GO Global Organization Design Society

READINGS IN GLOBAL ORGANIZATION DESIGN

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CREATING THE HR FUNCTION THAT YOUR COMPANY'S STRATEGY REQUIRES

by Ken Shepard

Creating the HR function that your company's strategy requires

Presented to
FIDAGH - The Inter-American Federation of People Management Associations, and
WFPMA – The World Federation of People Management Associations
Buenos Aires, September 22, 2009
by
Ken Shepard,
President of the Global Organization Design Society

Global Organization Design is the master-tool

that multiplies the benefits of all your leadership efforts.

GO Global Organization Design

The GO Society & the Buenos Aires Project

The Global Organization Society

Is a not-for profit professional association of manager, consultant and academic practitioners of an integrated approach to designing and managing organizations based on the concepts of Wilfred Brown and Elliott Jaques.

Founded in 2004 and incorporated in Canada, we have now hosted three major world conferences, published a major book, founded a journal, designed a second generation web site to support our mission, and are now taking on year-long development programs in various parts of the world.

The Buenos Aires Project

During 2009 the society is working with a local advisory committee to build awareness and use of these concepts in Buenos Aires, in Argentina, and throughout the Spanish-speaking world. We are producing video interviews of senior practitioners in Spanish, holding meetings on effective teaching of the methods, holding executive briefings, making presentations to major professional associations, holding public training workshops, hosting a world conference here, and working to establish a web-supported professional development program in Spanish.

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Creating the HR function that your company's strategy requires

How HR can play an effective "strategic partner" role supporting the CEO and senior team in

– Developing the company's strategy

– Executing that strategy

As the Corporate Leadership Council documents – the frequent failures in many HR program initiatives lie in serious problems – that from our lens on the work can and should be solved through requisite design and management of both the HR function itself and the rest of the organization.

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The Corporate Leadership Council diagnosis

EFFECTIVE HR PROGRAMS OVERCOME THREE ROOT CAUSE PROBLEMS

Implementation failures are the primary obstacles to HR programs achieving business impact

Talent Management Impact Root Cause Analysis

Limited HR Program Business Impact

Poor HR Program Implementation

Root Cause #1: Poor HR Program Design
- Wrong HR process
- Wrong success metrics
- Poor individual talent process design

Root Cause #2: Poor HR Implementation
- Poor staff capabilities
- Poor HR staff role design
- Poor HR organizational support

Root Cause #3: Poor HR Support of Line Implementation
- Poor line capabilities
- No line commitment
- Confusion surrounding where to prioritize line activities
- No line manager accountability
- No line manager time

Effectiveness* of HR Programs — Managers
- Neutral or Ineffective 43%
- Effective 57%
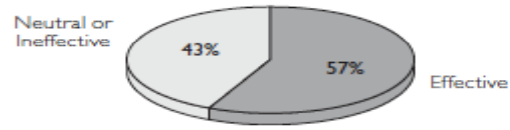
Effectiveness* of HRBPs — Managers
- Effective 33%
- Neutral or Ineffective 67%
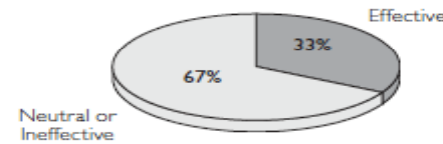
Effectiveness* of Managers at Talent Management — HRBPs
- Effective 25%
- Neutral or Ineffective 75%
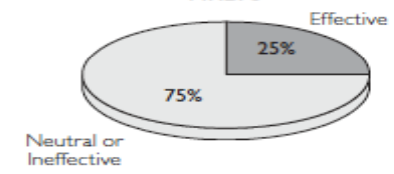
* Respondents were asked the effectiveness of each question on a 7-point scale. A response of 6 or 7 is effective.

Source: "CLC Talent Management Effectiveness Survey"; "CLC Building Next-Genera HR-Line Partnerships"; Corporate Leadership Council research.

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The changing VPHR role

How do I integrate all of this?

VPHR

New Approaches impacting the Organization

- **Reengineering**
- **Competency-based selection & training**
- **Core competencies - Prahalad**
- **Balanced scorecard**
- **Quality improvement**
- **Succession planning**
- **Knowledge management**
- **SAP**
- **HRIS**

Need to scan an increasingly turbulent environment

- **Labour Force Trends**
- **Compensation**
- **Labour Relations**
- **Demographics**
- **Employment regulations**
- **Lifestyles and values**
- **Technology**
- **Political Trends**

Traditional transactional roles

- **Labour Relations**
- **Staffing**
- **Compensation**
- **Benefits**
- **Training & Development**
- **Health & Safety**

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Exhibit 2. Globally, Eight Topics Demand the Most Immediate Action and the Greatest Attention

Future importance (High / Low)

Current capability (High / Low)

Topics:
- Improving leadership development
- Managing talent
- Transforming HR into a strategic partner
- Managing change and cultural transformation
- Managing work-life balance
- Delivering on recruiting and staffing
- Managing demographics
- Becoming a learning organization
- Managing globalization
- Enhancing employee commitment
- Improving performance management and rewards
- Managing diversity
- Restructuring the organization
- Managing corporate social responsibility
- Mastering HR processes
- Measuring HR and employee performance
- Providing shared services and outsourcing HR

Sample size: 4,741

Relevance today (Low / High)

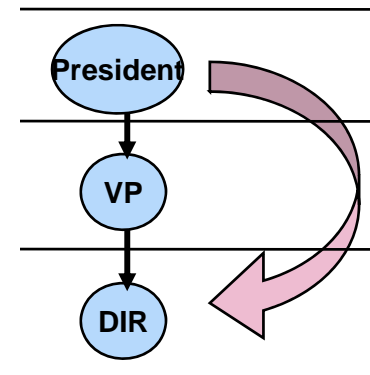Low need to act / Medium need to act / Strong need to act

Sources: Proprietary Web survey with responses from 83 countries; BCG/WFPMA analysis.

Breakthrough concepts provide a new lens

- A system rather than fragmented functions.

- Understanding levels of work, the linkages, and how accountability flows.

- A way to measure the levels of work accurately as with a thermometer.

- Practical, valid ways to measure the levels of human capability to enable fit of capability to role.

