

Redefining HRD's Role in the Corporation: A Case Study on Becoming a World-Class Business Partner

Healthcare, Inc.

Timothy R. McClernon and Richard A. Swanson

The disparate training departments of a large national company were converted into a unified HRD team strategically situated as a key performance improvement business process. Critical to the transition were the full integration of a strategic perspective, the establishment of a performance roundtable, and change in evaluation of success from measurement of participant satisfaction to measurement of contributions to business performance.

Background

Traditionally, human resource development (HRD) departments have focused on improving the skills, knowledge, and attitudes of individuals. Confirmation of success has primarily been made by measuring individuals' satisfaction with events and, to a lesser extent, the learning that has occurred. This means of measurement has often resulted in training being viewed as an optional or sometimes wasteful activity by business decision makers. Other views of HRD include HRD as a value-added activity—something that is potentially worth doing—and HRD as a major business process—something an organization must do to succeed (Swanson, 1995).

This case was prepared to serve as a basis for discussion rather than to illustrate either effective or ineffective administrative and management practices. Names, dates, places, and organizations have been disguised by the case author.

What is required to transform HRD into, or redefine HRD as, a strategic, value-added, and critical business process within an organization? This chapter describes the journey taken at Healthcare, Inc. (not its real name), a large (more than 25,000 employees) national company.

HRD and the Shaping of Changing Business Strategies

Instability and change continue to dominate the landscape in the world-class economy; witness the volatility in health care systems, the upheaval and corporate transformations in the vast defense industry, the productivity growth afforded through information technology, and the continued turnover among successful and failed business ventures. On a global scale, both political and economic instability underlie much of the social turbulence that confounds business development planning. At the same time, social and economic changes abroad have created vast new business development opportunities for enterprising firms around the globe. As ripple effects occur throughout industries, few organizations remain untouched by recent economic and technological changes.

Always an uncertain undertaking, devising strategy is a particularly precarious process under such volatile circumstances. Pursuing a deliberate strategy, even one that is systematic and goal-oriented, is often less fruitful during periods of business instability. Direction from present plans can be quickly lost as the needs for strategic adjustments and new business directions emerge and evolve.

Although the early properties of their strategy seem elusive, some organizations appear to be prepositioned to capitalize on this instability. By fostering cultures of innovation and flexibility, these organizations are capable of rapid adaptation to changing events and emerging business opportunities.

The strategic development and utilization of employee expertise is now imperative for organizations trying to create new opportunities for growth. As business conditions force the reshaping of strategy, workforce competence and flexibility at all levels of the organization become critical to business success. In the midst of strategy formulation, planners and decision makers with HRD understanding and expertise are in a critical position to examine business opportunities, determine the key performance requirements of new business objectives, and position highly competent people within state-of-the-art work systems to achieve those objectives. The strategy implementation inevitably requires high levels of employee expertise to realize fully and capitalize quickly on opportunities for growth as they become available.

Healthcare, Inc. experienced the pressures described above. Rapid-fire mergers, new partnerships with former competitors, and radical changes in core practices used to create and deliver services resulted in an environment of unparalleled change, even when compared with the state of many other industries. In addition, the need to contain costs and overhead expenses to improve profitability and fund expansion resulted in an environment of downsizing and hard-core questioning of every expense and activity. As the strategic direction changed dramatically at the macro-organizational level within a relatively short period of time, success was increasingly dependent on the organization's ability to convert strategy changes quickly into new behaviors at the process and individual levels of performance. Senior management's inability to manage change into the organization in a way that met CEO and shareholder expectations resulted in significant senior management turnover and lack of clarity regarding overall organization direction and goals.

Conceptual Framework

How do HRD practitioners assume their roles as critical players in actively shaping the strategic direction of the firm in such an environment? HRD must operate at three levels to be truly of strategic value to an organization (Torraco and Swanson, 1995): helping create *strategic results*, assisting in *strategy implementation*, and participating in *strategy formation*.

HRD professionals are in a powerful position to assist in and measure strategic organization results such as performance outcomes and return-on-investment (ROI). Training departments, including the groups in this case study, traditionally have focused on results at an individual level, although their assessments have not necessarily always been strategically based.

HRD practitioners can also provide strategic capability by assisting in the translation of strategies into more consistent behaviors and the realignment of work processes. Strategy implementation requires HRD professionals to become expert at facilitating and directing process-level organization change (such as reengineering and quality improvement efforts), allowing for the translation of strategic direction into new and improved ways of accomplishing the organization's work.

