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Special Issue: The Organization-Customer Interface

THE HUMAN RESOURCE PLANNING SOCIETY HR

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The **Human Resource Planning Society** is a unique and dynamic association of more than 3,000 human resource and business executive members. We are committed to improving organizational performance by creating a global network of individuals to function as business partners in the application of strategic human resource management practices.

Now in its third decade of service, the Society is a vital force in addressing and providing current perspectives on complex and challenging human resource and business issues. HRPS is a non-profit organization representing a mix of leading-edge thinkers and practitioners in business, industry, consulting and academia around the world.

The Society continuously seeks to build recognition from business leaders and the HR community for the critical role of HR as a strategic business partner in achieving higher levels of organizational success. In support of this mission, the Society:

- Serves as a global forum for presenting the latest thinking and information on the HR implications of key business issues and strategic HR practices.
- Offers a broad range of comprehensive publications and professional development programs with distinguished human resource scholars, practitioners and business leaders.
- Builds networks of diverse individuals to exchange leading-edge HR ideas, information and experiences.

HRPS has 15 affiliates in the United States and Canada and also has a unique, reciprocal relationship with the European Human Resource Forum (EHRF), a corporate HR network for multinational companies in Europe, and The Human Resources Institute of New Zealand (HRINZ). We also have professional contacts in South America, Taiwan, Australia and Asia Pacific.

The Society also has engaged in collaborative partner relationships with several quality organizations to provide valuable services to HRPS members. The current HRPS Member Partners are:

- Center for Advanced HR Studies (CAHRS), Cornell University
- Center for Creative Leadership (CCL)
- Center for Effective Organizations (CEO), University of Southern California
- Institute for Corporate Productivity (i4cp)
- The Walker Group

from the executive editor

As the Customer's World Turns

How being a customer has changed! My wife is the photographer in the family; my job is to keep her in cameras. I remember when I purchased her first digital camera years ago. I dutifully did lots of research in the consumer and camera magazines and then went to the local camera store where the very knowledgeable and patient salesperson took me through every detail. I walked out with a then state-of-the-art digital camera, which I'm sure had at least 1 megapixel.

A few years later it was time to upgrade my wife's camera and to give the old camera to the kids. This time I looked at cnet.com, made a list and went to Best Buy. It was sold out of what I wanted, though the young salesman did his best to sell me something else. Later that day I was in Costco to buy some groceries, and I saw the camera that was top of my list at a great price. I bought it without talking to a sales clerk—of course no one there would have known anything about it anyway.

Just recently I bought my wife one of those cute little video flip cameras to capture and celebrate a big family event. I made a quick Web site visit to cnet.com and then on to newegg.com, where members of its huge online community write reviews of their experiences and tell you pretty accurately what to expect. I purchased the camera from newegg.com on that same Web site visit, and it arrived at the house two days later. This time the whole purchase took an hour or so, I never left my desk and didn't interact with any humans at all. No wonder my local camera store isn't there anymore.

I'm sure many of you have similar stories to tell. When the customer experience keeps morphing this radically, and has so many current variations, we all need to get our heads around the options and figure out how to align our organizations with our customers. That's why we are proud to publish this special issue on the organization-customer interface, with particular emphasis on how HR can play a major role in enhancing customer satisfaction in the Perspectives section and the articles that follow.

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In our last issue, Ed Lawler and John Boudreau, and Dave Ulrich and Wayne Brockbank highlighted how HR must play a bigger role with the external customer to expand the HR function's strategic effectiveness. Ulrich and Brockbank, and several distinguished contributors, continue this theme in the wonderful Point/Counterpoint that appears in this issue.

Our articles are full of great research, analysis, ideas and case studies that enable you to address this topic to improve your business' performance. This collection exactly fulfills our promise to you, our readers—to help you make better business decisions about how to align and deploy your people to implement your strategies. Big business or small, we know you'll get a lot from reading this issue.

My huge thanks go to Amy Kates and Cindy McCauley, our editors for this special issue. Amy and Cindy regularly edit sections of *People & Strategy*. For this special issue, they took on all of the articles. Amy and Cindy are both recognized experts in organization and leadership. This time they led and organized at world-class levels, conceiving, planning, soliciting, developing and editing the contents. Those that teach also can do. And do very well.

We run special issues regularly so we can explore crucial topics in depth. If you have a topic at the strategic intersection of business and HR that you would like us to pursue, please contact our managing editor at **jstrother@hrps.org**. We'd love to have your input.

Happy Reading,

Ed Gubman
Executive Editor, *People & Strategy*

from the special issue editors

The Organization-Customer Interface

HR's traditional focus is on the organization-employee relationship. In this issue we expand our view and explore HR's role in enhancing the most basic relationship in business: the organization and its customers.

Little did we know of the economic troubles on the horizon when we began planning this issue in early 2008. Now more than ever, strengthening the relationship with customers is an essential concern of all companies. Growth is needed to come out of a recession, and customers drive growth. Plus there is clearly much room for improving connections with customers. Forrester Research's 2008 Customer Experience Index highlighted the deficits: Only 12 of 113 firms received excellent ratings; 43 received poor or very poor ratings.

What is the role of HR in attracting, serving and retaining customers? Three articles in this special issue focus on HR's potential for directly strengthening the organization-customer interface.

- Ben Schneider, Bill Macy, Karen Barbera and Nigel Martin remind us that *employees* are at the organization-customer interface. They provide a clear and actionable definition of employee engagement and compelling research evidence of the link between engaged employees, satisfied customers and financial returns.
- Jeff Shuman points to the importance of *organization design* at the organization-customer interface. He shares the experience of Harris Corporation as it redesigned its business-development organization to enable senior executive account managers to build strong relationships with key customers. The new organization was structured around a matrix of the organization's core competencies and groupings of targeted customers. Jeff shares lessons learned in managing the "healthy friction" this design creates.
- Kevin Cox demonstrates how *HR services* can be a unique offering at the organization-customer interface. As head of Human Resources at American Express, Kevin encouraged his staff to find innovative ways to generate revenue by providing targeted offerings to external business partners. He shares the case of his Organizational Effectiveness department's work with Nedbank, one of South Africa's largest banks.
- Anne Kreitzberg describes the potential of Web 2.0 for building and deepening relationships with customers, partners, investors and prospective employees. However, Web 2.0 has certain characteristics, like transparency and blurred boundaries that are not strengths of typical organizations. Kreitzberg shares four strategies HR can use to encourage a Web 2.0-friendly culture.

HR leaders continue to refocus their organizations on higher value and strategic work. In this issue we challenge our readers to look beyond the traditional internal concerns and seek opportunities to directly impact the organization's relationship with customers.

The organization-customer interface is undergoing major transformation due to the effects of the Internet and of globalization. Other articles in this issue highlight how HR leaders can guide their clients in proactively preparing for and embracing this change.

- Dan Novak argues that customers' ready access to information (via the Internet) and increasing global competition are changing the requirements of an effective interface with customers. Organizations need to become far more open, transparent and collaborative with customers. Such changes clearly have implications for leadership, talent management, culture, marketing and information technology.
- David Altman, Lyndon Rego and Peg Ross focus on a very particular customer set—the vast numbers of people in developing countries who live on less than $2 a day. Known as the "base of the pyramid," organizations are partnering with non-profit and government agencies to discover innovative products and business models that open untapped markets *and* have a positive impact on the lives of the poor. The authors share lessons learned and how HR can build a capability to sell to and employ people in emerging economies.

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Cindy McCauley
Center for Creative Leadership

Amy Kates
Downey Kates Associates

Perspectives—Point/Counterpoint

Anna Tavis, Perspectives Editor

We dedicate this selection of point and counterpoints to the crucial, continuing and changing topic of the relationship among businesses and their human resources partners. In the Point article, David Ulrich and Wayne Brockbank update the evolving discussion of what competencies are required of HR professionals to deliver business value and earn a "seat at the table" when strategic business decisions are being made.

For the Counterpoints, we invited the top HR practice leaders from five leading executive search firms to respond to the academic gurus and to share their cross-industry experience of the changing expectations in the CEO suite of their HR departments. To add to the search consultants' observations, we asked three HR practitioners to describe the current status of the HR profession as seen from inside their organizations.

Collectively, our academic, consulting and practitioner writers came up with a composite portrait of an HR leader rising to the demands of the ever-changing business situation. We also want to invite readers to respond with your own observations and points of view to the editors. Please send your comments and thoughts to *People & Strategy* Managing Editor Jay Strother at **jstrother@hrps.org**.

The HR Business-Partner Model: Past Learnings and Future Challenges

Dave Ulrich and Wayne Brockbank, The RBL Group, Ross School of Business at the University of Michigan

The informal business-partner model has existed for well more than 100 years, when effective support functions, including HR, have contributed to business results. Formalizing how HR professionals can create more value as business partners has been our focus for the last 10 to 15 years. Now we can reflect on what we have learned in the past decade about the relevance of the business-partner model and see clearly the challenges that lie ahead.

Looking Back: Nine Lessons Learned

First, the business-partner model is not unique to HR; all staff functions are trying to find ways to deliver more value to top-line growth and bottom-line profitability. If they are not delivering definitive and sustainable value, they have been given the mandate to change, or face elimination or outsourcing.

Second, the intent of the business-partner model is to help HR professionals integrate more thoroughly into business processes and align their day-to-day work with business outcomes. This means focusing more on deliverables and business results than HR activities.

Third, being a business partner may be achieved in many HR job categories, typically in one of four positions:

1. **Corporate HR**
2. **Embedded HR,** working as HR generalists with line leaders
3. **HR Specialists,** working in centers of expertise to provide technical expertise
4. **Service Centers,** building or managing technology-based e-HR systems

Fourth, business success is more dependent today than ever on softer organizational agendas, such as **talent** and **organization capabilities**.

Fifth, just as general managers turn to senior staff specialists in marketing, finance and IT to frame the intellectual agenda and processes for these activities, they also turn to competent and business-focused HR professionals to provide intellectual and process leadership for people and organizational issues.

Sixth, our research shows that the HR profession as a whole is quickly moving to add greater value through a more strategic focus. At the same time, some HR professionals are not able to live up to the new expectations. In any change effort, there is typically a 20-60-20 grouping. The top 20 percent of individuals asked to change already are doing the work that the change requires. The lower 20 percent will never get there. With training, coaching and support, the other 60 percent can make the move. And we see this majority moving toward, rather than away from, business relevance. They see customers as the real, **external** ones rather than the historical internal ones.

Seventh, being a business partner requires HR professionals to have new knowledge and skills that connect their work directly to the business. Traditionally, HR professionals have tended to focus on negotiating and managing terms and conditions of work and facilitating administrative transactions.

Eighth, the inevitable failures in the application of the business-partner model may stem from both personal and organizational factors:

1. Asking HR professionals who have focused on policies and transactions to do talent and organization audits and massive change efforts may be too great a shift for some.
2. Personal interests and abilities may deter some HR professionals from engaging in ➤

the business-partner role. Their focus on administrative detail may not allow them to embrace the larger and more complicated perspective of the business as a whole.

3. Some HR professionals simply may not know how to proceed. Substantial empirical evidence shows that HR professionals who are provided exposure to such information quickly can apply that information in adding greater value to the business.

4. HR's impact on business may vary by business setting: A particular firm's business conditions may not require talent and organization as keys to success. Under such conditions HR professionals who push for alignment, integration and innovation in talent and organization are less likely to contribute to business success.

5. Some line managers have trouble either accepting the importance of talent and organization or accepting HR professionals as significant contributors to these agendas. This may be because of their having a limited perspective on the changing nature of business or because of past bad experiences with a specific HR professional.

Ninth, there are really few other options. The reality is that the HR professionals must evolve into being the best thinkers in the company about the human and organization side of the business. The human side of the business is a key source of competitive advantage.

Looking Forward: Challenges Ahead

As we look forward, we need clear thinking, effective practices and insightful research. Many of the critics of the business-partner model look at today's problems through yesterday's solutions and wonder why they do not work. The HR business-partner model of the 1990s has changed in recent years to adapt to today's business challenges.

Our firm, the RBL Group, in conjunction with the University of Michigan and a variety of HR professional associations from around the world, has studied the competencies and agendas of HR professionals as business partners for more than 20 years. We recently completed the fifth round of this ongoing global study of HR professionals and developed a clear picture of what business leaders expect from their HR business partners. We project five trends that will continue to evolve the HR field and how it delivers value.

1. ***There has been steady progress in the HR field as it has moved toward greater strategic understanding and relevance.***

   HR professionals will increase their knowledge of their companies' wealth-creating activities, become more knowledgeable about internal operations and increase their knowledge of critical external realities such as customer requirements, supplier relations, competitive market structures, domestic and international regulatory issues, globalization and the requirements of capital markets.

   With this foundation in business knowledge, they will bring to strategy discussions their personal visions for the future of the business. They will work with their management teams to formulate unique business strategies and develop the organizational capabilities to implement the business strategy and serve as the long-term sources of competitive advantage. They will continually innovate to develop HR practices, polices and processes that link directly into the business strategy and create measurable business results.

2. ***Companies will continue to require fewer HR professionals to do transactional administrative work.***

   Newly emerging information and communication technologies will continue to be applied to improve the efficiency of HR administrative work, directly facilitate greater transaction processing at lower costs and indirectly promote efficiencies by allowing the transfer of transactional work to internal service centers or to external outsourcing firms. Nice-to-have but strategically unnecessary HR activities will be eliminated.

3. ***As business partners, HR professionals will increase their focus on creating value for key external constituents: customers, capital markets, competitors and communities.***

   - They will do this by directly involving **customers** in the design of HR practices such as performance measurement, reward allocation, training recruitment and promotions. They also will provide linkages to external customers by continually conceptualizing and creating the organizational capabilities that influence the buying habits of external customers: this is what we have called "the HR wallet test."
   - HR professionals likewise will become more attuned to the requirements of **capital markets.** The recent burgeoning research in finance and economics on intangible assets is emphasizing the increasing importance of human capital assets and HR practices that create and sustain those assets. The investment community has begun accounting for practices such as succession planning, leadership development, corporate culture and executive compensation as

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considerations in buy-or-sell decisions. Companies that are able to create a credible leadership brand are more likely to enjoy P/E ratios above those of their competitors. We have suggested that the new ROI for HR is return on intangibles.

local communities in addressing these complex and important issues.

4. As HR professionals become more effective as business partners, they will become more balanced in their approaches to their work.

The reality is that the HR professionals must evolve into being the best thinkers in the company about the human and organization side of the business. The human side of the business is a key source of competitive advantage.

- As HR professionals account for customer and owner requirements in the design and delivery of organizational capability and related HR practices, they will do so with greater awareness of **competitors**. They will recognize that forward-looking and innovative HR practices have relatively little value unless they create greater value than those of their dominant competitors. Internal measures of change must be viewed from the perspective of change relative to external competition.
- A final emerging trend in HR's external focus is the role of HR in representing companies to their **communities** and in accounting for community requirements in their companies' value proposition. The mandate for greater corporate social responsibility (CSR), which originated primarily in Europe, appears to be quickly taking root in North America, China, India and in many countries with emerging economies. Concerns about global warming, air and water pollution, local employment regulations, ethical treatment of indigenous populations, endangered species, and land utilization have moved up the list of corporate priorities. HR departments increasingly are given the mandate to work with

In the most recent round of our competency research, we found that effective HR professionals function in the following six roles. If HR professionals fail to function in any of these roles, they significantly detract from their contributions as business partners.

- Credible activists build relationships of trust based on business knowledge and have a point of view not just about HR issues, but about business issues.
- Strategy architects contribute to the development, execution and communication of winning strategies.
- Culture and change stewards support the organization in identifying and facilitating important changes that improve the capabilities of the organization to compete and grow by turning what is known into what is done and linking external firm identity to internal employee actions.
- Talent managers and organizational designers provide important support and counsel in building both individual competencies and organization capability.
- Operational executors do the operational work of HR effectively and cost efficiently, using information systems and external vendors when appropriate to ensure better, faster and cheaper HR delivery.
- Business allies demonstrate a firm grasp on how the organization operates, makes money and competes.

5. HR business partners—as in other key functional areas—will be expected to base their activities on solid empirical research associated with business results.

Because the best HR practices are emerging from all parts of the world, HR research increasingly will be conducted on a global scale, and will focus on the practices and competencies that result in individual and company performance.

By Way of Summary

Many HR professionals are doing exceptional work. We are continually amazed at the number of hard-working HR professionals and leaders who are serving and being recognized as business partners by their company executives. In thousands of companies around the world, HR professionals are making enormous progress toward delivering business value.

In the future, the ways in which HR professionals will serve as business partners will continue to morph. The bar has been raised, and some HR professionals will—and others will not—make the grade. Those that do will help businesses manage the enormously difficult and exciting challenges of the 21st century.

Dave Ulrich and **Wayne Brockbank** are partners at The RBL Group and professors at the Ross School of Business at the University of Michigan.

The Good and the Great: Definable Differences

By Stephen P. Kelner Jr. and Manuel de Miranda, Egon Zehnder International

As Ulrich and Brockbank persuasively argue, the HR business-partner model is not only alive and well, but also thriving. Based on Egon Zehnder International's experience of executing more than 30,000 management appraisals conducted in the past five years, we are in a position to go beyond anecdotal accounts using our model of leadership that encompasses the indispensable competencies that top leaders possess. Of the more than 5,000 executives in the database who are at the C-level, more than 360 are chief human resources officers (CHROs) or the equivalent, representing leading companies in 20 industries on four continents.

An analysis of this data produces some interesting conclusions. About 15 percent of the HR executives rank as "outstanding" on our competency scale and 45 percent rank as "good."

In the future, the ways in which HR professionals will serve as business partners will continue to morph. The bar has been raised, and some HR professionals will—and others will not—make the grade.

Though an outstanding HR leader is, of course, highly desirable, good HR leaders can make a substantial contribution to a business. Nevertheless, there are significant and definable differences between the great and the good when it comes to the three leadership competencies—the demonstrated behaviors—critical for HR leaders:

1. **Change Leadership:** Both the good and the great have the ability to understand and overcome the barriers to change and to adopt new ways of working; but, at the highest level, the great HR leader induces other people to become change leaders and creates an agile culture that continually can adapt to change.
2. **Strategic Orientation:** The second largest differentiator between outstanding HR leaders and good HR executives lies in their ability to make strategic contributions. They don't just carry out one- or two-year plans handed to them by others; they convert larger corporate strategy into appropriate HR plans or, in the very best cases, act as a full partner at the C-level, challenging the strategy and helping redefine it.
3. **Results Orientation:** As Ulrich and Brockbank observe, the results-oriented HR leader has the ability to translate HR actions and metrics into business results. The good leader works to meet or sometimes beat goals while the great leader not only works harder, but works smarter and introduces calculated improvements into the way things are done.

In each of these competencies, the great HR leader ranks a full standard deviation, or higher than the good HR executive, which is, of course, statistically significant. A clear picture of the great HR executive comes into focus: a strategic change leader capable of getting business results and inspiring other people to peak performance.

Perhaps most interestingly, our research shows that the top decile of HR performers have a fair amount in common with our dataset defining great CEOs. For example, with respect to the three leadership competencies discussed here, the difference between the great CEO and the great HR leader is statistically insignificant in two of them: results orientation and change leadership.

As we looked for further nuances we discovered some other statistically significant data that raises critical questions for the function. Only one-quarter of all HR executives in our database have had line roles at some point in their careers. All of those who had line experience outscored the remaining three-quarters on every single competency. And here the ex-line HR executives rank staggeringly higher in the areas of strategic orientation and driving results than those HR executives who have had only staff roles.

For the HR professional, there is much to ponder in these data, especially the implications for career development. Acting as a business partner requires specific competencies—not simply experience, but demonstrated behaviors. Developing those competencies may require some departures from the traditional HR career path, and on the part of companies, a rethinking of HR executive assessments. Those who aspire to be CHROs will need to adopt a more proactive style and show a larger appetite for helping shape the business. Incumbent CHROs who want to extend their role as business partners increasingly will position themselves as active participants in business debates and provide their business perspective, not merely the implications for HR.

Ulrich and Brockbank rightly conclude that the ways in which HR leaders serve as business partners will continue to evolve. With a clear understanding of precisely what competencies are required and to what degree, there is no longer any reason that individuals and companies cannot greatly increase their odds of success.

Stephen P. Kelner Jr., Ph.D. in motivational psychology, is Global Knowledge Manager for Egon Zehnder International. **Manuel de Miranda**, Ph.D., Cambridge, is head of Energy Practice in Egon Zehnder International's New York office.

Change the Terminology!

By Jerry McGrath, Korn Ferry International

I cringe whenever a candidate declares, “I’m a strategic business partner.” It drives me crazy. Why not just say I am a business leader? I have never liked the word partner as it relates to the HR function. It is far too passive and too bland.

This is more than just semantics. The phrase “business partner” suggests a weaker, more subservient role of HR as a starting point. The term does the function a disservice. Does anyone ever hear a chief financial officer referring to himself or herself as a business partner? A head of engineering? A head of sales? IT? I like what Ulrich writes about the activist HR professional, but we need to stop referring to ourselves as partners. “Strategic business partner” sounds canned; and the term rolls off the lips of too many marginal HR professionals. People who don’t know what it means overuse it. On the other hand, HR professionals, and people in general, don’t say that they are a leader if they do not believe it.

