## The Role of the HR Professional in the Virtual Organization

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Bob Dylan was right: "Times they are a changing." But even Dylan probably never anticipated how today's accelerated rate of change and the new economy create new realities for organizations and human resources. In this chapter we (1) describe the context for changing times, (2) suggest implications for the emerging virtual organization, and (3) propose roles for HR professionals to contribute as players, not just partners.

#### **Context for New Realities**

Through web-enabled technology and customer education, customers are more informed than ever, having ready access to information about products and services. Firms seeking to build a customer value proposition learn to target key customers and strive to gain customer share as they meet customer needs over time. For example, 10% of e-Bay customers purchase 90% of their products; 10% of airline customers provide 40% of revenue and 60% of profit. Financial service firms strive for share of wallet; consumer product firms seek share of stomach. In each of these cases, new customer realities have established new rules for winning, shifting from market share to customer share.

Technology has made information accessible and available. Information ubiquity has been the foundation of e-business operations with business to customer, business to business, business to supplier, and business to employee implications. Information has allowed for warehousing customer data that allows firms to cluster customers and determine their buying criteria. Information allows customers to be targeted for life, knowing their desired behaviors and anticipating buying criteria. Information allows personalized employee deals to replace categories for employee rewards. Information ubiquity changes competition with customers, suppliers and employees.

Industry consolidation has shifted from mergers and acquisitions within traditional industry boundaries to convergence across boundaries (Pottruck & Pearce, 2000). Airlines consolidated in the last decade, through mergers or alliances (*Fortune*, 2000). At first such consolidation occurred within a geography; then across geography. Now convergence means that airlines must compete with those outside their industry. One of the airline assets has become their frequent flier programs and miles. Now airlines play in the competitive arena with retail stores, phone companies, and restaurants in deploying these frequent flier benefits. Likewise financial service firms worry about banking through internet firms, about supermarkets performing financial services, and about traditional manufacturing firms (e.g. General Motors, General Electric) performing financing functions.

Investors now look behind the financial numbers to determine value of a firm. They rigorously assess intangibles which predict future results. They don't just want financial results today, but to be assured about future results. Intangibles such as a firm's strategy, leadership, quality, speed of response, ability to innovate, ability to execute strategy, capacity to integrate mergers, social capital, and intellectual capital have become an increasingly central part of a firm's total shareholder value proposition.

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New realities with customers, technology, industry, and investors shape new rules for winning (Friedman, 2000). Because of these changes, we are on the brink of new organizational forms which go by many names: horizontal alliances, networks, boundaryless, lateral structures, and shared services. All of these labels require a virtual organization.

### **Virtual Organization**

Our approach to understanding the virtual organization is based primarily on the ground-breaking work of Donald Tapscott, David Ticoll, and Alex Lowy in *Digital Capital* (2000), which draws upon the work of Ronald H. Coase, a Nobel-prize-winning economist who initially studied socialist countries. Coase asked why such countries could not be run like large corporations, as in the United States of the 1920s and '30s. His primary reason for rejecting the possibility of such a transition was that he saw a fundamental different between U.S. corporations and socialist governments. Corporations were formed of *voluntary* associations with employees. That is, employees were free to enter and to exit. In many respects, this is a fundamental premise of the virtual organization, as the workforce (or perhaps individuals) choose to work within an organization more as volunteers as opposed to passengers in traditional organizations. In fact, the term workforce is more appropriate for the virtual organization than employee because of the nondirect payroll nature of their relationship. In the future, organizations may have a small number of managers but a large workforce as a basic characteristic of the virtual organization.

Coase pursued a second question: Why bother to have associations in the form of organizations period? His answer revolved around the efficiency and effectiveness of transaction costs, which caused organizations to bundle together. The perception of these transaction costs largely differentiates both the corporation as we knew it and the virtual organization as we are beginning to know it. Coase described three transaction costs:

- **Search costs:** the costs of finding others to do business with, such as suppliers in the automotive industry, and determining if they could be trusted. If not, the firm might pursue vertical integration (i.e. producing a product from "cradle to grave"). Indeed, at one time the Ford Motor Company even owned a rubber plantation.
- Contracting costs: the costs of lawyers' fees, time for negotiations, and to haggle with outside organizations that are required to do a deal.
- Coordination costs: the costs required to put together the bundles necessary, often in terms of suppliers, materials, labor, and manufacturing techniques to produce a product.

We can readily see how the transformation of information technology from the Industrial Age to the Information Age has profound implications for these transaction costs and, giving rise to the virtual organization.

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In the Industrial Age, the corporation was seen primarily as a business unit and production as *the* business activity. In the Information Age, both the unit and the activity are displaced, displaced by the "business web" as the primary entity, and fulfillment as the primary business activity (i.e. not just products, but enduring relationships). This is a significant transformation.

In the past, corporations owned and housed functions with tight structures, chains of commands, and hierarchical governance processes. In the future, because of business webs, virtual organizations will have many of their means of production dispersed across many corporate entities with the integration less bureaucratically controlled and replaced by a shared commitment to a common customer value proposition. As such, virtual organizations will be more concerned with building relationships with and customizing offerings to customers than control over resources (Schwartz, 1999).