The most challenging aspect of this work is the involvement of HRD in strategy formation. This involvement requires that the organization value human capital at least as much as the traditional requirements of capital investments, marketing strategies, and organizational structure as an ingredient for the organization's long-term success. When people are viewed by senior management and the board as critical to the organiza-

tion's strategy and long-term success—more than just rhetorically—then the experts at the people practices of the organization (HRD professionals) become partners in balancing emerging strategy with other critical business and market factors. HRD practitioners can contribute to the shaping of emergent strategy by streamlining strategy formulation processes and providing input regarding strategy decisions and direction (see Figure 1).

The first two of these potential contributions are attributes of progressive HRD itself (Gill, 1995): HRD can promote performance improvement that has strategic value even without any strategic understanding on the part of its practitioners. Second, HRD practitioners can be a conscious and responsive servant of the organization in strategy implementation without ever challenging or shaping the strategy. The third element, strategy formulation, requires HRD practitioners to engage in shaping the core strategy. All three features taken together determine HRD's strategic value and must be attended to if HRD is to adopt a consistent strategic perspective. When all three are in place, they serve as the basis for building an organization's sustainable competitive advantage (Richburg, Huber, and Swanson, 1996). Each of these strategic features of HRD—results, implementation, and formulation—is considered below.

Figure 1. Strategic roles of HRD.



Strategy Results: Performance-Based HRD

HRD serves a broad range of interests and outcomes in organizations. The primary purposes to be served by HRD can range from instituting programs to meet the personal development needs of individuals (e.g., identifying personal learning styles or family financial planning) to establishing efforts that involve everyone in the organization (e.g., programs addressing a new performance appraisal method or structural reorganization). Although HRD can potentially address many personal interests of employees and serve a variety of development needs, HRD that purports to be of strategic value must step forward to affect business process and organizational performance variables. For HRD to be a value-added activity and critical process in the organization, it must contribute directly to important business and financial goals (Swanson and Gradous, 1986; Swanson, 1994). The contribution must not only exist but also be demonstrated. As a senior manager of the Healthcare, Inc. noted, "Even if training doesn't provide data to demonstrate its contribution to the organization, senior management is still making decisions based on their assumptions, true or false, concerning the contribution they perceive they are receiving for their investment."

Viable organizations continuously encounter new performance requirements in their efforts to adapt successfully to changing market demands. Although these performance needs may exist at the organizational, group, and individual levels, they are ultimately rooted in the core processes that constitute the distinctive competencies—such as premium quality, innovative products, or high-value-added service—for which customers rely on the organization. HRD functions that are in the best position to provide the performance-based interventions needed by an organization for continued growth and success are those that adopt a systems perspective of the organization and its environment, recognizing the centrality of employee expertise to optimal business performance.

Performance-based HRD also distinguishes itself through consistently offering high-leverage interventions based on critical insights gained from performance analysis. Performance-based HRD builds a clear definition of a performance problem via accurate identification of actual and desired performance requirements of the organization, its processes, and the individuals involved (Swanson, 1994). Up-front analysis that acknowledges these multiple determinants of performance provides a reliable framework for improvement. None of the strategic roles of HRD discussed in this chapter can be assumed unless

HRD is based on a systematic analysis of key performance needs. Even HRD that simply supports the execution of a given business strategy that it did not help formulate must be, first and foremost, performance-based. The future business direction that a strategy is intended to clarify for an organization is based on its core strengths and competencies, and, ultimately, it is the organization's performance in the marketplace that determines success.

Strategy Implementation: Demonstrating the Strategic Capability of HRD

Being performance-focused is not enough for an HRD department to demonstrate the strategic importance of HRD. HRD can be perceived as having strategic value only if it also displays genuine strategic implementation capability. As HRD helps implement strategy, it earns respect and credibility as a full partner in forging an organization's future direction. HRD demonstrates its strategic capability as it adds two important dimensions to the organization's business planning: (1) providing education and learning in concepts and methods of strategic planning, systems thinking, and process management to those responsible for setting the strategic direction for the organization; and (2) playing an active role in strategic planning through direct participation of HRD professionals in carrying out the organization's strategy. Together these two features dramatically emphasize HRD's value to the business planning process and distinguish its strategic implementation capability from traditional HRD functions that only offer marginal benefits to the organization.

