THE FUTURE TARGETS OR OUTCOMES OF HR WORK: INDIVIDUALS, ORGANIZATIONS, AND LEADERSHIP

Dave Ulrich
Professor, Stephen M. Ross School of Business, University of Michigan
and Partner, The RBL Group
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When HR professionals participate in strategy or business conversations, what are the unique contributions they make? Imagine an HR professional who sits in meetings on emerging markets, managing costs, or increasing innovation. HR contributions in these settings are not just about the activities of HR (recruiting, paying, training), but about the outcomes of designing and delivering good HR practices. I like to think about three targets or outcomes of HR work: individuals, organizations, and leadership (see Figure 1).

To deliver any strategy, individuals need to be more productive, organizations need to have the right capabilities, and leadership needs to be widely shared throughout the organization. In discussions on emerging markets, cost, or innovation, HR professionals might ask:

- **Individuals**: What talent or human capital do we need to make this strategy happen?
- **Organization**: What organizational capabilities do we need to make this strategy happen?
- **Leadership**: What do our leaders need to be good at to make this strategy happen?

Once these targets or outcomes are defined, then HR practices may be designed and delivered to accomplish these outcomes. Below, we highlight some of the future thinking for each of the three targets of HR.

**Individual Ability (Talent or Human Capital)**

At the risk of grossly oversimplifying, let me suggest that there is actually a deceptively simple formula for talent that can help HR professionals and their general managers make talent more productive: Talent = Competence + Commitment + Contribution. Going forward, all three elements of this equation need to be considered and integrated to fully manage talent.

Competence means that individuals have the knowledge, skills, and values required for today’s and tomorrow’s jobs. One company clarified competence as right skills, right place, right job, right time. For example, an emerging trend in the workforce planning domain of competence improvement is to identify key positions and match people to positions. Competence clearly matters, because incompetence leads to poor decision making. But without commitment, competence is discounted. Highly competent employees who are not committed are smart, but they don’t work very hard.

**Organization Capabilities**

**Figure 1: Targets or Outcomes of HR work**
Committed or engaged employees work hard, put in their time, and do what they are asked to do. Commitment trends focus on building an employee value proposition to ensure that employees who give value to their organization will in turn receive value back. In the last decade, commitment and competence have been the bailiwicks for talent. But we have found that the next generation of employees may be competent (able to do the work) and committed (willing to do the work), but unless they are making a real contribution through the work (finding meaning and purpose in their work), then their interest in what they are doing diminishes and their productivity wanes.

Contribution occurs when employees feel that their personal needs are being met through participation in their organization. Leaders who are “meaning-makers” for their employees help employees find a sense of contribution through the work they do. HR professionals play the role of architects who design organizations that embed meaning throughout the organization. Organizations may be a universal setting where individuals find abundance in their lives through their work, and they want this investment of their time to be meaningful. Simply stated, then, competence deals with the head (being able), commitment with the hands and feet (being there), and contribution with the heart (simply being).

In this talent equation, the three terms are multiplicative, not additive. If any one concept is missing, the other two will not replace it. A low score in competence will not ensure talent, even when the employee is engaged and contributing. Talented employees must have skills, wills, and purposes; they must be capable, committed, and contributing. HR leaders can engage their general managers to identify and improve each of these three dimensions to increase individual ability and gain productivity.

Going forward, there are a few likely implications of this formula. First, all three concepts (competence, commitment, and contribution) need to be managed together. It is not enough to have competent employees if they are not engaged and not feeling a sense of purpose. Second, competence definitions will likely be less about the skills of an individual and more about how those skills match the requirements of the position. Being the “employer of choice” is insufficient unless one is the employer of employees customers would choose. Third, as employees increasingly seek purpose in their lives in general, they turn to work as a setting for finding meaning. Next-generation employees increasingly will be worried about finding meaning and purpose in their lives through social responsibility.

Organizational Capability (Culture)

Talent is not enough. Great individuals who do not work well together as a team or in their organization will not be successful. Some simple statistics show the importance of teamwork over talent:

- In hockey, it’s only 22 percent of the time that the leading scorer is on the team that wins the Stanley Cup.
- In soccer, it’s only 22 percent of the time that the winner of the Golden Boot (the leading scorer) is on the team that wins the World Cup.
- In basketball, it’s only 15 percent of the time that the player who scores the most points is on the team that wins the NBA Finals.
- In movies, it’s only 15 percent of the time that the winner of the Oscar for Best Actor or Actress is in the same film that wins the Oscar for Best Movie.

Great individual talent may succeed 15 to 25 percent of the time, but teamwork matters most. In recent years, people have called for human resources to be relabeled as the “talent” or “human capital” function, with a focus on workforce, people, and competencies. Without attending to teamwork, workplace, processes, and culture, HR misses opportunities to have sustainable impact. HR professionals sitting in business discussions in the future need to offer insights on organizations as well as on individuals.