The theory driving virtual organizations comes from Coase's concepts. That is, a firm should expand inside until it exceeds the costs of performing the transaction outside. This was true of the historic corporation and led to large, hierarchical, complex firms; but the internet has now dropped transaction costs so dramatically that the firm must invert Coase's work. Firms should *shrink* until the internal transaction costs no longer exceed the external costs. Thus, the only work that should remain is if a firm can do it cheaper inside, or perhaps if the work is a core competency of the firm which significantly leverages its competitive advantage, *and* can be housed within the firm, and not found through a business web. Thus, we recognize that virtual organizations operate through alliances and relationships to serve customers.

Today we see many examples of firms beginning to build such business webs. Today the motion picture industry is very different from the traditional studios of yesteryear, where every component of a film was conducted on massive lots and every component of the industry was owned by the studio moguls. Today all one has to do is to view a motion picture and observe the credits and recognize that the industry has transformed into a business web whereby each component is owned and operated by a specialist, unified around a unique project to produce a customized product, whereby a central player in the business web is taking the risk of bringing it to market (or perhaps sharing the risk). But those who have participated in the production, although each may be successful, may never participate with one another again. The fashion industry is much the same. When fashion trends are spotted, the designs are sent to various production facilities around the world, distributed by yet separate groups and marketed and sold yet by other components of the fashion web. In financial services there is no doubt that there are many, many specialists, all of whom could be called into play or out of play as the entire financial services industry begins to restructure itself from the behemoth money center banks to many specialized boutiques, all which can assume various risks within the industry, and reemerge as components of the business web of large money center financial institutions.

Even the automotive industry is beginning to experiment with similar forms, as demonstrated by the soon-to-become-a-reality COVISINT, the online market created by what we formerly knew as the "Big Three," with the addition of Renault/Nissan as a partner. Internet capabilities enable CEOs and other executives to track specific shipments, and will eventually permit built-to-order automobiles customized to the needs of every consumer. What we are describing thus is not

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production by a company but fulfillment by firms that orchestrate, clearly the mandate of the information economy.

The business web even links customers and often brings them inside the company, such as MP3, which is dependent upon teenagers as both customers and providers. The same, however, is also true of Cisco, Dell, Enron, Nortel, etc. (Serwen, 2000). Their relationships enable fulfillment to provide a much deeper sense of satisfaction, not just tossing out a product, but building a customer relationship that in and of itself creates a form of wealth. Thus, old economy firms such as Nortel, Ford, and GM have recognized this new form of value creation and are pursuing such a strategy.

Another example is Lego, which is perhaps the most fascinating of all of these examples. Lego is now making high-tech toys for children and adults. Thus, it has a mandate for growth that really is new products for new markets. One of these new offerings comes under the rubric "Mindstorms." These are Lego bricks with gears, motors, light and touch sensors, and a microprocessor (RCX). These enable the building of robots and other exotic toys for older children and certainly for adults. In creating Mindstorms, Lego brought customers inside the company. The MIT Media Lab designed RCX. A Stanford student reverse-engineered it and posted it on the internet. Lego, however, made a decision not to fight it, but to see how it might develop, much like Linux. Someone in Illinois designed software, followed by another software designer in Germany. The products that have emerged from these software designs, which of course require the purchase of Lego components, has grown very successfully. The product offerings now include a dog named Grr who can respond to voice commands and distinguish colors, as well as photocopiers. Obviously, Lego is now encouraging the development of RCX software.

Another example is P&G's Reflect.com, a web-based cosmetic company, where there are no products until customers design them. Thus, Reflect.com makes available all the fifty thousand formulas created by P&G, not just the twenty that had traditionally hit the shelves. It helps the customer decide what they want after customers have described their hair, eye color, skin condition, and favorite look. The customer is sent customized products with *their* name on each product. Reflect.com has over 500,000 users per month. The lesson here obviously is that to bring users onboard with you, welcome them, find new ways of engaging them, and create yet another business web.

Thus, new business realities have led to virtual organizations. The virtual organization is here to stay (Cohen, 1977), even as it continues to morph and adapt to new business realities. The virtual organization will create new challenges at how we look at work, where it is done, who does it, and how it is staffed, with profound implications for the HR professional.

## **HR Work in a Virtual Corporation**

The virtual organization will emerge in truly web-based organizations, such as Cisco, Dell, and Enron, but also traditional organizations like GM, Zurich Financial Services, Hallmark, and industries, such as airlines, which have to learn to respond to the new business realities.

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What are the implications for HR work? With virtual organizations both more narrowly focused by their definition of value and more broadly connected through alliances to serve customers, organizational capabilities and employees will have to change (Lepack & Snell, 1998). Successful virtual organizations will have to demonstrate the capabilities of customer understanding to build a common value proposition, relationship management to form alliances, strategic clarity to ensure a winning value proposition, employee shared mindset to ensure commitment from dispersed employees through common values not hierarchical rules, innovation to produce new products and services, learning or knowledge management to share ideas across complex boundaries, and speed to assure an internal organizational response consistent with external customer demand.

Clearly we are beginning to understand that in the virtual organization competition comes much more from intellectual capital than from other sources of competitive advantage, such as ownership of production. Therefore, these new organizational forms may be far more workforce dependent than in the past. Each and every asset added must add greater economic value, greater customer wealth than in the past. Thus, we are faced with *very* different circumstances for the design and delivery of a workforce than heretofore.

