

PART ONE

TRANSFORMING HR

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CHAPTER ONE

BEING LEADERSHIP-DRIVEN

In today's highly competitive marketplace, many businesses are searching for new directions and are transforming their way of working. HR is on the same journey and is changing dramatically, too. HR professionals must find innovative ways to transform and deliver value for their businesses.

The challenge to HR is for it to unleash its own potential to gain insight and to discover new ways of delivering value. HR must go beyond simply breaking the past mold, which is useful but also a reaction to the former ways of doing things. Rather, enlightened HR leaders need to investigate the current situation in their business without constraints or assumptions and seek wise ways to transform in order to deliver value. With this kind of transformation, the business will view HR as a key asset in its formula for success.

Currently, not all businesses view HR as able to help them transform. These businesses relegate HR functions to transactional internal services with a primary focus on compliance and control. This is not entirely surprising. In the post-Enron and Sarbanes-Oxley era, HR has been inundated with new regulations and legislations—with a renewed focus on risk management. In the post-9/11 world, HR professionals are expected to have expertise in workforce management, screening and orientation of new hires, and physical and other security issues—not to mention new laws regarding violence in the workplace, bullying, and safety.

The new emphasis on compliance has affected more than just HR. Many industries have established new benchmarks for privacy, information

and knowledge management, process documentation and controls, contract management, strategic alliances, and mergers and acquisition management. In addition, two other functions within business—finance and legal departments—have benefited from the new regulatory and governance controls that have increased the profile of the chief financial officer and the chief legal officer to mitigate financial and legal risks for their businesses and ensure compliance. Consistent with the finance and legal developments, HR is expected to emphasize its control and compliance accountabilities to ensure that the business is compliant with legislated, regulatory, and policy-related human resources issues.

At the same time, HR has grown substantially as a profession and as a strategic asset for many businesses. Many HR professionals are able to contribute strategically and operationally to many people and organizational capabilities including business strategy, culture, change, ROI, resource allocation, talent management, and leadership capacity development.

One might think that the two perspectives—HR as a key strategic asset and HR with a focus on compliance—would function as a continuum and that many HR organizations would fall somewhere in the middle. However, it appears that business executives tend to lean either toward one perspective or the other, and that HR (as a function) tends to be perceived as either more strategic or more compliance-oriented.

It is not a sustainable solution for businesses to limit HR's contribution to compliance and security. HR needs to deliver value in both areas: strategic growth *and* compliance. Rather than seeing compliance and growth as conflicting priorities, HR needs to embrace both. HR should demonstrate that it can manage the risk associated with potential loss and at the same time mitigate risk associated with not fulfilling the potential of its talent and organization. A business needs continuous change and consolidation to happen simultaneously in order to survive and thrive. Becoming stuck in the compliance perspective without positive change can be a source of long-term problems that will eventually result in loss of market share, shareholder value, and key talent. The HR role includes both protecting the business and fostering continuous and managed change to help the business and its leaders succeed.

Leadership-Driven HR focuses on how HR contributes to transforming the business and its leaders, as well as how HR needs to transform itself in the context of an environment that has grown in its emphasis on compliance and control. When HR focuses on being leadership-driven, it makes a major contribution to the business.

Areas of Transformation for Leadership-Driven HR

- HR as a driver of business leadership.
 - HR drives value through leaders.
 - HR is driven to lead.
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HR AS A DRIVER OF BUSINESS LEADERSHIP

HR's role is to champion the people and organizational capabilities that are necessary to help the business succeed in today's rapidly changing market. HR has always been expected to excel at people capabilities, which refers to the flow of people through their employment life cycle. However, the expectation to excel at organizational capabilities, which refers to the flow of work through the business, is more recent. Leadership-driven HR professionals take accountability for both people and organizational capabilities as drivers of business leadership.

For HR to be a driver of strategic business leadership, it must take an "outside-in" perspective rather than an "inside-out" perspective. An outside-in perspective means that HR focuses on the business and the value that the business creates for its external customers, and then uses those insights to determine what HR should do to deliver business value. With an inside-out perspective, HR looks at itself and decides what the business needs based upon its view of the right things to do. Leadership-driven HR emphasizes the outside-in perspective. This means that HR is driven by the external context within which the business operates and that outside perspectives determine HR's internal priorities and accountabilities.