- The managerial leadership practices that lead to effectiveness and trust.
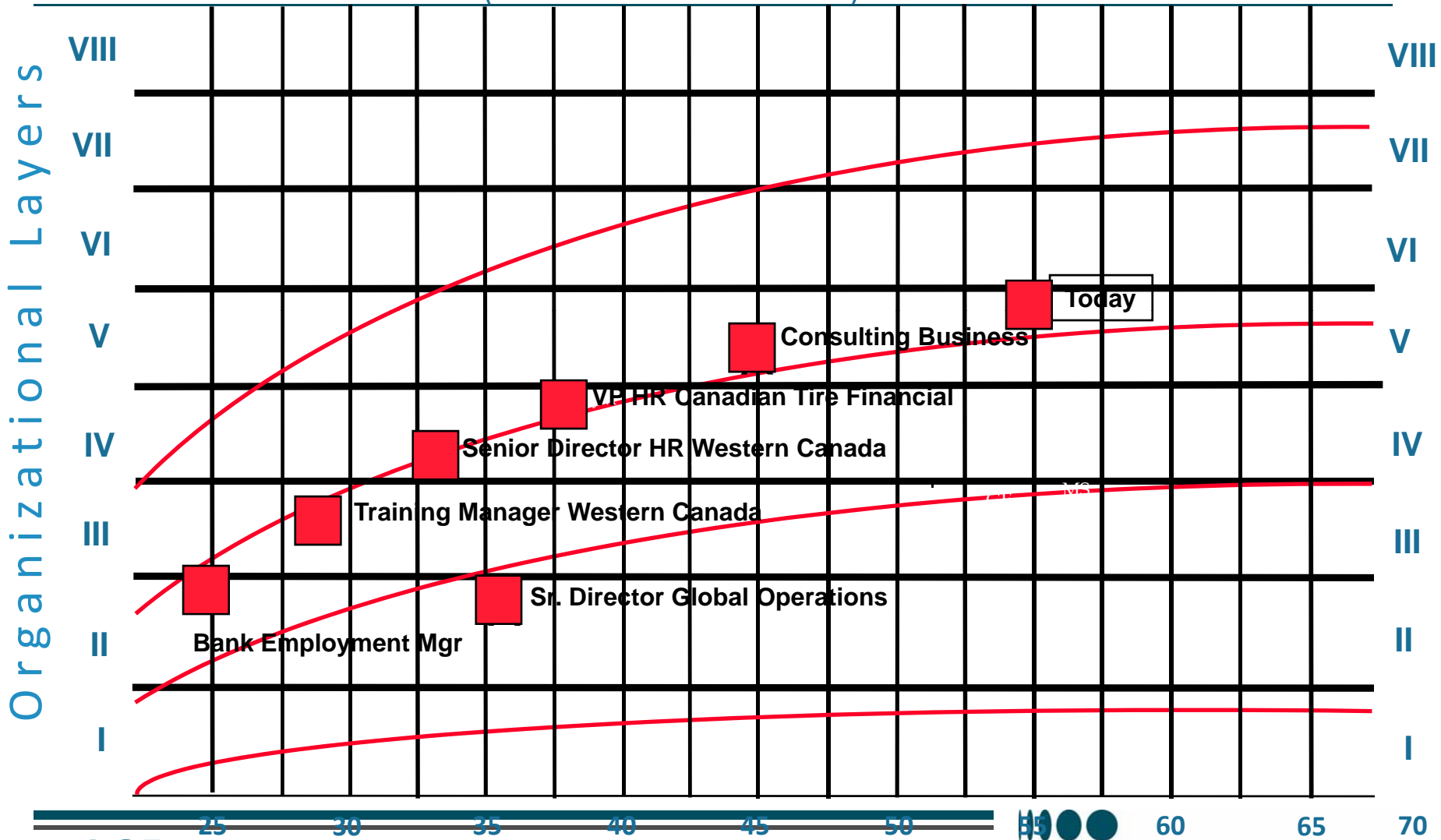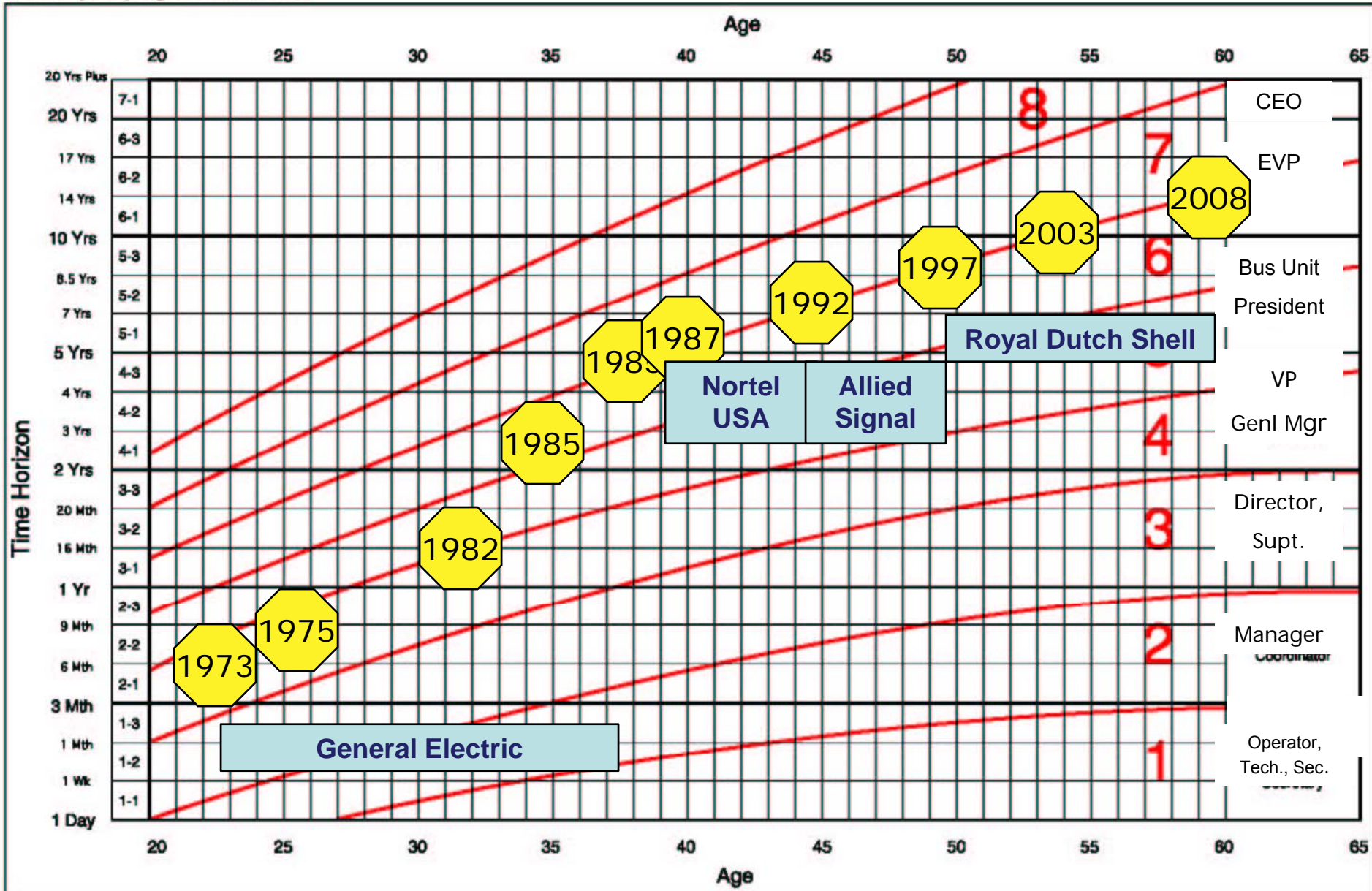

Credit to Cason Hall Publishers

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Career path of a VP HR: Rich Morgan

(Potential Assessment Data)

Organizational Layers

	VIII
	VII
	VI
	V — Consulting Business / Today
	IV — VP HR Canadian Tire Financial / Senior Director HR Western Canada
	III — Training Manager Western Canada
	II — Sr. Director Global Operations / Bank Employment Mgr
	I

AGE — 25 30 35 40 45 50 55 60 65 70

8

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Career path of a EVP HR: John Hofmeister

Career path progress data sheet

Career path of an HR professional: "You"

