

Introduction

From Value Sapping to Value Adding

In 1996 a column appeared in *Fortune* magazine that created quite a stir within the Human Resource (HR) profession. Entitled “Taking on the Last Bureaucracy,” the author indicated that he had a modest proposal regarding the HR department. “Why not blow the sucker up? I don’t mean improve HR...I mean abolish it” (Stewart, 1996, p. 105).

These are tough words! Could they be an anomaly, stated by someone who had a conflict with his local HR department? Unfortunately, it does not appear so. David Ulrich, an esteemed academic, consultant, and supporter of the HR profession, indicated that “as much as I like HR people...I must agree that there is good reason for HR’s beleaguered reputation. It is often ineffective, incompetent and costly; in a phrase it is value sapping” (1998, p. 124).

Why the criticism of a field that is dedicated to supporting people within organizations? We believe it is largely due to the reticence, even resistance, of many HR functions and professionals to embrace a more strategic, and less transactional, approach. A recent survey of HR professionals by the Society for Human Resource Management (SHRM) indicated that only 7 percent of respondents believed the need for HR to work as a Strategic Business Partner (SBP)

was a key trend (Caudron, 2003, p. 28). Higher on the list were managing diversity and administering health care. And while many in the HR field are slow to accept the need to be more strategic, transactional work—the work that has been a primary focus for HR functions—is increasingly being outsourced. According to a research report by SHRM published in 2004, almost 60 percent of organizations responding to the survey indicate that they are currently outsourcing at least one HR function. Many of the most common functions outsourced are transactional and administrative in nature, including employee assistance and counseling, health benefits administration, and temporary staffing (Esen and SHRM, 2004, pp. 1 and 3).

Clearly, expectations for HR are changing. The bar is rising. The result is a gap between what managers and employees need from their HR departments and what is being provided.

A Look Back

It is important to place the current requirements for HR functions within a context. The future of any profession is rooted in its past. Before the 1970s the department was referred to as *Personnel*. Its primary role was to maintain employee records and information. A term frequently used for this function was “corporate attic” because, when there was no obvious place where a task might be assigned, the task was often placed into the Personnel department. That is how many of these departments came to “own” responsibility for the company picnic and the maintenance of organization charts. A highly effective Personnel department in those years was responsive to a myriad of requests, primarily transactional and administrative in nature. The department worked from a “respond to what is urgent” mentality. Knowledge of the “business of the business” was not on the radar screen as a requirement.

Much changed in the next 25 years, as symbolized by the change in the function's name from Personnel to Human Resources. During this time the people issues to manage became much more complex. Legislation to "protect" workers regarding such issues as occupational health, safety, pay, and employment equity proliferated. It was not uncommon to place a lawyer into the lead position within the HR function. Thus was born the HR role of "employee advocate."

Also within this timeframe, HR functions broadened their mission. Organization development, change management, and diversity were added to the traditional HR services of recruitment and benefits administration. Most HR functions were organized into specialties, resulting in a somewhat siloed department. Many HR professionals specialized in one discipline such as learning, compensation or recruitment. Some people became generalists. Still the function worked more from a "respond to the urgent" rather than "focus on the important" approach.

During this time, the needs to be strategic and linked to the business were still not priorities. To some degree this was because many managers and leaders did not expect HR to understand the business. We recall one head of HR who began work in a medical supply company. Within the first month of her employment, she made an appointment to meet with the president of the company. In the discussion, she asked this leader questions about the business goals and challenges for the organization. Just a few minutes into the conversation, the president paused with the question, "Aren't you from HR? Why do you need to ask me questions about the business?"

The “New” HR

Times have changed! Organizations are operating in a much more complex, competitive, and challenging environment. Many of these challenges directly target the human side of business, with resulting implications for the HR function. Consider the following:

- Organizations must retain and optimize talent. Talent is often viewed as both the number one expense *and* asset of a business. The goal is to have the right person in the right job at the right time, and to do this globally. No small task—but one that HR is expected to lead.
- Successfully managing organizational change is a key requirement for businesses today. Consider all the alliances, joint ventures, acquisitions, and divestitures that occur today and require a change strategy. People in HR are viewed as those who *should* know how to integrate change successfully into the workplace.
- Technology and outsourcing services now available provide options for completing transactional and administrative tasks, such as payroll administration and maintenance of employee records. Although important, these tasks add limited value to the future success of an organization. HR functions are *expected* to utilize alternatives when possible, off-loading the more transactional tasks that characterized HR work in previous decades and on-loading the strategic work now required.

Clearly the requirements placed upon HR functions, and for those who work within them, have changed significantly. In addition to the more traditional requirements, which include recruitment, compensation, and training, HR departments must operate more strategically and proactively. By strategic we mean that the majority of HR time and resources is focused to optimize workplace performance in order to maximize the results of the organization. HR

departments must be accountable not for what they *do* but for the results they are providing— from providing *perceived* value to demonstrating *actual* value to the business.

For an HR function to operate strategically, *some* people within the department will need to work in the role of strategic business partner, or SBP, as it is referenced in this book.

Specifically, SBPs:

- Partner with middle- and senior-level managers, developing deep knowledge of the business requirements and challenges these individuals face. In essence, SBPs develop access, credibility, and trust with these leaders.
- Identify and partner with their clients to support strategic projects that directly address one or more business need(s) of the organization. This is a project- focused role.
- By performing the first two accountabilities effectively, some SBPs will earn the right to sit “at the table” with their clients. In this accountability the SBP is focusing not on specific projects but on needs of the entire enterprise over a period of years. SBPs who work in this way contribute to formation of business strategies, integrating and executing people initiatives in support of the organization’s business plan.

A Compelling Future

Historically, many within the HR profession have lamented the lack of respect and acknowledgement for the services they provide. Now opportunity is banging at the door of every HR function to reverse that situation. The need to be more strategic and business-linked is evident. When an HR function operates in this manner, the results are irrefutable. A 1998 examination of 740 corporations concluded that firms with the greatest intensity of HR practices that reinforce and support performance had the highest market value per employee (Stolz, 2004, p. 21). A study conducted in Australia and again in the United Kingdom by Andersen Human

Capital concluded that companies with an HR director on the executive committee evidenced a median annual growth in earnings per share of 13 percent over a five-year period, compared with just 5 percent for companies without HR representation at this level (*Canadian HR Reporter*, downloaded from hrreporter.com on July 24, 2003).

So, the opportunity is here—now. The choice is ours to make—now. The HR profession is at the proverbial fork in the road: to continue to operate transactionally or to step up to the bar and evidence a strategic, business-focused operation. It will mean changes for the entire HR function requiring that some people, within that group, work as SBPs. Making the choice in favor of strategic HR ensures we are adding value—an aspiration for many. In this regard we certainly support David Ulrich when he said, “Despite the growing pains, the future of HR is phenomenal” (Bates, 2002 , p.32).