An essential way for HR to identify the outside-in priorities of the business is to understand the business risks and then to consider their

implications for the HR focus areas. Risk refers to both the business scenarios where something damaging could occur as well as areas where there is a high likelihood that the business will not fulfill its potential. HR's strategic role is to understand these areas of business risk, identify the people and organizational aspects of those risks, and take accountability for implementing solutions that mitigate those risks. The term "mitigate risks" is carefully used to mean that HR should take accountability for reducing the business-scenario risks from a damaging level to an acceptable level. In most cases HR does not need to take accountability for removing the people and organizational risks entirely; it just needs to reduce the risks to an acceptable level.

Here is an example of how HR can deliver strategic value for a business so that it is able to lead in its new direction in a public sector context:

The government health department controlled the delivery of health-care services throughout the country. They decided to transform their approach of centralized service delivery and instead to distribute the responsibility for health-care services to regional and community service providers. This resulted in a dramatic change in the nature of work for the health department whereby over half of the employees would be relocated to the various regional and community networks. The HR leader identified a major risk associated with this strategy that involved the extent to which employees and leaders would transition effectively to this new working model. The HR leader focused on leadership acceptance of the change and the effective transition of employees from the health department to the regional and community networks. She and her team then took accountability for driving the implementation of this change and led the transition teams to achieve these results in a professional and effective manner. The role that HR played as a driver of business leadership in the health department was essential to the success of this transformation.

There have been many changes in the global marketplace, within industry, and within governments that have had significant impacts on the role that HR can play in driving business leadership. These changes have also had implications for the meaning of what is "strategic" for businesses and government agencies.

In the current business climate, most executives are unwilling to take a long-term strategic investment perspective. They do not believe the world is stable enough to ensure that a long-term investment will pay off. Longer-term strategies assume a stable or predictable business and global environment. In a radically transforming public and private sector environment, the future is unknown and almost unpredictable. Therefore, executives demand a much shorter-term focus and more immediate return on their strategic investments from both a business and a people perspective.

In today's market, businesses strive for a strategy to rapidly increase revenue while decreasing expenses simultaneously. The new operative definition of strategy focuses on the following:

- *Gaining sustainable competitive advantage:* These are initiatives that differentiate a business from its competitors and that are sustainable for a meaningful time period. The length of time to sustain the advantage varies from industry to industry. For example, in the high-tech industry a two-month sustainable advantage makes an initiative strategic, while in the pharmaceutical industry the length of sustainable advantage would be much longer.
- *Achieving competitive parity:* For each business that is ahead of the competition, there are multiple businesses trying to “catch up” to the leader to neutralize their advantage. Initiatives that are based on catch-up strategies focus on achieving competitive parity, or being “on par” with the leader.

A similar definition of strategy is used in the public and not-for-profit sectors. However, instead of a focus on the competition, the focus is instead on the appropriate comparators. Comparators include best practices, standards, and organizational goals. Strategy in the public and not-for-profit sectors is defined as:

- *Gaining sustainable comparative advantage:* Initiatives that gain a comparative advantage against the defined appropriate comparators are considered strategic.

- *Achieving comparative parity:* For every leader in the public or not-for-profit sectors, there are many that need to catch up. Initiatives that focus on achieving comparative parity focus on neutralizing the comparative advantage of another jurisdiction over the performance of the local public-sector or not-for-profit-sector organization.

Traditional HR activities such as recruiting, employee relations, compensation, and training are necessary but not sufficient to help businesses thrive in the new competitive marketplace. If this is HR's only focus, executives will miss out on the greater contribution that HR can provide. HR as a driver of business leadership concentrates on providing strategic value that contributes to the business by gaining sustainable competitive/comparative advantage or parity.

HR DRIVES VALUE THROUGH LEADERS

Historically, HR has looked at its ratios of how many HR professionals it has in relation to the number of employees within the business. A typical ratio of 1:100 was the benchmark for many years. However, with the advent of centralizing HR transactional services, shared services, outsourcing, and technological deployment of various HR administrative services, HR is now able to deliver similar, and sometimes better, service with far fewer HR professionals. Some organizations report ratios of 1:500 which means that HR has had to transform radically to deliver value with so few staff.

Organizations have to transform how HR delivers value in this new reality. One major feature of the transformation is that HR's focus is no longer on direct service delivery to employees. Rather, HR drives value through leaders who take accountability for people leadership. In this way, although HR may have a 1:500 ratio of HR professionals to employees, they actually have less than a 1:100 ratio of HR to people leaders. This is similar to the former ratio of 1:100 that HR had to employees. In order for HR to deliver value with fewer staff, people leaders must be effective enough to manage the other

four hundred people. At the same time, employees must maximize their self-reliance so that the people leaders' responsibility is reduced. HR then must become a center of excellence that guides the leaders to function as people leaders and maximizes employees' self-reliance. The three core elements of how HR drives value through leaders are explored in this section.

