

Chapter 1

The Premise of HR Value

Awhile back, the vice president of human resources (HR) of a big consumer product company decided to visit with a few key customers and improve his line of sight with his company's marketplace. To avoid wasting his customers' time, he began by reading everything he could—annual reports, 10K reports, product brochures, analysts' reports. His counterpart in Sales was leery of the whole idea, but once the HR VP showed how knowledgeable and thoughtful he was, his Sales colleague agreed to set up a meeting with the VP of Purchasing at one of their main customers. The moment they walked into the office, however, the customer snapped, "I'm busy today. Why should I spend time with you?"

This short story captures the past, present, and future of the field of HR. Twenty years ago it would have been unthinkable for almost anyone in HR to even consider spending time with external customers. HR professionals built staffing, compensation, training, and other programs and policies that focused on employees and kept companies legally compliant. In the last decade HR professionals have worked to become business partners and to align their work with business strategies. HR professionals have been coached to spend time with general managers and with their counterparts in sales, marketing, and manufacturing to ensure that HR work helps deliver business results. But this story also suggests what is next for HR: beginning to connect with those outside the firm as well as those inside.

To do so, HR professionals must grasp and master the concept of value. At a basic level, values reflect the standards within a firm. While HR professionals must declare,

Chapter 1, Premise of HR Value

live, and encourage moral principles, we believe that an HR value proposition goes beyond values. Value also means that someone receives something of worth from a transaction. Value in this light is defined by the receiver more than the giver. HR professionals add value when their work helps someone reach their goals. It is not the design of a program or declaration of policy that matters most, but what recipients gain from these actions. In a world of increasingly scarce resources, activities that fail to add value are not worth pursuing. No matter how interesting or valuable an activity may seem to those doing it, if those who receive the output of that activity don't find it of value to them, continuing the activity cannot be justified. HR value proposition means that HR practices, departments, and professionals produce positive outcomes for key stakeholders—employees, line managers, customers, and investors.

Value becomes the bellwether for HR. When others receive value from HR work, HR will be credible, respected, and influential. But, as the customer in the above story points out, HR value for customers will require that HR professionals answer the question, “Why should I listen to you?” This is a great question for all HR professionals. How do customers and other key stakeholders—investors, managers, and employees—benefit if they spend time with HR professionals or adapt innovative HR practices? This book offers a blueprint to answer this question and transform how HR work is done.

HR transformation

Many attempts at HR effectiveness start without defining value. For example, some companies invest in e-HR services such as portals and online employee services and believe that they have transformed HR, but they have not. While e-HR may be a part of an overall transformation, it is merely a way to deliver HR administrative services. HR

transformation must change the way to think about HR's role in delivering value to customers, shareholders, managers and employees and not just about how HR services are delivered and administered.

Moving toward service centers, centers of expertise, or outsourcing does not mean that HR has been transformed. If new delivery mechanisms provide basically the same old HR services, the function has changed but not transformed itself. HR transformation changes both behavior and outputs. The changes must improve life for key stakeholders in ways that they are willing to pay for.

Changing any single HR practice (staffing, training, appraisal, teamwork, upward communication) does not create a transformation. Unless the entire array of HR practices collectively adds value for key stakeholders, transformation has not occurred. Transformation requires integrating the various HR practices and focusing them jointly on value-added agenda such as intangibles, customer connection, organization capabilities, and individual abilities.

Writing an HR strategy or making a statement about HR roles does not necessarily create a transformation. In presentations on HR strategy, we often ask six random participants to complete the following statements as fast as they can:

- Our goal is to be a _____
- We will do this by leveraging _____
- And we will ensure that we anticipate _____
- And we will invest in _____
- And we will be known for _____

Chapter 1, Premise of HR Value

- And we will work with unyielding _____

Filling in these six blanks with the first thing that comes to mind and then connecting these statements into a vision generates an amazingly plausible HR strategy statement—but it's a fleeting moment of corporate rhetoric, irrelevant from the get-go. HR transformation must be more than rhetoric; it must shape behavior and create and ensure stakeholder value.

