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## A New Lens on Business Advantage: Human Capital Strategy and the Drive for High Performance

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Today's leading companies are creating their business visions hand-in-hand with the human capital strategies required to implement them. That means managing an integrated and comprehensive program covering talent, leadership, culture and organization.

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# Overview: Doing business strategy the right way

Acquiring and retaining new customers. Applying innovation to stay ahead of the competition. Managing change. Improving productivity. Driving a new era of growth after the downturn with demoralized and understaffed workforces.

These are among today's most pressing business challenges—the new reality of a business environment that is more competitive and more global than ever before. What's the common denominator beneath these challenges? They focus an intense light on the need for differentiated human capital assets to execute or implement an enterprise's strategies and respond to new competitive challenges.

As Stanford professor and author Jeffrey Pfeffer has written, business success “comes from successfully *implementing* strategy, not just from *having* one.” That implementation depends in large measure on people: the knowledge, skills and abilities of critical workforces, and their behaviors on behalf of the enterprise.<sup>1</sup> Put another way, success derives from aligning business strategy with a human capital strategy that puts in place the right talent in the right roles performing in the right ways to bring the business strategy to life and execute it optimally.

Yet, the experience and skills needed to translate new and cutting-edge business strategies into a human capital strategy elude many companies and their executives today. But making that translation—articulating business strategy in human capital terms across multiple dimensions of talent, leadership, culture and organization—is critical if companies are to succeed as 21<sup>st</sup>-century businesses.

The difference between companies with an effective human capital strategy and those without can be assessed both qualitatively and quantitatively.

Many of the best companies from a human capital perspective have talent programs that anticipate business needs and make sure the right skills in the right numbers are in place to meet those needs. These companies have leaders who are both strong and collaborative. Their cultures have a distinctive “feel” to them—employees want to work there and they want to stay there. People are given a degree of autonomy to make decisions close to the action, yet they always know how their piece of a project fits into the larger goals of the business. These companies also have organization structures that encourage work across functions and units, and that multiply the value of what any one group is doing across the entire enterprise.

Most important, these companies usually perform better. They are more agile and responsive to market conditions. They have done the hard

thinking about multiple market-place scenarios and outcomes far in advance, and so they are ready ahead of their competitors with the workforces, leadership and organization designs needed to execute a timely business plan. While others struggle, these companies' human capital “accounts” are relatively robust and ready to be used for new investments.

## Walking the talk

This paper shares Accenture's practical insights—built on experience, research and conversations with scores of senior-level executives in multiple industries and geographies—into developing a human capital strategy that can guide your business in the years ahead and help it achieve a new era of growth and high performance.

At the same time, it also shares our own story. Over the past couple of years, Accenture has taken a long, hard look at the competitive nature of our business and at the implications of globalization, changing customer value propositions and new competition for our own human capital assets. Accenture has had in place for many years both a chief HR officer and a chief leadership officer. Together, these two individuals oversee both the present and future health of the company's human capital assets. These leaders are supported at the highest levels of the company—by our CEO and the entire Board of Directors, who

understand that Accenture's ongoing competitiveness resides in the minds and hearts of our people.

As Accenture's most senior leadership looked at the evolving business environment, they also initiated a new round of business strategizing, focused on what Accenture's workforces, leadership structures, culture and organization will need to look like as time goes on.

This led to a series of initiatives to understand and revitalize our human capital assets to help keep our company at the forefront of the marketplace.

By sharing our own experiences, we aim to accomplish two objectives: First, we seek to bring the theory to life. Frameworks, methods and tools help create a human capital strategy, but those assets only work in the context of strong, day-to-day execution. One of the most effective ways to discuss a human capital strategy is to tell a narrative of implementing one.

Second, we believe that sharing our story is an engaging way to highlight the ongoing learning process that is a natural byproduct of developing a human capital strategy. Our own experiences—along with the market-tested methods and tools that arise from those experiences—then inform the work we do with our clients.

A human capital strategy is much more than a new way to engage in traditional talent management and workforce planning activities. It's actually a new lens on business strategy and, therefore, a new lens on business advantage. It's a key to achieving high performance.

## Case study: Defining a human capital strategy to support a new wave of growth—Accenture's story

For a company like Accenture, human capital is both a source of competitive differentiation and a source of risk. When business success depends on knowledge workers, having the right people in the right place, supported in the right way, becomes essential.

As the company's Chairman & CEO Bill Green puts it, "Other companies talk about their future products, or their plans for infrastructure and new facilities, but at Accenture, we talk about our human capital, because that's what makes us go."

In 2008, as part of a new wave of corporate strategic planning, Adrian Lajtha, Accenture's Chief Leadership Officer and a member of its Executive

Leadership Team (ELT), spearheaded a comprehensive effort to define how Accenture's organization and workforce might look several years into the future. The effort was supported and endorsed by Accenture's board of directors, which sought to understand better the human capital implications of its long-range business strategy.

According to Lajtha, "Prior to this point, our team in charge of human capital strategy was a smaller group of leaders and others with talent management and analytics backgrounds who would periodically help different parts of the business make sense of strategic issues from a human capital perspective. This new initiative was different, in that we needed to develop a more

complete picture of our entire human capital environment: What talent would we need, in what numbers, where? What are the implications for leadership sourcing and development? How will both the durability and flexibility of our culture be affected? As we look at our organization, do we have structures in place that are conducive to finding, developing and retaining the best people and supporting them in their job performance?"

[Continued on page 15...](#)

# Introduction: “Haven’t we always had a human capital strategy?”

Whether they call it HR, talent management, workforce planning or something else, high-performance businesses have always had some means of putting in place the people and skills needed to run the business. For several reasons, however, economic challenges and the speed of market-place change have outstripped the ability of traditional kinds of HR planning to meet business needs.

As a result, although executives may feel they already have in place an HR or workforce plan, it is frequently nowhere near robust or comprehensive enough. It may address traditional matters such as sourcing, hiring, training and rewards, but these only

touch some of the critical dimensions of “human capital”—a concept that gained widespread acceptance in the latter part of the 20<sup>th</sup> century.

Managing human capital requires seeing people as an asset in which companies can invest, and which therefore also yields a return based on how the capital is nurtured and treated.

In other cases, companies struggle because they are developing business strategy and HR strategy at different levels and among different teams, with inadequate communications and linkages between the two. By the time the business strategy makes its way to, or is fully understood by, the HR organization, the workforce plans

that are put in place might be more relevant to *last* year’s business needs than to this year’s.

