# From Reactive to Proactive

## High Impact Strategic HR

### Susan Quinn, Associate Professor, Bissett School of Business

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From Reactive to Proactive: High Impact Strategic HR

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# 1  Introduction

"People issues are clearly now dominant on the business agenda, but as these issues become more important to business leaders, there is increasing tension between the needs of the company and HR's ability to deliver." (Deloitte Touche Tohmatsu and the Economist Intelligence Unit 2007)

The rallying cry for HR practitioners for decades has been twofold: "HR must be at the Executive table" and "HR must be more strategic". And yet many HR departments are still struggling to achieve both of these aims. Why is that? How did it come to this? Why are many HR departments still struggling to be recognized and to contribute?

The answers to these questions form an interconnected and integrated roadmap for HR departments to follow as they move forward to deal with the myriad of organizational people challenges.

What does HR have to do? How does an HR department move from being reactive to being proactive? How can they get to that elusive Executive table? How can they move to being strategic when there are so many administrative duties to do? The development of a truly strategic HR department will centre itself on these four initiatives.

- Be transformational, not transactional
- Think about your structure
- Be credible – have educated, experienced, trained HR practitioners
- Provide value for service

Sounds simple enough, but it is not. The reality is that if the HR department is largely concerned with transactional activities, they will not be at the Executive table. And moving from transactional to transformational involves many changes, from an attitude change to a broad-ranging change in activities.

We will deal with each of these points in this text.

## 1.1   Use of the word "transform"

An explanation about the use of the word "transform" and "transformational" in this document may be useful here.

These words are used to convey slightly different meanings. We can say that the HR department should engage in transformational activities. What we mean is that the HR department should be involved in activities that are strategic, forward-thinking, proactive and comprehensive. These initiatives should help to change and improve the entire organization.

We can also say that the HR department should transform itself. Here we mean that the HR department should make changes to its own mandate, mission, structure, activities and behaviours.

If we say that an HR department is engaged in transforming, we may be referring to the HR department making changes to itself, or to it making changes in the way it interacts with the other departments in the organization. Or perhaps to both.

# 2 Be transformational, not transactional

## 2.1 The transactional HR department

If the HR department is transactional, they are mainly involved in administrative activities. These are all important activities, concerned primarily with the two Rs – recruiting and retention. The activities tend to center around:

- hiring
- orientation
- training and development
- performance appraisal
- compensation and benefits
- payroll
- health and safety
- employee relations and perhaps
- labour relations.

In many cases, this could also involve being involved with charitable endeavours (such as a major charity's fundraising initiative in which the employees participate) and/or employee social ventures (organizing holiday get-togethers or an employee sports activity). It some instances, it may involve creating and distributing the company newsletter.

The concern in the transactional HR department is efficiency. Each area of HR is generally working towards delivering their "service" in the most efficient way possible. They are working on a model of service delivery to the client groups in the organization.

Often too this transactional HR department proclaims that they do these activities "in a strategic way". In this way, the department can proclaim that they are indeed strategic. And they wonder why they are not at the Executive table.

What we will see is that it is not simply a matter of using the word "strategic" that will result in the HR department being transformational. Being transformational means approaching the work in the HR department in a different way, having different conversations and being involved in fundamentally different activities.

A recent study revealed that 64% of HR practitioners thought their practices were actively contributing to the organization, yet only 23% of line managers agreed.

A quote from Dr. John Sullivan

http://www.drjohnsullivan.com/newsletter-archives/163-strategic-hr-metrics-for-a-global-organization

In the worst case scenario, the attitude in this transactional HR department reflects an aura of a social service agency, where they are there to "help" the employees. The HR practitioners work there because they "like people" but they are not involved with the main activities of the organization.

## 2.2    The HR department is a staff, not a line, department!

One distinction that must be made here is that the HR department is by definition, a staff, not a line department. This distinction has profound implications, so let's review the differences.

### 2.2.1   What is a line department?

Line departments are those departments that are essential to the survival of the organization. To use a manufacturing company as an example, this would mean that the manufacturing (or operations) department, the finance area and the sales department are line departments – and the only line departments. These are the departments that are crucial to the existence of the organization. The manufacturing company cannot exist without them. They must make the product, find financing for the company and sell the product. They cannot survive without those functions. These are the departments that directly contribute to the health of the bottom line. In continuing the definition, these are the departments with the "power" in the organization.

### 2.2.2   What is a staff department?

By contrast, staff departments exist to support the activities of the line departments. The staff departments are to advise, counsel and assist the line departments. They do not directly contribute to the bottom line – rather, they help the line department to contribute to the bottom line. In so doing, they do not have power as such.

This means, in our manufacturing company example, that any department that is NOT manufacturing, finance or sales is a staff department. Therefore, for example, the purchasing department helps the manufacturing department to have the right amount of product and quality of raw materials that they need. Purchasing then is a staff function. The accounting department keeps track of the decisions about money that the finance department makes. Accounting is a staff function. The marketing department designs programs and initiatives that help the sales department to sell the product. Marketing is a staff function.

One harsh reality is that if there was a downturn and the company had to reduce people and/or departments, they would much more likely eliminate or downsize a staff department rather than a line department. To make an extreme example, our manufacturing company could eliminate the purchasing department and transfer those activities to the manufacturing area, while they will be less likely to keep their purchasing department but make severe cuts in their manufacturing department.

This does not mean that staff departments are not important. They are. The distinction however is that line departments is essential. The company must have them. Staff departments are not essential. Their activities can be folded back into the line departments or outsourced. In order to survive and thrive, staff departments must prove their value to the organization.

### 2.2.3   If HR is a "staff" function, what does that mean?

How does all this relate to the HR department? Using the line/staff definition, HR therefore is a staff function. They advise, counsel and assist the other departments to achieve the goals and objectives of the organization and of the departments and areas within the company. They have no real power and instead must operate by thoroughly understanding the nature and operations of the organization and the challenges and goals of the managers and leaders.

What does "the HR department does not have any power" mean specifically? What does it mean that they must advise, counsel and assist?

This means for example that the HR department will not make the final hiring decision for new employees. The HR department can assist with the hiring. They can advertise, screen resumes and applications, they can sift through and interview the leading candidates. But then they will refer the best candidates on to the manager who has the vacancy and that person makes the final hiring decision. The manager who has the vacancy must live with the person in their department. The way to ensure that the hiring manager is accountable for that employee – for their training, development, job performance, etc., is to make sure that the manager hires the individual. If the HR department hires the individual and then that person doesn't work out, their manager can point to HR having hired the wrong person and they can sidestep their responsibility for their own employees!

If the hiring manager in the example above is the person who makes the final hiring decision, then both accountability and "power" rest with the hiring manager, not with the HR department. That's how line and staff responsibilities should break down.

Why would the HR department forget this delineation, assume power and make the final hiring decision? There could be many explanations. Here are some of them. "The line managers are just too busy to take the time to interview". "Line managers don't have to interview very often and don't have the experience to do a good job". "We've had bad experiences with line managers asking wrong or even illegal questions". "Line managers WANT us to make the final hiring decision".

> The purpose of the staff department is to advise, counsel and assist.

What must be kept in mind is that the hiring manager must be accountable for their own employees. This starts with hiring, continues through to the time when the employee leaves and includes everything in between.

With that as a central focus, then all of the explanations listed above have no validity. Line managers ask wrong or illegal questions? Train them. Line managers are too busy? No excuse. The employees are their employees. They must assume responsibility for them from the beginning. Line managers want HR to make the final hiring decision? Well, yes. A kind interpretation of that could be that the line managers respect the talents of HR and want to defer the decision to them. While that may be the case, the line managers still must assume their proper responsibility and make the final hiring decision. A harsh interpretation of this desire could be that the line managers want to be able to blame HR if the person doesn't work out or it could be that they don't see that their role is to take responsibility for their employees.

If the HR department is not asked for their advice, if they do not counsel managers and they do not assist with employee-related matters in departments, then unfortunately there can be a tendency on their part to insert themselves into processes relating to employees, assume power that is not theirs and take on responsibilities that are not theirs. They want to contribute, so they will create policies that result in HR having to be involved in employee-related issues. HR will have to "approve" actions that managers want to take regarding their employees, usually citing that the managers are unaware of the implications of their own decisions, or that they are not cognizant of the legislation that might influence this decision. HR then sets themselves up as the custodians of knowledge about employee legislation and case precedent in the organization. They rationalize therefore that they must not only be allowed a say in what the manager wants to do but that they need to sanction the manager's decisions.

> Transactional HR department communication
> Check the communication, probably e-mail, from your HR department.  If you see a(n):
> • notification of a change in your benefit provider
> • announcement of an employee retirement party
> • invitation to join the employee wellness club
> then your HR department is transactional!

When a staff department starts to take on the responsibilities that should rest with the line, trouble starts to brew. Line managers get resentful of having to get approvals from HR and employee issues are now vesting in the wrong place – as in, not with the line manager but with HR!

HR must drop its HR "cop role" where it warns of possible legal action and instead begin to shift into a role similar to that of a financial adviser.  Instead of saying "no" to managers or focusing on developing more policies and procedures, HR will begin to give advice and data to managers on the probabilities, risks, and success factors for their potential solutions. HR must learn not to impose decisions, instead it will allow managers to make and own their "educated" people decisions. HR will shift from the cop role to that of expert or consultant on effective people tools and strategies. (Sullivan 2001)

> Assessing your HR department – is it transactional or transformational?
> • What is the title of your top HR person?
> • Is it a "stand-alone" title or combined (as in, VP of Administration, Operations and HR?)
> • Who does that person report to?
> • What is the physical location of the HR department?
> • What committees do the HR people participate in?
> • What is their role in those committees?

## 2.3 What is different about a transformational HR department?

The transformational HR department is one that is recognized by the organization as being an important contributor to the company's future and is engaged in activities that will help move the organization forward. The top person in the HR department has a senior title, similar to the other top Executives and will report to the President or CEO. S/He will be involved in the strategic decisions of the organization, will be true "business partners" and help promote a competitive advantage.

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A crucial factor for the success of the HR department in being strategic is upper management and CEO support. What organization would say that they do not support HR initiatives? What organization would say that human resources are not their most important asset? The answer to both of those questions is "not one". However, if human resources are really important to the organization, then upper management will be advocating, announcing initiatives and publicly supporting HR in every way.

The CEO and upper management will truly believe in the value of their employees in the organization and see that they have a vitally important role to play in ensuring the success of HR initiatives. If this support is not really there, then the HR department can still do good work, but they will not be able to be as strategic as they might want to be or could be.

"Being strategic means focusing on business problems that occur outside of HR." (Sullivan 2003)

The differences in activities between a transactional HR department and one that is transformational may seem subtle, but the differences are profound.

For instance, the transformational HR department will be involved in "talent management". Is this just recruiting and retention, with a different name? No, not if it's done right. True talent management is more holistic and comprehensive. It is broader in scope, very proactive and the activities that fall under this umbrella are synergistic. Recruiting can be viewed as simply filling an empty vacancy. Talent management involves looking items such as career management information, long-term organizational plans, performance appraisals, training and development and corporate culture.

