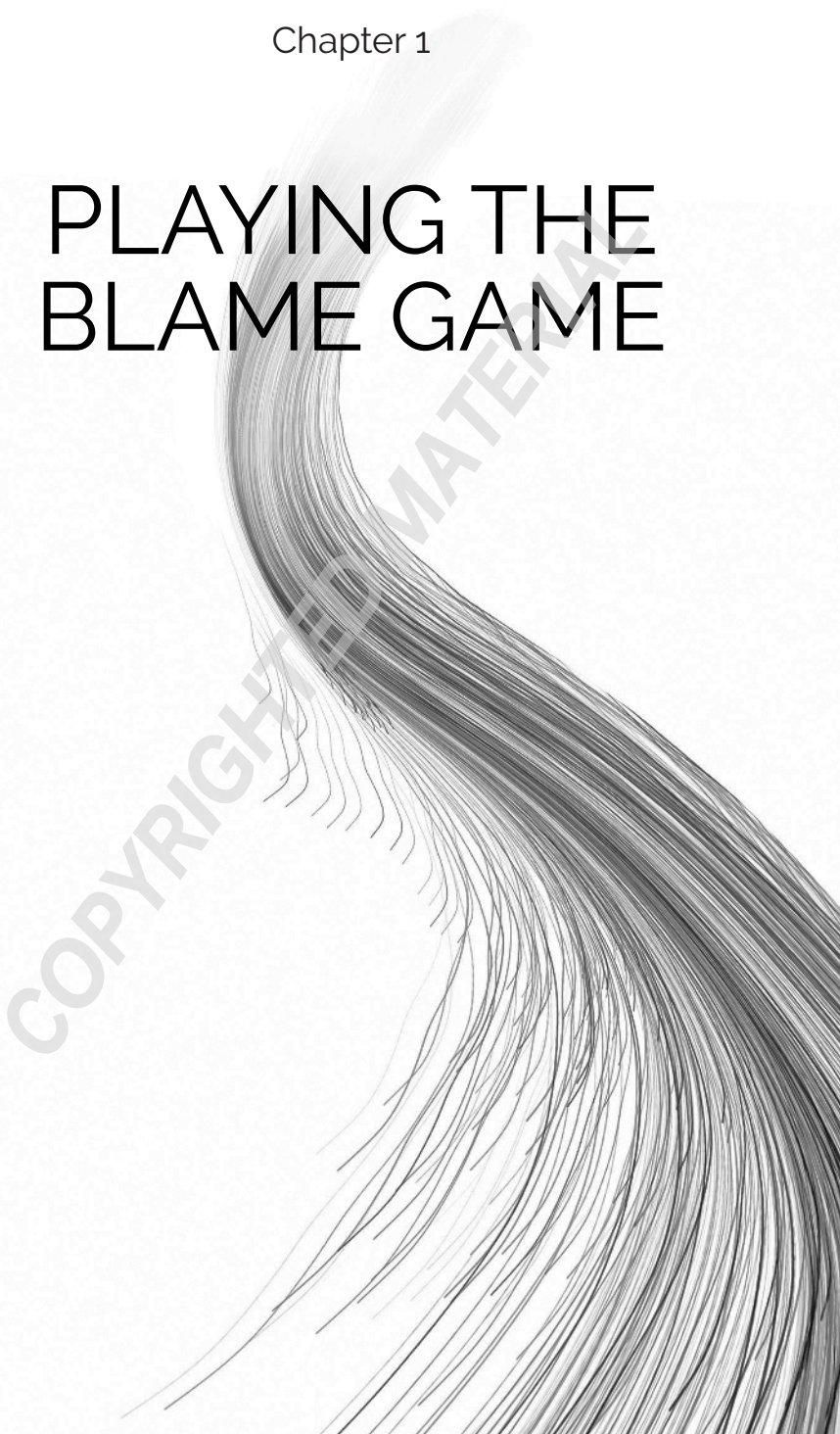


## Chapter 1

# PLAYING THE BLAME GAME



The winter sun shone spectacularly over Lake Michigan, reflecting Pam Sharp's buoyant mood. She loved a thorny business problem promising big risk and an even bigger payoff, and after a week on the job, she was ready to dive in. From her new office on the 23rd floor, she had an expansive view of both the lake and downtown Chicago, now dusted with a light coating of January snow. She smiled to herself as she imagined the 70-degree weather back in Palo Alto, but Pam knew she'd made the right move.