Yet the boardroom is acutely aware of how many current business challenges are related to broader workforce and organization concerns. Accenture’s most recent global awareness executive research—based on a survey of 976 C-level executives across most industries and geographies—found that no fewer than seven of the top 10-ranked business issues on the minds of respondents are workforce and organization related. (See Figure 1.) These issues include managing change, applying

Figure 1: An Accenture survey of 976 global executives ranks their top 10 business concerns

| Business issue  | Rank |
|---|------|
| Acquiring new customers   | 1    |
| Managing change within the enterprise   | 2    |
| Managing risk   | 2    |
| Intensified pressure to reduce costs  | 4    |
| Reducing workforce-related costs  | 5    |
| Managing for a downturn in business   | 6    |
| Applying innovation to stay ahead of the competition  | 6    |
| Attracting, retaining and developing skilled talent   | 8    |
| Increasing customer loyalty and retention in an increasingly buyer-driven market                              | 8    |
| Changing corporate culture and employee attitudes   | 10   |
| Improving workforce performance – ensuring our workforce is the most productive, creative and entrepreneurial | 10   |

innovation, attracting and retaining skilled talent, improving workforce performance, reducing workforce costs and improving the company's culture and employee attitudes.

At the same time, these executives commonly face a gap between knowing what's going on and knowing what to do about it. Nearly all of the top executives with whom we work are aware of their workforce and organizational deficiencies. Yet, putting in place a rigorous program to address those deficiencies—one that can be designed, managed and tracked like any other initiative—frequently takes them into uncharted territory. Many executives express concerns, publicly or privately, about whether they have the skills,

knowledge and experience internally to execute a complex workforce and organizational transformation program at the scale required to meet today's challenges and opportunities.

Traditional HR programs focused only on acquiring, developing and retaining effective workers are no longer sufficient. Companies need a more comprehensive and integrated program covering all related facets of a human capital strategy.

## A comprehensive view of business and human capital strategy

The effective execution of business strategy requires comprehensive work at an intermediate layer between the strategic dimension—which focuses on market focus, positioning and competitive differentiation—and the HR dimension that specifies and acts on detailed HR processes and capabilities. (See Figure 2, next page.)

This *human capital strategy* layer goes beyond the limited, though important, activities focused on the employee lifecycle—recruiting, training and rewards—looking comprehensively at four interrelated sets of questions:

### 1. Talent

- What skill areas and capabilities will be needed to compete and grow our business?
- Where are the gaps between the skills we have and those we need, and how can these gaps be closed through various talent sourcing and development options?

### 2. Leadership

- What types of leadership capabilities do we need to sustain our business strategy?
- How will leaders be sourced and developed?

### 3. Culture

- What are the key cultural attributes of our company today? How does this prevailing culture affect performance and productivity, as well as the ability to attract and retain the right talent?
- What are the characteristics of the ideal culture aligned with our business needs, and how do we create and sustain that culture?

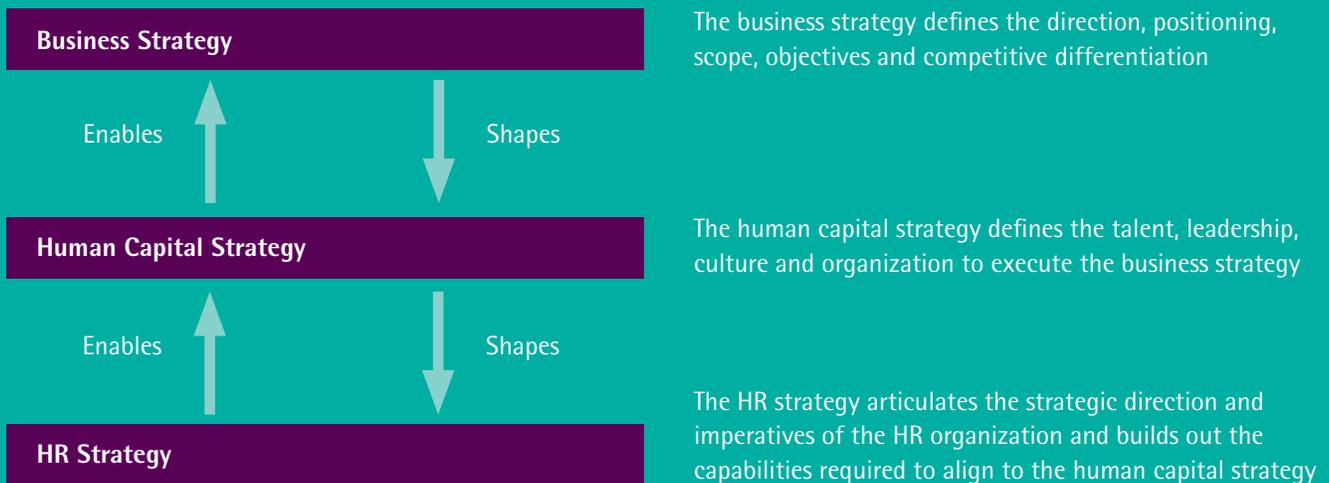
#### 4. Organization

- What type of operating model can help us optimize the execution of strategy and the efficient use of resources?
- What is the organization design—structure, governance and reporting relationships—most conducive to the kind of business we want to be and the strategy needed to get there?

As with a business strategy, an effective human capital strategy informs many of the company's most important decisions about where and how to compete, and supports the enterprise as it balances short-term decisions with longer-term imperatives. In this way it can meet today's business needs, while being agile enough to reposition itself for an enterprise's ongoing market competitiveness and growth.

In short, the aim of the human capital strategy is to put in place the right leaders to source, develop and direct the right workforce talent, supported by the right culture, organization and operating model.

Figure 2: The relationship between business strategy, human capital strategy and HR strategy



# Creating and implementing a human capital strategy

A program to create and implement a human capital strategy involves multiple phases of work—from diagnostics of an enterprise's starting position relative to the four integrated human capital components just introduced, to planning, delivering and maintaining the strategy. (See Figure 3.)

What's both new and important in this kind of comprehensive approach to human capital strategy is a focus on what amounts to our integrated work streams: work related to diagnosing and improving the four integrated human capital components of talent, leadership, culture and organization, supported by program

management and governance over the entire endeavor. As shown in the case study of Accenture's human capital strategy development program, overall management and coordination is extremely important to the success of this kind of human capital program.