Given that HR is at the Executive table, they will be involved in long-range planning for the organization. They will be participants in decisions regarding the long-term viability of the organization, so they will be aware of expansion, retrenchment, acquisition or merger plans, all of which would have an impact on employees and employment planning.

It is the aspect of human resource planning and the synergy of human resource initiatives that defines the transformational aspect of an HR department.

Talent management then is completely comprehensive. The HR department will be involved in the long-term organizational planning and determine what the HR needs will be. How many people are needed? Where are they needed? With what skills and abilities? Once those needs have been determined, then all of the other activities around this kick into action, like performance management, career planning and employee development to name a few. HR functions are not viewed in splendid isolation but rather as an integrated web where all of the functions work together to support and enhance all of them.

HR must determine who they have on board and what those people have in terms of skills and abilities. An in-depth knowledge of their existing employees and all of their capabilities is needed. Then, with HR's exposure to the long-term strategic planning, they can develop their own plans for proactively dealing with the results of this gap analysis. These activities will include:

- innovative, proactive and global talent sourcing plans
- superior on-boarding (orientation)

- in-depth leadership development, coupled with
- succession planning, closely tied to
- performance management
- change management initiatives
- comprehensive and competitive compensation and benefits program

A Deloitte study said that the executives they surveyed listed the following issues as being most critical to the organizational success:

- leadership development
- talent management
- creating a high-performance culture
- training and development (Deloitte Touche Tohmatsu and the Economist Intelligence Unit 2007)

If an organization is facing a labour shortage, then hiring and retention become absolutely crucial.

"A growing number of companies are figuring out that the most effective way to tackle a chronic talent shortage is to grow their own. These companies view development and training of their people as their most valuable way to manage talent and have made it a top priority. "If we had to hire these people or replace these people," said the regional CEO of a Chinese manufacturing subsidiary, "the costs would be so much greater than the investment of keeping the people and developing them in the first place". (Deloitte Touche Tohmatsu and the Economist Intelligence Unit 2007)

Having all of these programs in place is only part of the answer to having an HR department that is transformational. These programs and initiatives must be in place in an organization that has a culture of truly valuing their employees. This culture has characteristics of a positive organizational climate, employee involvement, excellent stakeholder relations, trust and fairness in all of their dealings. The processes that are in place are transparent and reflect a true respect for all employees. The principles of ethical leadership and ethical dealings are paramount.

Let's take another example of HR's role in a merger or acquisition. If the human resources in the company are truly valued, as well as the HR department, then HR will be called in at the beginning of any merger or acquisition talks. This way, HR can assess the corporate culture, capabilities, strengths and weaknesses of the folks in the "other" organization. This assessment will be a crucial factor in deciding whether or not the merger or acquisition should go ahead.

### 2.3.1 Attitudes make a difference

The attitude towards the employee held by the transformational HR department often differs from that of the transactional HR department. The transactional department's viewpoint often ranges from being a friend and advocate for the employee, "taking care of" the employees, holding the line on and policing the employees to outright suspicion and distrust of employees.

The attitude of the transformational HR department is none of the above. The feeling is that there is true trust of the employees, coupled with a belief that the employees want to do the best job possible. This philosophy translates into a desire to put mechanisms into place that will allow the employees to develop, grow and contribute in the best way possible. This foundation then dovetails with the organization's aim of allowing the employees' contributions to contribute to the success and competitive advantage of the organization.

The transformational HR department also exhibits a "can-do" attitude and often is characterized in adopting an appreciative inquiry approach. As opposed to the policing/monitoring attitude of the transactional department, the positive attitude of the transformational department contributes in the brain-storming process to build on ideas and make changes that foster creativity and innovation.

> Transformational HR practitioners hold the belief that their dealings with employees should be "equitable" rather than "equal".

### 2.3.2  Equitable vs. equal treatment

There is an interesting difference in the operationalization of the notions of equity and equality with regards to employees.

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Treating employees "equally" is the easier concept to explain because it means that employees are all treated the same. If there is a policy or established practice, it applies to everyone in the same way, regardless of the situation. There is a benefit to this approach, since identical application of practice could reduce any charges of favouritism and could potentially reduce legal liability on the part of the organization. Particularly in a unionized environment, this approach may be useful.

Treating employees "equitably" means that application of policy or practice may be more fluid, not strictly applied. Circumstances and specific situations may have a bearing on a decision relating to an employee. There could be instances where some variables, taken into consideration, will result in one employee being treated differently than another. The element of discretion enters into the decision. To take a simple example, say an employee who has put in long hours to produce a great report asks for half a day off. The manager could decide to grant that request, where a similar request from an average-performing employee will get turned down. The result is that the two employees have not received equal treatment, and yet the decision could help to emphasize the department's goals of motivating excellent performance.

"A well-run company understands the value of its people right down to its corporate DNA," according to the CFO of a leading pharmaceuticals company. "Show me a company that exploits its people or undervalues its people and you'll find someone who's underperforming relative to others in their industry, certainly over the long term." (Deloitte Touche Tohmatsu and the Economist Intelligence Unit 2007)

The transactional department and the transformational department clearly will see things in slightly different ways, put priority on different actions and deliver different results.

### 2.3.3  A different approach in the transformational HR department

Smith and Singh also have another excellent description of the different approach of a transformational HR department.

"Let's consider the strategic approach to a basket of inquiries from a client manager. The items include a harassment complaint by an employee, a rush request from the manager to make a job offer, and a report on a workplace accident. Sounds like business as usual in many HR shops – but the strategic HR practitioner will look beyond the immediate requests to situate them in the broader business environment and take into account the perspective of the different players. What if there has just been an announcement of a budget cut prior to the manager's requests. In this case, the harassment complaint and the workplace accident may reflect employee anxieties about potential job loss. The manager's rush to action becomes a desire to lock in budget commitments for staff before the funding reductions take effect. Unless the strategic HR practitioner takes into account this broader environment in addressing these requests, the resulting service will be incomplete and the needs of the organization only partially met." (Singh & Smith 2005)

A not-insignificant change also appears in the phrase "Human capital management" when referring to the activities in the department that concern themselves with people. Human capital management as a descriptor or label is appearing when referring to the activities and contributions of the transformational HR area. The concept that "human resources are our greatest asset" has also been around for years, but with varying success at actually having it mean something. Human capital management phrasing may go some way to helping to reinforce this philosophy.

## 2.4    Does this mean the transformational HR department doesn't do transactional stuff?

Maybe, maybe not.

Let's take payroll as an example. This is certainly a crucially important factor in the organization. Employees, quite rightly, want to be paid correctly and on time. It's also useful for employees to understand their paycheque. Is payroll necessarily a function of the HR department?

There are different possible ways that payroll could be handled in the organization.

1.  Place it firmly in the accounting department. This way, HR is divorced from the payroll function. Questions from employees and problems that may arise around payroll go to the payroll/accounting department. HR and payroll must communicate well of course, while HR is removed from the nitty-gritty of payroll. In this way, HR can concentrate on the planning and logistics surrounding the compensation strategy and accounting can take care of the mechanics of paying people.
2.  Outsource payroll. If the payroll function is done by another, external organization, then payroll is even more definitely removed from HR. Again, communication with the host organization must be excellent and the service provided by the external payroll provider must be superb. The accounting department could be the liaison with the external provider, further removing HR from this administrative function.
3.  Clearly separate the HR department into that area that deals with transactional activities and those that deal with transformational ones. One writer who has written extensively about this type of proposal is Dave Ulrich. His approach will be described later. In this option, payroll now becomes a separate area under the HR umbrella. In this model, HR must clearly communicate their structure and how it operates to the rest of the organization.

In answer to the question above, yes, the transactional activities must be done. It's not as though they somehow disappear in this move to the HR transformational model. But the HR department must be very clear in how they are structured and how they get the HR-related activities done. If the practitioners get mired in transactional activities, then they will, not unexpectedly, be viewed as being only transactional. In that case, they will not, indeed cannot, be viewed as being transformational.

It is a tricky balance and one that is clearly a challenge. Because we find that "Very few HR functions are consulted on strategic business issues, and even fewer are prepared to offer ready solutions to people-related business challenges. According to the senior business executives (surveyed):

*   Sixty-three percent rarely or never consult their senior HR team on mergers and acquisitions (before or after the deal).
*   Twenty-six percent rarely or never consult their senior HR team on talent or compliance and regulation issues.

These business issues have significant people implications, yet HR often finds itself out of the loop until after the key decisions have been made." (Deloitte Touche Tohmatsu and the Economist Intelligence Unit 2007)

More discussion of HR department structuring is contained in an upcoming chapter.

### 2.4.1  HR department transformations to date – what changes were made?

HR department transformations are a hot topic for discussion. There is a lot of research to be found on this topic, as well as seminars, workshops and conference presentations. Transforming HR looks like an attractive option. A research report from ADP in 2009 said that HR transformations generate cost savings in the 25 percent range! (ADP & HROA 2009) The report also says that those transformations take three years on average to bring about.

Deloitte does a lot of work in this area and they have provided some interesting insights into global HR transformation initiatives.

In 2006, they described the HR transformation processes to date as "First generation HR transformations" and further broke that time period into 3 distinct phases.

The three phases of First Generation HR Transformation

| Phase 1 (1995–1998) | Phase 2 (1999–2001) | Phase 3 (2002–2005) |
|---|---|---|
| *Implementing self-service and a global HRMS for core HR processes* | *Expanding self-service beyond the core processes and improving service quality* | *Expanding to new processes and improving measurement and reporting* |
| Compensation | Employee contact and support | Recruiting |
| Benefits | Training administration and delivery | HR compliance |
| Performance management | International assignments | HR measurement and reporting |
| Payroll | Diversity | |
| Employee communications | | |
| Basic HR data management | | |

**Table 2.4.1** www.deloitte.com/assets/Dcom-China/.../HRT_White_Paper(1).pdf

## 2.4.2  Self-service

The self-service concept was, and is, adopted by many organizations. This involved the introduction, or upgrading of technology to allow employees to use an internet or intranet to access, upload, or change their own personal information.

There are many benefits to the organization in adopting technology for this self-service option. It removes HR from involvement in these highly administrative tasks. It allows for an element of privacy that some employees may appreciate – they don't have to inform a variety of people about some information they may consider personal. It also may appeal to employees that are technologically inclined and would prefer to simply go onto an intranet and fill in some information and get it done quickly.

Self-service, even at this level, is not without drawbacks. Some employees who have historically wanted to talk to someone in HR have not embraced this self-service concept. They want a "higher touch" relationship with HR.

Self-service also necessitates the implementation of excellent IT programs or systems, and research indicates that this has not always been the case. A few reasons given for this are that communication between HR and IT has not been the best and cost constraints may have resulted in sub-optimal systems being implemented.

