



REVIEW ARTICLE

HUMAN RESOURCE DEPARTMENT IS A STRATEGIC PARTNER IN BUSINESS

***Thirumal Selvan, S. and Dr. Francis, C.**

Department of Social Work (SF), Madras School of Social Works, Egmore, Chennai -8

ARTICLE INFO

Article History:

Received 24th November, 2016

Received in revised form

25th December, 2016

Accepted 05th January, 2017

Published online 28th February, 2017

ABSTRACT

This article is about Presently HR departments are becoming Strategic Partners in the organization. The role of HR, examines specific strategic activities that HR leaders can engage in choosing strategy options, designing the organization structure to support strategy, and evaluating merger and acquisition opportunities. It means how certain HR skills, activities and organization design elements offer unique opportunities for enhanced contributions in specific strategy areas for them to be an effective Strategic Partner.

Key words:

HR Departments becoming strategic partners in the organisation.

Copyright©2017, Thirumal Selvan and Dr. Francis. This is an open access article distributed under the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

Citation: Thirumal Selvan, S. and Dr. Francis, C. 2017. "Human resource department is a strategic partner in business", *International Journal of Current Research*, 9, (02), 47249-47253.

INTRODUCTION

The myth of being a strategic business partner

Ever since Dave Ulrich and Wayne Brock bank started talking about moving HR from an "operationally reactive" role to a "strategically proactive" role (more than a decade back), every second article talks about why HR should be a "strategic business partner". The premise of these articles is that HR's first priority is to help in delivering business results by enabling the organization to align people with the business goals. In study after study we read about why it is important for HR to be the strategic business partner. The same studies would also point out that only in a very few organizations HR, in fact, are strategic business partners. Then again, which function should not aspire to be a strategic business partner? If you ask procurement, administration, information technology, corporate communication, finance ...any function, they will all say that their function should be a strategic business partner. Understanding business, getting people aligned to the business, and being "strategically proactive" (whatever it means) is a requirement of every function. HR has to be a strategic business partner, but that is not, in my opinion, the pinnacle at the end of a long journey of going through different phases. What is common to every function cannot be the distinguishing feature for one function. What then, is the distinguishing feature of HR?

The changing needs of employees

Predicting the future is a tricky business, particularly if you happen to be around when the "future" arrives. I was reminded of Abraham Lincoln's saying, "The best way to predict your future is to create it!" Which are the organizations that are well placed to predict what people at workplaces will be like in future? Are they not likely to be the people who are already creating great workplaces today? The people who seem to have understood their employees so well, are likely to be ahead of others in seeing how things shift in the workplace. This rather imperfect logic led me to interview a cross section of CEOs and HR leaders of some of the companies that feature in the Top 50 Best Companies to Work for list of Great Place to Work® Institute in India. This article, therefore, is relevant only for the "creamy layer" in the organized sector in India. Also, in line with the language used by many of the CEOs I spoke to, I have avoided using terms which sound like jargon while describing competencies. What are the key drivers for attracting and retaining talent today? Most HR managers will name compensation (and resultant opportunities to fulfil esteem needs), learning opportunities, career growth and instant recognition as some of the more important drivers. While these continue to be important, executives in some of the best workplaces predict that another set of needs will become increasingly more relevant among employees. This is particularly true in India whose demographic profile is very different from the western countries.

*Corresponding author: Thirumal Selvan, S.

Department of Social Work (SF), Madras School of Social Works, Egmore, Chennai -8

1. Autonomy & Freedom- A peek into the future is visible in organizations like Marriott and Google today. Both are magnets for young employees. Both have an extremely high degree of freedom and empowerment. And both have open and transparent communication processes to share information required by employees to exercise their freedom.

2. Higher flexibility and work- life balance- Employees are increasingly going to differentiate between selling their skills and selling their life. Contracts will be based on deliverables and not on time spent. Developed economies like US have more than 22 per cent of their work force in the form of “free agents”- people who are not on the rolls of a company. Even traditional forms of employment will change. IBM, for example, has more than 50 work-life balance programmes and a significant section of employees who work from home.

3. Customized career paths – Infosys has devised 24 career streams, most Organizations have 1 or 2! Why stop at 24? How about one for each employee? Seems impossible in a paradigm where structure follows strategy and people follow structure and roles. Yet in reality, the growth of each person is unique; why should his career growth not be unique?

4. Transparency- Mind tree has a rule called 95:95:95. In 2020 this rule will become 99:100:100 i.e. 99 per cent of the information will be available to 100 per cent of the people, 100 per cent of the time.

