

What Does it Take for HR to Become a Business Partner?

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Learn three of the challenges that an HR department can face in a business environment. Find out three steps that HR can take to become a valued business partner within its organization, and how SAP HR functionality can help achieve this goal.

HR is often a favorite scapegoat in many organizations, regardless of which sector or country it is in. It has left many people involved in HR wondering if things are really that bad, and if so, how SAP HR can help fix this negative perception.

We'll cover a concrete three-step approach for HR to become a reliable business partner. The biggest takeaway for HR managers is an understanding about the importance of HR processes and how the SAP HR module should be used to support your HR strategy. We'll also outline some opportunities for managing expectations of HR.

First, here is a look at the practices that can put an HR department in a weak position within an organization:

1. HR is not included in the value chain. This means that HR is commonly regarded as a cost center rather than a value driver. As a consequence, when it comes to strategic planning HR is treated as a necessary evil and is allocated a budget and attention to the same extent: the strict minimum.
2. Some HR managers lack extensive business knowledge. Even if they were granted more strategic attention and a larger budget, they would not be able to plan and act accordingly. They haven't learned to speak the language of the business and are isolated from the rest of the company.
3. HR fails to manage expectations about its role as a business partner.

To counter these perceptions and problems, HR should start by remembering why it is there in the first place: people.

Business Partnership

To become a business partner, HR needs to take three important steps. The three-step approach that we are presenting here resembles the philosophy of the Capability Maturity Model. Capability maturity indicates where an organization belongs in its evolution of productivity and quality. An organization achieves a new level of maturity when a system of practices has been established to provide capabilities and results that the organization did not have at the previous level. The method of transformation is different at each level and requires the capabilities established at earlier levels. The bottom line here is that you should not try to run before you can walk. The three steps are as follows:

Step 1. Structure and automate basic HR processes

Step 2. Manage competencies

Step 3. Empower the business itself

Step 1. Structure and automate basic HR processes. This requires documenting the procedures, drawing and streamlining the processes, and most importantly, holding people accountable for all these processes. As such, the first milestone to achieve is to become a reliable supplier to the business.

>> Key Concept

The **value chain** categorizes the value-adding activities of an organization. It is an analysis tool for strategic planning. Its ultimate goal is to maximize value creation while minimizing costs. As HR is typically a support function, it is often isolated from the chain. To be considered an important part of the value chain, HR needs to use certain strategies to promote the significance of its contribution.

Step 2. Manage competencies. This means diving into the business and spending at least 30% of your time out of the HR office and in the business environment. It involves truly getting to know your organization. Competence, performance, career, and succession are empty words if there are no activities in a value chain to compare them against. Putting the right person in the right position requires some knowledge of that person's role in the value chain of the organization.

Step 3. Empower the business itself. You achieve this by outsourcing some HR activities to other departments in the organization. Whereas step 1 may include the outsourcing of administrative tasks to a shared service center, this step requires actually handing HR processes over to the business. That way, these processes get managed where they actually live and exist: on the shop floor among the employees.

As shown in **Figure 1** on the next page, business expectations change as HR follows a step-by-step approach. These business expectations indicate the value

>> Note
For more information on the Capability Maturity Model, go to www.sei.cmu.edu/pub/documents/93.reports/pdf/tr24.93.pdf.

HR should be creating for each step along the way. It is clear from this diagram that one should not try to empower the business in HR decision-making at the very first step. Instead, you should get the basics right first and get to know the business before you decide what you can outsource to the business.

The bottom of the diagram indicates the estimated percentage of time spent on strategic HR activities, business partnering, and personnel administration respectively in each step. At the beginning of the process, most of the HR team's attention will be spent below the bottom line: in other words, automating basic and repetitive elements. However, as you move along, the automation of these processes and the outsourcing of basic personnel administration will free up time for HR.

It is our contention that HR should be spending every minute of extra time as a result of automation by going (physically) to the business, even if that means joining the sales team on the road or getting their hands dirty on the shop floor. The goal is that HR builds solutions (systems, procedures, structures, and trainings) during step 2 that are tailored to the business, and then aligns them with the firm backbone that was established in step 1.

Finally, the third step is to shift some HR responsibilities to the business. This only works when it is supported by a firm backbone of basic HR processes (as created in step 1) and by HR solutions that are tailored to the business (as created in step 2). This is where business people really start to use the HR tools at hand to drive business decisions. In other words, at this point HR has shifted from a cost center to a value driver for the business.

Getting There

With the existence of solutions such as SAP ERP, which is focused on the integration of processes, there is also one major misconception. Some managers mistakenly believe that implementing an SAP module automatically provides the benefits of steps 1, 2, and 3. They fail to realize that SAP applications function as tools to assist in the automation of basic processes (step 1), increasing business ownership (step 2), and accelerated decision-making (step 3).

SAP has great tools for automating and enabling business processes, but the software cannot create a business process for you or replace your discipline and ownership of HR processes, HR systems, and HR data. An organization, specifically its HR department, must already have a firmly established process and a step-by-step approach that matches its current level of maturity. It cannot rely on an SAP solution to do this for them.

In our three-step maturity model, we examine how each part of the SAP HR suite typically belongs to a certain level of maturity. The ranking of these elements results in a clear list of priorities that tells

you which processes you should tackle and stabilize first. In **Table 1**, we have ranked them according to the business expectations in each of the three steps that HR must take to become a business partner.

As Table 1 demonstrates, you should not implement all the SAP HR modules at once. Each module corresponds with a maturity level and builds on the previous level. You can find the Personnel Administration (PA) and Organizational Management (OM) modules, the foundations of any good human resources system, on the first level. This level requires clear and uniform guidelines on what kind of information you gather about employees and the organization, where you store this information, and clear procedures on how to go about this.

