



How HR Can Boost Its Business Impact

Six practical steps to bridge the gap between HR and business, with an eye on the bottom line.

The people agenda has never been more important to CEOs. Senior leaders recognise the impact that HR can have on business results, and at the same time, they want their HR departments to deliver more value.

For years, the HR community has talked about “becoming a partner in business”, without making too much real progress. In my view, the key is not in “having a seat at the table”, or introducing “HR business partners”, but by approaching HR as a business – developing a strategy, setting priorities, determining metrics and measuring effect on the P&L, the same way as we would for any major business activity. In this article, I aim to take this idea to the practical level: how can we actually do this, rather than just talk about it?

Here are six concrete steps that could serve as a starting point or a source of inspiration.

1. Determine your development needs

First, you need to find out to what extent the HR department delivers business value that is being recognised as such by the business. Therefore, I suggest that as a first step, HR leaders ask for feedback and determine their development needs.

A few weeks after I had stepped into my role as an HR director at an ICT services company employing

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around 3000 full-time employees, I organised an off-site meeting with my new HR team. I also invited two division directors to join our kick-off, asking them two simple questions. “What do you think of the value that our HR department brings to your business?” and “What would you like to receive from us?”

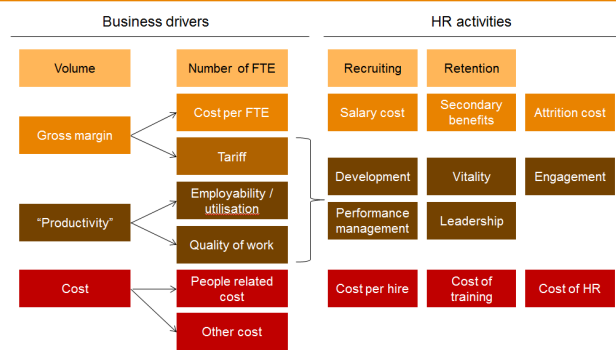
2. Understand the business

Does everyone in the HR department truly understand how the company makes money, who our main customers are, what makes us win or lose a contract, or what the main concerns of managers are?

To gain better understanding, we developed an “HR impact model” that connects all of our HR activities to business drivers and eventually to the company P&L. This model can help quantify the effect of specific actions and deliver very powerful insights with questions like: What is the value of a new hire? The cost of replacing a star performer? The cost of not replacing a bad performer? The ways in which our training programme influences margin and productivity? The ways in which the quality of leadership relates to business performance?

Mapping HR activities onto business drivers

HR impact model for an ICT professional services company



Understanding the business can bring about behavioural adjustments. Sometimes HR professionals can lose credibility by being too dogmatic. Any large company needs policies, and HR is often the enforcer, the one who needs to say NO every now and then. But what if before saying no, HR would ask WHY a manager wants to deviate from policy? You'd get a better understanding of which policies help and which actually hurt the business. From a cost perspective, a restrictive expense policy may make sense. But what if it annoys employees so much that it has a negative effect on retention? That would be good to know.

3. Develop your HR strategy, setting priorities based on business value

When you know how the HR activities affect the business, it is easier to set priorities. Check in with business managers to get their input on the priorities. This doesn't mean that the business sets the HR priorities. Keep charge of your own agenda, but do check which priorities are aligned with business owners and which are not. There will most likely be tensions here. Typically, business is a bit more short-term oriented than HR, which is why both perspectives are important. In order to deliver long-term business value, some decisions which are painful in the short term may be necessary.

Consolidate your objectives and priorities into an HR strategy that supports and strengthens the company strategy, including tangible goals and actions. There are many ways to do this. Whenever possible, follow the same approach that the business units use in their planning process. Using the same way of working will foster mutual understanding and cooperation.

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4. Get executive support for the HR strategy

Get support for the HR strategy and action plan at the executive level, regardless of having a seat at the table there. Make sure that top executives know and understand the strategy – how it will deliver value and what changes are needed in the organisation. Support at the highest level is essential and will prove to be helpful when times get tough. At one company, a sharp increase in pay rises significantly boosted retention among top performers (who would receive a higher increase) at a lower total cost since average performers, i.e. the majority, would receive less. The executive level supported the idea after perceiving its benefits. This support turned out to be very valuable as its implementation took a lot of courage from managers, who had to explain to average and low performers that they now would get lower or no increases.

5. Prepare your team

Having carried out the strategy development with your HR team, now is the time to prepare your team for action. Make sure to talk through the strategy, the goals and the actions. Does everyone understand and see the value of it? Does everyone understand how he or she can contribute? Are people equipped to make the required change? Are they excited or afraid? Give it the attention that any large change trajectory would need.

6. Execute, working together with the business

Get started with executing the plan. Work closely with the business towards the set goals. The HR goals are now also business goals by definition, so working together is in everyone's interest. Moreover, HR will typically need the business' cooperation to achieve the goals, or one may question if these are really business goals after all.

Be firm and persistent in pursuing the set course when dealing with resistance and difficulties. Review progress with your team. Help them when needed. Be understanding and supportive, but also committed and persistent. Of course, you need to stay open and critical; don't be too rigid. But as you have given the strategy a lot of thought, trust that it will deliver results and keep on track.

Deliver results and promote them. Quantify the impact on the business. Celebrate early results with your team and with your business counterparts. Highlight exemplary behaviour. Make people proud of belonging to the team and contributing to the company results. Have fun! Your team members need to believe in the set course and enjoy achieving results, or the results won't last.

Benchmarking

Your firm's next annual report will tell you whether you've been successful. Is HR assigned a separate section listing headcount, absenteeism and engagement scores? Or is the department prominently mentioned in the CEO's opening note, explaining how the new strategy has played a pivotal role in improving business results?

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