Pam never expected to become the chief human resources officer of Exalted Industries. With a meteoric career in sales, she had been recruited to Trajectory Systems, an Exalted subsidiary in Silicon Valley, as its chief sales officer. Weak revenues had threatened the company's survival, and Trajectory CEO David Craig had brought her in to turn things around. A chance meeting with a young data whiz led Pam and her team to embark on a series of data analytics initiatives, transforming sales enablement. In a relatively short time, the company was back on track to hit its revenue targets, and David Craig was promoted to CEO of Exalted.

After just a year leading Exalted, David had flown Pam to Chicago for a mysterious dinner meeting, revealing that the company faced more serious challenges than he'd expected: revenue was down, as were margins, customer satisfaction ratings, and the stock price. The media was extolling competitors' innovations, while Exalted, although still the market

leader, hadn't launched a new product in three years, instead making several acquisitions that were only moderately successful. Making matters worse, attrition was up, with some high-profile exits. The competition was taking both customers and an alarming number of top sales reps.

Pam had been caught off-guard—something she rarely experienced—when David offered her the role of CHRO.

"I'm flattered, David, of course," she said, "but why would a new HR leader be the answer to Exalted's challenges? And why wouldn't you fill the role with an experienced HR professional?"

"I'll answer your first question first. Losing key talent is part of it," David explained, "but I also can't ignore my leaders across the company who point fingers at HR when they talk about our problems. Sales jobs are going unfilled for months at a time, and our best reps are leaving just when we need them most. The latest employee engagement survey scores show morale at an all-time low, especially in Sales. And we're desperate for fresh talent to get new products to market, but Talent Acquisition just isn't bringing in the innovators we need."

"I can't imagine that any one department could be the source of *all* the company's problems," Pam countered.

"True," continued David, "but I appreciate now that everything comes down to having the right people and, to answer your second question, I sense that, under a motivational leader with strong business savvy, which you have

in spades, HR could help tease out and solve many of our issues. Besides, I've seen what you can do with analytics, and we need more data driven decision making at Exalted. Too much is determined by gut, not facts. You're the right leader, Pam, to help not only fix what's broken but also to change our culture to be more data-centric."

Then David raised the stakes. "You should know that if key business metrics don't start improving, and quickly, we'll both be out of a job. Our chief sales officer isn't making things easy. I think you know Bobby Cash. He's continually griping about how everyone else is to blame for sagging sales, especially HR. He'll take aim at you for sure."

Pam smiled, recalling Bobby's bravado, Southern drawl, and flashy watches. "Sure, I know Bobby from quarterly sales meetings and annual sales kickoffs. He's a decent guy, although his attitude toward women in business is from the dark ages. I can handle him."

"One last thorn in my side, and soon yours," David cautioned her, "is an activist board member, Thomas Ashcroft. He's very experienced, but since he sold his last business he's made us the key beneficiaries of his 'hard-earned' wisdom. The guy walks around with a travel mug that says, 'Retired: I know everything and have all the time in the world to tell you about it.' He'll no doubt be on your doorstep soon, full of advice. He fancies himself quite the mentor. In fact, through a board/C-suite mentor match, he's made himself

invaluable to our chief marketing officer, Anne Rodriguez. You'll like her. She's tough and smart. Unfortunately, while I know Ashcroft has the best interests of Anne *and* Exalted at heart, I'm not always sure his guidance is on target."

"The last and most important piece of information you need," David said, leaning in and looking her straight in the eye, "is the overall engagement survey feedback, which we're keeping confidential for now. Many employees said they don't believe in the company anymore, but for different reasons. Some said we're a dinosaur, behind the times, afraid to innovate and develop new products. Others said the opposite: we're moving too quickly and abandoning our legacy by acquiring new products. There's some deep-seated unhappiness, and we need to get to the bottom of it."

