



Winnovation

BY ROWAN GIBSON

Rethinking the role of HR

It's every employee's nightmare in recessionary times: finding a "pink slip" in the pay envelope, or getting a fateful phone call from HR. Over four and a half million workers in America have had that gut-wrenching experience since the economy hit a wall in 2007. And this year the global layoff tsunami will claim millions more jobs worldwide. So I imagine that, right now, a lot of HR Directors are feeling about as popular as bird flu. But they need to take heart. Even in the midst of the worst economic woes for several decades, a new day is dawning for Human Resources. It's the day that HR finally gets the strategic recognition it deserves; the day that HR steps up from a mundane back-office function to play a center stage role.

My friend, Dave Ulrich, professor of business at the University of Michigan, has long argued that HR leaders should assume a more vital, strategic role inside their companies. Rather than merely busying themselves with everyday stuff like policies, payroll, and picnics, Ulrich says that HR professionals should be striving to build and strengthen the unique set of

organizational capabilities that give a company its competitive advantage. In essence, that means developing a particular mix of resources, processes and values that makes it hard for rivals to match what the company does.

Sounds good in theory. But before the HR department starts packing boxes and moving upstairs, we should first give some serious thought to exactly which organizational capabilities today's companies should be building. Let's face it, most traditional forms of competitiveness – cost, service, technology, distribution, manufacturing, product design – can now be quite easily copied. Sure, these variables may still provide a company with a temporary head start, but over time they no longer offer the basis for a sustainable competitive advantage. So what do we have left? The answer, in a word, is radical innovation. As my colleague Gary Hamel puts it in *The Future of Management*, 'In a world where strategy life cycles are shrinking, innovation is the only way a company can renew its lease on success.'

What we're finding out in today's value-based economy is that radical, game-changing innovation is literally the only strategic weapon we have left, in the sense that it's the only capability that can create value for customers in a way that is difficult for competitors to imitate.

That's why innovation is now such a major strategic priority for every company on earth, not to mention national and even regional governments. But it's also where the real problem starts. Because, until now, very few organizations in either the private or the public sector have managed to turn innovation from a buzzword into a core competence – a wall-to-wall, top-to-bottom enterprise capability. Most of them wouldn't even know where to start – or, indeed, how to sequence – the capability-building process.

As I have written before in this column, making innovation a systemic organizational capability is a complex and multifaceted challenge. It simply cannot be solved with some Band-Aid or silver bullet. Instead, it requires deep and enduring changes to leadership focus, performance metrics, organization charts, management processes, IT systems, training programs, incentive and reward structures, cultural environment and values. All of these elements need to come together and mutually reinforce each other as a *system* in order to institutionalize innovation. Otherwise, a company's efforts to make "all-the-time, everywhere" innovation happen will be doomed.

What companies need is not merely a pro-innovation mindset, or better brainstorming techniques, or "hot teams". The challenge is not about quickly coming up with a few new products or services to get the sales curve moving upward. It's about making innovation a new organizational way of life; something that permeates everything a company does, in every corner of its business, every single day. It's about infusing the entire lifeblood of an

organization with the tools, skills, methods and processes of radical innovation.

That's the true imperative for rethinking the role of Human Resources. As soon as we recognize the strategic value and the immense organizational transition that's involved in building a corporate-wide innovation capability, HR automatically moves to center stage.

Who else but HR leaders would be capable of turning a company's strategic intent with regard to innovation into tangible everyday action? Who else could make the necessary changes to executive roles and goals, political infrastructures, recruitment strategy, broad-based training, performance appraisals, awards and incentives, employee contribution and commitment, value systems, and so on? Who else could build and foster the cultural and constitutional conditions – such as a discretionary time allowance for innovation projects, maximum diversity in the composition of innovation teams, and rampant connection and conversation across the organization – that serve as catalysts for breakthrough innovation? Who else could ensure that each employee understands the link between his or her own performance (as well as compensation) and the attainment of the company's innovation strategy? In short, who else but HR leaders could create a company where everyone, everywhere, is responsible for innovation every day—whether as an innovator, mentor, manager, or team member?

The sad reality is that too many CEOs overlook HR's potential in this regard. They still think of HR solely in terms of regulatory compliance, hiring and firing, employee comfort, compensation and benefits. Notably, Jack Welch, illustrious ex-CEO of GE and arguably one of the greatest corporate leaders of our times, sees things differently. In a recent column in *BusinessWeek*, he writes that 'every CEO should elevate his head of HR to the same stature as the CFO'. I couldn't agree more. It's time for HR to step up to the plate and take on the strategic role of innovation capability builder.

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