

## **A New Mandate for Human Resources**

by Dave Ulrich

From the Magazine (January–February 1998)

Should we do away with HR? In recent years, a number of people who study and write about business—along with many who run businesses—have been debating that question. The debate arises out of serious and widespread doubts about HR’s contribution to organizational performance. And as much as I like HR people—I have been working in the field as a researcher, professor, and consultant for 20 years—I must agree that there is good reason for HR’s beleaguered reputation. It is often ineffective, incompetent, and costly; in a phrase, it is value sapping. Indeed, if HR were to remain configured as it is today in many companies, I would have to answer the question above with a resounding “Yes—abolish the thing!”

But the truth is, HR has never been more necessary. The competitive forces that managers face today and will continue to confront in the future demand organizational excellence. The efforts to achieve such excellence—through a focus on learning, quality, teamwork, and reengineering—are driven by the way organizations get things done and how they treat their people. Those are fundamental HR issues. To state it plainly: achieving organizational excellence must be the work of HR.

The question for senior managers, then, is not Should we do away with HR? but What should we do with HR? The answer is: create an entirely new role and agenda for the field that focuses it not on

traditional HR activities, such as staffing and compensation, but on outcomes. HR should not be defined by what it does but by what it delivers—results that enrich the organization's value to customers, investors, and employees.

More specifically, HR can help deliver organizational excellence in the following four ways:

- First, HR should become a partner with senior and line managers in strategy execution, helping to move planning from the conference room to the marketplace.
- Second, it should become an expert in the way work is organized and executed, delivering administrative efficiency to ensure that costs are reduced while quality is maintained.
- Third, it should become a champion for employees, vigorously representing their concerns to senior management and at the same time working to increase employee contribution; that is, employees' commitment to the organization and their ability to deliver results.
- And finally, HR should become an agent of continuous transformation, shaping processes and a culture that together improve an organization's capacity for change.

Make no mistake: this new agenda for HR is a radical departure from the status quo. In most companies today, HR is sanctioned mainly to play policy police and regulatory watchdog. It handles the paperwork involved in hiring and firing, manages the bureaucratic aspects of benefits, and administers compensation decisions made by others. When it is more empowered by senior management, it might oversee recruiting, manage training and development programs, or design initiatives to increase workplace diversity. But the fact remains: the activities of HR appear to be—and often are—disconnected from the real work of the organization. The new agenda, however, would mean that

every one of HR's activities would in some concrete way help the company better serve its customers or otherwise increase shareholder value.

## **HR's activities appear to be—and often are—disconnected from the real work of an organization.**

Can HR transform itself alone? Absolutely not. In fact, the primary responsibility for transforming the role of HR belongs to the CEO and to every line manager who must achieve business goals. The reason? Line managers have ultimate responsibility for both the processes and the outcomes of the company. They are answerable to shareholders for creating economic value, to customers for creating product or service value, and to employees for creating workplace value. It follows that they should lead the way in fully integrating HR into the company's real work. Indeed, to do so, they must become HR champions themselves. They must acknowledge that competitive success is a function of organizational excellence. More important, they must hold HR accountable for delivering it.

Of course, the line should not *impose* the new agenda on the HR staff. Rather, operating managers and HR managers must form a partnership to quickly and completely reconceive and reconfigure the function—to overhaul it from one devoted to activities to one committed to outcomes. The process will be different in every organization, but the result will be the same: a business era in which the question Should we do away with HR? will be considered utterly ridiculous.

### **Why HR Matters Now More Than Ever**

Regardless of their industry, size, or location, companies today face five critical business challenges. Collectively, these challenges require organizations to build new capabilities. Who is currently responsible for developing those capabilities? Everyone

—and no one. That vacuum is HR’s opportunity to play a leadership role in enabling organizations to meet the following competitive challenges:

### **Globalization.**

Gone are the days when companies created products at home and shipped them abroad “as is.” With the rapid expansion of global markets, managers are struggling to balance the paradoxical demand to think globally and act locally. That imperative requires them to move people, ideas, products, and information around the world to meet local needs. They must add new and important ingredients to the mix when making strategy: volatile political situations, contentious global trade issues, fluctuating exchange rates, and unfamiliar cultures. They must be more literate in the ways of international customers, commerce, and competition than ever before. In short, globalization requires that organizations increase their ability to learn and collaborate and to manage diversity, complexity, and ambiguity.