A dictionary definition of partner is “a person associated with another or others in some activity of common interest.” The word leader is far more powerful and reflects the true role for the CHRO: “someone who shows the way, by going in advance” and “one who has influence or power.” It is high time for HR to rid itself of any submissive vestige.

The portfolio that the CHRO possesses is enormous, exciting and vital to the business. The knowledge and data alone that a CHRO has in his or her realm is a powerful base for leadership. An effective HR leader knows the performance, pay and potential of everyone in the company, from the mailroom to the boardroom. This gives the CHRO the golden opportunity to lead and to be the first among equals in the C-suite. A high-performing CHRO is one member of a senior leadership team that others look to for judgment, counsel and advice—all qualities of a strong business leader.

Shifting our terminology from partner to leader will inspire HR professionals to be more commercial, relevant and effective. The HR leader should feel empowered to weigh in on a vast array of strategic issues. The HR leader should act like a CEO, overlapping with that key role as a thought leader, constantly assessing the HR impacts attributable to gaining market share, increasing sales or making an acquisition.

Because I work across industries, I like HR executives/candidates who think like a CEO and set the stage for me in terms of the competition, market share, shareholder value, sales, revenue and so forth of their company. A business leader can do that. Too many so-called strategic business partners can’t answer those questions.

Leaders are respected, big and wise. This subtle but significant shift in terminology will do wonders for the self-respect and self-image of human resources professionals. This has been one of the main contributions of Ulrich’s writing and teaching through the years.

Jerry McGrath is a senior client partner, Human Resources, at Korn Ferry International.

Critical Roles with New Emphasis

By Claudia Lacy Kelly, Spencer Stuart

There is no question that during the past 10 to 15 years companies have been looking to their human resources leaders and professionals to adopt a more strategic, results-oriented approach to HR, whether they are in charge of corporatewide initiatives, regional or business unit programs, or centers of expertise within the function. And, indeed, many HR leaders have acquired the business knowledge and developed the skill sets to position themselves as true business partners.

> There are significant and definable differences between the great and the good when it comes to the three leadership competencies—the demonstrated behaviors—critical for HR leaders.

In recruiting senior human resources leaders for our clients, there is demand for HR executives who are able to participate in discussions on business strategy from both an HR perspective and a shareholder perspective, translating the human capital ramifications of business changes. Increasingly, companies want their HR leaders to be champions of business performance who take a holistic approach to motivating and developing talent and know how to use all the available levers to achieve business objectives. These leaders have a commercial mindset and the influencing skills to partner effectively with business leaders.

Though I largely agree with the trends outlined by Ulrich and Brockbank and their implications for the roles that HR professionals increasingly must play as full business partners in organizations, a few areas require additional comment.

First, human resources executives have a key strategic role in managing compensation. Compensation—in the form of payroll, benefits, incentive programs and pensions—is not only the largest or one of the largest expenses for most companies; it is also one of the most effective levers in linking employee behaviors to the business’ strategy and objectives. HR business partners must take the lead in designing compensation programs that reinforce desired behaviors and drive the key objectives of the business.

Recent events have underscored the importance of a well-structured compensation program. In the current environment, more boards and CEOs are looking to their HR executives to reexamine and, in many cases, overhaul compensation practices to achieve a better balance between the organization's short-term, top-line goals and its broader and longer-term business objectives. For example, in the wake of the credit crisis, HR leaders at many financial services firms are examining new compensation formulas meant to ensure that organizations do not reward short-term successes that end up having negative consequences over time.

Second, HR executives serve the interests of capital markets—more specifically, the company's investors—by ensuring that the company remains vigilant in planning for the succession of the CEO, CFO and other critical senior executive roles. A comprehensive, objective and ongoing succession planning process is not merely a good governance practice; an organization's ability to place the right leaders in these top roles has emerged as a key investor concern, directly related to a company's performance and sustainability.

In the case of the CEO, shorter CEO tenures add urgency to succession discussions, as a leadership transition is an issue all boards are likely to confront. Companies must plan for long-term succession needs and be in a position to accelerate a CEO transition in response to performance problems or emergency situations.

Despite widespread agreement about the importance of succession planning, it is an area with which many boards struggle. Human resources executives help the board navigate potential obstacles to CEO succession planning by helping define the succession process and keeping ongoing succession planning high on the board's agenda. The most sophisticated organizations have well-established succession planning and talent-development processes encompassing all high-level executives.

While the top HR executive of the past reported exclusively to the CEO, the modern-day head of HR—since the passage of the Sarbanes-Oxley Act—has assumed a fiduciary responsibility to the investor community and the board of directors to ensure that the company is planning for the succession of the company's top leaders.

It is high time for HR to rid itself of any subservient vestige…shifting our terminology from partner to leader will inspire HR professionals to be more commercial, relevant and effective.

Third, HR business partners will continue to be more aware of competitors—as well as best-in-class organizations in other business sectors—as part of their efforts to benchmark senior talent. Through competitive talent intelligence, HR leaders can better determine the level of talent within the company relative to other organizations, potentially revealing talent gaps or the need to enhance development plans for key executives.

Finally, for companies to have the HR business partners they need for the future, they must commit to training HR professionals about the business. The truth is HR professionals cannot become business partners if they are not trained to serve in the business-partner role. This requires companies to be disciplined about exposing HR professionals to the business from very early in their careers; for example, by inviting them to strategic planning meetings, and applying the same talent-development and succession approaches to the HR function that are used to identify and develop other high-potential professionals in the business. HR professionals aspiring to become true business partners must be committed to learning about the business and its issues—pushing to be invited into business and strategy meetings, learning to read the company's financial reports and pursuing a business education. If they do not build an understanding of how the business is planned, developed and executed, HR professionals cannot be effective business partners.

Claudia Lacy Kelly is global practice leader, Human Resources Practice at Spencer Stuart.

Additional Hurdles

By Joanna Miller, Russell Reynolds Associates, Inc.

I congratulate Ulrich and Brockbank on an excellent summary of the evolution of the human resources business-partner role, challenges pertaining to the role and future trends as the role continues to evolve in response to changing business needs, demographics and other factors. I have been assessing and recruiting senior human resources professionals for the last 15 years, and it truly is gratifying to see how many organizations have grown in their recognition and reliance on human resources professionals as key strategic resources.

Several points bear further highlighting regarding the challenges facing the new human resources business partner, now relieved of transactional responsibilities. To the authors' eighth point, on personal and organizational factors leading to failure of the business-partner model, I would add three additional hurdles that frequently need to be overcome:

1. **The fear factor:** Many human resources professionals have built successful careers by focusing on fixing administrative and transactional problems for the business leader(s) they support. In the shift to the new model, they sometimes can be afraid that if their old role is eliminated by moving the more transactional functions to a shared services organization or outsourcing firm, or more recently to an e-resource, they will be left without a visible way to add value and continue to be a hero in the internal client's eyes. Even when the human resources business partner has the motivation, skills and training to make the shift from transaction and process orientation to strategy and results, he or she may still lack the self-confidence and courage to make the leap. One solution to this problem is to seed the organization with strategic business partners who can be role models.
2. **Lack of business acumen:** Through the years, the sought-after competencies in specifications for senior human resources executives increasingly have listed business acumen at the top of the list. A limitation to success in the business-partner role can be a lack of the understanding of key business drivers and financial metrics, and the ability to interpret financial and strategic analytics, let alone understand their link to human resources issues. Companies that encourage or require financial and accounting education for their human resources professionals are headed in the right direction.
3. **Internal competition:** Some companies that have converted to a business-partner model struggle to develop productive collaboration and teamwork between the generalists and the specialists. Human resources business partners can sometimes be reluctant to give up the trusted adviser role they held with business-unit leaders in the past, and sometimes resist the direct contact and involvement of specialists with their internal client. Specialists need superb emotional intelligence, maturity and relationship-building skills to develop the required collaboration. It also helps if they have low ego needs and are willing to work behind the scenes without needing obvious credit.

The incentive to overcome all these obstacles to success comes in the form of the bright future that awaits the effective human resources business partner as senior attract, assess, develop, compensate, promote and retain key line talent across the organization is a powerful contribution. As the talent guru, the HR executive must bring the understanding of how all functions interrelate to drive good outcomes—as any other functional or business leader. But the further expectation is that these HR executives will translate their business savvy into actions that go beyond traditional HR and advance the organization's larger objectives.

A few areas require additional comment: managing compensation, planning for succession, being aware of competitors for talent and training HR professionals about the business.

leaders—including boards of directors—increasingly recognize strategic talent and organizational issues as key business drivers, risks and opportunities.

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It is Time to Take a Different Seat at the Table

By Lauren Doliva, Heidrick & Struggles

In consulting with business leaders with respect to HR talent, there is no question that Ulrich and Brockbank have captured the key expectations in the six roles they outlined in the challenges ahead. Now that many top executives recognize that talent drives success and are taking ownership for it, they are, in parallel, requiring human resource officers to have broad business competencies to maximize people assets across the enterprise.

Talent management is a step in the right direction. Establishing a holistic system to identify,

As a consequence, many executives are putting line leaders into top HR jobs. And clients are insisting that HR professionals have operational or customer-facing experiences. A small but developing trend in recruiting is the request to see candidates from both the line and human resources career paths. The good news for the profession is corporate recognition of the critical need to integrate all aspects of talent management into business goals. The challenge is the size of the pool of business-savvy HR executives who are prepared to effectively use the levers of business, both within and beyond the traditional scope of human resources.

Though the authors estimate that 80 percent of the function is not yet fully prepared to take on the role, the term "HR business partner" already has been widely adopted in the business vernacular. Candidates typically describe themselves as HR business partners and insist they only want to work where the business values HR as such. But just saying it, as Ulrich and Brockbank suggest, does not make it so. And those of us who are trying to help our clients fulfill their HR needs with such talent concur.

The astonishing notion reverberating in this article is that the human resource function is still coping with its identity as being part of the business, so much so as to label its leaders as HR business partners. The HR function is a business function. Though it has distinct professional responsibilities as does finance, IT or marketing, the other support functions are not insisting on a similar modifier. Has HR limited its power and influence by this linguistic insistence?

Admittedly, every business is not yet ready to take advantage of an HR business partner as so well defined by the authors, but it is incumbent on every employee, especially HR, to influence, work and strive to achieve business objectives in the context of the whole while balancing the case for his or her own contribution.

HR grew as a business function out of the need to manage the relationship between management and labor, a critical business issue. Yet after 100 years the profession still seems to be struggling to prove, according to this article, its connection to corporate goals. Are there things, in the language of Jeff Katzenbach, that the function needs to "unlearn" to be able to move ahead?

Ulrich and Brockbank call on the profession to continue to evolve. But should the profession simply settle for evolving in this time of rapid change, economic stress and global complexities? Isn't it time to take up the implicit charge of the key roles defined by the authors, and be an innovator and visionary with respect to meeting these challenges? Isn't it time to take a different seat at the table?

Though we can appreciate and value the need for research to validate best practices and approaches, each professional (as does each business person) has an enormous opportunity and obligation to go beyond expectations, to broaden himself or herself as necessary, and to exercise creativity to transform business in the context of this new

transform business in the context of this new
world. It's time for everyone to calculate his or her own ROI and find ways to freshly contribute to the bottom line.

Isn't it time to take up the implicit charge of the key roles defined by the authors, and be an innovator and visionary with respect to meeting these challenges? Isn't it time to take a different seat at the table?

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Understanding the Elephant

By Amy A. Titus, BearingPoint

One challenge for HR professionals today is to deliver efficient and reliable HR operations and support. As such, HR professionals also act as business partners and strategic advisers to the senior team.

Organizations are changing the structure of their internal service departments such as HR and finance, forcing them to take a more consultative and strategic role within the company. Executive expectations about what HR delivers have expanded, using concepts such as "employee engagement and commitment to drive productivity," and "combining compensation and other forms of recognition to influence behaviors and level of effort." However, in many cases, this takes place with little thought about how the new function can best be established and how the individuals themselves need to change for it to be successful. The transition from working in a transactional manner to operating as a strategic business partner within an organization requires new tools and techniques. We have seen and continue to see within HR that it is tempting to revert to familiar activities, which then hamper personal and functional credibility. The change requires skills and confidence to obtain a seat in the boardroom as a strategic partner and as a commercial contributor.

HR business partnering is not a new business concept—in fact HR transformation has been a priority for organizations for more than a decade. However, HR transformation in the past has been more theory than reality and has been focused on outsourcing and changing titles. Determining what it actually means to be the HR business partner has been a search for many human resource professionals. Dave Ulrich and Wayne Brockbank address this question by starting with the identification of nine learnings about HR in the business-partner role. They then outline challenges ahead for the field encapsulated in five trends. All points make sense and provide a good source of confirmation and guidance regarding the business-partner role.

What this article does not do is pull together the various items needed to provide a path for how individuals grow into the six roles that the successful business partner plays. For HR practitioners to become commercial contributors, a framework is essential that outlines how to arrive at business acumen, how to lead and facilitate senior leaders, how to attain the ability to influence key people and, finally, how to build credibility and position HR as a valued service in the organization.

The authors, however, immaculately place the elephant on the table. This elephant is critical to understand clearly for those HR practitioners who aspire to be business partners. Some business leaders are not ready and lack the capability to team with human resources. There also are other businesses that are not organized to value HR and, in some cases, they do not need a strong HR business partner to be successful. In these situations, the proper perspective on the part of the HR professional is required to define success.

This article convincingly outlines the role of the HR business partner during times of economic growth. There is limited guidance for times of recession and crisis. In the current down cycle, the HR business partner has to undertake a new role and assist in identifying the employees and programs that are not priorities and guide the business in how to efficiently make changes and downsize where and as needed. Grasping the organization's new evolving agenda is essential for HR to provide senior leaders with honest feedback about plans for the recession. HR needs to support managers to make tough decisions as well as challenge them to articulate clear messages about the future of the organization. HR business partners have a more critical role than ever before, one that is only partially charted.

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Essential Competencies

By Joy Wyatt, Franklin Templeton Investments

In business-partnering models, as explained by Ulrich and Brockbank, HR professionals support organizational strategy by leading with their knowledge of the business, linked to their knowledge of human resources practices. For HR professionals to succeed in this position, they must understand and help to champion the business agenda of their business-unit colleagues, not simply be HR's voice at the table. They also must assume weighty roles that are essential to business-unit success. Ulrich and Brockbank cite these critical roles: credible activists, strategy architects, culture and change stewards, talent managers and organizational designers, operational executors and business allies. Yet successful execution of these roles often relies on competencies not described by the authors.

In my own experience as an HR business partner at all levels, and as sponsor of a project to implement such roles, I have found three high-impact competencies often sought in HR business partners—coach, conscience and catalyst (it is a coincidence that these all begin with "c"). These competencies are necessary for actualizing Ulrich and Brockbank's six roles, and they enhance the likelihood that an HR business partner's contribution will make a real difference. The partner's belief in his or her own efficacy is a key success factor in demonstrating these competencies.

Coach: Leaders often desire critical feedback from HR partners. HR professionals who lead with business acumen can be the trusted mirror in which leaders see themselves and see more clearly the impact of their actions. Skilled HR business partners who are effective coaches and communicators, and whose agendas align with those of leaders, are supportive and credible sources of truth. They help leaders avoid making mistakes and reinforce what they are doing right, thereby saving time and wear and tear on the organization.

Conscience: Leaders often need to be reminded of promises they've made to employees. HR business partners are in a unique position to re-ground leaders in organizational values and guiding principles when they are caught up in the need to meet immediate business needs. The most effective HR business partners help leaders understand the gaps that employees may perceive between what is said and what is done. By acting as conscience, HR business partners help the organization operate more efficiently by avoiding missteps and staying on course around both business and people objectives.

Catalyst: Every responsible leader will agree that managing performance and monitoring engagement levels are critical to managing the business. But it can be hard for them to commit to accomplishing things they know are important in managing people but take long-term planning and leaders' time to implement. Effective HR business partners link the work of developing an effective workforce to strategic business objectives, greatly enhancing the likelihood that this critical work will get done.

Effective HR business partners confidently display the competencies of coach, conscience and catalyst and proactively assume the responsibility of ensuring their own competence as business—as well as HR—leaders.

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A small but developing trend in recruiting is the request to see candidates from both the line and from human resources career paths.

Lasting Competitive Success

By Cheryl Thomas, Johnson Financial Group

Though it is interesting to review the historical perspective of the business-partner model, I think current and future business ➤

challenges create opportunities for even greater differentiation of the HR role from other staff support functions. Only our spheres of responsibility offer the chance to build lasting competitive success.

Business success always has been about culture, talent and organization capabilities, regardless of whether they were influenced or managed by an HR professional. Elements of the business-partner model are universal to all staff functions, but the key differentiators for HR are the roles of culture and change stewards, talent managers and organizational designers. The article's description of five HR professional failures in the application of the business model makes this point. Yet, all but the fifth failure could be failures of any staff professional.

The transition from working in a transactional manner to operating as a strategic business partner within an organization requires new tools and techniques.

However, when the HR professional or the enterprise as a whole doesn't accept or recognize the importance of culture, talent and organization capability, then HR has failed to distinguish itself for the value it brings to the business, and, very likely, the business will fail. As we continue to see dramatic changes in political, economic and social environments, the human side of the business is continuing to emerge and enlarge as the key source and differentiator of competitive advantage. Whoever forgets the key impacts of culture, talent and capability is doomed to fail in the marketplace.

As the article aptly points out, the distinguishing characteristic of HR leaders is to be the best thinkers in the company about the human and organization side of the business. This thinking requires knowledge and understanding of the business' vision and strategy, organizational and individual capabilities, and the cultural attributes that best support leveraging these capabilities to achieve strategy. All support-area professionals, whether in HR, finance or IS, are moving toward greater strategic understanding and relevance to the business, and companies will continue to allow fewer professionals—not just in HR—who do not understand and who are not relevant. The transactional, administrative work may get things done. But if these players are not efficient, or they are not contributing to positive business results, they are not sustainable—competitive pressures will demand change. However, today, and certainly in the future, as businesses have more access to bigger and ever-changing markets, and technology impacts productivity, it is the human element that is the constant in creating and adapting to change.

Best practices are emerging from all parts of the world, and this further supports the growing opportunity for HR professionals to differentiate their roles. Where other functional support areas may apply processes, technologies and systems on a global scale, I believe HR's opportunity is to translate, align and support changes locally, taking into account the uniqueness of individuals and each local organization's strategies, plans and capabilities. We can create competitive advantage for our companies by our knowledge of, unique thinking about, and good stewardship of particular cultures and competencies. The human element is still the most unpredictable and exceptional weapon in the arsenal of each business. P&S

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An Open, Collaborative Approach to Attracting and Retaining Clients

Dan Novak, Leadership Strategies Group

Previous client attraction and retention strategies have attempted to lock-in clients through preferred-supplier agreements in the hope that the organization could reap 100 percent of the client's spending in the segment. These closed *approaches that attempt to own clients and markets are no longer viable. Instead, organizations must engage in* open*, deep and transparent relationships that provide value to clients. Open strategies provide new opportunities to attract, serve and retain clients in the new global context.*

New Context

Global realities have changed and the new context is shaped by many pervasive realities:

- ubiquitous connectivity;
- ready access to information;
- ecosystems that create value; and
- open relationships with all stakeholders.

Web 2.0 concepts are defined as idea sharing in open social networks on interactive sites that get better with use. Web 3.0 concepts also are emerging, defined as a movement toward extreme personalization and massive collaboration.

Global competition and easy access are realities as clients are pursued by global organizations with disparate and creative offerings. Value no longer comes solely through efficiency and price leadership. Instead, value comes through innovation, information sharing and concierge-type relationships.

Take healthcare as an example. Consumers are gaining open access to information about diseases, treatments, pharmaceuticals, providers and costs. "Infomediaries" broker information and network between providers and consumers. Specialty hospitals from around the globe pursue patients as "medical tourists." Consumers are making independent, well-informed decisions in an attempt to obtain the best care at the best prices from a global market.

The unprecedented reach offered by mobile computing also allows new consumers in developing countries to encounter global organizations and form first-time opinions regarding their products and services. More people now have a mobile phone than a landline; and this connectivity is creating new, open markets that are extremely fluid and interactive. Through this ubiquitous connectivity, consumers have 24-hour access to information and to wide-ranging perceptions about products and services, organizations and client experiences. This enables non-traditional competitors and collaborators to emerge easily at local and global levels.

Ecosystems composed of virtual organizations and virtual employees are yet another significant transition in globally integrated markets. These interactive, continuously morphing ecosystems create value through perpetual collaboration and innovation. Organizations must view themselves as part of global ecosystems and recognize that these open approaches are more likely to attract and retain clients than historically closed approaches.

New Strategies

New client attraction, engagement and retention strategies are needed in this new context. Open relationships now form easily among businesses, clients, employees and partners. Brands, messages and digital conversations are wide open to all stakeholders, clients, potential clients and even detractors. The collective voice of the individual (whether they are a client or not) now rivals or exceeds the traditional voice of organizations.

Many organizations will perpetually morph via flexible relationships and via on-demand resources to create value through open collaboration with partners and stakeholders. Patented assets and intellectual property will no longer control market value: Significant value will come from who you know, who the organization knows and through shared experiences. As a result, some organizational leaders have started adopting new, more open points of view in an attempt to differentiate their organizations.

Open Information

Reliable information and credentialed advice are becoming increasingly valuable to clients and prospects, allowing them to feel informed, educated and equipped. Open information exchanges are becoming increasingly transparent, building sustainable trust as they provide organizational information about sourcing, partners and the entire value chain.