Strategy Formulation: Emergent Strategy and HRD

The mere demonstration of strategy implementation is also not enough. HRD must go beyond simply being able to provide interventions to support a given strategic initiative. HRD that primarily serves this function fills only an adjunctive role to strategy that is clearly more static than evolving. Unfortunately, a majority of today's HRD that purports to be of strategic value provides the workforce with important expertise, but does so only after the formulation and adoption of strategy. HRD cannot add value to the shaping of strategy if the strategy is already fully formulated without HRD's involvement. Additionally, without HRD input, critical human expertise components and organizational change management requirements may well be absent or overlooked in strategy formulation.

The benefits of developing and using employee expertise to capitalize on evolving business opportunities can only be fully realized if

strategy is treated as both a well-planned and evolving phenomenon. HRD's potential for strategic leverage is increased when strategic planning is viewed as a dynamic process.

Framework for Redefining HRD's Strategic Role

The creation of a strategic role for HRD requires assessment of two factors: (1) the role of HRD performance within the context of the organization and (2) the role of HRD performance within the internal processes and practices within its own function. The "what is" and "what should be" perspectives must be considered for each factor. The initial "what is" assessment provides a basis for defining the requirements for the strategic role required for HRD. The "what should be" effort results in a plan to reinvent the HRD function to be able to deliver on its strategic role. Table 1 presents questions for guiding the assessment that are based on the Performance Diagnosis Matrix of Enabling Questions (Swanson, 1994).

Table 1. World-class human resource development.

Performance Variables	Level of HRD Performance		
	Organization	Process	Employee
Strategy/ Goals/ Mission	<i>Organization:</i> Do the organizational strategy and budget support strategic HRD?	<i>Organization:</i> Do the organizational processes have goals regarding strategic HRD?	<i>Organization:</i> Are the employee goals linked to a need for strategic HRD?
	<i>HRD Department:</i> Does the HRD strategy support strategic HRD?	<i>HRD Department:</i> Do the HRD processes have measurable goals to achieve strategic HRD?	<i>HRD Department:</i> Are the HRD associates' outputs and HRD standards linked to strategic HRD requirements?
Management	<i>Organization:</i> Does senior management know what strategic HRD is and practice and support it throughout the organization?	<i>Organization:</i> Do process managers support and demand strategic HRD as critical to their success?	<i>Organization:</i> Do middle managers manage employees according to strategic HRD standards?

Table 1 (continued). World-class human resource development.

Performance Variables	Level of HRD Performance		
	Organization	Process	Employee
Management <i>(continued)</i>	<i>HRD Department: Does HRD management know what strategic HRD is and practice it within their organization?</i>	<i>HRD Department: Does the HRD process management support strategic HRD within its own internal processes?</i>	<i>HRD Department: Do HRD managers manage their team members to strategic HRD standards?</i>
Structure	<i>Organization: Do the formal organizational structure and policies support strategic HRD?</i>	<i>Organization: Are the processes designed in the most efficient and effective manner to achieve strategic HRD?</i>	<i>Organization: Do employees face structural obstacles to performing or participating in strategic HRD?</i>
	<i>HRD Department: Do the formal HRD structure and policies support strategic HRD?</i>	<i>HRD Department: Does the HRD structure allow for efficient and effective processes for achieving strategic HRD?</i>	<i>HRD Department: Are the specific HRD jobs structured to deliver strategic HRD?</i>
Tools/Systems	<i>Organization: Are organizational tools and systems in place to support strategic HRD?</i>	<i>Organization: Do the organizational processes have the tools and systems to support strategic HRD?</i>	<i>Organization: Do employees have the tools and systems required for strategic HRD?</i>
	<i>HRD Department: Are the internal HRD tools and systems created and used to deliver strategic HRD in place?</i>	<i>HRD Department: Does the HRD process have the tools and systems to achieve strategic HRD?</i>	<i>HRD Department: Do HRD employees have the tools and systems required to create and sustain strategic HRD?</i>
Capacity/Selection	<i>Organization: Does the organization have the leadership to achieve strategic HRD?</i>	<i>Organization: Do the processes have the capacity (quality, quantity, and timeliness) to perform strategic HRD?</i>	<i>Organization: Do employees have the mental, physical, and emotional capacity to perform strategic HRD?</i>

Table 1 (continued). World-class human resource development.

