In recent years, a number of people who study and write about business have been debating whether we should do away with HR. The debate arises out of serious and widespread doubts about HR's contribution to organizational performance. And as much as I like HR people, I must agree that there is a good reason for HR's beleaguered reputation. It is often ineffective, incompetent, and costly; in a phase, it is value sapping. But the truth is that HR has never been more necessary.

The competitive forces that managers face today and will continue to confront in the future demand organizational excellence. To state it plainly: achieving organizational excellence must be the work of HR. The question for managers, then, is: What should we do with HR? The answer is: create an entirely new role and agenda for the field that focuses it not on traditional HR activities, but on outcomes. HR should be defined by what it delivers - results that enrich the organization's value to customers, investors, and employees. HR can help deliver organizational excellence in the following four ways:

- First, HR should become a partner with senior and line managers in strategy execution.
- Second, it should become an expert in the way work is organized and executed, delivering administrative efficiency while quality is maintained.
- Third, it should become a champion for employees, representing their concerns to senior management and at the same time working to increase employee contribution.
- And finally, HR should become an agent of continuous transformation, shaping processes and a culture that together improve an organization's capacity for change.

But the fact remains: the activities of HR appear to be - and often are - disconnected from the real work of the organization. In fact, the primary responsibility for transforming the role of HR belongs to the CEO and to every line manager who must achieve business goals. The reason? Line managers have ultimate responsibility for both the processes and the outcomes of the company. It follows that they should lead the way in fully integrating HR into the company's real work. Indeed, to do so, they must become HR champions themselves. More important, they must hold HR accountable for delivering it.
WHY HR MATTERS NOW MORE THAN EVER

Companies today face five critical business challenges. These challenges require organizations to build new capabilities. It is HR’s opportunity to play a leadership role in enabling organizations to meet the following competitive challenges:

- **Globalization** - With the rapid expansion of global markets, managers are struggling to balance the paradoxical demand to think globally and act locally. That imperative requires them to move people, ideas, products, and information around the world to meet local demands. Globalization requires that organizations increase their ability to learn and collaborate and to manage diversity, complexity, and ambiguity.

- **Profitability through Growth** - The drive for revenue growth puts unique demands on an organization. Companies seeking to acquire new customers and develop new products must be creative and innovative, and must encourage the free flow of information and shared learning among employees. They must also become more market focused - more in touch with the fast changing and disparate needs of their customers. And companies seeking growth through mergers, acquisitions, or joint ventures require other capabilities.

- **Technology** - Ideas and massive amounts of information are in constant movement. The challenge for managers is to make sense and good use of what technology offers. Managers will need to figure out how to make technology a viable, productive part of the work setting.

- **Intellectual Capital** - Knowledge has become a direct competitive advantage for companies selling ideas and relationships and an indirect competitive advantage for all companies attempting to differentiate themselves by how they serve customers. From now on, successful companies will be the ones that are the most adept at attracting, developing, and retaining individuals who can drive a global organization that is responsible to both its customers and the burgeoning opportunities of technology.

- **Change, Change, and More Change** - Perhaps the greatest competitive challenge companies face is adjusting to - indeed, embracing - nonstop change. Constant change means organizations must create a healthy discomfort with the status quo, an ability to detect emerging trends quicker than the competition, and the agility to seek new ways of doing business. In other words, companies will need to be in a never-ending state of transformation, perpetually creating fundamental, enduring change.

HR’S NEW ROLE

The five challenges described above have one overarching implication for business: the only competitive weapon left is organization. In the new economy, winning will spring from organizational capabilities such as speed, responsiveness, agility, learning capacity, and employee competence. Successful organizations will be those that are able to quickly turn strategy into action; to manage processes intelligently and efficiently; to maximize employee contribution and commitment; and to create the conditions for seamless change. The need to develop those capabilities brings us back to the mandate for HR. Let’s take a closer look at each HR imperative in turn:

- **Becoming a Partner in Strategy Execution** - Strategy is the responsibility of a company’s executive team - of which HR is a member. However, HR executives should impel and guide serious discussion of how the company should be organized to carry out its strategy. Creating the conditions for this discussion involves four steps:
First, HR should be held responsible for defining an organizational architecture. Jay Galbraith's star model identifies five essential organizational components: strategy, structure, rewards, processes, and people. The well-known 7-S framework by McKinsey & Company distinguishes seven components in a company's architecture: strategy, structure, systems, staff, style, skills, and shared values. It's relatively unimportant which framework the HR staff uses to define the company's architecture, as long as it's robust. What matters more is that an architecture be articulated explicitly.

Next, HR must be accountable for conducting an organizational audit. Organizational-architecture plans are critical in helping managers identify which components of the company must change in order to facilitate strategy execution. See Table below.

The third role for HR as a strategic partner is to identify methods for renovating the parts of the organizational architecture that need it. HR managers should be assigned to take the lead in proposing, creating, and debating best practices in culture change programs.

Fourth and finally, HR must take stock of its own work and set clear priorities. HR needs to join forces with operating managers to systematically assess the impact and importance of each one of these initiatives.

**FROM ARCHITECTURE TO AUDIT**

After HR has determined the company's underlying architecture, it can use a framework like the one below to guide the organization through the discussion and debate of the audit process.