Career path progress data sheet

Correlation of IQ Scores
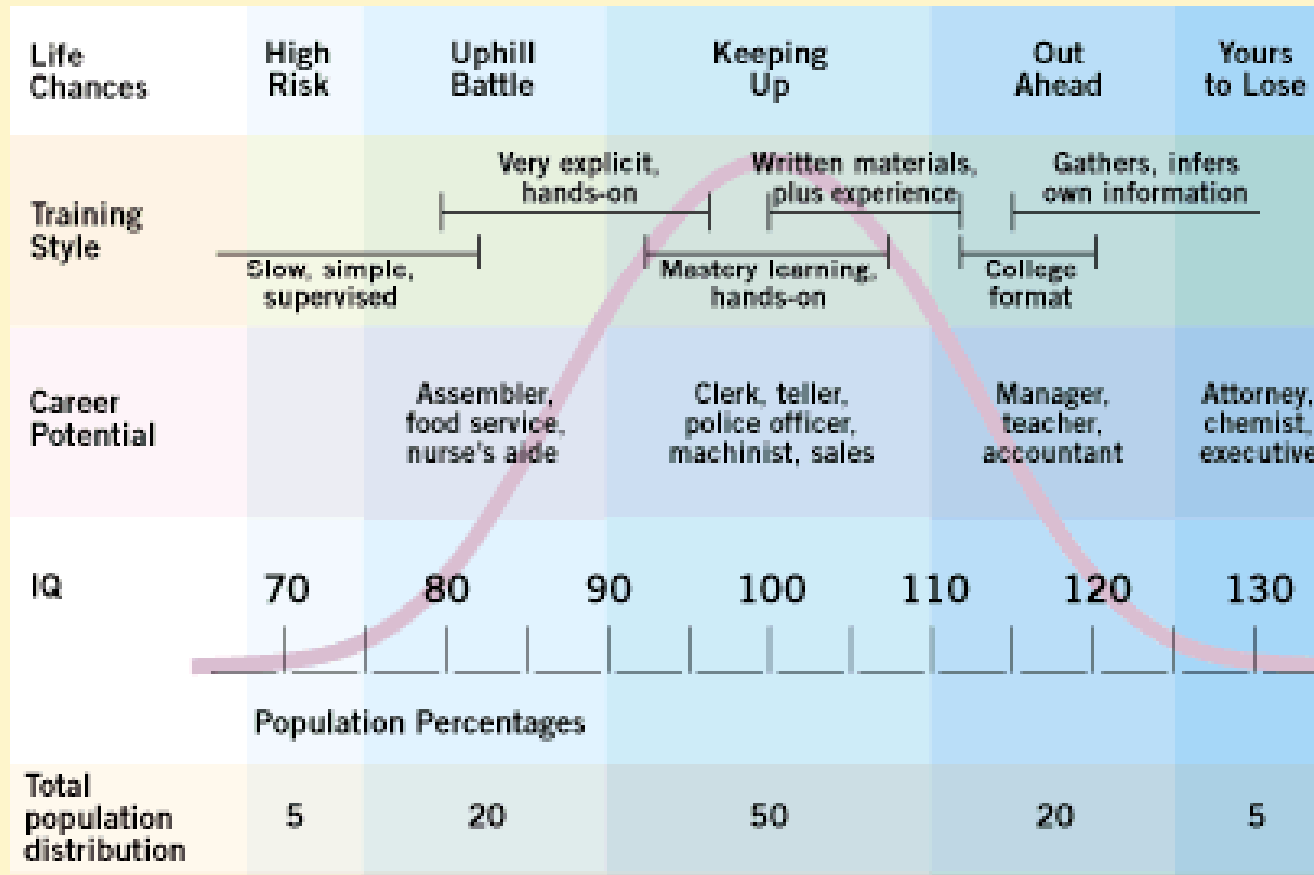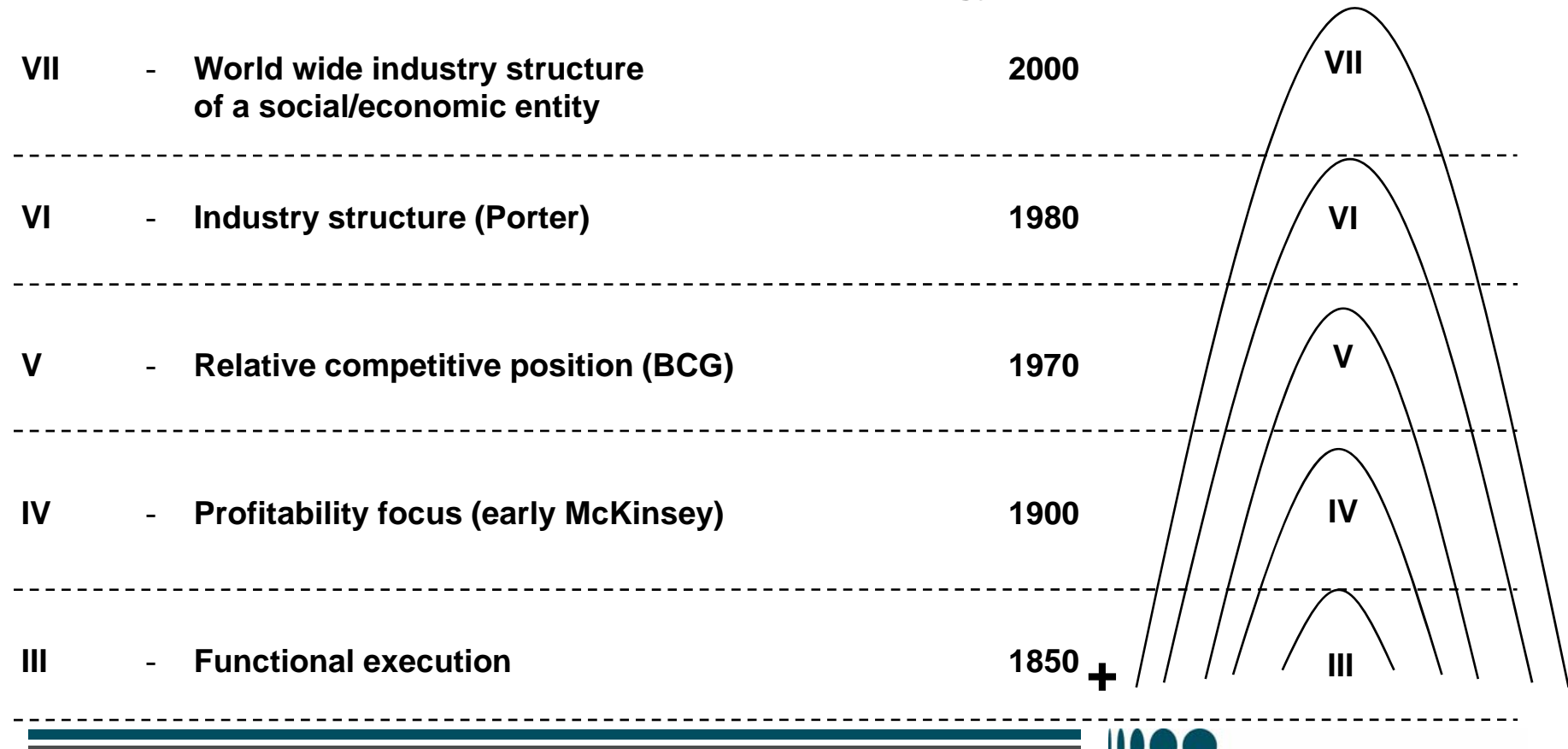
... with occupational achievement suggests that g reflects an ability to deal with cognitive complexity. Scores also correlate with some social outcomes (the percentages apply to young white adults in the U.S.).

Life Chances	High Risk	Uphill Battle	Keeping Up	Out Ahead	Yours to Lose
Training Style	Slow, simple, supervised	Very explicit, hands-on	Written materials, plus experience / Mastery learning, hands-on	Gathers, infers own information / College format	
Career Potential		Assembler, food service, nurse's aide	Clerk, teller, police officer, machinist, sales	Manager, teacher, accountant	Attorney, chemist, executive
IQ	70	80 90	100 110	120	130
Population Percentages					
Total population distribution	5	20	50	20	5

Levels View of Strategy

Focus of strategy changes as you move up levels, each higher level respecting and adding to those below, success at one level creating issues one level up

A Levels View of Strategy

VII	-	**World wide industry structure of a social/economic entity**	**2000**	VII
VI	-	**Industry structure (Porter)**	**1980**	VI
V	-	**Relative competitive position (BCG)**	**1970**	V
IV	-	**Profitability focus (early McKinsey)**	**1900**	IV
III	-	**Functional execution**	**1850**	III

Credit to Julian Fairfield, Bach Consulting Group, Australia

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Organization functions evolve over time

Note by Julian Fairfield: "All functions have evolved over time. Their evolution is a result of increasing levels of capability being applied to the function one can observe congruence across the matrix, as well as evolution up the matrix and the encapsulation of each of the lower level activities within the higher levels.

Level at which function or activity is managed	Strategy	Marketing	Quality control	Inventory control	Purchasing	Maintenance	Financial measurement
VI Corporate CEO (10-20 yr)	Value Proposition	Marketing chartering driving whole company	Value-balanced quality	Efficient Customer Response	Virtual vertical integration	Not yet developed	Balanced Scorecard $ and Humans
V Bus. Unit CEO (5-10 yr)	Industry Structure	Value equivalency analysis	Total Quality Mgt.	JIT Inventory	Symbiotic partnership integration	Zero failure maintenance	Shareholder value analysis
IV Genl mgr (2-5 yr)	Relative Competitive Structure	Consumer seqmentation	Statistical Quality Control	LIFO statistical inventory management	Strategic segregation	Reliability based management	ROE ROA
III Director (1-2 yr)	Internal Efficiency Focus	Mass marketing	In-process Inspection	Economic Order Quantity	Adversarial	Preventive maintenance	Profit & Loss
II Mgr./Supervr (3 mo. - 1 yr)	Quarter-to-quarter survival	Local sales	End-of-Line Inspection	Eyeball check	Yellow Pages	Breakdown maintenance	Cashflow

Credit to Julian Fairfield, Bach Consulting Group of Austrailia, author of Levels of Excellence.

