Today's business growth strategies provide a new window of opportunity to shape a more meaningful HR agenda. A practical but thoughtful approach for tying HR strategy to the growth plans of the company should be pursued jointly by corporate HR teams and their divisional counterparts, with the close involvement of line leaders. A four-step process for creating a strategic HR agenda is outlined and the experiences of various companies are compared. The paper focuses especially on effective practices for working a single HR agenda across multiple divisions of large, diversified companies.
Innovations in business strategy, especially in the race to find new sources of growth, have created new pressures to refocus HR work, roles, and priorities. In smaller, entrepreneurial firms the CEO/founder fights a war to attract, retain, and motivate bright, young, and technically able people. In large multinational companies, the impact of people on the competitiveness of businesses has become increasingly clear, and HR professionals are being asked to help create strategic clarity across the organization.

Human resource strategy has evolved through various forms over the past 20 years. Twenty years ago respected companies like IBM, Digital Equipment, and Merck & Co. pioneered early efforts to create HR strategies, which aimed to tie HR functional strategies to business priorities. Hasselid and Becker (1986) identified a positive relationship between shareholder value and the extent of strategic HR work performed in 740 firms studied. Ulrich (1997) has written at length about the need to redefine HR roles into strategic partnerships that provide more value to external customers. Brockbank (1999) has presented a four-stage lifecycle model for characterizing the extent to which the HR function is strategic, arguing that firms move logically from being operationally reactive, to operationally proactive, to strategically reactive, and, finally, in a few cases, to becoming strategically proactive.

But HR strategic planning has not necessarily become commonplace. In one sense an increasing gap has formed between the most “sophisticated HR companies” and everyone else, with regard to strategic human resources. In the late 1990s companies once known for sophisticated HR strategy evolved away from arcane planning exercises and toward reengineering or transforming the function. Like business strategy, HR planning may have reached the peak of its popularity in the late 1980s and early 1990s. Focus shifted to excellence in execution, fixing processes and shrinking bloated organizations. HR strategy evolved, as HR leaders focused themselves more on redesigning their own processes, deploying information systems, reorganizing themselves and building new partnering-oriented competencies (Kesler and Law, 1997; Yeung and Brockbank, 1995).

Today another transition is under way as companies seek new ways to define pragmatic but innovative people strategies that will directly support the business agendas that drive stock prices and expectations for growing shareholder value.

As Brockbank (1999) argues, the challenge continues to be how to link HR plans to business strategy. After more than two decades of discussion, there is surprisingly little agreement about what an effective HR plan looks like, and how one is built. But effective practices have evolved and are being utilized by a number of competitive companies. The objective of this article is to focus readers on a set of action steps that typify approaches that have proven to be most effective for creating a human resources agenda to support growth—particularly in large, divisionalized multinationals that must create a weave of overlapping but separate HR agendas.

**GROWTH STRATEGY: MAKING THE RIGHT CHOICES**

Growth dominates the business agenda in this first year of the new millennium. For many large, diversified companies the path to growth demands clearer focus. In the final months of 1999, The Wall Street Journal reported “Corporate America Confronts the Meaning of a Core Business” (Wysocki, 1999). A race is underway among large multinationals and upstarts alike to focus on unique and specialized sources of differentiation, each struggling to determine whether their path is a product, a process, or something else. Even those who seek acquisitions are doing so within these more specialized corridors.

Research by Booz Allen (1997) on successful, large, growth companies argues that most companies achieving top-decile growth do it through breakthrough innovation in either go-to-market strategy innovation or in product innovation. The key, the authors argue, is to focus resources to select a growth highway—rather than spreading resources across many options. Focusing on the growth highway means making hard choices.

Larry Keeley, a researcher and consultant on innovation, argues that the days of product innovation, based on “more, better, faster features” are over. Keeley’s research argues that growth companies find ways to create new “franchises,” by going against the grain of their industries, by altering orthodoxies, or by shifting the treatment and experiences of customers. These innovations demand insight and courage, and are not found on paths to incremental change. Keeley argues there are 10 types of innovation, which he sorts into four categories. Keeley’s model stresses the importance of strategic choices. Similar to the Booz Allen study, Keeley argues the common thread among growth companies is innovation.
**EXHIBIT 1**

<table>
<thead>
<tr>
<th>Keeley’s Innovation Types</th>
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</thead>
<tbody>
<tr>
<td><strong>Finance</strong></td>
</tr>
<tr>
<td>Business model</td>
</tr>
<tr>
<td>How you get paid</td>
</tr>
<tr>
<td>Networking</td>
</tr>
<tr>
<td>How you structure ownership</td>
</tr>
</tbody>
</table>

He stresses the importance of organizing to pursue the right types of innovation, in adequate numbers and at the right rate.