Sending one or two HR professionals to a seminar does not transform an HR department. Often, people return from training with great ideas but little opportunity to apply them. Transformation requires whole new agenda, thoughts, and processes across the entire department, not just on the part of a few individuals.

Finally, gaining credibility and acceptance by management or employees is not transformation. Doing so may be a good stepping-stone to future work, but real transformation must turn relationships into results and also create value for customers, shareholders, managers, and employees.

We believe that a fundamental transformation of HR starts with a definition of HR value—who the receivers are and a clear statement of what they will receive from HR services. It also requires a complete picture of all the elements of HR transformation, so that piecemeal attempts do not become isolated events.

Premise of HR Value

Since value is defined by the receiver not the giver, any value proposition begins with a focus on receivers not givers. For HR professionals, the value premise means that rather than imposing their beliefs, goals, and actions on others, they first need to be open to what others want. This fundamental principle is too often overlooked. Often HR

professionals have beliefs, goals, and actions that translate into things that they want to have happen in their organization—so they go straight for their desired results, without paying enough attention to the perspectives of others.

Influence with impact occurs when HR professionals start with the beliefs and goals of the receivers. Who are the key stakeholders I must serve? What are the goals and values of the receiving stakeholders? What is important to them? What do they want? When these requirements are fully understood, then the HR professional can show how an investment in an HR practice will help the stakeholder gain value as defined by that stakeholder.

To an employee worried about getting laid off, HR professionals should demonstrate that being more productive will help the employee stay employed. To a line manager worried about reaching strategic goals, HR professionals need to show how investment in HR work will help deliver business results. With customers, HR professionals need to remember that their interest in customers must create value in the products or services customers receive. For shareholders who are worried about shared returns and growth, HR must create organizations that deliver results today and intangibles that give owner confidence that results will be delivered in the future.

Starting HR transformation with a value proposition has six important implications for HR professionals:

First, human resources work does not begin with HR—it begins with the business. For the last decade HR professionals have aspired to be more complete players relative to the core issues of the business, as described in a number of phrases: business partners, strategic players, full contributors, players in the business, and so forth. These aspirations

Chapter 1, Premise of HR Value

are appropriate and desirable, but the fact that HR professionals continue to frame aspirations in these terms communicates a continuing concern. Think, for example, of the key wealth creator in your business. In an investment banking firm, that would probably be an investment banker. In a software company, it could be a systems architect. In the upstream portion of an oil company, it's probably the petroleum geologists who search the world for oil. For none of these three job categories are you likely to find a professional conference titled "Being a Business Partner." All of them would think (assuming they could perceive the issue), "We do not need to aspire to be partners in the business. We are the business."

These key wealth creators can readily show how their activities create substantial value for key stakeholders. Their line of sight runs directly to the best interests of customers, investors, managers, and employees. To be real—not declared—business partners, HR professionals need the same kind of line of sight between their activities and the best interests of key stakeholders. The HR Value Proposition offers this line of sight.

Second, the ultimate receivers of business reside in marketplaces that companies serve. These markets include customers who buy products and services and shareholders who provide capital. Since HR professionals desire to be business partners and since business begins by meeting market demands, HR must also begin with a line of sight to the marketplace. This places HR professionals in a complex situation. They must create a line of sight to the multiple and frequently conflicting demands of stakeholders ranging from internal clients such as managers and employees to external stakeholders such as customers and investors.

The line of sight of HR professionals to internal customers is important and generally well understood, but the one to external customers and shareholders typically receives less attention. Knowledge of external business issues matters because external realities ultimately determine the relevance and utility of virtually all internal operations. External constituents who comprise markets for products, services, and capital ultimately vote with their dollars about virtually everything that occurs in a firm. These realities determine whether HR is successful in creating human abilities and organizational capabilities that generate products, services, and results that customer and capital markets demand. HR professionals must have knowledge of external business realities before they can frame, execute, and create substantive value through even the most basic of HR agendas.

