

“REVOLUTION OF HR FUNCTIONS”

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Abstract:

In response to changing business demands and the evolving role of HR, this article focuses on a new global Human Resources (HR) transformation approach along the following lines:

- Providing an overview of a business-driven HR transformation approach, which focuses on understanding the key business priorities and driving consensus with executive leadership,
 - Aligning the key components that underpin a successful business-driven HR transformation.
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'HR has to shed its old myths, adopt new competencies, redefine roles focused on results and evolve into a true profession that makes difference for the organization.' – Dave Ulrich

People and talent issues are widely recognized as critical to business success in both good and bad economic times. As the economy worsens, people issues such as workforce management, retention, organization restructuring, and employee engagement are often cited as the executive committee's top issues. As economies recover, business issues related to recovery such as building workforce strategies that are based on workforce trends and demographic shifts, entry into new and emerging markets, globally mobile workforces, and ever-changing risk and threats become top priorities. In either case, HR leaders are being asked to ensure that their priorities, organization, resources, and budgets are aligned with the business issues. In HR organizations today, there is no such thing as business as usual.

HR transformation as the tool for HR organization change:

Human resources transformation refers to the massive restructuring of corporate human resources (HR) departments that took place in the decade or so after 1995. Before that, the staff in HR departments had generally been seen as administrators, not as people to be involved in high-level strategic discussions. HR staff saw themselves as lifetime career specialists with little need for knowledge or experience of what the rest of the business was about.

But with the growing appreciation of the value of a company's human assets, and a need to ensure that the talent that an organisation requires is not just on board but also properly motivated, the role of HR has more and more come to be seen as strategic. The old-style HR that dealt with strikes, bonuses and gripes was rarely suited to this task.

So companies began to look at ways to revamp their HR departments. They were heavily influenced by the ideas of Dave Ulrich, a professor of business at the Ross School of Business at the University of Michigan and author of a 1997 bestseller, "Human Resource Champions", the book that more than any other set the HR transformation ball rolling. Ulrich's idea was that the HR function should be divided into three:

- what are normally called shared service centres (SSCs), groups that deliver the traditional HR services (and do jobs that can often be easily outsourced);
- something described as centres of expertise (COEs), which house the designers of remuneration packages that ensure an organisation can attract the people that it needs;
- business partners, HR people whose job it is to do high falutin' strategic thinking.

Most HR executives see HR transformation as the vehicle they can use to refocus their HR organizations on the right business issues and to deliver services in an efficient, effective, and compliant manner. Deloitte¹ recently conducted an HR Transformation survey of 150 global companies each with more than US\$2 billion in revenue. The results showed that more than 84 percent of respondents are either currently transforming HR or are planning to do so. For many years, companies have been striving to “transform HR” by improving the efficiency and effectiveness of HR operations. However, operational excellence is just a starting point for HR transformation — a part of an effective, holistic transformation.

The majority of survey respondents still hold a view that is based on the pyramid model in which most of the work that HR does is administrative in nature. This defined the traditional view of HR transformation, with significant focus placed on initiatives such as process standardization, implementation of standard HR systems and tools, and the formation of a shared services organization to deal with HR operations. As a result, most companies that adopt this strategy and approach are focused on cost savings in an area that accounts for less than one percent of corporate revenue. It is a long and indirect way for HR to help support their company’s business strategy. What most companies really need is for HR to help tackle the business issues that they face today. By transforming HR administration and operations, HR resources can be freed up to deal with more strategic business issues.

Very few respondents to the Deloitte survey indicated they are transforming HR so that it can become a strategic business “partner.” Only 35 percent cite building HR capability as a transformation driver, and even fewer (30 percent) said transformation is driven by the need to free HR to undertake a more strategic role.

An Overview of Business-Driven HR: A New Approach to HR Transformation

Strategically thinking with the business end in mind:

Companies need to take a new, meaningful look at HR transformation. The term “HR transformation” has too often become synonymous with implementing new technology, centralizing administration, or transitioning to business process outsourcing. However, these efforts alone will likely fail to produce the desired results for the business.