## The talent work stream

The primary activity of the talent work stream of the human capital strategy is to define the capabilities needed in the enterprise to execute the business strategy. The company's current business strategy is first reviewed to determine the potential impacts on the workforce. (See Figure 4, next page.)

These impacts then need to be articulated in terms of the specific capabilities required to execute the strategy, as well as other implications ranging from new workforce segments to new workforce locations to new sourcing strategies.

As enterprises continue to move from the general to the specific, outputs from the talent diagnostic are used in the workforce planning process, which involves specific configuration of the workforce in terms of numbers and locations. A company must project workforce supply to determine how many people are required for each type of job or role, now and in the future.

Figure 3: Accenture's framework for conducting a human capital strategy program

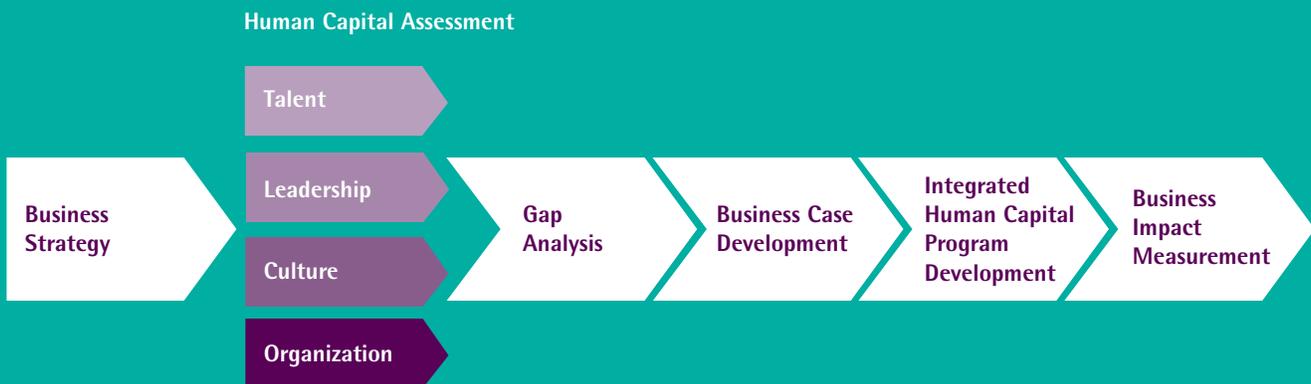


Figure 4: Examples of the talent impacts of business strategies and priorities

| Business Priorities       | Questions   | Examples of Talent Implications                                       |
|---------------------------|---|---|
| Geographic Markets        | What types of talent are needed in local markets?                               | Change management expertise in emerging markets                       |
|                           | How can an understanding of regional-specific processes and needs be built?     | Local skills in top growth markets                                    |
| Customer Interactions     | How will each division support new contracting models?                          | Risk management and approvals capabilities for large, long-term deals |
|                           | How will a focus on solutions change sales support needs?                       | Build competency in selling solutions                                 |
| New Technologies          | What talent is needed to drive the innovative use of leading-edge technologies? | Hire from IT-intensive companies                                      |
|                           |   | Adopt new IT training curriculum                                      |
| Operational Excellence    | What type of talent is needed to drive efficiency gains?                        | Experience in establishing shared service centers                     |
|                           |   | Cross-company experience in designing sales processes and tools       |
| Working in Different Ways | How can we improve collaboration?   | Hire from other functions   |
|                           |   | Training on collaboration tools                                       |

A resource/competency gap analysis is then performed. Here, the human capital strategy team is especially supported by the specific skills and capabilities within the overall employee lifecycle management functions such as recruitment, development, performance and rewards. The gap analysis must be understood by the individual functions as the human capital strategy team looks at existing workforce plans and future workforce requirements, and then compares skills and competencies of the current and planned workforce to what is necessary to meet that demand.

Well-designed and executed, work within the talent work stream of the human capital strategy can significantly contribute to a company's ability to attain its business goals, and also to attract, motivate and retain the right people. Benefits include:

**Support for a growth agenda:**

A workforce with the right skills at the right costs, and in sufficient numbers in the right places, is developed and made available to meet internal demands and external business needs.

**Improved efficiency:** Better workforce planning supports appropriate standards for leveraging leaders and qualified talent in an effective way and in the right numbers, and in developing an effective span of managerial control. It can also allow for the use of less costly alternative workforces.

**Better use of capital:** Workforce costs are kept in alignment with desired metrics.

**Improved response to difficult economic conditions:** Over- and under-staffing can be minimized, as can staff reductions.

**Better attraction of top talent:** The employer's reputation is protected when staffing is handled in a more orderly, planned and predictable way. The employer achieves an advantage when recruiting against competition because a company does not develop a reputation of doing massive hiring followed by massive layoffs.

## The talent to support an inorganic growth strategy: The story of Piramal

How companies cope with the talent implications of extensive mergers and acquisitions gives us a focused way to look at the importance of the talent work stream within a human capital strategy.

From a talent perspective, mergers or decentralized business growth often creates unevenness across a global enterprise. If companies are to realize an improved return on investment from the merger or acquisition strategy, executives must be attentive to impact on the workforce, and how they can retool the capabilities and right-size the workforce to fully reap the benefits of inorganic growth.

This kind of attentiveness to talent and workforce planning has been critical to improving the efficiency and agility of Piramal Healthcare Limited, a large, India-based pharmaceutical company. Piramal's growth strategy over the past decade or so has been largely based on acquisitions. Because business was booming and growth was robust, the company had not taken the time to rationalize and plan for an optimally sized and skilled workforce.

Quantitatively, Piramal found itself with an employee-cost-to-total-cost ratio that was amongst the highest in its industry. Qualitatively, executives knew that the agility and productivity of its employees were being hindered by redundant roles and functions.

Beginning with a well-articulated sense of its future business strategy relative to growth through acquisitions, Piramal followed a comprehensive talent planning process that produced a blueprint for a phased right-sizing of the staff according

to performance and strategic fit. A team working on the talent work stream also created more efficient and effective processes and structures by which to harmonize the way the newly reshaped staff would perform. The company carefully managed potentially negative effects on morale by redeploying employees to other areas of the company if their positions were eliminated by the restructuring.

According to N. Santhanam, Piramal's chief operating officer, "By making staff decisions based on performance, we improved our employees' commitment to execution. All our employees now feel they are doing a job for which they are qualified, and that adds clear value to the company."