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HR questions in designing level shifts

IV			GENERAL MANAGER x 1	• Can old III become IV?
III	MANAGER x 1		MANAGERS x 4	• Where do I get four IIIs?
II	SUPERS x 6		ASSOCIATES x 20	• Where do I get 20 IIs (usually okay 1/3 1/3 1/3 rule)?
I	OPERATORS x 36			• Need to lay off a number of people
	Total = 43		Total = 25	Net reduction of 18 people = 41%

Credit to Julian Fairfield, Bach Consulting Group, Australia

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Gains actually achieved by levels shifting

Table 1: Gains actually achieved by levels shifting

Function	Measure	Gain due to level shift		
		From	**→**	**To**
Quality	• % scrap rate • Defect rates	• 12-15% • 1-2%	→ →	1.8% 1:1,000,000
Purchasing	• Cost of purchase	• Cost reduction of 10-12%		
Sales	• Sales per mobile mortgage manager	• 2 per week	→	5 per week
	• Value per mortgage	• $80,000	→	$130,000
Maintenance	• Availability of multi-system continuous plant	• 64%	→	85%
Admin overhead	• Total cost of administration	• Reduced by 35-40%		
Marketing	• Shares	• Three-year record of 7% value share gains based on social insight		
	• Time to market	• Time to market weeks of months		
Operations productivity	• Labour and machine productivity	• 100-200% improvement		

Credit to Julian Fairfield, Bach Consulting Group, Australia

Levels of HR work complexity - examples

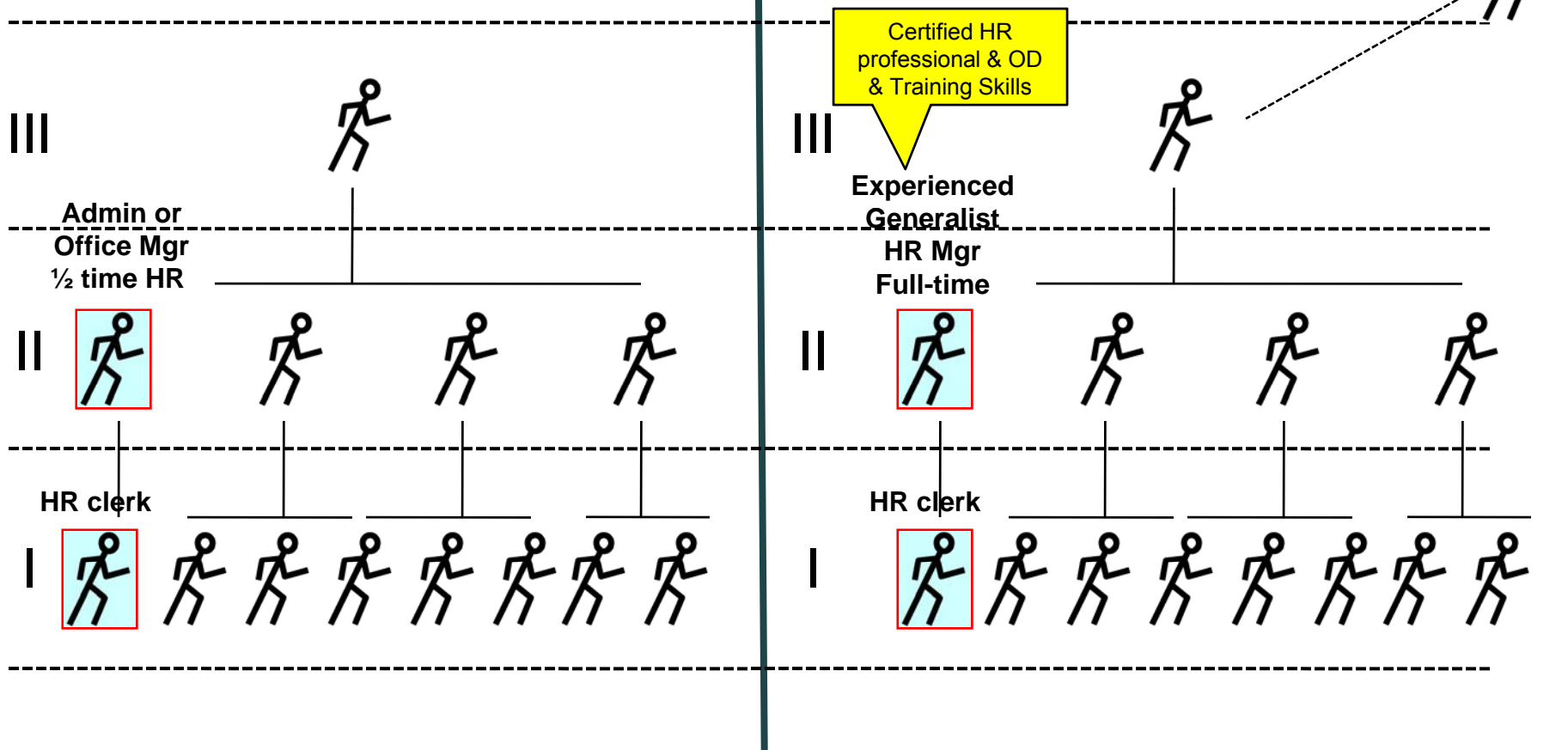| Level	Administrative HR task	Strategic HR tasks
V	Corporate VP HR Services - Integrate HR administrative services world-wide – designing and implementing a shared services system.	Corporate HR Strategy – direct support to Level VI or VII CEO to develop long term HR strategies to support several multi-national business units.
IV	Roll out head office recruiting and staffing systems across offices in 15 countries over 3 years.	Design and implement a comprehensive strategic talent management system. (2-5 years)
III	Implement project to apply best practices to improve efficiency of recruiting process over 18 moths.	Write and implement the operational plan for the roll out of one element within a strategic talent management system. Build feedback loops, assess, and refine processes into a set of best practices. (1 to 2 years)
II	Recruit and staff level I & II personnel to meet rolling 9 month targets	Manage a 4 - 12 month project to implement one section within a serial "roll out" of a new HR methodology or program.
I	Clerical input to HR data bases, monitoring and reporting	

