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Deloitte's High-Impact HR Operating Model: Business HR

Deloitte Consulting LLP

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The business of Human Resources (HR) is the business

HR has a mission: High impact. A new Operating Model for HR is emerging.

So what is holding HR back from making the impact the business expects? Bersin by Deloitte High-Impact research, combined with experience with complex clients in the field, has revealed three primary drivers:

1. The traditional definition of the Business HR role has not evolved or adapted to meet the business and workforce challenges of the 21st century. Business leaders and often times HR itself have an aged perspective on HR's strategic and business potential.
2. Business HR roles have typically been left to evolve organically in the hope to become more strategic merely by centralizing some activities to a traditional HR Shared Services group and implementing HR technology. These changes or use of titles like "HR Business Partner" generally have not provided the Business HR teams with the tools, training, or infrastructure to realize the seemingly elusive goal of becoming strategic.
3. The geographical spread of global organizations often means that the local administrative roles get combined with a more strategic role, which potentially further undermines the job content of the Business HR role.

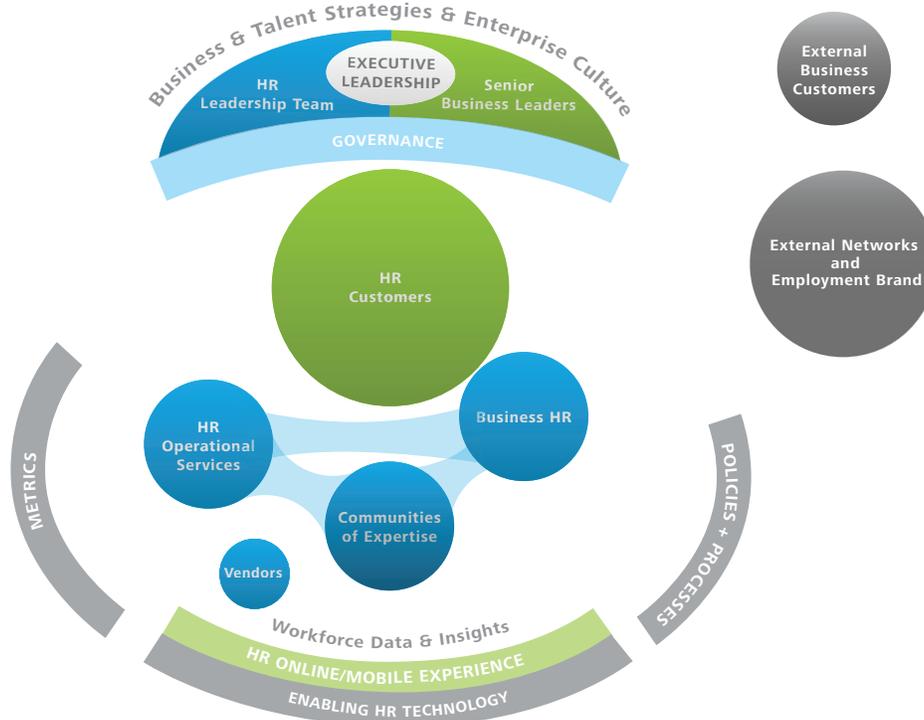
One of the major shifts in achieving the Deloitte High-Impact HR (HIHR) Operating Model is taking the role of Business HR to the next level—creating expert consultants close to the business.

While not for lack of trying, in many organizations, today's "HR Business Partners" are yesterday's "HR Generalists" without much more than a new title, some new automation, and centralization of some shared services. HR leaders tell us they still find it difficult to drive new outcomes when the HR professionals closest to the business are still doing the same things they were before.

Yet, despite the widespread adoption of a business-focused HR role, companies we work with indicate that they are not achieving the anticipated impact and return on investment from the change. In fact, a large portion of the HR work today remains administrative and transactional in nature.

The HIHR Operating Model places HR customers in the center with Business HR positioned closest to the customer to drive strategic business objectives and enhance business performance by working in partnership with leaders of people and the business, applying increased HR agility, flexibility, coordination, networking, and alignment.

Figure 1



Business HR roles

New era. New challenges. New Business HR role.

Two significant changes differentiate the role of Business HR in the High-Impact model:

- First, Business HR roles must operate day-to-day as part of the business leadership team and take responsibility for driving and owning business outcomes (Figure 2).

In earlier models, the HR Business Partner was designed and positioned to be an “outside” role looking to “partner” with the business. In HIHR, Business HR roles are embedded within the business and work directly with line leaders. They are trained and rewarded to meet the business objectives and to work on the business’ agenda. They not only service the business, but also take ownership for real business issues as collaborative members of the business leadership team.

In this way, Business HR identifies issues, diagnoses root causes, provides insights, offers recommendations, and delivers solutions to solve some of the most pressing business objectives through the talent lens. Their focus on the business-specific people challenges in the organization creates a healthy tension or balance between business unit or geographic needs and the enterprise-wide agenda. Performed well, Business HR and Communities of Expertise (CoEs) collaborate closely and together to create business-embedded solutions and programs that achieve the right balance.