Piramal has reduced its staff costs substantially. However, even greater value has been produced by creating an organization more capable of meeting the rapidly changing demands of the pharmaceutical industry to more effectively align its business strategy of growth through acquisitions and operational optimization.

## The leadership work stream

Leadership development has taken on both more complexity and more urgency given the challenging economic environment, as well as the new nature of global business. In a multi-polar world, the flow of innovation, talent and capital is truly global and no respecter of political boundaries. It's a world with many possibilities and opportunities, to be sure, but also significant risks and pitfalls. Executive leadership is challenged more than ever to manage the elements of the business now that companies can reach further, bring together more people and cultures, and serve more customers at almost every point of the compass.

The leadership development aspects of a company's human capital strategy focus on several key questions:

- What is the specific value that is expected to be delivered by senior leaders? Beyond the roles they play, what are the particular outcomes they are expected to produce?
- What attributes, capabilities and behaviors are expected from future leaders?
- How can companies use leadership development as a competitive advantage?
- Is the very idea of what leadership means evolving for the enterprise and, if so, what might leadership look like in one, three or five years?
- How are leaders to be developed and sourced? What strategies for either developing leadership talent internally or hiring it from the outside might be necessary to meet future leadership needs?
- Are effective operations in place—programs, processes and tools—to support leaders, or are organizational obstacles preventing them from optimal effectiveness?

As the work proceeds in each of the areas, these answers may be moving targets for a time. That is, a fuller understanding of the leadership capabilities needed to execute the business strategy evolves as work in the other work streams—talent, culture and organization—proceeds.

It is this iterative process that can often trip up companies less accustomed to taking what is most often called a "systems thinking" approach to strategy: seeing the human capital realm as a complex ecosystem with multiple causes and effects, where different actions in time may reverberate across the ecosystem, then rebound to cause changes back within the original area being worked on.

### **Leadership to support a new strategic direction: International resources company**

An impressive leadership development story has taken place recently at an international electricity and gas company, one of the largest investor-owned energy companies in the world. In 2007, the top leadership team of one of the utility's lines of business began a journey to transform its business in a way that would require focused attention on new leadership capabilities and cultural qualities needed to execute the strategy.

The goal was to create a shared sense of purpose and focus, enabling the company to drive improvements and top performance in safety, customer service, reliability and efficiency. The transformation program required an effective senior and extended leadership team that would enable the company to realize its vision: to establish global lines of business, implement a global operating model and build a platform for future strategic growth.

The utility saw this transformation as an opportunity to improve leadership effectiveness across the company. By helping the extended leadership team align around its strategic intent and operating model, the company could use the business transformation to actively cultivate its next generation of leaders.

The utility asked Accenture to work with them to design and execute a leadership effectiveness program for the company's top leaders. This program was aimed at teaching leaders how to learn from experience, independent of formal classroom-based programs. To accomplish this task, Accenture worked closely with both the human resources function and the business to create a program that was strategically focused, aligned the full breadth of the extended leadership team, and built critical corporate competencies.

The team was guided by the sense that effective leadership development could be best achieved through a combination of action and reflection. The work was comprised of individual coaching and a series of learning forums, supported by action learning teams.

One action lab, for example, taught company leadership how to take ownership of their learning and development in a structured and disciplined way. A second lab involved the leadership team working as an intact group to solve organizational issues affecting the business. Following the two labs, the leaders were asked to form action teams, based on their understanding of the requirements, to support reinforcement of their behavior changes.

The new leadership development program at this utility has experienced significant success, both qualitative and quantitative. For example, prior to the program, few of the executives reporting to the company's executive vice president had been comfortable speaking publicly about leadership, let alone leading workshops on the topic. Today, the program's success comes across in a myriad of qualitative adaptations—for example, in the language leaders now use and the development mechanisms they

describe when interacting with each other. It's not uncommon to hear one manager talk about meeting with a peer coach or to learn about another who is assembling a "personal board of directors" with different roles in mind for each director.

There's also a marked shift in the managers' collective sense of identity—a palpable feeling of pulling together as an extended team and a greater willingness to demonstrate that it is their responsibility to do so. The men and women of the extended leadership team are also much more prone to work together to help shape the future of the company. They are seeking to understand key trends, mapping out responses to those trends, and looking for ways to cascade their learnings and approaches down to the company's middle managers.

Those behavioral shifts are manifest in the many different ways in which decisions are now made and challenges are met. "We were an organization that provided too much direction from the top," says the company's head of operations performance management. "Now I see a lot more decisions being taken at a lower level." That, in turn translates into less time required to reach consensus.

The company's transformation program, enabled by the new leadership development approach, has resulted in numerous business benefits. For example, the number of "lost time" injuries has been halved over the past two years. These include on-the-job injuries that require employees to take time off. The utility's reliability metrics are also markedly better.

"We're a different company in terms of safety and reliability than we were two years ago," says the company's distribution asset management executive. "In both of those areas, especially in safety, it's about leadership. It's about being visible. It's the organization seeing you." He also points to markedly stronger employee engagement, collaboration and resilience to lead through turbulence.

## The culture work stream

Corporate executives used to look upon their corporate culture as a "soft and fuzzy" area over which they had little control. High performers, however, don't see it that way. Today's senior leaders are increasingly finding that their business strategies stand little chance of being adopted and executed if the current culture of their company impedes the ability to accommodate change and support the business vision.

Consider the challenge faced by companies seeking to reinvent themselves to serve adjacent markets. For example, in the rapidly converging communications, high-tech, electronics and content/media markets, many companies are seeking to extend their reach. Products companies are beginning to act like high-tech businesses; electronics companies are starting to look like telecommunications providers. Many service providers want to get into the content creation and distribution business.

Certain high-profile failures of such strategies, however, point to one of the big risks involved in such corporate reinvention: If a company's culture does not support the new vision and value proposition, successfully realizing the strategy is an almost impossible task, even with clear support from the top.

Culture-based setbacks and resistance are increasingly common in an era of rapid business and marketplace change, where new competitors and leading-edge technologies emerge almost overnight. CEOs and other board-level executives are under intense pressure to demonstrate results quickly. In their haste, they may attempt to change the course of their companies without taking into consideration the deeper human and cultural elements which, in the end, may undermine the implementation of new strategies. If an adversarial mindset develops within the company, pitting top-down strategic change against bottom-up cultural resistance, culture will win almost every time.