To meet these increased expectations, HR professionals must be more than partners; they must be players. Players contribute. They are engaged. They add value. They are in the game, not at the game. They deliver value. They do things that make a difference. In our observations of HR players, we have identified five roles that may be played for HR to contribute in the virtual (and other) organizations: coach, architect, designer, facilitator, and leader. HR players who master these five roles add value and contribute to the virtual organization's ability to compete.

#### HR player as coach

Why coaches matter. The coach metaphor comes from music, sports, drama, or other endeavors where participants must learn, adapt, and act in an ever-improving way. Coaches help participants see what did and did not work and offer specific counsel and advice on what can be done to improve performance. Coaches focus on behaviors as well as attitudes. Coaches have to understand individual differences and figure out how to motivate desired behavior. Coaches teach as well as learn. Coaches know when to be critical and demanding and when to be positive and supportive. Coaches know how to stimulate individual behavior and encourage teamwork. Coaches may not be popular, but they deliver results and they are accountable for the results they deliver.

In virtual organizations, HR professionals coach senior leaders about how they can personally build stronger organizations. They fulfill all the above duties of a good coach. In recent years, with increased time pressures, many CEO's have been forced out of their firms, not because they did not understand the new economy realities and requirements of the virtual organization, but because they could not build the capabilities necessary to respond. HR professionals help CEO's succeed by observing their behavior and providing personal feedback on how to make changes for both shaping business direction and adapting personal style. Too often business leaders distance themselves from both business reality and from the unintended consequences of their actions. Because of their authority and position, they may be immune from sensing the impact of Page 6

their decisions and actions. HR coaches read their business leaders and learn how to provide them concrete feedback on their behavior. Like personal trainers, they are able to help executives get organizationally and socially fit. HR players are in the ideal position to do executive coaching because they are outside the career politics (e.g. not after the senior leader's job), have training in the human side of the business which enables them to observe unintended consequences, and offer insights not often shared with the business leader.

What coaches do. Coaching is a complex set of skills, but we have identified a few key coaching tools that enable HR players to coach business leaders. Business leaders need to have a clear sense of what they want to accomplish. Often these goals may be defined by examining each stakeholder relevant to the business leading, including: customers, boards, senior management team, suppliers, alliance partners, investors, government agencies, employees, etc. Using this stakeholder map, an HR coach may help the leader identify for each stakeholder:

- What are your goals with this stakeholder?
- What are the current relationships with the stakeholder?
- What needs to be adapted to reach the goals?
- What are the actions that you can take to ensure that the goals are met?
- What are the metrics for success with each stakeholder?

These questions may become part of a coaching conversation. They help the business leader focus attention and energy. They help the leader identify actions that need to be taken to accomplish specific goals. They help prioritize goals. We have used this stakeholder map when we coach and we have seen competent HR professionals do so. It provides a template that the business leader can recall and readily use to focus attention.

In one company, we have coached a senior business leader once every six months for two years. Each visit begins with the stakeholder map. We ask how he has done with the stakeholders he was most worried about in the last visit and engage with him priorities, goals, and actions for the future. The stakeholder map has helped the business leader realize that he can not be all things to all stakeholders all the time. It has also helped him realize that attention to stakeholders may need to evolve over time (e.g. as union relations were approaching contract time, he had to allocate more attention to this stakeholder and pull back from others). As we matched his stakeholder goals with his calendar and time, we were able to help him keep focused on the things that mattered most to him.

HR players as coaches also must learn to give clear, direct, candid, and useful feedback to both the business leader and team. Giving feedback requires knowing how the person will respond. One leader we worked with became defensive with feedback, so the comments needed to be couched in terms of future suggestions, not negative criticism. Another valued direct and blunt feedback, but then could not process it and turn it into behavioral change. We have learned that feedback works better if it is behavior based (e.g. examine what you did in this specific

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instance), not generic ("you tend to not listen to employees"), if it offers suggestions for improvement more than criticism ("in the future, you might try having more input on a decision before you make it"); focuses on the future more than the past ("why not try to begin the meeting with a question next time..."); and encourages reflection more than acceptance ("here is what I perceive, how close is it to what you perceive?").

Coaching often requires courage and contracting. Many business leaders have not had personal coaches who offer them candid observations and as a result might be put off at first by intense coaching. However, when done well, coaching becomes an invaluable source of insight. In one large firm struggling with all the demands of becoming a virtual organization in the new economy, the two business leaders were often in conflict about which direction to take the firm. The new head of HR asked for a two-hour meeting with them. He proceeded to say that in his brief time with the firm, a number of problems embedded in the firm stemmed from the conflict and difference of opinion between the two of them. At first, they disagreed. But as he shared specific cases, they came to realize that their inability to create a shared point of view about how to position the firm in the new economy was causing chaos within the firm. He then proceeded to help them through difficult, but candid conversations about their unique management styles, aspirations for the firm, and personal ambitions. He kept in front of them the importance of their converging around a common set of ideas so that others in the firm could then align their behaviors. His bi-weekly meetings became a forum for honest discussion that the two senior leaders had not experienced. These conversations not only increased the HR executive's personal credibility, they enabled the executives to focus and respect each other's strengths and weaknesses rather than conflict and create chaos.