For example, real estate agents are educating digital visitors on important industry matters to establish their credibility as real estate experts. This credibility serves as a risk reliever for consumers and increases media coverage for agents. Their efforts put a human face on business and allow consumers to form positive impressions. Other examples include Travelocity retooling its Web site to anticipate travelers' wants and needs. Travelocity President Michelle Peluso says, "We're trying to act more as travel counselors than just a technology organization" (Marta, 2008).

Similarly, AXA Equitable launched a retirement-themed portal—myretirementshop.com—that provides access to a wide range of information, most of which is available elsewhere, in an attempt to move beyond just offering products.

Healthcare networks are connecting providers with patients and are creating value as a ➤

"healthcare concierge." Some health networks collect de-identified information about medical and pharmacy claims and the conditions that precede those episodes. These networks then offer the information along with predictive modeling tools to consumers. These networks provide real value by encouraging consumers to manage their own health proactively, which improves outcomes and reduces expenses. (For an example, see **pointtopointhealthcare.com**.)

Engaging in Open Conversations

Organizational brand value is now based on the observations and perceived experiences of stakeholders, clients and detractors. Web 2.0 initiatives provide organizations a dramatic opportunity to interact with more stakeholders and prospects than ever before. These ongoing relationships allow organizations to stay informed and relevant. They also allow them to engage high-quality prospects in direct dialogue. Among the most useful conversations for organizations are the ones that take place among clients.

For example, in a healthcare environment, patient-generated content (PGC) receives high ratings in usefulness and trustworthiness compared with content from pharmaceutical companies and governmental agencies (Luque et al., 2008). PGC is especially helpful to those seeking emotional support or hoping to learn from others as they prepare for appointments, compare doctor information, manage their own health or adjust their medical treatment.

Conversations among organizational stakeholders are no longer controlled or *contained* by organizations; and those organizations that attempt to do so are at risk of public blogging and flogging. Digital conversations take place *about* the organization—whether or not the organization is participating in the conversation. The public has gained continuous access to open sources of information about organizations and organizations have lost control of the perceptions about their own brands and offerings. Leaders and organizations must anticipate that every public *and* private statement could be uploaded to YouTube and every e-mail might be published in *The Wall Street Journal*.

Instead, organizations should attempt to manage their brand and influence public perceptions by *engaging* in these conversations. Although the legal ramifications are not yet fully understood, even private or proprietary information may need to become more visible and transparent. Reputation is a vital intangible asset and recovering a reputation can take in excess of three years.

Leaders must engage in the conversation and respond to client feedback. In response to a major execution nightmare while opening a strategic new air terminal, British Airways entered into a risky conversation with the public (Patrick, 2008). Every day for two weeks the airline published newspaper and radio advertisements detailing the previous day's performance in the new terminal. The ads included important measurements (average time through check-in, punctuality of departure) and pictures of actual customer experiences. The two-week campaign carried huge risks if a day's performance was unacceptable. British Airways published the actual measurements, even if less than desired, along with responses as to how they would address the execution issues and prevent them in the future.

Open conversations also enable public groups to self-organize quickly around their interests. For example, in the area of corporate social responsibility (CSR), online collaboration tools have encouraged the growth of more than 100,000 new citizen groups focused on social and political issues (Sheila, Mendonca, & Oppenhiem, 2006). These special interest groups build deep knowledge about issues and hold organizations responsible for direct and indirect actions and policies. Forward-thinking organizations are openly conversing about their efforts in CSR so they can encourage favorable perceptions about their efforts. With the increased visibility of corporate actions, CSR is now viewed as an investment that brings financial returns (IBM Institute, 2008).

Technology and connectivity are enabling new conversations with clients, proponents and detractors. These digital conversations feel smaller and more collaborative and they assign trust and credibility based on shared understanding to active participants. Social networks are one example of Web 2.0 concepts that encourage openness and collaboration with clients. Network community members self-express on behalf of the organization and spread the brand's values to their own network at a rapid pace.

Consumers who are excited about their experiences provide a service for the organization and receive gratification as they exchange their experiences with others. Recent Web 3.0-type capabilities even are able to trace specific contributions and "keep score," providing more acclaim for contributors (Hoffman, 2008).

Conversational "jams" are another innovative example of a Web 2.0 concept that generates widespread awareness about topics such as organizational transformation or innovation (IBM Jams, 2008). Jams are moderated forums that engage a select audience in an online discussion for a specified and typically concentrated time period. Jams are literally giant, open conversations potentially involving thousands of employees, partners, clients and even family members.

Jams use unique tools and moderation techniques to provide organizations with an unprecedented way to surface, cultivate and discuss new ideas. Collaborating on developing those ideas will drive innovation for the company. Jams tap into the collective knowledge and typically prove to be a catalyst that helps create a more collaborative culture—moving people from theory to action. Early results are promising, as jams have produced literally thousands of fresh ideas, discussion threads and well-argued debates.

For example, one global enterprise used a jam to facilitate a global collaboration session involving all employees. The company focused its entire workforce on specific business challenges and built an action plan to address those challenges based on creative outcomes from the jam. The jam enabled a

Conversations among organizational stakeholders are no longer controlled or *contained* by organizations; and those organizations that attempt to do so are at risk of public blogging and flogging.

collective conversation, breaking down geographic and time barriers among teams. In this case, the experience literally changed the culture of the enterprise and the way employees connect and team.

Open Collaboration and Innovation

Focused and deliberate collaborative innovation among all stakeholders is now a required business competence (Drucker, 1992). Effective leadership, individually and organizationally, requires the intentional management of individual and organizational relationships to collaborate, innovate, integrate, build networks and build ecosystems.

Innovation today is inherently cross boundary, having replaced technology-based or market-demand/trend-based innovation. Thus, organizations should collaborate with external partners and clients in order to achieve unprecedented innovation and improve organizational outcomes (Balkundi & Kilduff, 2006). Client-focused and client-facilitated collaboration, including co-creation of products and services, can lead to sustainable innovation and success.

For example, author Stephenie Meyer encouraged readers to build on her work as she reached out on networking sites and online discussion groups. This made her *Twilight* series a social networking best seller (Green, 2008). Ford's marketing leader encouraged cross-boundary collaboration with outsiders by suggesting his advertising team recruit a "fantasy league" of the best marketing players in the field (Kiley, 2008). Ford insiders went across organizational and geographic boundaries to find the most forward-thinking and creative talent, not caring which team, organization or country they came from.

A little-known lesson in open innovation in the technology industry is that "market dominating" Microsoft represents less than 1 percent of the computing ecosystem as measured by revenue or number of employees. Recently, the self-organized and collaborative Linux community has attempted to reshape that technological ecosystem—providing value to themselves and others. Upon deeper examination, most organizations find that they similarly depend on hundreds or perhaps thousands of other organizations as part of their ecosystem to deliver a product or service.

Implications and Actions for HR and C-Suite Leaders

Given the new context and strategies, HR leaders must coach themselves and other C-suite leaders to think about client attraction and retention from a different point of view. Organizations may need to change their attitudes and practices in five areas to meet the new market and consumer realities:

- leadership;
- talent-management models;
- culture;
- marketing; and
- information technology.

In these five areas, HR should propose specific actions to C-suite leaders.

Leadership

In the area of leadership, HR should co-develop a plan with C-suite leaders to transition to a new client-attraction-and-retention point of view. Leaders are needed who can accept ambiguity and lead by collaborative influence across functional, organizational, demographic and social boundaries. Leaders need to be more open and collaborative and start using the tools and venues that enable openness and collaboration. These new networking competencies need to be established, coached and measured across the organization. Leaders must "show up" in internal and external digital conversations: This must be a priority, not an afterthought. To participate authentically in open conversations and ecosystems, leaders must learn the language and the knowledge base of those conversations.

Talent Management

Talent management also must change as openness and connectivity usher in a new dimension of employee engagement. This will allow talented people to have internal and external visibility, establish their reputations with peers and build deeper relationships with multiple stakeholders. Openness is a powerful recruitment-and-retention tool in the competitive war for talent. Young generations do not want to be locked in a restricted conversation inside one organization; they want to engage and interact with global peers and clients. Talented people, both employees and clients, are passionate about their experiences and they want to make a difference. Contributing knowledge to others, to the organization and to society makes them feel good about themselves.

Culture

Organizational culture must change to support this new view of clients. The social and cultural issues that inhibit openness and collaboration are the toughest issues facing organizational leaders. Leaders and HR departments must "unfreeze" the current culture and "re-freeze" the new culture (Lewin, 1951) around a changed view of open conversation and interaction. Schein's (1992) "embedding mechanisms" should be used to renew the culture.

There are effective embedding mechanisms for changing a culture:

- what the leader(s) give attention to;
- how the leaders react to crisis;
- role modeling provided by leaders;
- rewards that are given; and
- the selection/dismissal of employees based on the behavior they display.

Secondary embedding mechanisms such as the design of the organization's structure, systems and facilities; the legends, symbols and myths that are shared; and the formal statements coming from leaders also are important to consider. All of these factors fall under the responsibilities of C-suite and HR leaders and can be employed to move the culture toward openness and collaboration.

Marketing

The marketing approach to attracting and retaining clients must be adapted to the new values and culture of the organization. Engage Web 2.0 and 3.0 thought leaders to shift from a one-way, mass-media experience to a personally facilitated peer-to-peer experience. Leaders, the organization and the message must show up in the community. Make it easy for clients and prospects to converse with individuals and with the organization, using their preferred networks and technologies. It also is important that the organization be ready to take action in response to the conversations that take place. The purpose of authentic interaction is not to make excuses for the realized or perceived client experiences. The purpose is to respond with action, the way British Airlines did. Diversionary or lackluster responses will erode public trust and credibility.

Information Technology

New social tools and technology will enable internal and external openness. Some interaction with stakeholders and detractors will not be useful. However, leaders must filter the massive amount of information that comes into the organization to choose the fresh and reliable information that reveals market trends. Technology can help measure conversations to answer many questions: "Are we part of conversations about our product and our industry?" "Are we participating in conversations where we hadn't previously had a voice?" "Have we moved to a meaningful dialogue with customers?"

Moving Ahead

Continuous engagement in an open, collaborative, Web 2.0 (3.0) way of thinking is essential for today's organizations if they are to stay competitive, innovative and relevant. HR and C-suite leaders must adopt a new, open point of view regarding the attraction and retention of clients in today's environments. Organizations cannot *own* clients or markets, and they must engage in open, deep and transparent conversations.

Such an approach is the best way to attract, serve and retain clients amid global competition and ready access to information. Relationships are now about long-term engagement over a period of years, not about containment or ownership. Those individuals and organizations who position themselves at the juncture between others will have an advantage. The same kinds of thinking must be applied toward employees as well. Forward-thinking, effective organizations are becoming far more open, far more collaborative and far less hierarchical. P&S

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Driving Customer Satisfaction and Financial Success Through Employee Engagement

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Companies must engage their employees if they are to compete on customer satisfaction and differentiate themselves in financial and market performance. Here we depict what employee engagement looks like and what drives it, show the links between employee engagement and both customer satisfaction and financial performance, and illustrate what one organization did to impact customer satisfaction through employee engagement.

Defining Engagement

A variety of definitions of employee engagement can be found on the Web sites of HR firms:

- the individual's involvement and satisfaction with as well as enthusiasm for work (Gallup);
- a result that is achieved by stimulating employees' enthusiasm for their work and directing it toward organizational success (Hay Group);
- the extent to which people value, enjoy and believe in what they do (DDI);
- the capability and willingness to help the company succeed, i.e., discretionary performance (Towers Perrin);
- a heightened emotional and intellectual connection that employees have for their job, organization, manager or co-workers that in turn influences them to apply additional discretionary effort to their work (Conference Board).

This diversity of definitions is both a strength and a weakness of the employee-engagement concept. It is a strength because companies can pursue whatever it is they think employee engagement is—and we believe that anything that gets companies to appropriately attend more to their employees is fundamentally practical and useful. At the same time, a drawback of this diversity of viewpoints is that it becomes difficult to interpret and use results accumulated across organizations because the aggregate findings cut across very different kinds of measures and constructs.

The plurality of these engagement definitions makes it obvious that the measurement of engagement is neither uniform nor clear. In fact, many HR consultants and practitioners have re-packaged existing employee surveys and called them engagement surveys. This serves the purpose of addressing management interest in engagement while also addressing certain practical goals—for example, retaining historical items in existing employee surveys for trend analyses. Nonetheless, the resulting measures are more likely indicators of job satisfaction than indicators of engagement. For example, the most common measure of employee engagement we have seen being used in companies contains three or four traditional employee survey items:

- How satisfied are you with working for this organization?
- Do you plan on working for this organization a year from now?
- How proud are you that you work for this organization?
- Would you recommend to a friend that he or she come to work for this organization?

The sum of the responses to these four items is called an index of engagement, although even a casual inspection of the items would suggest it is better thought of as an index of overall satisfaction. Our own research (Macey, Schneider, Barbera, & Young, 2009) shows that the drivers of this type of engagement index are (a) satisfaction with job security, (b) satisfaction with benefits and (c) opportunities for promotion (and they do not connote engagement at all).

In contrast, we define employee engagement as having two major components. First, there are the *feelings of engagement* or the heightened state of energy and enthusiasm associated with work and the organization. Second, there are *engagement behaviors* demonstrated in the service of accomplishing organizational goals—behaviors such as persistence at tasks, being proactive and taking on responsibilities when the need arises.

The three strongest drivers of feelings of engagement are (a) feeling that there is full utilization of one's skills and abilities, (b) seeing a link between one's work and the objectives of the company and (c) being encouraged to innovate. The drivers of engagement behaviors are (a) quality of relationships with coworkers, (b) feeling trusted and respected and (c) supervisor credibility.

Employee engagement feelings and behaviors are clearly different from job satisfaction—they address different kinds of issues and they have different drivers. What is particularly important about these differences is that the drivers of satisfaction (job security, benefits) are largely out of the direct control of first-line supervisors, so there is little that can be done at the local level to change satisfaction. On the other hand, the drivers of engagement are clearly more controllable locally: assignment to jobs that utilize skills and abilities, encouragement to innovate, being treated with trust and respect and working for a credible supervisor.

The next important practical question is: Do engagement feelings and behaviors matter in organizations? To answer the question, we turn to two studies that use more conceptually appropriate measures of employee engagement.

Thanks to Wayne Lee, Scott Young and Holly Lam at Valtera for help in data collection and analysis.

Study I: Customer-Focused Employee Engagement

Our notion of customer-focused engagement behavior builds on a long-term research program examining organizational variables as experienced by employees and the relationship of those experiences to customer satisfaction (Macy & Schneider, 2006; Schneider, Ehrhart, Mayer, Saltz, & Niles-Jolly, 2005; Schneider, Macey, & Young, 2006). This research yielded a four-item measure of customer-focused engagement. The measure is not like the typical employee survey because we ask employees to report about the way the people they work with go about serving customers rather than the way they personally feel or their own personal satisfaction with issues like pay or benefits. Thus, they report (using a five-point rating scale) on the extent to which they observe their co-workers going out of their way to satisfy customers and doing more than is expected or required to serve customers well.

We note that we are relying on employees to serve as observers of what kind of customer service is delivered in their workplace; we are not depending on what management says is happening, but rather on what employees say is happening.

Because we wanted to study a diverse sample of companies, we needed a standardized measure of customer satisfaction. Fortunately, a reliable measure with the requisite characteristics is available: the American Customer Satisfaction Index (ACSI; Anderson & Fornell, 2000). The ACSI was developed for use in the United States in 1994 (it was first developed in Sweden in 1989). Since then, on a quarterly basis, a random sample of 250 customers of 200 of the *Fortune* 500 companies with the largest sales volume across the major U.S. industries is surveyed.

There is considerable reliability and validity evidence for the ACSI (Anderson & Fornell, 2000; theACSI.org). For example, evidence indicates that a *one-point increase* in annual ACSI score for a typical company is equal to an increase of 11.4 percent of ROI, a $654 million increase in market value of equity above and beyond the accounting book values of assets and liabilities, an increase of $55 million a year in net operating cash flow and a reduction of variance in future cash flows of more than 4 percent. The ACSI has a unique advantage for our research because it provides a standardized measure of customer satisfaction across firms (Anderson, Fornell, & Mazvancheryl, 2004; Gruca & Rego, 2005).

We collected data on 44 companies using the measures of customer-focused engagement behaviors and the ACSI. Results revealed that for this sample the correlation between engagement behaviors as reported by employees and the ACSI as reported by customers was .45 ($p < .01$). The 44 companies included in the study represented a broad range of service industries (airlines, telecommunications, retail, hotels and banks). For three of these industries (airlines, telecommunications and retail), we had six or more companies represented; and even with these small sample sizes, the correlations were statistically significant for two of the industries. (See Figure 1.)

Another indicator of effectiveness is an organization's product and service quality. Each year *Fortune* magazine has financial analysts rate the *Fortune* 500 companies on a variety of issues including the product and service quality they are perceived to deliver to customers. Executives, directors and financial analysts (approximately 3,500 of them) rate companies in their own industry giving each company a numerical score from zero (poor) to 10 (excellent).

We looked at how well our measure of customer-focused engagement is related to this measure of competitive effectiveness for the 44 service firms we studied and the correlation was again significant ($r = .45$, $p < .01$). Figure 2 shows the *Fortune* reputational ratings of product and service quality for the top 25 percent of the companies based on customer-focused engagement against the bottom 25 percent of companies based on the same engagement behavior measure. The firms in the top 25 percent for customer-focused engagement clearly differentiate themselves on the *Fortune* reputational ratings from those in the bottom 25 percent for customer-focused engagement without overlap.

A measure of customer-focused engagement behavior, where employees report on how their coworkers are helping customers more than is expected or required, tells us a lot about (a) how satisfied customers say they are and (b) how good financial analysts feel about the product and service quality of what the company produces and delivers.

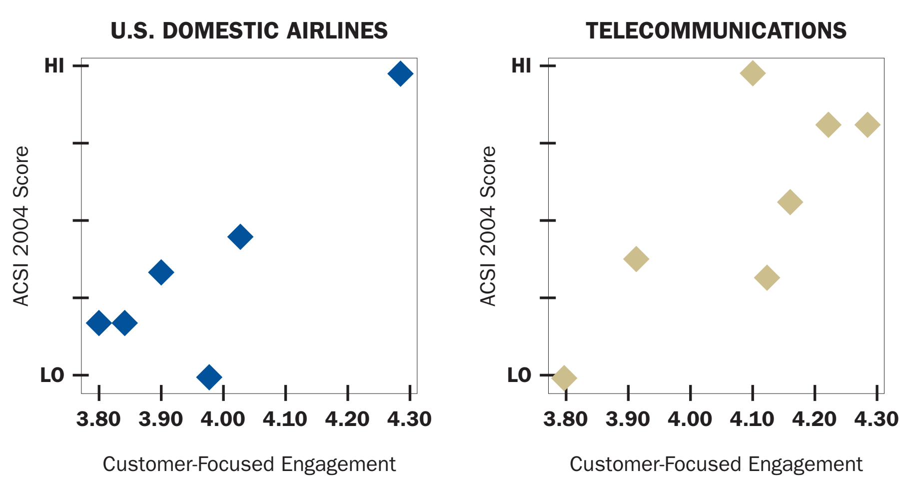
Study II: Employee Engagement and Financial Returns

In addition to the customer-focused engagement behavior measure, we have developed two other engagement measures:

- One of these engagement measures focuses on the generic *feelings of engagement* that most people think of when they think of employee engagement: feelings of energy;

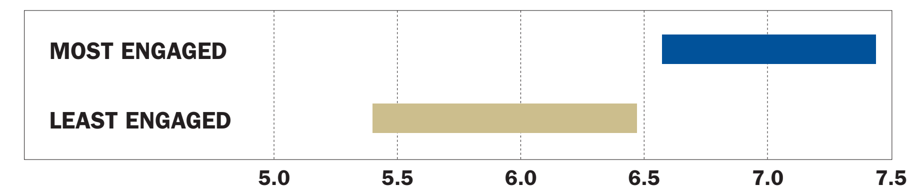
CUSTOMER SATISFACTION AND FINANCIAL SUCCESS: FIGURE 1

Relationship between customer-focused engagement behaviors and the American Customer Satisfaction Index (ACSI) for Airlines and Telecommunications companies.



CUSTOMER SATISFACTION AND FINANCIAL SUCCESS: FIGURE 2

Relationship between customer-focused engagement behaviors and *Fortune* reputational ratings for product and service quality for the top (most engaged) and bottom (least engaged) 25 percent of companies.



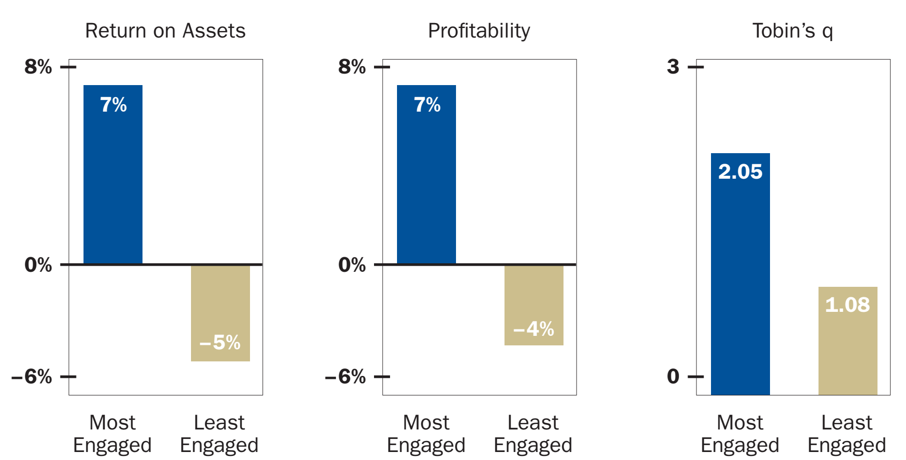
feelings of using one's important skills and abilities; feelings of being part of an organization that shares one's values; feelings that time passes quickly when at work and so forth.