Performance Variables	Level of HRD Performance		
	Organization	Process	Employee
Capacity/ Selection <i>(continued)</i>	<i>HRD Department: Does HRD have the leadership to achieve strategic HRD?</i>	<i>HRD Department: Does the HRD process have the capacity to create and deliver strategic HRD?</i>	<i>HRD Department: Does the HRD staff have the mental, physical, and emotional capability to deliver strategic HRD?</i>
Motivation/ Compensation	<i>Organization: Do the policies, culture, and reward systems support strategic HRD?</i>	<i>Organization: Does the process provide the information and human factors required to support strategic HRD?</i>	<i>Organization: Do employees want strategic HRD no matter what?</i>
	<i>HRD Department: Do the HRD policies, culture, and reward systems support strategic HRD?</i>	<i>HRD Department: Does the HRD process provide the information and human factors required to deliver strategic HRD?</i>	<i>HRD Department: Are HRD employees committed to strategic HRD results no matter what?</i>
Expertise/Skill	<i>Organization: Does the organization establish and maintain selection and training policies and resources that support strategic HRD?</i>	<i>Organization: Does the HRD support for developing process expertise meet the requirements of strategic HRD?</i>	<i>Organization: Do employees have the knowledge, skills, and experience required to create and use strategic HRD to improve their performance?</i>
	<i>HRD Department: Does HRD establish and maintain selection and development policies and resources to support strategic HRD?</i>	<i>HRD Department: Does HRD develop its own internal process expertise to deliver strategic HRD?</i>	<i>HRD Department: Do HRD employees have the knowledge, skills, and experience required to create and deliver strategic HRD?</i>

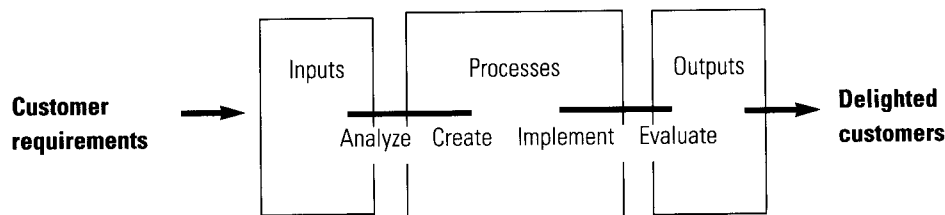
The role of HRD within the context of an organization is to create sustainable competitive advantage for the organization. To implement this role, HRD professionals need tactical plans to redesign HRD as a process in which each phase (analysis, creation, implementation, and evaluation) is consistent with its strategic role (see Figure 2). A systems model of strategic performance-based HRD means specifying the links from internal customer requirements to external customer satisfaction. In some organizations, training the customer may become a source of competitive advantage, resulting in HRD becoming not only a key but a core business process.

HRD Becomes a World-Class Business Partner

This section addresses the challenges of leading what had been a traditional training and development effort within Healthcare, Inc. Senior management recognized that the training and development departments were not accomplishing the objectives required to support the organization's aggressive growth and change requirements. Initially, however, they did not understand exactly how they wanted to change or develop the training and development function. Something new was required. They decided to consolidate the various training departments into one overall HRD organization.

What was required of the newly formed HRD department to ensure the success of the organization into the future? The journey began with a strategic shift to creating results—a shift from emphasizing participant satisfaction with training to developing HRD interventions aimed at improving organizational performance. The new leadership defined HRD as a key business process for developing and unleashing human expertise to improve performance (based on Swanson, 1995). The initial decisions based on this definition began the process of creating a strategic vision, mission, and structure for HRD in this organization.

Figure 2. Performance-based HRD system.



Starting Out

In Healthcare, Inc., the training efforts had been distributed across a number of different functions and levels. A new department was formed to centralize and merge the following training activities under one umbrella: product training, sales training, technical training, operations training, and leadership/management training. This new department was the beginning of the journey to performance-based HRD.

The charter from senior management was assurance that all corporate employees would receive the training they needed to be successful in their positions. Questions arose about the present value received for training expenditures. Was the training function operating at a world-class level? What was needed to maximize training efforts? The organization-level assessment of the performance analysis matrix (see Table 1) was critical in setting the framework for this transformation and served as the basis for creating an initial overall training and performance consulting vision:

We will exceed the expectations of our business partners by providing world-class performance development processes, expertise, and tools driving superior performance. We will achieve this vision by (1) consulting with our business partners to assess performance gaps, recommend improvement strategies, and shepherd ongoing performance improvement; (2) designing, developing, and delivering HRD/performance improvement interventions for work processes and employees—new and old; and (3) evaluating the impact of HRD/performance improvement interventions focused on the organization's stated strategic imperatives of achieving superior customer satisfaction, dominating market share, maximizing profitability, and promoting a culture of winning with highly motivated, well-informed, diverse associates.

