

Summary of Project FHR Summit, Part 1: What We Said on June 10

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Purpose of this Document:

This “Part 1” document describes our conversation in the June 10 summit. It is meant to describe the discussion without commentary. Soon, you will receive a follow-up document, “Part 2,” which will describe specific action items and projects from the June 10 discussion. The Core Team will create that using this document, and your comments on it.

Requested action from you: Please review the document for accuracy and completeness, and send John Boudreau and Andrew Schmidt your reactions, additions, modifications or corrections. With this document to jog your memory, please send to John and Andrew your recollection of projects that we should pursue. Your thoughts on the projects will be used as input to the Core Team’s preparation of Part 2. Please help us keep up the momentum by sending us your reactions and project ideas **before August 7 if possible**. Thanks very much!

Background on Project FHR

This gathering of CHROs culminated the first phase of Project FHR, an effort intended to create a collective effort among HR leaders to advance the profession. Twenty CHROs were interviewed about current and future expectations for HR, the profession’s ability to meet these expectations, and any gaps that exist and need to be addressed. The Summit was an opportunity for the interviewees to meet in person, narrow their thoughts to a subset of focal challenges, and propose next steps for moving the profession forward.

Executive Summary of the Summit

The group agreed that there is much to be admired about the HR profession, which has progressed significantly in the past three decades. That said, the rapidly changing business environment is requiring even more from HR, and there is a danger that the profession in its current form may not be ready to meet these new demands. This group should identify and become a catalyst for the actions needed to insure that HR can meet these new demands.

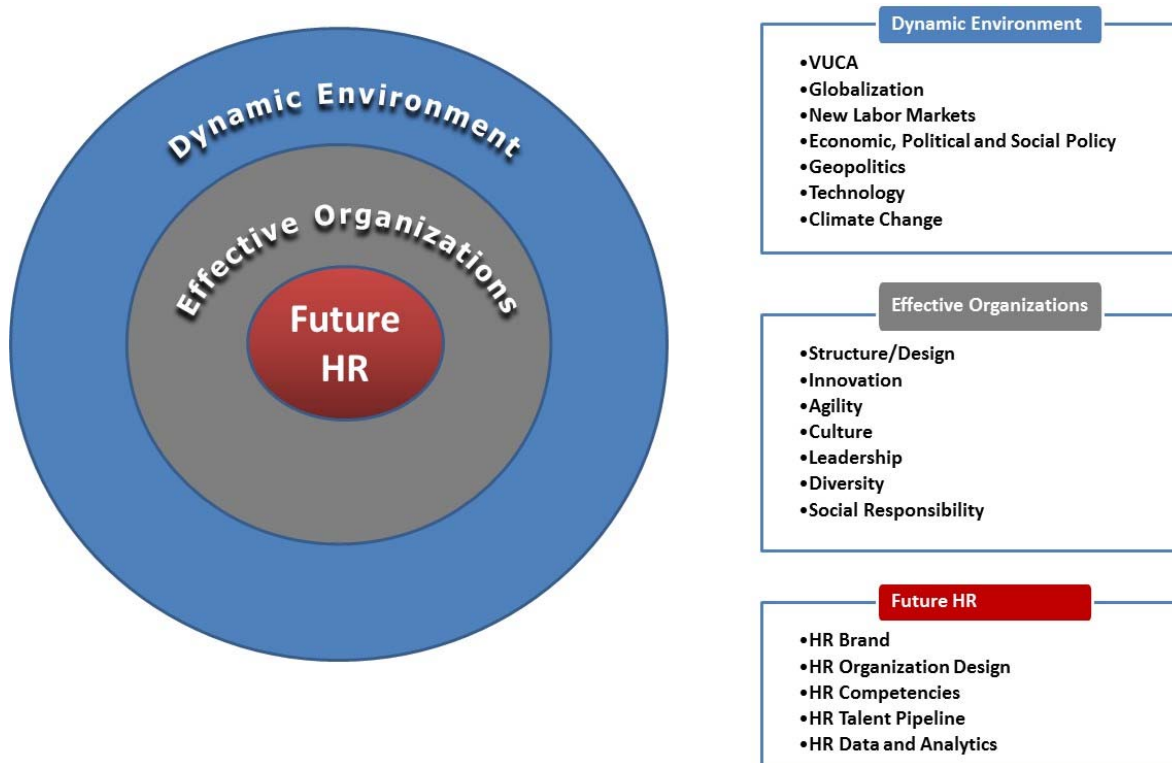
To do this, we should:

