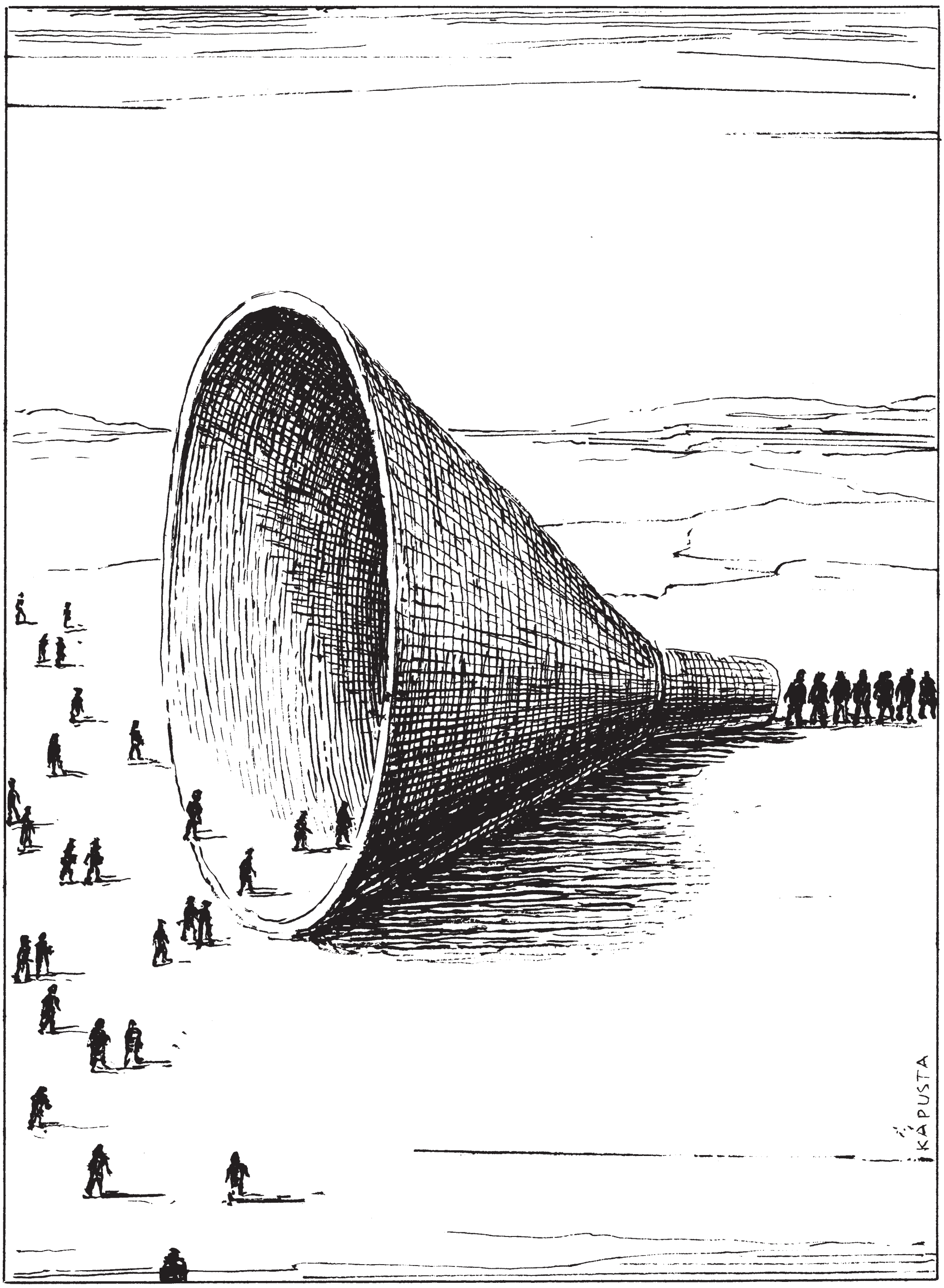
Redefining the Organization:
reinvention of HR unleashes Canadian Bank transformation

by Fred L. Adair and Stephen Leichtman



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Shifting social and economic forces have had a dramatic impact on the workplace and work force over the past decade. The old paradigm of the hierarchical, centrally controlled organization—in which decisions are made exclusively in corporate boardrooms and filter down to the line—has been crumbling. In its place has emerged a new paradigm: a leaner, more horizontal, performance-oriented structure that can audit its own performance and refine its processes and functions continuously as it adapts to changing corporate and competitive circumstances.

Equally significant has been the rapid, dramatic transformation in the nature of the relationship between the line (those employees whose work bears directly on producing or delivering goods or services to the customer) and the staff (those who fulfill a corporation's internal needs). Under the old hierarchical order, senior management maintained order within the corporation by using staff groups to control the line. Employees performed well by following the directives of management. Information was dispensed and controlled and employee roles were defined by decision makers higher up in the structure.

Today, however, a more demanding, continuously changing market, expanded access to information (through microcomputers, for example) and many other factors have shaken this traditional model. In this era of corporate reorganization, line and staff workers have forged a new relationship—a partnership, actually—based on a mutual desire to serve the customer promptly and efficiently.