**How to coach.** In order for HR professionals to coach, they must build a relationship of trust with the business leader. This relationship emerges as the HR professional expresses personal concern for the leader, empathizes with the leader's challenges, offers specific observations, and is willing to offer the leader feedback he or she may not receive elsewhere. In political organizations, few tell the leader what he or she does not want to hear. Coaches must find ways to share good news and bad with the trust that both messages are intended to help the leader and company improve. We have found most of the leaders we coach finding a coaching session (one hour a month or quarter) cathartic. They are able to have someone in their office who does not have an agenda, a request, or a point of view to pitch. They have someone in front of them who listens and wants only to help the executive think through options and improve performance.

Trust also comes when the coach is able to express personal concern. In our coaching one of the important stakeholders is self. We often ask the question, "How are you taking care of yourself?" We have found executives who are so engaged in the business that personal relationships that matter are being avoided or discounted and personal hobbies which give balance and fullness to life are being put on hold. We often legitimate taking time for self, which might mean taking a weekend retreat with a significant other, installing a telephone line no one else knows but family members who can call anytime, or legitimating personal renewal time. One executive confided to us that the pressure of the job was causing some insomnia and it was worrying him. He could not share this with others on his management team, but we talked about it and encouraged him to spend time in off-work activities that led to renewal. Taking care of self becomes an integral part of the coaching relationship.

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## HR player as architect

Why architects matter. Both of the authors have had a house built using an architect. We learned early and quickly the importance and role of the architect in making sure the house was right. The architect spent a lot of time listening to us to find out our lifestyle. In one case, we meant positioning the house on the lot so that we had maximum privacy from neighbors, putting more square footage into rooms we were more likely to use (e.g. kitchen and family room) than not use (e.g. formal living room), having an open flow to the house, strategically placing bedrooms for children and offices for adults, and building rooms according to our specifications. One of the authors wanted an office with rather unusual requirements (personal work area, teamwork area, and comfortable seating area). The architect pointed out the liability of such a room for resale, then gave options for configuring the room so that if someone wanted, it could be shifted from an office into bedrooms. The architect continually pointed out choices that we the owners could make to ensure that the house met our needs.

HR players architect virtual organizations. They help turn general and generic ideas into blueprints for organizational action. They shape the way work flows consistent with the ideas and ideals of the business leader. They help identify choices not evident to the business leader about how organizations might be better governed. They come to the management meeting understanding business realities and virtual organizations and ensure that dialogue focuses on the right issues. With resources accessed through alliances more than ownership, they assure that organization capabilities cross boundaries. With employees behaving as volunteers, they help adopt new workforce policies to attract and retain such employees.

What architects do. Organization architects possess multiple skills. They attend management meetings with an eye on the ways in which the organization may be aligned with strategy. They continually look for the strategic agenda of the firm and try to envision how it turns into an organizational agenda. In their management meetings, they offer ideas and alternatives about how to weld organization capabilities across alliances to deliver value to customers and employees. They perform organizational diagnoses by asking questions such as:

- Given our strategy, do we have the right organization?
- Given our strategy, what are the capabilities we must have to deliver the strategy in an effective and efficient way?
- Given our strategy, what roles must be played by management team members to ensure implementation?

These types of questions allow for organizational diagnosis to occur and focus attention on crafting improved organizations.

At Hallmark Cards, Ralph Christensen is an outstanding organization architect. He actively participates in the senior management team meetings. He understands the vision of the Chairman and works to turn that vision into organizational reality. He has focused his attention on the competencies required for the firm to deliver the vision. With these competencies in mind, he has

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aligned the firm's HR practices (e.g. staffing, training, compensation, communication, diversity management, etc.) to deliver the competencies. He also has architected the blueprint for succession with pending leadership transitions. He architects a process for governance and how decisions are made by identifying which teams in the organization have primary accountability for which decisions. He helps architect the agenda for senior team meetings and ensures that attention in meetings is spent on the right issues. He architects systems that help deliver results as he designed and delivered a rigorous and accountable performance management system that turned strategic goals into managerial behaviors. Senior managers perceive Ralph's contribution to the firm by the ways in which he shapes and crafts their organization.

Architects are not owners, however. When we built our house and had the oblong office, the architect pointed out liabilities of our anticipated choices, but we as owners maintained final choice. At other times, the architect would ensure that our desires were possible within code (e.g. electrical outlets, pitch of the staircase, heating and cooling systems, etc.). Likewise, HR professionals as organization architects may not own the organization, but they offer informed choice. For example, in Hallmark's transition to a new CEO, Ralph has laid out three alternative scenarios that the current CEO may follow in succession. Ralph has pointed out pros and cons of each and helped the current and future CEO make the best choice for them. They own the choice. At other times, organization architects must ensure that action is congruent with current codes or regulations. Hiring or paying someone must fit legal and ethical requirements. Organization architects know when and how to give choices and when and how to ensure compliance with regulations.

