

Background

The organization in this case study operates each of its subsidiaries as stand-alone entities, with very little structure around shared services for common functions such as finance, accounting, information technology, and human resources. One hallmark of the global organizational culture is “independence,” as the company does not want its operations saddled by slow decision making created by administrators far removed from the reality of the everyday business. Managers fear that such a structure would create policy that may not be the right solutions for the various operations, thus crippling innovation, speed to market, and quality. However, with the threat of new competitors and an aging workforce with ever increasing legacy costs, the cost of this cultural “independence” was starting to become glaringly apparent and a point for study across the common functions.

In early 2008, an internal study was done in the human resources function to determine what work should continue to be performed by company associates, either at a local or a shared services level, and what work could be redistributed, realigned, or outsourced. At the end of the study, the project team made recommendations on how to transform the HR function. While the HR leadership team publicly agreed with most of the recommendations, they either did not know how to move forward on shifting, reallocating, and negotiating resources and work, or the sense of urgency was not there for them to act swiftly and overcome the inevitable organizational resistance to the changes. The recommendations were largely shelved and the team disbanded to resume their normal daily functions.

Organizational Challenge

By third quarter of 2008, sales for this manufacturer were tapering off and forecasts for first and second quarter 2009 were grim. Projections for the industry showed that the market would shrink by more than 40% of units produced and sold that year, compared to the previous fiscal year. The impending crisis brought a sense of urgency to the entire North American operations. One by one, each operation began evaluating how to trim budgets, save costs, and avoid lay-offs. In several operations, optional employee buy-out programs were announced.

In the largest North American operation, nearly more than 10% of the workforce accepted an optional buy-out offer. The HR organization experienced nearly twice the interest in the program compared to the rest of the company, and the departure of its workforce left significant vacancies in staff positions in an already lean structure. The crisis produced the burning platform needed to transform HR. The objective was to determine how best to continue operations in the most effective way possible while positioning the HR function for future North American expansion when the economy did eventually recover.

Collaboration to Produce Desired Change

The HR culture had long been one where a small group of associates gather, make decisions, determine the direction, and announce the changes to the organization. When the buy-outs were announced in early 2009 and so many associates signed up for the offer, the sense of urgency and need to do something only heightened. Senior leaders were meeting behind closed doors and sketching different options for how to combine and consolidate functions. There was also talk of North American expansion and consolidation as one method to respond to the crisis. Associates were starting to worry about how they were going to get all the work done in their teams with so few team members available to help.

Members of **The Change Collaborative** helped the HR leadership team do the following:

- Engage associates in creating the new organization, thereby minimizing resistance and the need to “sell” decisions made by a select few in the attempts to get “buy-in” from the entire HR division
- Engage senior leadership in redefining components of the HR strategy, namely the mission and vision of HR
- Involve customer voice in the process of creating a preferred future of the HR function
- Create a communication strategy to explain the purpose and the process of redesigning the HR function and to provide continual associate engagement and feedback in the process
- Design and facilitate a 3-day strategic organizational design session with more than 60 associates who created various options for organizing HR that aligned to the mission and vision of the future
- Design and facilitate a process whereby HR leadership could decide which option best fit the needs of the organization
- Design and facilitate simultaneous operational design sessions with more than 75 associates representing each of the new departments
- Ensure that the results of the 2008 internal study were utilized during the redesign process
- Facilitate a process of realigning team members to the new integrated matrix structure
- Coach new teams on effective start up practices and principles to realize the intent of the new organizational structure

Organizational Benefits

Under the old structure, there were no job definitions, descriptions of work units, career paths, or clear rationale for the staffing model. Within the new structure, every associate was placed based on his or her technical background, developmental need, and interest and desire to do different work. Managers made it explicit that over time team members would become generalists and broaden their functional HR knowledge. This was institutionalized through the creation of cross-functional committees that carry out the HR initiatives in each discipline. Membership on the committees rotates with development and succession planning. Unit and team managers now run a new mid-level management forum, which has led to a greater understanding of the scope and nature of HR operations, and helps reinforce the authority and accountability this group has for execution.

One aim of the HR transformation was to have the new HR division focus on strategic partnerships and relationships with line operations. The sheer process of involving HR associates in the redesign of their own division modeled the type of involvement HR wanted its associates to have with line operations, and this in turn created a shift in the HR culture from command and control to more participative in nature. HR associates are now also better armed with methods and techniques to help their internal customers manage change in their businesses.

Although the HR function had over 40 openings after the associate buy-out program ended, the new design yielded a preferred organization with a net of 15 open positions, and it has provided the HR leadership with a strong rationale for the size and scope of team. The HR leadership team was pleased with their associates’ ability to engage in challenging debates, prioritize work and initiatives, and yet still find a way to operate with lean resources in a very challenging economic period for the company.