5. Opportunity to make a difference globally- For many people, work will move from being a source of living to providing meaning to life. The social impact of business will transcend national boundaries. Social networking using technology will override man made boundaries. A Google, for example, will not be able to justify to its own employees that censorship of its search results is not acceptable elsewhere, but acceptable in China.

Key challenges for HR professionals- what are the current competency gaps?

1. One size fits all approach- This is, by far, the most common refrain against HR, even by HR managers! Amazon or Google is able to track the unique needs of each customer, yet there are businesses where the HR policies for different businesses, say IT and ITES, are the same. Why are employees treated as one composite group, while each customer is acknowledged as unique? Can we still take pride in imposing “uniform policies for all”? “Show me the person and I will show you the policy” might just be the norm for the future! How do we customize our approach for each employee, and yet be a fair employer? Some companies are showing the way. RMSI, for example, has an intranet site for employees to apply for any policy exceptions by giving reasons. Decisions are taken within a specified time frame and posted on the same site. Employees know that HR policies are meant to attract & retain people and not do the opposite.

2. Straight jacketed and inflexible career paths-Traditional career paths (specialists, people managers, project managers etc) force people to keep trying to climb the corporate ladder since it is the only way to meet their financial and esteem needs. While this system produces some outstanding professionals, organizations have to pay a heavy price in the form of raising a large number of people to their “level of

incompetence”. We all know of good performers who would have happily contributed for a long time, forced to leave an organization, upon being promoted to a job for which they were not ready. There are few organizations like FedEx which allow an employee to introspect by going to a special programme, “Is Management for me?” before promoting anyone to a managerial role. Most don’t because they have precious little to offer, apart from promotions, to meet the financial and esteem needs of employees.

3. Yesterday’s assumptions about people -There are managers who are still conditioned by yesterday’s assumptions about people. They often forget that talented people now have far more choices than before. While the rest of Bharat still lives in a patriarchal society, the talent base for most people reading this article has changed. They can no longer expect blind submission to authority, denial of self-expression and sacrifice in the present for unnamed future rewards- all of which were taken for granted during a different “No vacancy” era of the past. The supply- demand equation in the market, and hence the balance of power between the employer and employee has changed, however, in many cases, our mindset has not. A typical example of this is the way we design our recruitment or leadership development process – based on the assumption that all we have to do is put a filtering process and a vast multitude of talent will surge through the filter to enable us to pick up the best.

4. Lack of people skills in line managers -This is too well known to need an elaboration. This, perhaps, is the single biggest people challenge in all organizations. “The HR function is in a catch 22 situation, they spend all their energy in recruiting people and the rest of the managers (spend their energy) in driving them away!” remarked a frustrated HR manager. In the absence of unionization, it is often masked in many organizations. Attrition does not lead to the kind of management reaction that a strike does. Organizations like Infosys are now deliberately looking at people skills before promoting people. How will this be taken by employees used to being promoted regardless of their people skills, is yet to be seen.

5. Manages people, not adequately focused on developing people- Many organizations, including HR functions are responsible for this. HR is focused on HR processes, a large part of which is compliance driven. How about clubbing all HR processes as a separate support function, and putting development of people as a “core” HR function?

6. High level of attrition in the HR function- In my organization, we try to maintain a database of HR professionals. Till last year, the primary unit was the organization. However, keeping this database updated was a herculean task, since many organizations kept losing their HR professionals regularly. This year, we are changing the primary unit to the individual. We will track the individual and keep the organization as the secondary field which will need to be changed at regular intervals. I have rarely come across an HR head that has words of praise for his predecessor.” You should have seen the state of affairs when I joined...,” is a common refrain. Three years later, the next person who takes the role says the same thing! There are few organizations which have been able to retain their HR heads, and have enabled them to be successful, over a long period of time. The Aditya Birla Group is one such example.

7. HR does not report metrics important to business– Agile has 35 headcount reports with business wise cuts. The HR function has to play a consulting role with around 25 meetings with business heads every quarter, exploring ways to help them align people and business. This requires an understanding of business. HR sometimes, unfairly, accused of being “Event Managers”. This notion is reinforced if they do not report metrics important to business, and do not coach business managers on aligning people and business.

8. Not enough crystal gazing– Significant changes are currently on, changes that will redefine workplace relationships and the way we look at employers. You have to go no further than the issue of a business magazine published in the beginning of the year. The magazine came out with a list of Best Companies to Work without a single company officially participating! Yet they rated 1000 companies! The trick was an online survey taken by 8742 respondents, an arithmetic average of 8.7 employees per company! While we can debate the methodology, it is increasingly clear that our employer brand, much like our corporate brand, is not controlled by us. If you think you have significant control over your employer brand, please visit vault.com and glassdoor.com to find out what your employees are saying about you behind your back. Just as your employer brand is slipping out of your hands, so will your employees, as a significant majority in future, be happy to be “free agents” – who sell their expertise and are loyal only to themselves. While the above are current “competency-gaps” most CEOs and HR Heads of the best workplaces I spoke to were fairly clear about the future requirements from HR.

