HR Organization

4 The HR Chief Operating Officer

5 HR Business Partner and Centers of Expertise

6 Governance and decision rights

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Experience demonstrates that a leading cause of organizations' failing to realize their transformation objectives is that they have not backed up structural changes with the proper governance structures and decision making methods. Conversely, organizations that have adopted effective governance structures have been able to effect positive change much more rapidly than those that didn't. Organizational accountability is vital in today's challenging business climate, and an organization's ability to monitor and enforce change in alignment with business objectives is necessary. The experience some of the world's most recognizable organizations have amassed in their own transformation projects shows the importance of effective governance and its implications on decision making and sustainable change.

Over the last 15 to 20 years, many organizations have made significant investments in HR operations with the goal of improving efficiency and reducing costs. Even though they have made costly investments to implement new service delivery models, which often include shared services, centers of expertise, and technology, for some the returns have been marginal at best. Moreover, most of the HR functions that businesses have attempted to transform have yet to demonstrate tangible value. Failure to adopt effective governance can have negative implications including:

- Loss of credibility with business leaders
- Lower workforce productivity levels
- Lower customer satisfaction
- Higher vendor costs
- Reverting back to "old ways" of operating

Effective governance and decision making establishes a framework for transformation and can improve the odds of solidifying change and realizing the benefits of transformation.

Start at the beginning

Persistent, effective governance for HR is no longer optional. Compliance drivers now require organizations and their executives to demonstrate meaningful protocols and processes to guide organizational decision making. In addition, today's organizations should take a hard look at how to embed meaningful governance principles into their daily operations, processes, and culture.

Organizations that do not clearly articulate the need for governance early, and instead allow decision making to evolve autonomously as part of their day-to-day operations, could find themselves using governance poorly at best and sporadically at worst. Governance should be consistent and flexible enough to adjust to an organization's business, but the overall framework and its principles should endure time. Effective governance begins with a well-documented charter that outlines the purpose, accountabilities, timing of interactions, and participants.

In approaching the implementation of an effective governance framework, three basic questions should be in clear focus:

What is governance?

The term governance is used in many different ways in business today, but it can be defined as a method of organizing resources for the purpose of providing guidance which is designed to lead to a desired set of behaviors for making decisions that have a positive impact on business performance.

Governance provides:

- Defined accountabilities and ownership
- Guidelines for decision making
- Ways of balancing conflicts
- Ways of balancing within a matrix organizational reporting structure
- Necessary communication flows
- Bodies to support the above

Governance can drive a consistent set of HR behaviors to:

- Develop HR's master strategy to promote alignment with the global business strategy and support functional strategies
- Oversee delivery of the global HR strategy using a globally consistent approach as appropriate
- Help position HR to support delivery of the global business strategy
- Deliver the human capital targets that will drive achievement of critical business targets
- Resolve issues relating to the people agenda

Governance is about making the required decisions for the business.

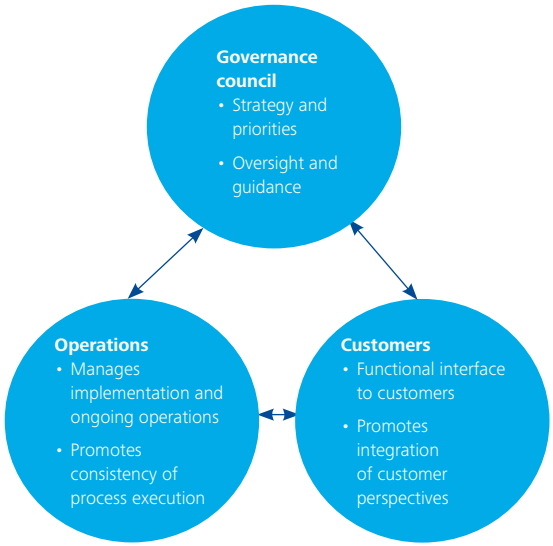
Why do organizations need governance?

Without effective governance, there is no accountability for managing operational performance, communicating progress against performance, resolving conflict, managing organizational change, sharing information across the organization, prioritizing investments, or focusing on the quality of customer service. An effective governance framework allows an organization to be business and customer focused, and paves the way for the seamless delivery of people services and business solutions.

Who needs to be governed?

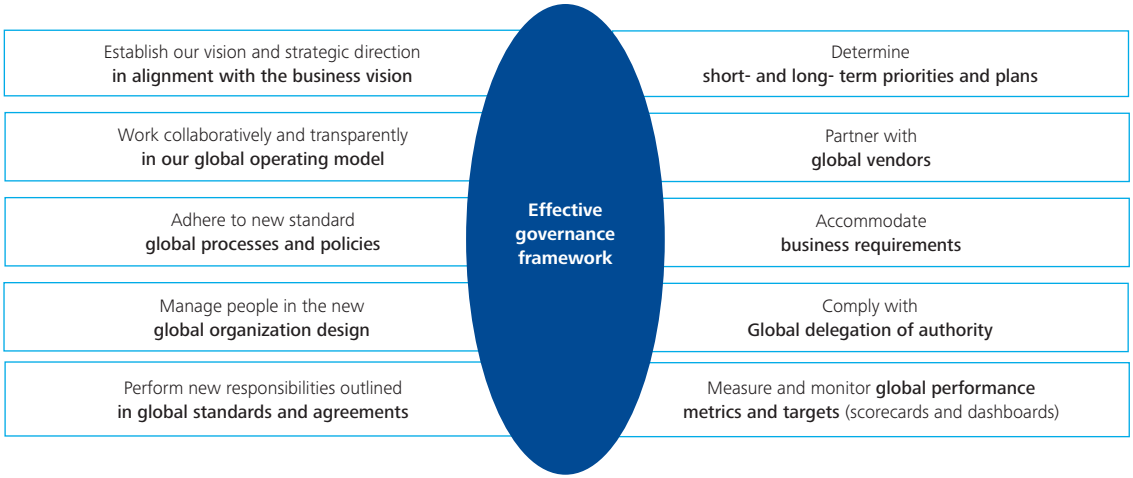
This is a primary consideration. There are three main components of a well-structured governance framework: (1) an oversight council, (2) operations, and (3) customers. These groups should have well-documented tools and methods to aid in executing their governance roles. Whether the subject is operating agreements, decision making methods, monitoring performance metrics, or monitoring customer reaction, each role is important.

