

HR Transformation that Lasts

Acquisitions and a decentralized organization left an ineffective HR design. Learn how RBL led an HR transformation for a healthcare organization to create an HR operating model that lasts.

Business Problem

To the lay observer peering in from the outside, the organization was doing quite well.

It had grown over the course of several business cycles, largely through acquisition, into one of the United States' largest healthcare organizations. Over 100,000 medical and administrative supported colleagues complementing some 35,000 employed and affiliated physicians operating more than 200 hospitals and continuing care locations in about two dozen states. Though margins were unspectacular, the organization was profitable; revenues approached \$20 billion. From the outside, a clean bill of health.

While the healthcare organization was far from dire straits, its inability to sufficiently integrate and optimize business functions as it grew left it operating well below its potential. HR was illustrative of the challenges of a "too decentralized" organization. There were multiple distinct challenges hampering performance:

- Unacceptable variation in HR systems, policies, procedures, benefits, and pay philosophies across business units
- Lack of leveraging technology and data to support the business
- Variable, inconsistent approaches to talent management and development

- Inconsistent distribution of HR expertise and support across the system, exacerbated by limited resources

In industry parlance, the organization's various operating units and core functions were out of alignment. They didn't quite know what they wanted to be or how to integrate with each other, so each optimized its own performance. As a result, they weren't able to consistently deliver on stakeholders' expectations for service quality or efficiency.

The C-suite knew for years that something had to give. After two unsuccessful HR realignment campaigns, leadership retained the RBL Group to guide what it fully committed to being its third and final effort to transform its HR processes and put the organization in the best possible position to compete in a rapidly changing industry.

Misaligned in a Changing Industry

Looming shortages of nurses and other clinical care team members. Steadily rising rates of uninsured healthcare consumers. Relentless incursion by for-profit providers into the most desirable, fast-growing healthcare delivery segments, like ambulatory surgery and skilled nursing. Increasing revenue dependence — by tax-exempt and non-exempt — on

outpatient procedures. Rising need for behavioral health services and other specialized care among millennials and Gen Zers. Worsening health outcomes for young and old patients alike.

These were just some of the long-range trends driving a wholesale reordering of the healthcare industry. Our subject organization responded as many larger healthcare systems have: by riding a durable wave of consolidation; snapping up smaller competing and complementary providers to maintain relative scale.

Simply keeping pace with acquisitive competitors does not guarantee success in an industry as complex as healthcare, of course. For too long, this healthcare organization remained largely decentralized, giving acquired units the freedom to operate more or less as they had before. Leadership focused, defensibly, on gaining through growth. It struggled to do the much harder work of consolidating that growth. It struggled to adopt an integrated, cohesive structure that would increase efficiency, foster innovation, reduce waste, lower cost, and ultimately position the organization to build a brand around the delivery of best-in-class stakeholder experience.

This struggle was a root cause of the organization's misalignment. Amid all the present-day challenges facing the industry, not to mention the second-order challenges likely to arise in the coming

years, successful healthcare organizations simply can't afford to operate as decentralized amalgamations of semi-autonomous operating units. What works for global holding companies doesn't work for modern U.S.-based healthcare nonprofits. To thrive, the organization had to transform into a more integrated, collaborative enterprise united by a single, cohesive set of shared cultural and technical capabilities.

Its chief human resources officer (CHRO) saw this as clearly as anyone. Surveying the industry landscape, then turning his attention inward to his employer's existing structure, he realized that his department would be pivotal in enabling the coming realignment. This realignment would touch a dizzying amalgam of business processes and demand major changes in personnel, chains of command, and workflows.

This meant HR, with nearly 1,000 employees and more than \$100 million in direct service costs, had to undergo a transformation of its own. That transformation would serve two purposes: to enable the wider organization's realignment and to become more like the transformed organization-to-be.

Solution

The Way Out of the Woods: Defining a Unified Vision

Our subject organization's HR transformation leveraged a proprietary framework developed by RBL and an RBL colleague and HR business executive experienced in leading successful HR transformations. This model reimaged the organization's HR department as an outwardly oriented value multiplier concerned more with optimizing outcomes, not activities.