Celebrated examples of the four major categories of innovation include the following:

1. Finance: Amazon invents a new channel, a new business model that leads the Internet retail revolution.
3. Offering: P&G discovers that one new category will economically exceed all global product extensions combined—leading to a new global organization and greater focus on breakthrough product creation.
4. Delivery: Dell creates a very different way to go to market—creating a new channel and a very different customer experience.

Strategy choices may include what Keeley refers to as surprising combinations among the types.

**IMPLICATIONS FOR HUMAN RESOURCE STRATEGY**

Ulrich (1998) has argued that a business demonstrates the capability of “strategic clarity” when its strategy focuses on both short- and long-term goals, creates meaning for those inside and outside the company, translates vision into effective organizational practices, shapes employee behaviors, and differentiates the firm to customers and investors.

The search for strategic business focus demands greater clarity of HR focus. HR practices play the key role in creating close alignment of behavior to the selected growth highway. The top leadership at a leading appliance company, for example, has made it clear that its growth path depends on a culture of great focus on consumer-focused brand building and global processes for innovation. The company has launched major efforts to create and reward innovation in its culture and brand building tool kit. The implications for “people plans” are numerous.

**What Does an Effective HR Agenda Need to Do?**

Today’s business challenges demand a focused HR agenda. An agenda commutes a short list of items that receive management attention over time. To close the gap between the “strategic-HR haves” and “have-nots,” practitioners need a thoughtful but practical approach to:

1. Force a set of clear choices—connect the people priorities to business priorities.
2. Clarify line ownership for HR outcomes and reach a contract for the responsibility HR people will have.
3. Guide the allocation of people investments to the most important activities.
4. Drive energy upstream—toward the things that produce more impact.
5. Define the organizational and systems framework for the HR function across its business units.
6. Energize people with a sense of purpose.

**Why Do So Few HR Strategies Provide These Benefits?**

In order to avoid the gaps between strategy and execution that Ulrich (1990) and others have
described, the HR agenda should avoid some common pitfalls. Among those are:

1. Too much complexity;
2. Lack of depth of thinking in the end product;
3. Over-focus on “best practices” and fads rather than strategy choices;
4. Lack of line-leader involvement—and belief that HR strategies are for HR people;
5. Murky definition of strategy roles and expectations among corporate staff and professionals in the division’s operating units;
6. Lack of capabilities within the HR organization to execute responsibility for the plans.

These challenges can be overcome by paying attention to four tasks.

Four Steps to an HR Agenda

The challenge in the strategy process is to deliver depth of thinking without complexity and to do it in a manner that involves line people in the process. Our experience with more than 20 large companies points to four elements or tasks that need to be accomplished, roughly in sequence, to produce a meaningful HR strategy in large, divisionalized companies:

1. Enterprise People Philosophies and Themes: View from the top (CEO and SVP/HR)
2. Business-Unit People Plans: Tied directly to the business unit strategies
3. Company-Wide HR Priorities: Set of common priorities, practices, and policies across the enterprise
4. HR Operations Plan: Action-oriented plans to build the effectiveness of the HR organization, with a two-to-three-year time frame

Step 1: Enterprise People Philosophies and Themes

Human resources work becomes a priority for line management when the chief executive and chief HR officer demonstrate a strong point of view about the role people play in the business.

The CEO and the chief human resources officer should provide an umbrella for defining all HR priorities, a view from the top that defines the role of people in making the enterprise competitive: over-arching themes related to vision, values, and corporate strategy. These themes are often identified by teams, chartered by the CEO or chief HR officer, in other cases they reflect primarily the personal beliefs of the top leaders. These priorities have the most traction when a challenge or goal is set out for senior operating managers that creates pressure for business unit leaders to define their own plans that address the challenges that the CEO and top HR officer have laid out.

The new CEO at a large pharmaceutical company, supported by the senior vice president of human resources, chartered a team of high-potential employees to complete a study and a set of recommendations under the heading of Workforce 2000. In dialogue with leaders across the corporation, the action-learning team defined four “business builders” process focus, alliance capability, IT uptake, and knowledge management. They then defined a set of “organizational enablers,” which became the center of the new chairman’s expectations with general managers: leadership depth, talent management, education, teaming capabilities, and diverse people and structures. This umbrella

EXHIBIT 2

HR Strategy Logic

Steps are roughly sequential, but usually happen concurrently.

(1) Enterprise People Philosophies

(2) Business Unit People Plans

(3) Company-Wide HR Priorities

(4) HR Operations Plan

HUMAN RESOURCE PLANNING 27
became the anchor for defining people priorities in the businesses.

Sears, Roebuck and Co. provides a more specific example of a challenging, high-level people agenda, owned directly by its chairman Arthur Martinez and its former top HR officer, Anthony Rucci. Together Martinez and Rucci deployed the "employee-customer-profit chain," a model that demonstrated a statistical link between employee motivation and shopper loyalty. The profit chain demanded that leaders throughout the organization focus energies on making Sears a compelling place to work, a compelling place to shop, and a compelling place to invest. While Sears' challenges remain difficult, a successful turnaround was launched in the mid-1990s, and the employee-customer profit chain was a key element of focusing those energies.

