

Exercise

How HR Creates Value

Exploring the HR impact along the HR Transformation Continuum™ (v3)



CourageousHR works with HR leaders and Communities to identify their distinctive contribution and then make it, both culturally and operationally, an organisational reality.

Contact Details



+ 44 (0) 845 862 1767 or enquiries@CourageousHR.com



www.CourageousHR.com

Creating Value

HR has a choice; either to wake up and realise that it's unenviable reputation within most organisations is unsustainable and want do something about it; or to continue to be sidelined by other parts of the organisation as it becomes more constrained by what it's always done and not what it should do.

At CourageousHR we contend that HR has a *distinctive contribution* to make to organisational life in the form of creating an organisational culture which will enable all employees to feel both engaged and able to positively contribute to their organisation's success.

However, as research has highlighted, HR has consistently fallen short in showing organisational leaders that it is able to consistently deliver any real strategic value and that the extent of its contribution tends to be limited to improved efficiencies and increased effectiveness. This is no longer good enough! People are the heart and brains of all organisations and therefore should be treated as resources to nurture and grow rather than commodities to trade and discard. HR has the potential to position itself within organisational life as the 'people experts' and through the development of such expertise find ways to actively **create organisational value** rather than limit itself to merely *adding* value.

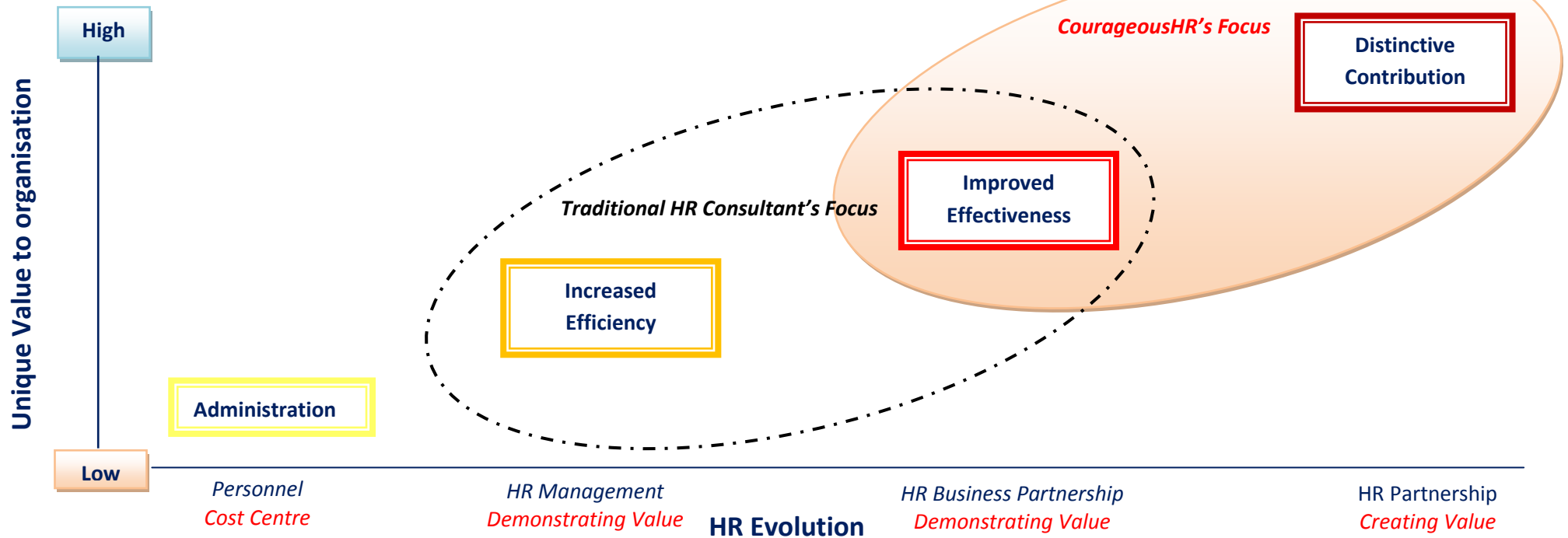
Over the last 20 years, HR has evolved in line with the development of organisations and is now often recognised as a contributor to organisational success. However, HR's focus has tended to be limited to refining and reconfiguring how it operates (i.e. structure and deliverables) whereas the true organisational need, and therefore opportunity, is for HR to become organisational experts in understanding and applying employee dynamics. Research repeatedly highlights that employees can and should be a major source of competitive advantage; who is currently better placed to maximise the return from its employee's talents than HR?