"The previous incarnation of HR focused primarily on the activities of HR, such as talent acquisition, compensation, and benefits," says RBL consultant. "The goal of this transformation was to shift that focus from activities to business relevant outcomes, and to create a more nimble and agile organization in the process."

The transformation for this healthcare provider envisioned a sustainable, built-to-scale HR operating model that would



address core HR challenges hampering the organization's performance by:

- Leveraging technology and standard, repeatable HR processes to drive efficiency
- Using an organization-wide lens to structure the department and organize work
- Freeing up executive-facing HR leaders for strategic support work
- Redoubling support for organizational talent and developing a uniformly positive employee experience regardless of location or operating unit

Before the transformation design team could begin implementation, it had to lay the foundation. Team members needed to help the organization articulate corporate and business strategies to determine how best to allocate its resources, attention, and capacity to building and strengthening its "advantage work" — the select few technical capabilities essential to generating profitable growth and sustainable market advantage — and optimizing the shared "strategic support" services, including certain functions of HR, that directly facilitate advantage work.

Fortunately, the organization didn't need to wholly reimagine itself. It was and always had been in the business of healthcare delivery. But it did need to adopt a coherent strategic model that defined the structure of its portfolio of services, the direction of its growth, its

key competitive differentiators, and the cultural capabilities that would sharpen those market differentiators over time.

With the consultants' help, the organization landed on an "Integrated" corporate strategy (one business) and a "Product" direction of growth: a tightly focused solution with a broad pool of potential customers. An elegant, single-sentence value proposition summed up this model: "We offer a bundled health care solution that includes comprehensive access, diagnostics, treatment, administrative simplicity, and a caring patient experience." This model and proposition aligned with three cultural capabilities: Service, Collaboration, and Talent.

These three capabilities would serve as a North Star for the work that followed: building, implementing, and optimizing an HR transformation that would help eliminate nonessential work, maximize the efficiency of essential support processes, and optimize strategic support work for maximum leverage and responsiveness to business needs - all in support of developing best-in-class technical capabilities ("advantage work") that put the organization in the best possible position to succeed. To guide this work and anchor its unified HR operating model, the consultants laid out three core principles of a well-designed HR organization:

- Organized and resourced to deliver high impact strategic support work, at industry best levels.
- Set up to deliver essential support work as efficiently as possible, at industry parity.
- Designed to structurally separate essential support and strategic support work (and keep them separate!).

In Year 1, with the building blocks of the unified HR vision structurally designed at the macro level, and the organization's resultant executive HR leadership in place, the design team sketched out the newly defined and streamlined HR function's structure.

Key to this structure were three people-centered platforms responsible for delivering integrated HR support:

- **HR Shared Services (HRSS):** Key HRSS responsibilities include supporting technology-driven HR standardization and self-service, providing a supportive colleague and manager experience with essential and/or transactional HR functions, and ultimately enabling the strategic HR focus of the COEs and HRBPs.
- **Centers of Expertise (COEs):** The organization's five distinct Centers of Expertise each bear responsibility for a critical strategic HR function: HR planning and development, talent acquisition, organization effectiveness, colleague and labor relations, and total rewards.

- **HR Business Partners (HRBPs):** Focused on all things related to talent and culture, including the diversity and inclusion function, HRBPs are vice president- and director-level colleagues acting as integrating linchpins between COEs and business units and bear responsibility for leading and aligning their respective strategies.

All three platforms would be overseen by an HR Executive Council responsible for HR strategy and governance. Council membership included the lead system CHRO, regional CHROs, and the system-aligned executives responsible for COE and HRSS functions.

Now, it was time for the HR design team to get back to work. The transformation would continue unfolding in three phases.