Each governing body consists of members of the HR leadership team — for example, centers of excellence leaders, business affiliates, and functional HR leaders.



Source: Deloitte

Governance and decision rights



Source: Deloitte

Effective governance

Effective governance helps to achieve characteristics identified with next-generation HR organizations. These organizations are focused on customer service, market awareness, operational efficiency, including cost controls, process effectiveness, productivity, leading business practices, and employee approval. A broad, dynamic governance framework allows the business and customer to be focused while delivery of services and integrated business solutions remains seamless.

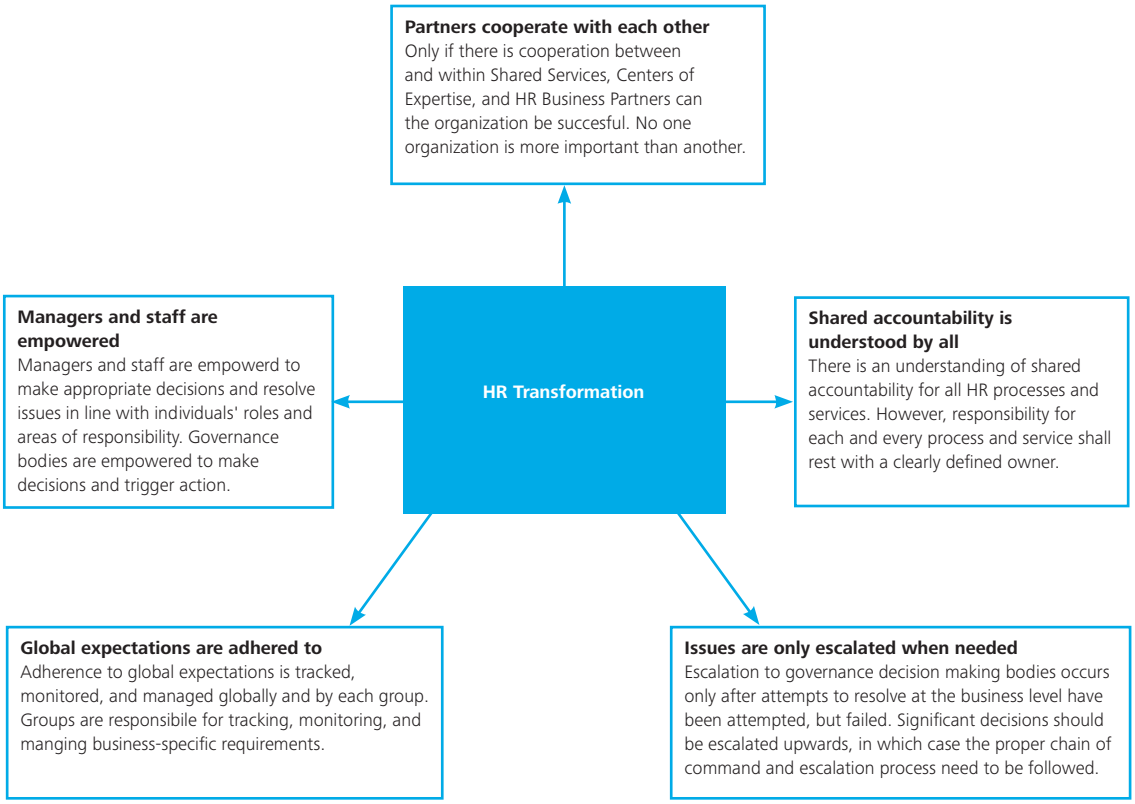
Learning from others

How do you know if you are "getting it right?" Effective governance depends on your ability to address the needs of the business in a nimble manner. The ability to measure progress against operational objectives, business performance, and customer approval is a huge leap forward in today's economic climate. Effective governance and decision making help to promote sustainable change and improve performance. Without the ability to contribute demonstrable impact to the business, HR will continue to be regarded as a back-office compliance function rather than a true business driver. This is the reality that most organizations face, and a stigma that is very difficult to overcome.

Leading global organizations that have undergone some degree of global transformation are protecting their investments by implementing effective governance frameworks. Furthermore, some are investing in sophisticated tools, such as project management software and efficiency programs like Six Sigma, that can reduce the effort required to manage the governance process and aid effective decision making. Again, effective governance is about assigning accountability where it belongs, monitoring performance, and making decisions that support business objectives.

Governance and decision rights

Experience guides that the governance processes and oversight roles must foster an environment for the transformation project and long-term sustainability that drives cooperation, shared accountability escalation when needed, clear global expectations, and empowerment. The model below provides a set of principles that can support effective governance.



Source: Deloitte

In summary

In order to achieve sustainable transformation, an organization should have a well-defined governance structure. Such a structure inherently allows for more effective decision making and establishes a credible platform for HR to consult with the business on its most critical asset — people.