A third implication of the HR value premise is found in framing HR as a source of competitive advantage. Competitive advantage exists when a firm is able to do something unique that competitors cannot easily copy. And what it does better than its competitors must be highly valued by its customers, owners, employees, or managers. The creation of competitive advantage can be simplified as the “wallet test.” An internal operation passes the wallet test if it inspires customers or shareholders to take money out of their wallets and put it into the firm’s wallet instead of into the wallets of competitors. For example, product development creates competitive advantage when it creates products that customers buy. Marketing creates competitive advantage when it creates advertising programs that inspire customers and shareholders to buy products and stock. If HR is to create competitive advantage, it must create substantial value with similarly concrete results. HR passes the wallet test when it creates human abilities and organizational

Chapter 1, Premise of HR Value

capabilities that are substantially better than those of the firm's competitors—and thus move customers and shareholders to reach for their wallets.

A fourth implication of the HR value proposition is that HR professionals must align practices with the requirements of internal and external stakeholders. When this is successful, HR creates value as defined by those stakeholders.

For example, an oil field service company (referred to here as OSC, a pseudonym) had dropped from 24 percent to 19 percent in a \$15 billion total market.¹ In a senior management team (SMT) meeting, the HR leadership recommended a large-scale customer survey to determine the reasons behind the drop in market share. Marketing was deep into their annual advertising program and, although willing to support the effort, didn't want to take the lead, which defaulted to HR. With the support of the marketing department and working with an outside consulting group, HR and the CEO developed the research questionnaire and determined the sampling logic and process. The question that eventually had the greatest influence focused on the identification of customer buying criteria. The question required respondents to allocate a hundred points over alternative buying criteria including price, service, product quality and availability, sales effort, and ease of distribution. The survey was administered through live interviews with 1200 of the most influential users of this company's products throughout the world. Before the HR team fed back the results to the SMT, they asked SMT members to give their best estimates of the customers' responses. The logic behind this request was simple: If the HR team had simply given the survey results to the SMT members, their probable response would have been to say, "We already knew that."² The SMT response varied dramatically compared with customer responses. The

SMT felt customers were much more worried about price than they actually were; while customers were actually much more worried about service than management anticipated.

Management's initial response was to dismiss the data as inaccurate. With this possibility in mind, the HR team had brought all 1200 surveys to the feedback meeting.

Following the review of the above numerical results, the SMT demanded an opportunity to review the original customer surveys. After reviewing the records for an hour, the SMT was ready to examine the implications of the management-customer gap.

Management had substantially overestimated the importance of price and underestimated the importance of service. Using price as the competitive criterion, the company had been hiring low-cost service personnel and had been providing standardized technical training that included little work on customer relations. Based on the customer data, HR and the SMT agreed to substantially increase hiring criteria and the service training budget.

Over the next two years, a market share that had dropped from 24 to 19 percent now soared to 31 percent—a \$1.8 billion increase in top-line growth. Such is the potential influence of HR professionals in creating value when they align their practices with accurate perceptions of the ultimate receivers of the firm's value.

The fifth implication of the HR value premise is that it directs HR professionals to acquire the personal knowledge and skills necessary to link HR activity to stakeholder value. When HR fails to make this linkage, it allows "noise" to occur between HR practices and stakeholder demands. Noise may be a lack of knowledge of external customers and shareholders, business strategy, or new HR processes. The "Company Party Trivia Test" exemplifies the importance of blocking out noise: Imagine that you're at one of your company's annual parties, and a senior line or staff executive who is

Chapter 1, Premise of HR Value

known to be critical of HR approaches you. The exuberance of the occasion has worn the usually polite façade away a bit, so this individual feels free to walk up to you, look you in the eye, and say, “I still don’t know why we should be giving so much money to you folks in HR. I don’t why we shouldn’t simply outsource the whole thing. Why should we continue to invest in you?” (If you haven’t experienced this kind of thing face-to-face, do you suspect people are asking such questions behind your back? It’s not paranoia. . .). To respond to this challenge effectively, you must show that HR adds value to things that are of value to this individual. This book will help you pass the Company Party Trivia test.