The culture work stream of the human capital strategy seeks to identify the particular cultural implications of the business strategy. Whether it is understood well or not at all, every enterprise has a culture: a shared set of assumptions, beliefs, values, understandings and meanings that guide the perceptions, judgments and behaviors of its people. So if a company is to execute on its strategy it must understand what its current culture is and whether that is adequately aligned with the culture needed to support the new business strategy.

If the culture is aligned, leadership needs to be mindful to reinforce the cultural attributes that support the execution of strategy. If it is not, then specific programs must be put in place to influence the culture and push it in the right direction.

### A disciplined approach to understanding and shaping culture

Changing the direction of a corporate culture is difficult, to be sure, because many factors go into what a culture is and how it behaves (see sidebar, next page). Yet over time, culture can be shaped by taking a disciplined

approach. This begins with a rigorous, science-based assessment of the existing strengths and weaknesses of a company's culture.

For example, Accenture uses a tool—with itself and with clients—called the Accenture Culture Value Analysis (CVA). This metrics-based asset provides both a quantitative and qualitative snapshot of the corporate culture—how people at different levels perceive their culture and the key levers within that culture that can drive high performance or impede it. Surveys used at the core of the CVA include nearly 140 questions assessing more than 40 cultural traits, including such factors as loyalty, trust, information sharing, accountability, teamwork, acceptance of change, external focus, organization design, process effectiveness, internal politics and participation in decision making.

By identifying important cultural factors and revealing how a company's underlying values and behaviors influence business or operational performance, a metrics-based assessment such as the CVA provides guidance for executives to make conscious efforts to foster cultural characteristics that drive high performance, and to change those that stand in the way of success.

## What actually influences a company's culture and values?

Although executives often believe they can easily control their corporate culture, in fact the direct manipulations of management often do not produce the desired results. A company is an organic system and many things influence its development. Based on our experience, here are the 10 most important influencers of corporate culture.

1. Behaviors modeled by management
2. What leaders pay attention to, measure and control
3. Performance and promotion systems (rewards)
4. Criteria used for recruitment, selection and termination
5. Leaders' reactions to critical incidents and crises that test the values of the company
6. The company's formal and informal design and structure
7. Systems, policies and procedures that determine how work is done
8. Stories and legends about key people that are told throughout the enterprise
9. Ceremonies (company celebrations, awards, rites of passage or advancement)
10. Formal statements of philosophy, principles and values

### Creating a new culture to support the business: The story of GE Healthcare

GE Healthcare has become one of the leading practitioners of the human capital strategy approach discussed here, especially in the manner in which they have integrated culture, leadership, talent and organization change initiatives in support of new global business opportunities.

The business strategy driving GE Healthcare's human capital strategy has been parent company GE's "healthymagination" initiative to bring quality care at lower cost to more people throughout the world. The company has invested US\$6 billion to launch more than 100 innovations by 2015 to lower healthcare costs, increase access and improve quality of health care delivery.

Corporate executives knew that the success of the initiative would largely be determined by the ability of the GE Healthcare business unit to develop a more collaborative culture—one capable of teaming with customers, governments and other partners globally to address some of today's biggest challenges in healthcare.

According to Bob Cancalosi, Chief Learning Officer for GE Healthcare who has been leading the company's culture transformation effort, "One of our big efforts from a cultural perspective is to restructure the business from one that was product-centric to one that is customer-centric. We believe that customer-centricity will give us better leverage for growth."

Specifically, GE Healthcare was looking to improve a cultural trait it referred to as "boundaryless collaboration." As Cancalosi puts it, "Innovative product ideas can

emanate from every direction. We want our managers quickly funneling great ideas and moving them to action across geographies. We're preparing ourselves for expansion during these tough times, so that when things start to turn around, we will gain global market share by acting with more agility across our organization."

GE Healthcare worked with Accenture, using Accenture's Culture Value Analysis methodology, to examine six particular characteristics of open or boundaryless collaboration: teamwork, trust, managing conflict, minimizing political maneuvering, eliminating siloed behavior and openly sharing information across the organization.

The diagnosis identified several areas where GE Healthcare could strengthen its collaborative capabilities to take advantage of opportunities for growth. These insights have helped GE Healthcare take specific steps to build a more effective culture. The company is also integrating culture change initiatives with other programs relating to leadership and talent, and focusing on the organization structures needed to reinforce desired workforce behaviors.

A specific example of how boundaryless collaboration has helped GE Healthcare advance the company's business strategy is its "In country, for country" initiative which responds to local market and customer needs through local technology development. As part of that initiative, GE Healthcare's engineers in India developed a durable, portable heart monitor that fits in a backpack. Not only has this invention transformed how mobile doctors care for heart patients in rural India, it's driving revenue growth for GE in other parts of the world where customers are seeking miniaturized, portable technology.

## The organization work stream

The final critical stream of work to consider within the broader human capital strategy agenda concerns organization design—structure, governance and reporting relationships—as well as the operating model of the business. This dimension can be particularly subtle or overlooked in terms of its importance to helping the workforce perform in new ways to execute business strategy.

Many companies mistakenly see this kind of work as "moving boxes around" on a reporting chart. Yet every such move has effects that ripple through the other dimensions of a human capital strategy—talent, leadership and culture.

On the other side of the coin, activities such as employee sourcing, training, leadership development and culture change cannot be effective if the operating model of the business, and the design of the organization, interfere with effective implementation. From a design perspective, effective reporting structures, financing, operations, budgets, rewards and so forth must be in place. Similarly, the operating model of the business must organize work in an optimal way and enable the company to set strategic priorities and then act on them in proper sequence.

Several important questions should be considered by companies as they look at their organization design and operating model:

- What should our business model look like in three to five years as the implications of our business strategy play out?
- What balance do we need on the spectrum of centralization vs. a distributed network of business entities? How should we be structured to best support our business strategy: by geography, product, function, customer—or a hybrid arrangement?
- Do we have the right organization design in place to help the workforce perform optimally? Are the right governance and decision-making mechanisms in place? Do we have the right leverage and the right organization structure (the pyramid of different roles and responsibilities) to execute in a cost-effective manner?
- Do we have the right analytics and tools in place to monitor workforce performance and make timely changes?