Three Core Elements of How HR Drives Value through Leaders

1. All leaders are people leaders.
 2. All employees are self-reliant.
 3. HR is the center of excellence in people and organizational capabilities.
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1. All Leaders Are People Leaders

Start-up businesses have been drawing considerable attention from executives in mid-size and larger businesses. These executives like what they see in start-ups and ask, "Can we create a start-up environment in a mature organization?" There are many characteristics of start-ups that mid-size and large organizations try to emulate. For example, a start-up business usually has a clear purpose and direction. The start-up business that survives has a relentless focus on the external customers who are known to everyone. The customer is the person or organization outside the business that "pays the business's bills." Everyone focuses on delivering value to the customer. The focus on the customer also helps the start-up business decide what it will focus on and what it will view as a lower priority. The leaders and employees within start-up businesses have a passionate and determined interest in making their business successful. They foster a culture that is typified by the idea that "we do whatever it takes to get the job done." The leaders are entrepreneurial and take responsibility for the development and nurturing of their employees, who are often highly engaged and aligned with the leaders' direction.

The implications of using the start-up model for mid-size and large organizations are numerous. They are attempting to simulate the start-up model by ensuring the following:

- All leaders and employees are very focused on their purpose and direction.
- All leaders and employees are focused on the external customer and how to deliver value to them. The focus on the external customer should determine what is a higher priority and what is a lower priority.
- Leaders deliver value to the external customer while striving to be people leaders at the same time.
- Leaders and employees are passionately engaged and aligned to the business direction for the business to succeed.

In mid-size and large organizations, HR has a key role of driving value through leaders. HR professionals focus on guiding and developing leaders to help them create the inspiring environment of a best practice start-up organization. HR's new focus on the umbrella strategy of "talent management" (which includes staffing, leadership development, and succession planning) gives HR multiple options for contributing to the leaders' success as people leaders. HR needs to continually ensure that leaders at all levels can be effective in their role of delivering value for the business and in their role as people leaders.

2. All Employees Are Self-Reliant

One complaint from leaders about the new expectation of them as people leaders is that they have no time to both lead the business and be leaders of people. They miss the hand-holding that HR provided as well as the direct service delivery that HR gave employees. One important parallel development that has reduced leaders' concerns is the advent of employee self-service applications. Many of these self-service applications relieve leaders from managing employees directly. The result is that while leaders need to be people leaders, some aspects

of that role have been absorbed by the employees themselves, which reduces the expectation on leaders.

The growth of employee self-service is now pervasive through portals, intranet, extranet, e-Learning, and other platforms and devices. These various employee self-serve applications have changed the way that employees access and utilize HR information and services. There are dramatic implications for return on investment, service levels, and speed of delivery, as well as an improvement in the ubiquitous delivery of service, seven days a week and 24 hours a day. Employees who are comfortable with self-serve on a personal level are often very appreciative of employee self-service options. In their personal lives, these employees book their own flights, do banking online, and play video games, so they adapt very easily to the various self-serve applications introduced to and available in businesses. Other employees who are less comfortable with technology on a personal level are often more hesitant to try self-service applications and may need more support in the process of this fundamental transition in the nature of work.

Here is an example of an organization that used employee self-reliance to help leaders function as people leaders while simultaneously improving employee engagement within the organization:

The telecommunications company was struggling with the best way to find candidates who would take on leadership of or participate in major projects. The standard method was to announce the projects and then let the senior leaders pick the person they knew could best lead the assignment. Invariably, they picked the same employees over and over again. This left them unable to find the organization's hidden talents who could lead projects as well. To meet this challenge, the HR director initiated an innovative idea. All employees were asked to put work-related information into the system, including their core competencies and the kind of projects they would like to lead or participate in. Whenever a new project required a leader or new members, the self-serve system automatically provided a list of candidates from the entire organization who had indicated that they would be interested in these kinds of projects. The self-serve system then sent a note directly to all of the identified employees to invite them to apply for the opportunity. As a result of the self-serve system, the business experienced a more egalitarian recognition of talent who could take leadership or participate in major projects.

