

How Well is HR Supporting Your Business?

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HR – Help or Hell?

Not long ago, I spent an hour in the classroom with the students from our Executive MBA Worldwide program, and witnessed a most interesting survey being carried out in real time.

Professor Gary Florkowski asked a group of 20 executives to rate their satisfaction with the HR function in their companies. Here are the results:

- 25% indicated that HR is a valuable contributor to their business;
- 60% indicated that HR doesn't really make any difference to their business success;
- and 15% said that HR actually complicated their business!

If you ask people around you “How well does HR support you to achieve your business objectives?” chances are that you will get answers very similar to the outcomes in this improvised survey. Why is it that there aren't more companies saying that the HR function is actually helping them to be more successful in business? How would *you* rate HR in your company?

Eager to share the reason for his dissatisfaction, one of the students pointed his finger at the professor: “I will tell you what is wrong with HR! All they are telling me is “you can't do this, you can't do that!” ... Do something positive for me – help me solve my business problems!”

How did HR Get to This Point?

Indeed, historically, HR has been rather reactive and very little pro-active. Companies started creating HR departments in the late 1800s and early 1900s in response to the changes brought by the industrial revolution. The goal was to teach people a single uniform set of behaviors on the job, and give incentives to keep replicating those behaviors. People were viewed as interchangeable parts, and managing them was a sort of an “industrial engineering exercise”. In the production environment of the early 20th century this worked. But as we increase the complexity of what we do in manufacturing, as we become more and more of a service-driven economy, it's not so easy to standardize behaviors and replicate them, and it is not really what we want – innovation is essential.

In their evolution, HR departments had many different names and roles – labor relations, industrial relations, personnel administration... HR focused on employee administration, worker’s rights, trade union relations, legal compliance and in many former or current communist systems HR departments had a political, not business function. They were the eyes and the ears of the party they worked with.

The challenge today is to overcome this tradition and perception of HR, and use HR to help the rest of the organizations to be more competitive. We talk about the Role of HR as a strategic business partner. We talk about organizational effectiveness, human capital and organizational capabilities. It is argued that the mission of the HR function should be to increase the success of the organization by improving decisions that depend on or impact people (Boudreau and Ramstad, 2007).

What is Best Practice in HR Today?

Perhaps the most widely recognized model for modern HR was developed by Dave Ulrich, in his book “Human Resource Champions” (1997). The model is a simple matrix that shows the roles of HR based on two sets of criteria: (1) process versus people focus; and (2) future (strategic) versus day-to-day (operational) focus. Here it is:

HR Roles in Building a Competitive Organization (D. Ulrich)



HR has different accountabilities depending on its role in business, which means that HR professionals today need to develop new competencies, and work with new HR service delivery models. Here is an outline of the accountabilities that could be assigned to each role:

Strategic Partner

- Strategic HR Planning
- HR as a business partner
- Culture and Image

Change Agent

- Staffing and Talent Management
- Organizational Design
- Survey Action Planning
- Performance Management
- Training and Development

Administrative Expert

- Compensation and benefits
- HR information systems
- Legal compliance

Employee Champion (Employee Relations Expert)

- Employee relations
- Labor relations
- Safety and workers' compensation
- Diversity and Equal Employment Opportunity

In any size of company, all of these roles are important. Historically, companies have managed better the roles in the lower two quadrants. The roles in the upper two quadrants are much newer, and therefore more challenging for companies develop.

Transactional versus Transformational (Consulting) Roles of HR

Defining the roles of HR in a new way has provided the language and insight that allow companies to change their models of HR delivery. Realizing that the roles of Administrative Expert and Employee Relations Expert have a mostly transactional (recurring, repetitive, technical) character, has led companies to consider outsourcing or shared service centers for these roles. These are roles that no one notices if done well, but ones that can have devastating consequences if not performed well.

Think of payroll and benefits administration, tax and social security compliance, employee safety processes, legal compliance, or employee data maintenance – all of these are transactional or operational aspects of HR that are absolutely fundamental must-haves in business. Without ensuring that these basic functions are reliably performed the business

is in serious trouble. So it is mandatory that the basic HR operations run seamlessly. Consequently, in performing these jobs, the key factors that contribute to business success are reliability and efficiency - by ensuring seamless basic operations, the business can cut costs and mitigate risks. But can the transactional aspects of HR increase revenue?

Assuming that the transactional and legally required parts of the HR job are managed reliably and efficiently, the big opportunity to really create value and increase revenue in business comes from the jobs in the top two quadrants – Strategic Partner and Change Agent. In these roles, HR can be instrumental in transforming the organization to be more competitive - changing the culture and image of the company; selecting, motivating and retaining talent; improving performance management. All of these jobs, if aligned with the company's strategy, have the highest potential to create value and increase the business's topline.

Aligning HR with business strategy means asking questions like “Does the business strategy require a new type of talent? How will we get that talent?” or “Do our performance management systems reflect this year's strategy?” “How can we create an internal culture and processes that support innovation?” or “How does employee engagement and satisfaction affect customer satisfaction”

To perform these new jobs, HR professionals must have an entirely new set of skills. HR expertise must be complemented with understanding the company's business, the industry and larger economic context. HR professionals in these roles must develop consulting skills, the ability to be a trusted business advisor to management so that they can enable the creation of business value through people and people-related decisions.

Big or Small, Have it All

This is a publication for small and medium-sized companies, and I can hear you say: How are the various roles of HR relevant for a small company? One that may not even have an HR department?

HR departments become feasible once a company reaches a certain size, usually around 100 people. Until then, there is simply not enough work for full-time HR professionals. The HR processes may be less complex, but there is still a need for *all* of the HR roles. Some of them may be outsourced, others will be performed by the CEO, the Finance Manager, or even the secretary. These people need the strategy, structure and skills that will enable them to deliver the jobs in these roles successfully.

As the student from the beginning of the is article learnt, if you would like to have an HR function that really supports your business and creates value for your organization, you may start with these 3 things: (1) align HR strategy and business strategy: define success in

terms of HR contribution, assign responsibilities and measure success; (2) bring HR in the Boardroom - ensure that organizational structure and culture allows HR to make strategic contributions, and (3) develop the skills of HR professionals to perform successfully in their new roles.

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