1. Develop and assert a point of view for the purpose of the HR profession and specifically how it creates organizations that win
2. Define and develop specific demonstration projects that will demonstrate tangible results for organizations. Pick a few things we can (literally) work on, not only ideas that we study further. Research is good, but we also need specific actions now, to get things moving.
3. Choose our projects so that they spark discussion, and get others thinking, talking, and doing things differently. We want to create a “movement” that has many diverse contributors.
4. Socialize and publicize our work in a form and in outlets where leaders, Boards, investors, regulators and other key constituents will take notice and action.

The group reasserted their support for this project and its importance. We are enthusiastic about collectively iterating to create tangible projects, work on them, and then use our voices and influence to carry the message forward. We support a process that will have someone like Boudreau and the core team challenge assumptions, and focusing on the right questions. **We agreed that to be successful, the members of this advisory group must commit their time, money and/or personal and organizational resources to the initiatives that we choose, and agree to pursue other key supporters.**

Recap of June 10 Discussion

The conversation began with a recap of the Project FHR White Paper that was written based on the interviews with all the attendees. John Boudreau presented a framework that he and Ian Ziskin had developed, which captured many of the themes coming from those interviews:



Boudreau, J. W. & Ziskin, I. (2011). The future of HR and effective organizations. Organizational Dynamics, 40, 255-266.

The group agreed to focus on the middle category: Effective Organizations. It is in this area where we feel the greatest need for change and the largest gap between what is delivered versus what is expected. The top box (Dynamic Environment) is the context that defines the needed HR changes. The environment changes swiftly and is largely beyond the direct influence of this group. Other organizations have these issues as their charter and we will tap them as needed. The bottom box is how HR gets things done. It is vital, but an exclusive focus here would be too insular to HR and would not address a broad-enough spectrum of actions to address needs and opportunities. Still, the bottom box contains things that should be rewired, and done in new and more effective ways, as a means to an end not an end in themselves.

The group said that the environment (top box) is changing more rapidly, creating new demands and opportunities for HR, but HR practitioners are often burying their heads in the bottom box without defining what is needed in the bottom and middle boxes, to address these top box changes. For example, we all focused on the war for talent, then the recession happened and we stopped those activities, but in fact the broader context was long-term talent mismatches that still required the kind of early and sustained attention that characterized the war for talent.

Given the scale and scope of the changes over the last 30 years, the HR function has adapted well. So what would be an analogous inducement to making a similar response to the changes that are ahead?

Challenges in the “Effective Organizations” Category

The discussion began with the realization that we are gravitating to the middle box because it contains challenges that illuminate the gap we are trying to address. HR is doing fine work in many organizations, and few are calling for HR to be removed or dismantled. HR gets mixed reviews, but in many organizations is well regarded for its activities.

Yet, can organizations honestly say that they are sophisticated and adept at creating things like agility, innovation culture and diversity, in a way that best fits their dynamic environment? Most cannot. Do organization leaders clearly understand how their decisions about talent and organizations create these things? Most do not. Indeed, most organizations honestly cannot even clearly define what these things mean, how they should be measured, and how they contribute to winning. When you put it this way, you realize that we are a very long way from understanding and acting on the connections between what is in the “HR” box and the “effective organizations” box, and in turn between what is in the “effective organizations” box and performance in the dynamic environment.