The organization must ask itself whether the technology is really worthwhile. Is it worth the price? Does it accomplish the goals of the organization? For instance, an organization that is trying to foster an image of being "high-touch" implements a software program that results in both electronically screening all job applicants and conducting the first screening interview by computer. The technology may be "efficient" by some measures, but it is not accomplishing the aim of "high-touch".

> Technology is just a tool, it's not the answer. Why automate something that is not working well now?

Two other initiatives that often accompanied these changes are outsourcing and the shared service concept.

### 2.4.3  Outsourcing

Outsourcing is the transfer of a process to an outside service provider. The originating organization (let's say Company A) will contract (pay) another company (Company B) to provide a service that Company A used to provide. The service provider employees (Company B) are employees of Company B, not Company A. The companies could be located in the same country or in different countries. In North America, benefits administration is the process that is most likely to be outsourced to a third party. Almost every administrative process in HR could be outsourced, although employee assistance (counseling), retirement planning and temporary staffing may be the most common.

There are inherent drawbacks in outsourcing, which must be well thought-out and managed if it is to be successful. The biggest challenge is the need to choose the right service provider. The service provider must be able to provide top-notch quality service in a way that is compatible with the goals and practices of the organization. Communication between the organization and service provider must be excellent and the organization must monitor and assess the service being delivered by the provider.

Another consideration is the location of the service provider. That provider is going to obtain, out of necessity, confidential information about the employees. What provisions and/or legislation exist to protect that information? What security measures are in place to maintain confidentiality? For instance, if a Canadian company chooses a U.S.-based service provider, then the employee information could be subject to scrutiny under U.S. legislation. If you are the Canadian company in this example, you must understand what the implications of this might be and decide how comfortable you are with that.

### 2.4.4  Shared services

Shared services, while not explicitly listed in the Deloitte study, was also a concept that has been discussed and advocated, but did not seem to receive much up-take.

The shared service concept can be operationalized in different ways. It can happen within the organization, where HR processes might have been diffused in various areas (divided by departments or geography) and later consolidated into one area and then shared by those different departments.

Another way to implement a shared service is for two or three organizations to choose a provider that can provide services to all of the organizations. For instance, two or three small not-for-profit organizations could hire an HR consultant who then provides consulting expertise to those same not-for-profits. The main benefit in this approach is cost-reduction.

A factor to consider in all three of these suggestions is privacy. As organizations adopt and expand their technology, outsource or share services, the issue of privacy must be considered and managed.

Interestingly, with all of the discussion, research and writing about transformation, Deloitte also summarized their findings on the success of those transformation initiatives. That information follows.

### 2.4.5  HR department transformations to date – how successful were they?

Deloitte in their report continued to grade the HR department's on their initiatives in their efforts to become more strategic. They arrived at a score sheet that shows rather uneven results.

**First Generation HR Transformation Report Card**

| Reduce costs | B |
| --- | --- |
| Streamline technology | B |
| Manage people globally | C |
| Shift HR focus from administration to strategy | D |

**Table 2.4.5** First Generation HR Report Card http://www.deloitte.com/assets/Dcom-China/Local Assets/Documents/HRT_White_Paper.pdf

So while we have some impressive benefits, it can be argued that these changes have moved HR pretty negligibly away from their administrative role towards that strategic role!

### 2.4.6  What next?

Deloitte then presents a model for HR delivery that would move HR further along the spectrum to being strategic. There are similarities in models presented for HR development. The Deloitte model looks like this:
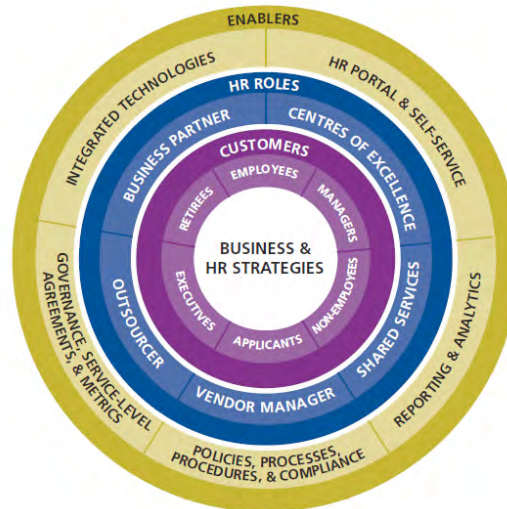


**Figure 2.4.6** The HR Service Delivery Model http://www.deloitte.com/assets/Dcom-China/Local Assets/Documents/HRT_White_Paper.pdf

You can read Deloitte's thorough description of their model in their report. The main message however is that if HR is operating with system-wide thinking and true integration with all organizational processes and activities, then their ability to contribute will more likely be "strategic".

### 2.4.7  What are the stumbling blocks in changing the HR department?

The ADP survey in 2009 reported that the main hurdles to HR transformation have remained unchanged:

- skills of existing HR staff has been at the top of the list from the start
- internal bureaucracy
- lack of adequate technology
- underestimation of resources required (ADP & HROA 2009)

We see then that more work needs to be done in HR itself to be able to position itself as a strategic partner. The roles of the HR practitioner in a transformational HR department and the skills needed to do those roles will be discussed later.

### 2.4.8  A Caution

The move from a transactional to a transformational HR department is neither an easy nor a fast process. The organization, the Executive, the CEO, the HR Executive must truly examine their motives, beliefs and corporate culture. Questions to consider include:

- Why are you doing it?
- What's needed to do it?
- What are the expected benefits?
- What are the stumbling blocks?
- Can the stumbling blocks be managed? If so, how?
- Who is in favour of this change?
- Who is not in favour of this change?

## 2.5  Comparing strategic and non-strategic HR actions

Dr. John Sullivan, who has written and consulted extensively on human resource issues, gives the following comparison of strategic and non-strategic HR actions in order to illustrate more clearly the differences between the two. His description is as follows:

"Most people and programs are not strategic because few employees are given a chance to see or do strategic things early in their career. However, once people see a side-by-side comparison, the difference becomes more apparent. Perhaps a few examples will illustrate the difference between strategic HR actions and non-strategic ones.

Recruiting

- A strategic action -- Using metrics (measures) to identify the best sources in order to improve the on-the-job performance of hires
- A non-strategic action -- Reducing the cost of hiring by using cheaper but lower quality sources with the net result being new hires that perform below average on-the-job

Training

- A strategic action -- Adding new training programs where there is significant measurable difference in on-the-job performance after an employee takes a class
- A non-strategic action -- Offering the same training classes each year (regardless of their impact) because they are popular and well attended

Retention

- A strategic action -- Warning or alerting managers in advance about who is likely to quit and what tools are most effective in retaining them
- A non-strategic action -- Tracking and reporting a manager's turnover rates after the fact

Compensation

- A strategic action -- Educating managers and providing them with compensation tools that have a direct impact on employee productivity
- A non-strategic action -- Suggesting that a manager give across-the-board raises even though there is no evidence that they impact productivity or retention

Interviews

- A strategic action – Comparing candidate "scores" or ratings during an interview to their on the job performance and retention rate after they are hired. The goal is to see if the interviews predict on the job performance and over time, improving the performance of our new hires
- A non-strategic action – Attending interviews and asking good questions." (Sullivan 2003)

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## 2.6 Questions

1. Go to the website of an organization that you know. Look up the Executive structure in this organization. What is the title of the head of HR? Who does that person report to? What messages does the structure give to you? What information can you find about the activities of the HR department? What is your impression? Do you think the HR department is transformational or transactional?

2. Using this same organization and website, look at the mission and vision for the organization. Is there any tie-in between the mission and vision and the activities of the HR department?

3. An HR department says that they have to approve employee-related decisions made by the line managers because those managers keep making the wrong decisions. They are trying to protect the organization from, perhaps, legal liability. In this case, the HR department is assuming line authority. Why would HR do this? What implications could there be to that action? What would be some options in this situation?

4. Go to the following website. There is a wealth of information here that gives more tips and videos relating to HR transformation. http://hrtransformationbook.com/index.php/books/resources/hr-transformation-book

5. Go to the bibliography page and find the 2 articles mentioned in Fast Company about "Why we hate HR". What points are they making? How valid are they in your experience?

# 3 Think about structure - Structuring the HR department

There are many different ways that the HR department could be structured. The saying "structure follows strategy" applies here. HR must decide what their purpose and strategy is and figure out a way to best accomplish this.

There are many structuring options available. At a very basic level, in many organizations, the decision to be made is to structure either along generalist or specialist lines.

## 3.1 The specialist HR department

This common model divides the HR functions among "specialty" areas. Under the top HR person, managers will head up areas like recruiting, training, compensation, etc.
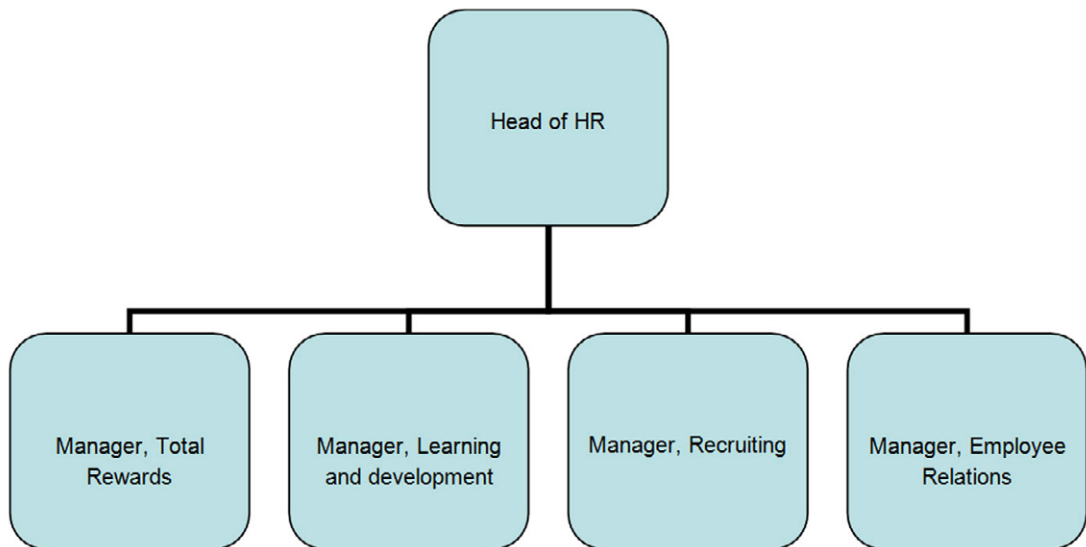
It looks something like this:



**Figure 3.1** Specialist HR Department

By using this model, the practitioners in each area are specialists in their functional area. Superb communication is needed across the functions and the head of HR has a strong communication and co-ordination role.
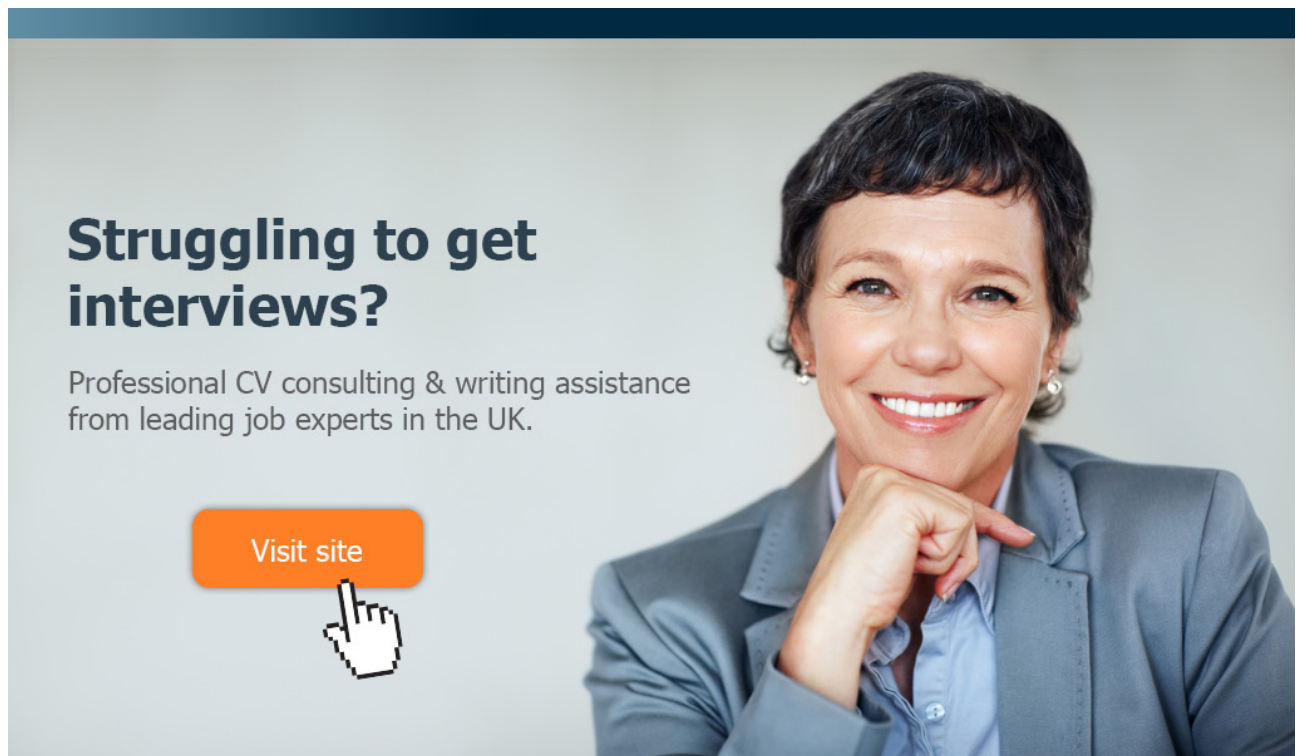
In this specialist model, the line managers then deal with a variety of people in the HR department. If the line manager has a recruiting need, then they go to the recruiting area. If they have a learning and development need, they go to another HR area.

The potential drawback of this structure is that HR initiatives become disjointed and it can be confusing for the line managers to know who in HR they are supposed to deal with. For the HR practitioners themselves, there can be a double-edged sword. They become very specialized in their functional area, but they do not get experience in the other areas of HR.

## 3.2    The Generalist HR department

In this model, the HR practitioners are HR generalists, acting alone in very small companies or in teams in larger companies. Each team is assigned to deal with specific line departments. In this way, the line managers and employees have a point of contact in the HR area. This becomes their point of contact and is their resource for all of their HR questions and needs.

The potential challenge to this structure is that the HR practitioners must be knowledgeable and current in all aspects of HR functions and the teams must be consistent in the way that they operate. The Head of HR must ensure consistency in actions on the part of the HR teams.
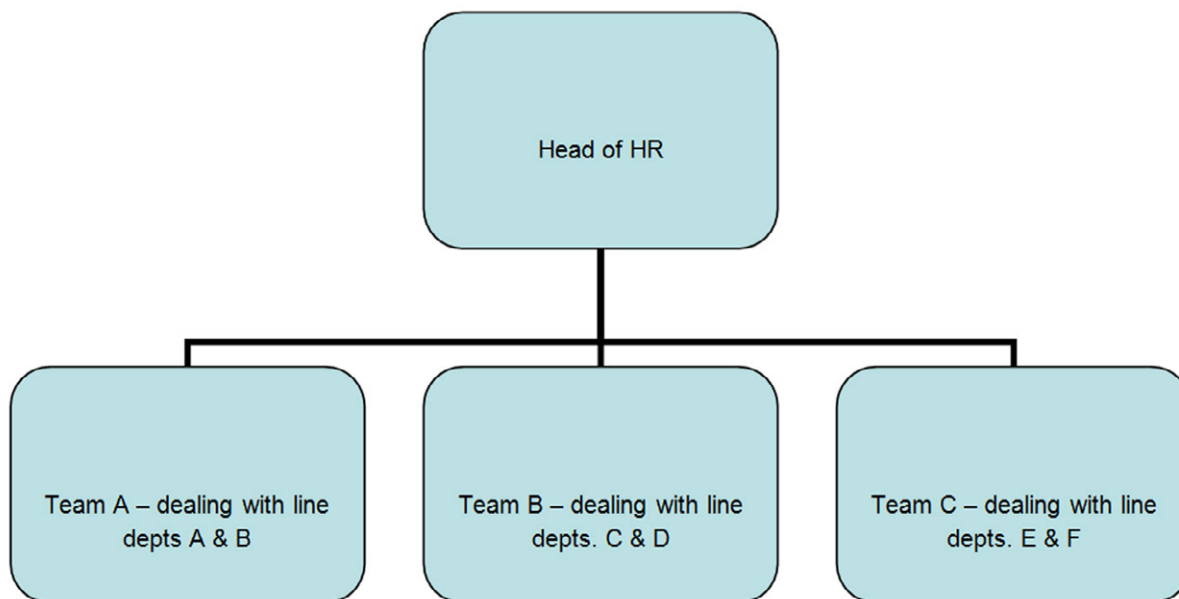
**Figure 3.2** The Generalist HR Department

Clearly, there are many different ways that the department could be structured, including combinations of the two described above, as well as a geographic structure or a matrix structure.

In large organizations, different combinations of models are almost necessary and another model has also been proposed. This is a more complex model that clearly separates administrative and strategic activities. As mentioned, Dave Ulrich has written and consulted extensively on this model.

## 3.3   Dave Ulrich's model for structuring HR departments

Ulrich makes a persuasive case for this model – worthy of examination and one that many companies have adopted in some form. Ulrich's idea is that the HR function could be divided into three basic areas. (In other writings, he presents variations of this model, but for our purpose here, we'll talk about 3 centres.) One is the area that does the transactional activities in the department, the second is an area called the centre of expertise and the third being the business partners, whose job is to partner with the line managers to assist in having them reach their HR goals. (Ulrich, D et al 2009)

The first area is often referred to as the service centre or shared service centre, where the nuts and bolts activities occur. These may have been outsourced or had a strong infusion of technology, resulting in an e-HR platform.

The second area, the centre of expertise, is composed of professionals who have very specialized, in-depth areas of HR expertise and who act as consultants to the people in the third area, the business partners.

The third area are the business partners, Ulrich refers to them as "Embedded HR", who are HR generalists. These generalists or business partners are the interface between HR and line management and help with strategic HR initiatives.

Clearly, this type of structure can only exist in an organization that has a fairly large HR department. It looks similar to the diagram below.
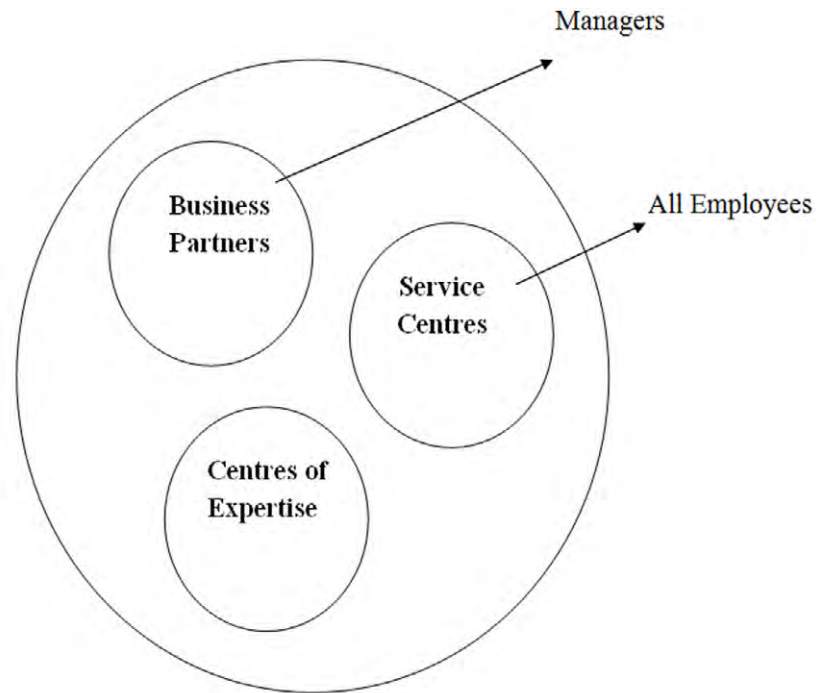


**Figure 3.3:** Ulrich model

Many organizations have either moved to this model entirely, are in the process of moving there or have adapted some form of it for their organization. In so doing, those organizations have invested a considerable amount of time, energy and resources to making the transition.

Because it is a relatively new model and one that takes years to implement, there is virtually no research to indicate whether or not this model is successful in achieving the aim of making HR "strategic". Certainly, an enormous amount depends on how it is implemented and the resources accompanying the change.

This model has its supporters, but it also has been criticized as being the brainchild of a consultant who has never worked in HR. Critics call it an unwieldy model that ends up being too bureaucratic and confusing for everyone in the organization. Time will tell how successful a model it is.

## 3.4    Questions:

1.  Look up Dave Ulrich's material relating to structuring the HR department. What information does he present?

2.  What type of structure would you prefer to work in? Why?

3.  Think of the comment that "structure follows strategy". What does this mean? Apply this comment to the models presented in this section. How does this comment apply?

4.  Think of 3 organizations that you have worked for and reflect on the way in which the HR department is structured. What model do they use? Do you think it is effective? Why or why not?

# 4 Be credible – have educated, experienced, trained HR practitioners

In order to meet the challenges in the new HR areas, the practitioners in those areas must be top notch. This means they should be educated and/or certified through an HR Association and they must be trained, up-to-date and well-rounded in their knowledge of the functional business areas. Most writers agree that HR practitioners must have a thorough knowledge of the business, its operations, challenges and goals. In order to be strategic, they must also be skilled in consulting and research abilities.

