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Getting beyond bureaucracy in human resources

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By becoming more strategic and operating with an edge, corporate HR departments can boost their effectiveness and shed their bureaucratic reputation.

At big corporations, human-resource organizations frequently conjure up images of bureaucratic weight and paper pushing. Need that be true? This question comes into sharp relief in McKinsey alumnus Peter L. Allen's description of HR approaches at his company, Agoda, which has been trying, with some success, to minimize the need for many traditional HR processes while transferring others to business leaders. (See "Toward a new HR philosophy," on mckinsey.com.) Although it's easiest to see how some of Agoda's human-resource initiatives apply to start-ups, our experience shows that it's also possible to right the balance in large organizations without going too far. Getting more strategic and operating with an edge often are two keys to success.

Getting more strategic

One reason large organizations end up with a supersized human-resource infrastructure is that the business rationale for HR processes has been lost. But there's an antidote to massive HR systems, questionnaire overload, and multipage templates: stimulating a dialogue about the underlying strategic purpose of those tools—a dialogue that often helps management realize that they can be controlled and applied more effectively. A global healthcare company, for example, realized that its performance-review process gave it only a superficial understanding of who its high performers were and what feedback helped them to develop. It decided to deemphasize a time-honored nine-box calibration grid in its evaluation

procedures and radically simplified employee reviews. We also know a senior leader who reduced his company's performance-review form from four pages to four questions—but who rightly insisted that those four questions had to be answered and tracked more rigorously.

In the latter case, the leader was a chief human resources officer (CHRO) with the insight to identify core business issues and the discipline to eliminate redundancies. Strategic leadership can come from outside HR, too. A financial-services company recently charged its second-highest-ranking executive with personally directing talent-review procedures for top professionals across the firm. That required him to take a step back and assess the business's most significant talent indicators, which turned out to be poorly reflected in its HR systems. The company's leaders, previously stuck in a process-oriented rut, have now articulated the strategic rationale for what they are doing and why it's important—in this case, to understand the company's people, help fill talent gaps, and thereby improve returns. It is now building a database and infrastructure to capture those results and make the highest performers more visible. HR might have had a difficult time, on its own, committing the company to new performance criteria and gaining the resources to update its systems, but collaboration with a major leader gave the effort teeth.

Operating with an edge

It's easy to say, "HR needs to let go and get out of the way," but the pendulum

can easily swing too far in the other direction: granting managers unlimited freedom in making HR decisions can generate too much variability, potential liability exposure, and cost creep. Moreover, when HR pulls back too far, it misses opportunities for using rigor and facts to gain predictive insights, whose potential is growing with big data and advanced analytics.¹

Talent pools and gaps

High-quality, timely information about talent pools and gaps represents a competitive advantage that HR is uniquely positioned to provide. For example, a grocery line manager in a global retail organization may have proved herself in Argentina just as a gap opened up in Mexico. An oil and gas organization may have a budding leader who is running out of growth headroom in the Middle East and a need for similar expertise in a bigger role in Houston. HR should ensure that these critical connections get made and then help line managers seize opportunities. The best HR organizations also offer a perspective on emerging gaps. For example, as digitization becomes more critical to cars,² leading automakers need to put more emphasis on recruiting computer engineers—a challenge for organizations accustomed to recruiting mechanical engineers.

Compliance

Compliance efforts in areas such as labor and antidiscrimination obligations can easily make forms and layers of bureaucracy proliferate. But while an overly assertive HR department can constrain the smooth functioning of a business, companies are no better served by a "wallflower" department that

misses red flags or neglects to enforce discipline. A rigorous HR function—an “adviser with an edge”—should track and interpret data and assert a point of view: “yes, we are doing well realizing internal goals or meeting industry benchmarks” or “no, we may be beginning to run off the rails.”

One leading consumer-packaged-goods manufacturer and distributor, where onsite generalists had previously taken the lead, recently created a “SWAT team” for labor relations and compliance. The team discreetly monitors metrics for proven warning signs and moves in when the company needs subject-matter expertise. Oversight has improved and line managers have clear incentives to get compliance right—without forcing HR professionals to become omnipresent process police. Rather, their mission is to interpret events and respond rapidly to potentially significant breakdowns.

Leadership development

Many leadership-development efforts don’t achieve their goals, because they ignore the business context and offer insufficient opportunities for personal reflection and individualization.³ While it would be easy to conclude that corporate HR can add little value to leadership development, the reality is more complicated. Letting “a thousand flowers bloom” often means that leadership gets ignored in some corners of a company and that others reinvent the wheel too often. An assertive HR department clarifies expectations for leadership development across the company, provides a baseline backbone of proven tools and methodologies, and flags priorities to adapt them to the needs of businesses and individuals. HR

and business-unit leaders then collaborate to fine-tune programs.



Managers must lead, and HR must help them to do so. But the well-founded inclination to swing the HR-process pendulum away from bureaucracy and toward a freer hand for management should not lead organizations to veer from “ditch to ditch.” Shifting too drastically is plainly a bad idea; in many cases, a complete HR overhaul is unnecessary. At all events, HR has opportunities to assert its expertise and strategic thinking in a low-profile, nonintrusive way. That requires both rigor and restraint—but, we’ve found, provides the sort of insights about talent, leadership, and performance management that all companies need, regardless of their size. ○

¹ See Bruce Fechey-Lippens, Bill Schaninger, and Karen Tanner, “Power to the new people analytics,” *McKinsey Quarterly*, March 2015, mckinsey.com.

² See Paul Gao, Russell Hensley, and Andreas Zielke, “A road map to the future for the auto industry,” *McKinsey Quarterly*, October 2014, mckinsey.com.

³ See Pierre Gurdjian, Thomas Halbeisen, and Kevin Lane, “Why leadership-development programs fail,” *McKinsey Quarterly*, January 2014, mckinsey.com.

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