In a nutshell, one might say that the charter for HR is to “enhance the probability that organizations will win.” This includes financial success, of course, but is broader to include strategic success elements that go beyond financials. HR makes people and organizations more effective. The phrase “organizations that win” was used to challenge HR to be very specific about tangible organizational results. We are often satisfied with a charter built only upon ideas such as “organization effectiveness,” “winning organizations,” etc., but “Organizations that win” was meant to convey that strategic success and effective organizations must very tangible and directly related to the organizations mission.

HR’s Charter is “Creating Organizations that Win?”

If HR’s role is to create and execute a people strategy that makes the organization win in the broadest sense off their mission, then HR faces key challenges.

First, the profession’s charter, is not often defined this way. This is at the heart of many of the symptoms that are troubling about the profession today. For example, if HR is not defined by its impact on business outcomes and designed to drive business strategies, it is more difficult to develop a talent pipeline for HR that includes those with strong business orientation. This group could set a goal to help develop a clear and common charter that defines what HR promises to its organization, framed in terms of how it contributes to “organizations that win.” HR does could then be aligned to that charter. This would encompass how HR touches employees, contractors, families, community and government and thus shapes the way people work, live and play. A charter more focused on tangible indicators of strategic success – what it means to “win” – would integrate these elements more effectively.

Second, we need to improve the sophistication and quality of the expectations of HR constituents, particularly Boards, C-suite teams, investors and regulators. The middle box should include the “who” that is setting these expectations, including constituents such as CEOs and Boards. We need to lead them by explaining what they can and should expect from HR, not wait for them to tell us what is needed. Lacking a broadly-accepted charter connecting HR to “organizations that win,” the expectations of Boards, C-suite leaders and other constituents are highly variable, unclear and often not well connected to organizational success. The “business partner” idea was valuable in its time, but now may actually limit HR’s progress. Like the HR role of compliance and service delivery, the business partner role has value, but there may be a more independent role that is required (this is discussed later in this document). This group could set a goal to improve and make more common the expectations of HR constituents, based on the charter.

What is the Logical Model of How HR Creates “Organizations that Win?”

There is no common framework that articulates what it means to win and how HR connects to that. Certainly the CHROs in this room and their peers effectively articulate this connection for their particular organizations in their particular industries, but there is no common professional model to answer this question. How do we get HR professionals in all organizations to better define how HR connects to the tangible elements of strategic success for their organization?

HR often talks about the importance of talent, but talent is not always the most important asset. It does not take much experience with M&A to realize that sometimes companies are purchased for technology, infrastructure, patent portfolio, market potential, etc., and the people are not the primary value. Therefore, HR needs to be adept at understanding broader and tangible elements of strategic success, and recognizing how people contribute, but not assume that talent is always the most important thing. HR should still be an investment not simply a cost to be minimized.

Still, money is increasingly cheap and available, while talent is increasingly scarce, so organizations that win must be better at decisions about talent than money. Some models answer this by saying HR should focus on “organizational capability,” but that can cause HR to be too late to the discussion. Organization capability is often the means to an end. For example, leadership teams and Boards often think about value creation in terms of a number the organization is trying to hit (e.g., the share price has to grow by a certain amount or the company has to be valued at a certain level), or how they will create or grow a market or gain share of an existing market. After that, strategies get crafted to create that value. HR needs to be involved with setting the goal, not just creating the capabilities that result from the goal.

This group could embrace a goal to develop, articulate and socialize a common framework and language that captures the full scope of connections between HR and strategic success, or “organizations that win.” This includes both adding value and mitigating risk. This framework would articulate how HR fulfills this charter.

Rewiring HR

If HR is to actually deliver on this charter, then what we do (the red circle and the lower box in the figure) has to be addressed. Much of what we do needs to be “rewired” to truly deliver its value. We see that in the current attention to “getting rid of performance reviews,” the most recent rendition of rewiring performance evaluation. We see it in the current debate about whether to use forced-ranking, again the latest iteration of a familiar theme.

Many CHROs are doing great individual work, but as it is distributed rewiring. Each is rewiring in different ways, and it would be more impactful if there was common, broad-based rewiring so our efforts were building upon one another. We need to do this collectively.