Architects also need to know the "materials requirements" for any proposed construction. The same is true of HR professionals as they are asked to engage workforces (not employees) to leverage the business web's attempted competitive advantage. Thus, in addition to assessing and understanding their firm's employees, HR professionals will need to conduct an assessment of the capabilities of their firm's web partners' workforces to meet the firm's expectations, much like the soft asset due diligence process used in mergers and acquisitions decision making, using many of the components of HR's "tool kit" such as selection, performance measurement, communication, rewards, and development. All of these can serve as useful tools in diagnosing the capability of a proposed member of a business web to meet their firm's expectations as strategic partners in their emerging business webs.

**How to architect.** In order for HR professionals to be organization architects, they must have a concept of organization and be able to apply that concept to the firm. A concept of organization means that they have a model of what constitutes an effective organization. An abundance of these models exists. McKinsey used the 7-s framework for organizational diagnosis for years. Jay Galbraith constructed organizations into five dimensions or a "star" model: strategy, structure, rewards, processes, and skills.

We have deployed an organizational diagnostic model in two phases. Phase 1 focuses on the "capabilities" the organization requires to win. These capabilities represent what the organization must be good at doing to succeed. They have been called processes, cultural pillars, organization characteristics, and core competencies. In doing an organization diagnosis, we often present a list of them to a management team and suggest they pick the most critical 3-5. The list of capabilities

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a firm might require include quality, quick response, innovation, customer focus, stateless/global, partnering, change management, learning, leadership, talent or intellectual capital, shared mindset or common culture, boundaryless, accountability or strategic clarity. Once the executive team picks their top 3-5, we operationalize them by putting them into behavioral terms than can be monitored and measured.

For example, Pitney Bowes is shifting its strategy consistent with the business economy. The firm has traditionally relied on product innovation as its key strategy agenda. It would have embedded products in messaging solutions or mailroom services, then upgrade those products are required by technology to ensure growth. In recent years, the CEO has refocused the firm on a strategy of customer intimacy. This strategy has focused on total messaging solutions for targeted firms, seeking to have a share of messaging revenue from targeted firms through intense service. The executive leadership team at Pitney Bowes worked to define the organizational identity and capabilities required to deliver this new strategy. After debate and dialogue, they concluded that the capabilities required for them to succeed were: responsiveness, innovation, and total solutions. They wanted to create an identify among their targeted customers as the most responsive, innovative, solution provider in the industry. They felt that if these capabilities desired by customers were embedded inside the firm, their strategy would happen. The architect of this work was the senior HR leader who helped the CEO turn a new reality strategy into a set of capabilities.

Often consultants serve as organization architects. We would argue that consultants may partner with input and advice, but HR players need to be primary architects for the organization to be successful. Internal architects are more sensitive to the needs of the firm; they are more likely to understand the subtleties required for a successful organization; and they are more attuned to the political realities of creating the right organization.

#### HR player as designer and deliverer

Why designers and deliverers matter. Architects create blueprints, but without becoming implemented, they become ideals without impact. Turning ideas into action matters because unless creative ideas are implemented, they add no value. Acting on ideas comes when employees who come to work behave in ways consistent with strategy and capability. To shape and encourage employee behavior, HR professionals design and deliver HR practices that both drive and reinforce behavior.

Psychologists have found that people act differently due to information, behavior, and reinforcement. HR practices drive each of these three levers to shape employee behavior in the new virtual organization. Information signals to employees those things that matter most. When new leaders are promoted, when some employees are paid more than others, and when leaders consistently share messages in their communications, signals are sent to employees throughout a firm about what matters most. HR professionals design and deliver HR practices to send information cues to all employees about what matters most. HR practices are a primary source of information signals for employees.

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People often become committed to a direction when they behave as if they are committed. In 12-step programs, an early step is for the person trying to change to publicly and volitionally behave as if he or she is committed. This might mean stating publicly, "I am addicted to... and I need to change," sharing with those wronged remorse for the action, and making restitution to those wronged. These public acts reinforce a commitment to change. In organizations, employees may be induced to behave as if they are committed by attending training programs where they learn new ideas, by joining teams tasked with clear results, or by participating in standards for performance measurements. HR practices become primary levers for coaxing new behaviors out of employees.

Reinforcement sustains behavior because it ensures that single actions are not isolated, but part of an overall process. In 12-step programs, those who want to change often have "buddies" with whom they share successes and failures, hopes and fears. These sponsors ensure that changes are reinforced. In organizations, reinforcement comes when the HR practices ensure a continuing and accepted bias toward action. While there is a danger of rigidity if the HR practices don't adapt, the HR practices may signal who is likely to succeed around here, who gets the best jobs and financial incentives, and who seems to be in a position of influence. These practices reinforce employee behaviors.

HR professionals as designers know what employee actions are expected in the new organization and they craft HR practices to ensure that these behaviors occur over time. HR practices become an infrastructure that shapes employee action through information, behavior, and reinforcement. At times this shaping is explicit (e.g. a communication message that encourages risk taking) and other times the shaping is more embedded in the HR systems (e.g. promoting risk takers to senior jobs and paying risk takers more).