Competencies needed by HR in future

1. Understand business– After all these years of Dave Ulrich and Wayne Brock bank, the number one expectation remains the same! HR needs to understand business and changing business needs. This, in turn, will help HR anticipate talent needs better, and position the organization more effectively in the talent market.

2. Align stakeholders around a shared purpose– There is a unique opportunity for HR to oversee the meaning that the organization creates for different stakeholders by driving a shared purpose.

3. Facilitate change in mind-sets– HR can play an important role in facilitating a win-win relationship with associates and employees by aligning the business goals of the organization with the life goals of the employee (and not the other way round!) Facilitators in the HR function, called Sherpas, take all new joiners through the “culture journey” at Hilti, the real estate equipment manufacturer.

4. Obsessed about development and renewal of people- This should be true not just about senior management talent, but should extend to developing talent at the bottom of the pyramid, and developing a strong and robust talent and leadership pipeline.

5. Establish HR as a distinct profession by building appropriate competencies- While the best workplaces recognize the role of the HR function, HR is still not perceived to be a distinct profession by many. But the marriage of technology, work and careers is set to make the HR function

not just a business partner, but a business differentiator. For HR function to be taken seriously, HR has to impact business results and show linkages of HR initiatives with business results. However, increasingly, core skills in HR include understanding global HR (e.g. compensation trends globally, creating global talent pipelines etc.), as well as, deploying appropriate consulting skills within the organization. HR cannot do this unless all transactional aspects of HR are outsourced externally or internally.

6. Attract and build a diverse workforce, including those who do not come to office- HR has to not only promote diversity at the workplace, but also be adept in using virtual collaboration tools. This calls for new ways to build values and culture in a virtual environment, using multiple channels of communication. One of the challenges for HR is how can employees, who do not come to office, bond with the organization?

Research findings of Great Place to Work® Institute in India

Data from over 600 organizations were analysed by us to discover the areas with the biggest gaps in the perception of employees in the best workplaces and the rest. These areas represent issues or aspects that are at the core, and are difficult to do very well consistently, even for the great workplaces. They are a “tough ask,” but they seem to separate Average and Good from Great!

1. Equity - fair share of profits/ special & unique benefits & fair pay

A recent example is a financial services company where we did a series of focus group discussions to find out why employee perceptions are not very high. What transpired is that this organization has implemented a series of cost cutting measures, including salary cuts, during the economic downturn. But these measures continued even after the financial results started looking up. Employees who could see the top line and the bottom line improving could not understand why they were expected to continue to sacrifice. Special and unique benefits need not cost money. PayPal (a subsidiary of eBay) has a Personal Board of Directors for employees. This Board supports the employee in implementing his or her development plan. HR can design processes that promote fairness in the share of profits and in pay.

2. Reliability- management’s actions match their words / management delivers on promises

No amount of best practices and next practices can be a substitute for old fashioned walking the talk. The best workplaces have excelled in feedback mechanisms even for the senior most managers. In a practice that is rapidly catching up, Infosys has implemented “Ask Krish” – the Infosys online channel of asking questions to their CEO Krish is a transparent process where even the most uncomfortable question can be asked without fear of consequences. Other employees can vote to indicate which questions are more important. This is a process that this year’s number one best workplace, Google, has had for years. When senior managers subject themselves to such open and transparent feedback, they have a fair chance of knowing if they are being perceived as someone who walks the talk.

3. Impartiality - people avoid politicking/ favouritism/ promotions go to deserving people

One of the most difficult areas to deal with, the best workplaces also struggle with lower employee perceptions in this area. Why they are able to score over others is because of the robust processes they have to deliver justice. It is not that the best workplaces do not have value violations, in fact most have many examples even at the senior most levels. What sets them apart is what they do in such times. They almost always do the right thing. As I write, the global head of HP, Mark Hurd, has put in his papers after being accused of falsifying expense reports to conceal a "close personal relationship" with a contractor. The best companies use the same yardstick for the CEO as they would for any other employee. And they do not spend too much time agonising over such decisions. HP's share price may temporarily fall, but they are likely to retain the trust of their stakeholders, not the least of which is employees, by being perceived to be fair. Interestingly, the above three areas are tough areas for HR managers. These are the areas where they have to sometimes stand up against their more "powerful" colleagues and vested interest. Only some HR managers with high personal credibility and relationship building skills can advise the CEO not to take a pay hike in the same year in which they have downsized to reduce cost!