David's warnings had only made the opportunity more compelling. After persuading her family to move to Chicago—in the middle of a school year, in the dead of winter, from California!—Pam began preparing for her new role. Always an excellent student, she read voraciously about her new domain: books, articles, reports, and more on HR and human capital analytics. She even discovered that she was part of a trend—CEOs bringing in a leader with P&L experience to head their HR departments, to boost their strategic capabilities and impact.

She had hoped that her new team and peers knew about this trend. That might quell some of the anxieties she

imagined they'd have about a sales executive becoming their leader and the CHRO. Unfortunately, based on her first week at Exalted, meeting with her C-suite peers and direct reports, that turned out to be spectacularly optimistic.

Yet she'd never failed at anything, and didn't intend to start now. She was confident that she'd succeed, winning over her employees, colleagues and any activist investor who crossed her path.

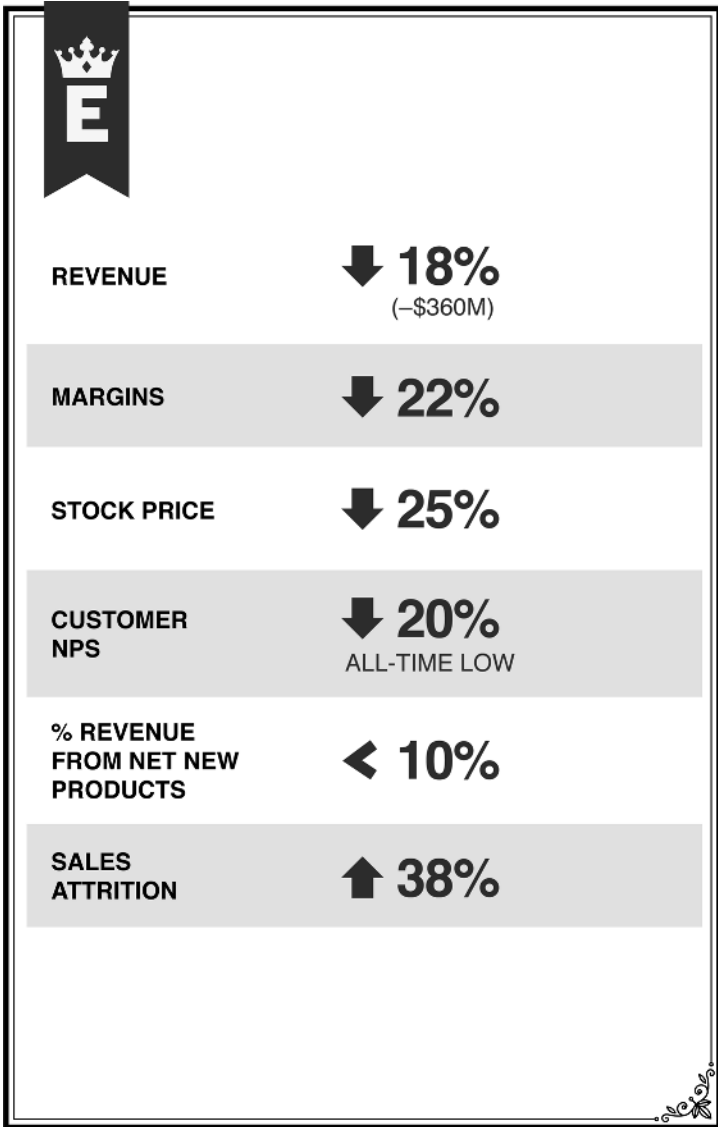
She just didn't yet know exactly how.

## **ENTERING THE FRAY**

That afternoon, she and her team began their day-and-a-half strategic planning off-site a few blocks away from headquarters. Gathered in the spacious room, surrounded on three sides by whiteboards, were Marcus Long, VP of HR Business Partners; Sameer Mahal, VP of HR Shared Services; Elke Andersen, VP of Talent Acquisition; and Martha Lee, VP of HR Centers of Excellence (Talent Strategy, Total Rewards, Leadership Development, Diversity/Inclusion, and Learning & Development).