- Do we have management processes that keep workforce performance continuously aligned with a changing business strategy? Do we understand our informal networks that work side-by-side with formal structures—networks that have a powerful impact on how work gets done?
- Is our HR organization designed to support the workforce in a cost-effective manner? Is HR participating in strategic discussions at a high-enough level in the company?
- Are there any constraints in the HR organization that would impede our ability to get the right capabilities and people into the company, develop them and retain them? Do the right HR processes exist, and is HR effectively integrated into the business?

Answers to these questions, and others like them, are then used to fashion a program to reshape the organization design and operating model to support the workforce in its execution of business strategy. What does such a program look like in practice? A number of companies are taking active steps to improve their organization designs in light of business and marketplace needs.

Aerospace and defense company Lockheed Martin Corporation, for example, is looking for more agile structures and models to support its workforce and help it perform in new ways. The company uses a unique system it refers to as "deployment" to create a more nimble structure and operating model. According to Bob Rearden—vice president of supply chain integration for Lockheed Martin's Aeronautics business segment—the company has two ways to organize its employee reporting. The first is the program organization. "The role of programs," says Rearden, "is to do work on behalf of customers. Probably 80 percent of our employees on a day-to-day basis work in a program."

The other 20 percent of employees are in what the company calls “functional organizations,” which focus on the enabling processes and tools used in performing work for customers.

“One way we get alignment of performance against business objectives,” says Rearden, “is through the process of deployment. When people are deployed they’re assigned to a program, and their appraisals and merit pay actually go to the program leadership and don’t stay in the ‘home room’ organization.”

What this gives Lockheed Martin, then, is the ability to be more agile in response to customer needs. “This structure makes it easier for our programs that operate on behalf of customers to handle fluctuations in skills or total workforce numbers, or to respond to new customer needs.”

### Restructuring the HR organization

We have stressed the importance of a more comprehensive approach to human capital strategy than is usually found in the majority of traditional HR initiatives, yet the HR organization is a critical factor in driving an effective human capital strategy. It is vital to create a highly efficient and effective HR organization and well-developed, flexible talent management processes that can support workers across the entire employee lifecycle—from recruiting to development to performance management and rewards.

These practices and processes enable and support the development and maintenance of a workforce with the right skills and capabilities but are also motivated and engaged, who understand their role in achieving the outcomes and objectives of the business, and who feel recognized and rewarded for the contributions they make.

One company that has learned this lesson effectively is SK Group, the South Korean telecommunications and energy conglomerate. Once the company decided to pursue growth beyond its dominant position at home by expanding into global markets, it needed to improve its human resources systems and processes so that the workforce and culture could support the transformation.

Armed with the results of an objective and benchmarked measure of its talent base, its HR capabilities and its leadership’s commitment to globalization, SK is building HR capabilities to support expansion of its global operations and revenue growth outside of South Korea while aggressively increasing the quantity and quality of its global talent.

## Conclusion: Sustaining your competitive differentiation

Every era believes its challenges to be the most pressing in history. However, the evidence is strong that the world has never seen a more challenging business environment than the one companies face today: the aftermath of a devastating economic crisis, the dissolution of many traditional industry boundaries, replenishing critical workforces with skills that are harder to find, and many others.

Many companies are now moving into a new competitive era—one requiring the entrepreneurial capabilities required to compete in global markets in a multi-polar world. Economic power is becoming more distributed

across multiple areas across the globe, and the talent that companies need to succeed is also increasingly found outside national borders.

Can companies continue to innovate, and to execute strategy, at the speed required to compete in this marketplace? The answer to that question largely depends on the value of a company’s human capital assets.

Sourcing and retaining top talent at the right numbers and in the right places is a key part of the equation. Equally important, however, are the leadership qualities, cultural characteristics and organization designs that enable workforce talent to attain the performance levels required.

Creating distinctive, differentiated capabilities are essential to achieving high performance in the years ahead. The capability that is the hardest to imitate, and therefore more sustainable as a competitive advantage, is the human capital that executes the business strategies required for success in a new era. A human capital strategy is, therefore, a key part of future-proofing a company’s competitive differentiation.

### Bringing together the right sponsors and resources

One of the keys to success for a human capital strategy program is to launch the initiative quickly and effectively, while seeking sponsorship from the right group of executives. Lajtha quickly teamed with two other key players: the company's Chief HR Officer and its Chief Strategy Officer.

This teaming helped align the different dimensions of business strategy, leadership and HR that are at the heart of a human capital strategy. From a practical perspective, it meant that answers to difficult questions were never very far away, whether they were about the most important elements of the corporate strategy or about the details down in the "engine room," as Lajtha puts it, of the HR organization. The team approach was also critical in meeting the aggressive timeframe of the initiative: an initial report was due within three months. That report would eventually encompass four phases.

### Phase 1: Assessing critical human capital differentiators

The initial phase of work involved an assessment of Accenture's existing human capital elements. Here, Lajtha's team worked to understand the global challenges that would affect the company's workforce, including plans for the scale of work, the effects of a multi-polar world on Accenture's sourcing of talent and how and where the work would be performed.

Accenture knew that its business environment would increasingly require workers with differentiated and specialized knowledge, as well as broader business skills and the ability to work as an integrated team.

But a shared culture would need to unite these diverse talent pools, while leadership, attuned to the rhythms of a global marketplace, would nurture and manage them.

Consulting with a broad set of stakeholders, Accenture's human capital strategy team gained consensus on several factors believed to be human capital differentiators. These included:

- **Client centricity:** The ability to build enduring, trust-based relationships with the company's customers.
- **Global reach and scale:** The ability to coordinate resources in a seamless delivery environment across multiple geographies.
- **Specialization and integration:** Workers with deep industry and functional skills, who can at the same time collaborate effectively as part of complex, distributed projects.
- **Adaptability and agility:** Workers who are empowered to act and take controlled risks in response to business challenges and opportunities, stripping away unnecessary bureaucracy.
- **Top talent:** A commitment to attracting, developing and retaining market-leading talent.

### Phase 2: Agreeing on a human capital vision

The team took this streamlined strategy to the company's ELT for a "visioning" session and validation. As Lajtha notes, this point in a human capital strategy program is particularly important to the success of the overall initiative: "The assessment and vision set forth at this point does not need to be 100 percent correct in every detail, but it does need to be nearly 100 percent *directionally*

correct. Because from this foundation, a company then begins to assemble the plans and programs that will support all the dimensions of the human capital strategy."

To bring the strategy to life, the team immersed its audience in photos, videos and other images so the executives would "experience" the future, rather than simply read and hear about it.

