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## **FOREWORD**

Cash is an important asset. Even in hard times (*especially* in hard times), organizations endeavor mightily to keep the business going without impairing their capital, except as a last resort.

People are also an important asset. How many times have you heard some senior executive make the claim that “our people are our most important asset”? Yet at the first hint of approaching trouble, many organizations’ initial reaction is to systematically impair the value of their labor force. For example, despite the self-evident logic of Jack Welch’s observation that “in tough times you need training more, not less,” the training budget is often the first casualty of any downturn.

Another frequent victim of hard times is the compensation strategy. Most firms seek to practice some version of “pay for performance” and often spend considerable time and money trying to identify and attract the best people, measure and provide feedback about performance, and give superior financial and nonfinancial rewards to the best performers. When times get tough, however, many organizations abandon whatever pay-for-performance practices are in place in favor of across-the-board budget cuts, hiring freezes, and salary increases that do not differentiate on the basis of performance.

At the other extreme, there are a relative handful of organizations that, sometimes of their own volition but more often because of union or civil service requirements, are ready to live and, if necessary, die for the sake of putting people (or at least, people with seniority) first. Unfortunately, though their intentions may be noble, the inability of these organizations to adapt their strategies to changing conditions is inevitably harmful to both the organization and its people. By far the best approach, as this book persuasively argues, is to devise a flexible workforce strategy that is linked to an organization’s strategic capabilities, thus rendering it useful for strategy execution. Because it is so responsive to changing circumstances, the workforce strategy can then serve to direct resources to people, jobs, and economic opportunities in a way that maximizes value to both the organization and its members. The authors make the important point that workforce differentiation is not achieved merely by “doing HR” in an unusual way, though they do offer the reader many useful tips in this regard. Among the book’s principal contributions is its description of a four-stage framework, backed by many practical examples, of how to devise a workforce strategy for any organization that is in good alignment with the talent requirements of its overall strategy.

Another important contribution of *The Differentiated Workforce* lies in its ability to clarify and simplify the essential ingredients of strategy and the role of strategy in informing organization practice. In some ways, the book reminds me of what we sought to do at Crotonville while I was at GE. By the time I left the company, we had, on average, four requests per workday from organizations seeking to visit, benchmark, or study Crotonville. I recall greeting visiting executives—including CEOs and management committee members of major corporations—by telling them:

My task this morning is to un-impress you, and I feel confident that I will be successful. You’re not going to find out today that we have secret schools from which we recruit or management theories you’ve never heard about. In GE all we do are the basics, but we do them well and, most important, we make sure that all our organizational practices are connected to each other, and to our strategies.

Our goal at GE was not to overly complicate things but rather, as Jack Welch was fond of saying, to “have the courage to be simple.” What Becker, Huselid, and Beatty have done is to take a potentially dense subject and make it clear and comprehensible. To cite just one example: “Firms need to move away from conventional approaches to determining job importance and job worth and toward a model where job value is determined by the strategic capabilities needed to execute strategy. They then need to invest

disproportionately in their most strategic positions, ensuring that they place ‘A’ players in ‘A’ positions for ‘A’ customers.” They go on to explain, in plain language and without suggesting that the reader spend money he or she probably doesn’t have, how this can be done.

However, we all know that it takes more than courage to make complicated things seem simple, so permit me to make one final observation. No small part of the appeal of *The Differentiated Workforce* is that its authors bring to their work an unusual blend of academic rigor and practical advice. Their own careers have been a highly successful blend of research-based articles in the best journals, publications that have significantly contributed to the practice of management, and consultancy to some of the world’s most important and interesting corporations. This combination of insight and experience stands the authors in very good stead, and their book significantly benefits from what they have learned along the way.

Steve Kerr  
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## **PREFACE AND ACKNOWLEDGMENTS**

This book is about the central role that workforce strategy plays in the successful execution of your organization's strategy. In our experience, most firms don't really have a workforce *strategy*. They have talent initiatives and broad expressions that "people are their most important asset," and they can usually point to programs that reflect their investments in people. What's missing is the kind of focus—what we call *workforce differentiation*—in these efforts that results in clear and demonstrable strategic impact. To put it bluntly, the problem is that most of these initiatives begin with people, rather than with strategy.

This book puts strategy first using your workforce strategy to drive your organizational strategy. Putting strategy first means making choices that recognize that jobs and roles can differ dramatically in the extent to which they contribute strategically and that the workforce needs to be managed accordingly. Differentiation is not just a feature of a successful workforce strategy; it is *the* most important feature. It requires that you understand where you invest, what jobs you focus on, who is held accountable for workforce success, and how success is measured. This means that developing and executing a workforce strategy is both a business decision *and* an HR decision. As such, the ideas in this book are equally important for line managers and HR professionals.

The approach to workforce strategy described here is practical, research based, and above all, will deliver results. As academics, our research focuses on the relationships among HR, workforce issues, and firm performance. Our research has appeared in the leading academic journals and continues to be some of the most heavily cited work in the field of management. But just as important, we have tested and revised these ideas as part of our consulting and executive education activities. In short, they are "taxi tested."

For more than twenty years, we have tried to transform the way academics and managers think about human resources and workforce management. Our view is that HR—the function and the practice—should have a more significant impact on the fortunes of the organization. HR as a function should be more than an administrative cost center, and HR as a practice should be more than a collection of functional techniques.

When we think of HR transformation, we think of a *broader* role, not just a different role. While traditional roles requiring transactional efficiency, policy compliance, employee relations, and program management skills continue to have value, HR transformation means only one thing to us: the HR function, line managers, and some portion of an organization's HR professionals will be jointly responsible for strategy execution. Measured in terms of the potential impact on firm success, this is without doubt the most important HR role in the twenty-first century.

There are a lot of books, consulting practices, and even academics who use strategic, HR, and workforce in the same sentence. Too often this reminds us of what we like to call "HR alchemy." Traditional operational and administrative activities are simply given a strategic patina. By contrast, our approach is a fundamentally different way to think about the role of HR in your organization and, more broadly, the role of the workforce. As a result, the transformation is not limited to HR professionals; it includes line managers as well. To be successful, a strategic role for HR requires a responsibility for workforce strategy that is shared with line managers.

### **Acknowledgments**

For Brian Becker and Mark Huselid, this is the third book (and the second for Dick Beatty) published by the Harvard Business Press on a continuing theme—how should organizations manage their workforce and HR functions to build a competitive advantage? The book is particularly focused on translating this theme into action. Such an undertaking is possible only with the generous advice and feedback of our colleagues, our students, and our

consulting clients. Each provided the different perspectives required to make this project possible.

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