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A level III company

Small mfg – 30-40
Security firm   200

External HR **consultant**

Common practice

Maximum leverage

Certified HR professional & OD & Training Skills

III

Admin or Office Mgr ½ time HR

II

HR clerk

I

III

Experienced Generalist HR Mgr Full-time

II

HR clerk

I

18

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A level IV company

Mid-size mfg 200.
Electrical contracting
Service company

External HR **consultant**

External HR **consultant**

Common practice

Maximum leverage

IV

IV

CFO 30% HR

Plant

III

VP HR

Plant

III

HR mgr

II

HR mgr   **HR mgr**

II

I

I

19

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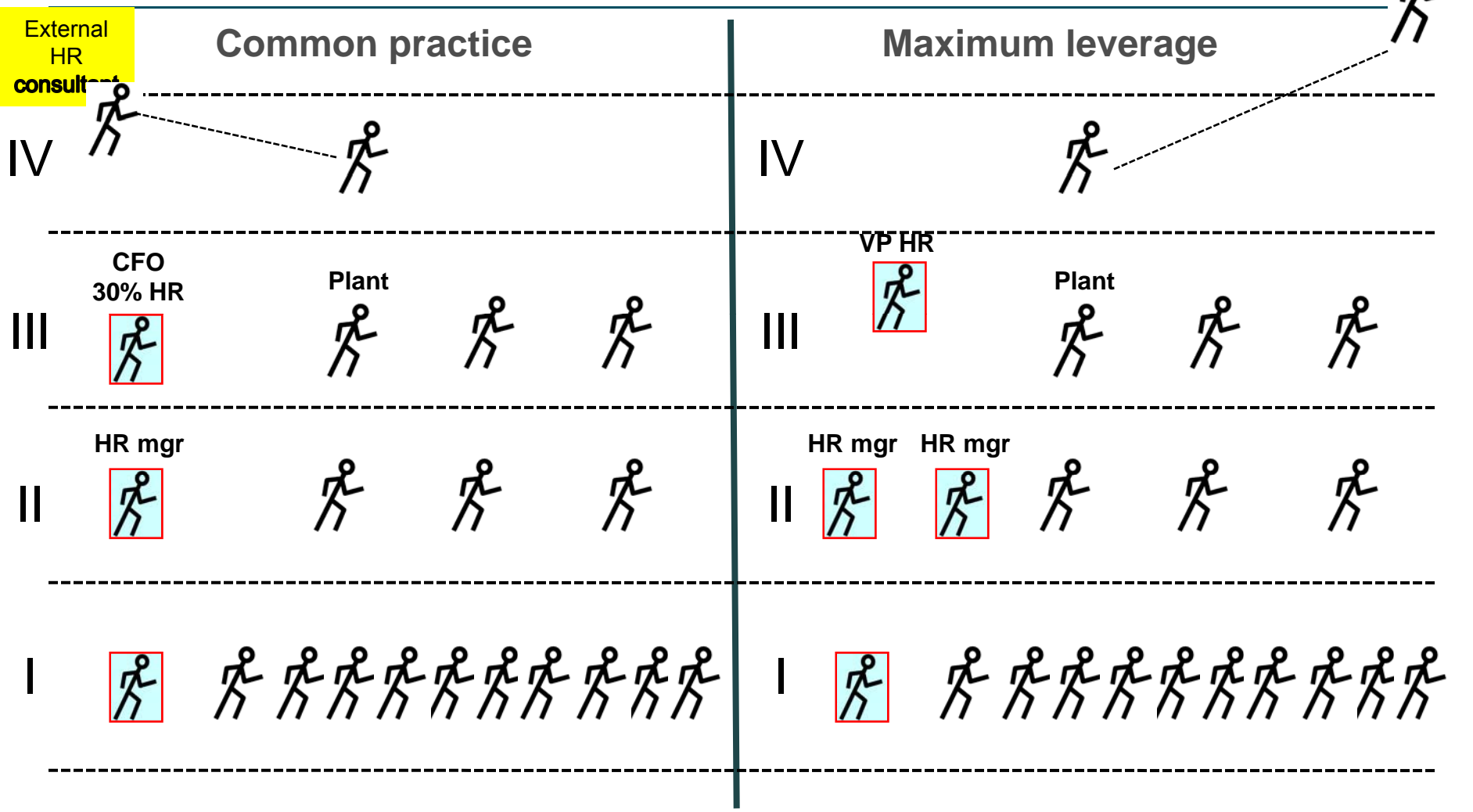
Reflecting on the HR Function
A level V company

Mfg – w/ 4 plants or Financial services 3700 employees $500 million.

External HR consultant

External HR consultant

Common practice

Maximum leverage

V

CFO 30% HR

IV

VP HR Plant 1 Plant 2 Plant 2

III

Plant HR mgr

II

I

V

VP HR

IV

Dirs HR Plant 1 Plant 2 Plant 2

III

Plant HR mgrs

II

I

20

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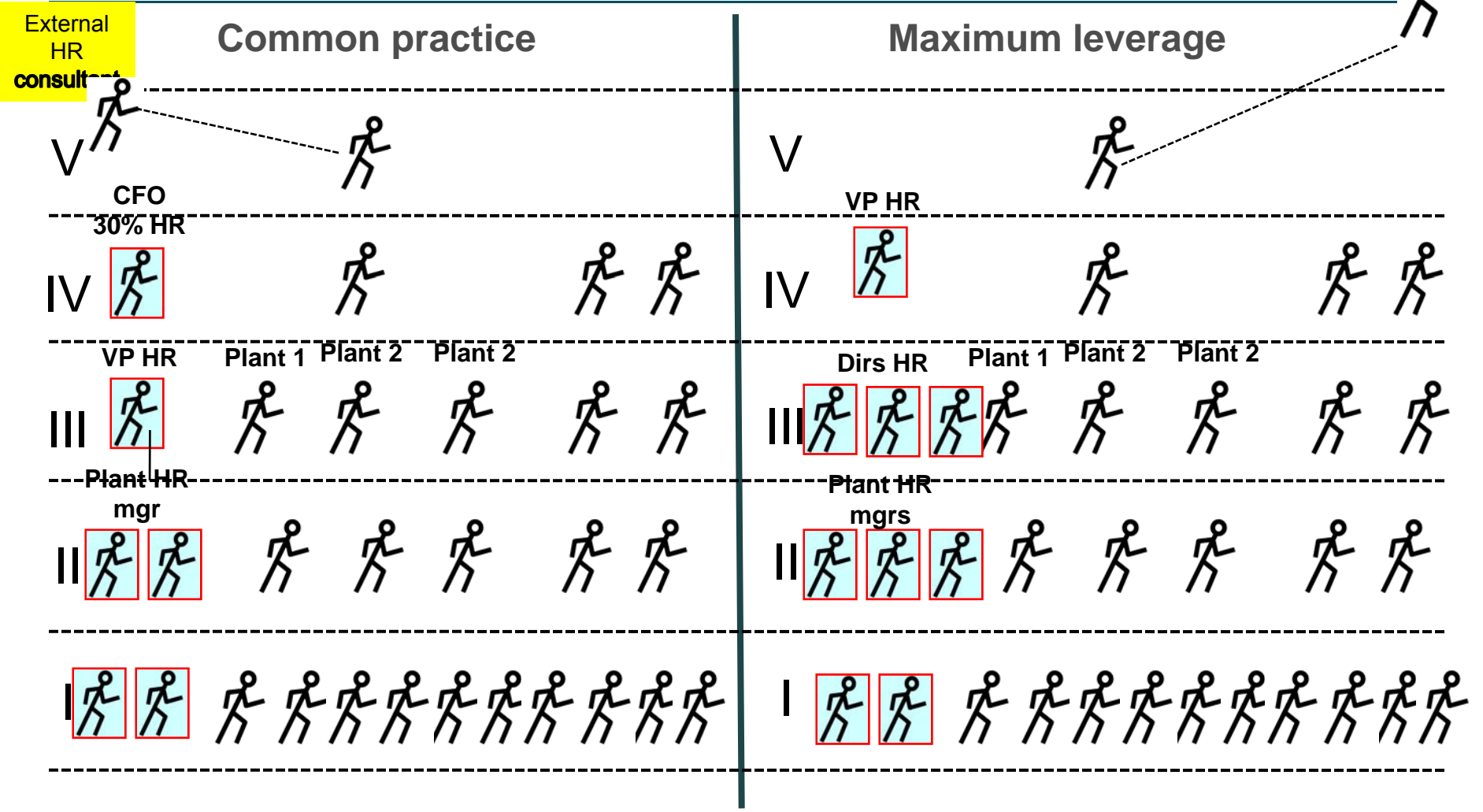
Where does this approach fit in the management jungle of interventions?

Strategy

Structure / Org. Design

Staffing

Time in strategy formulation and implementation →
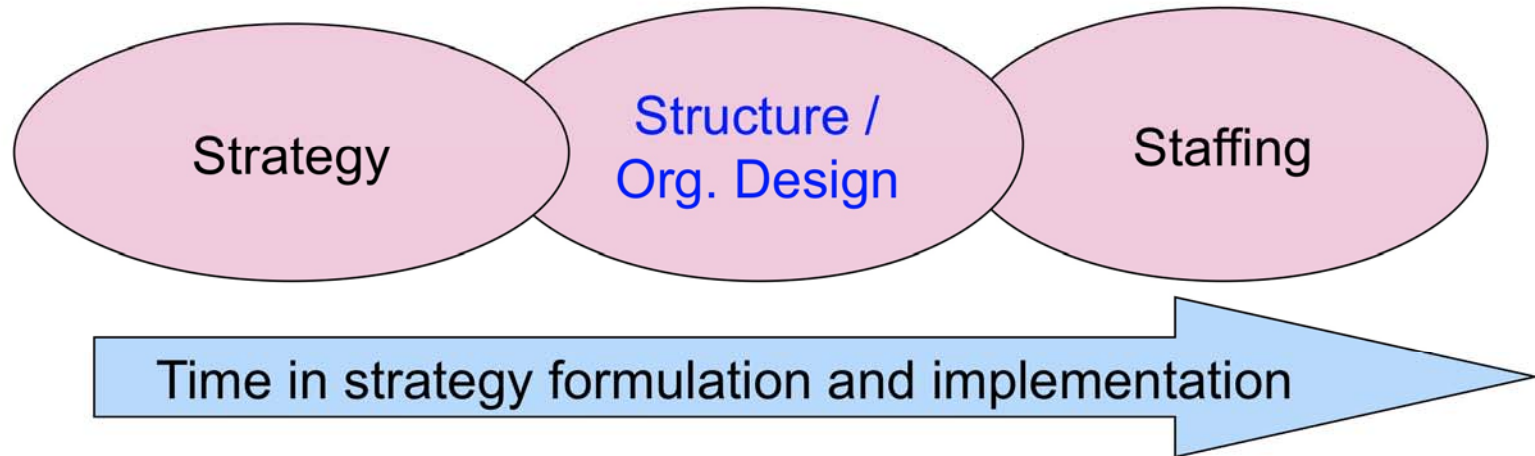
Political frame	Structural frame	HR frame	Symbolic frame
• Power coalitions analysis	• Organization design	• Training & development	• Organization culture & rituals
• Bargaining & negotiations among interest groups	• Clarifying roles & policies	• Theory X, Y, & Z	• Symbols, myths, stories, fairy tales
	• Work systems engineering	• Participation management	• Values
	• Rational planning systems	• Interpersonal & group dynamics	• Deep personal transformation training