If HR is courageous enough to ask itself this question then it needs to relook at what HR Transformation currently means. Whilst it seems most HR Functions claim to be transforming themselves (and seem to have been doing so for the last decade), research and CourageousHR's experience seems to indicate that transformation begins and ends with:

- *Increased efficiencies* = doing more for less. The emphasis is on: standardisations, HRIS, outsourcing, self-management etc...
- *Improved effectiveness* = achieving the same goal in a different way. The emphasis is on 'added value' through copying best practice and benchmarking.

Our view is that such a limiting remit for HR Transformation will result in nothing more significant than a window dressing exercise – eye-catching and maybe even memorable but simply hiding HR's fundamental weaknesses. At CourageousHR our emphasis, passion and expertise is to work with HR Leaders and HR Functions who are keen to evolve along the 'HR Transformation continuum'.

HR Transformation Continuum™



CourageousHR is about enabling HR to create value through inspiring and guiding HR to identify its *distinctive contribution* and then exploring how best to make it, both culturally and operationally an organisational reality.

HR is at a crossroads, but its' destiny is in its own hands. If HR chooses to own its distinctive contribution and have the courage to go into the organisation and make it a reality then HR will become both a value creator and a strategic leader. The choice is yours.

Distinctive Contribution Definition:

Distinctive contribution refers to value that is uniquely created by HR i.e. without HR to would not have occurred. This can arise when;

- HR has knowledge or skills that are not available anywhere else in the organisation e.g. change management,
- HR has access to access to information that is either
 - Not collected elsewhere in the organisation e.g. candidate knowledge of competitor activities, or
 - In not collated (bought together) elsewhere in the organisation e.g. employee talent linked with strategic plans

The key features of an environment where HR makes regular distinctive contribution i.e. creates value, are;

- HR is proactive
- HR understands the key business drivers, processes etc
- HR works as a true partner with other managers, each understanding their own and each other’s purpose, roles and objectives
- HR makes contributions and builds support for its ideas based on what it sees as opportunities and threats, not waiting to be asked
- HR’s contribution is not restricted to the ‘people’ agenda

Examples

- Personal
 - After understanding the marketplace, our competitors and their marketshare (through talking to candidates, employees, competitors and third parties), I made a suggestion to the MD (with costings, timescales etc) to implement a competitor research process, linking to clear objectives regarding new products, culture and recruiting needs
- Potential
 - Under the opportunities presented by the ‘green’ agenda, its links to CSR and the wider public concerns about ethics.

On the following pages is an overview of each of the different phases along the HR Transformation Continuum.

The Transformation Zones of Activity

HR's value to an organisation is determined by how it is measured and how it performs against those measures. So that HR can map, plan and track how it is progressing along the HR Transformation Continuum it is essential to determine how it is performing in each of five 'Transformation Zones of Activity' as outlined below. How successful HR is able to deliver the value required to an organisation will be determined by how well aligned are these Zones

How HR performs within each of these Zones will determine which phase of the HR Continuum it is on. As importantly, it is possible to identify where HR needs to be so that it can deliver the value the business requires.

- Focusing on how HR is structured and how it operates
- Exploring how HR aligns itself to the business
- Emphasises the key HR skill sets required for each phase
- Identifies the core behaviours demonstrated by HR Professionals



- Identifies what HR delivers to the business
- Highlights how strategically business aligned are the HR deliverables
- Explores the power dynamics between HR and the business and degree of HR's influence
- Highlights how the internal HR relationships work

Exercise

On the following pages are 'performance descriptors' for each Zone along the HR Transformation Continuum.

- Consider the performance statements for each *Transformation Element* and identify which of the four Transformation Phases (Personnel etc...) you believe most accurately reflects where your HR Function is presently.
- Record this in the *State of Play* section by highlighting the relevant Transformation Phase in the 'As Is' Column. **P** = Personnel; **HRM** = HR Management; **HRB** = HR Business Partner; **HRS** = HR Strategic Partner
- On page 9 plot the results on the 'Transformation Zone Wheel' – assess how well aligned is your HR Function.
 - Where are the most significant differences between the Transformation Zones? What are the implications for HR and the business if they are not aligned? Based on your understanding of the business needs for HR what more do you need to do
- Repeat this exercise to identify where you believe HR needs to be in 3 years time by completing the 'To Be' column – for each of the Transformation Zones of Activity what are the critical areas HR needs to focus on so that it can deliver the business value required.

