

Insights & Ideas

Transforming HR should be more than just relying on an implementation of HR ERP technology



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A recent study was conducted by the Human Resources Planning Society in partnership with the Institute for Corporate Productivity. It concluded that the HR function is not reacting fast enough to the strategic challenges related to organizational growth, and that growth is changing the meaning of what it means to contribute strategically. The study also pointed out that in addition to talent management and leadership development, the HR function must dramatically increase their external focus on markets, customers, and news ways to serve them.

Implementing Shared Services, outsourcing payroll and benefits administration, and the implementation of HR information technology systems offers enormous potential for automating a lot of that administrative type work that HR professionals complain hinders them from making such strategic contributions, and do tend to place data at your fingertips. But, once implemented, the challenge becomes one of elevating the capabilities of the HR function to engage the business and leverage the data for analysis and strategic engagement.

The first challenge facing organizations when they implement ERP HR systems and outsource benefits is that they must define the future state of strategic HR or the new capabilities required to deliver strategic HR. The second challenge is that they must assess whether their current HR staff who excelled at doing the HR transactional volume work will automatically make the transition into a future state of strategic HR.

There is a milieu of HR titles that have little bearing

on the actual work performed which is often misleading. "HR Business Partner" or "Organization Development", for example, can range anywhere from developing an Executive Business Leadership Program for General Managers to administering benefits and payroll, and is weighed quite heavily towards transactional work if it has elements of both. So, what should executives and general managers expect from HR professionals that are contributing at a strategic level?

First, executives and CEOs should not be able to identify an HR professional in a strategic conversation. If you are sitting in an executive meeting listening to managers' dialogue about the direction and operations of the business, a strategically engaged HR professional asks critically important business questions about the inherent assumptions in other managers' business thinking. For example, management team conflicts are often a symptom of misaligned business metrics. Operations managers may be measured on "output per hour" (machine efficiency), compared with sales managers "profitability per customer". As



a result, Operations Managers will prioritize large batches at the expense of smaller order quantities of high value added product that Sales managers offer in their "basket of goods" which optimizes "profitability per customer". So, expedited orders become a function of conflicting situations of "who shouts the loudest"; whereas the real system conflict lies in the supply chain's system constraints and the need for a "pull" system. Also, a strategically engaged HR professional strongly advocates for performance metrics that drive added value to the external customer by recommending a shift in performance metric from "product sold to retailers" to "retailers product sales to cus-

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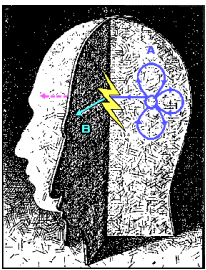
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tomers" which will force sales managers and representatives to learn about the end customers of their direct retail customers. In turn, this will force sales representatives and managers to provide value-added services to their retail customers. Therefore, without first surfacing inherent business systems assumptions, HR professionals will not be able to get to the root cause of symptom conflicts, and will likely rush into a meaningless team building intervention.

As another example, an organization may be planning a separate division to launch a new product that requires lots of creativity for market penetration, which is separate from its core business that currently operates as a "cash cow". In deciding on the leadership team or the performance metrics for the new division, it would be a mistake to transfer managers that are successful within a "cash cow" / optimal efficiency operation into an ambiguous and complex start-up with a "one-size-fits-all" performance system. Also, in implementing a new Continuous Improvement initiative, a strategically engaged HR professional is continuously diagnosing the organization for innovators, early adopters, late adopters and laggards so that they can customize "key communication messages" to each adopter category to accelerate the adoption and commitment to Change Initiatives. Strategically engaged HR professionals are fundamentally business systems thinkers that are able to connect multiple cause and effect variables, and plan for mitigation strategies to deal with unintended negative consequences of Change initiatives. These require a key understanding of business and strategic concepts, combined with an organizational psychology approach to implementation.



At Alcan, Katya Laviolette, the Vice-President of HR agrees that a true Business Partner in today's HR world, is first to understand the intricacies of the business you find yourself in - its market challenges, key players, competitive, landscape, internal workings, and operational issues. Once you understand these issues, you can truly craft and implement an HR strategy that not only makes sense for the business but one that is accepted and well respected.

The second challenge that organizations need to investigate is whether they have the "right people on the bus". CEOs and Presidents must evaluate the educational and working backgrounds of their HR professionals. A solid business educational background like an MBA or an Executive Leadership Program in Operations, or a financial component in their training is necessary to grasp the multiple cross-functional mental models that permeate management thinking in order to identify "root cause" in a diagnosis. Also, some operations management experience, or in some way contribute operationally in a not-for-profit organization or professional association, helps to identify and grasp the direct and indirect operational consequences that are associated with Change initiatives. To this end, functionally proficient HR professionals need to make a shift in intellectual mindset and practical experience to contribute strategically.

Saad Saade, Head of Bell Canada's Revenue Assurance division explains that *"when HR professionals contribute strategically they can play a real mediating role between bridging our successful heritage and the uncertainty of an exciting future by helping managers understand the implications of the changes in our customers and markets on our organization. However, organizations are often stuck in recycling processes around resources that blocks fresh perspectives and higher standards of professional education"*

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and experience, and it takes a real change that is bolted down in the culture of an organization before we see such shift from tactical to strategic HR drive effectively taking place”.

To make this shift and transition, functional HR professionals need to undergo the following learning. First, fully understand and apply a systems view and be able to identify and translate the impact of industry change levers on organization's strategic responses. Then, translate impact of those strategic responses on organizational change, and identify the multiple levers that creates transformational and transactional change. Thereafter, translate the impact of these levers on changes on the individual and team levels. Such development programs do exist.

Lastly, an executive champion must communicate to HR's internal client groups that their HR professionals' primary contribution will be at the strategic level; otherwise operations managers will continue to have the same transactional expectations from HR. Saade explains that *“without an executive championship, a move to make HR more strategic will go by unnoticed and if a change is to be successful it must have an executive champion that believes in it and takes the accountability to lead it and effectively communicate it throughout the organization, engraving it in the culture of the organization so that it becomes permanent”.*

Switching client groups under these circumstances is useful for starting off with a “fresh face” while equipping strategically transitioned HR professionals with the key communication messages to push back on those transactional and administrative requests.

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