Four powerful organization transforming interventions

The VPHR role in:

Improving top team effectiveness

Designing effective organizational structure

Managing the talent pool

Improving cross-functional alignment

Clarifying top team accountabilities
# The VPHR and their three areas of accountability

VPHR accountabilty in advising the CEO

President

Stratum V 5-10 years

VPHR accountabilty in working with top team peers

VPHR accountabilty with regard to the HR function

VP HR | VP | VP | VP | VP | VP

Stratum IV 2-5 years

DIR | DIR | DIR | DIR

Stratum III 1-2 years
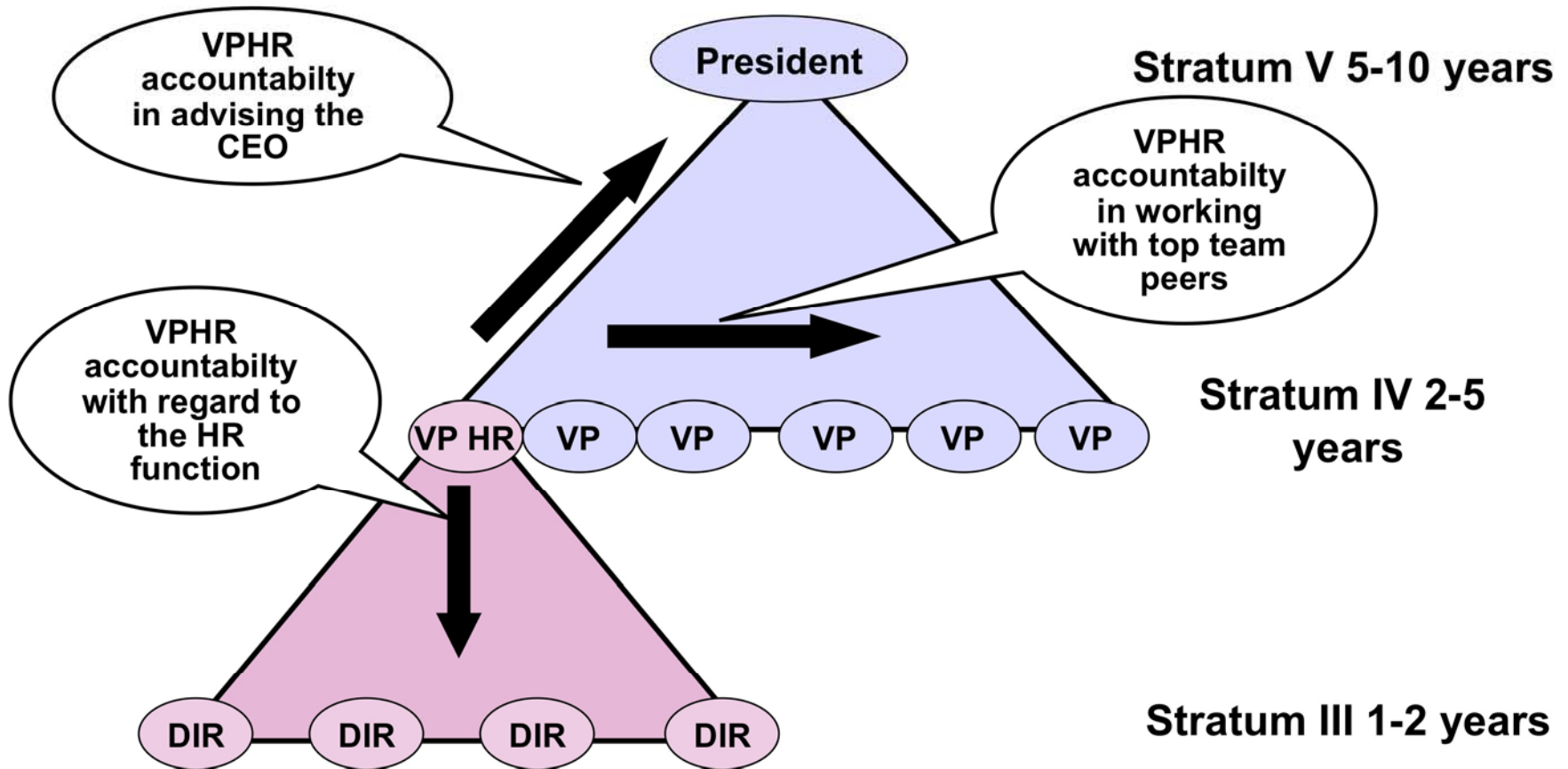
Clarifying top team accountabilities
VPHR accountability with regard to President

VPHR Advises President on:

- Structure
- Senior Appointment & Talent Pool Development
- President's leadership style
- Labour Relations
- Compensation
- Staffing
- Culture
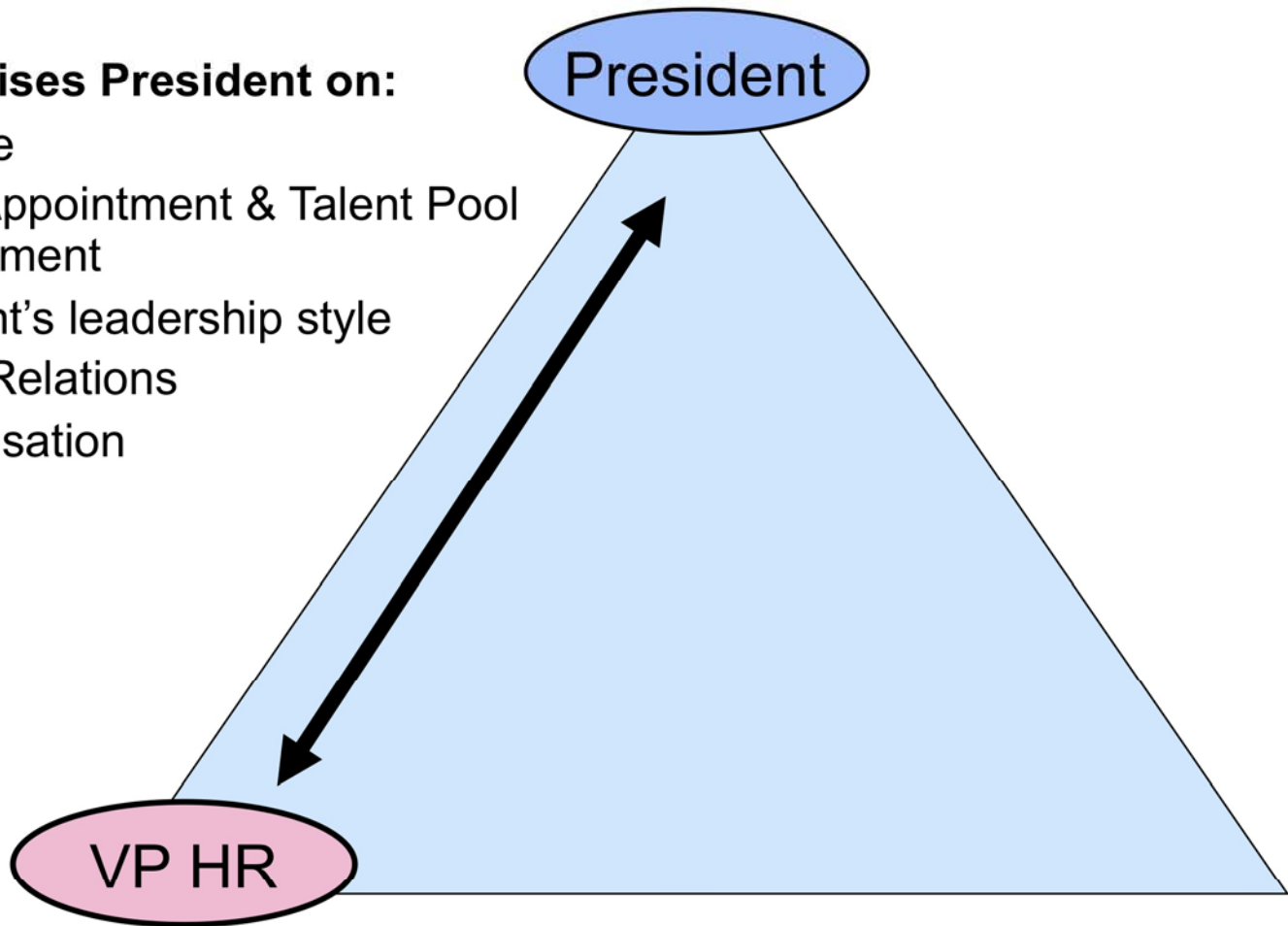
President