- The second measure focuses on generic *behaviors that characterize engagement* in all kinds of settings and jobs, not just jobs that deal directly with customers. As with the customer-focused engagement behavior measure, the items in this new measure ask employees once again to report on the behaviors of their coworkers, but this time the focus is on such behaviors as people taking on new responsibilities when asked to, people doing things when they need to get done and not putting them off, and people staying with a problem until it gets resolved.

We administered these measures to the employees of 65 companies in both manufacturing and service industries. For those same companies we obtained financial data: ROA, profits as a percent of revenues, and Tobin's q (Tobin, 1969). Tobin formulated q to capture the likelihood that the financial performance of a company will improve in the future. To capture this future prediction, Tobin considered two important values: (a) the current market value of the firm (stock performance), a measure that is inherently future oriented as it captures how the market anticipates the firm will perform; and (b) the replacement costs of the firm's assets (for the formula we used see Rao, Agerwal & Dahloff, 2004). Tobin's q actually is the ratio of the market value of the firm to the replacement costs of its assets. So as the number increases, the prediction is that the future performance of the firm will be positive. And values exceeding 1.0 can be interpreted as added shareholder value.

CUSTOMER SATISFACTION AND FINANCIAL SUCCESS: FIGURE 3

Relationship between feelings of engagement and ROA, profits (as a percent of revenues) and Tobin's q for the top (most engaged) and bottom (least engaged) 25 percent of companies.



The correlation coefficients between the two engagement indices and the financial outcomes were statistically significant for feelings of engagement at $p < .01$ and ranged in value from .35 (profits) to .50 (Tobin's q). The relationships were less strong for behavioral engagement. Figure 3 displays these relationships for feelings of engagement: The financial outcomes for the top 25 percent of the 65 companies based on employee reports of feelings of engagement is contrasted with those from the lowest 25 percent of the companies. ROA and profits (as a percent of revenues)—which are negative in the bottom 25 percent of companies—as well as Tobin's q, are significantly more positive where employees report high levels of engagement feelings. The data for behavioral engagement map to these data quite closely (the two are significantly correlated at .53) but the differences in outcomes for the top and bottom 25 percent are not as striking as those shown in Figure 3.

The results show that engaged employees produce ROA, profits and a market value (Tobin's q) that exceeds the replacement costs of assets. The engagement we speak about is beyond job satisfaction. The drivers of job satisfaction, as we noted earlier, have to do with what the company is doing for employees (job security, benefits and opportunities for promotion), but the drivers of engagement have to do with feeling that there is full utilization of skills and abilities, feeling that there is a link between an employee's work and the objectives of the company and that there is encouragement to innovate.

In addition, when employees see that others around them are engaged, they also report that they (a) have high quality relationships with coworkers; (b) are trusted, respected and treated with fairness; and (c) work for a supervisor who has high credibility. The question becomes: What can we do to enhance these feelings of engagement and to ensure that behavioral engagement is what characterizes an organization?

Harrah's Entertainment, Inc.[2]

Harrah's operates approximately 50 casino properties worldwide. In 2006 Harrah's began an employee engagement initiative when management decided to focus on employee engagement as a vehicle for competitive advantage. Harrah's had been operating within the service profit chain framework (Heskett, Sasser & Schlesinger, 1997)—a framework that connected operational efficiency and employee satisfaction to customer satisfaction and financial performance. The company's decision was to put more emphasis on the employee element of that chain and to do so in terms of engagement and not just satisfaction. Harrah's leaders concluded that in their industry they needed an "edge," and they saw that "edge" as energized and engaged customer-service employees.

Harrah's core strategy for employee engagement is relatively straightforward:

- Hire people with an upbeat and positive attitude, explicitly placing more emphasis on personality than skill or industry experience. Similar to the hiring philosophy at Southwest Airlines (Heskett et al., 1997), Harrah's reasoned that most people can be taught to perform frontline-level jobs if they have the right attitude.
- Treat those people the best way possible by paying attention to their needs and hopes—treat them fairly and earn their trust (one of the key drivers of engagement behavior we noted earlier).
- Lead them best—provide people with supervisors who are role models of the desired engagement behaviors (another key driver of engagement).

Hiring Employees with a Customer Orientation

Harrah's management staff felt that the interventions they planned for improving employee engagement—and thus customer satisfaction—would likely fail unless employees had the "right stuff." They explicitly realized that generic engagement may not be sufficient; that customer-focused engagement was what was needed and one way to make that happen was to hire for it—and then of course, reward it and support it. The new attraction and recruitment program Harrah's instituted was well publicized throughout the affected properties; in essence the company branded the new approach through extensive internal marketing. The company went after the best possible talent:

- training recruiters to look proactively for people who are friendly, outgoing, smiling, upbeat and currently employed (This meant getting out of the office to convince and sell employed workers with these attributes to make the switch to Harrah's.);
- creating an entertaining candidate experience by having panels of the best existing employees and the property manager audition potential hires with a focus on choosing only the best, while simultaneously representing a fun environment;
- recruiting and then hiring a diverse workforce that represented the clientele the employees would serve.

Once hired, employees are put through an extensive and intensive orientation and training program. Unique in this orientation and training is the setting of expectations for new hires *about what the company will do for them*. That is, rather than focusing only on what employees must do in their work roles, the orientation makes it clear that the company has a responsibility to take the time to get to know them and their individual talents so they can work most effectively, have role models in leadership roles, provide the tools and resources necessary to work effectively and create an environment for success through praise and recognition and the setting of challenging goals.

Treating Employees Well

The theme of Harrah's employee engagement enhancement program is to develop a culture of engagement in which people do their best for themselves (self-development), other co-workers (through cooperation and support) and customers (attentiveness and ensuring "fun"). Harrah's believes that for employees to be engaged in these ways, the company must ensure that their basic needs are met fairly and that the company can be trusted to be there to help them if they need help.

Unique in this model is the explicit notion of social exchange. Social exchange theory says that if we do well by others, they are more likely to do well by us. As Nigel Martin put it, "The more we give, the more we get because it is disingenuous to ask employees to be at their best in the workplace when they can barely meet the basic needs of their families."

The main way that Harrah's gives is to encourage leaders to constantly talk to their employees about their needs, personal as well as job-wise, and adjust local practices accordingly. For example, discussions with employees at one property yielded minor changes in the way work schedules were set so they fit much better with employees' lives and requirements. In addition, new programs have been established around the desires of employees to keep connected with their families while at work through providing Internet access, among other things. In short, Harrah's gives in return for what it asks, and how it does this is through local leadership.

Leadership

While issues at the company level can enhance the likelihood of engagement, the greatest impact on employee engagement is achieved when local leadership focuses on driving those behaviors. Harrah's realized this and put into place new supervisory training programs for property managers that focused on coaching and leadership. The company concentrated on frontline supervisors who impact and touch the most customers and employees.

Accompanying the training programs were new appraisal instruments that awarded positive points for examples of engaged leadership behavior and set new priorities for supervisors to focus on people first. Here are some examples of what an engaged Harrah's leader does:

- delivers what others would agree is above and beyond their expectations for the role—in pace, results and quality;
- achieves much more than their peers—a role model at over-delivering;
- is recognized by others as a great leader in how they operate;
- positively and productively influences the behavior of others;
- is an example that others emulate or are inspired by;
- retains key talent in the business; and
- develops talent in the business—including improvement in succession plan benchmarks.

A foundational indicator of the performance of leaders is employee reports of their leaders'

2. The Harrah's Entertainment Inc. case example was developed with valuable input from Jeanie Whinghter, manager Employee Metrics, and Brad Warga, vice president Talent and Engagement.

engagement behaviors. It is not only upper management that evaluates supervisors on outcomes, but employees who are asked to evaluate them on employee opinion surveys.

The Outcomes

There already are indications of the success of Harrah's employee engagement initiative:

- From 2006 to 2007, employee opinion survey results showed positive gains.
- From 2006 to 2007, employee turnover was reduced nationally by 3.6 percent.
- There were four quarters of customer satisfaction growth in 2007 (a continued trend), with a national shift of 3.9 percent from 2006 to 2007.

At one of the three properties to first participate in the engagement initiative, the general manager fully bought into the potential of the initiative and took advantage of all that was offered in the way of supervisory training, recruitment tactics and so on. At this property, the results for 2007 were telling:

- Customer satisfaction improved more than 10 percent.
- Employee turnover went from 37 percent to 23 percent (for savings in excess of $500,000).
- Employee opinion survey data improved 20 percent.
- This property achieved the honor of being awarded the *Business Journal* Best Places to Work Award in its city location.

Even at a property that was already superior on these indicators, there has been progress with a 17 percent decrease in turnover from 2006 to 2007 and a 1 percent positive shift in customer satisfaction.

Conclusions

Employee engagement is a key to human capital management because it focuses on managing employees to produce *for* the organization rather than focusing on what the organization does *to* employees. Employee engagement is different from employee satisfaction with the latter connoting satiation and the former connoting energy.

Measures of engagement need to be different from measures of satisfaction found in the typical employee opinion survey. Employee feelings of engagement and behavioral engagement relate significantly to market and financial performance, and a measure of engagement targeted on customer service is significantly related to customer satisfaction. The latter suggests that focused engagement measures may be quite useful as a tactic for assessing engagement in relation to important organizational outcomes such as customer satisfaction, but also perhaps for other outcomes such as innovation and safety.

Our own work and the case example from Harrah's suggest that employee engagement is something that can be achieved by companies that view employees as a source of competitive advantage and that understand that the drivers of employee engagement require attention to issues of trust, fairness and excellence in recruitment and leadership. The initiative at Harrah's rests on what we believe to be an essential premise: Employees will be engaged when companies meet their basic needs and provide the role models and co-workers with whom they can share their energy.

One definition of "engagement" is to "make a pledge." Companies must ask themselves: What have we pledged to our employees that will help them trust us, so that they will, in turn, pledge to us their efforts and competencies? When employees see their company as working with and for them, those same employees, in exchange, work to meet the company's requirements for customer satisfaction and the financial and market performance that follows. P&S

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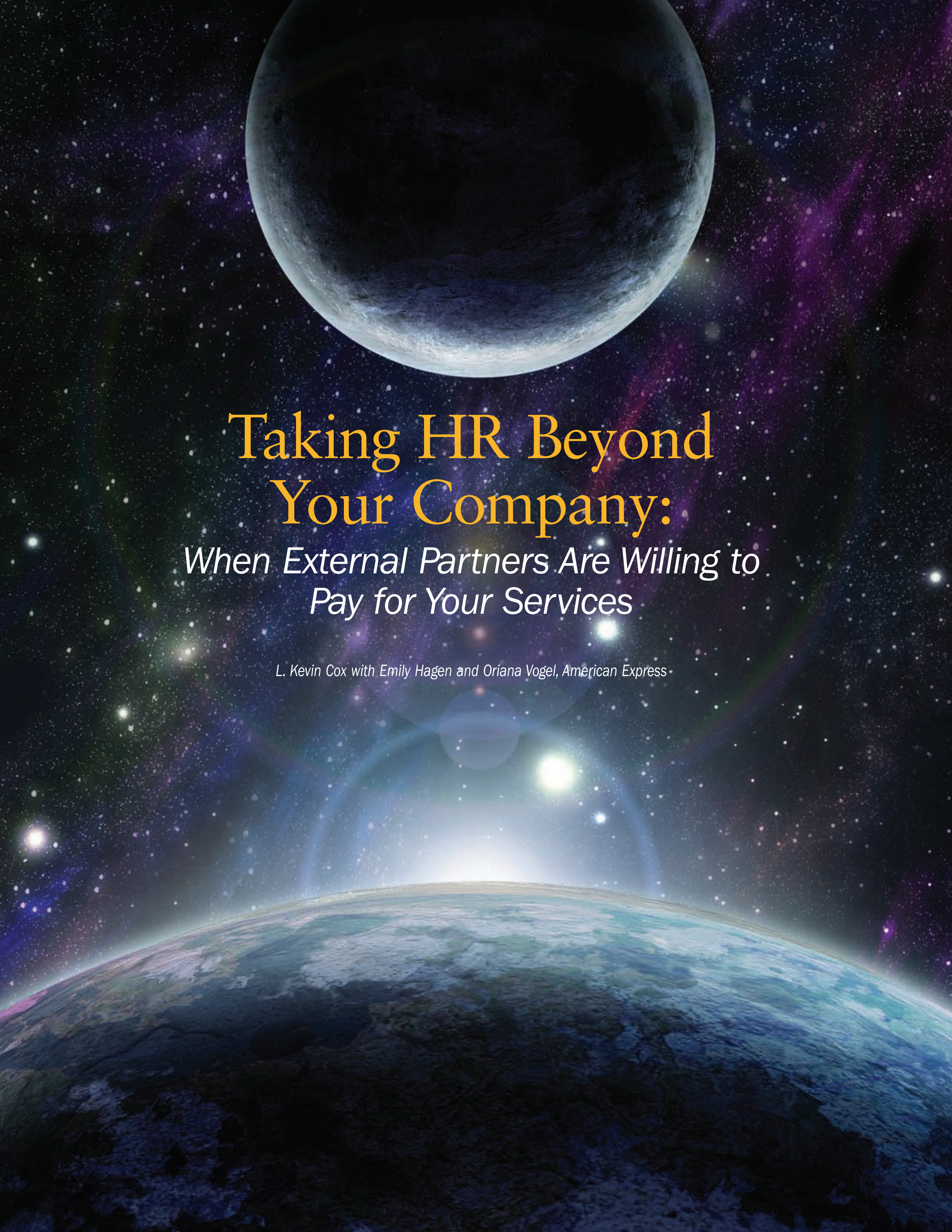
Karen M. Barbera is a managing principal at Valtera Corporation, responsible for overseeing the practice group focused on employee engagement surveys and organizational diagnostics. She consults with numerous *Fortune* 100-level companies on the design, execution and use of engagement surveys to drive organizational improvement efforts.

Nigel Martin is vice president International HR, Leadership and Learning at Harrah's Entertainment, Inc. He has worked for a number of internationally dispersed organizations and specializes in driving performance through engaging employees in a style that fits the particular nature of the business.



Taking HR Beyond Your Company:

When External Partners Are Willing to Pay for Your Services

L. Kevin Cox with Emily Hagen and Oriana Vogel, American Express

Not long after I became head of Human Resources for American Express Company, I presented my 10 ideas for what makes a great HR organization. In addition to the more obvious principles of innovation and cost-effectiveness, the list included a challenge that may have come as a surprise to many.

I said, "We should endeavor to produce products and services that are strong enough to become candidates for commercialization, and ultimately, a source of revenue." I encouraged the HR group to consider revenue opportunities to help mitigate pressures related to inflation and our own cost to the business.

Taking HR "Outside"

The concept was by no means unique. Other companies, most notably GE and IBM, have explored similar paths. GE leverages the John F. Welch Leadership Center at Crotonville in Ossining, New York, with customers and partners "to identify opportunities and debate business issues." Participants tackle new business problems and share knowledge through the center's training programs (Knudson, 2008).

IBM's Human Capital Management group is an external consulting division that provides services to help companies "increase the value of their knowledge workers while reducing fixed costs" (IBM Global Services/Business Consulting, 2008). IBM offers services in HR strategy and transformation, learning solutions, knowledge and collaboration, and workforce transformation.

These approaches to HR commercialization, where we are merely selling our services, were not quite what I had in mind, however. My vision was based on the belief that unique value for both parties can be created when two seemingly disparate functions come together. I was hoping to inspire my new group to be more innovative and to look at fresh ways to extend value to its business partners.

Three years later, I could not have asked for a better execution of what I had in mind.

As is the case in most large corporations, American Express' Organizational Effectiveness (OE) department traditionally works with internal business units to determine optimal headcount, roles and responsibilities, spans of control and governance. The group's mission is to "drive business results by improving the alignment, effectiveness and performance of organizations." Often, the team is called in to conduct an organizational audit to identify areas that can be improved in order to improve a group's overall performance. Typically, the Organizational Effectiveness team works on seven to eight large-scale, strategic projects a year, and contracts with internal American Express units to scope work that will help the businesses achieve their targets.

Done correctly, an organizational assessment can lead to increased revenue, cost savings from reduced duplication of effort and outsourcing of non-critical activities, increased bench strength, faster time to market and improved customer satisfaction. In the words of Jay Galbraith, whose STAR model approach is often employed by our group, "Organization design defines the structure, processes, metrics and reward systems, and people practices that will ensure that individual and organizational energy is focused on those activities that support the achievement of strategy" (Kates & Galbraith, 2007).

The American Express/ Nedbank Experience: Bringing OE Skills to External Partners

Strategic international partnerships are an imperative of doing business in today's highly competitive global arena. Today, many of the most successful companies have literally hundreds of business alliances. American Express has embraced the concept of partnerships for decades. The company's partnerships with more than 120 card-issuing financial institutions around the world testify to the tremendous value and growth that can come from strategic alliances with the right partners.

Global Network Services (GNS) manages American Express' relationships with card-issuing business partners, typically banks and financial institutions, around the world. The banks are responsible for issuing the cards, signing up merchants to accept the American Express card, owning the customer relationships, providing service, billing and credit management and designing the card product features. American Express processes transactions and provides access to its global merchant network.

These partnerships help grow the number of American Express cards issued, drive more transaction volume through our merchant network and significantly expand the reach of the American Express brand. Partners get a new source of revenue as well as affinity to the American Express brand to further strengthen customer relationships.

The company supports its GNS partners with innovative services that include training, marketing, product enhancements, R&D and risk-management consulting. Much of this support is customized to the needs of the partner and market. Until recently, though, offering HR support was not on anyone's radar screen.

Nedbank, one of South Africa's largest banks, has been an American Express partner since the early 1970s. Nedbank issues more than 15 American Express products to individual and corporate customers. As the only entity issuing American Express products in South ➤

Africa, Nedbank represents the brand in an exemplary fashion and the partnership has been very profitable for both organizations.

However, recent changes in the local industry—such as increased regulation and competition—prompted Nedbank to reassess its American Express corporate card and merchant acquiring businesses. In particular, the bank wanted to see if the effectiveness of its organization could be improved.

Initially, Nedbank managers asked if American Express could recommend a consultant skilled in organizational development. Certainly, there is no shortage of experts in this area. But it is rare that the same firm has both change-management expertise and knowledge of the card industry. We have both.

American Express has been a leading card issuer and a merchant acquirer for 50 years. As it built its card business, American Express grappled with the very same issues that Nedbank was facing. For example, American Express had to consider how to make the merchant acquiring sales force less transactional and more consultative. The company had to ensure that it maintained tight data confidentiality while also growing the business. And, it had to assess how to segment account sizes from both a sales- and client-management perspective.

The Organizational Effectiveness team has not only the ability but also the understanding of how to best structure a business to grow cards in force and revenues. Unlike a traditional assessment, the team is able to leverage a number of best practices used in American Express' proprietary organization and other GNS partner organizations to provide a tailored set of recommendations to Nedbank. Thanks to this benchmarking, American Express could provide an apples-to-apples comparison—something that's not always possible, even in internal assessments.

Nedbank quickly saw the value. The organization understood that a consulting firm would most likely offer a limited pragmatic application, while American Express could share experiences—both its own and others. Nedbank also realized that American Express would be less expensive because the company was not looking to make a profit off its work with them. Instead, American Express' payback would come from Nedbank's improved business results.

Unlike GE's and IBM's ventures, American Express' primary objective was to improve the performance of the "extended enterprise"—the relationship to Nedbank. American Express has a vested interest in ensuring Nedbank and all other partners are performing effectively because these companies' performance directly impacts the bottom line. Nonetheless, the OE team also had to ensure that this initiative would be financially prudent. Because it would not be appropriate simply to divert resources from our own businesses to address Nedbank performance issues, we assessed the dollar value of the OE team's time and charged that amount to the GNS business.

TAKING HR BEYOND YOUR COMPANY: EXHIBIT 1

METHODOLOGY

A typical partner organizational assessment comprises five key modules:
Scope can be customized to include relevant modules based on partner needs.

MODULE 1 → MODULE 2 → MODULE 3 → MODULE 4 → MODULE 5

MODULE 1: BENCHMARKING/ BEST PRACTICE IDENTIFICATION

- Conduct interviews/ surveys across American Express to collect desired benchmark data and identify relevant best practices

MODULE 2: ORGANIZATIONAL ASSESSMENT

- Conduct assessment (through interviews/data collection) of partner bank to determine organizational barriers/ enablers, root cause of key challenges, and feasibility of potential recommendations

MODULE 3: ORGANIZATIONAL RECOMMENDATIONS

- Develop tailored organizational recommendations based on benchmark data and findings from organizational assessment

MODULE 4: CAPABILITY BUILDING

- Create job profiles based on organizational recommendations and desired capability
- Conduct assessment of existing staff capabilities and gaps
- Provide resourcing strategy recommendations based on organizational recommendations

MODULE 5: MEASUREMENT AND CHANGE MANAGEMENT

- Conduct change readiness assessment and develop change/ implementation plan that supports the organization's level of change readiness
- Develop measures of success and timeline for assessing performance

The Process

The organizational assessment included five phases (See Exhibit 1.):

1. Compilation of Benchmarking/Best Practice

In the first phase, we conducted interviews and surveys (See Exhibit 2.) across our own business and those of several of our other bank partners to collect data and identify best practices. Because we had access to information that no consulting firm would have, we were able to cite not just what American Express has done, but also share directional information about what our other partners were doing. We did not compromise or divulge the identity of any given partner. And, we walked the fine line between "genericize-ing" other partner data and providing useful information. An interesting side benefit was the fact that we could share the best practices we identified with a broader audience, such as other internal units and partner organizations.