Strategic Focus

Transformation Elements	State of Play		Personnel (P)	HR Management (HRM)	HR Business Partnership (HRB)	HR Strategic Partnership (HRS)
	As Is	To Be				
Focus HR's formal / perceived purpose and agenda	P HRM HRB HRS	P HRM HRB HRS	Administration HR 90% - Business 10%	Increased efficiency HR 66% - Business 34%	Improved effectiveness HR 40% - Business 60%	Distinctive Contribution HR 20% - Business 80%
Time Horizon How tactical / strategic is HR	P HRM HRB HRS	P HRM HRB HRS	Day to day	Reactive	Proactive	Beyond the current financial horizon
Business Impact How the business perceives the 'value' of HR	P HRM HRB HRS	P HRM HRB HRS	Costs	Profits	Revenues	'New' revenues

Structural

Transformation Elements	State of Play		Personnel (P)	HR Management (HRM)	HR Business Partnership (HRB)	HR Strategic Partnership (HRS)
	As Is	To Be				
Customers Who HR primarily deals with on a day-to-day basis	P HRM HRB HRS	P HRM HRB HRS	Employees	Employees and Line Managers	Senior Managers	All Stakeholders – internal and external
HR Operating Model How well defined and how effective the HR Function works internally and with its customer.	P HRM HRB HRS	P HRM HRB HRS	HR Department acts within silos. Not working to a defined or explicit HR Strategy. Poorly defined and inconsistent processes. No real support from business	HR Departments compete with each other. Poorly defined HR Strategy. Core processes are mapped but localisations persist. Rigid adherence to HR Plan Minimal support from business	HR Function aligned to the business and working collaboratively. Defined HR Strategy Process Mapping followed by all of HR although 'territorial battles' still occur. Responsive HR Plan to changing business needs Public support for HR	HR Community is integrated into the business. HR Strategy supports People Strategy. Standardisation and Customisation protocols are understood and followed. HR Plan flexes to the organisational changes. HR's operating principles focus on trust and empowerment HR spotlighted by business leaders as a flagship Function

HR Professional

Transformation Elements	State of Play		Personnel (P)	HR Management (HRM)	HR Business Partnership (HRB)	HR Strategic Partnership (HRS)
	As Is	To Be				
Key skill	P HRM HRB HRS	P HRM HRB HRS	Process application	HR Technical application	Business Acumen	Relationships, based on the 3Cs of Capability, Credibility and Courage
Technical Expertise The skills that are most valued and recognised within HR	P HRM HRB HRS	P HRM HRB HRS	<ul style="list-style-type: none"> Processes Employment Law 	<ul style="list-style-type: none"> Process Management e.g. Centralised Services HR Technical Knowledge e.g. C&B, L&D 	<ul style="list-style-type: none"> Business Application of HR Technical Knowledge Project / Programme Management 	<ul style="list-style-type: none"> Organisational alignment of employees and strategy Finding and creating synergies Programme Management <ul style="list-style-type: none"> Change Management Psychological understanding of individual and team dynamics
Delivery Expertise How flexible, adaptable and creative HR is in implementing HR Deliverables	P HRM HRB HRS	P HRM HRB HRS	Only follows processes or recites knowledge. Doesn't apply it to organisational context. Isn't able to provide risk based alternatives	Knows how to deliver standard applications of knowledge. Can apply knowledge to organisational context but not business context. Able to provide risk assessment on alternatives only to hypothetical situations	Knows how to modify HR knowledge and apply it to the business context. Able to provide risk assessment on potential business implications	Knows how to modify business and HR knowledge and apply it to organisational and business context. Defines potential business situations, provides a risk assessment and then manages the risk.
Mindset HR's view of its role and the degree to which it is willing to 'set the agenda' and influence the business	P HRM HRB HRS	P HRM HRB HRS	Delivers as told	Expert in defined areas with no opinion outside area of expertise	Expert in defined area and has an opinion outside area of expertise	Expert at understanding the broader picture and at using experts to supplement knowledge. Expects business and HR colleagues to listen and take their opinions into account in the decision making process
Attitude to risk Degree to which HR takes the initiative and/or is willing to try (recommend) something new	P HRM HRB HRS	P HRM HRB HRS	Doesn't take risks	Quantifies risk for Business Managers	Quantifies risks for Senior Business Managers and is courageous within area of expertise	Quantifies risk for stakeholders. Courageous within area of broad expertise and builds courageous behaviours within the organisation