VP HR

Clarifying top team accountabilities
VPHR accountability with regard to top team colleagues

VP HR has collateral relationship to other VP's

- Work with them as the President would want. When in disagreement about that vision, ask the President for clarification.

- Advise them regarding internal issues such as structure & hiring

- Advise them regarding labour market changes relevant to their functions

- Monitor their application of policy related to employment legislation and regulations.

President

VP HR   VP   VP   VP   VP
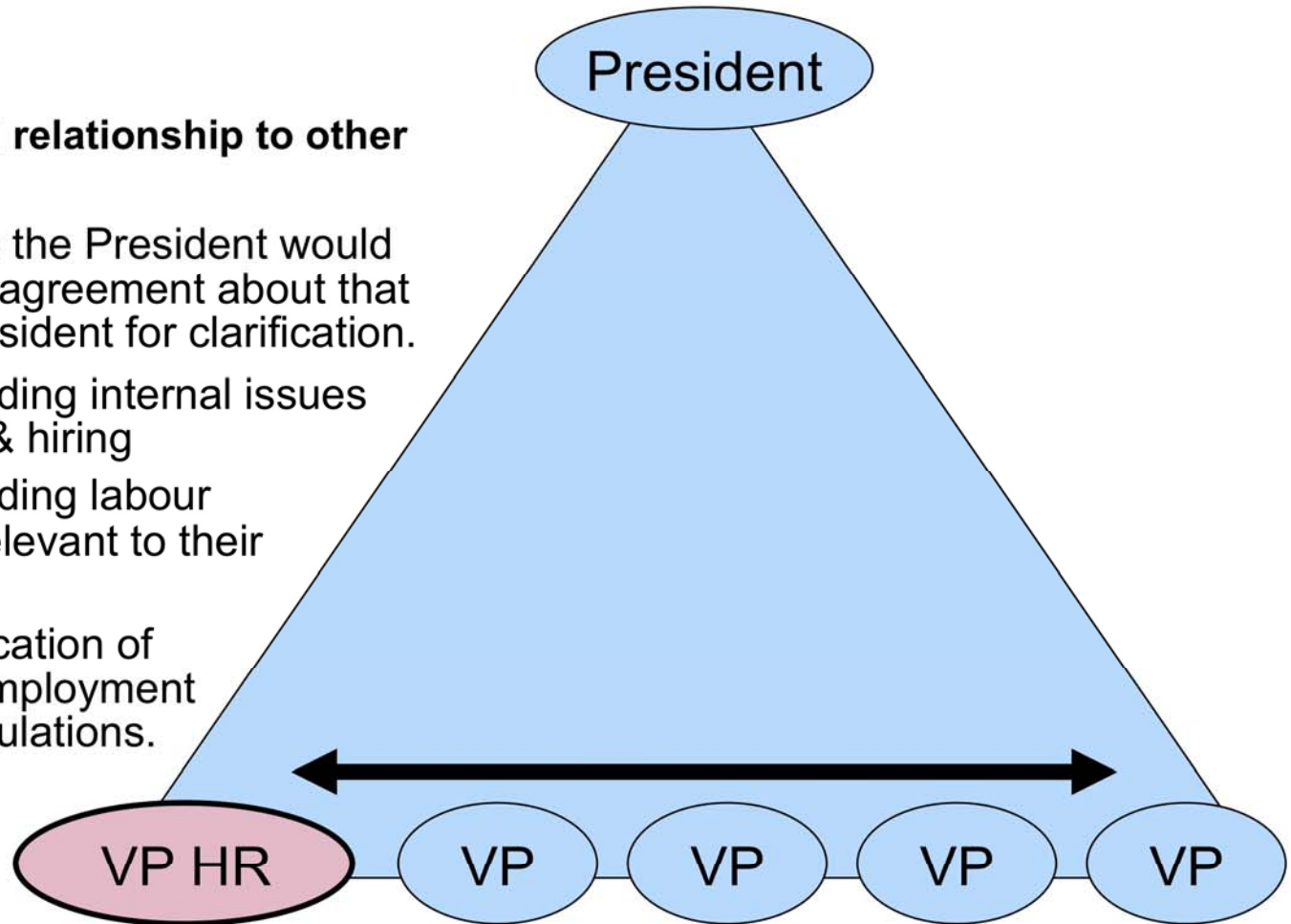
Clarifying top team accountabilities
VPHR accountability with regard to his/her task assigning role relationship in HR functional team

President — Stratum V 5-10 years

VP HR — Stratum IV 2-5 years

The HR function management team

DIR Labour Relations

DIR Compensation

DIR Training & Develop.

DIR Head office & sales

Strata III 1-2 years
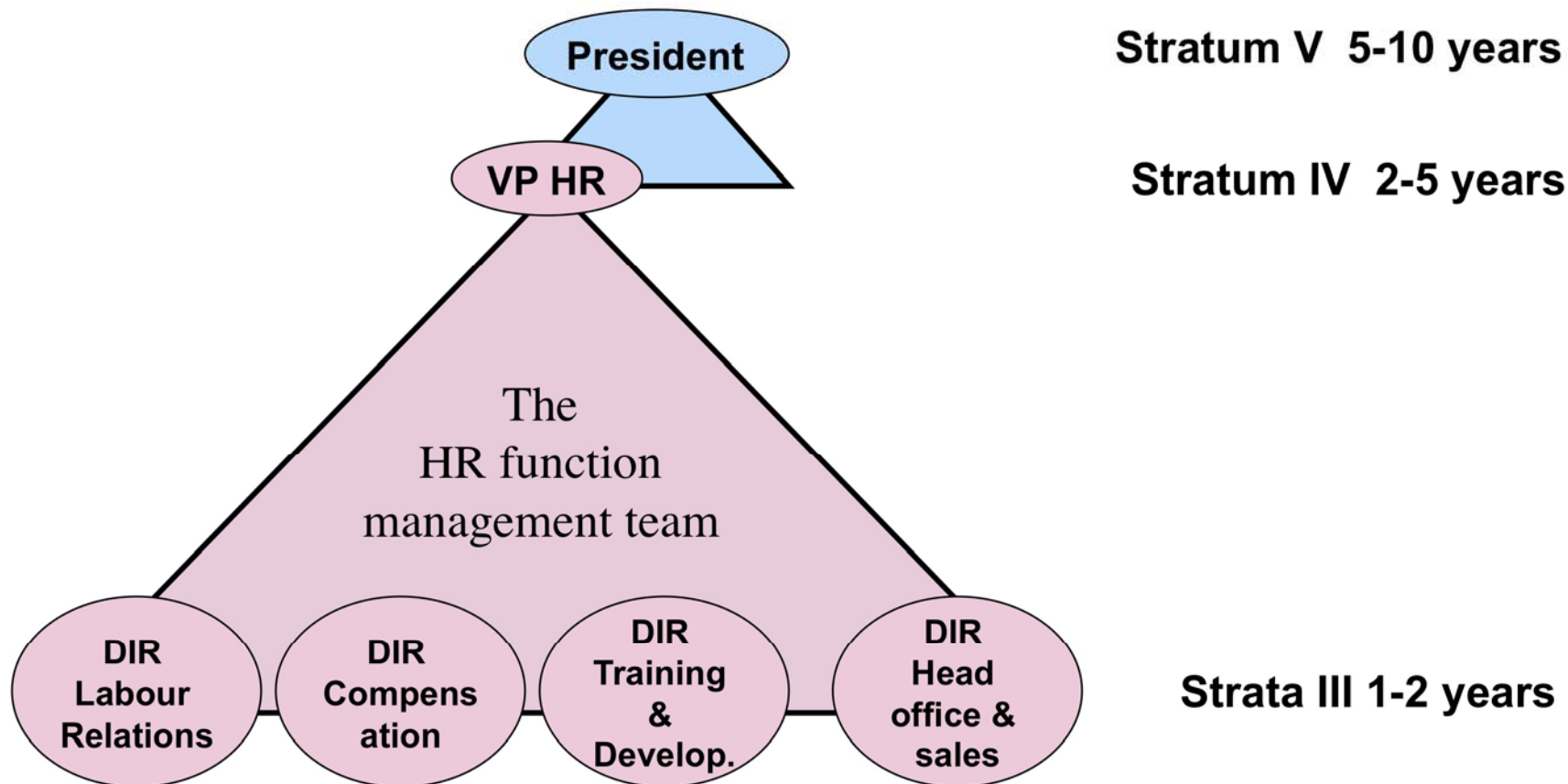
Membership by level in key professional organizations