What designers and deliverers do. HR professionals as designers and deliverers align, integrate, and innovate HR practices. To do so requires that HR professionals identify domains of HR choices. Many typologies exist of what are categories or domains of HR practices. We have clustered HR choices into the following domains:

- *Competence:* choices related to hiring, promotion, career development, training, job assignments, job rotation
- Rewards and performance management: choices related to performance appraisal and standards measured and set, financial and non-financial rewards
- *Communication*: choices related to gathering and sharing information to both employees inside and stakeholders outside the firm
- Governance: choices of organization design and structure, use of high performing teams, and policies
- *Change processes:* choices in learning, making change happen, sharing ideas across boundaries, and institutionalizing change

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HR professionals need to know the choices in each of these categories based on current theory and research. For example, they should know what the theory and research on competency models suggests for hiring, training, and paying leaders of virtual organizations.

In identifying choices in each of the domains, HR professionals create menus of choices that may be made to compete. Menus are often generated by those working in the centers of expertise. These menus offer a set of HR practices that might be used to align, integrate, and innovate HR. Each HR practice on the menu must be certified as innovative, which means it must be based on the latest theory and technology.

With menus in mind, alignment occurs as HR practices are matched to the strategy and capability of a business operation. At Pitney Bowes, their office product division that makes copiers and fax machines has a strategy of operational excellence in a price-sensitive market. The menu of HR practices allows this capability to be implemented through financial incentives tied to cost reduction. Another division striving to innovate in messaging solutions chooses financial incentives that encourage creativity and innovation.

With menus in mind, integration may also occur. Integration means that the HR practices share a common focus. Staffing, training, compensation, governance, and communication choices must be integrated and focused on common goals. In some companies, employees are hired with skills A, B, and C; then they are trained to do D, E, and F; then paid for G, H, and I. No wonder employees are confused about what they should focus on. With integration around key capabilities, staffing, training, compensation, and other HR practices all integrate around A, B, and C. This was the logic used by Ralph Christensen at Hallmark. Given the firm's strategy and capabilities, his HR team identified a core set of competencies required to ensure success. All HR practices were then both aligned and integrated with these competencies. A similar message was sent to all employees of what was expected of them. This message was reinforced through the HR practices and through the employee behaviors congruent with the HR practices.

Designers and deliverers implement HR practices with impact. By so doing, the blueprint they create as architects shapes employee action through information, behavior, and reinforcement. When this occurs, the desired virtual organization is embedded in HR practices.

How to design and deliver. In order to design and deliver HR practices, HR players must be current in the theory and practice of HR. They must know innovative HR practices deployed by other firms and be able to adapt those ideas to their firm. They need to stay current through active participation in professional associations where ideas are generated and shared. They need to follow the literature and keep abreast of theory and practice. We are continually appalled at the lack of knowledge of HR professionals in their supposed areas of expertise. For example, at a conference recently for Chief Learning Officers, those charged with developing learning agendas for their firms, we were asked how to spell Chris Argyris and to recommend his readings. We would not expect HR generalists to be cognizant of work by Argyris (and other learning theorists), but we would expect Learning Officers to be conversant with his ideas.

Often HR professionals are not active learners, but followers of what others have done. We have advocated that HR professionals become scholars and researchers, constantly screening existing

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literature and doing research within their own firms. With good research, HR professionals may prioritize HR practices that have the greatest impact. They know where to invest limited resources. They know how to measure the impact of the HR investments they make. They become implementers of ideas they architect. They become not only experts at seeing what needs to be done, but at making it happen.

## HR player as facilitator

Why facilitators matter. Even with good intent, most change efforts fall short. Personal programs for weight loss, smoking cessation, or exercise are like New Year's resolutions that begin with enthusiasm and end with quiet fizzles. Likewise, organization programs that begin with great fanfare become fads that lack sustainability. In the new business reality it would be easy to fall prey to chasing the latest fads, never to catch up.

HR professionals as facilitators understand the process for getting things done long term, not short term. They have the ability to make change happen and to sustain that change at three levels. First, they help teams operate effectively and efficiently. Teams and teamwork will be the cornerstone in virtual organizations, both within the boundaries of the firm and across alliances. HR players as facilitators ensure that all types of teams have the capacity to focus, accomplish, and function effectively. Facilitators build and coach teams. Teams that work well have the capacity to leverage individual excellence and ensure collective performance. In the new business reality, teams are inevitable because no one person has access to all knowledge and information. Teams outperform individuals if managed well. HR facilitators ensure team performance.

Second, facilitators ensure that organization change happens. Rapid organization response will make or break virtual organizations. HR players as facilitators instill a change agenda by assuring that organizations have the capacity and discipline to make change happen. In the new economy, being a change agent is not enough. HR facilitators have to become speed mavens who are not only thought of as leaders, but practice masters for getting the organization to make things happen. As organization facilitators, they bring together resources, focus attention, and make sure that decisions are made quickly and accurately.

Third, facilitators ensure that alliances operate. In the new economy, knowledge will not have to be owned to be accessed. Accessing knowledge and skills through alliances such as part ownership, joint projects, or partnerships becomes the bailiwick of the HR facilitator. Ensuring that ideas, competencies, authority, and rewards move across alliance boundaries becomes important for rapid response required in the new economy.

In some ways facilitators are like coaches only instead of focusing on a person, they focus on collectives of people in teams, organizations, or alliances. Like coaches, they shape points of view and offer feedback on progress. Only facilitators have the more complicated task of doing so for collective groups of individuals, not just individuals.