Realizing that this vision required a shift in the operating processes and a realignment of relationships with internal customers, the new HRD group met as a team to consider what to name itself. On the basis of their perceptions of the training function's new role in the organization, they selected Performance Consulting and Training (PC&T). The word *Training* provided a connection to the past and a framework for internal customers to comprehend the shifts implied by *Performance Consulting*. The new name illustrated the recognition of the need to redesign HRD efforts around performance improvement from

the beginning of every intervention and not to justify programs (if at all) on the sole basis of participant satisfaction, as had been done in the past.

Defining the Customers

In any corporation, the primary customers are first and foremost the external customers. Who was the primary customer of PC&T? The senior management team members were defined as the intermediate internal customers. They controlled the budget, set the strategic direction and initiatives, and made the final value judgments about HRD efforts. The senior vice presidents of all functional areas had specific development requirements to be fulfilled. In addition, they were the leaders of significant strategic change in the organization. Defining and meeting their present and future requirements was critical to every other aspect of HRD's journey. The longer-term goal of HRD was to be on the senior management team, as was consistent with its new strategic role.

Enabling Clients to Take Advantage of PC&T Capabilities

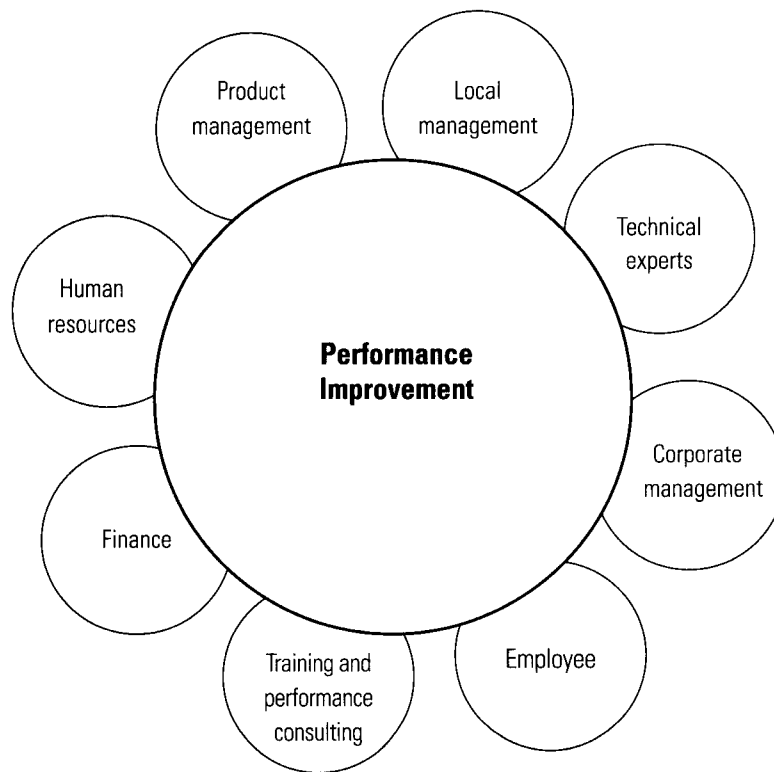
To some degree, senior managers were unsure of what to ask for, which behaviors to support, and how to define what it was they intuitively knew they needed and wanted. How could they evaluate even if they had the right people leading the effort for them? Part of PC&T's job was to build the credibility required to be successful with these people on their terms. This task involved not only responding to their articulated needs, but also building a credible relationship that allowed PC&T to redefine training as a strategic value-added, performance-based business process critical to their efforts. Senior managers valued numbers that demonstrated accomplishment of specific, measurable goals—for which PC&T members were rewarded. In the end, the PC&T team had to demonstrate its customers value—creating strategic results—with numbers. To get to the numbers, the team had to sort out the performance issues that its business partners wanted its assistance in improving: Which were training- and expertise-based versus management- and system-based? By demonstrating an ability to map out the client's input into performance variables at different levels during the performance analysis (Swanson, 1994), these traditional trainers started to be perceived as credible performance consultants—assisting in strategy implementation.

Another set of customers on which PC&T focused included the junior employees who needed knowledge and expertise. Meeting managerial expectations and leaving the junior employees satisfied were

key requirements. Senior managers wanted their people to feel as if they were being developed to do their jobs. Key employee populations that affected the strategic imperatives of increasing profitability, improving customer service, and creating a winning culture were targeted as the highest priority. Specific initiatives were developed to strengthen and enhance employee performance for each imperative. Again, PC&T was assisting in strategy implementation.