1. Build: Year 1

This phase established the unified structure that would guide the transformation and anchor it in place long after RBL left town. Major deliverables included:

- Establishing the HR Executive Council
- Standing up the COEs
- Expanding the HR service center to accommodate the HRSS model
- Establishing HRBP linkages to align policies and practices across disparate HR units, with the ultimate aim of reducing variability in HR activities and outcomes

- Planning for HR workforce changes and service transitions
- Rolling out Workday, the organization's HR information system
- Putting additional service technologies in place, including a colleague-facing user portal

2. Implement: Year 2

This phase brought the unified vision to life and discarded the old way of doing things. Major deliverables included:

- Extending the build to the entire organization
- Transitioning business units to the new framework
- Transitioning specific HR functions to the new integrated framework
- Using learnings from previous HR go-lives to facilitate an iterative, maximally efficient implementation
- Refining leadership, governance, and service delivery models, as needed

3. Optimize: Year 3 and Beyond

This phase will see the unified HR vision fully implemented in practice, with HR stakeholders principally responsible for refining, improving, and optimizing it in accordance with the organization's business needs. It is well underway today; continuous improvement never ends, after all.

Results

Better Than Before: Taking Stock of a Transformed Organization

Phases one and two of our healthcare organization's HR transformation are in the books. What does the enterprise have to show for it?

Quite a lot, says an SVP, at least with regards to HR itself. "We effectively restructured and realigned the enterprise's HR function, which is no small feat in a \$20 billion organization," he says. Beyond increases in strategic clarity and employee engagement, plus significant HR infrastructure cost savings, it's far too early to draw conclusions about the transformation's impact yet on the organization's overall business strategy or performance. This is to be anticipated during the optimization phase.



One of the clearest outcomes thus far — and one of the most positive — concerns how HR colleagues' work. "People are working differently," says the SVP. "They're more collaborative, more efficient, and better positioned to advance the three capabilities that define the organization: Service, Collaboration, and Talent."

This outcome wouldn't be possible without the unified HR vision's three-platform structure. By organizing HR essential support work to drive efficiency, this is freeing up the HR Business Partners and Centers of Expertise to do more HR strategic support work. For COEs, that work involves optimizing the core HR functions for which they bear responsibility; for HRBPs, it entails cultivating communities of practice that increase the capability of major support service lines or functions within discrete operating units while facilitating collaboration and resource-sharing across units and service geographies.

Both platforms' work directly supports and leverages the advantage work that's so vital to the organization's competitive position in a tumultuous industry. But it's the combination of all three platforms relative to the organization's technical and cultural capabilities that really distinguishes this unified HR model and gives its practitioners a competitive edge.

By building nationally-aligned capabilities within geographically distributed operating units, HRBPs empower local and regional HR essential

and HR strategic support personnel to — fundamentally — solve their own problems. Simultaneously, by establishing whole-organization communities of practice dedicated to specific functions, such as clinical and supply chain, HRBPs enable the efficient sharing of solutions and best practices across geographies — potentially rendering as manageable problems that would seem intractable to isolated functionaries without the benefit of systemwide knowledge-sharing.

Call it the best of both worlds.

"This Is Tough Sledding"

With RBL's help, the organization has made great strides in transforming its HR processes and enable its key drivers of value in a relatively short time span.

To be sure, the work isn't done. Ultimately, the organization's success depends on the HR leadership team's strong commitment to continuous improvement in HR processes, practices, and metrics. It's too early to measure its impact on the organization's core advantage work, let alone its financial impact, market position, or the familiar metrics that measure the performance of any HR function: turnover, colleague engagement, talent retention, and workforce diversity. No one is claiming this kind of victory yet.

Nonetheless, this transformation has already progressed further and produced more tangible results than the two prior

efforts combined. That's cause for well-earned optimism that the organization will sustain its gains long after RBL exits, says the sponsor. In his estimation, the decisive initial factor was the HR design team's success in persuading key stakeholders to engage in RBL's outside-in methodology and fully commit to leveraging it in a wholesale transformation of HR at an enterprise level.

"Transforming HR takes tremendous vision, commitment, and resilience to go beyond incremental change," says a pleased SVP. "This is tough sledding indeed — and well worth the stretch!"

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Learn more about RBL's approach to HR Transformation.

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