What would collective rewiring look like? One example is that HR has a paradigm based on people in specific jobs or roles instead of building capability through transformational experiences and projects. A recent doctoral dissertation (by Jean Larkin) showed corporate value creation is more affected by work on projects than in jobs. People tend to fill their jobs with things that keep them busy, but their work on special projects actually creates value. Perhaps HR needs to lead the way in re-wiring itself to demonstrate value creation through alternate designs.

This is an example of fundamental paradigms or assumptions that limit HR. Should our unit of analysis change from individual and job-level performance, competencies, etc., and instead design HR systems that focus on projects, teams and defined results over a finite time period, like “tours of duty?” Another example is the changing nature of employment and workforce engagement, such as freelancers, virtual talent markets, crowdsourcing, etc. These are not well addressed by a traditional focus on jobs and employment, yet this focus underlies virtually all HR systems.

These traditional paradigms limit HR, and could be improved better through collective action than by distributed rewiring.

This group could commit to a goal to develop well-grounded tools and models to rewire HR practices, designs, analytics and other things in the “HR” circle to better reflect evolving demands, technology and knowledge.

The HR Talent Pipeline and Professional Sponsorship

Another challenge is sponsorship inside the profession. Many HR people feel more sponsorship from the business than from the other HR practitioners. HR needs better networks to provide sponsorship within the profession. This lack of sponsorship contributes to the high percentage of HR leaders that are selected from outside their company and even outside the profession. The HR report card recently released showed that CHROs are filled internally at 36%, while CFOs

are filled internally at 54% and CEOs are filled internally at 65%. Why are so few CHROs filled internally? Evidence from Russell-Reynolds and Korn Ferry suggests that very few HR professionals are on track to build the experiences and characteristics that most distinguish successful CHROs in leading companies. Successful CHROs are socially adept, set constructive tones, have appetites for change, and have a keen focus on action and results informed by business acumen. The HR profession should attract and focus development on people with these qualities. We need to correct the misconception that anyone can be a good HR leader if they work hard enough. Instead, we need to target the people that have the intellectual horsepower, the appetite for change, and the action-orientation, and invest highly in those few. How to create the “talent bank” of this kind of HR leader, and make it visible and accessible by CEOs, Boards and leadership teams?

The group should embrace a goal to create an enhanced definition of what modern HR talent we must seek, develop, and deploy. Where is the next generation of HR leaders that make their organizations win? What is the right combination of intellectual horsepower, business savvy, and courage? We should harness and integrate the work already being done on HR leader attributes and success, to create valid diagnostics and practices that create the necessary HR leadership for the future. We should collectively agree on actions that CHRO’s should be taking now to improve the HR pipeline in their own organizations and across organizations.

Break-Out Group Results

The room broke into three groups, each dedicated to exploring one of the three main ideas articulated during the morning:

Group 1 – Aligning HR with Sustainable Success (a.k.a. Organizations that Win):

The primary goal here would be to build a model that connects HR activity to tangible outcomes that demonstrate value creation. One “moonshot” could be to gather the leading models of HR ROI and compare them to see what is similar, what differs, and use them to build a common framework for the profession. This exercise could be crowd-sourced, both within and outside HR, to get to a common framework. We could ask CEOs to test and revise the framework until it really works. Then, we would socialize that framework as a professional accountability. If we are successful, it would become as common, useful and well-understood as the financial “theory of the firm” that underlies financial reporting and analysis. Leaders destroy organizational value every day for lack of this framework. This framework is what we would use to train the CEOs, SVPs, investors, etc. about what they should expect from HR and why.