The sixth implication of the HR value premise is that it leads HR professionals to view a company’s key stakeholders from a unique and powerful perspective. And the HR perspective must be both. Unique implies that other functions or members of the leadership team do not share this same perspective and do not realize they need it. Powerful implies that this perspective adds a substantial value in helping the organization succeed.

All departments that matter bring such unique and powerful perspectives of their own. For example, when Finance specialists look at product markets, they see margins, profits, cash flow, credit worthiness, risk, Return on Sales (ROS), Economic Value Added (EVA), and the like. When Marketing or Sales specialists look at exactly the same product markets, they are more likely to see segments, demographic trends, product or service requirements, sales, buying habits, and so forth. Notice that although the two perspectives are compatible, they have very little overlap. Asking which perspective is more accurate is not useful. Both are unique and powerful.

HR professionals need a perspective that is compatible with and distinct from other business perspectives. That is, they must be able to understand and value the Finance and Sales perspectives, but they must also add their own point of view. Without such a unique and powerful perspective, they are redundant and fail in their aspirations as full business contributors. For example, an HR perspective that is both unique and powerful is one that establishes the linkages between employee commitment, customer attitudes, and investor returns.³ This unique view demonstrates a powerful connection between what is carried out by managers and employees inside the firm and what happens with customers and investors on the outside.

With a unique and powerful perspective of their own, HR professionals will see aspects of the business environment that go beyond what other business disciplines bring and that add substantially to business success. Thus when HR professionals view the market environment, they should address the following questions:

- What are the organizational capabilities that my company must have to create products and services that result in our customers' taking money out of their wallets and putting it into ours instead of giving it to our competitors?
- What employee abilities do our people need so that they can understand and respond to short-term and long-term market demands?
- How do we invest in HR practices that deliver business results?
- How do we organize HR activities to deliver maximum value?
- How do we create an HR strategy that sets an agenda for how HR will help our company succeed?
- How do we ensure that HR professionals will know what to do and have the skills to do it?

Chapter 1, Premise of HR Value

When HR professionals respond to these questions, they will know why others would benefit by listening to them, because they will be delivering real value—and they will know what that value is. These are the questions we will attempt to answer in this book. When HR professionals begin with the receiver in mind, they can more quickly emerge as full strategic contributors; add greater value for key stakeholders (customers, investors, line managers, and employees); enhance business productivity; achieve measurable and valuable results; create sustainable competitive advantage; and have more fun in their careers.

Five Elements of the HR Value Proposition

The HR Value Proposition grounds HR and has five elements that form an integrated HR blueprint. Figure 1.1 shows the framework, with each element representing a section of this book: external realities, stakeholders, HR practices, HR resources, and HR professionals. External realities and stakeholder interests determine why HR matters to an organization and why HR needs to focus on what it delivers more than on what it does. HR practices, HR resources, and HR professionals are the elements that encompass the HR function within your organization.

<Insert figure 1.1: The HR Value Proposition here>

In implementing HR transformation, the ideal logic is to move through these five elements sequentially, following the solid lines in Figure 1.1, but sometimes it is useful to follow the dotted lines instead. For example, you might start your transformation of HR with a competency assessment of your staff, but to ensure that this competency assessment leads to an integrated transformation, it must be connected to the other

elements of the overall blueprint. Or, you might start by investing in e-HR, then move to the other four boxes to complete the transformation.

From these five elements, we establish 14 criteria for HR with a value focus.