<table>
<thead>
<tr>
<th>Question</th>
<th>Rating (1-10)</th>
<th>Description of best practice</th>
<th>Gap between company's current practice and best practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHARED MIND-SET</td>
<td>To what extent does our company have the right culture to reach its goals?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>COMPETENCE</td>
<td>To what extent does our company have the required knowledge, skills, and abilities?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CONSEQUENCE</td>
<td>To what extent does our company have the appropriate measures, rewards, and incentives?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GOVERNANCE</td>
<td>To what extent does our company have the right organizational structure, communication systems, and policies?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAPACITY FOR CHANGE</td>
<td>To what extent does our company have the ability to improve work processes, to change, and to learn?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEADERSHIP</td>
<td>To what extent does our company have the leadership to achieve its goals?</td>
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</table>

This is a new role for HR and therefore it may have to acquire new skills and capabilities. In time, the concept of HR as a strategic partner will make business sense.

- **Becoming an Administrative Expert** - In their new role as administrative experts, however, they will need to shed their traditional image of rule-making policy police, while still making sure that all the required routine work in companies is done well. In order to move from their old role as administrators into their new role, HR staff...
will have to improve the efficiency of both their own function and the entire organization. But decreased costs aren't the only benefit of HR's becoming the organization's administrative expert. Improving efficiency will build HR's credibility, which, in turn, will open the door for it to become a partner in executing strategy.

- **Becoming an Employee Champion** - Companies cannot thrive unless their employees are engaged fully. Engaged employees - that is, employees who believe they are valued - share ideas, work harder than the necessary minimum, and relate better to customers, to name just three benefits. In their new role, HR professionals must be held accountable for ensuring that employees are engaged - that they feel committed to the organization and contribute fully. HR must now take responsibility for orienting and training line management about the importance of high employee morale and how to achieve it. In addition, the new HR should be the employees' voice in management discussions.

- **Becoming a Change Agent** - The new HR has as its fourth responsibility the job of building the organization's to embrace and capitalize on change. HR's role as a change agent is to replace resistance with resolve, planning with results, and fear of change with excitement about its responsibilities.

Perhaps the hardest and most important challenge facing many companies in this era of flux is changing their culture. In helping to bring about a new culture, HR must follow a four-step process:

- First, it must define and clarify the concept of culture change.
- Second, it must articulate why culture change is central to business success.
- Third, it must define a process for assessing the current culture and the desired new culture, as well as for measuring the gap between the two.
- And fourth, it must identify alternative approaches to creating culture change.

**FOUR CHANGES FOR THE LINE**

Perhaps more important, than the new mandate for HR, it also requires that senior executives change what they expect from HR and how they behave toward the HR staff. The following are four ways senior operating managers can create an era in which HR is focused on outcomes instead of activities:

- **Communicate to the organization that the "soft stuff" matters** - For instance, CEO Jack Welch of General Electric claims he spends 40% of his time on people issues. For HR to be taken seriously, senior managers must demonstrate that they believe typical HR issues - the soft stuff like culture change and intellectual capital - are critical to business success. Operating managers can signal this belief in several ways. They can talk seriously about how organizational capabilities create value for investors, customers, and employees. They can invest the time needed to make sure organizational changes are debated and implemented. They can include HR professionals in strategy discussions and state explicitly that without the collaboration of HR, strategies are more hopes than realities, promises than acts, and concepts than results.

- **Explicitly define the deliverables from HR, and hold HR accountable for results** - A company has a much better chance of achieving its goals if senior managers state specifically what they expect from HR and then track, measure, and reward performance.

- **Invest in innovative HR practices** - Investing in new HR practices is another way to signal to the organization that HR is worthy of the company's money and attention. It is also a way to make sure that HR has the tools, information, and processes that it needs to execute its new mandate. As new practices are identified, line managers
should expect HR to adapt to them, not adopt them. Instead, investment in new HR practices should focus on learning not only what works elsewhere but also how a new practice should work in the company’s unique competitive situation.

- **Upgrade HR professionals** - Finally, the hardest but perhaps most important thing senior managers can do to drive forward the new mandate for HR is to improve the quality of the HR staff itself. Companies need people who know the business, understand the theory and practice of HR, can manage culture and make change happen, and have personal credibility.

Regardless, HR cannot expand its role in an organization without the requisite expertise. Becoming a strategic partner demands a degree of knowledge about strategy, markets, and the economy. Becoming an administrative expert demands some knowledge of reengineering, as well as the intricacies of what the line actually does. If HR is to effect real change, it must be made up of people who have the skills they need to work from a base of confidence and earn what too often it lacks - respect.

**HARD WORK AHEAD**
Senior executives who recognize the economic value and the benefit to their customers of intellectual capital and organizational capability need to demand more of the HR function. They need to invest in HR as if it were a business. And they must get beyond the stereotype of HR professionals as incompetent value-sapping support staff. It’s time to destroy that stereotype and unleash HR’s full potential.

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Further reading:

- Frederick Herzberg (1968), *One More Time: How Do You Motivate Employees*, Harvard Business Review
- David C. McClelland and David H. Burnham (1976), *Power is the Great Motivator*, Harvard Business Review
- David Schaffer (1999), *What You Can Learn From 100 Years of Management Science*, Harvard Management Update
- Patricia Sellers (2001), *Get Over Yourself*, Fortune, 30 April