PC&T's job was to help all customers understand performance improvement as a partnership between the corporate management, local management, technical experts, performance consulting, and the individual. PC&T could meet its performance objectives only when all partners fulfilled their roles. The process may be compared to the performance roundtable, where each member contributes his or her unique expertise, as illustrated in Figure 3. Every interaction with a PC&T customer was an opportunity to educate the customer

Figure 3. The performance roundtable.



about the shift from traditional training to performance consulting processes in the effort to meet the mutual goal of strategic partnering and performance improvement.

Setting Performance Goals

Performance is the basis of the new strategic HRD paradigm. Many training processes have focused on producing satisfaction as well as meeting the learning requirements of the organization. However, to meet the sustained competitive needs of the emerging organization, a performance-based approach is required. In the case of Healthcare, Inc., this approach necessitated a consideration of performance-based tools such as those outlined in *Analysis for Improving Performance: Tools for Diagnosing Organizations & Documenting Workplace Expertise* by R.A. Swanson (1994), *Improving Performance: How To Manage the White Space on the Organizational Chart (Second Edition)* by G.A. Rummler and A.P. Brache (1995), and *Forecasting Financial Benefits of Human Resource Development* by R.A. Swanson and D.B. Gradous (1986).

A basis for conducting a performance analysis is shown in Table 2 (Swanson, 1994). The primary focus of training and development has traditionally been in the expertise/individual box—the lower right hand corner. As shown in the model, many other factors affect performance; yet traditional training and development practices have largely failed to address the implications of these other factors—by ignoring them, relegating them to other functions within the organization, or, worse, being unaware of them altogether. If they expect managers and employees to assume a partnership role in HRD efforts, HRD professionals must assume a partnership role in performance improvement and organizational strategy efforts.

For Healthcare, Inc., distinguishing all the factors that affected performance was a cornerstone of the new relationship between PC&T and its performance partners. In a first meeting one of the PC&T group members had with a senior manager, the manager commented on the poor training given to newly hired sales representatives. The group member responded that he did not know whether the training they received was effective, but he did know that there were serious product design, selection, pricing, strategy, and service problems affecting their performance. “You fix the nontraining problems, and I will fix the training issues,” he promised. This response surprised the manager, in part because it demonstrated solid knowledge of the market and business, as well as a clear commitment to bottom-line results.

Table 2. Performance diagnosis matrix of enabling questions.

Performance Variables	Performance Levels		
	Organization	Process	Employee
Mission/Goal	Does the organizational mission/goal fit the reality of the economic, political, and cultural forces?	Do the process goals enable the organization to meet organizational and individual missions/goals?	Are the professional and personal mission(s)/goals of individuals congruent with the organization's?
Systems Design	Does the organizational system provide structure and policies that support the desired performance?	Are processes designed to work as a system?	Does the individual design support performance?
Capacity	Does the organization have the leadership, capital, and infrastructure to achieve its mission/goals?	Does the process have the capacity to perform (quantity, quality, and timeliness)?	Does the individual have the mental, physical, and emotional capacity to perform?
Motivation	Do the policies, culture, and reward systems support the desired performance?	Does the process provide the information and human factors required to maintain it?	Does the individual want to perform no matter what?
Expertise	Does the organization establish and maintain selection and training policies and resources?	Does the process of developing expertise meet the changing demands of changing processes?	Does the individual have the knowledge, skills, and experience to perform?

Making the Journey

What does it mean to run a performance improvement team versus a training and development department? For Healthcare, Inc., it meant redefining the PC&T team's role in understanding the business as well as reengineering its internal processes. It meant basing HRD work on theoretical models and tools that could be proved, disproved, or improved. It meant submitting that work to the rigor of scientific