What facilitators do. Facilitators ensure that action occurs within teams, organizations, and alliances. The guideposts for action come from considering who is involved, what information is

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used, and how decisions are made. Involving the right people increases the probability of commitment. Since any group of individuals creates relationships and political coalitions, HR facilitators must be aware of and sensitive to the relationships and political agendas as they involve people in teams and alliances. Processing information becomes facilitators' access to influence and power. Since knowledge is power, facilitators need to process what information is required to make a decision and ensure access to accurate information. When facilitators are effective, they collect information that focuses on decisions and ensures action. Making decisions ensures that choices are made with speed and clarity. With the principles of involvement, information, and decisions, HR professionals may increase team, organization, and alliance operations.

HR facilitators increase teamwork when they monitor the quality of the team. They ensure that the right people are on the team to accomplish the team goals, that the right information is generated to make good decisions, and that the team operates well. In facilitating teams, we have used a team checkup as a protocol to assess and improve teamwork. HR facilitators using a team checkup can take a team through a periodic (e.g. quarterly) team diagnosis:

- *Purpose:* To what extent does our team have a clear purpose? Do we know who the stakeholders are for the team and what they expect? Do we have a clear identity and set of goals we need to accomplish?
- *Decisions:* How well does our team make decisions? Are we too slow? Too fast? Too risky? Not risky enough? Too autocratic? Not directive enough?
- *Relationships:* How well do we work together? How well do we handle conflict? Are we able to encourage differences and disagreement in private, but create unity in public? Do we care for each other? Do we build an environment of trust and respect?
- *Learning:* How well do we learn from success and failures? In the last three months what we have we done well and what have we done poorly? What do we learn from both that we can apply to future teamwork?

Engaging teams in this type of diagnosis helps the team surface concerns and issues and increases team effectiveness. In one company, such a diagnosis had not occurred, so rifts that would have been minor and handled in a team checkup session became large and complicated and began to inhibit the accomplishment of team goals. At first, venting occurred as team members shared their concerns about each other, but after the venting commitment grew as facilitation helped the team collaborate for common goals.

HR facilitators help organizations make change happen fast when they build discipline into decision making. Decision making occurs when five protocols occur. First, clarity of the decision. A CEO of a large computer company has stated that no one can bring him an issue unless it has been boiled down to a "yes or no" response. This means that rather than start with information alone, it is imperative to be crystal clear about the decision that the information should help make. Rather than coming to a meeting with the issue, "How do we gain better customer service scores?" HR facilitators focus on a few key options and state those options

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explicitly: "I believe we can improve customer service scores by investing \$50,000 in a customer information and response system targeted on the top 10% of our customers; therefore, we should..." This type of specific question then leads more informed decision making.

Second, who makes the decision? Decision may be delegated to an individual or a team, but it is critical that the individual or team know that they are responsible. Individual accountability comes when a person realizes that he must sort through information and make a decision. Team accountability comes in a similar way, when the team knows their charge and has accountability and responsibility for doing it. HR facilitators ensure that an individual and/or team is clearly accountable for decisions that need to be made.

Third, when must decisions be made? HR facilitators focus on when decisions must be made. They set timelines and hold people to them. The best deadlines have a public deadline, for example, a presentation to a senior management group or board of directors. With the commitment to a presentation, decisions will likely be made to accomplish the decision on time. In one company, we saw this done with good teamwork in the following way. The leader of the team knew that a decision needed to be made. He sent an e-mail to all the team members on Monday morning saying that on Friday at 9:00 a decision would be finalized that would be presented to the executive committee. He laid out the question and parameters and wanted input by Tuesday at 5:00 p.m. Tuesday evening, he condensed this information and sent out on Wednesday morning the synthesis of the input, asking for a second round. This information was collected by Thursday at noon, whereupon he crafted his recommendation for the executives that afternoon and sent it to the team. They had a chance that evening to make final comments before he prepared his remarks for the executives.

Some keys to this success. The decision was clear; the timeframe was clear and anchored in a real event. With technology, employees have access to information in ways that were unheard until recently. Employees who did not participate did so at their own peril and risk. The three rounds enabled employees to have a voice in the decision, to have their input shared, then to recognize the recommendation going forward.

Fourth, what process is needed to make a good decision? The process for decision may include who needs to be involved, how risky the decision should be, and information required for a good decision. Using a good process ensures that commitment to a decision follows and that quality of decision increases.

Fifth, how will a decision be returned and reported? Return and report implies that decisions need to stick, that decisions need to have accountability and follow-up to ensure that what is promised will be delivered. Return and report means that data is collected to track and monitor the decision, that people are publicly accountable for making a decision happen, and that follow-up occurs. Stickiness of decision increases when periodic reviews occur, when follow-up measures are tracked, and when incentives drive behavior.

HR facilitators increase organization capacity for speed when they ensure that ideas turn into decisions by deploying a decision protocol. As such, they become speed mavens who are competent and committed to organization action.

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Finally, HR facilitators must create cross-alliance actions and commitment. To do so, they must ensure that information moves across alliance boundaries, that knowledge in one firm is shared with another, and that information systems connect people in different organizations. To do so, they must ensure that competence or talent flows across alliance boundaries. They create career paths that allow movement across company boundaries. They build training programs that involve participants from alliance partners. They create incentive programs that encourage joint problem solving. To do so, they ensure shared authority by creating cross-partner teams who collaborate to accomplish goals. When HR actions cross alliance boundaries, HR facilitators increase the probability that alliances deliver intended value.