Pressures to Change

The impetus for this fundamental reorganization of the corporate work force has come from employees themselves as well as from the realities of the marketplace.

Marooned in jobs that provided no intrinsic satisfaction, frustrated by a corporate culture that favored the judgment and intervention of staff managers over any personal initiatives to improve the work flow or processes at the line level, and poorly motivated to accommodate any changes communicated from upper echelons,

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employees have become the champions of their own cause. Seeking job satisfaction and personal empowerment in the workplace, line employees have increasingly expressed their dissatisfaction with the corporate tendency toward internal "policing" by staff organizations (Personnel and Internal Audit, for example) and have attempted to gain more autonomy over, and responsibility for, their work performance.

The heightened competitive atmosphere in the global marketplace has also been a significant engine of corporate change in recent years. Maintaining a competitive position today means much more than capturing a targeted portion of market share. It means being able to make and implement decisions rapidly to keep pace with changes in the market; it means eliminating heavy structural overhead; and it demands that all levels of the corporation add measurable value to the final product or service.

Each organization intent upon changing its course to meet challenges has been compelled to redefine or reinvent itself. A successful company will have to learn to change to constantly keep in sync with market trends and remain a viable competitive force.

Sustainable competitive advantage in the face of global competition and technological advances depends on people working together to deliver quality service to customers. Achieving that advantage necessarily involves managing people effectively. This belief forms a focal point of Mercer Management's Organization Planning and Development practice, and it informs much of the work we do for clients.

Three Keys to Successful Reorganization

We have developed three guidelines for effecting the fundamental organizational change required for competitive advantage.

First, the organization's structure should support its strategy. A firm's mission and major strategic objectives should be reflected in its organizational structure. One important way to ensure the alignment of organization with strategy is to have decision making occur at the lowest practical level. When that happens, decisions are made more quickly and in direct response to the external environment, not filtered and delayed through hierarchical levels.

Second, management positions should facilitate the work of those who serve the customers. In other words, managers and line workers should realize that they are on the same team. This new relationship requires managers to stop serving a police function and start participating fully in the process of serving the customer—by equipping line employees with the resources to do their jobs.

Third, job processes should be designed to empower those who serve the customers directly. The firm makes its best (or worst) impression on the customer at the point of contact between the customer and the corporation's representative—a salesperson or a customer service rep, for example. Giving front-line employees

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The initial quantitative research uncovered some significant redundancies and inefficiencies. For instance, a corporate "census" revealed that over 750 people were employed within the function, a number that surprised many HR people, who had lacked any accurate sense of the extent to which their far-flung HR departments had expanded. Qualitative research uncovered significant problems with functional identity, internal customer satisfaction and HR employee morale.

Once the new HR leadership team confirmed this diagnosis, the difficult work of restructuring the department into a leaner, more efficient and more responsive entity began.

Replacing Old Principles with New

Mercer Management's principles of effective organizational change encourage shifting the initiative for many processes from the staff to the line. The financial institution put these principles to work in revamping HR. In the area of training, for instance, the old model of often developing training programs in isolation from the line was replaced with a new model stressing learning and individual development. After all, line employees and their managers best know which skills they need to serve the client better; they should be the ones to enlist HR to seek out providers of the programs required for personal and team growth.

The new organizational model called for the creation of numerous Human Resources Partners (HRPs), who would link line management to the HR organization. The HRPs would operate as functional professionals who could call on a stable of specialists for support—much like a medical general practitioner who can summon the aid of a cardiologist or hematologist when necessary. The HRP would be familiar with the needs of the line organization and could arrange for the intervention of HR specialists when their services were needed. There would be no conflicting constituencies for the HRPs to worry about; they would report directly to the line organizations.

Making a Slow But Successful Adjustment

For the organization, this fundamental shift in the relationships between line and staff organizations made good sense. On a personal level, however, some employees became concerned about their ability to function in the new atmosphere.

As expected, the adjustment process was neither easy nor quick. Within 18 months of the announced changes, about 200 employees had voluntarily left HR, primarily for other jobs within the company. A greater number of employees, however, rose to the occasion and found new freedom and opportunities in their new roles.

Through this entire process, management made a great effort to be candid with employees, telling them that their jobs would be changing and that they would need to adjust, but that opportunities awaited those who would learn to become self-directed in their new roles.

Problems in delivering services to internal customers—that is, to other employees or departments within the company—did arise, but solutions came by working from the bottom of the organization up. Line employees helped shape delivery systems by indicating what level of HR presence they needed to conduct certain transactions. For instance, the client discovered that many services, such as handling employee benefits queries, could be handled electronically, with minimal contact with HR employees and without any loss of value.

A Work in Progress

The client's schedule calls for work on its organizational transformation to continue into 1993. By the time all of the HR initiatives have been put in place, 30 to 40 HRPs will be aligned with key business leaders throughout the company and will be able to call on a group of true HR specialists to meet the needs of the line organizations.

The company, committed to placing qualified people with the right skills in critical positions, still has other paths to explore. The HR staff members are continuing to work actively to define the "common ground" among themselves as well as between the line and the staff to build a brighter future for the company. More broadly, reengineering the human resources function has provided a strong foundation for the overall corporate transformation that the company is now in the process of carrying out. •

VIEWPOINT

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