### **Profitability Through Growth.**

During the past decade, most Western companies have been clearing debris, using downsizing, reengineering, de-layering, and consolidation to increase efficiency and cut costs. The gains of such yard work, however, have largely been realized, and executives will now have to pay attention to the other part of the profitability equation: revenue growth.

The drive for revenue growth, needless to say, puts unique demands on an organization. Companies seeking to acquire new customers and develop new products must be creative and innovative, and must encourage the free flow of information and shared learning among employees. They must also become more market focused—more in touch with the fast changing and disparate needs of their customers. And companies seeking growth through mergers, acquisitions, or joint ventures require other capabilities, such as the finely honed skills needed to integrate different organizations’ work processes and cultures.

## **Technology.**

From videoconferencing to the Internet, technology has made our world smaller and faster. Ideas and massive amounts of information are in constant movement. The challenge for managers is to make sense and good use of what technology offers. Not all technology adds value. But technology can and will affect how and where work gets done. In the coming years, managers will need to figure out how to make technology a viable, productive part of the work setting. They will need to stay ahead of the information curve and learn to leverage information for business results. Otherwise, they risk being swallowed by a tidal wave of data—not ideas.

## **Intellectual Capital.**

Knowledge has become a direct competitive advantage for companies selling ideas and relationships (think of professional service, software, and technology-driven companies) and an indirect competitive advantage for all companies attempting to differentiate themselves by how they serve customers. From now on, successful companies will be the ones that are the most adept at attracting, developing, and retaining individuals who can drive a global organization that is responsive to both its customers and the burgeoning opportunities of technology. Thus the challenge for organizations is making sure they have the capability to find, assimilate, develop, compensate, and retain such talented individuals.

## **Change, Change, and More Change.**

Perhaps the greatest competitive challenge companies face is adjusting to—indeed, embracing—nonstop change. They must be able to learn rapidly and continuously, innovate ceaselessly, and take on new strategic imperatives faster and more comfortably. Constant change means organizations must create a healthy discomfort with the status quo, an ability to detect emerging trends quicker than the competition, an ability to make rapid decisions, and the agility to seek new ways of doing business. To

thrive, in other words, companies will need to be in a never-ending state of transformation, perpetually creating fundamental, enduring change.

## **HR's New Role**

The five challenges described above have one overarching implication for business: the only competitive weapon left is organization. Sooner or later, traditional forms of competitiveness—cost, technology, distribution, manufacturing, and product features—can be copied. They have become table stakes. You must have them to be a player, but they do not guarantee you will be a winner.

In the new economy, winning will spring from organizational capabilities such as speed, responsiveness, agility, learning capacity, and employee competence. Successful organizations will be those that are able to quickly turn strategy into action; to manage processes intelligently and efficiently; to maximize employee contribution and commitment; and to create the conditions for seamless change. The need to develop those capabilities brings us back to the mandate for HR set forth at the beginning of this article. Let's take a closer look at each HR imperative in turn.

### **Becoming a Partner in Strategy Execution.**

I'm not going to argue that HR should make strategy. Strategy is the responsibility of a company's executive team—of which HR is a member. To be full-fledged strategic partners with senior management, however, HR executives should impel and guide serious discussion of how the company should be organized to carry out its strategy. Creating the conditions for this discussion involves four steps.

First, HR should be held responsible for defining an organizational architecture. In other words, it should identify the underlying model of the company's way of doing business. Several well-established frameworks can be used in this process. Jay Galbraith's star model, for example, identifies five essential

organizational components: strategy, structure, rewards, processes, and people. The well-known 7-S framework created by McKinsey & Company distinguishes seven components in a company's architecture: strategy, structure, systems, staff, style, skills, and shared values.