The session was extremely successful and accomplished two critical objectives: reaching consensus on the human capital vision and gaining ELT buy-in and enthusiasm.

The vision included the four components discussed in detail in this paper: talent, leadership, culture and organization:

#### Talent

- Manage aggressive growth in workforce numbers—perhaps doubling in size within two years.
- Support rapid development of workforce capabilities in emerging markets.
- Renew skills development in developed markets.
- Build up recruiting as a core competency.

#### Leadership

- Strengthen leadership with key clients.
- Create leadership constructs appropriate to different, distinct businesses.
- Begin leadership development earlier in employees' careers.

## Culture

- Evolve the current culture without undermining its durable strengths which serve the company well.
- Expand the definitions of Accenture's core values.
- Define, develop and embrace subcultures for local needs, in addition to a core and common culture.
- Strengthen cultural commitment to maintaining a strong client focus.

## Organization

- Evolve the organization design towards more of a "multi-business business" with a richer integration layer and a different corporate center.

Accuracy and urgency were critical. As Lajtha recalls, "There was a strong belief among the executive leadership team that the vision we presented was indeed highly likely to be an accurate picture of the future. The only debate was really around how quickly it would happen. Indeed, many of our sponsors even increased the urgency of response here. These changes were not three to five years out, they argued. They were breaking on us now."

## Phase 3: Planning and recommendations

Over the next 9 to 12 months, the extended human capital strategy team executed programs to realize the vision. Especially important at this point in the initiative was, as Lajtha puts it, "not waiting for proof of the obvious" before getting started. "What we recognized early on," he says, "was that there were some actions that were obviously needed; we didn't feel the need to spend time and resources proving something we all knew to be true."

The greatest effort of this phase was what the team referred to as the detailed design of the human capital strategy: conceiving the building blocks for the vision and beginning to put them in place. Sometimes called "journey management," this work put in place a comprehensive plan and roadmap, both for what was common across the global company and for what was unique or localized to a region or industry.

Senior executives drove ongoing assessment and developed recommendations for each of the four components of the human capital strategy. As the team worked with Liz Hopkins, director of human capital strategy, as well as key executive-level sponsors in Accenture's business units, they defined the scope and specific outcomes in more detail.

## Talent

The Talent team developed a strategic approach to analyze talent needs across Accenture's operating groups and to identify appropriate interventions. Significantly, this was the first time each of the groups had in place a talent plan geared to its distinctive needs and business strategy.

The team then began cascading these operating group strategies across geographies—in particular to emerging growth markets such as India, China and the Philippines. These details were also fed into the strategies of Accenture's global HR organization to support its planning activities.

## Leadership

To help ensure that sufficient leadership skills were available globally to drive business growth, the Leadership team embarked on several critical activities, including determining how to distribute leadership more evenly across developed and developing

markets. This team was particularly focused on accelerating the development of future leaders in high-growth markets such as China, India, Latin America and Russia.

The team also defined desired leadership behaviors at a more detailed level and used them to assess current leadership development programs and identify new methods of developing or sourcing leadership skills. They also examined career models, performance management methods and career progression assumptions.

## Culture

The Culture team detailed the corporate culture that would evolve from new strategic goals and the business outcomes that culture was intended to produce. With top management and company stakeholders, they prioritized 10 major culture shifts deemed critical to executing the business strategy more effectively. These included: becoming even more customer focused; encouraging new approaches to innovation, employee learning and collaboration; and leadership development.

One important goal of the Culture team was to simultaneously maintain a culture of high performance and to ensure that the culture was attractive to new, "Generation Y" recruits. To that end, the team undertook an extensive analysis of the needs and desires of younger workers and "road tested" their plans with focus groups of such employees.

They also sought balance in other areas: maintaining a global mind-set along with a healthy respect for local perspectives, and also balancing the need for specialized skills and subcultures with the benefits of a common culture. In high-growth markets such as India, they identified local cultural

attributes that were consistent with the global culture yet would help bring the company alive for employees from that region.

### Organization

To revise the company's organization structures and operating model in light of business growth goals, the Organization team detailed the implications of the human capital strategy for all parts of Accenture's business—the technology, consulting and outsourcing units. Each of those units recast the general strategic imperatives in terms specific to its part of the business. As Liz Hopkins puts it, this involved "translating the Accenture story into live, relevant, operational human capital strategies for management consulting, technology and outsourcing."

### Program management

Next, the four teams put individual journey plans in place, with objectives for each of the next four fiscal years and specific success measures associated with those objectives. Metrics for improving the capabilities of the sales force, for instance, included higher win rates, improved sales performance in target markets and increased qualified pipeline.

Effective program management of the human capital strategy initiative is important to keeping all the teams moving and to optimizing the use of resources. It's also important to make sure that work in any one of the four human capital strategy dimensions does not inadvertently undermine work in any of the other areas.

For example, Lajtha emphasizes the critical linkage between culture and leadership. "We knew before we began, and this has only been

reinforced by our subsequent work, that our overarching business and human capital goals are intimately bound up in the leadership dimension.

So all the work we have done to create both a common culture as well as subcultures for specialized areas and specific geographies must be supported by our beliefs about leadership and the attributes we seek to create in our executives. If you don't have the right culture, your leaders can't succeed; and if you don't have the right leaders, no amount of culture change initiatives will be sufficient."

### Phase 4: Delivering new programs and monitoring progress

The Accenture team conceived of the human capital strategy as a program that would need to be regularly refreshed, rather than as something with a fixed end point. Certainly, they would complete phases of work and produce deliverables, but they knew that the "final" phase of work would actually complete a cycle which, over time, would be fed back into further visioning, diagnostics and initiatives. The team understood they would need to continuously revisit and refresh the human capital strategy so it could meet the changing needs of the business.

### Results delivered

What results has Accenture realized through its program to develop and roll out a new, global human capital strategy?

The human capital strategy work has given Accenture a comprehensive, robust picture of its talent, leadership, culture and organization needs over the next several years. To date, the results delivered set forth in great detail the human capital changes that senior leadership needs to put in place to realize the company's business vision and capitalize on

new business opportunities in a dramatically shifting global landscape. These include:

### Talent

Accenture executives have a heightened understanding of the company's critical capability requirements for the coming years. They realize more fully the need for workers with both broad business skills and various specialized skills in technology, specific industries, analytics and other areas. Additionally, there is a detailed plan for acquiring and developing those skills in the areas of the world where they are most needed.