- Second, realizing High-Impact HR from the Business HR roles requires a continuum of Business HR roles, thinking more broadly than in the past. Some models suggest establishing “HR Business Partners” as the one role that services the business. Our research and experience shows that there are actually two: one to operate on a strategic level and another to operate as an advisor tasked to design and implement solutions, collaborating with HR Shared Services and other specialists available.
- In the High-Impact HR operating model, Business HR is divided into two primary roles: HR Business Partners and HR Business Advisors. The HR Business Partner role is primarily focused on strategic business challenges while the HR Business Advisor role is primarily focused on business manager support and development with the coordination of local HR service delivery. Both roles are closely connected to the CoEs and HR Operational Services. Together, these two Business HR roles are better positioned to provide value to the business by more realistically positioning Business HR to provide the wide range of strategic services, consultation, and locally based delivery that businesses require.
- Depending on the size and complexity of the HR operating model, there may be additional subroles within the HR Business Advisor family. Examples can be found in recruitment where an organization can have dedicated recruiters embedded in the business, or in training where specialized development consultants are sitting in the business.

Figure 2



New challenges, new work

Experience demonstrates that Business HR can have the greatest impact on business results by:

- Working with line leadership to understand business and talent pressures in detail
- Translating the business strategy into people-focused initiatives
- Participating in developing and shaping programs to address business-specific needs by playing roles within communities of expertise
- Providing data-driven people and organizational insights for decision making
- Developing and implementing workforce strategy
- Growing managers' leadership and management capabilities
- Creating harmonization in how HR is delivered to the business at an enterprise level

The **HR Business Partner role** works with business leaders and remains laser focused on strategic business objectives and the most critical business challenges, providing macro-level solutions that have business-wide application.

The **HR Business Advisor role** focuses on local business operations with an eye to manager development, localized solutions, and support. Working together, these two roles form a stronger Business HR team which:

- Creates value as human capital experts implementing people strategies and solutions to drive business-specific strategy and objectives
- Coaches and develops leaders and managers to deliver people management capabilities
- Diagnoses and solves workforce business problems and challenges
- Leads initiatives that build trust, employee engagement, leadership effectiveness, and workforce productivity
- Mitigates organizational risk and increases business and HR process compliance
- Accesses and analyzes workforce data to support people insights and recommendations
- Scans and understands the business environment, sharing insights and trends from the business with HR CoEs and HR Operational Services
- Partners with the CoEs to implement business-oriented solutions that are workable and meet the distinctive challenges and needs of the business
- Collaborates with HR Operational Services to provide high levels of service delivery

A new skill profile

A refreshed set of knowledge, skills, and capabilities is required for these roles to thrive; the **HR Business Partner** has deep expertise in talent strategy, organizational effectiveness, data analysis, and business acumen; whereas the **HR Business Advisor** has functional and broad knowledge of HR practices. And, in some cases, HR Business Advisor roles can be specialized in select HR functions or process areas.

Professor Dave Ulrich and his colleagues laid the original foundation for the HR Business Partner skill set, proposing that the HR Business Partner capabilities include: Credible Activist, Cultural Steward, Talent Manager/Organizational Designer, Strategy Architect, Business Ally, and Operational Executor.¹ These capabilities are still relevant today, and we've learned that they need to continue to evolve and expand to meet the unique 21st century needs. Business HR activities require enhanced skills that include business acumen, data analysis, relationship building, consulting, project management, systems thinking, change management, coaching, and collaboration.

Beyond enhancing skills, there's a new way of working for Business HR to deliver the value of High-Impact HR:

- **Driving employee and leadership engagement** remains as important as ever. With long-standing studies having proven the linkage between employee job satisfaction and tenure with customer satisfaction, engagement remains often an elusive goal and, therefore, a critical focus for Business HR of today and the future.^{2,3,4}
- **Identifying and growing organization-specific employee skills** that drive distinct competitive advantage for the organization in its marketplace and support continued growth of employee capabilities.
- **Moving beyond the four walls of HR and the organization** to collaborate with business and other support functions provides insight and understanding around the talent needs and opportunities for a business. Even further, connecting and working with professional business organizations, industry associations, and the communities local to a business

¹ Ulrich, D, et al. (2007). Human Resource Competencies: Responding to Increased Expectations. Wiley Periodicals. Wiley InterScience. www.interscience.wiley.com

² Harvard Business Review, HBR Blog Network, Tony Schwartz, Nov. 8, 2012

³ Review of Employee Engagement and its Implications, John Gibbons, The Conference Board 2006; The Engagement Institute membership survey 2013

⁴ Linking Organizational Characteristics to Employee Attitudes and Behavior – A Look at the Downstream Effects on Market Response & Financial Performance, The Forum, 2012

provides a broader market and competitive perspective, creating an opportunity for Business HR to better meet the complex talent needs of the organization and competitively distinguish the organization.