The HR competencies that we talk about are relevant only if they enable HR to play its fundamental role as employee champions!

I started this article with a hypothesis that every function wants to be a strategic business partner, so that alone cannot be a differentiator for HR. So, what differentiates HR? First and foremost, in my opinion, it is the ability to look at the organization from the employees' point of view. A sales manager has sales goals to achieve. Since, in most cases, he cannot force people to buy, he has to think of a value proposition which is a win-win for both- the potential customer and the organization. Purchase looks at a value proposition for both the organization and the suppliers, Finance looks at a similar proposition for the investors and the organization and so on. So, why should HR's primary job not be to arrive at a value proposition which is a win-win for the organization and employees. HR function that is simply playing the role of a "strategic business partner" by "aligning" employees with the business strategy without "engaging" them may help achieve business results for some time, with grievous long term damage to the organization. Some CEOs may like to get rid of fuzzy concepts like engagement, fairness or trust in favour of alignment with business results. Alignment without engagement is like a prison where you have to serve a specific term before you get out.

Why settle for one when you can have both?

So if you are an HR professional, being a strategic business partner is not just about helping the organization align people to business, it is about winning the hearts and minds of people. Indeed, that is the only sustainable way of aligning people to business.

As per (Edward E. Lawler III and John W. Boudreau) the HR function has at least three identifiable roles that it can play. Its longest-running role is the delivery of clerical and administrative services, often consisting of satisfying legal and

administrative compliance requirements. During the last several decades HR has been encouraged to increase its activities in a second role - business partner. In this role, HR is expected to implement and deliver HR practices and services that support the organization's business model and meet the demands of managers and employees. The last ten years have seen an increasing call for HR to take on a third role – strategic partner. In this role HR is a member of the senior management team and is directly involved in the major business decisions of the organization, including the formation of strategy, the design of the organization and the implementation of the business model (Lawler, Boudreau & Mohrman, 2006). These three roles can also be thought of as corresponding to a paradigm reflecting compliance, services and decisions, respectively (Boudreau & Ramstad, 2007). The case for HR being a strategic partner is becoming stronger, as it rests on the reality that human capital and how it is organized are increasingly pivotal to organization effectiveness. There is ample evidence that how human capital is recruited, developed, organized and managed has a direct and strong influence on organizational performance (Huselid, 1995; Lawler, Mohrman, & Benson, 2001; Combs, Youngmei, Hall, & Ketchen, 2006). Thus HR leaders can make important contributions to strategy development and implementation as well as improve the quality of decisions related to strategy and talent. It is one thing to say that HR should be a strategic partner; it is quite another to define what that looks like and what it takes to make it happen. In this article we present data from a continuing study of the role of HR in large U.S. corporations. The study is a joint effort of the Human Resource Planning Society (HRPS) and the Center for Effective Organizations at the University of Southern California. It began with a survey of HR executives in 1995, and has continued with surveys every three years since then. The most recent data were collected in 2007. In 2007, surveys were completed by senior HR leaders in 106 large U.S. corporations. A full report of the data gathered can be found in Lawler and Boudreau (2009). A major focus of the study is examining the strategic role of HR, including whether HR is becoming more of a strategic business partner, and what determines HR's role in the strategy process. Those results are the focus of this article.

HR Strategic Partnership Both General and Specific

Our study examines the overall strategic role of HR and it also examines specific strategic activities that HR leaders can engage in, including such things as defining and choosing strategy options, designing the organization structure to support strategy, and evaluating merger and acquisition opportunities. As we shall see, the factors associated with HR's overall role in strategy are often similar to those for specific strategic activities, but in notable cases there are differences. Certain HR skills, activities and organization design elements offer unique opportunities for enhanced contributions in specific strategy areas.

HR's Overall Role in Strategy

In our last four surveys, we asked HR executives to describe the strategic role of HR based on four descriptions. The results are presented in Exhibit 1. They show that HR does have a role in strategy but that it is usually not as a full partner. The most common role is an input role, which most likely means that HR

is asked for data and opinion when it comes to formulating strategy.

REFERENCES

Beyond HR: The New Science of Human Capital. By Boudreau, J. W. Si P.M. Ramsrad 2007. Harvard Business School Press.

Designing human resource Management system 2012. Sage publication.

How to publish your Ph.D by sarahcaro 2009. Sage publication.

HR Transformation, by Dave Ulrich 2009. Mc.Grew hill publication.

HRD Audit, by Mr. T.V. Rao 2015. Sage publishing.