It's relatively unimportant which framework the HR staff uses to define the company's architecture, as long as it's robust. What matters more is that an architecture be articulated explicitly. Without such clarity, managers can become myopic about how the company runs—and thus about what drives strategy implementation and what stands in its way. They might think only of structure as the driving force behind actions and decisions, and neglect systems or skills. Or they might understand the company primarily in terms of its values and pay inadequate attention to the influence of systems on how work—that is, strategy execution—actually gets accomplished.

Senior management should ask HR to play the role of an architect called into an already-constructed building to draw up its plans. The architect makes measurements; calculates dimensions; notes windows, doors, and staircases; and examines the plumbing and heating infrastructures. The result is a comprehensive set of blueprints that contains all the building's parts and shows how they work together.

Next, HR must be accountable for conducting an organizational audit. Blueprints can illuminate the places in a house that require immediate improvement; organizational-architecture plans can be similarly useful. They are critical in helping managers identify which components of the company must change in order to facilitate strategy execution. Again, HR's role is to shepherd the dialogue about the company's blueprints.

Consider a company in which HR defined the organization's architecture in terms of its culture, competencies, rewards, governance, work processes, and leadership. The HR staff was able to use that model to guide management through a rigorous discussion of "fit"—did the company's culture fit its strategic

goals, did its competencies, and so forth. When the answer was no, HR was able to guide a discussion of how to obtain or develop what was missing. (For an example of the questions asked in this discussion, see the chart “From Architecture to Audit.”)

FROM ARCHITECTURE TO AUDIT				
After HR has determined the company's underlying architecture, it can use a framework like the one below to guide the organization through the discussion and debate of the audit process.				
	Question	Rating (1-10)	Description of best practice	Gap between company's current practice and best practice
SHARED MIND-SET	To what extent does our company have the right culture to reach its goals?			
COMPETENCE	To what extent does our company have the required knowledge, skills, and abilities?			
CONSEQUENCE	To what extent does our company have the appropriate measures, rewards, and incentives?			
GOVERNANCE	To what extent does our company have the right organizational structure, communications systems, and policies?			
CAPACITY FOR CHANGE	To what extent does our company have the ability to improve work processes, to change, and to learn?			
LEADERSHIP	To what extent does our company have the leadership to achieve its goals?			

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

The third role for HR as a strategic partner is to identify methods for renovating the parts of the organizational architecture that need it. In other words, HR managers should be assigned to take the lead in proposing, creating, and debating best practices in culture change programs, for example, or in appraisal and reward systems. Similarly, if strategy implementation requires, say, a team-based organizational structure, HR would be responsible for bringing state-of-the-art approaches for creating this structure to senior management's attention.

Fourth and finally, HR must take stock of its own work and set clear priorities. At any given moment, the HR staff might have a dozen initiatives in its sights, such as pay-for-performance, global team-work, and action-learning development experiences. But to be truly tied to business outcomes, HR needs to join forces with operating managers to systematically assess the impact and importance of each one of these initiatives. Which ones are really aligned with strategy implementation? Which ones should receive attention immediately, and which can wait? Which ones, in short, are truly linked to business results?

Because becoming a strategic partner means an entirely new role for HR, it may have to acquire new skills and capabilities. Its staff may need more education in order to perform the kind of in-depth analysis an organizational audit involves, for example. Ultimately, such new knowledge will allow HR to add value to the executive team with confidence. In time, the concept of HR as a strategic partner will make business sense.

### **Becoming an Administrative Expert.**

For decades, HR professionals have been tagged as administrators. In their new role as administrative experts, however, they will need to shed their traditional image of rule-making policy police, while still making sure that all the required routine work in companies is done well. In order to move from their old role as administrators into their new role, HR staff will have to improve the efficiency of both their own function and the entire organization.