Today, the company has programs for high-potential employees in six of its strategic growth markets, and the plan is cascading to its more mature markets. It has also launched a new program, "Developing Client-Centric Women," in Brazil and is rolling it out to women in multiple locations in South America, Asia Pacific and North America.

### Leadership

Accenture now has a deeper understanding of the kinds of leaders it needs to drive its business strategy. According to Lajtha, "We have a better sense of what capabilities and behaviors are required from the next generation of Accenture leaders, and we know in which geographies they are most needed."

"Accenture now has programs in place," he continues, "for succession planning and recruitment, and for fast-forwarding high-potential leadership development in our most critical markets—which includes moving our most effective leaders to where they need to be to help lead and drive business growth." In fact, 35 percent of promotions to senior executive in 2009 were drawn from the company's strategic growth markets.

## Culture

Accenture has also been able to assess the relevance of its culture for its future business needs, particularly in terms of the unique needs and values of younger workers, who come to the company with different expectations about advancement, meaningful employment and work/life balance. "We have been able to identify where our culture is still strong and relevant," says Lajtha, "as well as where we need to make some adaptations. We've begun to put in place the means to make those shifts and support our people in new ways." As part of the process, the company refreshed its core values, which guide its decision making as well as its interactions with clients and colleagues.

## Organization

Part of the success of the organization work stream is rooted in changes that brought executives closer to their local markets—decentralizing and distributing authority, enabling Accenture's senior executives to spend an increased amount of time interacting directly with clients, instead of spending excessive amounts of time on administrative tasks. Key sales processes, such as business development, have also been simplified.

## Business value

Measuring the business value of the human capital strategy program brings us back to the five key business factors that were at the heart of the vision for the program team—client centricity, global scale, specialization/integration, agility and attracting top talent.

## Client centricity

As noted, Accenture's senior executives now spend more time with clients, and the company has developed better succession planning for the critical job of client account lead—executives with primary responsibility for nurturing a client relationship. Accenture has also simplified several key sales-related processes, improving client communications.

## Global reach and scale

Accenture is now better able to scale its work and workforces to support its strategic growth plans. The company has increased the proportion of its senior executives in emerging markets and, overall, has accelerated the growth of headcount in these markets. It has improved global mobility, as well as delegation of authority in strategic growth markets, helping executives to be more nimble in serving client needs.

## Specialization and integration

Accenture's global training organization has designed and rolled out new curricula to support the move toward more specialized knowledge and skills. The increased use of collaborative tools is helping people connect virtually, and modified office designs have enhanced the ability of teams to work collaboratively.

## Adaptability and agility

The company has introduced several initiatives to reinforce the importance of innovation across its culture. For example, in emerging markets, programs ensure that all parts of the enterprise have a voice in leading the company toward new ideas and solutions.

Accenture also has renewed its focus on processes that support a more agile and adaptive workforce. The new role

of chief performance officer has been created to ensure these processes are ingrained in the way people work.

## Attracting and retaining top talent

Survey results show that Accenture has improved its image as an employer of choice in key geographies. Internal surveys indicate that employee engagement, drive and energy have remained high, even in the face of difficult economic and market conditions.

## Conclusion: A blueprint for the future

Ultimately, Accenture can measure the success of its human capital strategy initiative by the impact it has had on the ability of senior management and the Board to think more comprehensively about executing the company's unique business strategy. According to Chairman & CEO Bill Green, "A human capital strategy is a blueprint for thinking about your future competitiveness. This is groundbreaking work. It helps you understand the big picture of your business strategy and operating model, as well as the specific qualities of talent, leadership and culture you need to bring your business vision to life."

Green also highlights the way in which human capital strategy work is enriching Accenture's relationships with its clients. "Collaborating to create a human capital strategy both broadens and deepens our understanding of our clients' businesses," Green says. "It takes our relationship to a new level and significantly boosts the value we can create together."

## Keys to a successful human capital strategy program

Accenture's human capital strategy development team shares convictions about how to drive results more effectively from this kind of initiative. Keys to success include:

### **Establish strong governance and executive sponsorship.**

Involvement of senior leadership—both at the visioning stage and throughout the development process—is essential. According to Liz Hopkins, “Our leadership was with us not only in the initial charge, but then as we worked to create a human capital vision. We also had about half of our executive leadership team on our steering committee as we proceeded. These executives continue to work with us and monitor our progress. Without this visibility at the highest levels of a company, the chances of developing a human capital strategy that truly informs and shapes business strategy significantly diminish.”

### **Spend time grooming the lead HR officer as one of the key sponsors for the program.**

Experienced HR professionals are in high demand today, but their time is often allocated to the administrative needs of the company. A Chief HR Officer may need to be convinced—by Accenture's story and by others—that developing a human capital strategy is a top priority, and that it's worth reallocating budget and people to

develop one. A key convincing point is that a human capital strategy program will enable the HR lead to be proactive and to have a seat at the business strategy table.

### **Look at the ongoing impacts of the human capital program on business strategy.**

A company cannot look at its business strategy as unchanging and carved in stone as it formulates its human capital strategy. In fact, there is a reciprocal or symbiotic relationship between the two endeavors. The Accenture team found that the human capital strategy actually created ripple effects back toward the business strategy, and it helped the corporate strategy team modify the business strategy.

### **Think of the talent work stream as first among equals.**

The four main human capital strategy elements are integrated parts of a whole. Every step forward on any of them affects the other three, and it is critical to understand and manage those reverberations. At the same time, talent is the “core currency” of human capital strategy. As Lajtha puts it, “Talent drives everything else that happens with the human capital strategy. If you get the talent picture right it will then point rather clearly and logically toward the implications for the other dimensions of leadership, culture and organization. It will also drive the primary elements in the change journey you need to embark on.”

### **Use the human capital strategy to “connect the dots” across different business entities.**

A human capital strategy program does not necessarily charge itself from the beginning with helping the different parts of the business understand each other better, but that is in fact what happens. So it's important to consider communications and knowledge outcomes in any discussion of the value proposition of a human capital strategy. These include specific plans and outcomes for the organization and operating model, as well as unexpected side effects as different parts of the company begin understanding each other better.

## Notes:

1. Jeffrey Pfeffer, *The Human Equation: Building Profits by Putting People First* (Boston, Massachusetts: Harvard Business School Press, 1998), p. 17. Italics added.

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