As we establish the importance of HR’s strategic role in supporting the business, the approach towards HR transformation must be redefined. A transformation begins with understanding both the execution expectations and the strategic requirements of the business. This is the main differentiator of the new approach — strategically thinking with the end in mind, engaging the business up-front to identify the main business drivers behind the transformation, and ensuring business leadership commitment and support for the transformation.

Focusing on the right business priorities

To transform, the first thing HR must do is confirm that it is focusing on the right priorities and building programs that are meaningful to the business. If the HR function at large is not focused on the right business needs and delivering meaningful services, then changing HR service delivery models will not lead to the desired outcomes. This new business-driven HR approach reduces the risk to HR of proceeding toward a transformation without a plan that focuses on the services that the business needs and wants.

Building consensus with business leadership

Achieving success also requires building consensus — consensus with business leadership that the HR vision, services, and delivery model are aligned to their needs, and consensus within the global HR organization about the plan forward. To create a successful transformation, consensus must be obtained at a high level within the company. By focusing on business needs and developing a clear set of priorities, the proposed approach should set the stage for success. This

up-front effort to create business alignment, consensus, and a solid implementation roadmap should yield better long-term results for the transformation. It is critical to conduct this strategic HR service prioritization in the beginning to identify the key HR services to provide to the business.

Done right, business-driven HR transformation delivers an HR function that is both operationally sound, and even more importantly, completely aligned with a company's strategic objectives — whatever they may be. At the same time, HR services are delivered at lower cost and in a more compliant manner. HR is also better positioned to meet the changing business demands in this volatile economy.

Aligning HR with the Business

Are the right types of conversations taking place between HR leaders and business executives? Is HR strategically aligned with the business objectives? What is HR's role in adding value to the business?

Business-driven HR transformation strives to answer the preceding questions and to align the following key components of HR with the business:

1. The chief human resources officer (CHRO) with the CEO and other members of the Top Level Management,
2. The CHRO mandate with the company's business strategy and plan, and
3. Ensuring that HR provides the services that the business needs and wants.

These are the basic guiding principles that underpin business-driven HR.

Adding Value to the Business

The results from the business-driven HR approach are meaningful to the business as the HR and business objectives and expectations have been aligned from the start. The outcomes also reflect a strategic view of the long-term business plan; hence the results are long-lasting.

The business and HR are aligned

The HR strategy facilitates business and HR alignment, such as building the capability to perform effective global workforce planning and linking the planning efforts to talent management plans and requirements.

The new model supports cultural change

The new model provides prioritized HR services that drive business value, helping HR to build credibility and trust throughout the business.

The new services model enables revenue growth, talent and operational effectiveness

The HR strategy explicitly states what services HR will provide to support revenue growth. This includes support for new markets, mergers and acquisitions, new product development and innovation. By building HR capabilities to focus on high-growth markets, talent can be quickly and effectively sourced as needed. HR can also partner with the business to evaluate various outsourcing or off shoring strategies to reduce cost.

Effective cost and value drives are understood

The new HR organization and service delivery model is in line with the business revenue and operating models. HR's cost reduction efforts are coordinated with tax, finance, and other enterprise cost reduction efforts to help maximize effectiveness.

Global design supports local compliance

The new model supports development of capabilities to ensure local compliance of workforce regulations in all geographies.

Embarking on a New Business-Driven HR Transformation Approach

New business challenges are forcing CHROs to re-evaluate their role and how they can best position the HR function to make sure that HR has an active role in implementing business strategy. Business leaders are increasingly expecting HR leaders to be strategic, executive-level advisors, mobilizing HR to support key business drivers.

HR transformation must begin with understanding business priorities and initiatives, then aligning the HR organization and its services, programs, resources and policies toward those objectives. Instead of focusing primarily on HR operations and administration, it focuses on creating business value by aligning HR's services and capabilities with a company's strategic needs and priorities.