After some opening remarks to her staff, Pam dove right in: "We're facing very serious challenges as a company. At this off-site I want us to start thinking as a leadership team about how we will address these challenges. Here's the overview I got from David."

Pam displayed a PowerPoint slide on the screen.



“The numbers tell a pretty dismal story. And yet, the board has given David a goal of double-digit growth by the end of the year, in keeping with the average growth rate for the healthiest companies in our industry. Help this newcomer out. What do we think is going on here?” Pam asked, with a tone that communicated she was looking to gain information, not place blame.

Her team uncomfortably shifted in their seats, glancing at one another.

“Any theories? Hunches? Facts? Rumors?” Pam asked with an encouraging smile.

No one smiled in return. “Well,” began Marcus Long, taking a deep breath and adjusting the sleeves on his neatly tailored black blazer, “only the last two items on that list, about attrition, have anything to do with HR, and they’re pretty much caused by the first five. Among us here, I think people are jumping off what they see as a sinking ship. Some of the latest engagement survey results are so bad that we’re keeping them confidential, as I’m sure David told you. Employees are saying they don’t believe in our leadership or the direction of the company.”

“That’s right,” interjected Martha Lee, nervously playing with her string of pearls. “People are demoralized, so they’re seeking greener pastures elsewhere. I just wish our executives cared more and gave us budget to address it. They even downsized our holiday party this past December. How is that going to help us keep people? And besides, attrition may be at an all-time high for Exalted, but we’re still close to the industry average. We’re doing *our* jobs.”

Elke Andersen cleared her throat and tucked a strand of her blonde hair behind her ear. “It’s no wonder our best people are leaving, given how little innovation is happening here. How could I be expected to attract new talent when we aren’t putting out new products? Never mind that I am continually dealing with the revolving door of sales reps. We’ll never get revenues up if Sales doesn’t stop driving away everyone my team brings in.”

Pam glanced over at Sameer Mahal, who hadn’t yet spoken. “Sameer?” she asked, raising an expectant eyebrow.

“I’m with them,” said Sameer in his crisp British accent. “HR gets blamed for everything, but most of the company’s problems have nothing to do with us. We are working harder than ever, but we never receive sufficient resources.”

Marcus, Elke, and Martha nodded, clearly dejected.

“Guys,” said Pam gently, “that kind of attitude won’t fly anymore. We need to think more like our business owners and how we can help them solve their problems. That’s especially true for Sales, which needs to be successful if Exalted is going to pull through this crisis. I’ve certainly heard plenty from Bobby Cash on that subject already. For right now, let’s get our own house in order. My peers on Exalted’s leadership team have told me what they believe is wrong with our HR organization. I’d like to know what you think.”

“Well,” Marcus began cautiously as others again shifted uncomfortably in their seats, “Sales is definitely an issue. As Bobby’s HR business partner, I know he has a lot of complaints, and unfortunately, I think some of them are justified.

He keeps asking me why it takes up to eight months to fill a Sales rep role and I don't have answers."

"I wish you wouldn't always take his side, Marcus," said Elke defensively. "Bobby's hiring managers are to blame here. They're too picky and too slow. Good candidates don't want to go through umpteen interviews, and they get snatched up by our competitors. By the time our hiring managers make up their minds, we get the worst candidates, who fail and leave and then we need to start all over again. And some hiring managers have the nerve to complain that we're not getting them the right candidates when they give us vague job postings."

"Hold on Elke," said Marcus, equally defensive. "I'm not trying to take sides. We all know Bobby can be abrasive. He's a great guy but a tough client. He tells it like it is, and that's hard to hear, but we've got to listen. Think about the repercussions of our hiring challenges. The reps we *do* have are struggling to keep up, and so managers jump in and spend more time in the field, which means they aren't around to coach the new hires. It's a mess."

"If you want Bobby off your back, maybe you should tell him how our Talent Acquisition department meets or exceeds every industry benchmark for key performance metrics," Elke insisted. "Our time to post is only five business days, and we get fifteen candidates for every open position—that's three times the industry average! I hate to say it, but things could move faster if Sameer's people would get offer letters out right away."