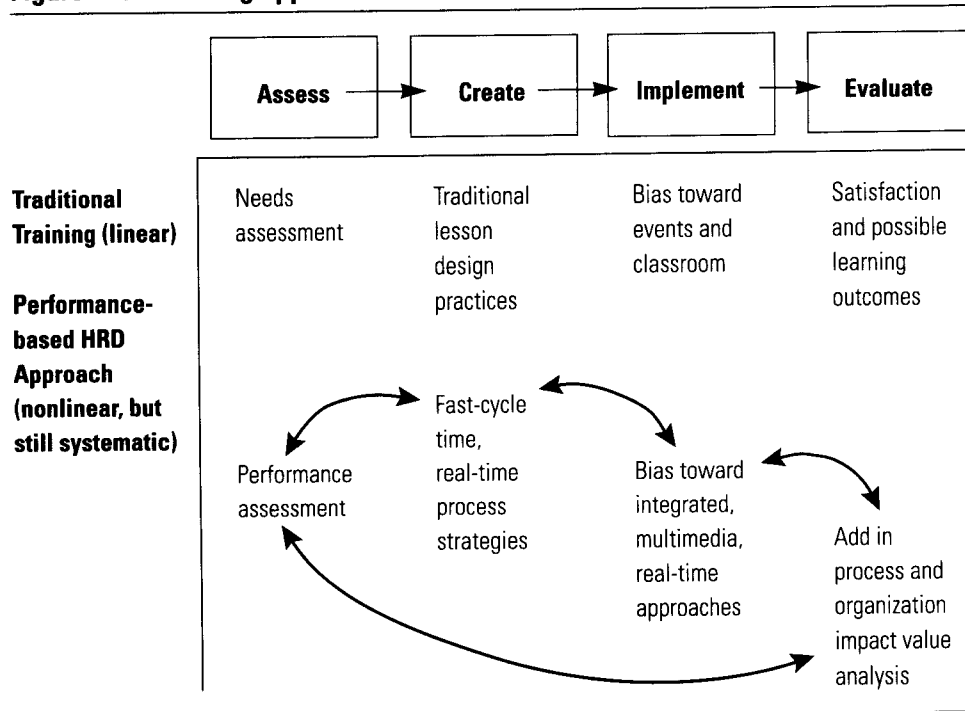
inquiry and using benchmarks to test its impact and results. It meant designing internal processes and structures to deliver real-time performance improvement interventions more efficiently and effectively than had ever been done in the past. It meant providing quick hits to meet immediate critical needs while anticipating longer-term projects and repositioning to meet these business needs when they surfaced.

The PC&T team started an immediate program to build its own HRD skills. Each month it focused on different tools and models critical to professional development. It defined new requirements for how members did their work, created a common language to talk about processes, and developed project management skills. Each of these efforts translated into additional credibility with its clients and a renewed enthusiasm and professionalism among members as they merged into a unified HRD team.

The shift required team members to balance their use of external and internal resources. Because of time constraints requiring short-term results, they developed strategic partnerships with key vendors, rather than solely building and relying on internal capabilities. They were not just buying programs but also built partnerships so that vendors would begin to operate much as internal resources would operate: knowing the business, customizing applications, and assisting in scheduling and evaluation efforts. Through the definition of their projects as action-based learning for the internal HRD project sponsors, vendors' expertise provided a key means for training and developing for the existing HRD staff. Utilizing the full expertise of vendors improved the perceived credibility of the internal performance consultants.

The team also developed strategic partnerships with external sources for providing distance learning and computer-based training. Breakthroughs in technology provided a basis for creating more real-time, cost-effective approaches to each of the traditional aspects of training: assessment, creation, implementation, and evaluation. One of the key questions they focused on was how to improve the performance of the HRD process to meet the organization's current performance requirements. For example, traditional needs assessment processes failed to provide the data required for a broader performance-based assessment. In practice, the linear model and traditional methods become much more dynamic, resulting in parallel activities such as creating the evaluation simultaneously with conducting the performance analysis (see Figure 4). The PC&T team developed a standardized set of planning worksheets and used bubble-response forms to systematize the evaluation process. Caution was required so that assessment and evaluation were not simply eliminated from the process in the attempt to speed it up.

Figure 4. Contrasting approaches to HRD?



The trainer's role was redefined from that of meeting planner and event designer to that of business performance consultant who operated as a member of a multidisciplinary team fulfilling such duties as home office management, field position management, compensation, recruiting, information systems operation, quality process advocacy, and business systems oversight. Each person at the roundtable was an equal partner committed to improving performance. Team members walked a narrow line: How could they transform their internal capabilities and skills while delivering immediate value to their business partners?

Arriving and Continuously Improving

Because the focus from the beginning was on performance and the performance variables—the first strategic requirement—it was easy to assess the value of HRD on organizational outcomes (Swanson, 1996a, 1996b; Swanson and McClernon, 1996). The key to a performance-based system is that assessment must exist at the work process and organization levels as well. Performance-based HRD quantifies the impact of learning and behavior change on individual, process, and organization

performance. At Healthcare, Inc., traditional measures of learning and satisfaction at the individual level were still important; unsatisfied clients and trainees could still be a problem in the company's new performance-based HRD system.