2. Organizational Structure Assessment

We needed a thorough understanding of Nedbank's challenges and the issues surrounding the card industry in South Africa. We collected internal documents, including organization charts, existing plans, job descriptions and other relevant materials. Through interviews with select Nedbank employees, we tried to scope out the bank's current strengths and developmental opportunities. Our team then analyzed all the data, looking in particular to identify organizational barriers and enablers, assess gaps and opportunities, and determine the root causes of key challenges. We then vetted our initial ideas with key business leaders to make sure we were proceeding down a mutually agreeable path.

3. Organizational Structure Recommendations

Based on the benchmark data and organizational assessment findings, we developed tailored organizational recommendations for Nedbank. This included recommendations for the optimal number of people in an organization, span of control, reporting relationships, key functions and departments. As expected whenever an organizational structure change is proposed and any given leader's organization shrinks or expands, Nedbank had to negotiate choppy waters. To ensure top-down support, we vetted this type of information with the bank's most senior leaders before making a wider recommendation.

TAKING HR BEYOND YOUR COMPANY: EXHIBIT 2

DATA COLLECTION

American Express collects a variety of client information* that serves as assessment input:

- Organization charts
- Strategy documents
- Business performance reports
- Employee productivity information
- Job descriptions
- Individual roles, performance goals, organizational strengths and areas of opportunity (collected via interviews or focus groups)

* Data will be treated with the utmost confidentiality.

TAKING HR BEYOND YOUR COMPANY: EXHIBIT 3

BENEFITS

- **COST SAVINGS**
- **BENCH STRENGTH**
- **FASTER TIME TO MARKET**
- **CUSTOMER SATISFACTION**

4. Job Profiles and Capability Gap Assessment

After assessing the talent capabilities needed to support the bank's strategy, we created job profiles for key positions, summarizing job responsibilities, core competencies and skill sets. A critical next step was determining whether or not existing staff had the ability to perform in the proposed new roles. Nedbank had some tough decisions to make as a result of the gap assessment. The bank had to grapple with training issues, as well as layoffs in a unionized environment.

5. Change and Implementation Plan

The project included development of a change-readiness assessment at an individual and organization level. We then created an implementation plan, prioritized the changes and discussed how they should be communicated.

Results

Enthusiasm was high when we presented our recommendations. Our GNS business development leader co-presented our recommendations so HR issues could be positioned in a business context. Once he heard our recommendations, the Nedbank senior leader immediately called his human resources team into the room so that we could share our knowledge and to ensure these employees would be the first line of implementation. During a second meeting with the Nedbank's business development leader and human resources team, we further fleshed out the feasibility of the recommendations and created a more detailed implementation plan.

We recommended that Nedbank realign its merchant acquisition organization to implement an account management strategy and run it as a profit center. On the card-issuing side, our recommendations included consolidating ➤

like functions to reduce span of control, streamline processes and group similar skill sets.

The Nedbank team was tremendously grateful for our recommendations. They accepted 90 percent of what we proposed, the exceptions being plans that conflicted with some higher-level strategy changes. Among other feedback, one executive noted, "The work done by the [American Express] team has been invaluable in providing us with a clear roadmap to redesigning our business and to creating clear accountability within all areas."

Measurement

While it is difficult to quantify the impact of an organizational redesign on the bottom line, we can look anecdotally at whether or not decisions are more effective and the business runs more smoothly. We expect Nedbank to see a number of positive changes (See Exhibit 3.), including an aligned organizational structure; clearer roles, responsibilities and interfaces; increased capabilities; and streamlined processes. We look also for organizational milestones such as increases in employee satisfaction and speed of product to market. Over time, Nedbank should see improvements in sales and charge volume. And, of course, the benefits will spill over to American Express, because our income streams are dependent on their performance.

Requirements for Success

We identified three factors that must be addressed up front to ensure success in a situation where one company offers its HR services to an external client:

1. ***Cost*** — The issue of who pays for the services must be addressed, although there is obviously no single solution. We discussed important questions:

- Should the services become part of the package we offer to the partner bank, with the business unit absorbing the cost as part of its expense line?
- Or should we sell all or part of our services to external partners?

With Nedbank we chose the former. However, this may not always be the approach if we decide to offer organizational effectiveness services to a broader group of external clients.

2. ***Confidentiality*** — To provide a superior service, we must collect a variety of information from the client, including organization charts, strategy documents, business performance reports, employee productivity information and job descriptions. The data are, of course, treated with the utmost confidentiality. Nonetheless, clients must feel comfortable providing this level of detail, particularly if part of their business competes with us.

Similarly, we have to make sure that we are not improperly sharing confidential and proprietary information when we present benchmarking findings. Given the investment of trust required, the long-term relationship we had with Nedbank was a key factor in the success of this initiative.

3. ***Senior support*** — Senior-level sponsorship (See Exhibit 4.) from the client is critical in order to be able to obtain the necessary data and cooperation throughout the process. In our case, establishing an ongoing dialogue with senior leaders early on provided insight into their planned business changes. Senior-level engagement throughout the process contributes to a more robust and feasible set of recommendations and gives the client a stronger sense of ownership.

TAKING HR BEYOND YOUR COMPANY: EXHIBIT 4

KEY ROLES

AMERICAN EXPRESS
- Performs benchmarking study and organizational effectiveness analysis
- Develops proposed recommendations and solutions
- Is responsible for detailed project planning and execution

PARTNER BANK
- Provides senior-level sponsorship of the project, including access to bank resources and relevant data
- Provides guidance and feedback throughout the assessment

Future Potential

American Express' GNS business is growing rapidly, and many of our partners are quickly expanding their card business. Many are facing a variety of issues common to growth companies. Clearly, having the right people and structure are critical to sustain a growing business. Obviously, it is in our best interests to help them. As Milton Friedman (2000), the Nobel prize-winning economist has noted, "The most important single central fact about a free market is that no exchange takes place unless both parties benefit."

In addition to the potential business benefits for American Express, this work provided direct benefits to the Organizational Effectiveness team. This was a great opportunity for the team to not only deepen its understanding of the GNS business but also apply its knowledge and expertise in a new setting. Stepping outside of the organization allowed the team to gain a more informed and external perspective of the business.

The team also gained a great deal of visibility within the company, as other GNS partners began turning to this group for potential projects with their respective partner banks. The project was even profiled with the CEO as an example of how GNS could continue to evolve its partnerships and deepen its value proposition through extended services. The work continues to be showcased across the company and with new clients and is often referenced internally as a best practice consulting engagement.

Despite the success of the Nedbank pilot, we do not plan to create an HR profit center and sell our services in a widespread manner. Rather, we have chosen to play in a more limited field and are proceeding in a more strategic manner when the scenario would benefit both parties. We have started to actively offer our organizational effectiveness services to other key bank partners, and we are considering the feasibility of similar initiatives with external partners in other parts of our business, such as commercial cards.

Should You Sell Your HR Services to External Partners?

The HR function will forever face scrutiny regarding the cost of its products and services, as reflected in internal charge-backs to our parent companies. Clearly, we must focus our attention on doing our jobs cost effectively. In addition, I challenge HR groups to seek opportunities for generating revenue for their companies. As we discovered, helping external business partners holds great potential.

One way to venture down this path is to start by ranking your areas of HR expertise against the needs of your business partners. Take, for instance, a company whose HR group offers leading-edge labor-relations services. The opportunities could be quite interesting if that same company happens to have supermarkets as business partners.

Having best-in-class services does not mean you should hang up a shingle, however. Clearly, the decision to commercialize HR services is a function of a company's broader business strategy. It is also prudent to approach the market through your internal business partners, who are already responsible for the client/partner relationships.

The time may not be far off when generating income will become part of our job description. We should set high performance bars and think outside of the box now so we are well positioned for the inevitable. P&S

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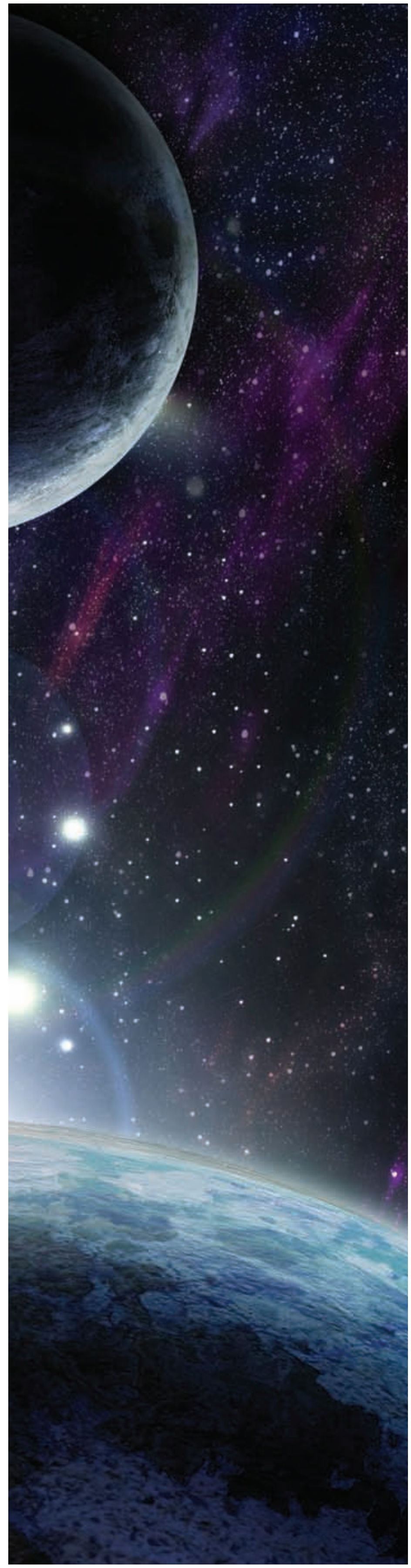


BERNARD HODES GROUP

Does our employer brand rise above the rest?

The Account Manager Role:

Key to a Successful Customer Interface

Jeffrey S. Shuman, Harris Corporation

Satisfied customers are ultimately the only true and meaningful measure of success in any business. However, the development of organizational structures that support this belief can be challenging. This is especially true within high-technology companies, where the focus frequently is on innovation and invention, instead of fully understanding and responding to the real-world requirements of the customer. Harris Corporation has tackled this problem through the careful design of the account manager, the role that provides the critical interface between the customer and the organization.

Harris is an international communications and information technology company serving government and commercial markets in more than 150 countries. The company has annual revenue of \$5.4 billion and 16,000 employees—including nearly 7,000 engineers and scientists. For nearly 50 years, Harris Corporation's government business has provided highly advanced communications and information technology, along with systems integration services, to critical U.S. defense and civil agency programs.

In 2007, Harris offered multiple and diverse product and service solutions for government and commercial markets around the world. The company was organized into different customer-facing business segments, each of which addressed a specific market. It also was organized into various business units within those segments. This structure allowed the company to pursue a strategy of "customer intimacy" and reflect the large size of the agencies served, the national importance of the missions involved and the increasing complexity of their communications and IT programs.

As Harris has grown and changed, so have the needs of its customers. Instead of seeking single-capability products or technologies, customers are looking for interoperable solutions that enable them to build communications networks. They are seeking suppliers who can effectively develop, deploy, manage and maintain these turnkey networks. For example, the U.S. government commissioned Harris to build a media network in Iraq. This requires capabilities and knowledge from across the company and from both the government and commercial segments.

Along with market changes, the dynamics of the customer interface have changed as well. With organizational and technological growth on both sides—customer and supplier—even though the organization was broadly organized by customer segment, Harris found it often had multiple representatives establishing relationships with the same customer to pitch a specific business segment's solution. Customers, in turn, were frustrated as they tried to navigate the different Harris businesses to find the best solution for their particular need.

To achieve the type of long-term growth Harris desired, management redefined the Business Development organization within its government segment. The overarching goal was to create a function with a structure that directly empowers specific individuals to build strong relationships with key influencers and customers. This organization also aligns the resources of the business with its strategic needs, and brings the engineering function closer into the business-development process. It serves as the foundation of an entirely new way of working with customers.

Designing the New Customer-Centric Organization

One of the catalysts for looking at the Business Development organization in a new way came simply from asking whether Harris had the right people in the right job at the right locations and at the right time to achieve the company's business strategies. As we began to examine this question in detail, we discovered links among various areas of the organization that offered an opportunity for Harris to move toward a more integrated organization, both inside and outside the company's walls.

The vision for the new enterprise that evolved addressed several challenges:

1. It eliminated multiple company representatives calling on the same customer—each with his or her own solution to sell—and re-deployed redundant personnel to new markets and new customers. It also eliminated the traditional silo approach to developing business and enabled customers to see and understand the breadth and depth of technologies and solutions resident across the entire company.
2. This organization better positioned Harris to expand into new markets; provide a larger, more robust opportunity pipeline; offer a heightened level of customer intimacy that includes a deeper understanding of customer missions and priorities; and better use human capital resources.
3. It expanded the company's markets by uncovering areas where long-time customers could benefit from an offering not traditionally targeted to their business, and where Harris could apply existing technology in a brand-new application. For example, the company has deep expertise in mining and managing data from its defense applications. This same underlying capability is now being transferred to work with the healthcare industry.

This organization structure was intended as a source of competitive advantage—a way to differentiate Harris in a market with bigger players.

Harris already had in place a culture that, within separate organizations, focused on customers and capabilities. It was only natural that when the new organization began to take shape, it would be structured around what the company came to define as a matrix of *Capability Lanes* and *Customer Lanes*. (See figure: Capability and Customer Lanes.)

Capability Lanes and Customer Lanes

Harris always has been known among customers for its technological prowess. Over time, the company's core technology competencies came to be known Centers of Excellence—places that held the strategic vision for the company's technology and worked with both customers and Harris business units to understand requirements and share technology throughout the corporation.

In moving to a new, higher level of customer-centric organizational design, the term *Capability Lanes* evolved to define and represent each of the company's core competencies. Today, these Capability Lanes consist of a dozen or so key technology areas where Harris has market-leadership positions, such as avionics, space systems and integrated information systems.

As a whole, Capability Lanes are structured to:

- provide internal aggregation points to determine competitive position, gaps, spending, ROI and gap-closure plans;
- provide a means to manage internal investments so silo solutions are not created; and
- provide a means for business development to seed end-user requirements into the planning process.

Customer Lanes form the other dimension of the matrix. Customer Lanes are specific groupings of targeted customers. Harris has identified more than a dozen of these groups within the government space, ranging from the Department of Defense to NASA, and to other prime contractors. Customer Lanes are selected based on their existing and new business potential.

A senior executive account manager (SEAM) leads each Customer Lane. The SEAM's goal is to translate the needs and ideas of the customer to Harris capabilities, and to translate Harris capabilities into solutions that meet the customer's needs. The skill and effectiveness of the SEAM are the foundations on which the new customer-facing organization is built and they are key factors in the success of this initiative.

SEAMs—The Voice of the Customer

The Harris SEAMs represent the interests of the customer within the company. When customers look at Harris they see a large, $5.4 billion enterprise with a very wide range of technology solutions and services capabilities. The SEAM aids customers in navigating through this broad portfolio to help them solve their specific challenges.

The SEAMs' primary responsibility—and the one for which they are compensated—is the identification and qualification of opportunities. The SEAM achieves this by knowing the customer, understanding the customer's needs and building the relationship and mutual trust that is developed over time.

One example of how this works within Harris is in the NASA Customer Lane. The SEAM for this lane was selected based on his long career and other business associations with the space agency, including his relationships with key senior executives at the agency. This individual regularly meets with his NASA counterparts to maintain a continuous understanding of the NASA mission. He then brings these challenges back into Harris to formulate a solution that uses Harris capabilities.

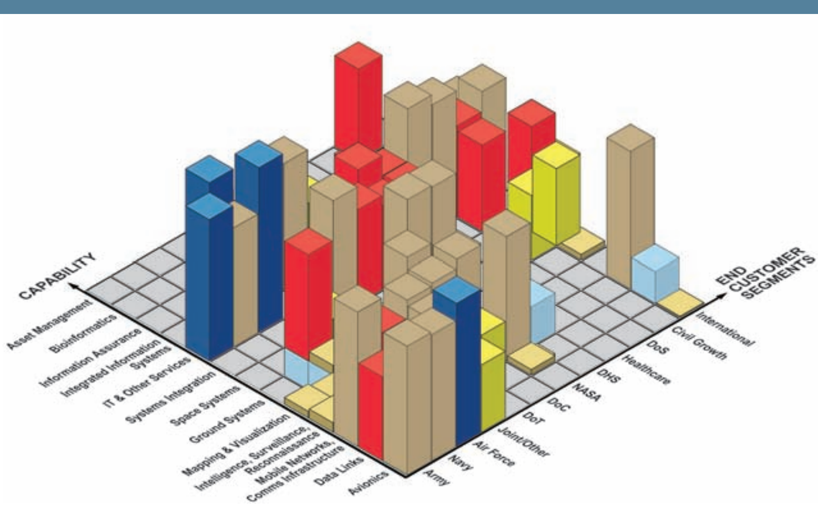
In the NASA Customer Lane, it is not unusual for the SEAM to engage multiple Harris business segments, combining their resources to address the technology challenges of the agency.

The NASA SEAM describes himself as an enabler of two-way communications between Harris and the customer, and as a focal point where all activities related to NASA's requirements and Harris solutions intersect. This does not in any way preclude others at Harris from interacting with NASA; it simply provides an effective method for each organization to have visibility to the other through a single representative.

Bringing a specific business opportunity back to Harris does not mean it is automatically accepted. This is where the SEAM becomes a true advocate for the customer within the organization, making the case to management and business development as to why the company's finite resources should be applied to solving this specific customer challenge.

By representing Harris to the customer and the customer to Harris, SEAMs take on an agnostic role that helps them ensure that the very best solutions are deployed versus managing to the fiscal-year goals of the corporation. SEAMs have the ultimate responsibility for understanding—and communicating—the big picture.

HARRIS CORPORATION CAPABILITY AND CUSTOMER LANES



SEAMs work closely with Harris technologists residing in the company's Capability Lanes to ensure that the company is focused on the development of new technologies that meet specific needs. SEAMs also apply existing technologies appropriately to new customers and markets.

We have learned a number of lessons making this transition.

Ideal Staffing Profile

Finding people who can successfully straddle the customer and organization interface is not easy. Here are a few specific requirements and responsibilities of a Harris SEAM:

- has account mission understanding;
- builds relationships and influence with key customers;
- ideally, lives near the customer;
- provides analysis of the account—market size, addressable market, mission trends, competitors and others;
- establishes strategic intent for the account;
- identifies growth-initiative opportunities within the account;
- leads activities in support of achieving account quota;
- leads opportunity identification and qualification phases of business-acquisition process;
- supports bid/no bid and proposal-development phases of business-acquisition process; and
- provides support to operations—serves as the feedback channel for performance.

We have learned that the most effective SEAMs are senior-level executives with the ability to meet with key influencers and decision makers, preferably those who already have strong relationships and expertise within the industries they represent. Harris SEAMs have been carefully selected for high levels of expertise and knowledge within an industry or with a specific customer. In some cases they are retired from, or once worked for, the customer, such as in the NASA example. That SEAM has come from within the customer organization and is intimately familiar with its workings.

This is not a new-grad role, but a position that requires seasoned strategic thinking and strong communications skills. While the Business Development organization may be an ideal place from which to recruit a SEAM, it is important that the SEAM is someone who looks far beyond specific business opportunities and has a broad, even visionary, skill set.

We have found that a successful SEAM must have a general-management perspective. SEAMs must be able to assess needs and draw in the right capabilities to develop a solution. Some take on program management roles after the sale. Others are not as strong at project management and hand off it to a colleague in order to concentrate more on selling and relationship management.

Finding the right fit to the role is difficult when asking people to be good at building relationships, understanding the technical dimension of the work and bringing teams together to create solutions. We changed 23 percent of our SEAMs in the first year as we learned what profile makes for success.

Measuring and Rewarding Success

Because the results of SEAM efforts to develop new business might not result in orders for as long as 18 months, the challenge in creating this position was how to reward work that did not have a short-term, specific return.

The solution was to offer a base salary, plus an incentive that has two components: new business bid volume, which is weighted more heavily; and new business face value of the win. The higher percentage emphasis was placed on the bid volume, as this aspect of the SEAM's responsibilities—identifying new opportunities—was most aligned with the SEAM function. Payouts are made based on the percentage of target attainment within each of the businesses' objectives. The key factor here is that individuals now have more direct control over their earnings potential.