Stratum of Membership	Org Dev.	Strategy	HR	Training	Pub Admin
VII					
VI					
V					
IV					
III					
II					
I					

Most professional associations have membership at II &III w/ relatively few at levels suitable for sponsoring RO projects.

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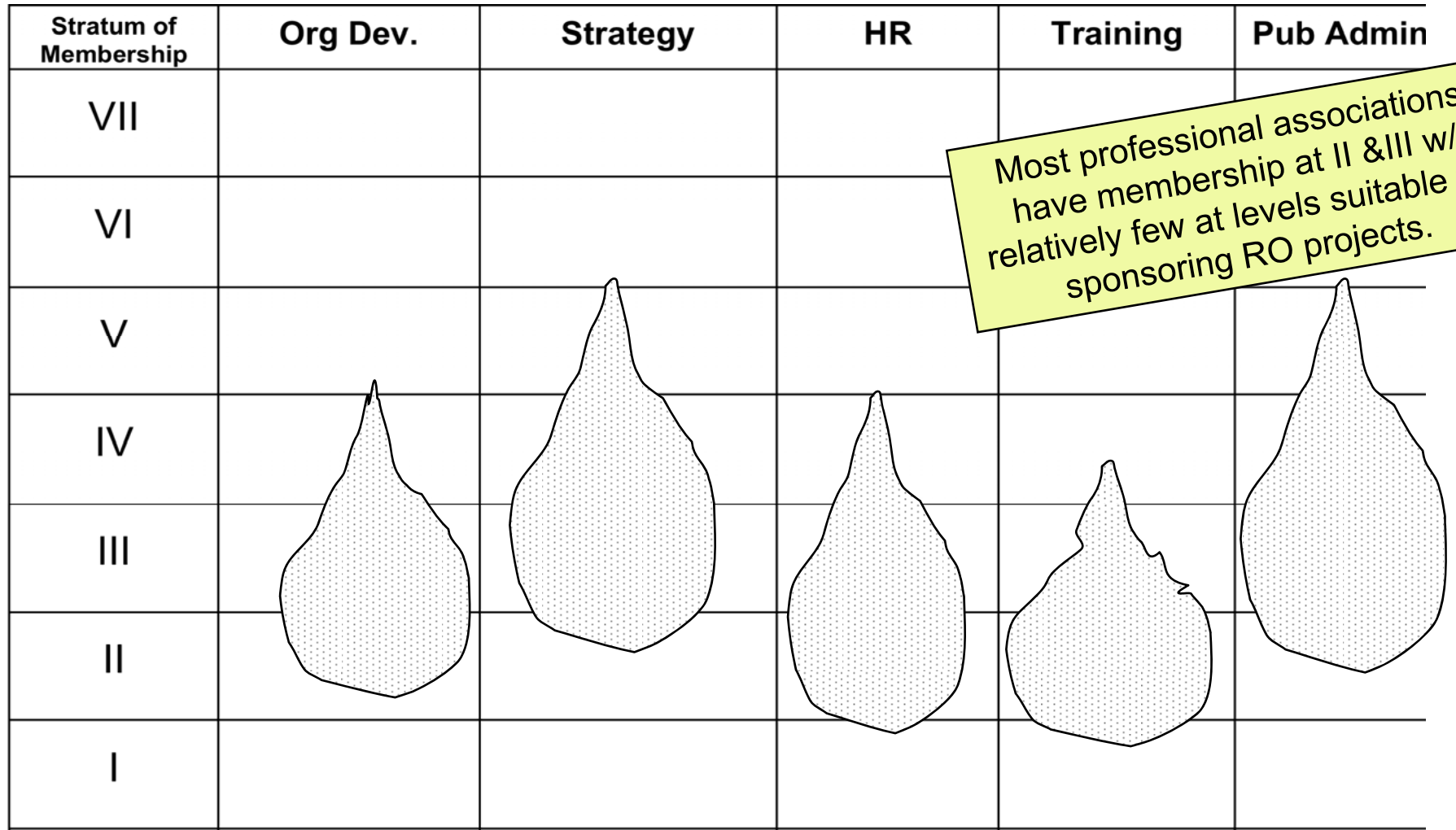
Reflect on how HR professionals are trained.

- Capability to be strategic partners, to use systems thinking to design integrated HR systems to support strategy begins with HR managers capable of performing level IV work staffed in level IV roles with adequate support and resources.

- How are HR professionals trained in your region?
    - Undergraduate programs in business administration?
    - Community colleges?
    - MBAs specializing in HR? How many ?
    - HR professional association certificate programs?
        - Standard?
        - Advanced?
        - What percent of your members hold positions at VP – Level IV?
    - Executive short courses in HRM?

- Which of all of the professional development paths stress learning the business and general management?

- What % of level IV executives in your region does your HR association attract vs. % at lower levels?
    - How well does your association retain membership of those who move from level III director positions to VP positions?
        - What's the extent and quality of professional development that your association offers to level IV members?

- Where do the few capable level IV and V HR managers come from?

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How to pursue further interest

- Read 'How to learn about organization design based on requisite organization'. Click here.

- Go to the GO Society's web site and create an account without charge. Click here Your account will allow you to view many videos and to download many books and articles also without charge.

- Obtain digital copies of materials of interest to HR professionals:

  - **Download he GO Society's new book, *Organization Design, Levels of Work Complexity and Levels of Human Capability*,** without charge.

  - **Download the *Requisite Organization Annotated Bibliography* by Ken Craddock**. Its 1600 pages all key word searchable so you can find the writings and research related to your management interest.

  - View up to a 100 hours of videos of senior practitioners in the field.

  - Download many free articles, theses, dissertations, and digitized books.

- Register for the GO Society's third world conference, here in Buenos Aires, October 26th to 29th. Click here for information and a conference program.

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Buenos Aires Organization Design Project

Auspiciantes

Usuarios de los conceptos de la Organización Requerida

GO SOCIETY PURPOSE AND VALUES STATEMENT

To support the organizing of work in a responsible, fair and healthy manner in which people are led in a way that enables them to exercise their capabilities.

The Society believes this requires applying a systems framework* emerging from reflective inquiry in which levels of work and capability are the initial paradigm and growth in human awareness is the essential process.

The benefits are organizational effectiveness, fulfilled people and organizations designed for value-creation, sustainability and social well-being.

Note: inspired by the work of Wilfred Brown and Elliott Jaques

The *Global Organization Design Society* was founded in 2004 to establish and operate a worldwide association of business users, consultants, and academics interested in science-based management to improve organizational effectiveness.

The GO Society fulfills its purpose by:

• Promoting among existing users increased awareness, understanding and skilled knowledge in applying concepts of Levels of Work Complexity, Levels of Human Capability, Accountability, and other concepts included in Requisite Organization and/or Stratified Systems Theory.

• Promoting among potential users of the methods, appreciation of the variety of uses and benefits of science-based management, and access to resources. The GO Society supports the learning and development of current and future practitioners by holding world conferences and professional development workshops, publishing books and a journal, and maintaining a resource-rich web site with related articles, monographs, books, videos, blogs, discussion groups, and surveys.