Whirlpool has adopted a similar approach: Each business unit leader defines his or her own version of a people plan, but must have a plan, and it must support the larger organizational agenda for growth. At both Sears and Whirlpool the strength in the people agenda is in the high degree of participation in learning that took place in each.

Potential Action Items:
1. Build a "story" based on the personal beliefs of the CEO and the top HR officer with regard to people and organization.
2. Help the CEO to set a challenge to line leaders with a few key themes that place people high on the corporate priorities.
3. Adopt a standard and a message for business units to follow:
   a. Template to guide executive dialogue
   b. Expected outcomes
   c. Suggested tool kits or practices
4. Focus the HR policy committee on an overall planning process and launch an inclusive planning process.

**Step 2: Business-Unit People Plan**

A business-unit people plan is the second piece of the overall HR agenda. Each business unit develops its own plan. These should be built into the strategic and operating plans of the business units and major functions—completed jointly by HR and line executives. These plans are built at the front lines of business. They are to HR planning what "competitive strategy" is to business planning. They address people and organization issues that are directly related to serving customers, winning against competitors, and growing the revenue and profits of the business unit. Unit people plans should:

1. Help focus line leaders on strategic HR work.
2. Help focus HR people on business priorities.
3. Define mutual expectations for the roles of line and HR people.
4. Define measures for determining whether people plans are being executed.
5. Identify issues that need to be directed into corporate "centers-of-expertise" to assure the alignment of programs and initiatives.

The link between business plans and people plans begins with defining the key organizational capabilities.

"Organizational Capabilities"—Path to People Plans

Dave Ulrich (1998) has described capabilities as the missing link between strategy and action. Organizations, as distinct from the people who run them, demonstrate capabilities if the capabilities meet the following criteria:

1. Offer integration: Capabilities are not a matter of individual competence or management systems, but are organizationally based.
2. Add value to customers: Defined by those outside the firm as important.
3. Offer uniqueness: They cannot easily be copied by competitors.
4. Engage employee commitment: Capabilities create meaning for employees.
5. Maintain continuity: Capabilities remain relatively stable over time.

The role of HR is largely aimed at translating growth strategies into growth capabilities. Capabilities are the results of HR work. So capabilities are the most logical bridge between the business growth plan and the HR priorities over a two- or three-year period of time. Once a set of capabilities is defined, HR results can be identified by asking, "which levers will create those capabilities?" Kesler and Law (1996) illustrated the relationship between capabilities, business growth opportunities and the three levers that are likely to produce the most impact on capabilities: (1) individual competencies, (2) business processes and structure, (3) culture and behavior.

The Competency Lever. The role of individual competencies in building organizational capabilities seems intuitive, yet some companies that invest large amounts of time and resources in developing competency models have spent little time tying them to growth capabilities.
Reconsider Keeley's four major innovation paths. Companies that focus on Keeley's "offering" or "process" innovation approaches rely on core competencies, often related to the development of innovative new products. Chrysler's global product-creation organization, platform teams, and supply-base management provide an example, leading to the very popular PT cruiser. But companies that are focused on the "finance/business model" or "delivery-innovation" paths are less likely to find core competencies as beneficial, following Keeley's logic.

Example: A new joint venture is formed by a large multinational manufacturer, a consumer services company, and a major strategy consulting firm. Their goal is to establish a new Internet-based sales channel for the manufacturer's products. Each company contributes resources and talent, but all parties recognize that the historic capabilities of the partners have little to do with making the venture successful, and each agrees to a very "hands-off" approach to the venture. The new company is housed in rental space in a New York City loft, far from any of the corporate trappings of the three parents. The necessary capabilities must be created, largely from scratch.

A large sector of a Fortune 50 company defined a set of seven organizational capabilities critical to achieving its growth plans. The capabilities were then translated into individual leadership and functional competencies. (See Exhibit 4.) The selected business growth path, exploiting new approaches to channel and brand, required depth in positioning and consumer marketing that had not existed before. An assessment process was launched to measure the current depth of competency in this area. A set of organization changes, process innovations, and talent strategies was developed to change the game. The senior leadership remained focused on this agenda for nearly three years, until adequate progress had been made.

A technology company, pursuing a product-innovation growth path, took a different approach by focusing on people plans narrowly on a specific "talent pool," development engineers, who were increasingly important to company growth plans (and increasingly difficult to attract and retain in the business). A number of preferred-employer initiatives were refocused on those talents that would have the most impact on growth plans.