One study said that "Many HR professionals perceive their department as a strategic partner, yet only 15% of its time is allocated to related strategic activities with the largest proportion spent delivering HR services (27%). Respondents said that the remainder of their time is spent on compliance / auditing (12%), transacting / record keeping (18%), designing HR programmes or systems (14%) and internal management (14%)." (Mercer 2011)

Let's then examine the various roles that the HR practitioner must utilize in their work.

## 4.1 Roles of the HR practitioner in a transformational HR department

In order to be successful in the transformational HR department, the HR practitioner operates as an internal consultant and as a change leader. Remember the line/staff definition mentioned in a previous section. In giving advice, counsel and guidance, the HR practitioner works closely with their client groups to help them to achieve their goals and objectives.

### 4.1.1 The HR practitioner as internal consultant

We can look at a couple of different and complementary views of the role of an internal consultant.
One definition is that an internal consultant is "an employee with special knowledge and expertise who offers advice or business solutions to another department within the same organisation". (HRdictionary 2011)

Another description is as follows:

"Our working definition is that an Internal Consultant (IC) is any individual/group which serves internal clients in an advisory capacity, including:

- Bringing a specialized management consulting expertise to improve the bottom line performance of the company/organization
- Working within the corporate structure to resolve business issues and implement solutions in areas that include organizational effectiveness/development, strategic planning, or process improvement
- Serving as a change agent, coach, educator or facilitator within your company." ( Trotter 2008)

Here again, we see the combined role for the HR practitioner – one where they have the ability to confer with the line managers, and suggest courses of action, backed up with specific expertise.

Again, let's look at an example of the HR professional acting as an internal consultant. If a line manager were to approach HR with a request for a training program to be delivered, a strategic HR practitioner will consult with that manager. Why does the manager want that particular training? What is the need for the training? What does the manager hope to solve with this training? Is this the right training to deal with the need? These discussions may result in both parties coming to the conclusion that another type of training or another initiative entirely would be more beneficial.

If the HR practitioner does not act as a consultant, then they will likely just do what the manager asks and they will deliver the training program, which may or may not be beneficial. This would be the response of that is transactional in nature.

> "Agility" is the mantra for people in today's organizations and is a trait that is truly valued in the business world now.

In addition, the HR practitioner must also be a change leader.

### 4.1.2  The HR practitioner as Change Leader

Jim Canterucci has described change leadership in the following way:

"Change leadership is the ability to energize groups who will be implementing change projects that they may or may not buy into. It's important for change leaders to understand the need for change and demonstrate a high tolerance for ambiguity and a positive attitude. Change leadership also means defining areas for change; managing change initiatives smoothly by anticipating, preparing and responding effectively to roadblocks; creating an open, receptive work environment; and involving people at all levels in the change initiative." (Canterucci 2008)

"In order to establish the next generation HR function, the HR leader must see transformation of the function as a personal mission and the most important means of contributing to business success. The leader must be willing to challenge the status quo, move administrative work out of the hands of Business Partners and COEs, and fundamentally change the nature of many roles within HR. The leader must also identify the people capabilities necessary for success and be willing to build or acquire those capabilities missing in the current HR population. The role of change agent is a difficult one, but it is absolutely essential to the successful transformation of the HR function." (Mercer 2010)

This is a tall order for HR practitioners! As we can see, the roles are dramatically different from the HR department of the past. We will examine in some more detail the requirements of the HR practitioner in the following section.

### 4.1.3  The HR practitioner and project management

One of the skills that the HR practitioner needs is the ability to manage projects. A number of the initiatives that occur will be project oriented and will involve various groups of people. Credibility increases if projects are well managed, are completed on time and deliver the expected results.

Depending on the organization, project management tools could range from a Gantt chart written on a blackboard, to sophisticated software programs that may include tools such as critical path plans, PERT charts and others.

The successful HR practitioner has developed and honed project management skills and experience in their career progression.

One of the questions at the end of the chapter directs you to explore the subject of project management in some more depth.

## 4.2  Skills needed in HR staff

Human Resource professionals must self-assess their own skills and competencies with a view to identifying areas for improvement and the head of HR must ensure that the qualities and capabilities of the HR staff are excellent.

"The lack of skills of the existing HR staff" is the main hurdle to implementing a change to a transformational HR department, according to 65% of the respondents in the 2008 Global HR Transformation Report. This was followed by "internal bureaucracy" being mentioned by 52% of respondents and 51% mentioning "lack of adequate technology." (ADP & HROA 2008)

One comment that arises often regarding the HR staff is that they must know the business of the organization. At a minimum, this would include getting out of the HR offices and touring around the offices and/or various locations to find out what's going on and how those places work. This may mean taking a road tour to see the various locations. Establishing a relationship with the managers and staff in the organization will be greatly enhanced by seeing where and how they work. Even with the advances in technology which allow for video-conferencing and internet phone calls, a personal visit goes much farther in establishing and advancing interpersonal relationships.

Many HR practitioners will admit that they do not know much about their organization. In order to know the business, HR practitioners, in addition to touring the various locations in the company, should also:

- Understand the ownership of the company. Who owns them? Are they a head office? Are they a subsidiary?
- Know how the organization is financed. Are they a publicly trading company?
- Be able to do a thorough SWOT analysis for the organization as a whole.

To take the concept that HR staff must "know the company's business" a step further, we are beginning to see HR staff either coming from other functional areas of the company or doing rotations into other areas of the organization for periods of time to gain a better understanding of the various functional areas of the organization.

Since the previous section talked about the need for HR to act as internal consultants, we can see some suggestions for the HR professional about what that might include for them.

An article from the Human Resources Professionals Association about effective internal consultants lists skills that the individual needs to have in order to work well. These skills include:

- A specific 'technical' expertise (HR knowledge and experience)
- Communication skills
- Listening skills
- Problem solving
- Analytical skills
- Customer service
- Connections to other service providers
- Understanding of our clients' "business"
- Understanding the big picture
- And most importantly: the ability to act as influencer and enabler. (Viktorin & Downs 2010)

If you examine this list above, it summarizes many of the same points that many writers include. In addition to these traits, others come to mind as discussed below.

In order to consult with clients, the HR practitioner needs a curious combination of traits. There is a need to be assertive without "pushing" too hard. After all, the HR practitioner is consulting, not dictating. And yet s/he must also be persuasive in their consulting. S/he does have expertise to offer – likely a track record of successful ideas and implementation. The advice must be presented clearly, in a compelling way, to ensure client buy-in.

As a problem-solver, s/he must also be flexible. Clients will have different levels of comfort with change or with the suggestions being offered. What might seem to be a clear course of action may not be appealing to a client. Therefore, that clear course of action may have to be modified, or broken into smaller component parts so that they become more digestible.

The internal consultant must also be resilient to push-back or outright rejection of their ideas and suggestions. If the consultant has personal credibility (this concept is explored further on in this section), then outright rejection will not happen often, if at all. However, it is possible. In this case, the consultant must figure out how to proceed in the most positive manner for all concerned.

We must also be somewhat careful of the use of "problem-solving". This must be done extremely well. The problem cannot be solved with a short-term fix, since that generally just restores the situation to the status quo – a "band-aid" response. The view must be longer term, with a broader, more comprehensive perspective involved. The need to be proactive rather than reactive is crucial.

When we look at the HR practitioner as that curious mixture of internal consultant and change agent, the other aspect to that role is to disagree, poke, prod and sometimes provoke change. This must be done with a certain degree of diplomacy, tact and clarity. This HR practitioner can guide others away from an action that might not be advisable or could be improved on. They can ensure that groupthink has not entered into decisions and call it when it occurs. Coupled with their ability to be persuasive, they can steer managers and the company in the right direction and avoid the potential pitfalls along the way.

> The consultant is only successful if the client is better off after the engagement than before.
> http://www.internal-consulting.com/the-role-of-a-consultant.php

## 4.2.1  Strategic Thinking Style – Analytic and Holistic

Singh and Smith have also identified the need for HR practitioners to ensure that they have a "strategic" thinking style. (Singh & Smith 2005)

When we understand that the HR practitioner may be called upon to be involved in both transactional and transformational activities, two different thinking styles are required. One is strong analytical skills and the other is holistic thinking.

The style of thinking refers to the way a person will process information and "see" situations. Individuals will likely use the two different styles in different situations. However, people will have a tendency to gravitate to one style or another more often than the other. Let's be clear. Both styles are valuable and both are needed. We need to have individuals who have the ability to use both styles. Once a person has determined what their dominant style may be, they can perhaps seek out others with a different style in order to get another perspective on a situation or simply another point of view.

### 4.2.2  Analytic thinkers

Analytic thinkers are described as "left-brain" thinkers. This type of thinker is comfortable with details, logic and step-by-step processes that unfold in a predictable manner. They can hone in on the immediate problem and "fix" it, without getting any information about how that problem fits into the bigger picture. The obvious benefit to this style is their attention to detail. The drawback is the solving of problems without understanding the implications of the broader context of the problem.

### 4.2.3  Holistic thinkers

Holistic thinkers are described as "right-brain" thinkers. This type of thinker steps back from the details of the immediate situation to look at the big picture. They may be described as systems thinkers who want to understand the context, the "why" of the situation before delving into the challenge of solving the problem. The benefit to this style is the ability to see the factors that connect to and may interrelate in the situation. The drawbacks are that details may be ignored in an emphasis on the big picture and a time delay in figuring out the situation.

If HR practitioners are going to contribute their strategic thinking to the organization, then it is important for them to develop, practice and indeed excel in holistic thinking. Analytic thinking was and is needed for transactional activities. Strategic activities require both thinking styles.