External Business Realities (Chapter 2)

Every firm operates in the context of external business realities. The external business realities that currently have the greatest influence on external customers and owners are the radical transformation of technology, economic and regulatory environments, and major changes in human demographics, all in a context of increasing globalization. HR actions inside a firm must reflect and influence such business realities outside that firm. HR professionals should be able to cogently discuss these external realities—the technology, regulatory and economic factors, and demographics of the global business environment—and connect them to their day-to-day work. Knowing business realities makes it possible to put HR practices in context, tie them to competitive challenges, and relate them to concerns facing line managers. These contextual factors offer the rationale for why a transformation should occur. Everyone in your HR function should be conversant with both the realities of the external world and how HR actions will help your firm compete in this changing context. In Chapter 2, we review the trends currently influencing key stakeholders for HR. We also provide a sample of the kind of data needed to specify and clarify major external business realities.

- Criterion 1: An effective HR function has HR professionals who recognize external business realities and adapt HR practices and allocate HR resources accordingly.

Chapter 1, Premise of HR Value

Stakeholders (Chapters 3 and 4)

Value is defined by the receivers of HR work—the investors, customers, line managers, and employees—more than by the givers. HR is successful if and when its stakeholders perceive that it produces value. Delivering what matters most to stakeholders focuses on the deliverables (outcomes of HR) rather than on the doables (activities of HR). We suggest that these realities differ for external and internal stakeholders.

In Chapter 3, we examine external stakeholders, focusing on investors who value market capitalization and shareholder return. We then focus on external customers who purchase products and services. Together, shareholders and customers are the ultimate determinants of the relevance of organizational outcomes. With money flowing in the proper wallet-to-wallet direction, firms succeed. This chapter offers specific ideas and tools for how HR can contribute direct and indirect value to customers and investors. We examine powerful research that supports the central role of HR in this area. We also suggest specific ways HR professionals can deliver value to these external stakeholders. We end with an organizational audit that enables HR professionals to assess the alignment between their activities and the demands of investors and customers.

- Criterion 2: An effective HR function creates market value for investors by increasing intangibles.
- Criterion 3: An effective HR function increases customer share by connecting with target customers.

In Chapter 4, we review how HR creates value for internal stakeholders, particularly employees at all levels of a company and line managers who craft and deliver business strategies. This chapter specifies how HR professionals can identify and create organizational capabilities required for line managers to implement strategy. We also

identify how HR can add value for employees by encouraging individual knowledge, skills, and abilities that promote productivity and help ensure long-term employability. Again, we review what HR professionals can and should do to exceed manager and employee expectations. We also provide an audit for HR professionals to assess the alignment between their activities and the internal requirements of managers and employees.

- Criterion 4: An effective HR function helps line managers deliver strategy by building organization capabilities.
- Criterion 5: An effective HR function clarifies and establishes an employee value proposition and enhances individual abilities.

HR Practices (Chapters 5 and 6)

HR practices must be defined and must evolve to deliver what stakeholders expect. In Chapters 5 and 6, we offer four domains of HR practice: people, performance management, information, and work. Chapter 5 focuses on the more traditional HR practices of staffing, training, and development, as well as appraisal, rewards, and feedback. We offer a compendium of choices for how these practices can be designed and delivered to add value for each of the key HR stakeholders. This menu of choices allows HR professionals to adapt best practices to their individual situations.

- Criterion 6: An effective HR function manages people processes and practices in ways that add value.
- Criterion 7: An effective HR function manages performance management processes and practices in ways that add value.

Chapter 6, which follows the same format as Chapter 5, introduces best and emerging practices in information and work flows—domains where HR professionals are

Chapter 1, Premise of HR Value

beginning to have impact. HR professionals tend not to be currently involved in these practice areas to the extent that they will be in the future. These practice areas include the management of internal and external communication and design, who does work, how work is done, and where work is done. We suggest choices for these practices and examine how each of these practice areas can add value for investors, customers, managers and employees. We end with a menu of choices for each of these emerging HR areas.