Technology advances have also radically changed the way HR deploys its administrative services to employees, which also contributes to their ability to be more self-reliant. Shared services and outsourcing have changed HR's ability to locate its administrative roles in a more centralized location and achieve transactional support with far fewer resources. Technologies in shared services have changed payroll functions, health benefits administration, and how recruiting can be done from remote locations. In many respects, technology has been a major contributor to the restructuring of HR's role and the achievement of employee self-reliance. This technology has also enabled leaders to take on more of a role as people leaders.

Social media has also had a dramatic impact on the ability of employees to be self-reliant. It has had tremendous benefits in the area of crisis management, employee relations, policy development, employee communications, and training and development. The challenges and opportunities continue to evolve within organizations as new and innovative ideas emerge for using social media within the business setting.

HR has also been leveraging technology and social media to maximize its voice in internal communications, which helps employees know directly what is expected of them, and enhances their self-reliance and resiliency as a result. Many HR executives are writing blogs; and more employees are accessing each other (without the intermediary of HR or their leaders) to resolve problems and find opportunities on an ongoing basis. HR leverages these alternative methods of internal communications to reach employees, to ensure they know what the direction is for their business, and to engage and align them to that direction. HR also leverages the communications as a way to help employees know how they can be self-reliant, which reduces the burden on their leaders to play the people-leadership role for these administrative services.

3. HR Is the Center of Excellence in People and Organizational Capabilities

One characteristic of start-up businesses that mid-size and large organizations cannot emulate is their approach to internal organizational support departments. In a start-up business, the executives are often very reluctant

to invest in the overhead costs associated with HR, since all investments are devoted to their primary risk associated with the survival of the business. The executive believes either that leaders can perform HR responsibilities themselves or that they do not have to be done at all. Because start-ups usually have fewer employees, initially it may be possible for them to get by without hiring an HR professional.

However, mid-size and large organizations have more employees, thus HR is essential. HR's role is not to be the people leaders for all employees. Rather, HR should be a center of excellence to guide leaders to be people leaders and to implement the systems that will help employees develop self-reliance.

To be a center of excellence, HR must demonstrate professional discipline and become a model of innovation for the organization. Here is an example of an HR organization that took the initiative to model how it was continuously improving its performance and services. This situation demonstrated that they were willing to put their own services to the test of a significant audit review, and this became the encouragement for other departments to do it as well.

The retail business decided to implement a new program focused on continuous improvement. One of the key elements was that departments were expected to voluntarily submit a major area of work to a third-party audit to find areas for continuous improvement. The HR leader was the champion of this initiative, which was one of her priority organizational projects. The problem was that no departments volunteered any of their services for review. The HR leader recognized that she couldn't ask others in the business to do a voluntary audit if HR was not prepared to do one. As a result she took the initiative to publicly announce that HR would undertake a third-party audit of its entire talent management process, from recruitment to development and succession management. The audit assessed the extent to which HR had a talent management strategy that followed best practices and the extent to which HR was delivering value to the organization in a way that eventually delivered value to external customers. HR learned a tremendous amount from the review about how to continuously improve what they offered in talent management. It also established HR as the center of excellence and defined it as a model for other departments in how to proceed through the audit and continuously improve. After HR published its audit report to the organization with full transparency, other departments

began to seek out HR's guidance and subsequently volunteered to proceed through the audit and continuous improvement process for their departments.

In addition to being a center of excellence by modeling best practices, HR can build its credibility by seeking industry and public recognition outside of the organization. For example, HR leaders should be involved in the community and contribute value beyond their business. They should be active in their associations as a way to demonstrate that they are able to contribute to a broader level of the profession. They can also contribute to other non-competitive businesses, where appropriate.

Here is an example of how HR achieved high credibility in the broader health-care sector. The result was that HR's credibility was significantly enhanced, which positioned HR within the hospital and the health-care sector as a center of excellence in people and organizational capabilities.

A hospital that was viewed by many as a best-in-class health-care institution was engaging in a talent review of its leadership. The HR VP led the review, and one of the issues that emerged was that many of their health-care executives had left the hospital to become presidents of other hospitals in the community. Some considered these departures as regrettable losses for the hospital, and they raised this question in their talent review meeting. After some discussion, the HR VP explained that the executives' departures were unique opportunities to populate the health-care system with outstanding presidents who knew how to lead in the hospital sector. Rather than viewing the executives' exits as a loss, HR reframed it as a strategic contribution to the system that enhanced the brand of this world-class hospital. Subsequently, the HR VP was approached by one of the former executives—a new president of a community hospital. He asked if she would work one day a week to help the hospital modernize their HR function. The HR VP agreed to do this and then took on two more stints for six months each to improve the hospital's HR practices so that they would deliver value to the hospital and ultimately enhance patient care. Her leadership in the system became a source of pride for the health-care institution and the HR department was established as the center of excellence in people and organizational capabilities. It also became the model for her entire HR department and for other leaders who similarly took on roles that contributed to the system and not just their own hospital.