Within the HR function are dozens of processes that can be done better, faster, and cheaper. Finding and fixing those processes is part of the work of the new HR. Some companies have already embraced these tasks, and the results are impressive. One company has created a fully automated and flexible benefits program that employees can manage without paperwork; another has used technology to screen résumés and reduce the cycle time for hiring new candidates; and a third has created an electronic bulletin board that allows employees to communicate with senior

executives. In all three cases, the quality of HR work improved and costs were lowered, generally by removing steps or leveraging technology.

**Many HR processes can be done better, faster, and cheaper. Finding and fixing them is part of the new HR's work.**

But decreased costs aren't the only benefit of HR's becoming the organization's administrative expert. Improving efficiency will build HR's credibility, which, in turn, will open the door for it to become a partner in executing strategy. Consider the case of a CEO who held a very low opinion of the company's HR staff after they sent a letter to a job candidate offering a salary figure with the decimal point in the wrong place. (The candidate called the CEO and joked that she didn't realize the job would make her a millionaire.) It was only after the HR staff proved they could streamline the organization's systems and procedures and deliver flawless administrative service that the CEO finally felt comfortable giving HR a seat at the strategy table.

**Decreasing costs and improving efficiency will help HR become a partner in executing strategy.**

HR executives can also prove their value as administrative experts by rethinking how work is done throughout the organization. For example, they can design and implement a system that allows departments to share administrative services. At Amoco, for instance, HR helped create a shared-service organization that encompassed 14 business units. HR can also create centers of expertise that gather, coordinate, and disseminate vital information about market trends, for instance, or organizational

processes. Such groups can act as internal consultants, not only saving the company money but also improving its competitive situation.

### **Becoming an Employee Champion.**

Work today is more demanding than ever—employees are continually being asked to do more with less. And as companies withdraw the old employment contract, which was based on security and predictable promotions, and replace it with faint promises of trust, employees respond in kind. Their relationship with the organization becomes transactional. They give their time but not much more.

That kind of curtailed contribution is a recipe for organizational failure. Companies cannot thrive unless their employees are engaged fully. Engaged employees—that is, employees who believe they are valued—share ideas, work harder than the necessary minimum, and relate better to customers, to name just three benefits.

In their new role, HR professionals must be held accountable for ensuring that employees are engaged—that they feel committed to the organization and contribute fully. In the past, HR sought that commitment by attending to the social needs of employees—picnics, parties, United Way campaigns, and so on. While those activities must still be organized, HR's new agenda supersedes them. HR must now take responsibility for orienting and training line management about the importance of high employee morale and how to achieve it. In addition, the new HR should be the employees' voice in management discussions; offer employees opportunities for personal and professional growth; and provide resources that help employees meet the demands put on them.

**HR must now train line management in methods of achieving high employee morale.**

Orienting and training line management about how to achieve high employee morale can be accomplished using several tools, such as workshops, written reports, and employee surveys. Such tools can help managers understand the sources of low morale within the organization—not just specifically, but conceptually. For instance, HR might inform the line that 82% of employees feel demoralized because of a recent downsizing. That’s useful. But more than that, HR should be responsible for educating the line about the *causes* of low employee morale. For instance, it is generally agreed by organizational behavior experts that employee morale decreases when people believe the demands put upon them exceed the resources available to meet those demands. Morale also drops when goals are unclear, priorities are unfocused, or performance measurement is ambiguous. HR serves an important role in holding a mirror in front of senior executives.

HR can play a critical role in recommending ways to ameliorate morale problems. Recommendations can be as simple as urging the hiring of additional support staff or as complex as suggesting that reengineering be considered for certain tasks. The new role for HR might also involve suggesting that more teams be used on some projects or that employees be given more control over their own work schedules. It may mean suggesting that line executives pay attention to the possibility that some employees are being asked to do boring or repetitive work. HR at Baxter Healthcare, for example, identified boring work as a problem and then helped to solve it by redesigning work processes to connect employees more directly with customers.

