

Six Steps to Putting HR on the Path to Corporate Strategic Partner



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By Robert Staeheli & David Lyons

The Human Resources function struggles to fulfill its potential as a strategic business partner. In most organizations, HR is reactive when it needs to be proactive, and it's had mixed results when it comes to balancing costly in-house expertise with less costly external resources to create and deliver a seamless set of value-added services.

Transforming HR has been promoted and written about for at least 20 years, and certainly there have been improvements in how the function operates during that time. Yet, most attempts to achieve strategic business partner status have fallen short—and for reasons that are fairly common among different types of businesses. Chief among those reasons is that HR hasn't yet completed the process of transformation.

The solution? In our work with global organizations we've identified six key steps that HR functions must take to set itself on the path of being welcome at the table as a strategic partner:

Six Steps Toward Transformation

1. Separate HR Operations from HR Strategy. While HR strategy and operations are equally important, there is often confusion between them within the HRBP role. What's needed is to establish clearly distinct roles to free strategists to focus

on diagnosing and developing solutions to meet business needs, while enabling business partners designated as operational to execute strategy and provide general support.

With better defined roles you can adopt a strategic approach to sourcing and developing HR experts, rotating talent into HR from other areas of the business and vice versa. And, you can reduce costs over time since you'll no longer need to pay a premium for all HRBP candidates in pursuit of senior influencer competencies.

Once you've defined the operational role, an organization can more easily create flexible pools of operational HRBPs configured to support specific business units, functions, or geographic areas. Working together, the company's HR strategists, the Centers of Excellence, and the business can diagnose needs, develop solutions, and hand off execution to these flexible pools. They are a powerful way to manage supply and demand and prevent individual HRBPs from becoming overwhelmed or under-utilized.

Key activities to begin this step include assessing how your people spend their time, determining if they are delivering what the business needs, and investigating organizational options for separating operations and strategy.

2. Customize your HR services and prioritize HR investment appropriately. There must be a clear alignment between the business, HR strategy, and the HR service portfolio. Further, HR service levels should be differentiated and assigned costs. Certainly all business units will receive some mandatory or required HR services, but other HR services should be selected—and paid for—by business units on a needs basis. Create a service catalogue from which business units or functions can select the type and level of discretionary services they need. For example, units directly involved in revenue-generating activities may require different services and a higher level of investment in people-development activities than other business units.

Differentiating HR services ensures that HR is better able to target services, prioritize investment, and size itself appropriately. It also clarifies what the business unit is accountable for versus HR and service-level expectations.

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To test your ability to differentiate HR services, start by determining if the right HR services are being provided at the right level to the right groups. Consider which groups will benefit from receiving a greater or different level of HR

investment than others, and then formulate your catalogue detailing service options.

3. Harmonize HR policy and standardize lean processes. Many global organizations wrestle with the challenges of having numerous variations in processes and policies. This perpetuates large teams and hinders the possibility of pushing further transactional work to the shared services center. It also limits the chance of freeing up strategists, and turns HR into policy enforcers rather than business partners—the very situation we're trying to rectify.

While business and legal impediments make it impossible to harmonize and standardize all global policy and process variants, it should be done wherever possible. In fact, the evolution of shared services is towards multi-function, globally shared services, with up to 85 percent standardization and a hybrid in-house/outsourced approach.

The ultimate model is Global Business Services, with true globally standard customer-centric processes. But this doesn't mean treating all customer groups the same. It means standardizing processes where standardization makes sense.

Within this step, assess where process and policy variance is essential, and use technology and outsourcing options to harmonize and standardize all other activities.

4. Integrate HR systems, automate activities, and clean your data. Loosely coupled or poorly integrated HR systems are the epitome of inefficiency. Not only does a lack of integration create extra manual effort, it also makes data quality harder to manage. Getting data accurate and consistent in one place is a challenge; having to do the same across a complex HR applications portfolio is even more so. But data quality is a user experience issue. Poor quality data creates a negative user experience—both for those

working inside the function and those customers receiving HR service.

Tidying up the applications estate in conjunction with a rigorous focus on key global data items, and implementing consistent terms and conditions, can lead to streamlined policies, processes, and data. This, in turn, can lead to a large reduction in any ongoing shared service maintenance costs.

Keep in mind that in the context of applications “tidying,” some vendors describe the benefits of a “unified” approach (housing in a single application) as opposed to an “integrated” approach, highlighting a difference in outcome. It’s obviously self-serving to their architecture and approach, but the concept behind it is a good one.

If there’s no budget for direct investment available for estate improvements, outsourcing should be considered to gain access to technology. And, you should always consider a data approach alongside any review of sunset opportunities in your current systems.

5. Identify outsourcing opportunities and manage vendors effectively. We believe that HR functions should capitalize on opportunities to outsource processes and services to reduce cost, manage compliance risk, and access technology.

Conduct a thorough assessment of HR services and processes to identify those that are ripe for outsourcing—either now or in the future. The assessment should target activities which can be done better or at a lower cost by a third party and aren’t core to your business. When selecting a provider, cost should be balanced with quality. Effective client-side vendor management capability should be in place, underpinned with service-level agreements to avoid services falling short of expectations.

For those 60 percent of HR departments already outsourcing some aspect of HR, take stock of how you can incentivize

better service delivery and analytical data interpretation that can drive upstream improvements in HR policies, processes, and technologies.

6. Build managers’ capability to manage their people and market HR services to the enterprise. Customer interaction is an aspect of the HR model that’s often overlooked. If you want the HR service delivery model to function smoothly, you must help managers understand their people management responsibilities and be successful and efficient at using the technology and information that’s available.

It is essential to promote HR services and access points, and educate and develop managers to ensure they can discharge their people management responsibilities. Top companies drive this by focusing on both manager induction and development programs. The induction should include awareness of typical people-management tasks, how to perform these tasks, and where to go for help and information. Emphasize the practical, as building strong, rounded people managers is the role of longer-term development programs.

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Key activities to achieve this step include developing a multi-channel marketing and communications plan to promote services and keep customers abreast of changes. Deliver appropriate education as a compulsory feature of management and leadership cadre induction and training courses.

A Structured Approach to Becoming a Strategic Business Player

At the ground level the issues can be complex. Start by focusing on what needs to be fixed by understanding what customers need and their perception of how well you're delivering on that need. Understand fully how your current HR staff spends their time and what their work experience is. You can learn this through focus groups, interviews, and a time/activity allocation survey.

With that knowledge you can determine which of the six areas you need to address first—and to what extent—so that you can improve customer service, achieve cost effectiveness, and deliver value to the business.

HR is a critical component of all organizations. But it has traditionally been seen as a transactional, not strategic, player. If HR functions want to evolve from being followers to being leaders on the corporate team, they must be better positioned internally to address key workforce challenges. They must offer real and perceived value to the business. Focusing on the six steps above will put you on the path to transforming your HR organization into a value leader that deserves a role as a strategic partner.

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