The Process and Structure Lever. Process and organization structure are the second lever in the divisional people plan. Stalk, et al. (1992) defined the role business process plays in building capabilities, arguing as many others have that the key is building process capabilities that cross functions. HR leaders are in a unique position to influence the building of these process capabilities. A large consumer durables company, "ABC Co.," has invested great energy in deploying its global product-development process and its brand-management process. HR leaders at the company have played a significant role in the
**EXHIBIT 4**

Capabilities and Individual Competencies at a Sector of a Fortune 50 Service Company

<table>
<thead>
<tr>
<th>Organizational Capabilities</th>
<th>Individual Competencies That Support Them</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholder Focus and Understanding</td>
<td>Product Knowledge</td>
</tr>
<tr>
<td>Product and Service Management</td>
<td>Branding and Positioning</td>
</tr>
<tr>
<td>Flexibility</td>
<td>Pricing</td>
</tr>
<tr>
<td>Business Transformation</td>
<td>Continuous Quality Improvement</td>
</tr>
<tr>
<td>Information Systems &amp; Operational Execution</td>
<td>Financial Skills</td>
</tr>
<tr>
<td>Relationship Management</td>
<td>Project Management</td>
</tr>
<tr>
<td>Branding and Positioning</td>
<td>Leadership Dimensions</td>
</tr>
</tbody>
</table>

Deployment of those processes. Executives wisely discovered that global product-development required organizational fixes: breaking down boundaries, growing a deeper bench of project leaders, rewarding innovation, deploying technology talent more effectively, and making global teams effective. The HR agenda for the global-product development organization at ABC was exclusively focused on these kinds of issues.

Organizational design and change become elements of the people agenda in some companies. In the merger of two pharmaceutical giants the HR officer for the consumer products business led the team that designed global category business units for the newly merged consumer products group. The sector president believed the HR vice president was uniquely positioned to provide an objective and thorough examination of the organizational alternatives. This objective remained at the top of the list of the HR officer for more than two years.

*The Culture Lever.* Culture is the third lever in the people plan. Its impact on capability is well documented. Culture and behavior may be the toughest change-management challenge in executing the growth strategy. Proctor and Gamble’s recent efforts to reinvent itself amounts to a full assault on the “P&amp;G way.” CEO Dirk Jager is convinced that P&amp;G’s historically celebrated culture traits and splintered organization structure are now obstacles to innovation, risk-taking and speed, demonstrated in repeated failures to beat Colgate-Palmolive and others in new global-product introductions.

The role of HR in driving these kinds of changes varies widely among companies, but if the HR community has not defined priorities in this arena it is not in the game.

Our consumer-durables example, ABC Co., included tangible people plans that influenced the culture lever. ABC’s chosen growth path included a set of brand-value building strategies. The culture obstacles to this path were widely described by people throughout the company, but were poorly understood. Diagnostic surveys of key executive attitudes revealed limited involvement by executives in consumer research and product innovation was among the greatest obstacles. Based on the diagnostics, a series of learning experiences was created to increase executive awareness and focus on consumers. First, senior executives (and then other managers) participated in “shop-arounds;” Using basic anthropological observation methods,

**EXHIBIT 5**

ABC Co. Brand-Value Drivers and Culture Requirements

<table>
<thead>
<tr>
<th>Brand-Value Drivers</th>
<th>Necessary Culture Traits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovative Products</td>
<td>Speed &amp; Decisiveness</td>
</tr>
<tr>
<td>New Services</td>
<td>External Focus</td>
</tr>
<tr>
<td>Purchase Experience</td>
<td>Risk Taking</td>
</tr>
<tr>
<td>Consumer Communications</td>
<td>Passion for Consumers and Our Business</td>
</tr>
<tr>
<td>Trade Relationships</td>
<td>Openness to Change</td>
</tr>
<tr>
<td></td>
<td>Appreciation for Differences</td>
</tr>
</tbody>
</table>
executives observed shoppers in highly diverse retail environments, and took detailed notes about how consumers interacted with products and merchandising displays. Other ABC executives visited homes to watch consumers interact with their own company’s products. Detailed post audits of new product-development successes and failures were examined for clues regarding cultural obstacles and the effects of executive behaviors.

Then, ABC’s business units began to define other learning experiences to influence the behaviors of leaders throughout the businesses. Many of the insights from these events were funneled upward through the HR leadership council to shape corportate policy changes in reward systems and other practices. As the focus of ABC’s growth path drew tighter, so did the nature of the HR priorities.

Involving Line Leaders in the
Capabilities Discussion

The participation of line leadership in building the divisional people plan is critical. At its best, HR leaders are asking hard questions which are answered by line and staff leaders, and those answers are built into the business strategy.

The objective of HR leaders should be to push for deeper levels of thinking and content by asking questions that follow this stream of logic:

1. What is the key growth path in our business strategy?
2. What are the critical organizational capabilities required to exploit those opportunities?
3. What business processes and organization design must be created to create those capabilities?
4. What are the individual competencies (skills, knowledge, and attributes) that people must have to be successful?
5. How does the culture need to reinforce behavior to achieve the capabilities?
6. What are our current gaps in this regard?
7. How will we close those gaps?