Marcus, growing irritated, looked at Pam, who nodded to him to continue. Dozens of one-on-one meetings could never yield the kind of insights this discussion was surfacing. “Sameer, is that true?” Marcus asked. “We get plenty of complaints about how long it takes to get new hires badges and laptops. I didn’t know there were *also* problems with offer letters.”

“Elke, how can you blame me?” exclaimed Sameer, straightening up in his seat. “We can only dispatch offers when *your* team sends us the information. That’s also the problem with badges and laptops: you don’t give us enough lead time. Our Service Level Agreement clearly states that we must have at least seven business days to respond to a new hire request, and we have had demands for turnarounds as short as from Friday afternoon to Monday morning. I don’t have teams working over the weekend!”

Elke shook her head repeatedly. “Sameer, this is *Bobby’s* fault. Just dealing with the Sales attrition mess has us totally over-extended. We can’t possibly keep up. And then your team messes up an offer letter and *we* take the blame.”

Sameer’s graying moustache began to twitch. “Elke, you only deal with incoming hires. We get them coming and going. All this churn is killing my team. It seems like all we ever do is process terminations and new hires for Sales. The final checks, the COBRA set-up, the equipment return—I could go on and on. How can we possibly deliver a quality employee experience under these circumstances?”

“You can complain all you like about Bobby, but without Sales, Exalted would come to a grinding halt,” Marcus

declared, his voice rising. “And as much as we *all* say that HR doesn’t get respect, we have to earn it. When we can’t nail the basics, like making sure people have correct offer letters and the right equipment on their first day of work, it makes us all look bad. Only *I’m* the one who takes the heat for it in Bobby’s weekly staff meetings.”

“That’s just it,” exclaimed Sameer. “These things would be basics except we’re working with old systems and unrealistic timelines. And then we’re scolded when we can’t deliver. Marcus, you know how these executives can get. They have you request endless urgent reports from me, and we move mountains to chase down data—but for what purpose? It’s demoralizing to jump at every fire drill and never even know what you do with the data. And I’ve got people jumping ship from Global Shared Services for better paid jobs in Finance. Martha, can’t you please give me a decent comp budget? And maybe give Sales better comp? And training? Maybe then reps will stop quitting to go to the competition and we can get off this bloody hamster wheel!”

Sameer’s outburst took Martha by surprise. “Well, Sameer, I never knew how much this upset you,” she said, swiveling her chair slowly in his direction and trying to remain calm. “But tell me, how can I deliver new hire training if the new hires don’t have their laptops? People are always late to New Hire Orientation because they’re filling out forms you should have sent them weeks earlier. With a new hire experience like that, it’s not surprising that they don’t stick around.”

“Martha, I’m sorry to say, Sameer is right about compensation,” Marcus interjected. “Our financial performance isn’t

exactly a secret, and the press has been fawning over our rivals as innovators, even though they're obviously selling snake oil. We need to offer more attractive comp packages to get top talent."

"Well, Marcus," Martha huffed, "our comp is at or above market. Our Total Rewards people are the best in the business, and you know how fussy they are about considering every detail in their calculations. I'm certain we're competitive. And you know what else? If reps actually *went* to training they might have a chance at meeting quota. Sales leadership doesn't care, so no one makes them go. Or they go and someone yanks them out in the middle to send them back into the field. We worked so hard to put together a new enablement curriculum, but is anyone using it? No. And new reps continue to struggle. We try to do everything the executives tell us, and still they're not satisfied. This is a thankless grind. I'm exhausted just thinking about it."

Marcus, Elke, and Sameer all began talking at once, their voices rising in frustration.