The organization of the future exists today, but not in the traditional sense. Generally, when thinking about an organization, we turn to morphology (i.e., the study of structure or form), and define an organization by its roles, rules, and routines:

- **Roles** define the hierarchy of who reports to whom and who has accountability for work.
- **Rules** represent policies and prescriptions for how work is done.
- **Routines** reflect processes or cultures within the workplace.

Combined, these three traditional factors capture an organization’s structure or shape. In the last decade, however, a lot of restructuring in organizations has been done to rightsize, reshape, reengineer, redesign, delay, and rebuild organizations based on these three characteristics of morphology. Although this restructuring work encapsulates organizational design, it is only a small part of the complete organization of the future.

When we work with executives to define an organization, we ask them a simple question: “Can you name a company you admire?” The list of admired companies varies, but often it includes such well-known businesses as Apple, Disney, General Electric, Google, Microsoft, and Unilever. We then ask the executives, “How many levels of management are in the admired business?” Almost no one knows.

More importantly, no one really cares — we do not admire an organization because of its roles, rules, or routines. Instead, we admire Apple because it seems to continually design easy-to-use products; we admire Disney for the service we experience at its sites; we admire GE because of its capacity to build leaders in
diverse industries; and we admire Google and Microsoft for their ability to innovate and shape their industry. In other words, organizations are not known for their structure but for their capabilities. Capabilities represent what the organization is known for, what it is good at doing, and how it patterns activities to deliver value. Capabilities define many of the intangibles that investors pay attention to, the company brand to which customers can relate, and the culture that shapes employee behavior. These capabilities also become the identity of the company, the deliverables of HR practices, and the key to implementing business strategy. A Duke University client study found that HR professionals today are “shifting their focus from individual competency to organizational capability.”

McKinsey also looked to the future and found that capabilities will become more important than individual competencies:

Nearly 60 percent of respondents to a recent McKinsey survey say that building organizational capabilities such as lean operations or project or talent management is a top-three priority for their companies. Yet only a third of companies actually focus their training programs on building the capability that adds the most value to their company’s business performance.

Competencies represent the abilities of individuals, while capabilities capture the organization’s identity (see Figure 2).

In this figure, the individual-technical cell (1) represents a person’s functional competence, such as technical expertise in marketing, finance, or manufacturing. The individual-social cell (2) is about a person’s leadership ability — for instance, the ability to set direction, communicate a vision, and motivate people. The organizational-technical cell (3) comprises a company’s core technical competencies. For example, a financial services firm must know how to manage risk. The organizational-social cell (4) represents an organization’s underlying DNA, culture, and personality.

In the future, HR professionals will work to identify, assess, and build capabilities. Organizational diagnosis should focus less on redesigning structure and more on assessing capabilities. Some of the traditional and accepted capabilities that have been discussed extensively have included efficiency (e.g., lean manufacturing), globalization, quality, customer service, and speed of change or agility. Some emerging capabilities for organizations to succeed in the future might include:

- **Risk management:** In volatile and changing markets, organizations that can anticipate and manage risk will be more able to create sustainable change.
- **Social responsibility:** With an increasing concern for environmental issues, organizations that have the ability to be socially responsible will attract employees, customers, and investors.
- **Simplicity:** As the business world becomes more complex, organizations that can remain simple in product design, customer interfacing, and administrative systems will be more responsive.
- **Connection:** With technology being the workplace of the future, organizations that can form connections among employees, between employees and customers, and with partners will be more likely to have collaborative social networks around the world.
- **Innovation:** While not a new topic, innovation increasingly will be broadened to include not only products, but customer interfaces or channels, administrative processes, and business models.

The targets or outcomes of HR may include individuals, organizations, and leadership. When sitting in business meetings, HR professionals deliver value when they offer insights on how each of these targets can be aligned to deliver business results.

**Figure 2: Differentiating Competence vs. Capability**

<table>
<thead>
<tr>
<th>Individual</th>
<th>Organizational</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Technical</strong></td>
<td><strong>Organizational</strong></td>
</tr>
<tr>
<td><strong>1</strong></td>
<td><strong>3</strong></td>
</tr>
<tr>
<td>An individual’s functional competence</td>
<td>An organization’s core competencies</td>
</tr>
<tr>
<td><strong>2</strong></td>
<td><strong>4</strong></td>
</tr>
<tr>
<td>An individual’s leadership ability</td>
<td>An organization’s capabilities</td>
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</tbody>
</table>
When HR professionals see the connection of organizational capabilities to individual abilities, they begin to make the whole (organization) more than the sum of the individual parts (individual talent).

In the future, HR professionals additionally should begin to see the evolution of culture from events to patterns to identity. Events represent what happens in the company. Patterns represent norms, values, and expectations — who we are. We would propose that ultimately, culture is the identity of the company in the mind of the best external stakeholders (e.g., customers). Apple’s culture should be around innovation because innovation is Apple’s core identity. Marriott’s culture should be around service because Marriott has worked to build a service identity. When the outside expectations become the basis for culture and competencies, HR professionals become strategic positioners for their organizations.