It is helpful to have a planning template that will guide the dialogue in major divisions or business units. The template should be common-sense-oriented. A large consumer packaged goods company uses a template that clarifies the relationship between business priorities, organizational capabilities, and the people priorities for the operating unit. (See Exhibit 6.)

Each of the cells in the model is “filled in” by preparing drafts, then reviewing them with line leaders to gain consensus. Numerous tools are available to help with that work and the process provides an action-learning challenge for HR people in the business units, who often work together to complete the content.

At ABC Co., HR leaders in each unit conducted a series of action-learning workshops to help HR people lead these discussions. Between workshops, participants from the various business units interviewed line executives and brought data to the workshops. Capability grids were drafted and taken back to executives for enhancement and endorsement. (See Exhibit 7.)

The sequence of events in the planning process in this company flowed as follows:

1. Workshop 1: Division and location HR people learn the corporate people priorities and review division strategy themes, as well as a set of diagnostic tools for returning to their organizations to conduct capabilities interviews.
2. Interviews were completed and raw data summarized.
3. Workshop 2: Participants learn analysis methods and work in teams to analyze the capabilities data. Scenarios are prepared.
4. Scenarios are reviewed with line leaders back in the units.

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**EXHIBIT 6**

Template for Division People Plan at Consumer Packaged Goods Company

<table>
<thead>
<tr>
<th>Business Priorities</th>
<th>Organizational Capabilities</th>
<th>People Priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Drivers for Growth</td>
<td>- Business Process &amp; Structure Improvements</td>
<td>- Key HR Outputs &amp; Measures</td>
</tr>
<tr>
<td>- Critical Objectives</td>
<td>- Individual Competencies</td>
<td>- Key HR Projects, Interventions, Tools</td>
</tr>
<tr>
<td>- Key Business Initiatives</td>
<td>- Culture/Behavior Needs</td>
<td>- Key Linkages</td>
</tr>
<tr>
<td><strong>To Win in Our Markets</strong></td>
<td><strong>Requirements vs. Current = Gaps</strong></td>
<td><strong>Actions to Close Gaps</strong></td>
</tr>
</tbody>
</table>
## EXHIBIT 7

### Organizational Capability Grid—Analysis in a Consumer Products Company

<table>
<thead>
<tr>
<th>Strategic Priorities</th>
<th>Brand Building</th>
<th>Consumer Innovation</th>
<th>Global Leverage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>People &amp; Organization Levers</strong></td>
<td><strong>Products</strong></td>
<td><strong>Need definition</strong></td>
<td><strong>Product development</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Services</strong></td>
<td><strong>Insight generation</strong></td>
<td><strong>Procurement</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Purchase experience</strong></td>
<td><strong>Dissemination</strong></td>
<td><strong>Information systems</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Communications</strong></td>
<td><strong>Integration</strong></td>
<td><strong>ERP</strong></td>
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<tr>
<td></td>
<td><strong>Relationship development</strong></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Culture/Traits</th>
<th>Organization Design &amp; Work Processes</th>
<th>Leader Competencies</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Speed &amp; decisiveness</td>
<td>Clear accountability for the brand</td>
<td>Customer insight</td>
<td></td>
</tr>
<tr>
<td>Minimal necessary controls</td>
<td>Past decision making</td>
<td>Customer passion</td>
<td></td>
</tr>
<tr>
<td>External focus</td>
<td>Close to customer</td>
<td>Senses market opportunities</td>
<td></td>
</tr>
<tr>
<td>Risk taking</td>
<td>Quickly adaptable to experiments</td>
<td>Creating passion for vision</td>
<td></td>
</tr>
<tr>
<td>Passion for consumers and our business</td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Less reliance on marketing experts to manage consumers</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>More accountability for brand fulfillment</td>
<td>Decisiveness and risk taking</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Close to consumer</td>
<td>Change leadership</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Less complexity</td>
<td>Strategic direction</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Regional responsiveness</td>
<td></td>
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<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Global Leverage</th>
<th>Openness to new ideas and sharing</th>
<th>Respect for people</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Trusting others</td>
<td>Teamwork</td>
<td>Making balanced decisions</td>
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</table>

### Step 3: Company-Wide People Priorities

The objective of this step of the strategy process is to define the degree of integration or commonality that is needed among HR practices—across the various business units—to move the business forward. “What are the ties that bind?” asked one HR officer during the planning process. Defining the right degree of commonality in HR policy, practice, and objectives among units is a challenging but healthy dialogue that needs to be crafted, not left to chance or political wrangling. When it is not resolved in a deliberate fashion, corporate and divisional or sector HR leaders struggle with autonomy questions as frustrated line partners look on.

A powerful, common-sense solution is reached when the leaders of the various HR units work together to answer three questions:

1. What are the “top 10” people objectives for the entire company, which we share?
2. Which policies and practices are core and which should be designed to be business-unit specific?
3. What initiatives will HR units manage together over the next three years, as well as the next 12 months (in order to deliver the top-10 objectives)?