In the example of new sales hires, the HRD team expected a performance gain following the performance improvement interventions shepherded by PC&T. Quantifying the increase in performance, they attributed an 8:1 financial ROI for the intervention in the follow-up 10-month period. In the past, the training department had collected participant satisfaction and partial participant learning data but made no attempt to tie these measures to performance (possibly because of a poor understanding of how learning is connected to performance); and there had been no direct demand from line management to quantify assessment. Even so, the perception of line management had been that training was expensive and certainly not an investment. This perception was fundamentally changed by the quantitative results; and this change confirmed PC&T's entrance into the two levels of strategy results and strategy implementation.

Strategy formulation for the HRD departments is most likely to be fully earned through continued successes at the results, implementation, and formulation levels. Demonstrating bottom-line impact and the savvy to work as an equal partner, talking business issues, and implementing organizational strategy will create the legitimacy of HRD being included in strategy formulation.

In the case of Healthcare, Inc., HRD obtained the strategy formulation leadership role by establishing and leading a new effort aimed at improving business outcomes. Through PC&T expertise, a poorly functioning core business system was addressed: PC&T led the strategic efforts to document the system; improve it; identify the exact roles company personnel had in it; connect the measures to be taken at the organizational, work process, and individual contributor levels; and provide training plus certification for all those working in it.

Two important points should be made to provide additional insight into PC&T's struggle to achieve its strategy formulation role. The first is a reminder that this large effort took place in the midst of significant corporate change and that PC&T was in the midst of its own evolution. These factors increased the complexity of the work. The second point is that the logical, process approach taken by PC&T was in contrast to the pervasive corporate culture of getting work done through relationships and individualism. The company's cultural history made investing in systemic change very risky for individuals. It was therefore particularly grati-

fying that this PC&T-led strategic effort survived the consecutive turnover of three senior executives. Each individual supported the strategic investment in this effort once its integrity was fully reviewed.

As the speed of change increases, and human capital issues are increasingly seen as critical in successful strategy development and implementation, HRD's role in facilitating the strategic planning process and contributing to strategy creation will be unquestioned.

Conclusion

This article has examined the strategic roles assumed by HRD departments that offer a key contribution to their organizations—the development of employee expertise that is vital to strategic and sustainable business performance. HRD has traditionally been relied upon to serve in roles that are supportive of the strategies chosen to guide organizations. The case study documented in this chapter shows the actual journey of one HRD department from this traditional supporting role to that of strategic partner in a major U.S. corporation.

The three strategic roles of performance-based HRD are (1) creating strategic results, or demonstrating performance-based outcomes and ROI; (2) assisting in strategy implementation, or providing strategic capability by assisting in the implementation of strategy and its translation into more consistent behaviors and alignment of work processes; and (3) participating as an equal partner in strategy formation, or contributing to the shaping of emergent strategy by streamlining strategy formulation processes and providing input regarding strategy decisions and direction.

An HRD department that seeks to deliver expertise of genuine strategic value to an organization must adopt a systemic perspective and begin the journey to realize these important strategic roles. Ultimately, the case example offered here demonstrates this journey of HRD coming of age, growing up, and self-discovery as much as fulfilling the expectations of business partners. The journey requires that HRD professionals attain new levels of consulting expertise. Now is the time for HRD professionals to take on their roles as partners in creating, not just supporting or implementing, the strategic functions of their organizations.

Questions for Discussion

1. What are the key elements in redefining HRD's critical role in an organization and an important feature of each element?

2. What is strategic capability and how does this idea suggest a new role for HRD?
3. If you were manager of HRD trying to move from traditional HRD to performance-based HRD, what would be your first set of actions?

The Authors

Timothy R. McClernon is senior vice president and managing director of the Piper Institute for Piper Jaffray Companies, Minneapolis, Minnesota.

Richard A. Swanson is a professor and director of the Human Resource Development Research Center at the University of Minnesota and senior partner of Swanson & Associates, Inc. He is an internationally recognized authority on organizational change and performance improvement. During Swanson's 28 years of experience, he has performed consulting work for several of the largest corporations in the world. In 1995, ASTD established the "Richard A. Swanson Award for Excellence in Research. He is the founding editor of the *Human Resource Development Quarterly* and is presently serving as president of the Academy of Human Resource Development.

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