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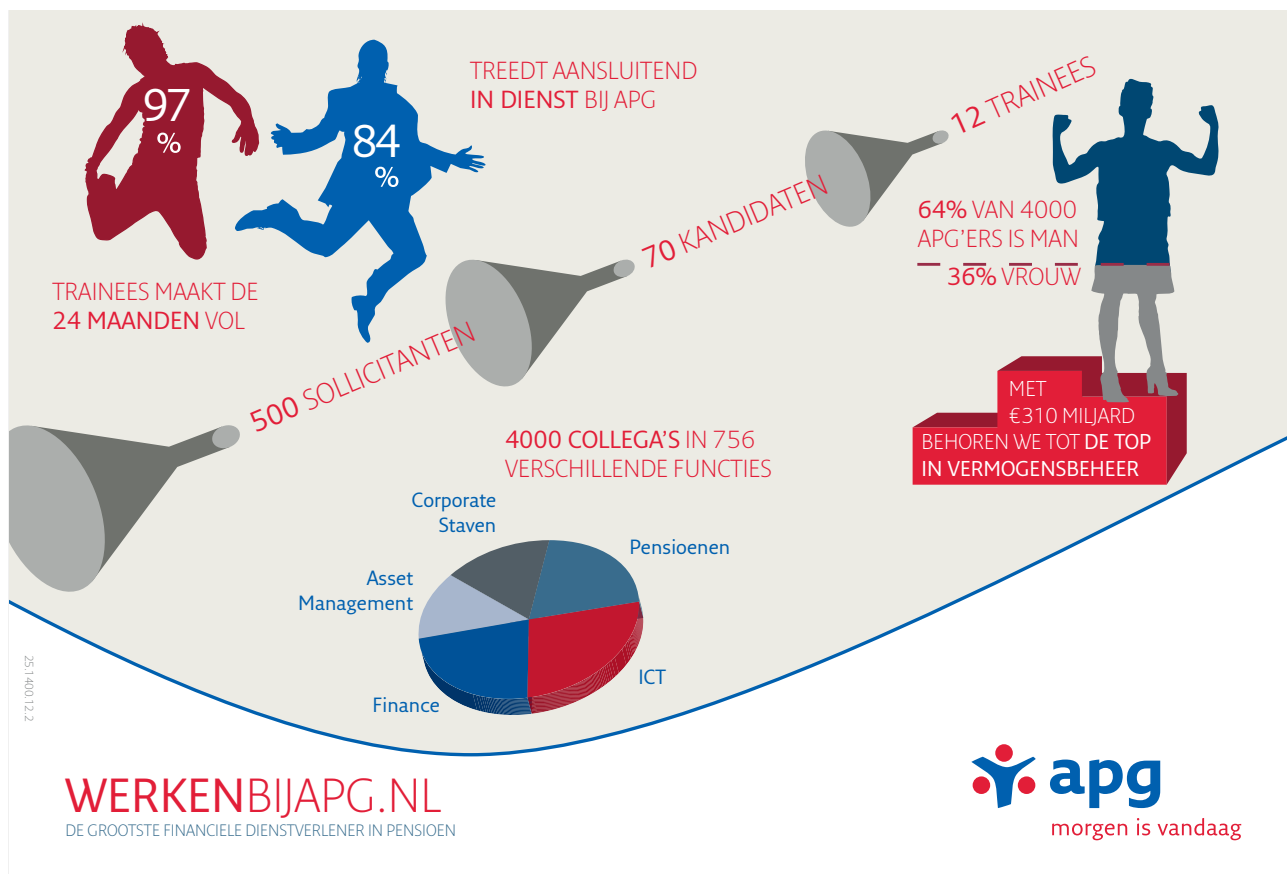
## 4.3   Credibility

Another perspective to keep in mind is that with the understanding that HR is a staff function, the HR practitioners must establish credibility in order to be able to advise and assist. This trait was mentioned earlier. The only way for the departments in the organization to approach HR practitioners for counsel is in a spirit of having faith in that counsel.

> Singh and Smith write that "The credibility of human resources as a valued business partner rests on the quality of the advice and service provided."
>
> Singh, S & Smith, C 2005. *HR Manager's Guide to Applied HR Strategy*. Thomson Carswell p 18.

Credibility in this case refers to both personal and department credibility. The individuals in HR must engender trust through their own expertise and approach to issues and they must contribute to the credibility of the HR department as a whole. They can do this by acting with integrity, delivering programs and initiatives in a superior manner and by establishing positive relationships with their client groups.

Michael Wade has written about credibility and the mistakes HR departments make that lose them credibility. He says that among the credibility-destroying actions are:

- Acting like a paralegal for management. The wise HR department will be an honest broker who will admit when management has made a mistake and will lobby to correct poor practices. HR people who become toadies quickly earn contempt.
- Adopting a cynical attitude toward employees and their concerns. As an executive once remarked to me, "We don't have a personnel department. We have an anti-personnel department." Labelling some employees as whiners and troublemakers can result in a failure to listen when those individuals raise valid concerns.
- Failing to keep up with important changes in the law. The HR people need to know when the attorneys are on target or are being overly cautious. There are many legal defense strategies that have terrible management repercussions.
- Being too much of a cop instead of a consultant. There are times, of course, when conflict is appropriate but on most occasions HR should be an ally and not an adversary for the other departments.
- Failing to keep employee confidences. Gossiping should be treated as a cardinal sin in any HR department. One instance of breached confidence can damage an HR department for years.
- Focusing on turf instead of mission. HR departments that actively seek to prevent employees from getting management information from other sources only demonstrate their insecurity and limit the education of their workforce. (Wade 2007)

This list, above, looks straightforward. What is required here is also the ability of the HR department to be honest and candid in assessing themselves and their activities. The ability to self critique can be a challenge.

Let's take one of these examples, for instance, like "failing to keep employee confidences." Every HR department will protest that confidentiality is of utmost importance to them – that it is a sacred principle by which they operate. But is that really the case? Are they protesting that it is a principle but not really following through on it? What do the rest of the employees in the organization have to say about the HR department on that count? What is the reputation of HR within the organization in that regard? Many HR departments might be shocked to hear the line department assessment of HR's practice of confidentiality.

One study that surveyed HR executives in various industries reported that, "approximately 66% of respondents said the HR function views itself as a strategic partner, yet only 38% said HR fully participates in strategy decision-making. Twenty-eight percent of those who completed the survey said that although HR participates in strategy discussions, it does not have decision-making responsibilities." (Mercer 2011)

Since this Mercer report is one that surveyed HR executives themselves, this illustrates a gap in perception and execution that HR practitioners should pay attention to. It highlights the importance for the HR department to get feedback from the other organizational units and managers, listen to that feedback, thoroughly assess their own performance, determine areas for improvement and act on them right away.

## 4.4    Jim Canterucci discusses change leadership

Canterucci also examines different levels of change leadership activity ranging from the most basic involvement and skill needed to the most complex involvement, requiring very different skills.

"Level I - Accepts Need for Change: At this level the change leader can publicly describe a change and persuasively defend the need for the change within the organization. The individual is able to tolerate ambiguity and create an open and receptive environment.

Level I change leaders can be successful working on small change initiatives when given clear direction and access to more experienced change leaders for advice and confirmation.

Level II - Defines/Initiates Change: This change leader can define a specific area where change is needed and can identify the leverage points for change in processes and work habits.

Level II change leaders can identify the need for and initiate change at the local level.

Level III - Manages Change: This change leader is able to define an explicit vision for change based on broad organizational visions. They will make the effort to deliver the message or refine a vision for change to everyone affected. This change leader is able to redirect individual or team approaches in the face of new opportunities and involve people in the change. At this level the change leader ensures the success of change through implementation of a communication strategy, the refinement of work and organizational design models, and the facilitation of staff development.

Level III change leaders are able to translate the vision of the organization into the context of a specific change initiative and bring this message to the entire organization.

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Level IV - Manages Complex Change: This change leader understands the cultural dynamics of the current state of an organization, including the hidden assumptions and the differences between the stated values and the values in practice. At this level the change leader is able to create a strategic practical course, balancing the current reality with the need for rapid adoption of the desired future reality.

Level IV change leaders are able to generate change in a productive vs. destructive way.

Level V - Champions Change: At this most strategic level, the change leader publicly challenges the status quo by comparing it to an ideal or a vision of change. This may cause a sense of crisis or imbalance. They support dramatic actions to implement the change effort. This change leader is responsive to and responsible for planning evolution, causing change, and transforming the organization.

Level V change leaders are asked to revolutionize organizations." (Canterucci 2008)

## 4.5   Questions:

1. Find out whether you are an analytic or holistic thinker. Search the internet for on-line quizzes about this topic. What strengths do you have? What do you need to work on? How can you do that?
2. Do some research on "credibility". What other information or tips can you find about increasing your personal credibility? What specifically could you do now to increase your credibility?
3. Think of an organization you know well or the one you work with now. How much credibility does the HR department have? Why do you answer that way? Be specific.

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4. Dave Ulrich has listed 6 competencies for the HR professional. Here he presents a different, although complementary view of competencies for HR. Take a look at them here: http://rbl.net/index.php/research/detail/HRCS. What parallels do they have to other writing presented here? What implications do they have for you as an HR professional?

5. Do you have an HR accrediting or certifying body where you live? What competencies, capabilities or skills does it outline as requirements to be an HR professional?

6. As a result of your research for question 5, what skills or competencies do you need to improve on to be a better HR practitioner? How can you go about doing that?

# 5  Provide value for service

"To play the game, HR has to get out of the locker room and onto the playing field. Instead of merely responding to requests for service, HR professional have to become involved in the business process early on – at the strategy level." (Fitz-enz & Phillips 1998)

Here then is another pillar for making the HR area transformational – a requirement to have HR illustrate that it is adding value. Under the discussion of providing value for service, consensus is that HR must shift away from being focussed solely on their activities to a focus on adding value.

The first factor then in providing value for service is that HR must show that they can and are assisting the line managers to achieve *their* goals.

## 5.1  HR must show that they can and are assisting the line managers to achieve *their* goals.

This comes back to HR understanding the business of the organization and assisting the line managers in those people-related activities that will help propel the line department forward.

As mentioned earlier, rotating people in and out of the HR department into other operational areas, for career development purposes, helps those working in HR to know what the business is all about and their challenges.

And it's not just a case of measuring activities. In a way, it reflects the depth and purpose of those metrics.

So for instance, in the transactional HR department, statistics will likely be kept of activities like absenteeism, turnover, hiring and others. Finding out, for example, that your company has reduced their turnover rate by 4% is interesting. That reduction may be a good thing for your organization. But a more in-depth analysis will ask and answer far more questions such as:

- What levels in the organization are experiencing the drop in turnover? Are we keeping entry-level people more? Or senior-level?
- Is there one department's profile that skews this average or is this reduction in turnover spread throughout the company?
- Are we keeping the kind of employee we want to keep? Have we kept key employees? Do we have essential skills still in place?
- Is there a difference in the long-service vs. new employee turnover?
- Is the reduction in turnover due to something that we as a company have done or put in place? If so, do we know what that is? And to what extent? Or is there another reason – like a downturn in the local economy?

The answers to these types of questions will result in far better and more comprehensive information for HR. This type of measurement will allow HR to be more "strategic" in their response to this phenomena.

It's not a matter of HR operating efficiently – it's not about the HR department in itself. An examination, or an inward focus reflects the actions of a transactional department. For example, HR can get into endless discussions about what the "proper" ratio of employees to HR business partners should be. (The Economist 2009) This illustrates the HR department looking only at its own operations.

The role of business partners has been subject to a wide range of interpretations. Some companies have chosen to appoint hundreds of them; others have appointed just a few. One large organisation with 60,000 employees has 350; another, with some 50,000 employees, has just two. A 2004 study of 20 large American companies by PricewaterhouseCoopers's Saratoga Institute found a median ratio of one HR business partner for every 1,000 employees. (The Economist 2009)

Instead, we need to come back to the question of what the line managers want to achieve. It's a question of whether the HR department can assist the line managers to satisfy *their* goals.

## 5.2    Metrics or no?

However, after this point, HR practitioners, researchers and academics hold different opinions. One school of thought is that the HR department must be involved in keeping and showing metrics – measurements that indicate in very quantifiable terms, that their activities are providing value to the organization. This school of thought has lots of supporters and advocates, the leading name perhaps being Jac Fitz-Ens. In this approach, the HR department is "proving" that what they do has merit and benefits the organization as a whole.

In subscribing to the belief that HR must provide metrics, the thinking is that HR must provide an accounting that substantiates their contributions.