These decisions offer more than a consolidation of business unit or department people plans. They provide an integrated view of people strategy. Today’s business-growth highways require a clear picture of how integrated the businesses and their people practices need to be. Examples are plentiful: Motorola discovered breakthrough product development is unlikely in divisional silos; Colgate Palmolive determined brands cannot be leveraged around the world with regional decisions about positioning and advertising mes-
sage; P&G learned that its global retail customers would not accept anything less than highly coordinated global-category and account teams and systems. In each of these examples HR practices have helped secure those company-wide capabilities. A one-company view of the agenda becomes important for some of the practice areas.

Today's HR information system (HRIS) strategies create another obvious pressure to resolve integration requirements across the corporation. Legitimate differences in HR practice exist between businesses within the same enterprise when one unit markets benefit-management services to large healthcare providers and another develops pharmaceutical products. But the systems support requirements should reflect the areas of necessary linkage between the two, or risk wasteful and ineffective systems support.

Corporate Governance and the HR Agenda

At the two extremes of the corporate-governance continuum (holding-companies models vs. one-product companies) it is relatively clear how much commonality should be designed into the HR agenda. In general, HR governance should reflect the corporate governance model. HR functions that struggle most with confusion over roles between the corporate staff and the divisional or regional HR staffs (and many companies still do struggle with these issues) are those where the enterprise operates with mixed governance models throughout its operations. Many companies move the pendulum back and forth between very loose and very tight control over profit centers, while others simply evolve toward one or the other. HR leadership can help draw attention to these issues, and can actually help force the dialogue, and to create more clarity with regard to overall corporate governance.

Global Integration

Defining the extent of global integration among practice areas is part of the decision-making in “Step 3” of the strategy model. And it is here that the decisions often include a mix of company-wide vs. unit-specific differences, driven by local-national or regional differences that are difficult to bridge. Executive-talent pool practices at IBM, Colgate Palmolive, and others are highly commodified and supported by integrated systems. But in those same companies, regional and local-national differences in compensation practice remain (because of regulatory and culture barriers), while common principles are utilized. It is important to be deliberate about selecting the degrees of "sameness" and degrees of difference.

Most Commonly Integrated Global Practices

Our study of global companies indicated the most commonly integrated practices across all geographies are:

1. Worldwide leadership competency models: "global vocabulary" for talent.
2. Key executive data system: top 2.5% of managers.
3. General management talent pool program for "global high-potential leaders." Increased recruiting of "global leaders": third-country nationals.
4. Action-learning as a business-strategy process and a means to implement change.

An Approach to Separating "Core" from Business-Unit-Specific Practice Areas

Defining the three elements of integration (goals, policy/practices, and initiatives) requires a template for dialogue among the principals. The logic of the discussion should flow something like this:

1. What practices are most critical to support corporate integration? (Which need to be "common" across the company and around the world?)
2. What degree of commonality is needed, for each practice area, and how should it be achieved?
3. From where (and by whom) should each of the practices be managed?

Corporate HR leaders should identify the degree of necessary integration among various practices. Schuler, et al. (1991) provided a model, which can be easily adapted into a helpful tool to help top HR leaders pinpoint which practices need to be common. (See Exhibit 8.) The model illustrates the difference in effect between managing through common HR philosophies and strategies versus reliance on common tools and forms. Common tools are only likely to provide integration when there is a commonized view of the philosophy, strategy, and policy—first.

For example, some companies achieve integration through common standards for performance management, while allowing varied tools to be used; other companies utilize common forms or procedures, but achieve little alignment in principle among the varied users across their
Understanding the Options for Integration

EXHIBIT 8

<table>
<thead>
<tr>
<th>Facilitates Compliance</th>
<th>Facilitates Integration and Learning</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR Forms/Controls</td>
<td>HR Policies/Practices</td>
</tr>
<tr>
<td>HR Plans/Strategies</td>
<td>HR Philosophies &amp; Principles</td>
</tr>
<tr>
<td>Direct Contact w/Tip Leaders</td>
<td>Increase Common Culture</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

Increase Certainty
(Obtain additional data, seek answers to explicit questions)

Potential Action Items:
1. Interview top executives in the company regarding high-level priorities.
2. Understand what the corporate-governance model means for HR.
3. Identify critical "corporate-wide" capabilities (built on integration)-direct those issues into corporate centers-of-expertise.
4. Dialogue and debate within the HR policy committee and among line leaders to build alignment and consensus on what will be "the same" and what will be "different" across divisions and regions.
5. Determine who will need to work together in the HR community for the next 18 to 24 months to create those common practices.