Harris found that it had to craft more individualized packages for the SEAMs depending upon what motivated each of them. A retired senior military officer may be more motivated by the type of accounts, challenge of the work and visibility than a mid-career lateral transfer who has more concerns about salary and equity. This flexibility in shaping, measuring and rewarding the role to meet the needs of different accounts as well as the talent, is essential. However, many Harris employees may be accustomed to a government culture where people are treated the same in a given role. These people have found this need for differentiation somewhat different from their past experiences.

Creating any new organization has a certain degree of uncertainty, and it is easy to overlook this in the run-up to its launch. At first Harris failed to define how the efforts of the SEAMs would align with the company's goals. The company is now identifying and incorporating specific metrics that define success around the bid volume and win-rate criteria by which the SEAM's performance is measured.

Harris is still making adjustments in this area and is trying to design the SEAM structure for success. SEAMs have no direct reports or administrative functions that might distract them from their focus on developing new customer relationships and new markets. This element is key to making the SEAM organization work and it will continue to evolve.

'Healthy Friction'

Prior to the formation of the SEAM organization, Harris had in place a long-term Business Development structure that was familiar to employees. Effectively implementing the SEAM structure required a cultural transformation that resulted in what we called "healthy friction." The SEAMs, business development and technology organizations all had to work together in a new way that eliminated the stovepipe mentality of advancing one business over another. This tension was acknowledged and legitimized.

For the most part, the process of having to decide where to focus a finite amount of resources has resulted in healthy negotiations among all three groups. In addition, the technologists residing in the Capability Lanes have become more business oriented and have greater ownership of the results as they challenge themselves—and the SEAMs—as to why they are developing a certain new product. Ideally, the new organizational dynamic offers a more empowering process that pushes decision making into the businesses themselves, with SEAMs, Capability Lanes and the Business Development organization working together to understand and meet a customer's overall mission requirements.

continued on page 53 ➤

Building a Web 2.0-Friendly Culture:

Success on the Web is About People, not Technology

Anne Pauker Kreitzberg, Cognetics

Two years ago, if anyone had asked you if corporations like IBM would be holding customer conferences on the virtual reality Web site SecondLife, or if Ernst & Young would be one of the most popular "faces" on the social networking site Facebook, or if Johnson & Johnson would take up blogging to engage new moms, you would probably have thought, "no way." Yet, that is exactly what's happening.

Web 2.0

Many of us are familiar with the term *Web 2.0*, also called *the social Web*. Even if you are not, you are likely to use Web 2.0 tools: wikis, blogs, media repositories, social networks and virtual reality or discussion forums. Or, you may think of Web sites, like YouTube or LinkedIn. There are even a few who are thinking ahead to Web 3.0 (sometimes referred to as the Semantic Web)—while many say they are still trying to deal with Web 1.0. These technologies are evolving quickly. Just as we become more proficient at using them, even better tools come along.

Organizations—large and small, for profit and nonprofit, universities and government—are struggling to understand Web 2.0 within the context of their business:

- How can we use these technologies to be more successful?
- How can we use them to attract and engage customers?
- How can we use them to recruit, develop and retain talent?
- How will they change the way we work?
- How can we make sure that information we don't want to share stays in-house?
- How can we protect our brand and our reputation?

The answers have a lot more to do with people and business strategy than they do with technology. Corporate culture defines how organizations respond. Technology changes how work is done. Web 2.0 changes the way relationships are forged. For all these reasons, HR leaders play a pivotal role in how successfully their organizations adapt to and use Web 2.0 technologies.

This article briefly defines how Web 2.0 is different from what preceded it, describes a Web 2.0-friendly culture and outlines four key strategies for achieving it. I conclude with some thoughts on how HR can use these tools from an HR-functional perspective.

What is Different About Web 2.0?

In 2004 Tim O'Reilly, founder of O'Reilly Media, used the term Web 2.0 to describe the significant shift in how software developers and users were interacting with the Web. The underlying technologies made it possible to develop and run industrial-strength software over the Internet. You could not do this with earlier Web sites, which primarily were used for two things: to provide information or as Web services. (Web services are systems that enable one computer to interact with another and exchange data over the Web, for example, to conduct e-commerce.)

Today anyone can download, set up and use powerful applications without the intervention of a technology expert. You can create your own Web site, manage huge databases and stream rich media. Even better, many Web applications are free—at least to test drive. And you do not have to be tied to your office to access any of it.

The Relationship Web

Web 2.0 often is referred to as the social Web or as social computing, referring to tools like blogging, social networks and forums. Some find it difficult to understand how tools like these can be applied in a business (rather than a social) context.

One way is to look at Web 2.0 as the *Relationship Web*. Organizations use sites to attract, create, build and deepen relationships with people: internally with employees and externally with customers, partners, investors or prospective employees and customers.

Marketers jumped in and became early adopters. They recognized the huge potential for attracting prospects and deepening relationships with customers. They could reach a mass audience, target niche markets, personalize messages and create great customer experiences, cost-effectively, in a way they could not do before.

HR departments must do the same to engage candidates and deepen relationships employees have with the company. They can use Web tools to attract, develop and retain talent.

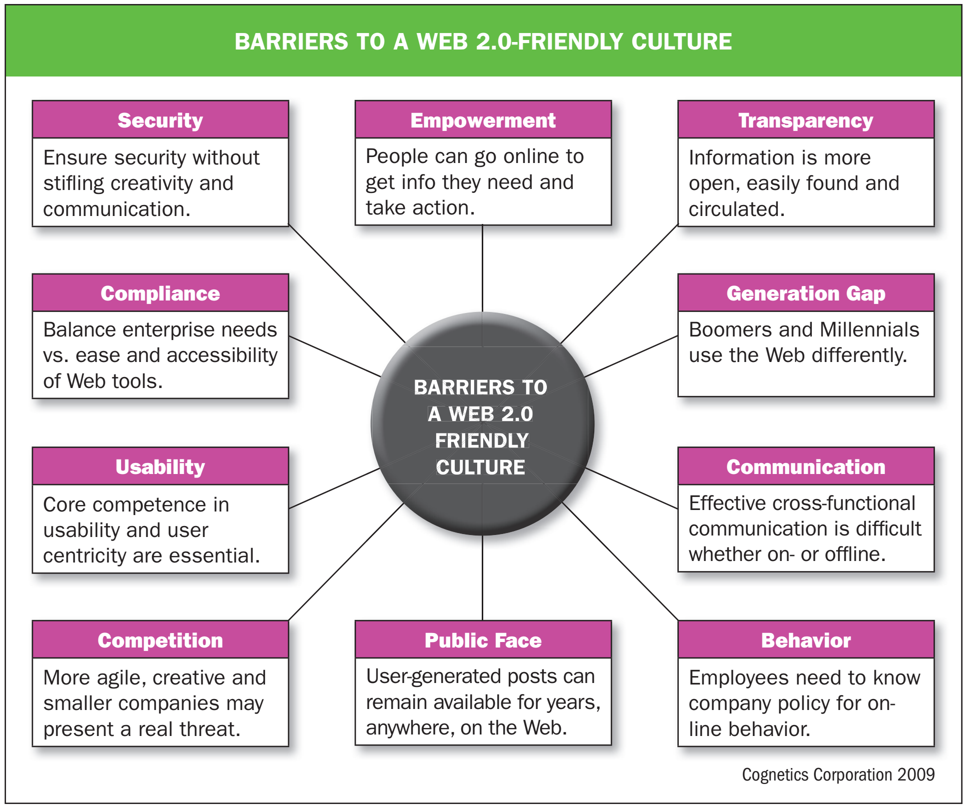
Corporate culture defines how organizations respond. Technology changes how work is done. Web 2.0 changes the way relationships are forged…HR leaders play a pivotal role in how successfully their organizations adapt to and use Web 2.0 technologies.

What Does This Have to Do with Organizational Change?

What distinguishes Web 2.0 is its interactive capability. Users expect to be able to participate, rather than to only receive the information organizations wish to share. They can generate content and voice opinions—and get immediate feedback. They have limitless access to experts and information, instantly. They expect Web sites to be user-centric.

As time goes on, a greater percentage of the workforce at all levels is going to become accustomed to this. These employees will expect to work in an environment where this is the norm. Most companies are just not ready for it. They are accustomed to doing the telling, and protecting information in one-way communication. It is difficult to be truly customer-centric, employee-centric and shareholder-centric that way. And yet, interactivity is exactly what success in a Web culture takes.

Web 2.0 brings with it both positive and negative ramifications:



1. Information is far more transparent than in the past; there is no place to hide. We have to develop a thick skin. People will have nice things to say about us as well as not such nice things. We have to be prudent in what we share. Virtually any information is potentially available for anyone to see, forever.
2. We can be up to date, up to the minute. We know what our friends are doing. We can be told when there is news on a myriad of subjects. By the same token, there is too much information coming, too fast, much of it unimportant, irrelevant or incorrect.
3. We can locate information, instantly, on any topic. But it is not always easy to discern if content is vetted, accurate or comes from a reliable source.
4. There are few barriers to participation. Anyone can have a page on Facebook, write a blog, or set up a site to raise money for a favorite charity. Yet not everyone participates equally. The majority of people are comfortable reading what someone else has to say; many fewer are willing to post a comment and fewer still publish their own content. Easy access does not ensure full or representational participation.
5. Online communities spontaneously erupt and flourish. They bring people together from all walks of life, from all parts of the world. At the same time, clear communication, free of misunderstandings, is difficult in the physical world; it is not necessarily any better online.

Each company needs to decide for itself how to address the ramifications of setting up and encouraging Web 2.0 interaction based on factors such as industry, strategy, priorities, regulatory requirements, size and existing culture.

What Is a Web 2.0-Friendly Culture?

A Web 2.0-friendly culture is a work environment that enables an organization to successfully adapt, use and thrive in a world in which a full range of Web-based technologies and tools are the norm.

Each year more companies are moving from experimentation to incorporate a greater number of Web 2.0 technologies into their business practices (McKinsey, 2008). While their adoption is growing quickly, it is far from universal. Though up from about 20 percent in 2007, only a third of the 2,000 respondents McKinsey surveyed in 2008 used blogs. In addition to an increasing number of blogs on corporate sites, businesses are experimenting with the microblogging site Twitter. Blogging raises management issues companies have not had to deal with and little precedent exists.

McKinsey found that in the companies that were most satisfied, the business units decided for themselves which tools to use. Business units were most dissatisfied when IT made the decisions. Their cultures make it easier for them to work their way through the tough questions about transparency and information sharing.

HR leaders who recognize Web 2.0 as a sea change have the opportunity to make a significant and substantial difference in their organization's competitive advantage.

There are five characteristics of a Web 2.0-friendly culture:

- transparent: open about their actions;
- user-centric: focus on people, both internal and external;
- agile: are nimble and quick to adjust;
- empowering: give people information and the ability to take action; and
- creative: encourage experimentation and innovation.

How many organizations do you know that match this description? Organizations and Web 2.0 are not an easy fit.

Web 2.0 is about transparency, user centricity and control, crossing boundaries, experimentation—not strengths we typically associate with organizations. There are legitimate legal concerns such as protecting confidentiality and intellectual property. There is the fear of public relations disasters, affecting reputation and brand. Will uniformity in corporatewide systems go by the wayside? How do we prevent departments from going off on their own when Web applications are so easily and inexpensively available? The transformation will not come easily.

What You Can Do: Four Key Strategies

HR expertise in organizational change is sorely needed to smooth this transition.

As a first step, HR can help the management team realistically assess the organization's readiness and identify the knowledge and skills needed to lead the change. There are four strategies HR can use to create a Web 2.0-friendly culture:

1. Help your leadership figure it out in terms of your business.
2. Focus on relationships and demonstrate that value through user experiences.
3. Cover your assets with practices that protect the company but do not stifle creativity.
4. Provide training that closes the gaps in communication—whether it is across generations, functions, language, culture or physical proximity.

Strategy 1: Help Your Leadership Figure It Out

Leaders are really struggling with what to do about Web 2.0. It is no longer a badge of executive status to been seen as "Internet illiterate." Web competency is a baseline requirement for being in touch with the modern world. Yet those who did not grow up with the Internet do not have a clear understanding of what it really is.

It is easy to see why people assume that everyone is connected. They are. More than two years ago, the Pew Internet and American Life Project estimated that 73 percent of American adults use the Internet in various aspects of their lives: at work, to shop, for health-related information or in connection with a hobby (Madden, 2006).

Yet many leaders are not sure of the business value, immediate or long term, of Web technology. They are not sure how to make good business decisions around investing in them. After all, the dot.com bust was not all that long ago. No one wants to invest in cool technology that will not pay off.

A big reason leaders are extremely hesitant to go headlong onto the Web is that it easily can turn ugly. No one, not even the most altruistic organization, is immune. An unflattering photo, the rant of a mistreated customer, or the venting of an unhappy employee can spread like wildfire and cannot be contained, Domino's Pizza found out this year. Who wants to risk public embarrassment?

Finally, leaders are concerned about protecting intellectual property, strategy or other sensitive information. They do not feel comfortable with what employees will say and do.

Given the uncertainty surrounding the Web, it may be difficult to imagine what would prompt a leader to shift from risk-aversion to champion. Depending on what the competition is doing, leaders do not want their company (or themselves) to be seen as old-fashioned or as the last to get on board. They may be facing new sources of competition from start-ups, smaller firms or outside the country.

While Gen Y grew up with the Web, employees of all age groups are becoming comfortable with it. Mid-career employees are better at seeing the business value to Web applications than their less-experienced counterparts.

What can you do? Use specific sites in your industry to illustrate to your leaders how specific Web 2.0 tools are used to meet business goals.

Strategy 2: Focus on Relationships

Success on the Web—whether it is building an external Web site, an internal portal or a Web application, begins and ends with the user experience. When people do not find what they want quickly or they think a site is not of much value, they navigate away, never to return again if they do not have to. It takes a fraction of a second to make up their minds.

There is an analogy between Web relationships and interpersonal relationships. Relationships change over time; think of a first date (coffee only or maybe even a speed date), a second date (lunch in a restaurant), a third date, and so forth. Based on our experience in each of these encounters, we decide whether to come back for another. Relationships form when there are repeated positive encounters. As the relationship matures, expectations change, but what we experience during each encounter determines if the relationship will get stronger.

It is the same thing on a Web site. Whether you are building a portal for prospective employees, an internal social network or a site with HR policies and company news, the same principle holds true. To engage and foster repeat visitors to your site, your goal is to design a site that will provide them with a series of positive encounters each time they come back—whether it is the first time or the 50th time.

What makes us decide whether a site is worth spending time with or not? There are four critical factors:

- ***Engagement.*** How interesting and visually appealing is the site?
- ***Ease of Use.*** How easy is it to find information and navigate around the site?
- ***Empowerment.*** Can I do what I came to do?

BUSINESS GOAL	WEB 2.0 TOOL
Lead generation and brand awareness	Use blogs to demonstrate thought leadership or to create buzz.
Customer support	Use video to demonstrate products or a wiki to provide product information.
Customer retention	Use social networks to engage customers and build loyalty.
Talent management	Use social networks to recruit staff for positions.
Knowledge sharing	Use private social networks for employees to connect and to share information and ideas.

- ***Trust.*** Do the site sponsors have my interests at heart? Will they do what they say they will?

Do your Web sites achieve this? Whether internal or external facing, or hosted on a third-party site, it is important to find out whether your customers and prospective or current employees think your sites meet the requirements if your goal is to use these sites to create lasting relationships.

An example of a corporate recruitment site that has been designed to meet these criteria is the Enterprise Rent-a-Car Careers Site (**www.erac.com/recruit/default.aspx**). It has a number of features designed to be engaging: an interactive poll, video clips of current employees and an online game, "Give Me the Business: The Enterprise Game." It is very easy to find information. It is organized well. The language is clear and jargon-free. There seems to be every conceivable kind of information that a job applicant may want to find out—including the name and phone number of the recruiter for their area. You can find out if "Are You an Enterprising Person" from the point of view of current employees. The experienced visitor can find out what jobs are open or how to apply for a job.

The professional appearance of the site, the choice of topics covered and how they are addressed, the tone and language used, and that the site appears to be kept updated instills trust in the site and the organization behind it. The visitor gets a good feel for the company. An employee magazine and rich media make subsequent visits interesting.

A site this well thought out and executed takes awareness of Web 2.0 technology, how it works, the risks and limitations. Choosing the right tools (for example, a blog or a video) and content are important. The culture that has emerged from the Web community is that sites that succeed sound authentic, not corporate. You want to create a site that encourages people who can relate to your company to apply. Just as importantly, the site should provide enough about the culture and real-work environment to discourage those who will not fit in well to opt out.

Count on applicants to check out your company through their social network or on YouTube. Employees can be surprisingly blunt on a blog or discussion forum about what it is really like to work there. What is your policy on employee blogs, or appropriate cyber behavior? In a Web world you need to anticipate and think through how to handle negative comments, from the public or from your employees. They are bound to come up.

What can you do? Help your leaders understand how relationships and influence are built online. Look at how others in your industry are using Web tools to build relationships with customers, prospects, employees and other stakeholders:

- Which tools are they using?
- How are they using them?
- How effective are they in terms of engagement, ease of use, empowerment and trust?
- How are the tools used together?

Follow conversations about your company on Twitter and other social networking sites. Look at how other companies handle negative comments, how far they spread virally and how long it takes for them to die down.

There Are Many Things You Can Do to Get Started

1. Assess organizational readiness for a Web 2.0-friendly culture.
2. Create a roadmap for implementing change that addresses these areas:
   - business context and strategy;
   - integrating business strategy into Web strategy;
   - organizational readiness;
   - policies and practices in key areas of management concern; and
   - education on the relevance and challenges of Web 2.0.
3. Increase Web 2.0 capability from experimentation to an integrated strategy:
   - individual exploration;
   - learning from others;
   - pilot projects;
   - core competence in user experience interaction; and
   - metrics.

Strategy 3: Cover Your Assets

There are legitimate concerns that make organizations skittish about Web 2.0, especially those in highly regulated industries like financial services or pharmaceuticals.

Online shoe retailer Zappos encourages interactive, spontaneous interaction from customers. The home page posts customer product reviews (**www.zappos.com**). You can follow "what Zappos employees are doing right now" on Twitter (**twitter.zappos.com/employee_tweets**); provide a video testimonial; or proclaim your love of the company on MySpace or your blog with an "I Heart Zappos" button (**www.zappos.com/iheartzappos.zhtml**).

Even though drug companies may advertise on TV, you will not find any of these features on their Web sites. Concerns about Food & Drug Administration regulations mean they would never make it past the Compliance department.

Employees will want to know the company policy about what they can and cannot say on the Web, about confidentiality and security. Protection of intellectual property, confidential information and trade secrets are legitimate concerns. It is not always obvious to employees that they are inappropriately discussing or disclosing these assets. Security of data (for example, customer lists or financial information) and safety of systems themselves are concerns that existed long before Web 2.0. Now that data can be shared or stored over the Web, there is added concern, especially if it is not behind the company firewall.

You may not know if or how many employees already use Facebook, instant messaging or collaborative software without asking permission or IT assistance. They do this on their own because it is easier to get the job done or connect with other people in the company. They do not think what they are doing poses a risk. Some IT departments limit employee access to sites, even if the employee uses the Web to conduct work-related research. Employees interpret this as draconian.

IBM is an example of a company that has done a lot of interesting things on the Web and has a published policy on employee behavior. You can find a copy of the company's Employee Guidelines on Social Computing on its Web site (**www.ibm.com/blogs/zz/en/guidelines.html**). It outlines appropriate behavior when employees are on blogs, wikis, social networks, virtual worlds and social media. It expects employees to act responsibly, respectfully and professionally. The guidelines are measured, balancing the need to protect the company while still encouraging collaboration and innovation.

IBM uses all forms of Web 2.0 technology extensively, so much so that it is part of the way people work and the culture. The current policy acknowledges that employees need to make their own decisions about the extent of their participation. You can Google "IBM SecondLife" and see many examples of virtual IBM events.

What can you do? Talk with your functional and line managers about concerns they may have about employee online behavior. Clarify organizational, legal or cultural hurdles to assess your company's readiness for a Web 2.0-friendly culture. Create a cross-functional team to address these concerns and create policies to ensure security and compliance and to protect data. Engage employees in discussion about these concerns and share what is expected of them.

Strategy 4: Provide Training that Closes Gaps in Communication

Communication—or more accurately, miscommunication—persists as a perennial problem whether online or in the physical world. Because we are all human, this will continue.

Most leaders, managers and employees are not accustomed to communicating in the new Web environment. A multi-generation workforce, each segment with its own work style, motivation and communication differences, makes this more complicated. The gaps among them will close as time goes by and Web 2.0 tools become part of the daily workflow, but that will take years.

For example, Charlene Li and Josh Bernoff have conducted research and created a tool to help marketers learn more about who is on the Web and what these users are doing. The tool can be seen at **www.forrester.com/Groundswell/profile_tool.html**. Li and Bernoff created a framework to describe how people make their way up the ladder, from Web observers to active participants. An interactive Social Technographics Profile tool allows you to select a region of the world, age and gender of the demographic you are studying. Based on your selection, the tool generates a graph of the distribution of each demographic as it makes its way up the ladder.

Managers and staff will benefit from education about these technologies and how to use them most effectively to communicate and collaborate. They want to know how to write a blog post, use a wiki or use collaboration software productively, whether they work in the same building, telecommute or are part of a virtual, global, cross-functional team.