Along with educating operating managers about morale, HR staff must also be an advocate for employees—they must represent the employees to management and be their voice in management discussions. Employees should have confidence that when decisions are made that affect them (such as a plant closing), HR’s involvement in the decision-making process clearly represents employees’ views and supports their rights. Such advocacy cannot be invisible. Employees must know that HR is their voice before they will communicate their opinions to HR managers.

## **Becoming a Change Agent.**

To adapt a phrase, Change happens. And the pace of change today, because of globalization, technological innovation, and information access, is both dizzying and dazzling. That said, the primary difference between winners and losers in business will be the ability to respond to the pace of change. Winners will be able to adapt, learn, and act quickly. Losers will spend time trying to control and master change.

The new HR has as its fourth responsibility the job of building the organization's capacity to embrace and capitalize on change. It will make sure that change initiatives that are focused on creating high-performing teams, reducing cycle time for innovation, or implementing new technology are defined, developed, and delivered in a timely way. The new HR can also make sure that broad vision statements (such as, We will be the global leader in our markets) get transformed into specific behaviors by helping employees figure out what work they can stop, start, and keep doing to make the vision real. At Hewlett-Packard, HR has helped make sure that the company's value of treating employees with trust, dignity, and respect translates into practices that, for example, give employees more control over when and where they work.

Change has a way of scaring people—scaring them into inaction. HR's role as a change agent is to replace resistance with resolve, planning with results, and fear of change with excitement about its possibilities. How? The answer lies in the creation and use of a change model. (For an example of a very effective change model, developed with and used extensively by GE, see the chart "Change Begins by Asking Who, Why, What, and How.") HR professionals must introduce such a model to their organizations and guide executive teams through it—that is, steer the conversation and debate that answers the multitude of questions it raises. The model, in short, must be a managerial tool championed by HR. It helps an organization identify the key success factors for change and assess the organization's strengths and weaknesses regarding each factor. The process can be arduous, but it is one of the most

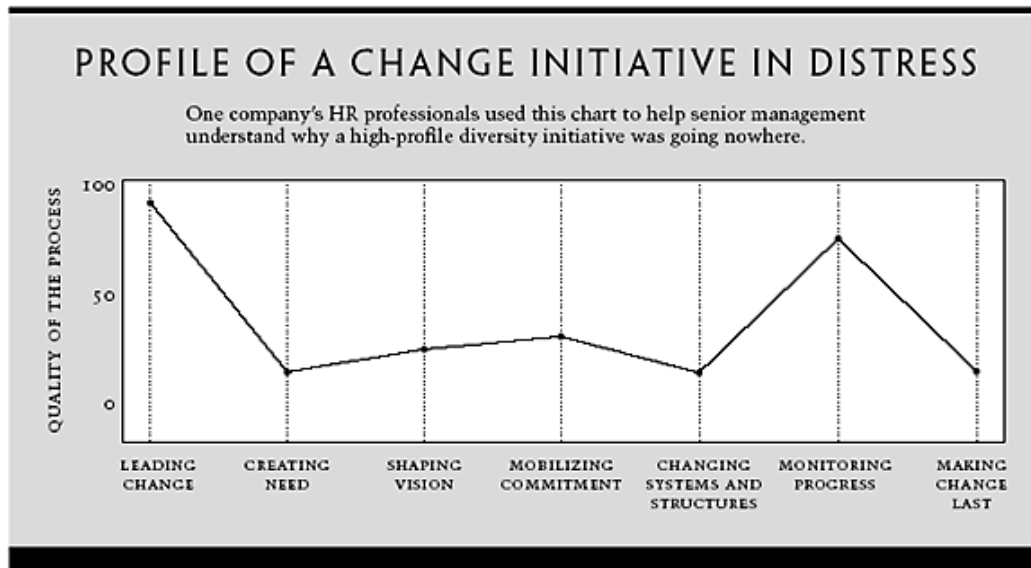
valuable roles HR can play. As change agents, HR professionals do not themselves execute change—but they make sure that it is carried out.