Group 2 – Improving the Expectations of HR’s Constituents

The headline for this group was “Redefining HR’s Relationship with its Constituents.” A significant issue was the distinction between HR as independent profession versus being slavishly in service to the CEO. Leaders destroy organizational value every day because they lack an independent perspective holding them accountable. Finance sees leaders and managers as a delivery system for good stewardship and value creation through money, and the finance profession holds leaders accountable. What if the HR profession conceived of managers and leaders as a delivery system for good stewardship and value creation through people and organizations, and held them accountable? Too often, CHROs take orders from CEOs and define strategic partnership as delivering what the CEO wants. Finance operates differently, with a clear and common point of view on its role, its operating framework (GAAP), and the role it plays in how leaders create value. HR needs to develop and assert that kind of point of view. HR needs to have the courage to be fired, and know when to play that card. The “moonshot” would be to define what is needed to move beyond today’s constituent expectations of HR, then improve those expectations with evidence that this new role leads to improved value creation, and then equip HR professionals to deliver on those enhanced expectations. If we are successful, top leaders and Boards would call on HR for its independent professional evaluation of organizations, they would have a sophisticated and common understanding of the role that the CHRO and the HR profession plays on the leadership team, just as they do for the CFO.

Group 3 – Collectively Rewiring HR to Match New Roles and Expectations

The goal here was to consider how the “work” of HR in organizations must evolve, because without that evolution there would be no underpinning for the value creation and role enhancements identified by the other two groups. HR work is constantly being rewired within organizations, often with creative and excellent results, but it is dispersed and disconnected. The goal is to engage in “collective rewiring” that would develop common goals and approaches to the work of HR, that meet future challenges, create synergy across HR functions, exploit emerging data and technologies, and that collectively for the necessary support structure for the common value-creation model and enhanced constituent expectations described by the other two groups.

This collective rewiring should occur within the “HR box” of the figure, but address vital transitions in the “effective organizations” box. As an example, the group used the six transitions shown below, described in Boudreau & Ziskin (2011), to illustrate what rewired HR would accomplish. The idea was that these trends, and other trends like these, should become the broad focus for the specific rewiring of HR work, HR functional design, and HR deliverables.

The Future of HR



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Today, these trends are not so apparent in HR work. Organizations tend to approach HR work traditionally and in silos, even when that work reflects leading-edge technology, data and design. Making traditional HR more technologically “modern” is not the same as rewiring HR to fit the new reality. The focus must shift to how HR work embodies trends like these, and integrates with synergy to address them. Examples of rewired HR included shifting “organization design” from “charts” to “networks,” shifting “succession planning” to “supply chain for talent,” and shifting “compensation and benefits” to “total reward product design.”

Conclusion of the Summit:

HR as a profession is justifiably well-regarded for its contributions and accomplishments, but our summit reinforced the reality that if these important dilemmas remain unaddressed, the profession may become complacent and get left behind. We agreed that this requires a collective effort, and that this group, and those we can engage, can and wants to be the catalyst.

In reviewing the work of the three groups, we determined there is a need to define a point of view for HR. HR must define its accountability in a way that connects to value creation. That requires defining the connections between HR and strategic success. That definition allows HR leaders to assert who we are, what we do, and how we add value. That improves constituent expectations. This becomes HR's charter that is passed along to developing HR professionals and emerging HR leaders. That leads to more modern and effective "rewired" HR.

To do this, we should:

1. Develop and assert a point of view for the purpose of the HR profession and specifically how HR creates value for organizations that win in the broadest sense of their mission and strategic success
2. Pick a few things we can (literally) work on, not simply ideas that we study further. Research is good, but we also need specific actions now, to get moving.
3. Choose projects that spark discussion, and get the right others thinking, talking, and doing things differently.
4. Socialize and publicize our work in a form and in outlets where leaders, Boards, investors, regulators and other key constituents will take notice and action, and we create tangible effects on employees, contractors, families, community and government and thus shapes the way people work, live and play.

The group reasserted their support for this project and its importance. We are enthusiastic about collectively iterating to create tangible projects, work on them, and then use their voices and influence to carry the message forward. We support a process that will have someone like Boudreau and the core team challenge assumptions, and focusing on the right questions.

The summit concluded with an agreement that John Boudreau, along with the other members of the Project FHR "Core Team" (Debra Engel, Ian Ziskin, Dick Antoine, Scott Pitasky, and Jeff Pon) would review the notes, gather feedback, and propose some next steps and a path forward.