What can you do? Do not assume everyone in your company has the same knowledge or comfort with Web 2.0 tools. Many people do not feel comfortable admitting their lack of knowledge, because they do not want others to think they are out of touch. Facility with Web applications like Facebook, LinkedIn, YouTube and Twitter does not translate to a deep understanding of how these tools can be used to meet your business goals. Provide Web 2.0 education. Create a wiki where employees can learn about new tools and exchange ideas, experiences and resources with others.

Web 2.0 and HR

The HR function is in a unique position of being both a user and a change agent at the same time. HR leaders can use Web 2.0 tools to be more effective. Examples of how these tools are used to improve processes include Web services for third-party benefits administration, online registration for training programs and applications to prepare performance reviews or to gather 360-degree feedback. E-books, interactive job aides, Podcasts, Webinars and video are used to deliver online learning experiences.

HR staff members commonly use intranet portals to communicate with employees about policies and practices, but portals also can be used to build relationships. Employee self-service can be supplemented with online chat with an HR person. Other examples might be establishing a social network for employees and alumni, blogs written by HR people, polls, and focus groups using discussion forums.

Today HR departments use the Web to interact with external audiences in a number of ways. Companies use social networks, virtual reality, YouTube, forums and other sites to increase awareness of their "employer brand," recruit passive job candidates, conduct interviews and learn what employees say about their boss or about the company.

Web 2.0 affects how people work, communicate and collaborate. Companies that lag or do not adapt will not be able to continue to attract, develop and retain a talented workforce. Innovation will take greater effort. Problem solving and decision making will take longer. And it will be more difficult for them to compete globally. I believe HR executives need to lead two initiatives with respect to Web 2.0:

- First, HR leaders can examine how these tools can be used to improve the HR function's effectiveness.
- Second, HR leaders have the organizational perspective and skills to take the lead for moving the entire company to a Web 2.0-friendly culture. With a cross-functional team of representatives from business units, IT, legal, compliance, marketing, communications and other areas of the company, the company can assess its readiness and begin the change process.

The transition will require strong support by leadership, competency in developing relationships on the Web, policies to both protect company assets and ensure appropriate employee behavior and, finally, training so that everyone understands these technologies and how to use them in the context of the company and their role. P&S

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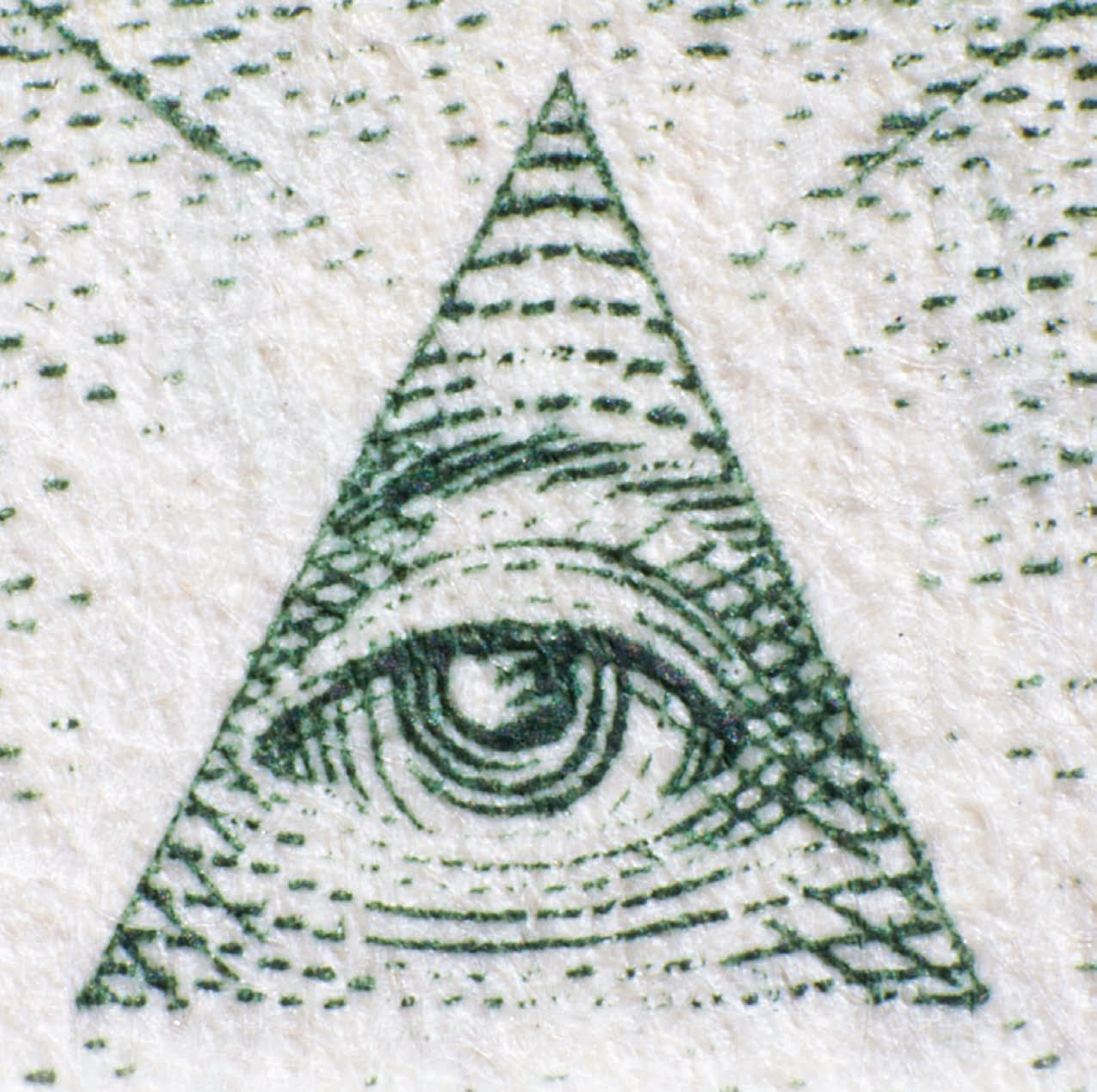

Expanding Opportunity at the Base of the Pyramid

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In the last decade, C.K. Prahalad and others have argued that the 4 billion people living on less than $2 a day—a group in society that wields trillions of dollars in economic power—is a major, untapped market (Prahalad, 2006). Indeed, there is mounting evidence that the world's poorest people are not only viable producers for a host of products and services, but they also are eager consumers of the basic necessities of the developed world—from mobile phones to soap to banking and insurance products.

Recognizing this opportunity, a number of multinational companies launched initiatives to explore the untapped market potential at the base of the economic pyramid (BoP). These multinationals, however, are not focused solely on developing new markets. They are becoming aware, through the efforts of some government organizations, NGOs and philanthropic organizations, that an effective way to eliminate poverty is to provide the poor with access to markets and credit, meaningful goods and services, and opportunities to enhance their skills and business practices. By exploring BoP opportunities, these companies also can have a positive impact on the lives of the poor.

Given the global financial crisis and the ever-expanding gap between the rich and the poor, we may be at the nexus of a major societal shift. A shared view is developing across diverse constituencies that the poorest of the world are a source of abundant resources rather than a societal burden. This is an ideal time to bring diverse players together to experiment with innovative approaches to pressing challenges.

By joining forces, the commercial and nonprofit sectors can work together "to enable the poor, especially the poorest, to create a world without poverty" (Grameen Foundation, 2008). From this vantage we explore five lessons learned from organizations that actively are engaged in work at the base of the pyramid and the implications for human resource leaders working in these companies.

Lesson 1: The BoP Has Consumers *and* Producers

The first shift in thinking that needs to be made is how we define people at the BoP. The consumer's goal in this space is to secure affordable food, housing, health care, economic livelihood, education and other essential products and services. In pursuit of these goals, the BoP customer has a few key concerns:

1. easy access to known, needed goods at affordable prices;
2. solutions to daily life challenges; and
3. the opportunity to participate in economically productive activities.

Organizations serving the BoP market strive to accomplish these tasks:

1. generate revenue from existing products;
2. develop new products to meet new market needs; and
3. be good global citizens by using their products and expertise to help solve fundamental social problems.

To meet the needs of the BoP market, companies will need to pursue relationships with local delivery providers, social development players, entrepreneurs, government officials and potential customers.

Beyond an enormous untapped consumer market, those at the lowest levels of the global economy can be effective and viable producers, contributing real economic value to themselves and their business partners. A stunning example is the Indian dairy cooperative, Gujarat Cooperative Milk Marketing Federation (GCMMF), which operates under the brand name Amul (GCMMF, 2009). Poor rural farmers sell the daily output of their few buffaloes to the cooperative of which they are part owners. The cooperative takes care of everything else, from picking up of milk in the village to manufacturing and marketing the end products.

The scale of the business is impressive: 2.7 million producers are responsible for a daily output of more than 10 million liters of milk that accounted for more than $1.3 billion in sales in 2008. Individually, these poor producers would not have access to efficient markets, but when their production capacity

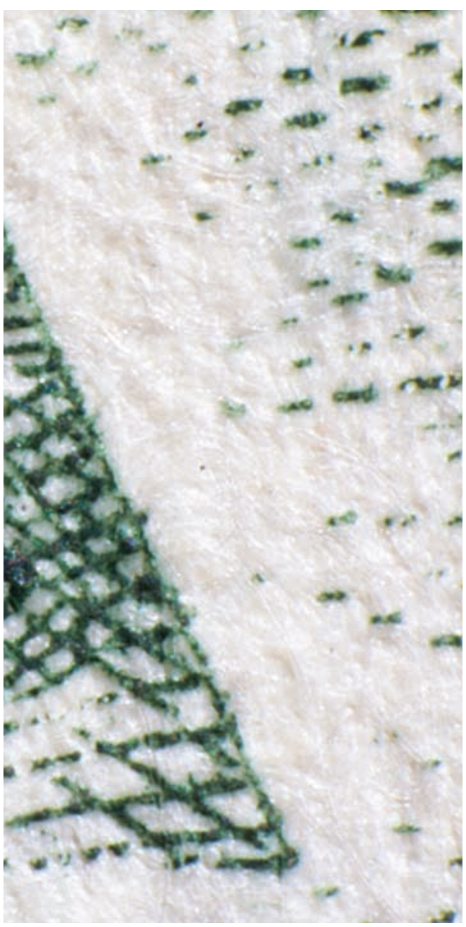
This is an ideal time to bring diverse players together to experiment with innovative approaches to pressing challenges.

is combined they are powerful—GCMMF is India's largest food products marketing organization.

It is difficult to see a group needier or more removed from our traditional notions of producers or consumers than beggars in Bangladesh. Yet micro-lender Grameen Bank saw things differently. In his Nobel Prize acceptance speech, Grameen Bank founder, Muhammad Yunus, recounts:

"Three years ago we started an exclusive programme focusing on the beggars. Loans are interest-free; they can pay whatever amount they wish, whenever they wish. We gave them the idea to carry small merchandise, such as snacks, toys or household items, when they went from house to house for begging. The idea worked. There are now 85,000 beggars in the program. About 5,000 of them have already stopped begging completely. The typical loan to a beggar is $12." (Yunus, 2006)

Lesson No. 1 teaches us that the poor of the world should not be viewed only through the lens of charity.



Lesson 2: Public/Private Partnerships Create Opportunities at the BoP

Inspired by the work of Yunus and Grameen Bank, Grameen Foundation (GF), a U.S.-based nonprofit that has supported the global microfinance industry since the mid 1990s, provides products and services that enable microfinance institutions to use both microfinance and technology to grow and reach ever greater numbers of the world's poorest.

Sometimes called "banking for the poor," microfinance gives very poor people around the world access to credit and other financial services to empower them to pull themselves out of poverty. Relying on their traditional skills, entrepreneurial instincts and hard work, microfinance clients, mostly women, use small loans (usually less than US$200) and other financial services to run small businesses. GF has developed deep business partnerships with BoP customers and organizations serving the BoP. The foundation intends to change mindsets and challenge conventional wisdom by demonstrating to the private and public sectors that these alliances can benefit all parties involved by creating meaningful self-employment opportunities that improve lives.

Wireless Reach

One example is how Qualcomm, the large telecommunications company, works in partnership with Grameen to provide phones to poor people. The initiative started in 2006 with an initial grant from Qualcomm's Wireless Reach initiative that enabled Grameen Foundation's Technology Center to test the feasibility of expanding its successful Village Phone program to Indonesia. Based on the pioneering work of the Grameen Village Phone in Bangladesh, Village Phone and Village Phone Direct extend the benefits of affordable telecommunications access in a sustainable, profitable and empowering way.

Designed to create profitable micro-franchise telecommunications businesses owned and run by poor entrepreneurs, these Village Phone Operators (VPOs) operate their businesses in rural villages where no telecommunications services previously existed. They rent the use of the phone to their community on a per-call basis. The VPOs provide affordable rates to their patrons while earning enough to repay their loans and earn profits that allow them to make investments in their children's health, nutrition and education, and in other business ventures.

In July 2008, GF, Qualcomm's Wireless Reach initiative, a local telecommunications operator and microfinance partners launched Indonesia's first Village Phone program. This program has created more than 137 new businesses in West Java and Banten, all owned and operated by women. Going forward, the partnership will focus on developing the capacity of wireless telecommunications and microfinance institutions by expanding the program to at least 1,000 new Village Phone businesses, reaching up to 500,000 poor Indonesians who currently do not have access to telecommunications services.

This collaboration has evolved into a successful public/private alliance where Qualcomm and GF have been able to combine expertise and experience to spur innovative business solutions for the poor. It also is enabling both organizations to meet their missions.

For Qualcomm, this alliance is a good fit with its Wireless Reach initiative, which supports programs and solutions that bring the benefits of 3G connectivity to developing communities globally. For GF, the relationship with Qualcomm provides a multiplier effect for the limited resources it has to invest.

Grameen-Jameel

In 2003, GF formed a unique partnership with Abdul Latif Jameel Group, a Saudi conglomerate, to support the growth and impact of microfinance across the Arab world. Poverty is an endemic problem in the region, where an estimated 75 million people live on less than $2 a day. This alliance was consolidated in 2007 to form Grameen-Jameel Pan-Arab Microfinance Limited (Grameen-Jameel), a for-profit company headquartered in Dubai, UAE. Jointly owned by GF and Bab Rizq Jameel Limited, a subsidiary of Abdul Latif Jameel Group, Grameen-Jameel is modeled after the social business enterprise concept promoted by Yunus. It reinvests all of its profits into the business rather than distributing dividends. Grameen-Jameel's vision is to reach 1 million new active microfinance clients in the Arab world by 2011 by forming strategic partnerships with microfinance institutions (MFIs) that share its values.

The partners receive a wide range of support, including financing through its $50 million guarantee fund, technical assistance, training and access to best practices resources that have been translated into Arabic. Grameen-Jameel already has reached more than 300,000 new microfinance clients through its partners in Egypt, Jordan, Lebanon, Morocco, Tunisia and Yemen. It is the first social business in the Arab world and an example of how two very different organizations, a Western nonprofit and a for-profit, privately held Saudi company, can come together for a common social good.

As these and other examples illustrate, the challenge of the customer-organization interface at the BoP is to manage relationships between the for-profit players and local organizations that will be involved in implementing the market solutions. There are many questions at the heart of these relationships:

- What profit is enough (and too much) for the for-profit partner?
- How can the impact on alleviating poverty be measured?
- How can tradeoffs between doing well (financially) and doing good (improving the lives of those at the BoP) be managed effectively when competing interests exist?
- What unintended effects, both positive and negative, occur to organizations and BoP customers when innovations are introduced?

Lesson No. 2 teaches us that, despite these questions, non-traditional partners can come together to create new opportunities for those at the BoP.

Lesson 3: The BoP Can Drive Innovation

Some organizations have begun to recognize that the BoP can be a driver of innovation. Cosmos Ignite Innovations developed a product designed to meet the need of the poor for access to lighting. The product also addresses the health and environmental problems associated with using polluting kerosene lamps. The company started by studying the problem at the grassroots. Cosmos Ignite wanted to understand the social need and what barriers existed that its solution would have to overcome.

The company's Mighty Light product uses the latest LED technology combined with solar energy and it is waterproof and shock proof. It has multiple functions, as a room light, reading light or flashlight. The light is strong enough to illuminate an entire room, holds an hour charge and is designed to last 100,000 hours, the equivalent of 30 years of daily use.

It is not difficult to imagine how lighting will change the lives of the more than 1.6 billion people without regular lighting—children can complete their school work after agricultural chores are completed, handwork can be done into the evening providing additional sources of income and families' health is improved with the elimination of kerosene lamps. Mighty Light is used effectively in India, Afghanistan, Pakistan, Cambodia, Nigeria, Kenya, Rwanda, Panama, Guyana and Colombia (Kapur, 2007).

Consider the work of Dr. Devi Shetty, a cardiac surgeon based in Bangalore, India. Shetty has pioneered a series of innovative solutions that have placed health care within the reach of many millions of people in India, regardless of their ability to pay.

One of the vexing challenges Shetty tackled was figuring out how to get quality health care to the large populations living in remote areas of the country. India, like many developing nations, has a population that lives largely in remote, rural villages. While 70 percent of the country's population resides in villages, 70 percent of the nation's doctors live in cities. As Shetty pondered this problem, he found that solutions existed in his own backyard.

Shetty tapped Bangalore's world-class information technology prowess and enlisted India's space agency, also headquartered in the city, to establish a telemedicine network, connected by satellite, between urban hospitals and villages. Patients in rural areas of India can be "seen" by specialists, aided by local paramedical staff who operate the rural clinics. Doctors prescribe treatment administered by the local representative, or request that serious cases be brought to urban centers for treatment.

The system improves access to health care for the rural poor, creates jobs in villages for the paramedical staff that runs the clinics, and maximizes urban doctors' efficiency and reach (Rego & Bhandary, 2006).

Lesson 3 reinforces the importance of viewing the BoP as a seedbed of innovation, grounded in overcoming need and necessity. Nurturing these seeds can unleash innovation in all sectors of society.

Lesson 4: Respond to Market Needs at the BoP with Design Thinking

In the past few years, the Center for Creative Leadership (CCL) has been experimenting with a number of models to make leadership development more affordable and accessible to people around the world (**http://leadbeyond.org/**). The goal of this work is to democratize and scale leadership development. As we embarked on this work, we first began by reading and analyzing the literature, writing reports and preparing scenario documents.

While our analysis was solid, our progress was quite incremental. We hired two of the top design and innovation firms in the world (IDEO and Continuum) to help us shift gears using "design thinking." Design thinking includes ethnographic data collection, brainstorming and rapid prototyping to uncover unmet customer needs and to create innovative solutions to meet these needs.

Continuum and IDEO encouraged us to immerse ourselves in the developing countries in which we wanted to work. The immersions and subsequent product experiments spanned developing and developed countries; corporate, nonprofit and government organizations; and different approaches to product design and delivery. These immersions brought to life the needs and aspirations of underserved populations and took us in directions we could not have envisioned via analysis of the detailed data alone. The deep insights we gained gave form to a spectrum of solutions that CCL is implementing to make leadership development more affordable and accessible for social-sector organizations, youth and young professionals in developed and developing countries.

The design-driven way of working has been mastered by a number of corporations and social enterprises that see emerging markets and low-income populations as prime growth markets. Nokia is an example of a multinational that has been exceptionally successful in BoP markets. It has three R&D facilities in India that have produced innovations such as a phone that operates for more than two weeks on a single charge and comes with a flashlight for those who live without access to dependable electricity. The phone also allows families and friends to share a device by maintaining as many as five separate phone books and providing controls for how much an individual user can talk or spend (Ewing, 2007).

Similarly, companies such as P&G, which generates $20 billion from developing markets, find that localizing capacity is essential to keeping costs down and leveraging local knowledge and relationships. For example, P&G products often wound up hidden under the cashier's counter in crowded retail stores, to be sold on request. By hiring local sales agents, P&G was able to build ties to store owners and better negotiate display space (Byron, 2007).

In some cases, the solutions are inspired by bringing together disparate concepts that span developing and developed worlds. For example, Dr. Govindappa Venkataswamy (or Dr. V as he is commonly known) of Aravind Eye Care in Madurai, India, was inspired by McDonald's Hamburger University. Through studying the hamburger chain's operations, he saw that low-cost, high-quality and volume could be attained through carefully managed operations. The model he created has enabled eye doctors to conduct 2,600 surgeries each year, compared to the current prevailing average of 400 operations (Miller, 2006).

BoP solutions often set improbably lofty goals that are brought to life through iterative experimentation. The One Laptop per Child Project had a three-year gestation period through which a network of hardware and software designers experimented with a variety of features and options to address key BoP limitations. The initial product specs called for a laptop that was intuitive to children, heat-proof, dust-proof, drop-proof, spill-proof, designed to work with limited power and Internet access, and priced at a fifth the price of the cheapest laptop available. The product that made it to market, named the XO, was priced closer to $200 but has accomplished many of its seemingly unrealistic objectives (Pogue, 2007).

As these examples illustrate, success in BoP markets requires the kind of empathetic and imaginative approaches that design thinking incorporates as a best practice. It also requires leveraging local talent to acquire insights, maintain relationships and trim costs. Fortunately there is no deficit of talent at the BoP, only the need to see the abundant opportunity and unlock the vast human potential that exists within it.