**How to facilitate.** In order to facilitate, HR professionals must learn skills in process observation. They need to be able to identify nuances of processes. These processes often include issues related to influence and power and facilitators know how to manage power and authority. In teams, organizations, and alliances, HR facilitators coordinate power to assure the authority to act. These processes also include resource allocation. HR facilitators know how to amass resources to accomplish goals. These processes include the ability to do team processing, organizational decision making, and alliance management.

HR facilitation has a legacy in organization development work of HR. In OD work, HR professionals would help groups identify their charter and then learn how to collaborate to accomplish their charter. While some of the traditional OD work has been downplayed, the need to facilitate teams, organizations, and alliances continues.

## HR player as leader

Why HR leadership matters. We have worked in some companies where the senior HR leader advocates the above roles. She coaches leaders, architects capabilities, designs HR practices, and facilitates change. But she has no credibility. She does not manager her own function. She does not practice what she preaches. In these cases, business leaders often pay attention to what they see more than what they hear.

Leading one's HR function earns credibility. In a number of cases, we have seen new heads of HR appointed and immediately face the challenge of running their function. In some cases this has meant that a disgruntled or dysfunctional employee who the previous leader had not dealt with needed to be managed and/or exited from the firm. Senior HR professionals who did not face up to and implement HR practices within their own functions lose credibility as they advocate ideas to others.

What HR leaders do. The HR function should be the exemplar of how to manage an effective department. As an exemplar, HR should be run as a business. As a business, HR needs the same elements of a business plan. We have argued that an HR business plan has the following elements:

• Business realities: What are the strategic priorities of the business? An HR business plan begins with a business plan. We advocate that the presentation a senior business

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leader would make to the board of directors should also be the first plank of an HR business plan.

- *HR vision:* An HR vision articulates in a few words the aspirations of the HR function. We believe an HR vision answers three questions: (1) Who are we? (e.g. partners, players, architects, etc.); (2) What do we do? (e.g. increase individual and organizational capability); and (3) Why do we do it? (e.g. to build competitiveness, to increase shareholder or customer value). An HR leaders should craft such a vision quickly and simply.
- *Deliverables:* We have argued that HR should focus on deliverables more than doables. HR deliverables represent capabilities the firm requires to serve customers and intangibles to which the firm aspires to build shareholder value. We advocate that strong HR departments have 3-5 deliverables that they focus on.
- *HR investments:* The HR choices advocated for the firm in the design and deliverer role need to be applied within HR. HR leaders need to pay attention to HR competence, training, rewards and recognition, communication, and governance. When HR practices used for the firm are so deployed within HR, they have more credibility and legitimacy. Too often we see HR professionals not receiving training or performance reviews that they manage and advocate.
- *HR governance:* HR investments may be implemented by line managers, HR professionals in centers of expertise, service centers, corporate, or business units, and/or external alliance partners. HR leaders must determine who has accountability and responsibility for HR to ensure that the work of HR is governed appropriately.
- *HR measures and actions*. HR leaders need to prepare accountable action plans to track and monitor the performance of the HR function and HR practices. These measures create a balanced scorecard for HR and actions that increase scores on this scorecard.
- *HR professionals*. HR leaders need to increase the quality of their HR professionals by continually articulating and investing in HR professional development.

The above seven elements of an HR plan imply that HR is run like a business, with a context, vision, strategy, and priorities.

This HR business plan should be shared both inside and outside the HR function. Inside it should serve as a compass for HR action, offering direction and intention. Outside, it should increase credibility of the HR function because the function practices what it preaches and models good leadership behavior.

**How to lead.** In order to lead, HR players need to apply a leadership model to themselves. The leadership model we advocate follows a simple equation: effective leadership = attributes × results. Attributes means that leaders know and do things that ensure they do things the right way. Results means that leaders ensure outcomes from their knowledge and actions. HR leaders

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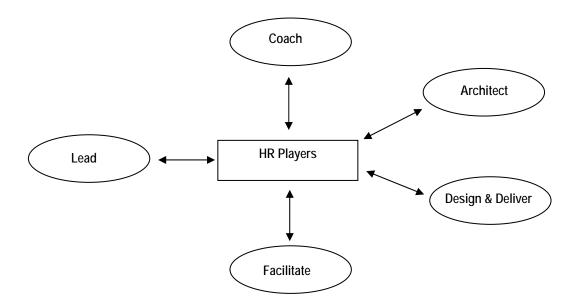
need to define clearly both the behaviors they should demonstrate as leaders (e.g. setting clear goals, being decisive, communicating inside and out, and managing change). They also must define clearly the results they must deliver.

#### **Conclusion**

We have laid out an aggressive new agenda for HR professionals. The agenda begins with a context, that being the new business realities with customers, technology, industry, and investors. This context creates a virtual organization, where transaction costs are minimized through networks and alliances. Emerging and traditional organizations are experiencing to different degrees the reality of the virtual organization. In this organization, HR professionals need to be players. We proposed that they do so by mastering five roles: coach, architect, designer, facilitator, and leader. We believe that when HR professionals learn these roles, they add enormous value to their firms, profession, and selves.

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