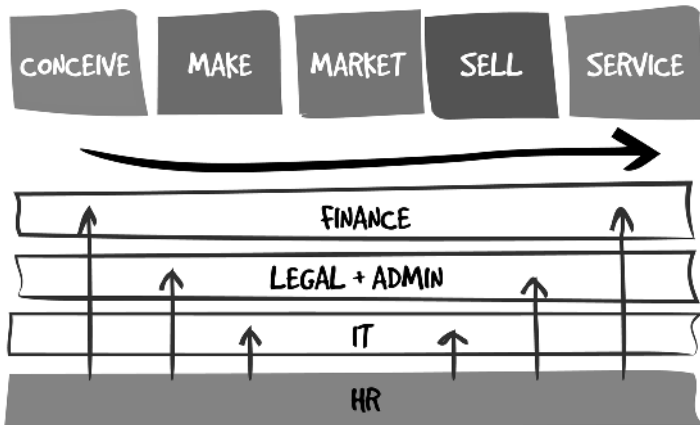
Pam Sharp, all 5 feet 11 inches of her, rose to speak. "All right, everyone," she said firmly, "thank you for playing what I call The Blame Game. You've just given me a very enlightening education about what's going wrong around here, and only one thing is for sure."

All eyes were fixed on their new CHRO.

"Starting right now," said Pam, "we focus on understanding and fixing problems. We'll never make progress or gain the respect of our senior leaders by throwing around accusations

or blaming each other. We need to understand the *why*. Why are these breakdowns happening, especially if we have such great KPIs that beat industry standards? It doesn't make sense that our key measurements would be green if all the business results are red. Until we understand WHY we are experiencing these challenges, we won't fix a thing, and we won't serve our ultimate customers—Exalted employees.”

Pam walked over to one of the whiteboards and started to draw. “We also need to start thinking differently about our role at Exalted. Here's a sketch of a value chain to show you what I mean.”



“For a company to excel,” Pam explained, “each of the activities here must succeed. If Exalted is to be successful, then we must be successful, and the same goes for our support colleagues in Finance, IT, and elsewhere. We are critical to our company's future, and we need to think of ourselves and our roles that way.”

“And besides,” she continued, “at each stage of the value chain, *people* must excel. If people fail, the company fails. So, if we’re supplying the people and they’re not performing, we need to do things differently. And we must partner with any and every part of the business to do so. We can’t have an us versus them mentality.”

“I understand your perspective, Pam,” said Marcus, nodding pensively. “I hear this from my executives and my HRBP team all the time. But it’s a big leap from this theoretical drawing to an actual plan of how to make it happen, especially when we can’t directly influence business outcomes.”

“I’m sorry, but I don’t get it,” Martha frowned. “We’re just doing what the business owners tell us to. Don’t they know what they need from us?”

“Pam, I’m very concerned about how my team is going to close HR Service Center tickets if we’ve got the success of the company on our shoulders,” Sameer said quietly.

Elke stared at Pam. “But . . . how . . . many people will I need to hire now?”

Pam smiled gently at her new team, imagining the end of the journey they were just beginning. “I wouldn’t have taken this job if I weren’t convinced that I could get us where we need to go. I know we’ll get there, and we’ll leave behind the days of being order-takers. We will transform HR into an organization that drives strategic business impact, and we’ll get that seat at the strategic table. For now, on to the evening’s surprise activity. I did a little homework and found out you’re all Bulls fans, so I arranged for us to go watch tonight’s

game from the corporate box. They just happen to be playing my hometown team, the Golden State Warriors.” Pam had a hunch they’d need a strong finish to the day.

As the team gathered their belongings, Marcus whispered to Elke, “Well, this should be interesting. I think Bobby is headed there as well with some of our key customer accounts.”

“I’d like to see how convinced Pam is about our success when it’s Bobby Cash breathing down *her* neck,” Elke replied quietly, following the others out the door.

## SUMMARY

Pam Sharp, who successfully used data analytics to transform revenue as chief sales officer at Trajectory Systems, is now the new chief human resources officer at Trajectory’s parent company, Exalted Industries. Exalted’s situation is dire: revenues, margins, customer satisfaction ratings, and stock price are down, while attrition is up. With no new product launched in three years, Exalted risks losing its market-leading position.

The board has tasked CEO David Craig and his executive team, including his new hire, Pam, to drive double-digit growth by year-end. Asked by Pam for insights about the company’s precarious position, her new team members instead blame colleagues and each other. Pam rallies her staff to focus on problem solving versus blame casting and to appreciate the importance of HR as a strategic function. She is confident they’ll get there.