Lesson 5: The BoP is a Source of Employees

For most multinational corporations, success in emerging markets necessitates identifying, hiring, developing and utilizing local talent. Pantaloon, a large Indian retail giant, has had commercial success hiring employees at the BoP. They recruit and train youth from India's slums to become clerks and baristas, some of whom go on to become managers and entrepreneurs. The head of training at Pantaloon, K.C. Kurien, reports that he built the company's leadership-training program on an insight he had at a traffic intersection in Mumbai. Watching beggars work the line of cars, he noticed that those with greater social skills were more successful. If self-confidence and social skills work for beggars, he asked himself, what could they do for motivated people from the slums? Pantaloon's program has been highly successful in driving employee engagement, customer service, innovation and growth.

Along similar lines, Mobile Metrix is an on-the-ground marketing organization that works in developing countries to help public- and private-sector organizations collect grassroots data that inform product and service development for the BoP market. To obtain these data, they hire local young people (ages 16-24), provide them with training on how to use handheld computers and then send them into their communities to collect data on community needs. After products are developed, these young people also have the opportunity to be employed in marketing and

The design-driven way of working has been mastered by a number of corporations and social enterprises that see emerging markets and low-income populations as prime growth markets.

distribution, benefiting both them and the organizations that now have access to hard-to-reach communities and consumers.

Another innovative organization that is bringing essential products, jobs and empowerment to disadvantaged populations is VisionSpring (formerly Scojo Foundation). VisionSpring is working to provide reading glasses to the poor; 700 million of the world's poorest suffer from presbyopia (blurry up-close vision), which undermines their ability to do many work tasks such as sewing or sorting grain. The organization's business model is to train and engage local women as "vision entrepreneurs," which in many cases leads to a doubling of their income. The company operates in more than a dozen countries, and as of 2008 had sold nearly 90,000 pairs of reading glasses and trained more than 1,000 Vision Entrepreneurs (MacMillan, 2008).

If Grameen Bank can turn beggars into successful entrepreneurs, if Pantaloon can turn slum dwellers into confident store clerks and managers, if Mobile Metrix can successfully employ youth in hard-to-reach communities to help drive product development and sales, and if VisionSpring can employ poor women to help improve the eyesight of others, consider the societal impact if thousands of organizations were to include the BoP as a source of employees.

Relevance to HR Leaders

The vast untapped market at the BoP represents a potential opportunity for organizations that find their traditional markets are becoming saturated and their profit margins are shrinking. The IMF notes that India and China—countries made up largely of poor people—are the main engines of world growth (Callen, 2007). The World Bank reports that developing countries are responsible for 40 percent of the world's economy (World Bank, 2007).

Success at the BoP requires a new orientation however. Working at the BoP requires a rejection of the notion that the poor are passive recipients of charity, incapable of being consumers or producers. It also requires innovation to create or adapt product, services and business models. This, in turn, requires new capabilities within organizations and their people.

For senior HR leaders, these new business opportunities will require developing people (and teams) who can work successfully in BoP environments and with non-profit partners. What corporations can learn from non-profits is how to work with scarce resources, create broad alliances and build movements and tap passion and unlock potential. The head of a corporation in Chile explained that young people who join the corporate sector after completing a service learning program in rural Chile are much in demand and are deemed able to think more holistically and be more persevering and resilient.

From another lens, engaging with BoP markets provides a lever for organizational transformation, increased employee engagement and stronger community relations. Employees can gain opportunities to develop their strengths and apply them in service of social as well as business goals, enhancing organizations' effectiveness as well as corporate brands. In an era of growing demands for triple-bottom-line approaches, a company that serves the BoP can be more attractive to customers and employees.

The greatest barrier to traverse is that of mindset. Mohammed Yunus likens the untapped potential of the poor, limited by the lack of opportunity, to a seed of a tree that is planted in a tiny pot. The same seed planted in the fertile ground can grow to be a great tree (Knowledge@Wharton, 2005). The potential for companies with the BoP is much the same. If planted in a small pot of opportunity they will yield little. Nurtured in a supportive corporate culture, however, the BoP represents significant growth potential for organizations and their shareholders, employees and customers. HR leaders can lead the way by helping create cultures that enable this transformation. P&S

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book reviews

edited by John Bausch and Patsy Svare

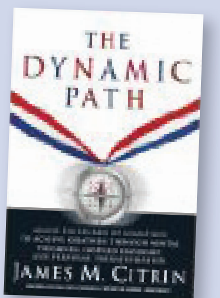
A Must Read · Worthwhile · Skim It Over · Bottom of the Stack

The Dynamic Path

Author:
James M. Citrin

Publisher: Rodale Books

Reviewer:
Deborah Walsh
Deborah Snow Walsh, Inc.



Using inspiration from the classic 1980's business studies, *Mentally Tough* by Dr. James Loehr and Peter J. McLaughlin, and *Peak Performers* by Dr. Charles Garfield, Jim Citrin, executive recruiter with Spencer Stuart and Yahoo.com career columnist, brings to light his own perspective on leadership. The book consists of interviews with luminaries from business, government and sports, Citrin's in-depth analysis of their careers and notable quotes from sports legends and acclaimed business leaders make for easy and enjoyable reading. But do not be fooled by the sometimes lightheartedness of the book: At its core lies a great read for current and aspiring leaders and champions in life. There is a road map in every chapter that can be translated for one's own life.

Citrin's analysis yields a "dynamic path" to success that others can follow. It is, admittedly, only one way of many to reach individual accomplishment, champion performance and leader legacy, but it does illuminate how high-level success can be attained. For example, for years human resource professionals, compensation experts and CEOs have debated the impact of creative compensation on results and the belief that what is rewarded will produce greatness. Though far from a compensation book, you need only look to the examples contained on these pages to understand how measurement and rewards influence spectacular achievements.

The author fills his book with stories that demonstrate his view of the dynamic path, and each contains elements of struggle, belief, lessons learned from failure and progress to ultimate success. They all are worth the time to read, from Billie Jean King to Colin Powell to Arnold Palmer to Tiger Woods. These dramatic accounts of building of careers and personal brands, individual satisfaction attained and group success achieved are fascinating, stimulating and can be translated into your own hopes and dreams of moving toward the top in your profession and life. The dynamic path begins with natural talent, proceeds through dedication, problem solving and people leadership and ends with a type of moral or spiritual leadership, transcending self and arriving at contributions "far beyond themselves…to the world around them." It starts with the belief in growth "or perish," moves to building on past experience, looking to learn from the success of others and playing to one's own strengths, finally culminating in aligning a career/life with a particular passion.

The author believes that every point in life is a crossroads of sorts and that this book will help navigate them and move the reader in a better direction to achieve greatness. This is a timely read given the last few months of this economy, the significant changes to every business in the world and the challenges before each one of us. It is well worth the price of the read to take a trip down the dynamic path.

Work Wanted: Protect Your Retirement Plan in Uncertain Times

Author: James W. Walker & Linda H. Lewis

Publisher:
Wharton School Publishing/
Pearson Education, 2009

Reviewer:
Michael L. Moore, Ph.D.,
Professor of Compensation,
Benefits and High
Performance Work Systems,
Michigan State University

This book makes a welcome appearance in the current chaos of retirement and life planning for the baby-boom generation. James Walker is the author of the classic book, *Human Resource Planning*, a well-known consultant and an exceptionally experienced observer of labor force phenomena. His coauthor, Linda Lewis, has been a professor and a senior Human Resources executive at several major companies.

Despite being old enough to retire, the authors discovered they were not "slowing down," "dropping out" or "retiring." They realized that many myths exist about retirement, and these myths had influenced their own thinking, and not for the better. Taking on these myths, their goal for the book is to "distill…the relevant research and facts to guide…choices of work, leisure, learning and community or family activities." The result is a well-researched book that is easy to read and punctuated with case stories and personal histories of successful transitions from long-time careers and full-time work to other meaningful pursuits.

Work Wanted carries a 2009 date of publication and was written prior to the financial meltdown in September 2008 and current Great Recession. Still, the book is in no way negated by recent events. Its themes of the need to consider plans for continued work, learning and growth at any age ring even truer today.

The book contains a well-researched set of eight "myths" surrounding retirement situations and expectations facing boomers. These include folklore like "it is too late to make big changes," "retirement is a cliff we must jump off at a certain age," and "capabilities that decline with age impede work performance." The authors also look at essential concepts like the "purpose" dimension of happiness

Work Wanted: Protect Your Retirement Plan in Uncertain Times

(continued)

and options for personal growth and learning. Additionally, *Work Wanted* offers insightful comments about upcoming skills shortages in the U.S. labor force and the multigenerational approaches necessary to deal with these labor market issues.

Work Wanted is written for a primary audience of professional boomers anticipating retirement. It hits this target audience squarely and reflects a great deal of respect for boomers' individual and contextual issues. I recommend it to any professional considering retirement. It is thoughtful, challenging, insightful and never preachy. It will help readers protect their retirement plans in the broadest sense, and it paves the way for greater acceptance of some form of work continuation as an integral part of retirement.

The Account Manager Role

continued from page 39

Implementation

Harris underestimated the impact that this change would have on the organization, well beyond the Business Development function. In retrospect, it would have been best to move more quickly during the beginning phases with the plan design, and then allow significantly more time for communication and collaboration before, during and after the organization announcement. While HR was heavily involved in the development phases of this organizational design, HR leaders should have used our influencing skills more strongly with management and taken a stronger leadership role. The use of focus groups and other methods designed to elicit direct communication and feedback would have made the implementation much more effective.

Since the Harris SEAM organization was launched in July 2007, it has created a bridge that allows the needs of Harris customers to transcend the functional areas within the organization. SEAMs allow Harris to more quickly and easily connect technology with the needs of customers. SEAMs also allow the company us to more effectively face the customer as we sell the full range of Harris capabilities. P&S

Jeffrey S. Shuman is vice president of Human Resources and Corporate Relations for Harris Corporation. Before joining Harris in August 2005, Shuman was vice president of Human Resources and Administration for Northrop Grumman's Information Technology business, and was senior vice president of Human Resources for Litton Information Systems Group when Northrop Grumman acquired it in 2001. Shuman was named "Best Human Resources Executive" in the 2007 American Business Awards.

Global Shift: The 32nd Annual HRPS Global Conference

An extremely enthusiastic group of HR and business leaders came together in late April during the 32nd Annual HRPS Global Conference in beautiful Tucson, Ariz., to discuss the fast-changing global economic scene and how it is impacting business and HR. The crowd was a little smaller by historical standards, to be expected with the global economic meltdown, but the outstanding content and greater opportunities for everyone to get acquainted and network energized participants, who gave the meeting very high ratings.

The conference also marked the launch of HRPS' Special Interest Groups (SIGs). These groups will provide ongoing opportunities to network on specific areas of interest. HRPS provides the tools and scheduling for events like conference calls and online chats, while volunteers lead the groups and determine contents, meetings, blogs, speakers, etc. Here are the groups and their leaders:

- Chief HR Officer (Chris Palmer, LaFarge; Michelle Clements, REI; and Bob Myers, Black Hills Corporation)
- Talent Management (Mike Stafford, Starbucks; and Karen Rohde, Sun Microsystems)
- Organization Effectiveness (Anna Tavis, AIG; and Richard Vosburgh, Archpoint Institute)

If you are interested in joining one of the groups, please contact the volunteer leader. You can get contact information through the membership directory at www.hrps.org or look them up on LinkedIn.

2009 also marked the first time we blogged the conference. Anna Tavis, Perspectives Editor of *People & Strategy*, led this new effort. The conference blog was a real-time capture of key points made by keynote, plenary and breakout speakers and attracted comments from attendees. Here is a sampling of blog entries:

From Sanjiv Kumar, BCG: *Collateral Damage—Black Swan Scenario*

BLOG: April 29, 2009

The last few months have been a sobering experience. The perfect storm of the recession was a confluence of three different storms:

- housing market collapse;
- banks' liquidity; and
- significant long-term structural issues in the economy.

Very smart people created the problem and we need to approach the solution with humility as it will take very smart people to solve it.

While the stock market is dominating the news, the more important story of the grim state of the real economy is emerging. Rescuing banks is just the beginning.

We are witnessing a Black Swan phenomenon. Something needs to happen to create the breakthrough. About 100 percent of GDP has been thrown into the economy, but we should have a goal as to what needs to come out on the other end. If not, Mr. Kumar is confident that we will create another bubble followed by another crisis as a result of all the things that would go wrong in our search for the solution to this crisis.

From Steven Sanderson, Wildlife Conservation Society and Roselinde Torres, BCG: *Global Capability for Mission Support*

BLOG: April 28, 2009

Once again during the conference we are hearing about the importance of networked organizations—this time to create fast change. It is easy to see how the motivational model is different from the usual hierarchy and requires influence leadership. What's different today is getting valuable advice on how to manage from a non-profit. But that fits with the direction of the times as people have lost faith in big business and the problems we face are societal, global and long-term in nature.

Companies can work and innovate on specific projects, but fixing the big stuff is beyond the abilities of just the private sector. However, organization issues and change are very similar across sectors because human behavior is pretty constant. So, when the Wildlife Conservation Society conducted its transformation, the structure and process looked the same as any big company. Yet, the mission looks and feels very differently focused on a level of meaning that most private companies cannot reach.

From Ellen Cowan, HiveLive: *OK. So We Need a Social Networking Strategy*

BLOG: April 27, 2009

Ellen Cowan and Joshua-Michele Ross convinced the audience that there was no hiding from Social Networking inside the firewalls of corporations. The approach they recommended was for the organizations to proactively create their own social networking policy and participate in the paradigm shift toward collaborative workplaces.

Social has assumed a very different meaning in the global organizations. Social equals work. Social is how work actually gets done around here these days.

For more information read Ellen Cowan's article in *People & Strategy*, vol. 31, issue 4.

From Tamara Erickson: *Avoiding the Workforce Crisis*

BLOG: April 27, 2009

On Multigenerational Feedback:
To boomers, feedback happens once per year from the boss down. To Gen Yers: Give me feedback equals teach me, help me get better, so all the time is better.

For boomer bosses, this difference means a transition from judging to teaching, and it maybe a difficult one to make. There will not be sufficient skills walking in the door, so they will have to develop people. So, a company's educational capability is essential for the success in the future.

On Vision:
The word "vision" to Gen Yers means this: What is my identity? What is the thread that binds us together? It is not about the poster on the wall but about substance.

On Secrets of Employee Engagement:
Engagement at work is about sharpening the brand proposition of what it means to work here. You want to make the most of what you have to offer so that the right people find you attractive.

Take Zappos, the online shoe store, excel-ling at customer service. The company wants its talent to buy into them. One month after hire, they will pay those who choose to leave.

The Engagement Formula is simple: You need to know who you are; you have to live it; you need to understand what your employees really care about. Keep your focus on what makes your company special. Make it special if it is not.

Now that you know some of the great things that went on, plan to join us next year at HRPS' 33rd Global Conference in San Diego, Calif.

People & Strategy Executive Editor Ed Gubman presents the 2008 Walker Award to Morgan W. McCall, Jr., and George P. Hollenbeck. They received the award during the April 2009 HRPS Global Conference for their contribution to the Journal: Developing the Expert Leader.

HRPS Teleconference Schedule

Take part in these great virtual educational opportunities. Teleconference times are 11:00 a.m. to 12:30 p.m. Eastern unless otherwise noted.

July 21
Global Mindset: The New Science of Global Leadership

July 30
How to Build Sustainable Collaboration in Virtual Teams

August 20
The Performance Multiplier: Social Networking and Performance Management

August 25
Managing Leadership Stress

September 15
Strategic Investments in Learning – a Values-Based Approach (11:00 a.m. – Noon Eastern)

September 17
Preparing New Leaders for Success: The Pepsi Bottling Story

September 22
Global Mindset: The New Science of Global Leadership (Sponsored by Watson Wyatt)

September 30
Global Mindset: The New Science of Global Leadership

October 6
Becoming a Resonant Leader

October 14
Heterarchy and the New Rules of Governance in the 21st Century

October 28
Creating Organizational Agility in a Rapidly Changing World: Transforming a 100-year-old Minority-owned Bank

Save the Date for Fall Forum
Attend the 2009 HRPS Fall Executive Forum. This event, October 25-27, returns to Chicago.

People & Strategy Article Submission Guidelines

People & Strategy is the professional journal published quarterly by the Human Resource Planning Society (HRPS). The journal is read by members of HRPS and other professionals interested in better understanding the ways in which informed human resource management contributes to the achievement of business strategies and superior organizational performance.

The journal provides management knowledge and tools based on recent advances in management thinking and research. It includes reports of original research, interviews with top managers and scholars, articles on trends and techniques, as well as research briefs and book reviews. Designed to meet the knowledge needs of contemporary leaders, the articles and other features are selected on the basis of their cutting-edge thinking, practical application and value to our readers.

Contributor Expectations

HRPS and *People & Strategy* share the goal of making the journal the thought-leader publication for industry executives. The Society reserves the right to edit articles for length, style and tone. The Society may also change the title to better fit with an issue's theme. HPRS reviewers may contact authors directly for clarification about their submissions.

Once an article is accepted for publication, HRPS will include a short (50 words or fewer) biography of each author. It is HRPS' practice to include only the author(s) names and company/institutional affiliations in the byline. Any academic degree designations, certifications, position titles and other information are reserved for the bios at the ends of each article.

Even after acceptance, it is understood that the Society is not obligated to publish the contribution. If HRPS elects not to publish, at its sole discretion, the contribution remains the property of the contributor.

Contributions

Appropriate subject areas addressed in the journal include, but are not limited to, five focused knowledge areas:

- HR strategy and planning;
- leadership development;
- talent management;
- organizational effectiveness; and
- building a strategic HR function.

Articles integrating knowledge across the domains are particularly encouraged.

Content can be submitted as:

- articles reporting empirical research results with direct practical implications;
- articles presenting models and/or theories with definite practical implications;
- case studies of successful or unsuccessful applications of human resource; management practices from which guiding principles may be drawn;
- short features that report briefly on organizational experiences, applications of theory, current practices, hot topics and responses to previous articles;
- book reviews; and
- interviews with executives and thought leaders.

Manuscript Guidelines

Manuscripts may take the form of regular articles or short features. Follow the guidelines published in the *Publication Manual of the American Psychological Association* (5th Ed.), with regard to format (especially in the case of citations). Regular articles normally run from 4,000 to 6,000 words (including all charts and graphs). Submit all manuscripts in electronic form as a Microsoft Word-compatible file formatted for 8-1/2" x 11" paper.

Send submissions by e-mail to: **JStrother@hrps.org.**

No manual submissions will be accepted. Any prior publication or current submissions of the article must be explicitly acknowledged in the e-mail submission. To facilitate the review process, please identify the focused knowledge area(s) into which your submission fits.

Additional Manuscript Guidelines

On the cover page, include the paper's title and the names and affiliations of the author(s), as well as the telephone number and complete address and e-mail address of the person to whom subsequent correspondence should be sent. The second page must contain an executive summary not to exceed 150 words. All elements of the manuscript, including quotations, tables, references and footnotes, should be in Garamond, 12-point type, double-spaced with 1-inch margins at the top, bottom and both sides. Submissions that are incomplete or do not follow the specified format will be returned unreviewed to the authors.

Names of authors and year of publication should be used in the body of the text to identify references. If more than one reference is used, then use the following format: (Jones, 1975; Hall & Smith, 1976). The list of references should include only those publications cited in the text of the paper.

Book citation:

- Lawler, E.E. (1991). *High involvement management*. San Francisco: Jossey-Bass.

NOTE: Book titles are not capitalized.

Web article citation:

- Vashistha, A., & Kublanov, E. (2006, September). Seven secrets of successful globalizers. *Offshore Insights*, 4(7). Retrieved from **http://www.neoit.com/gen/newsevents/newsletters/Sourcing-alert_sep06.html**.

NOTE: All authors are listed last name first followed by initials. The month is included with the year because this is a newsletter/magazine rather than a journal. Article titles are not capitalized (after first word of title); however periodical titles are capitalized. Web site/URL citations do not need page numbers.

Print article citation:

- Combs, J., Youngmei, L., Hall, A., & Ketchen, D. (2006). How much do high-performance work practices matter? A meta-analysis of their effects on organizational performance. *Personnel Psychology*, *59*, 501-528.

NOTE: The first word after a colon in an article title is capitalized. List page numbers if the citation is from a hardcopy periodical.

Explanatory footnotes (vs. those referring to books, articles, etc.) should be numbered consecutively and placed at the end on a separate page before the references.

All figures and tables should be referred to as Exhibits and submitted as a separate file from the text file. Indicate in the text file where each exhibit belongs. If the files are based on data or percentages, please include a file of these figures apart from any graphic representations.

The executive editor, managing editor and two or more members of the Editorial Review Board and/or ad hoc reviewers evaluate manuscripts. They review with the following criteria in mind:

- significance of contribution to the field of human resource management;
- usefulness of knowledge;
- timeliness of content;
- originality;
- provocative nature of content;
- quality of data supporting points being made;
- logic; and
- readability.

Reviewers' comments will be sent to authors.

Authors will be required to sign a copyright transfer agreement. The Journal cannot publish the article without a release.

Perspectives Guidelines

HRPS regularly publishes thought-provoking articles as part of the Journal's "Perspectives" section. These articles, while still based on industry research and thought leadership, take a position on a pertinent subject. Often, HRPS publishes these pieces in a "Point/Counterpoint" format. While HRPS welcomes suggestions for topics to tackle in these standing departments, most contributions are requested by the Perspectives section editor. The Point articles run less than 1,000 words and they set the theme around which Counterpoint authors lay out their arguments. Multiple Counterpoint articles run each issue. These run 400 to 600 words.

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