As such, it affects nearly all aspects of the business, from human resources and technology to real estate, risk, compliance and tax. HR must deliver the HR services needed to support the organization's business strategy, which most often focuses on revenue growth, talent and operational effectiveness. The HR organization needs to make sure that they are doing the right work and that the work is done at the right level within the organization — by the right HR role, at the right location, through the right delivery method, which should lead to improved alignment with business goals.

Today's CHROs are positioned to lead as never before. Now is the time to act on this extraordinary opportunity with vision and courage.

HR Need to do differently:

Not surprisingly, HR executives indicate that HR staff are spending the bulk of their time delivering HR services and processing transactions - and that what they want to be doing is partnering with the business to deliver results.

For this transformation to occur, HR executives believe - and we concur - that three things must happen:

- HR staff must upgrade their skills and competencies;
- Companies must invest in process redesign and enabling technology to streamline, consolidate, automate and/or eliminate HR work that is not required by the business;
- Senior managers must demonstrate their belief in the value of people in their organisations - by investing in the HR function to deliver the programs, tools, and information that the business needs to better manage its workforce.

Challenges to HR transformation

■ Limited consensus on what the HR function should/could be

It is difficult for many to see the connection between the fulfillment of their mission and the efficiency and effectiveness of the HR function. The HR value proposition and associated HR best practices are more broadly understood and adopted within the private sector, yet the results of Project Home Run indicate that state-of-the-art HR practices such as implementing call centers, streamlining transactional work to focus on strategic work, improving customer service and introducing employee self-service can successfully be applied within the public sector.

■ Overcoming barriers inherent in public education institutions

Certain features of public education systems pose special, although not unique, challenges for HR transformation initiatives including the cyclical nature of key HR activities such as recruiting, hiring and leaves of absence; teacher certification requirements; the unique managerial role of principals; and tenure and civil service job protection.

■ Winning the hearts and minds of HR stakeholders to achieve lasting change

Helping stakeholders understand and embrace change is critical to project success, yet it is hindered by a number of factors: a lack of understanding among leaders of the value of a strategic HR department; a culture that is unaccustomed to thinking of its work in terms of serving customers and solving problems as opposed to completing tasks; a desire to protect special knowledge to preserve one's position in the organization; profound skepticism toward change programs; environmental impediments to effective communication; and a tendency to underestimate the importance of change management.

Navigating unclear decision-making channels and dealing with unwieldy processes

Many large public organizations have indeterminate decision-making channels that are difficult to chart. The lack of standard operating procedures and the diffusion of responsibilities make it difficult to know what is required and whose authorization is needed to accomplish certain tasks. This confusion, coupled with the unwieldiness of some processes, can add significantly to the length of the project.

■ Coping with constant change in the environment

Public education institutions are subject to frequent change, given swings in the larger political and policy environments. HR transformation, meanwhile, is typically a multiyear endeavor. It requires a significant investment of time and money before results are achieved, during which time key sponsors may leave, structural reforms may be introduced or other high-profile initiatives may take priority. These changes can put an HR transformation project in jeopardy.

Conclusion:

The constant evaluation of the effectiveness of the organization results in the need for the HR professional for transformation. Both knowledge about and the ability to execute successful transformational strategies make the HR professional exceptionally valued. Knowing how to link change to the strategic needs of the organization will minimize employee dissatisfaction and resistance to change.

Organization development, the overarching discipline for change management strategies, gives the HR professional additional challenges. Consciously helping to create the right organization culture, monitoring employee satisfaction, and measuring the results of organization initiatives fall here as well as in the role of employee advocacy.

The HR professional contributes to the organization by constantly assessing the effectiveness of the HR function. It also helps to change in other departments and in work practices. To promote the overall success of the organization, which champions the identification of the organizational mission, vision, values, goals and action plans. Finally, HR Transformation helps determine the measures that will tell the organization how well it is succeeding in all of this.