EXHIBIT 9

Finding Core vs. Business-Specific Practices

<table>
<thead>
<tr>
<th>Common Principles &amp; Philosophies</th>
<th>Common Policy or Practice</th>
<th>Common Tools &amp; Controls</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base &amp; incentive pay</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic staffing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(assess, select, develop)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management learning</td>
<td></td>
<td></td>
</tr>
<tr>
<td>and education</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Businesses and functions. These latter companies tend to make the least progress in building worldwide talent depth. In companies like Coca-Cola, Merck, Praxair, and many others, a single competencies model provides integration of talent initiatives, while differences in regional or divisional practices are allowed or encouraged, based on the specific nature of talent gaps.

HR leaders can use Schuler's continuum to build consensus for the agenda by asking line leaders to identify which point on the scale represents the most critical degree of integration for each practice area. The grid in Exhibit 9 is also helpful in this regard. The HR council seeks to determine the practice areas in which we will rely upon common principles or philosophies and those for which we will share common forms or other tools. Emotional, contentious discussions take on far more rational qualities when guided by these tools.

Step 4: HR Organization Renewal (Operational Plans)

Many companies completed multiple iterations of HR transformation and reengineering
during the 1990s. New roles have been created around partnering approaches for HR. Many transactional practices have been outsourced, and some are now being brought back to the inside of leading corporations in shared services centers. Without these and other breakthrough changes in HR operational capability, people strategies remain largely undelivered.

Kessler and Law (1997) analyzed HR transformation initiatives in five large multinationals and presented a model and process for helping others to learn from those experiences. The research demonstrated that without changes in four key tracks, improvements in the impact of HR functions were limited:

1. Role, mission, and measures;
2. Competencies;
3. Processes and systems;
4. Structure and role design.

Companies like Warner-Lambert, Motorola, Coca-Cola, and Whirlpool have focused on the need to create new HR-organization structures and to realign roles in order to separate transaction-fulfillment work and consultative, business partnering work. These and other companies have reported significant improvements in delivering strategic results when traditional generalist roles are replaced with more consultative organization-effectiveness roles, supported by small centralized staffs of expert resources. Front-line HR partners are often assigned directly to line business units, while service activities are aggressively consolidated. Corporate and regional service centers have been established to provide an array of employee services and to manage large volumes of transactions efficiently. (See Exhibit 10.)

In one large consumer packaged goods company the revitalization of the HR organization is now into its third iteration over a five-year period. In 1996 a new group of HR generalists was hired and trained, assigned on a dedicated basis to business managers at multiple levels of the business, to act as organizational consultants. In the current change effort those resources are migrating toward project managers, assigned to a shared pool of resources, assigned to internal clients on the basis of most critical needs, on an ad hoc basis. The change is a logical progression for the business, based on a shift in the growth strategy.

Some academics and consultants argue that the work of revitalizing (including reengineering) the HR organization has largely been completed, and that companies are now focused on a different agenda for HR. This misses the point. Re-tooling the function should be part of the agenda, and is a continuous process. Success stories in building HR functional capability have been somewhat overstated, and, in any case, the task remains an ongoing challenge, requiring aggressive attention on a continuous basis.

EXHIBIT 10

Three Roles in the New HR Organization

<table>
<thead>
<tr>
<th>Expert Resource Teams</th>
<th>Front-Line Business Partners</th>
<th>Central Service Center</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Develop top management's strategies for new policy and practices</td>
<td>- Manage client expectations - contracting &amp; execution</td>
<td>- Meet all current service obligations</td>
</tr>
<tr>
<td>- Thought leaders in the field—specialists/designers</td>
<td>- Develop people strategies for their operating units—with line leaders</td>
<td>- Manage all &quot;transactional&quot; support processes</td>
</tr>
<tr>
<td>- Manage development projects</td>
<td>- Decentralized, BU aligned &quot;generalists&quot;</td>
<td>- Drive consolidation and productivity</td>
</tr>
<tr>
<td>- Benchmarking functional excellence</td>
<td>- Stay close to the business</td>
<td>- Direct projects to eliminate work</td>
</tr>
<tr>
<td>- Develop HR know-how</td>
<td>- Tailor and implement new practices/programs to fit</td>
<td>- Enable workforce access to information tools</td>
</tr>
<tr>
<td>- Ensure alignment of total HR system with company strategy</td>
<td>- Identify new applications</td>
<td>- Apply information systems to automate all necessary services</td>
</tr>
<tr>
<td>- Support roll out of programs; teach others how</td>
<td>- Manage client projects</td>
<td>- Consult in systems design and information requirements</td>
</tr>
<tr>
<td>- Support consultants with &quot;best practices&quot;</td>
<td>- Provide linkage between BUs and the focus areas</td>
<td></td>
</tr>
</tbody>
</table>
The fourth element of the HR agenda is a blueprint for upgrading the function—a clear change-management plan that overcomes the "vagueness of vision." This action-oriented plan, with a two-to-three-year planning horizon, is the fourth critical task in building the strategic HR agenda. The operational plan should be renewed about every 18 to 24 months. Without the fourth element in the strategy model, business people plans are likely to remain largely unimplemented.