**Leadership Brand**

Ultimately, leaders bring together both individuals and organizations to solve customer problems. But there is a difference between leaders and leadership. “Leaders” refers to individuals who have unique abilities to guide the behavior of others. “Leadership” refers to an organization’s capacity to build future leaders. An individual leader matters, but an organization’s leadership matters more over time. Looking forward, HR professionals will need to not only help individual leaders become more effective through coaching, 360-degree feedback, and individual development plans — they will need to help build leadership depth by investing in leadership development.

In our studies of leadership, we have identified five things that HR professionals can do going forward to upgrade the quality of leadership.

1. **Build the business case for leadership.** HR can show that the quality of leadership will drive performance both inside and outside the organization. Organizations with leadership depth will have the capacity to respond to changing business conditions, execute strategy, increase investor confidence, and anticipate customer requirements.

2. **Define leadership effectiveness from the outside in:** Consistent with the logic of creating value for external stakeholders, HR can help define what makes an effective leader from the outside in. Often, leadership success remains either inside the company (leaders learn from other leaders in the company who have succeeded), or inside the individual. In the future, the criteria of leadership should start with customers. In a number of companies, we start to define effective leadership by viewing the company’s commercials or other media presentations. These externally focused broadcasts define the company’s intended brand. We then identify the leadership behaviors consistent with this external brand. When leaders inside the company behave consistently with the expectations of customers (and other stakeholders) outside the company, leadership will be more sustainable and effective. HR professionals who define internal leadership through external expectations will set more relevant and impactful leadership standards.

3. **Assess leaders:** Once leadership standards are set, leaders need to be assessed on how well they meet those standards. With an external view, leadership “360s” may be expanded to “720s,” where customers, suppliers, communities, regulators, or other external stakeholders may be included in assessing targeted leaders. In one company, the board of directors now regularly assesses the CEO’s performance both inside the company with his team and employees, as well as outside the company with key stakeholders. This type of assessment offers a more complete view of leaders who have roles with external stakeholders. Assessment also may help determine high-potential and future leaders by looking at the extent to which they have aspirations to lead, the ability to meet future standards, and the agility to learn and grow. HR professionals charged with leadership assessment may monitor current and aspiring leaders’ ability to serve customers.

4. **Invest in leadership:** The traditional formula for leadership investment has been 70-20-10. The logic is that 70 percent of learning and development is on the job, 20 percent is from feedback and observation of role models, and only 10 percent is from training. We think that this formula and should shift to something resembling the following investments, which may be the basis for systematic development of leadership throughout an organization:

- 50 percent of learning from job experience, including role models and coaching. Most learning still comes from doing and experiencing.
- 30 percent of learning from updated training. Traditionally, training is what we call a “tourist activity,” where people visit the event, observe it, and may leave with a memento (the training notebook is the equivalent of a tourist’s pictures), but little impact. We suggest “guest training,” where the participant in training is immersed in the business during the training session. This means working ahead of time to know what the participant should leave with, creating learning solutions during the training, utilizing live and relevant cases and problems to be solved, employing customers as faculty and participants, and following up to ensure that the ideas taught had real impact.
- 20 percent of learning from life experience. Many of us learn from experiences outside of work, in families, social settings, social networks, volunteer work, reading, and traveling. When companies can encourage and access knowledge from these life experiences, leaders will broaden their repertoire. For example, one company uses its philanthropy efforts as development opportunities for high-potential leaders.
5. **Measure leadership:** Leadership investments often have been measured using Kirkpatrick’s scale: attitude, knowledge, behavior, and results. This is an outstanding scale. Two changes in the future can expand upon the results. First, in the case of leadership, HR professionals will show how leadership can help an organization deliver value to its stakeholders. This value should be measured as an indicator of leadership success. Second, there will be a new ROI for leadership (and HR) — “return on intangibles.” As noted above, intangibles represent about 50 percent of a company’s market value. When we can link HR and leadership to this market value, the issues become even more salient to line managers.

### Conclusion

In the future, the targets or outcomes of HR may include individuals, organizations, and leadership. When sitting in business meetings, HR professionals deliver value when they offer insights on how each of these targets can be aligned to deliver business results.

### References

7. Excellent work on innovation can be found in Larry Keeley’s work: [www.doblin.com](http://www.doblin.com).

### About the Author

**Dave Ulrich**, PhD, is a professor of business administration at the University of Michigan Ross School of Business and a cofounder of The RBL Group. He has consulted and done research with over half of the Fortune 200 and published more than 200 articles and book chapters as well as 23 books. He served as the editor of the Human Resource Management Journal from 1990 to 1999 and is a fellow of the National Academy of Human Resources. HR Magazine has named him the number-one thought leader in HR for the last four years.

dou@umich.edu