<b>CHANGE BEGINS BY ASKING WHO, WHY, WHAT, AND HOW</b>	
HR staff at GE used this change model to guide a transformation process at the company.	
<b>Key Success Factors for Change</b>	<b>Questions to Assess and Accomplish The Key Success Factors for Change</b>
Leading change (Who is responsible?)	Do we have a leader... who owns and champions the change? who publicly commits to making it happen? who will garner the resources necessary to sustain it? who will put in the personal time and attention needed to follow through?
Creating a shared need (Why do it?)	Do employees... see the reason for the change? understand why it is important? see how it will help them and the business in the short term and long term?
Shaping a vision (What will it look like when we are done?)	Do employees... see the outcomes of the change in behavioral terms (that is, in terms of what they will do differently as a result of the change)? get excited about the results of accomplishing the change? understand how it will benefit customers and other stakeholders?
Mobilizing commitment (Who else needs to be involved?)	Do the sponsors of the change... recognize who else needs to be committed to the change to make it happen? know how to build a coalition of support for the change? have the ability to enlist support of key individuals in the organization? have the ability to build a responsibility matrix to make the change happen?
Modifying systems and structures (How will it be institutionalized?)	Do the sponsors of the change... understand how to link it to other HR systems such as staffing, training, appraisal, rewards, structure, and communication? recognize the systems implications of the change?
Monitoring progress (How will it be measured?)	Do the sponsors of the change... have a means of measuring its success? plan to benchmark progress against both the results of the change and the process of implementing it?
Making it last (How will it get started and last?)	Do the sponsors of the change... recognize the first steps in getting started? have a short-term and long-term plan to keep attention focused on the change? have a plan to adapt the change over time?

Change Begins by Asking Who, Why, What, and How HR staff at GE used this change model to guide a transformation process at the company.

Consider the case of a company whose senior management team announced that “valuing diversity” was a top priority in 1996. Six months into the year, the team acknowledged that the diversity initiative had received more rhetoric than action. The company’s

HR professionals asked the team to spend several hours profiling the diversity initiative using a change model. (See the graph “Profile of a Change Initiative in Distress.”) The resulting analysis revealed that the diversity initiative would fail unless the senior management team explored several critical questions, among them: Why are we seeking diversity? What will be the benefit to the business and its customers? What is the ideal form of diversity for this organization? Who needs to be supportive and involved to make the initiative come to life?



Profile of a Change Initiative in Distress One company's HR professionals used this chart to help senior management understand why a high-profile diversity initiative was going nowhere.

HR leaders spent several more hours with the management team guiding a conversation that answered those questions. Shortly afterward, they were able to present the team with an action plan for moving the diversity initiative forward. Thus HR did not decide what changes the organization was going to embrace, but it did lead the process to make them explicit.

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

- First, it must define and clarify the concept of culture change.

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

HR played an important part in changing the culture at Sears, which underwent a transformation of its business beginning in 1994. In facilitating that change, HR first took on the task of getting the organization to define and clarify the concept of culture. It helped lead the top 100 managers through discussions and debates of the questions, What are the top three things we want to be known for by our customers? and What do we do that is world class in those things? Ultimately, those conversations led to a consensus that Sears would define its culture as “the identity of the company in the minds of the best customers.” In addition, HR at Sears took on the responsibility of making the business case for a transformation of the company’s culture. It compiled data showing that even a small increase in employee commitment led to a measurable increase in customer commitment and store profitability. The data illustrate conclusively that Sears’s transformation affected employees, customers, and investors.

HR at Sears guided the company’s culture change in numerous other ways.<sup>1</sup> The specific details, however, are not nearly as important as their implications. HR can be the architect of new cultures, but to do so, its purpose must be redefined. Virtually every imperative of the new mandate for HR requires such a redefinition. And for it to happen, senior managers must lead the way.