**Potential Action Items:**
1. Determine what strengths within the HR function are needed to execute the company-wide objectives and the business-unit people plans.
2. Conduct a study with line leaders and measure the current extent of those capabilities within the function today.
3. Define tangible improvement plans across the four change tracks.
4. Involve large numbers of HR people from across the organization in action-learning workshops to participate in the diagnostic work and to help plan change.
5. Charter learning teams to complete specific deliverables.

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**Insights from Research on HR Organization Change**
1. Incremental change produces little progress; changes in mission, structure, process, and competencies are required to overcome inertia and other obstacles.
2. A different HR generalist role is needed, in which transactional and partnering work are segregated.
3. Ongoing involvement of line partners is critical in the long term and is often the single greatest challenge.
4. Momentum requires risk taking and tangible improvements in processes and work design.
5. Information systems are a persistent obstacle, but should not be used as a reason for not moving forward aggressively. In any case, the data system is not an effective place to begin.
6. Service centers provide numerous options for consolidating transactional work. Both short-term and long-term solutions need to be planned and acted upon.
7. Ultimately, changing HR means returning some so-called "HR work" to the line organization; information technology has opened many new options in this regard.

*Kesler and Law (1997)*

### COMPLETING THE HR STRATEGY PROCESS

The four steps provide a thoughtful approach to building a strategic HR agenda for an entire enterprise, or a major business sector within a larger company. (In many large corporations, a major sector or region initiates the planning process. See inset for explanation.) The strategy outcomes are likely to be greater with high degrees of participation by other HR professionals and line leaders. Necessary degrees of participation vary among the four tasks. (See Exhibit II.)

<table>
<thead>
<tr>
<th>EXHIBIT II</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership for Elements of the HR Agenda</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Four Steps</th>
<th>Key Owners/Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Enterprise People Philosophies</td>
<td>CEO/Chief HR Officer</td>
</tr>
<tr>
<td>2. Business-Unit People Plans</td>
<td>Division Head/ HR Leader</td>
</tr>
<tr>
<td>3. Company-Wide HR Priorities</td>
<td>Company-Wide &quot;HR Leadership Council&quot;</td>
</tr>
<tr>
<td>4. HR Operations Plan</td>
<td>Company-Wide &quot;HR Leadership Council&quot;</td>
</tr>
</tbody>
</table>

"HR-leadership councils" provide a natural forum for building the agenda. These HR leadership forums, made up of HR heads from various operating units in a given company, are fixtures in most large corporations. While the mission of these groups is nearly always "integration," they often lack an agenda or a clear sense of what integration should look like; members attend meetings month after month, reporting long lists of activities, and listening to presentations by technical experts. The cross-business HR council in many companies has become a dreaded, low-value-adding committee. One sector-HR vice president commented, "I attend these meetings, because I know I should. Most of the time, I just hope we can get through the full-day meeting without making any decisions that will add rocks to my wagon, or prevent me from doing something I want to do in my sector."
The four-step strategy process helps the cross-company council to deliver value. At its best, the strategy-setting process is ongoing, and the work is not additive to members’ workloads. Instead, it is the channel through which the right things get done by the right people. The council can plan a full year of meeting agendas to list and then work those elements of the agenda that require collaboration.

As HR planning has evolved over the past two or more decades, some companies have employed these or similar practices routinely. There is an opportunity in many companies to set clearer, common priorities to guide the work of HR people. Companies that are focusing their resources on clear growth strategies have an opportunity to support those strategies with powerful people agendas. The HR leadership task is more effectively accomplished with this kind of agenda.

WHEN MAJOR DIVISIONS INITIATE
THE STRATEGY PROCESS

Frequently HR strategy innovation begins within a major division of a large corporation, with or without the support of the senior corporate HR officer. Our experience indicates a sector or division initiative can work as long as there is an inclusive approach, relative to the corporate functional team.

On numerous occasions the corporate HR leadership watch the process with interest and often build on the success of a division or sector initiative, deploying a modified form of the process across the enterprise.

When divisions initiate the strategy process they may involve people at all levels of the business. In one example, a major pharmaceutical division of a large chemical company asked all of its operating sites and major functions to develop “unit people plans,” based on the four-step model. The corporate parent acts more as a holding company and demonstrates little interest in an HR strategy for the enterprise.

Many forms of innovation in large corporations start at the operating unit level. It should be encouraged.

Biographical Sketch

Gregory Kessler is managing partner of Competitive Human Resources Strategies, LLC, in Stamford, CT. His primary interests lie in organization design, executive succession planning and HR strategy. His current clients include: Coca-Cola, Bell Atlantic, Warner-Lambert, General Motors, Merck-Medco, and Gillette.

He held positions as vice-president human resources and director of organization and executive development in domestic and international assignments with Fortune 100 companies before beginning his consulting career.

References


