

Driving Value: Four Imperatives for Transforming to a More Strategic HR Function

Leveraging current state assessment and benchmarking to align HR with your business strategies



More than ever, the human resources (HR) function and its leadership are viewed as significant drivers of change and value. They are expected to align human capital strategy with the business strategy to accelerate the development of talent as a key asset for business growth and innovation.

The expectations for HR have never been higher — from implementing new talent strategies, to leveraging analytics for decision-making, redefining the employee experience to meet increasingly complex global and generational demands, and being stewards of culture and change management. Even as they are being asked to take on larger, more strategic roles, however, many HR leaders — specifically the CHRO — are finding they have to do more with less. In many cases, this is the result of multiple years of cost-cutting initiatives.

The outcome of these two contradictory mandates — “lower costs” and “contribute more” — has left organizations scattered across a broad spectrum of HR operating models and actual contributions to the business. Many HR functions find themselves seesawing back and forth between centralizing and de-centralizing, functionalizing and creating centers of expertise, and driving self-service and retaining high-touch support, all while engaging in an increasingly intense war for talent and trying to keep pace with a dynamic business environment. It’s no wonder that many HR functions lose sight of their strategic priorities and find that, after long cycles of focusing inward, the business has evolved without them, leaving their structure and solutions misaligned with the business’s needs.

As HR becomes increasingly misaligned with the organization, it faces the following challenges:

- » **Increasing employee frustration**, driven by ineffective processes that lack easily accessible and relevant HR support and information, and a decentralized web of systems that may not be integrated.
- » **Fragmented and siloed HR structures** that no longer align to the business, hinder the ability to mobilize resources across the function, and prevent a cohesive HR function strategy.
- » **Inability to meet business needs**, resulting from a mismatch of needs and capabilities, a reactive versus proactive HR function, and an inward program focus, as opposed to a scalable outcome structure enabling an agile HR function.

Amid these challenges, CHROs need to pause and return the focus to a strategic level, where the following sequential questions can be addressed:

1. What is our business strategy, its implications for our talent strategy, and what is the role of HR in enabling both?
2. How is our HR function performing today? Are we focused on and investing in the right priorities?
3. What do we need to change in our operating model to better support the business?

Bridging the gap between current and future state

To answer these questions, HR must follow a process of current state assessment and refinement:



Understanding your current state is a critical factor in any HR optimization or realignment effort to establish a baseline measurement rooted in data and fact, as opposed to hearsay and past experience.

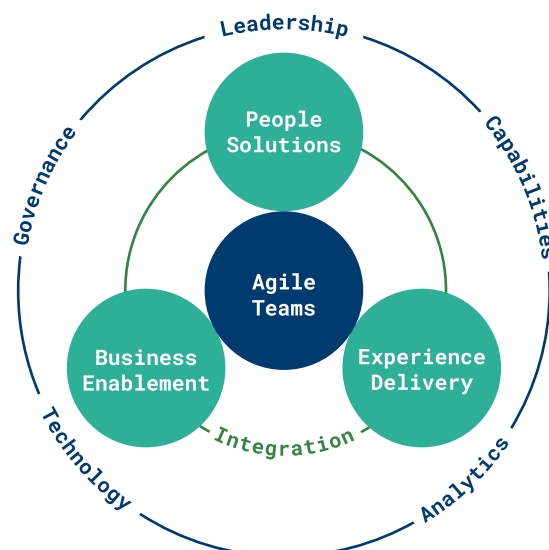
So, where should you begin? It is crucial to gather input from a variety of sources to understand the path forward. Insight from multiple sources — both internal and external to the HR function and organization — can provide a more complete perspective on what the function looks like now and what it should look like in the future. We recommend collecting and analyzing the following data as part of any complete HR assessment.

- » **Your business strategy** should heavily inform any future state and path forward for the HR function. Further, your business strategy should influence your talent strategy. If one does not exist, a clearly articulated talent strategy can be helpful in aligning executives and HR on talent priorities.

- » **In-depth audit and benchmarking** of HR costs and structure against leading and comparable organizations is key. Beyond fundamental comparisons of cost and staffing levels relative to enterprise scale versus peers, firms also will find value in understanding how HR should be organized — what the optimal mix of seniority is and what level of responsibility is needed in individual HR functions (business partners, compensation & benefits, talent acquisition, learning & development, HR operations, etc.). At smaller, growing firms, the audit should consider the size team and kind of capabilities they should plan to acquire at a given size and growth trajectory.
- » **Stakeholder feedback** is critical to gain qualitative and quantitative insights into the perceived value and effectiveness of HR's services. Stakeholders typically include senior executives, people managers, employees and select HR team members.
- » **An HR activity survey** can be used to outline and summarize how HR employees are spending their time across career level, region and business unit.

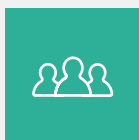
After collecting and analyzing various input and data from your organization, it is time to strategize and complete your vision for the future. There are various models that represent a best-in-class HR function. What is most important is that the HR structure and model are tailored to fit your organization's needs. One size does not fit all.

Alignment with your business strategy, talent strategy, leading practices and benchmarks are all critical factors for designing your future state. It's not just about drawing the boxes and redesigning the work. These five key enablers for any HR function must also be addressed: leadership, governance, capabilities, analytics and technology.



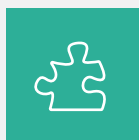
Taking action: advice for adopting an effective and holistic approach to transformation

While establishing the right model and level of resources is a critical foundation for any HR function, simply having the right structure is not enough. We recommend four critical objectives for any transformation effort: having the right people, aligning within the right model, ensuring you are equipped with the right capabilities, and being focused on delivering employee-centric, business-driven solutions. Here is our advice:



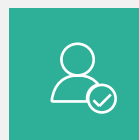
The right people ...

- » Understand the HR capabilities needed now and for the future
- » Make the hard decisions and invest in talent



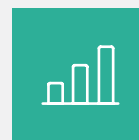
In the right model ...

- » Optimize the HR operating model with clearly defined roles
- » Break down silos to drive integration and increase agility



Prepared to deliver ...

- » Establish shared leadership, governance and accountability across HR and the business to drive employee experience
- » Leverage technology and digital tools to enable talent management and organizational decision-making



Employee-centric solutions

- » Develop people solutions that drive business performance and a differentiated employee experience

With these critical pieces in place, HR leaders need to keep one more thing in mind — the HR function, like a business, is dynamic and must remain agile to grow with the organization and remain in alignment as objectives, priorities and needs change over time. HR leaders should foster a continuous improvement mindset and adopt the assessment and benchmarking tools to ensure the function aligns with evolving business and talent strategies.



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