- Criterion 8: An effective HR function manages information processes and practices in ways that add value.
- Criterion 9: An effective HR function manages work flow design and processes in ways that add value.

HR Resources (Chapters 7 and 8)

The HR function must create strategies and organize resources so that individual efforts of HR professionals combine to create value. Chapter 7 integrates the preceding chapters into a proven methodology for designing HR strategy, and it identifies specific steps and actions. We show how Motorola followed these steps in creating a powerful HR strategy. We offer HR leaders a blueprint for building their strategy so as to link and integrate the various stakeholder requirements, business strategies, organizational capabilities, and HR practices. This section of the book gives HR leaders a way to ensure that their function delivers value by setting the way it is governed, measured, and strategically focused.

- Criterion 10: An effective HR function has a clear strategic planning process for aligning HR investments with business goals.

Chapter 8 outlines the ways in which the HR function can be organized to deliver work. We suggest that value appears when the HR organization aligns with the business

organization. We then discuss how to organize both the transactional work of HR (through service centers, technology, and outsourcing) and the transformational work of HR (through centers of expertise, dedicated HR, and corporate HR). We end by reviewing responsibilities for corporate HR, embedded HR professionals, centers of HR expertise, and line managers in the context of a shared services organization. This chapter can be used by HR executives to assess whether they have organized their function to deliver maximum value.

- Criterion 11: An effective HR function aligns its organization with the strategy of the business.

HR Professionalism (Chapters 9 and 10)

HR professionals deliver value through the roles they play and the competencies they demonstrate. Chapter 9 offers specific advice on emerging roles HR professionals play in their organizations. It shows the evolution of HR roles in the last decade and proposes five roles for HR professionals: employee advocate, human capital developer, functional expert, strategic partner, and leader. We suggest frameworks and behaviors for each of these roles and provide examples of HR professionals who play these roles. This chapter describes the full playing field for HR professionals.

- Criterion 12: An effective HR function has HR professionals who play clear and appropriate roles.

Chapter 10 summarizes our last 15 years of research on competencies for the HR professional. Based on data from more than 28,000 individuals, we show what HR people must know and do to be credible as professionals and to add value to the business. We specifically focus on the 2002 round of our competency study, in which—as mentioned earlier—we asked the following question: “What are the competencies and agenda that

Chapter 1, Premise of HR Value

distinguish HR professionals in high-performing firms from those in low-performing firms?” This chapter provides HR professionals with a framework for competencies required to be a top HR professional. A key takeaway from this chapter is that the fundamental logic of this book is firmly grounded in the largest global survey ever completed on the competencies of the HR profession.

- Criterion 13: An effective HR function builds HR professionals who demonstrate HR competencies.

Developing the HR Department and Profession (Chapters 11 and 12)

In our concluding chapters, we draw implications for both the development of HR professionals and functions. Chapter 11 discusses how to develop yourself as an HR professional and how to build a team or department of more capable HR professionals. It suggests principles of adult learning and applies those principles to HR professional development. We review critical components necessary for training HR professionals and offer specific suggestions on how to develop HR professionals through reading, listening, observing, and doing. This information can be used by those charged with building HR professionalism into their organizations and by any HR professional who wants to improve.

- Criterion 14: An effective HR function invests in HR professionals through training and development experiences

Chapter 12 concludes by integrating the themes of this book into the HR function as a whole (practices, department, and people). It offers HR leaders a comprehensive organizational audit that will enable them to define, assess, and improve their HR organization. We propose 14 criteria and audit questions as guidelines for establishing a

world-class HR function. This HR audit may be used to determine what is and what should be in assuring HR value.

From Vision to Action: The 14 Criteria of the New HR

A summary of the HR Value Proposition is shown in Table 1.1, Blueprint for the Future, in three parts. At the simplest level, Part 1, your HR transformation is about HR adding value as received by key stakeholders. With this insight, you can do presentations in which you simply talk about why you want to transform HR and how the value you create will relate to the business realities you face. In Part 2, you define the elements that create value. These five elements must work together to deliver full value. In Part 3, you specify the 14 criteria for an effective HR function. In Part 1, value is the vision; in Part 2, the elements are the goals; and in Part 3, the criteria suggest the changes that you must implement to make your HR transformation complete.