## **Four Changes for the Line**

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

### **Communicate to the organization that the “soft stuff” matters.**

At Hewlett-Packard, managing people was one of the two *hoshin* (major objectives) of the CEO for 1997. At General Electric, CEO Jack Welch claims he spends 40% of this time on people issues. At Southern Company, senior managers are working to create an empowered organization to ensure faster and better decision making. The point? For HR to be taken seriously, senior managers must demonstrate that they believe typical HR issues—the soft stuff like culture change and intellectual capital—are critical to business success.

Operating managers can signal this belief in several ways. They can talk seriously about how organizational capabilities create value for investors, customers, and employees. They can invest the time needed to make sure organizational changes are debated and implemented. They can include HR professionals in strategy discussions and state explicitly that without the collaboration of HR, strategies are more hopes than realities, promises than acts, and concepts than results.

### **Explicitly define the deliverables from HR, and hold HR accountable for results.**

It is one thing to tell HR that it is responsible for employee contribution and quite another to set a specific goal—say, a 10% increase in employee morale as measured by a survey. And once such specific goals are set, consequences must follow if they are missed.

The new mandate for HR is like any other business initiative in this way. A company has a much better chance of achieving its goals if senior managers state specifically what they expect from HR and then track, measure, and reward performance.

### **Invest in innovative HR practices.**

Like every other area of business, HR gets its share of new technologies and practices, and senior line executives should be always on the lookout for such practices. Conferences and management literature are always good places to hear of new ways of approaching HR, but senior managers should also be aware of innovative HR practices going on at other companies and of new practices that are being advocated by respected consultants.

Investing in new HR practices is another way to signal to the organization that HR is worthy of the company's money and attention. It is also a way to make sure that HR has the tools, information, and processes that it needs to execute its new mandate.

As new practices are identified, line managers should expect HR to adapt to them, not adopt them. Too often, after learning about an innovative idea, HR immediately tries to copy it wholesale. Such efforts often fail, and at a high emotional cost. Instead, investment in new HR practices should focus on learning not only what works elsewhere but also how a new practice should work in the company's unique competitive situation.

### **Upgrade HR professionals.**

Finally, the hardest but perhaps most important thing senior managers can do to drive forward the new mandate for HR is to improve the quality of the HR staff itself. Too often, HR departments are like computers made up of used parts. While the individual parts may work, they don't work well together. When more is expected of HR, a higher quality of HR professional must be found. Companies need people who know the business, understand the theory and practice of HR, can manage culture

and make change happen, and have personal credibility. Sometimes, such individuals already exist within the HR function but need additional training. Other times, they have to be brought in from other parts of the company. In still other cases, they must be hired from outside.

## **When more is expected of the HR function, a higher quality of HR professional must be found.**

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

### **Hard Work Ahead**

To meet the increased expectations of their organizations, HR professionals must begin to act professionally. They must focus more on the deliverables of their work and less on just getting their work done. They must articulate their role in terms of the value they create. They must create mechanisms so that business results quickly follow. They must measure their effectiveness in terms of business competitiveness rather than employee comfort and lead cultural transformation rather than consolidate, reengineer, or downsize in order to turn a company around.

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

1. For more on the transformation of Sears, see *The Employee-Customer-Profit Chain at Sears*, by Anthony J. Rucci, Steven P. Kirn, and Richard T. Quinn, in this issue of HBR.

A version of this article appeared in the January–February 1998 issue of *Harvard Business Review*.

**Dave Ulrich** is the Rensis Likert Professor of Business at the Ross School, University of Michigan, and a partner at the RBL Group. He studies how organizations build capabilities of leadership, speed, learning, accountability, and talent through human resources.

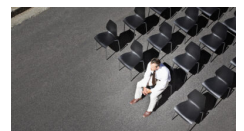
## Recommended For You

---

### 21 HR Jobs of the Future



### How HR Lost Employees' Trust - and How to Get It Back



### How Netflix Reinvented HR



### PODCAST

### How Do I Transition from a Corporate Leadership Role to Entrepreneurship?