To become a center of excellence, HR also needs to assess whether its HR practices are really excellent and whether their HR professionals have the knowledge and expertise to solve strategic challenges. HR professionals will also need to continually learn and develop to sustain their departments as centers of excellence. They will need to learn about new approaches and practices that might help their organization and then choose and incorporate those they think will be effective in their business. Indeed, a primary purpose of this book is to explore how HR can become a center of excellence by employing leadership-driven HR approaches and practices.

HR IS DRIVEN TO LEAD

Perhaps one of the more unfortunate problems that HR has brought upon itself is the rhetoric that HR should be an “enabler” for the business. As a result, HR has moved away from viewing itself as having specific accountabilities for the delivery of outcomes. For some organizations this has further marginalized the value that HR can contribute. It has increased the chances that the organization will force various accountabilities upon HR that are associated with compliance and control, while simultaneously marginalizing the value that HR can contribute strategically through people and organizational capabilities.

HR professionals need to distance themselves from the enabler image and instead become leaders who take accountability for outcomes and the delivery of results. In fact, much of the transformation of HR is reflective of this outcome-based perspective. For example, “talent management” refers to HR’s commitment and accountability to deliver the talent that the business needs in order to effectively realize its strategies. Talent management allows HR to consider the multiple options for meeting the organization’s talent needs, whether by recruiting the talent that is required, developing the talent that may be necessary, enhancing engagement of employees so that they achieve more with the current resources, or identifying who should be the succession talent to protect the organization as leaders depart from the business. Talent management,

then, is a concept that is outcome focused; it shifts the expectation of HR from being an “enabler” to being “accountable” for the people and organizational capabilities.

One question that is often asked is, “How can HR be accountable for the people and organizational capabilities if HR does not control all aspects of these capabilities? Wouldn’t it be safer if HR just indicated that it was an enabler of the capabilities and leaders were accountable for them?” The answer is that not having control over the entire capability does not absolve HR from accountability for the capability—it just makes the accountability more difficult. HR needs to excel at engaging others to do their part so that HR can fulfill its accountability in people and organizational capabilities.

HR must be driven to lead by taking accountability for delivering the outcomes of the business’s people and organizational capabilities even if HR does not deliver all the parts of the work. Just as the marketing and finance departments have accountability for work they do not fully control, HR needs to be responsible for their accountabilities as well. Taking accountability for outcomes will also help HR professionals be perceived as leaders in the organization. The focus on accountability for outcomes will also change the way HR speaks to executives. Many executives become confused when HR speaks about its processes without defining its accountabilities to deliver specific outcomes. Most executives are more concerned about delivering the business outcomes and want to know how HR will contribute directly to achieving those outcomes.

Here are some examples of how HR might have viewed processes in the past. These approaches need to be refocused on the way HR can take accountability for specific outcomes.

- The process of recruitment and leadership training becomes an outcome when HR takes accountability for ensuring the business has competent leadership to deliver its strategies, regardless of whether the talent is recruited externally or developed internally.
- The process of compensation and payroll becomes an outcome when HR takes accountability for ensuring that the business has

the proper motivators (financial and non-financial) to engage and retain employees and to make the business an attractive place for new and current employees.

- The process of employee and labor relations becomes an outcome when HR takes accountability for ensuring that there is a positive employee culture and that employees are highly engaged with achieving the business's strategic directions, whether they are represented by a union or not.
- The process of recruiting takes on an entirely new concept when HR focuses on the outcome of achieving an attractive employment brand. An "employment brand" is the impression your business makes on potential employees and the emotional connection it creates between them and the business. An employment brand packages all employment initiatives under an integrated set of symbols and key messages. HR commits to the accountability of creating a strong employment brand so that new recruits will be drawn to the business. Also, HR takes accountability to ensure that the employment brand comes alive in the workplace once employees join the organization.