In discussions with your HR colleagues, line managers, and employees throughout your organization, you may ground your transformation logic in terms of vision, goals, and actions. Ideally, every HR professional will be able to recite why value matters, what HR value means, and how HR value is created.

<Insert Table 1.1, Blueprint for the Future here>

With the HR Value Proposition defined, you may now assess where you are now and where you need to focus to get better. Through an assessment you can determine which elements of the HR value framework are in place in your organization and which are not.

Assessments, like audits, rely on assembling data, a task that involves two issues: content and process. Content deals with what information you collect, process with how you collect it. The blueprint for content in Table 1.1 suggests a framework for assessing

Chapter 1, Premise of HR Value

your overall HR function. Based on the 14 criteria, you can create an interview protocol like the HR Value Assessment in Assessment 1.1 at the end of this chapter (for more information see: <http://www.rbl.net/Survey/hrvalueproposition.html>). Responses to these questions provide an assessment about the strengths and weaknesses of your HR function and will help you focus on which sections of this book deserve the most attention. Check out your scores on this assessment. For those criteria that scored highest, you may want to skim those sections of the book. For those criteria that scored lowest, you may want to read and work through the tools in those sections of the book.

Blueprint for the Future

The universal value premise is that value is defined by the receiver more than by the giver. This premise mandates that HR professionals begin with the end in mind by ensuring a line of sight to their key stakeholders. It requires that HR professionals focus less on what they do and more on what they deliver. The value focus we suggest shapes conversations between HR professionals and their constituents.

Conversations with investors will focus on how investors gain market value from HR services. Conversations with key customers (as in the beginning of this chapter) will focus on how the customer receives unique products and services because of HR investments. Conversations with business leaders will focus on accomplishing their business strategy through the creation of organizational capabilities. Conversations with employees will focus on making sure that employees have the abilities they need to do what is expected of them.

These conversations begin when HR professionals master the knowledge of the external realities of today's business environments. They must be fully literate in

knowing how HR can add value for investors, customers, managers, and employees. With an understanding of these issues, HR professionals can become active players and partners with business leaders, and they can begin to develop human abilities and organizational capabilities that enable a company to compete now and in the future. With this understanding, HR professionals will be proactive rather than reactive, control their destiny, and add sustainable value. Ultimately, with this understanding, HR professionals will be able to engage in conversations with all company stakeholders and bring substantial value to the table.

We are advocating for a dramatic refocusing of HR: from what is done to what is delivered; from building HR functions for efficiency to building them for stakeholder value; and from implementing best HR practices to delivering value-added HR practices. HR professionals anywhere in the organization should have a clear line of sight from HR agenda, practices, and skills to the ultimate receivers of those agenda, practices, and skills; from HR practices to the outcomes they create for key stakeholders; and from HR function and organization to the results of investments in HR.

<Insert Assessment 1.1, Your HR Value Proposition Assessment here>

¹ Wayne Brockbank and Dave Ulrich, “Avoiding SPOTS: Creating Strategic Unity,” in *Handbook of Business Strategy*, ed. Harold E. Glass (Boston: Warren, Gorham & Lamont, 1991).

² One must keep in mind that in the oil field service business, the relationship between the vendor and the field customers is unusually close. Representatives can literally spend months together on drilling rigs and platforms in remote locations. However, boom and

Chapter 1, Premise of HR Value

bust cycles in the oil business occur with great frequency. Thus the possibility of losing touch with current reality is very real.

³ See, for example, Anthony J. Rucci, Steven P. Kirn, and Richard T. Quinn, “The Employee-Customer-Profit Chain at Sears,” *Harvard Business Review* 76, no. 1 (1998):

82.