## COMMENTARY

### A NEW ERA FOR HR

Human Resource professionals have unprecedented opportunities, not only to craft data driven people strategies that will generate measurable business impact, but also to lead their companies' digital transformation and facilitate a smooth transition into the future world of work. But too few HR organizations have the command of data analytics this leadership requires. Too *many* have few or no analytics capabilities. For these reasons and others, CEOs are increasingly seeking business leaders to take on the CHRO role, valuing business acumen—especially experience using analytics to improve business performance—over traditional HR domain knowledge.

Exalted CEO David Craig is a perfect example. He recruits Pam Sharp because she is a smart and experienced business leader, but also because she has a track record of using data to drive revenue improvement, exactly what Exalted needs to achieve double-digit growth. Pam immediately demonstrates Craig's wisdom by seeking to first understand Exalted's corporate pains, not simply its HR woes.

Her HR leadership team, however, is still inwardly focused and, without the benefit of data driven decision making, Pam's questions about the company's troubles soon lead to a "blame game": Marcus (VP HR), Elke (VP Talent Acquisition), Martha (VP HR Centers of Excellence), and Sameer (VP, Global Shared Services) point fingers at their business stakeholders and then at each other, rather

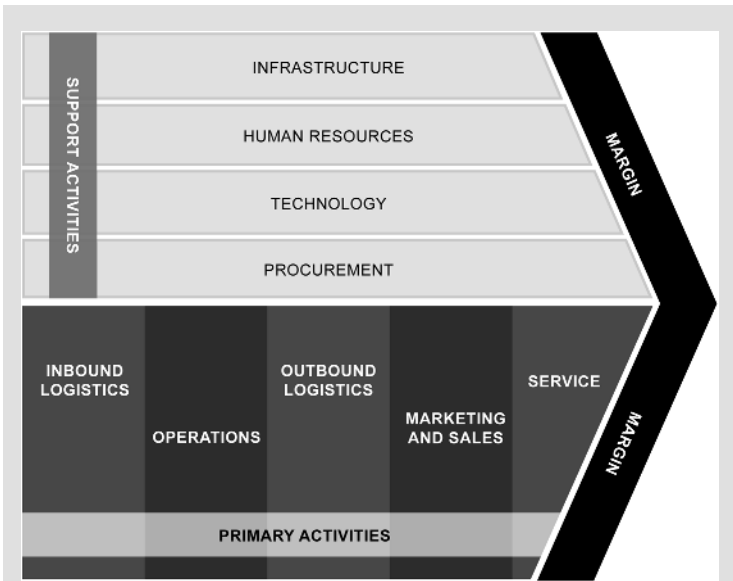
than trying to understand the root causes behind Exalted's challenges. This scenario is all too common.

Pam shows strong leadership skills by listening patiently to her new team, yielding invaluable insights into their self-perceptions and interpersonal dynamics. This gives her an opening to start shifting their mindsets about their roles and importance at Exalted. Pam rightly points out the need to understand the gap between seemingly great HR outcomes (for example, the key performance statistics that Elke and Martha cite) and Exalted's dismal corporate outcomes.

She also presents a radical notion for this team: that HR can, and must, drive business outcomes. She sketches a simplified version of Michael Porter's value chain, described in the business guru's 1985 best-seller, *Competitive Advantage: Creating and Sustaining Superior Performance* (a closer version to the original appears on the next page).<sup>1</sup> Porter puts forth that *each* of a business's five key primary activities and four support activities—including HR—are critical to profitability.

In Human Resources, we often feel so much pressure that we default to thinking we only impact our own programs. Yet, as Pam so clearly points out, if we are responsible for hiring, developing, and retaining our people, then we have a fundamental role in the success or failure of the business.

Marcus agrees but draws a blank on how to turn theory into practice. Martha has fully absorbed the order-taker mentality and expects the business to direct her. Sameer's immediate concern is how to be strategic *and* fulfill what he sees as his key role: close HR service tickets. Similarly, Elke is immediately concerned about additional hiring burdens.



**Figure 1c.1** Michael Porter's Value Chain

Adapted from Michael E. Porter, *Competitive Advantage: Creating and Sustaining Superior Performance* (New York: The Free Press, 1985).