- **Working with a multigenerational workplace** to drive practice approaches to workforce management and work environment design that integrate and balance the often-competing needs of the business and workforce.
- **Applying social savvy** to gain the power from social tools (both technology and traditional networking) as part of day-to-day work in helping employees better connect with each other, their customers, and the marketplace.
- **Incubating a culture of innovation and customer satisfaction** by driving programs, mechanisms for recognition, and opportunities for employees across functions to bring forward ideas targeted toward improving products/services, customer experience, and the workplace itself.

- **Driving the right level of localization** for content and programs required to achieve the delicate balance between business and enterprise needs. Fully standard for the enterprise is rarely right in an era of mass customization; however, the days of Business HR creating fully customized policies, programs, processes, and technologies under the banner of “meeting business needs” is also not valuable or necessary in most cases.
- **Specializing in select functions or process areas** to embed specialty capability close to the business, where required. As noted above, Recruitment, Employee & Labor Relations, and Learning are examples of specialty areas that, embedded in the business, can operate as enterprise-wide CoEs, yet work as part of the business.
- **Delivering project management capabilities** As companies are moving from a static organization to a more agile, project-driven structure, there is an expectation that HR adopts a similar model. Stronger project management skills can accelerate HR’s reconfiguration and adaptation to changing internal and external factors impacting the business.

These new and emerging capabilities and skills are not only being identified from our client experiences but also recognized by thought leaders.^{5,6} For those HR organizations looking to innovate and refresh, this new human capital skill profile is a reality today.

⁵ Boudreau, J, et al (2014) What is the Future of HR <http://www.workforce.com/articles/20179-what-is-the-future-of-hr>

⁶ Ulrich, D, et al, J, et al (2012) HR from the Outside In Six Competencies for the Future of Human Resources. New York, New York: The McGraw-Hill Companies

Implementation of Business HR

Getting it right the first time

The High-Impact HR Operating Model roles for Business HR are a next-level evolution, building upon work that many organizations have already undertaken with guidance from the models and research available until now. Building and enhancing capabilities of Business HR roles to achieve High-Impact HR isn't an overnight activity. Rather, in many organizations, this will require significant effort to create the needed capabilities, experiences, and development opportunities. As well, organizations need to consider refreshing their recruiting strategies to attract the right type of Business HR talent and internal development programs to build the capability of the new, required skill sets.

Redefining Business HR roles is an excellent start, though to help maximize impact, the Business HR roles need to be implemented appropriately. Based on lessons learned and diagnostics from multiple implementations, there are activities an organization can undertake to develop and deploy HR Business Partner and HR Business Advisor roles. These activities include:

1. Gain executive sponsorship and drive change management throughout the business and existing HR Organization.
2. Get beyond simply shifting high-volume tactical and administrative tasks to traditional shared services and grow broader HR Operational Services that better provide specialized services across processes and allow even greater focus by Business HR on truly strategic, business-impacting activities. Having clearly identified Business HR roles is only possible if the HR Administration role that is embedded in the business is clearly defined and truly focused on those "administrative" activities that must be within the Business HR component of the HR Operating Model.
3. Foster meaningful collaboration and involvement of Business HR in initiatives from strategy through design as participants in HR CoEs.
4. Increase adoption of self-service tools to empower employees and managers and motivate Business HR to coach managers, while generally exiting involvement in day-to-day employee interactions on administrative activities.
5. Participate in development programs related to business acumen, data analytics, consulting skills, workforce productivity, leadership development, change management, and organization effectiveness.
6. Build a compensation and reward system based on the updated job profiles, aligned with key success metrics.
7. Establish a clear governance that allows Business HR to provide feedback to the other HR functions, as they represent the real voice of the customer for HR programs.
8. Optimize and formalize the interactions between Business HR function and the rest of the HR organization.

Companies that have employed activities such as those described above are better positioned to deliver High-Impact HR. Today's HR Generalists cannot become tomorrow's HR Business Partners and HR Business Advisors without real organizational change. Organizations must invest time and resources to redefine the role, implement the required infrastructure, make organizational structural changes, hire the right type of talent, provide the enabling tools, and develop employees.

Conclusion

The journey is not over

The HR function has been on an evolutionary journey to create and sustain more business value, but the journey is not over. It's time to take Business HR to the next level.

If HR is to meet new business expectations and realize high impact for their organizations, we must create a new mindset for HR—and the role of Business HR is instrumental in this objective. The business of HR must simply become the business and the historical HR Business Partner concept that brought us to today can't sustain tomorrow. The Business HR of the future is positioned to turn business challenges into tangible results—becoming the credible, business-oriented solution provider and trusted advisor that organizations require.

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