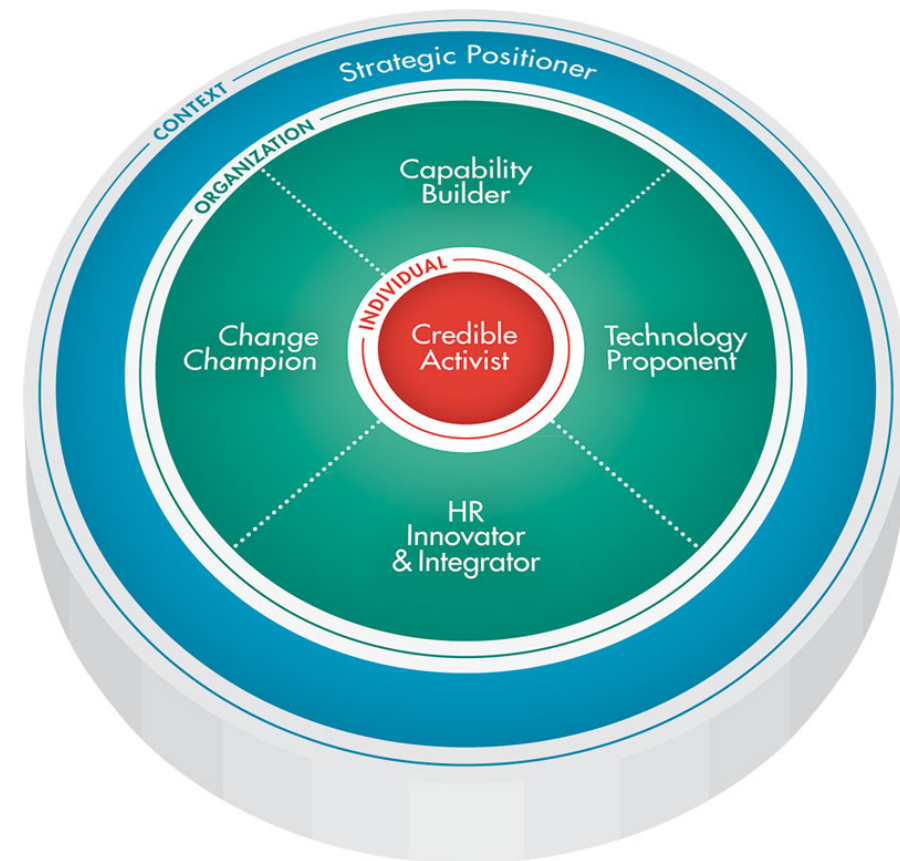
Strategic Positioner
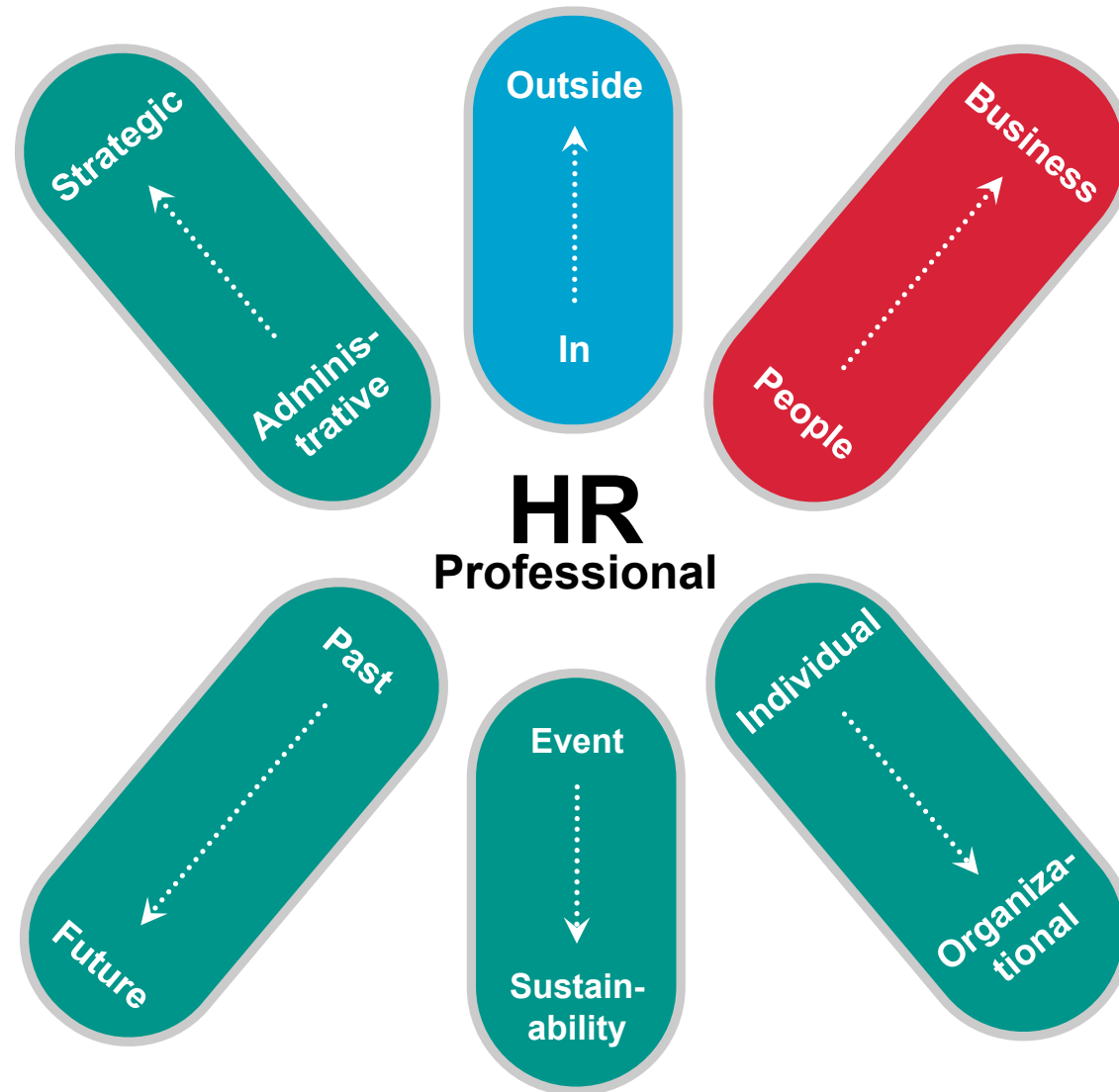
Credible Activist

Capability Builder

Change Champion

HR Innovator & Integrator

Technology Proponent

The competencies help HR professionals balance competing demands

As we create value from the outside-in, we need to answer four crucial questions

Why — HR Value

Where — Business Context, Stake-holders

What — Individual Ability, Leadership, Organization Capability

How — HR Department, HR Professionals, HR Practices, HR Analytics