Taking accountability for outcomes alone will not create the desire in HR professionals to have and accept the drive to lead. They need to have an emotional commitment and the self-confidence to know that they should be in leadership positions. HR professionals need to believe that they are able to deliver value for the business and through its leaders. Here is an example of a global business where HR learned this important lesson:

The HR department in a multinational business was undertaking a review of its global HR function. This was one of the many questions each HR leader was asked: "Who is HR's competition?" Most responded that the competition included the external outsourced HR professionals who could replace them, the leaders who were doing a poor job with their employees, and the unions who challenged them regularly. Shortly after these interviews, the business executives were interviewed. They were also asked who HR's competitors were. Their answers were radically different. They said that HR's main competitor was the value created by HR professionals in their competitors' companies. They did not view the outsourced HR

service providers as competitors; rather, they viewed them as partners with HR to leverage the allocated resources available to HR. They also saw leadership as a key part of the solution for HR to achieve results in a resource-constrained environment. They even saw the relationship with the unions as an opportunity to build a more positive labor-management environment that could possibly contribute to a more positive culture. Apparently, the executives were not concerned about whether HR professionals were working within the business or as external resources. Rather, they wanted HR to surpass the value their business competitors received from their HR departments. In the executives' view, the external HR professionals were not the competitors of their internal HR professionals. Instead, they believed the internal and external HR professionals should be partners and work together to provide the business with sustainable competitive advantage and competitive parity.

HR needs to be driven to lead. It needs to get beyond its own fears of being replaced, which only limits its perspective and makes it operate defensively. Rather, HR should be in a leadership position where it focuses on delivering greater value to the business than the HR departments deliver in their competitors' businesses. The implications are as follows:

- HR needs to work with the external providers and consultants as extensions of their own teams, in a similar way that a family doctor would use a specialist doctor for specific needs as they are required.
- HR needs to become far more familiar with the value that other HR departments provide in their competitors' organizations. For example, HR can review their competitors' websites to see what their HR departments contribute to their businesses and then identify how their own HR department can develop or sustain competitive advantage or at least competitive parity. They also need to understand from a business perspective where their business compares well or is behind competitors. These insights may have people—and organizational—capability ramifications that could be part of what HR contributes to their business.
- HR should be paying attention to their own business's external customers. They should be talking to the HR representatives in their customers' businesses to get feedback and gain insight into what the

customer sees as the business's strengths and limitations. HR should then see if those strengths and limitations have implications for HR's focus in people and organizational capabilities.

All of these factors are important in order for HR to be driven to lead. HR needs to have the confidence that they can make a difference for the business and its leaders. HR must be leadership-driven by (1) contributing to the business so that HR achieves a leadership position; (2) delivering value through leaders so they become people leaders; and (3) insuring that HR is driven to lead within the organization.

CONCLUSION

Businesses need leadership-driven HR in order to succeed. The challenge to HR is to unleash its own potential in order to gain insight and discover solutions for how to deliver value for the business. HR must strive to be a key asset in the transformation of business leadership with a focus on delivering its value through leaders. Although there have been significant increases in the demands placed on HR in the areas of compliance and control, HR must be driven to lead and deliver value for the business. The next two chapters explore two additional factors that are essential to HR transformation. Chapter Two describes how HR delivers all of its work with a line of sight to the external customer. Chapter Three emphasizes that HR needs to make the difficult choices and reduce its emphasis on lower priority work so that it can focus on delivering meaningful outcomes for the business.

SUMMARY

- In today's highly competitive marketplace, many businesses are searching for new directions and are transforming their way of working. HR is on the same journey and is changing dramatically, too.
- *Leadership-Driven HR* focuses on how HR contributes to transforming the business and its leaders, as well as how HR transforms itself in the context of an environment that has enhanced its emphasis on compliance and control. When HR focuses on being leadership-driven, it makes a major contribution to the business.
- HR's role is to champion the people and organizational capabilities that are necessary to help the business succeed in today's rapidly changing market. "People capabilities" refers to the flow of people through their employment life cycle. "Organizational capabilities" refers to the flow of work through the business.
- For HR to be a driver of strategic business leadership, it must take an "outside-in" perspective rather than an "inside-out" perspective. An outside-in perspective means that HR focuses on the business and the value that the business creates for its external customers and then uses those insights to determine how HR can deliver business value.
- The three areas of transformation for leadership-driven HR are:
 1. HR as a driver of business leadership
 2. HR drives value through leaders
 3. HR is driven to lead
- Three core elements of how HR drives value through leaders are:
 1. All leaders are people leaders
 2. All employees are self-reliant
 3. HR is the center of excellence in people and organizational capabilities

Businesses need leadership-driven HR in order to succeed. The challenge to HR is for it to unleash its own potential for gaining insight and to discover solutions for delivering value to the business.