This type of measurement and metrics allows HR to have conversations with the other managers and executives using their language. For too long, HR has been sidelined because they couldn't speak the same language. Metrics can help to ensure that everyone is on the same page and can help to enhance the credibility of the HR department.

Another school of thought subscribes to the thinking that while HR must be of demonstrable value, engaging in extensive metric measurement and advertising of those metrics is not necessary. Some argue that HR could spend too much time measuring activities to the detriment of actually getting things done. One HR department that does not subscribe to providing HR metrics is profiled at the end of this chapter, Pason Systems Corp.

Another criticism of metrics is simply that they can sound so defensive. "Here, look at what we've done, aren't we good?" Some critics feel that if HR just got on with doing a good job, then they wouldn't have to engage in extensive metrics exercises to "prove" their worth.

> "Despite some progress, nearly 60% of finance executives still view HR as a cost rather than a strategic partner; and 80% of HR leaders believe the function is not credited with delivering any value to organisational performance."
>
> Removing the barriers to success in HR transformation, Mike Theaker & Philip Vernon Mercer, January 8, 2007.  http://www.hci.org/lib/removing-barriers-success-hr-transformation

Dr. John Sullivan is a strong supporter of metrics and has written an article called "Metrics – the Future of HR". A summary of his points follows here. (Sullivan 2006) For the full article, see discussion question #1.

1. Metrics help you ensure that you are meeting your goals and customer needs.
2. Metrics help you focus.
3. Metrics tell you where to spend your money.
4. Metrics tell you what to stop doing.
5. Metrics eliminate confusion.
6. They help push continuous improvement.
7. Metrics allow you to come across as an expert.
8. Distributing metrics can change individual behaviour.
9. Metrics are superior to culture in changing the behavior of your managers.
10. Metrics can help to improve your relationship with the CFO and CIO.
11. Metrics can build coordination/ cooperation.
12. Metrics can help to build self-confidence.
13. Using metrics sends the message that you are "new school".
14. Metrics tell you what to reward.
15. Modern ERP and ATS systems make it easier.
16. Metrics can allow HR to provide evidence of its strategic impact.
17. Metrics can demonstrate the dollar impact of HR programs.

This makes for a strong argument for the use of metrics for HR!

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> **Dr. John Sullivan says that "What you measure and reward takes away all doubt about what is important"**

### 5.2.1 Steps to Set up Metrics for HR

One source has proscribed guidelines for setting up HR metrics:

- Develop metrics that reflect the company culture and are similar to those reported in the annual report
- Keep metrics simple
- Strategic metrics should be limited to six.
- Have strategic metrics approved by CEO.
- Develop trend lines for comparison. Compare with industry. (Koenig & Associates, n.d.)

### 5.2.2 What metrics should be in place?

Metrics can be set up around pretty well any activity in the organization. As mentioned above, metrics should be judiciously chosen to align with the organizational goals.

Typical HR metrics centre around the following areas:

- Productivity
- Compensation
- Recruitment
- Retention
- HR efficiency
- Workplace demographics (HR metrics Service 2010)

There is a lot written about HR metrics and what they might look like. Dr. John Sullivan, Dave Ulrich, Jac Fiz-Ens, consulting firms like Deloitte, Mercer and ADP, all mentioned in this report and in the bibliography, have excellent materials to use for the HR department grappling with the metrics discussion.

Every HR department must examine whether or not they want to set up metrics, which metrics to use and what the purpose of the metrics results will be. These issues may seem easy to answer, but they are not. Again, HR must figure out what its purpose is, what it is trying to achieve and the best way to get there.

## 5.3  Pason Systems Inc – Conversation with Ron Dudar, Human Resources Manager

Pason Systems Inc. is the leading global provider of specialized data management systems for land-based and offshore rigs worldwide – so says the Pason website.

Headquartered in Calgary, Alberta, Pason is active in Canada, U.S., Australia, and Central and South America and boasts revenues of $250 million in 2010, and employs over 700 people globally.

**Walking around the offices**

Visiting the Pason offices gives a guest an idea of the atmosphere of the company. People walking past the reception desk are dressed casually, often in jeans and they chat and joke easily with the receptionist. The reception desk is off to the side, so it does not block the entrance from the front door. No formidable barrier to entry here!

Construction workers are also walking about. Pason is growing and modifications and expansions are needed to the office building.

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In touring the building, the first thing you see is that the walls in the building are curved – there are no straight hallways! You will also see that the employee offices are semi-private with the top two feet above every office open so that no one feels totally isolated. Walls of offices have large windows which face the hallway making employees in their office visible to co-workers.

Noticeably, there are no company logos or promotional items to be found and a company vision or inspirational posters or pictures are not present.

You will see a table tennis area and mini putt area with mini golf clubs. Scattered in various places are mini golf clubs leaning against office dividers with mini putting greens. Anyone who wants to take a break to swipe away, can. There is also a dedicated TV area with a wide-screen TV, comfy chairs, loveseats, a DVD library and privacy curtains.

There are fully equipped kitchen facilities and tables. Fridges, microwaves, kettles are available as well as stocks of coffee, tea and subsidized vending machines. There is a "main" kitchen area with smaller satellite kitchens scattered in the building as a well as an interior courtyard with picnic tables and bbq's for regular Friday luncheons during the summer and other events.

One of the messages in the particular set-up is that it is an open-concept design. The kitchens and other areas mentioned are not behind any closed doors. Everything is out in the open. This seemed to be a comment on the type of prevalent atmosphere.

There are also excellent on site health and fitness amenities. There are weight rooms and fitness equipment in addition to an outdoor ball hockey court. If that is not your game, there are also regular pilates and yoga classes to attend. The recreation facilities include employee change rooms as part of the washrooms, with showers, fully equipped with blow dryers, shampoo, toiletries and cubbyhole storage for runners and bicyclists.

**History and background of the company**

In 1987, Pason, a Canadian based specialized drilling company was purchased by Jim Hill. He was an entrepreneur with industry experience and previous employment in the company. Jim wanted to build a successful company free of the usual bureaucracy, which he had worked in before, and knew what he did *not* want. Jim wanted to be "close" to the people and developed a good working relationship with employees, customers, suppliers. True to being an entrepreneur, he ran a very lean organization for many years and wore many hats from marketing to sales, accounting, finance, human resources and installations of equipment at a rig.

In the early 1990s, there was a need for more help and in particular, technical support. Jim wanted to give ownership to the employees and gave them free rein to develop their own jobs and to work with minimal supervision.

By the mid 1990s, Pason started to change and its financial success resulted in the company going public in 1996 and entering the U.S market with its first U.S. acquisition in 1997.

Jim has been described as being a very humble guy and he wanted to get managers more involved in the company. The idea of human resources providing a service was a 'no-go' as human resources was viewed as bureaucratic and unnecessary. An emphasis was put on senior management to work as a team and develop their own areas by fostering a communal attitude, belief and practice.

As the company continued to grow throughout 1990s and 2000, an 'admin' person took on a variety of responsibilities including facilities and some human resources support activities.

With the U.S. division expanding, hiring was exploding by mid-2000 and there was a need to hire a recruiter. The quality of new hires improved and provided much needed support for managers and relief of some duties. This was a good thing and was viewed favorably in the U.S.

Ad hoc management training had been on-going and many managers were attending sessions at the Banff Centre or SAIT (Southern Alberta Institute of Technology) more or less on their own. Rapid growth of the company outgrew the ability of some of the managers to keep up.

There was still a healthy distrust of developing a bureaucracy. HR was perceived as an area that would start implementing transactional processes. HR was still seen as the area whose role was to say "no", playing the cop role and telling managers about all the things they couldn't do.

**The Introduction of the HR function**

About five years ago, Jim and the management team decided to take a proactive approach to consider the value of services provided through human resources. There was the realization that with the rapid growth and increased complexity of managing a larger workforce, managers wanted and needed more help in areas related to leading employees.

Many managers had had previous bad experiences with human resources departments and policies at other companies. Managers saw no need for HR and their approach was, 'No Jim, please we'll be good, we promise. We don't need HR, don't do it to us, and don't get HR'. There was a definite backlash against the transactional human resource analysis from their previous experiences.

Before long a consultant was hired who interviewed about 40 employees from all areas of the company in Canada and the U.S., to assess and determine what they wanted in "human resources". Management was looking, through a highly participative process, to learn what people felt was really needed and how to overcome the fear of a loss of control and flexibility in what they could do if a Human Resources function was introduced.

By this time, there were approximately 400 employees in Canada, U.S. and Latin America.

As a result of a report prepared by the consultant, along with input from various managers, and cognizant of management's protests about the function, it was decided to hire a human resources person. The *main* goal was to get a human resources person who was supportive and not transactional.

In 2006, when Ron Dudar was hired, the hiring committee consisted of Jim, six senior managers, a headhunter, and an industrial psychologist. He had three interviews. When Ron started at Pason there was an admin person, a payroll person and the recruiter in the U.S. That was the extent of the HR function.

For the first six months, Ron did MBWA (management by walking or wandering around), an unstructured approach consistent with a hands-on management style. For the first six months, Jim had no expectations of Ron at all. He was asked to talk with employees, find out what they were doing, what challenges they faced, and what they might want help with. Also, he was required to 'get to know the managers' and in essence do a gap analysis. Ron reports directly to Jim.

Six months after Ron was hired he started looking for a summer intern to help him out on some projects. He interviewed student applicants from a local university, but could not find what he was looking for. Ron felt that most of the applicants were not creative and seemed to think that human resources was policy driven, strictly black and white and that they should be able to go to a book to find the answers. Ron wanted someone who did *not* hold this view, was independent and had initiative.

Suzie Dickinson joined as a summer intern and was hired full-time by the end of the summer. She had a background in psychology and was interested in the opportunity to learn and contribute in an unconventional way. She had worked for a large Human Resources department in Calgary on previous summer work experiences. She had been one of approximately 75 human resources employees and did not like it at all. Suzie had felt like a small cog in a big wheel and did not get the feeling that she was achieving anything.

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**The Pason Culture**

As soon as you look at the company website, you notice that in all of the pictures of the senior managers, they are all wearing shirtsleeves. No jackets. No ties. No formality. That's a small clue to the culture.

Pason's culture is also summarized in the buzzword "TOPIC" - teamwork, openness, passion, initiative and curiosity. Interestingly the C in TOPIC formerly meant "creative", but was changed to "curiosity" because the belief is that employees should be constantly curious and asking good questions about the decisions that are made and the way things are run, in order to achieve the best outcomes for the whole company. What Pason does is to try to embody this TOPIC culture in all of their practices and workings. Part of this is described earlier in the description of the office environment. Openness definitely is exemplified in the set-up of the office.

Embodied in the "TOPIC" acronym is the employees 'right to challenge' which gives employees a voice and encourages them to ask anyone any questions they may have. As there are no defined job titles, a responder cannot pull rank or exhibit an "I say so" power. Employees are encouraged to go to anyone they feel could help them with a problem or situation; however, if the employee does not get the answer they want, they can ask anyone else, including the CEO or the Board.