Deliverables

Transformation Elements	State of Play		Personnel (P)	HR Management (HRM)	HR Business Partnership (HRB)	HR Strategic Partnership (HRS)
	As Is	To Be				
<p><u>Business Contribution</u> How HR saves costs or generates value</p>	<div style="border: 1px solid black; padding: 2px; width: 40px; text-align: center;">P HRM HRB HRS</div>	<div style="border: 1px solid black; padding: 2px; width: 40px; text-align: center;">P HRM HRB HRS</div>	<p>Manages costs to budget</p>	<p>Manages costs to below budget</p>	<p>Manages costs to below budget and supports managers in improving employee productivity</p>	<p>As for HR Business Partners. In addition: - identifies new opportunities for revenues based on wide knowledge of business, , organisation, competitors, customers and regulatory environment</p>
<p><u>Examples</u></p>	<div style="border: 1px solid black; padding: 2px; width: 40px; text-align: center;">P HRM HRB HRS</div>	<div style="border: 1px solid black; padding: 2px; width: 40px; text-align: center;">P HRM HRB HRS</div>	<ul style="list-style-type: none"> • Manages recruitment processes • Provides Health & safety education • Processes pay increases 	<ul style="list-style-type: none"> • Standardises and centralises recruitment processes • Communicates and suggests responses to potential legislation • Surveys markets and recommends average pay increases 	<ul style="list-style-type: none"> • Builds on standardised recruitment processes with business specific content e.g. business competencies, third party suppliers, targeted candidate pools <ul style="list-style-type: none"> • Predicts, communicates and suggests business specific responses to potential legislation • Surveys market and recommends pay bands based on business and individual employee position against market 	<ul style="list-style-type: none"> • Forecasts long-term trends in skills and knowledge and recommends (and implements) solutions e.g. University links, internal development • Takes part in developing legislation and acts as liaison with the business to ensure its impact is positive • Focuses on aligning and enhancing the employee brand and employee engagement to ensure current employees are retained and candidates are attracted to the organisation and business

Relationships

<i>Transformation Elements</i>	State of Play		Personnel (P)	HR Management (HRM)	HR Business Partnership (HRB)	Hr Strategic Partnership (HRS)
	<i>As Is</i>	<i>To Be</i>				
<p><u>Communication Style</u> The extent to which HR is able to have honest and frank conversations / discussions with the business. The degree to which HR are passive order takers or active contributors to business decisions</p>	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">P HRM HRB HRS</div>	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">P HRM HRB HRS</div>	Takes orders	Takes orders and tells others within area of expertise	Two-way communication between HR and the business within area of expertise	True partnership with other stakeholders – recognises strengths (& weaknesses) in self and others and seeks to maximise (or minimise) to the greatest advantage of the organisation
<p><u>Relationship Model</u> How closely aligned HR is with the business e.g. frequency of contact, at what levels, how formal and fluid these relationships are</p>	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">P HRM HRB HRS</div>	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">P HRM HRB HRS</div>	<ul style="list-style-type: none"> Minimal contact with business <ul style="list-style-type: none"> Business relationships are ill defined, personality based and tends to be limited to Senior HR Team 	<ul style="list-style-type: none"> Restricted and controlled contacts with the business Business relationships are determined more by the HR Deliverables and HR projects rather than an ongoing commitment. Business relationships are jealously guarded 	<ul style="list-style-type: none"> Business Partners are the prime point of contact with the business and act as ‘gate keepers’ to the rest of HR HR power resides in the strength of relationships with key business leaders 	<ul style="list-style-type: none"> Clearly defined relationships protocols which are adhered to by both HR and business. <ul style="list-style-type: none"> Multiple ‘contact points’ between HR and the business. Relationships are fluid and influence is determined by individuals level of credibility within the business
<p><u>Business Influence</u> How influential HR is in the shaping and running of the business</p>	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">P HRM HRB HRS</div>	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">P HRM HRB HRS</div>	Minimal	Occasional and limited to narrow HR remit	HR regularly invited to attend strategic business meetings and offers advice on people strategy.	A member of the Leadership Team. Offers advice and input sought on business strategy. HR’s opinion is respected.

Transformation Zone Wheel

Plot the results from your assessment on the 'Transformation Zone Wheel' below. *How well aligned is your HR Function?*

- Where are the most significant differences between the Transformation Zones?
- What are the implications for HR and the business if they are not aligned?
- Based on your understanding of the business needs for HR what more do you need to do?

Repeat this exercise to identify *where you believe HR needs to be in 3 years time* by completing the 'To Be' column – for each of the Transformation Zones of Activity what are the critical areas HR needs to focus on so that it can deliver the business value required.