These predictable reactions are very real psychological obstacles that HR organizations must overcome. For Pam to be successful at her primary goals—increasing Exalted revenue and moving it toward being a company of data driven leaders—she must first transform her own team's mentality from order-takers to strategic business partners. This could prove even more challenging than winning over her executive peers. Many of these considerations are likely important at your company as well.

## **NOT ANALYTICS-SAVVY? YOU'RE NOT ALONE**

According to recent research, 71 percent of companies think HR data analytics is an organizational priority, but fewer than one in ten report having usable data.<sup>2</sup> Another recent study reported that more than one-third of companies don't use data in any decision making.<sup>3</sup>

And even those who do don't do so very effectively. A survey conducted by PwC found that three in four companies were held back by issues including corporate culture and regulatory roadblocks or just didn't know what value their information might offer, and so obtained little or no tangible benefit from their data.<sup>4</sup>

Yet, as you will read, there are many benefits to using HR analytics. Deftly capturing and analyzing data can enable HR to increase engagement, predict and stem attrition, enhance hiring, and much more.

Further, by not leveraging data analytics or doing so without the right guidance, HR organizations severely limit their ability to solve problems and advance business strategies. Risks include:

- **Decision making by gut, not fact:** Common sense can sometimes be our enemy. Why? Because sense and logic can be deeply personal and subjective. Data, however, can remove guesswork, biases, anecdotal reasoning, and other

human foibles that can throw strategic efforts off course. Data can also take the emotion out of business discussions and break down silos as objective metrics light the way forward.

- **Solving the wrong problem:** You've surely been there—weeks or months of effort to resolve a vexing challenge are revealed to have been a waste of time, resources, and good will because the challenge turned out to be a misunderstanding, a red herring, or a rush to judgment. Data helps avoid predetermined (and often erroneous) approaches to problem solving.
- **Measuring efficiency rather than effectiveness:** In this chapter, the VP of Talent Acquisition, Elke, points with pride to an average time-to-post of five business days. But is Exalted better served by having jobs posted quickly, or by ensuring that postings are accurate to attract the most appropriate applicants? Our next chapter will take a closer look at how HR teams can revisit the metrics they're capturing to ensure a focus on effectiveness and not just efficiency.

Too many companies, and HR functions, don't focus on defining and achieving measurable outcomes that align with and advance business strategy. That's where we find Exalted's HR team today—but not for long.

### **Pam's 3 Key Ideas, Boiled Down:**

- If we focus only on HR, we won't get a
- 1 seat at the strategic table. We need to focus on the whole company.
  - 2 HR needs to own business problems because companies can only function with people, and we bring the people.
  - 3 We can only accomplish this with data guiding us.

**Figure 1c.2** Pam's Three Key Ideas

### **NOTES**

1. Michael E. Porter, *Competitive Advantage: Creating and Sustaining Superior Performance* (New York: The Free Press, 1985).
2. Laurence Collins, Dave Fineman, and Akio Tsuchida, "People Analytics: Recalculating the Route." In Bill Pelster and Jeff Schwartz (eds.), *Global Human Capital Trends 2017* (Westlake, TX: Deloitte University Press), accessed May 25, 2017, [https://dupress.deloitte.com/content/dam/dup-us-en/articles/HCTrends\\_2017/DUP\\_Global-Human-capital-trends\\_2017.pdf](https://dupress.deloitte.com/content/dam/dup-us-en/articles/HCTrends_2017/DUP_Global-Human-capital-trends_2017.pdf).
3. "Marketing's Moment: Leading Disruption," *Association of National Advertisers*, last modified October 16, 2014, accessed May 25, 2017, <http://www.ana.net/content/show/id/32226>.

4. Claire Reid, Richard Petley, Julie McLean, Kieran Jones, and Peter Ruck, *Seizing the Information Advantage: How Organizations Can Unlock Value and Insight from the Information They Hold* (London: PwC/Iron Mountain, September 2015), accessed May 25, 2017, <http://www.ironmountain.com/Knowledge-Center/Reference-Library/View-by-Document-Type/White-Papers-Briefs/S/Seizing-The-Information-Advantage-Executive-Summary.aspx>.