At Pason, 'the job of the manager is to remove barriers'. If an employee has a problem with getting something done then they could go to their manager or another manager to get assistance. Not only is this behavior not punished or discouraged, it is by contrast, encouraged. Again, this supports the concepts of openness, initiative and teamwork.

Personal communication replaced a "no meeting" strategy which ideally means "no office politics" thus encouraging and supporting the employees' 'right to challenge'. The managers are in a position to remove barriers and employees are at liberty to go up the ladder so they could 'do something about it'. The prevailing attitude is one of "get it done". This rewards passion and initiative, fostering creativity and curiosity.

Again, in referring back to the description of the company at the beginning of this section, we saw an investment in facilities that would support the employees in being active. This might be in relatively minor ways, like the mini-golf or in more major ways with the facilities to support bicyclists and runners. What it does indicate is an interest and commitment to encouraging balanced lifestyles in their employee by offering some of these incentives to promote employee wellness.

Reinforcement of the company culture is left up to the managers. This is created by talking to the managers and to the employees individually. If an employee is acting "off culture" then their manager would chat with them and get to the root of the problem.

**HR within the company**

Ron felt that Pason needed consistency in developing and administering practices and programs that were in line with the culture. Ron wanted other managers to view Human Resources as 'trying to be fair' and he felt that the over-arching role of Human Resources was to provide employee support.

The company had a good, positive culture that they wanted to support and encourage. Even though the company strengthened and supported the culture through direct communication, it needed to develop managers and Ron had to do human resources strategic planning.

At the start of Ron's employment, one of the challenges was to assess the company's management skills. Employee development initiatives and a 360 performance appraisal style had had variable results. Pason's flat organizational structure meant that some managers had up to 75 reports to complete which was quite unreasonable. There was often a lack of follow-up and information gleaned through a 360 degree appraisal could be used against people, because it was not difficult to figure out who had made which comments.

Four years ago, Ron approached Jim with the suggestion "if we design an employee development program, with input from the employees in designing it, you won't see it, but it would require your approval". It would be the employees who designed the program. The request was approved.

A focus group of employees was formed in order to come up with an employee development plan. Participants were asked how they wanted to be appraised and what should be the criteria; it was a totally ground-up approach. Employees provided their suggestions on being appraised and argued that there be no performance "ratings" such as satisfactory or poor. The company should only focus on strengths.

Since the company had a flat structure, the direction was to work on increasing horizontal growth. Employees could not always see the next level which resulted in some employee turnover, especially those employees who wanted a title. Titles at Pason are not important – it is what you do and how you contribute. Coaching and mentoring is highly valued.

The employee development program was reviewed with the employees then is revised and remodeled as deemed necessary. Human Resources does not "monitor" whether the performance appraisals have been done since that responsibility is left up to the employee and the manager. Any employee requesting feedback receives that from their manager and if it is not done, then employees are to use the culture to address that with their manager.

The absence of rankings does not indicate a lack of emphasis on performance and productivity. If there is a problem with someone or if performance is not up to par, there is no formal progressive discipline or step process in place. A discussion is held with the person in question to determine the cause of the problem and how to rectify the situation. If the situation is corrected and there are perceivable changes and improvement, then things move ahead as usual. However, if the situation does not improve the person will be invited to seek their fortune elsewhere.

HR developed a good reputation and today, there are nine Human Resources employees in the combined Canadian, U.S. and LATAM operations and Ron is adding other key resources to the group.

 Training and development for managers is important to the company and desired by managers. Ron devised an agreement with the local university for a custom leadership training program for managers. Feedback has been positive and Ron does not do a cost-benefit analysis of the program. If feedback is not positive, then they would either revise it or dump it.

When asked about the use of metrics, Ron says that they do not do the type of metrics that some HR departments do – the metrics that are used to justify the existence of HR. He feels that these activities are not the wisest use of HR's time. As in the above example with training, they do not use metrics to measure how useful the training program is. If the managers feel that the program is useful, then that's good – they will continue doing it. If the program needs changes, then they'll do that. Devoting time to devising and tracking some type of measurement about the usefulness of the program takes away from getting other things done.

If an employee wants to participate in some other type of training or development, they are encouraged to do so. The employee would approach their manager to discuss details about reimbursement and working it into their work schedule and arrive at some equitable solution.

One of the other activities Ron and Suzie had to work on was job descriptions, used mainly for recruiting and branding purposes.

In the hiring process, the goal is to hire an independent person who could work on his or her own, come up with ideas, and who did not require direct supervision or guidance. The overall view is; "There is no roadmap. Employees have to figure it out for themselves." Ideally, they hire and develop employees to be adaptable to a variety of areas thus again creating an atmosphere of openness in the culture.

Applications for job openings are emailed to the relevant line person with the position noted in the subject field of the email. HR will post the position because they will then ensure some consistency in the content and formatting of the posting but it will be the line manager who will screen the resumes.

### Future of Pason

Pason is experiencing exponential growth with future projected financial goals of $2B through acquisitions.

This type of growth is exciting. Pason has their work cut out for them in order to ensure the success of this growth. They want to maintain their culture, offer a positive working environment for their employees, create innovative, quality products and to ensure that their customers "experience the industry's best standard of care".

The company needs consistency in operations. They are good at identifying talent and they will continue to encourage employee personal growth and development.

Some of their growth will come about as a result of acquisitions. When Pason looks at acquisitions, they take into consideration culture fit. The company has turned down some possible acquisitions due to lack of fit.

Pason is a successful company, measured in many ways. They have strong financial performance, supported by employees who are valued and motivated to move the company forward. We envisage success for them in the long term.

## 5.4  Questions:

1. Read Dr. John Sullivan's full article here:
   http://www.drjohnsullivan.com/newsletter-archives/40-metrics-the-future-of-hr regarding his view about metrics and the future of HR. Does the company you work for use metrics like these? How useful do you think this type of metric measurement would be?

2. Do you work for an organization or know of an organization that uses metrics? If so, which ones do they use? Do you know whether anything is done with that information? How do those metrics tie into the HR mission statement? The organization's mission statement?

3. If HR decides to implement metrics, outline the factors that must be in place before, during and after implementation in order for this to be successful.

4. Why might a company decide not to keep metrics around their HR activities (or perhaps, not many of them)?

# 6 Conclusion

"Human Resources are our most important asset" is a phrase that has been thrown around for years. The arguments to support this point of view are numerous and persuasive. An organization can have the best equipment, the most modern technology, increasing demand for their product with a corresponding jump in sales, and an enviable financial position.

All of this will come to nothing however, if the people in the organization are not top-notch. The human resources in the organization form the foundation for everything else to happen. An engaged, enthusiastic, dynamic group of individuals is the touchstone upon which every other system and practice in the organization rests.

A Human Resources department that is composed of talented, forward-thinking, proactive and involved problem-solvers will contribute to this forward momentum. And the HR department itself must:

- Be transformational, not transactional
- Think about its structure
- Be credible – have educated, experienced, trained HR practitioners
- Provide value for service

This can be a challenge. It's easier to start off an HR department with a transformational mandate rather than to try to change a transactional department into a strategic department.

If an HR department can start being strategic, as in the Pason example, then they can grow and develop with the organization.

If however, the HR department has been operating as a transactional function, then it is very difficult, although not impossible, to change to a strategic function. With top management support, a clear mandate, an HR structure that facilitates transformational functions, superb HR practitioners and lots of communication, a transition to a department that contributes to the development of the organization and is truly valued for their contribution, can be achieved.

In this way, human resources really will be the most important organizational asset.

# Appendix A:   Do's and don'ts of the transformational HR department

Do's

1. Respect employees.
2. Create an atmosphere of trust. The more distrusting the environment, the more abuse of policies and procedures will exist.
3. Create an atmosphere where the employees feel valued.
4. Get out of the ivory tower – know your company, the operations, the employees, and their working environment.
5. If you do an attitude survey, do something with the results. Employees who take the time to provide feedback want to see that they have been heard. Advertise the results of the survey and follow-up with a report that documents the changes that have been made in the company in response to these comments.
6. Communicate, communicate, communicate.
7. Resist fads and quick-fixes. Not only are they a trap but they lessen the credibility of the HR department. Resist the flavour-of-the-week bandwagon.

8.  Adopt a "can-do" attitude. Building on suggestions and comments creates an atmosphere of creativity and trust.

Don'ts

1.  Don't make a mistake on employees' pay. If the employee can't trust that they will get the right pay at the right time, they won't trust anything HR might want to do.
2.  Don't expect that there are black and white answers to situations. You are dealing with people, so some flexibility will be necessary.
3.  Don't get caught up in "outdoor" team-building or leadership exercises. There is no evidence that these activities have any lasting impact on the job. If you just want to have fun, then go ahead with them but if you want to develop leadership skills or encourage team dynamics, find other ways to do so.
4.  Don't engage "motivational" speakers – again, there is no lasting benefit to them. They are superficially appealing, but tend to cost your company a lot of money.
5.  Stop playing the policing role. You will be viewed as obstructionist. Stop telling people what they can't do.
6.  Don't stick to a policy or strictly interpret a guideline, especially if it violates the "spirit" of what your organization is trying to do.
7.  Don't get stuck organizing the office party or arranging social or charity events.

# Appendix B:   Really basic "rules" about being a consultant

When you work in the HR department, you often act as an internal consultant.

Here then is a list of basic rules for being a consultant. Some of these will seem startlingly obvious, yet warrant repeating.

1. Clarify that you know exactly what the client wants you to do.
2. Ensure agreement on the outcome or deliverables. Write this down.
3. Don't agree to do something if you don't totally understand what you are agreeing to.
4. Make sure you have client buy-in at every step.
5. Estimate a reasonable amount of time for project completion – then stick to it.
6. Keep your client informed at regular, reasonable intervals of your progress. You may want to make changes to the project part-way through.
7. Keep lines of communication open between you and your client.
8. Advertise your successes.
9. Finish the project by the agreed date.

# Appendix C:   Questions to ask/clarify in project management

At project start

- Is the problem clear and known?
- Do we know which problem we are intending to resolve?
- Is the problem clearly defined and differentiated?
- Do we clearly understand what the objectives are?
- Do we understand different alternatives and options for the solution?
- Are there any assumptions being made here?
- Where and how does the suggested solution fit into the "bigger picture"?

Diagnostic

- What has gone wrong?
- What isn't working properly?
- What is working properly?

- Why is it necessary to solve the problem?
- What should be happening but isn't?
- What shouldn't be happening but is?
- What is it you don't yet understand?
- What all is affected by this problem?
- Who is affected by this problem?
- Who and what will be affected if we suggest a solution/recommendation?

Defining goals and objectives

- What do we want to achieve?
- What do we want to avoid?
- What would things look like if they were going right?
- What should be happening that isn't?
- What shouldn't be happening that is?
- What results are we after?
- What will serve as evidence of success or failure?
- How will you know the problem has been solved?

Abridged from:

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