Once you're able to capture this essential data in a consistent way, you can advance to the second level. In Personnel Development (PD), you record the employees' skills and the qualifications the employees need to perform their jobs properly. You can then match up these current and future job requirements with the employee's qualifications, preferences, and aspirations.

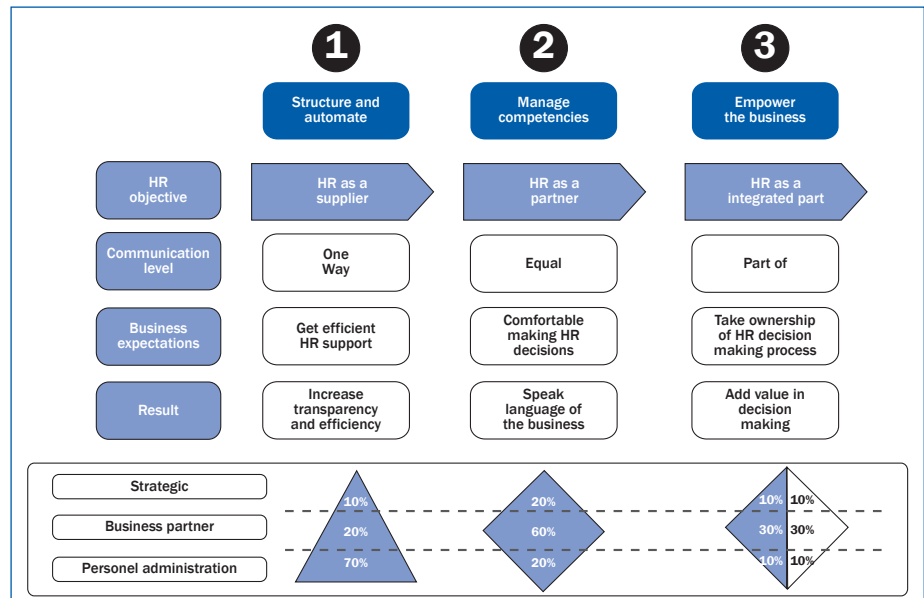


Figure 1 Business expectations in each of the three steps

In the event of any gaps in these areas, the employee can subscribe to one or more training courses to develop these skills. The management of and subscription to these courses is handled in Training and

Event Management. The Objective Setting and Appraisals module offers a tool to set objectives for employees, evaluate them, and keep track of their progress and evolution within the company. In combination

with a competitive and motivational reward system offered by Enterprise Compensation Management, a company can display its employee appreciation. Finally, Cost Planning allows you to experiment with future and projected costs while accelerating business decisions about personnel costs.

When the first two steps are sufficiently stabilized, it is time to let the business take control of some HR processes. In the third step, Employee Self-Service (ESS) and Manager Self-Service (MSS) offer extensive opportunities for this. These modules can provide an accessible “Who-is-Who” where employees can manage some of their data themselves instead of going through huge stacks of paperwork. They can also record their working time, absences, and trip expenses, with an approval process that includes their manager.

Employees can enroll in benefits programs via ESS, which allows them to access their benefit and remuneration statements. They can also apply for jobs and sign up for training courses. The manager can approve or reject these training applications, get an overview of training requests, and review the costs to his or her department. The progress and outcome of an appraisal can be recorded by the manager via MSS. In all these instances, the HR department has only set the guidelines. Individuals in the business manage the data themselves using SAP HR.

Two Scenarios

As we stated in the introduction to this article, the perceptions about HR, HR initiatives, and business expectations are three crucial elements on the path to business partnership. In **Table 2**, we have compared these elements and the net results in terms of business partnership for two different companies.

Company A is a global player in the industry of high-end chemicals. With a

Maturity level	Business expectation	Corresponding SAP HR module
Level 1: Structuring and automating processes	Get efficient HR support	The key word in this stage is discipline, as you are trying to standardize basic personnel administration with SAP HR modules such as: <ul style="list-style-type: none"> - Personnel Administration (PA) - Organizational Management (OM)
Level 2: Managing competencies	Be comfortable making HR decisions	On this level, the focus is on developing solutions that can add value to your organizations' core business: <ul style="list-style-type: none"> - Training and Event Management - Personnel Development - Objective Setting and Appraisals - Enterprise Compensation Management - Cost Planning
Level 3: Empowering the business	Take ownership of HR decision-making process	Central in this stage is the empowerment of the business: putting your customers in the driver's seat of some typical HR processes, including: <ul style="list-style-type: none"> - E-recruitment - Employee Self-Service (ESS) - Manager Self-Service (MSS)

Table 1 HR modules for each step towards becoming a business partner

	Company A	Company B
Perception about HR	Each country has a completely different HR vision and policy, yet everybody expects corporate HR to control everything locally as well	Discipline is key, and HR policies are aligned worldwide with minimal deviations from these policies
HR initiatives	<p>Activities:</p> <ul style="list-style-type: none"> - Corporate HR is running very complex reporting and data warehousing - Data collection from the various countries is a nightmare <p>HR systems:</p> <ul style="list-style-type: none"> - PA and OM are implemented in its global HR System. <p>However, this system is hardly used locally because all the countries have kept running their local databases. Nevertheless, the global HR system is linking with SAP CRM at the same time. Because of the importance of reporting, the BI system runs complex InfoCubes on incomplete data.</p>	<p>Activities:</p> <ul style="list-style-type: none"> - Each country is responsible for its own data, but corporate HR sets the guidelines and policies - Data is collected and recorded in a uniform and consistent way <p>HR systems:</p> <ul style="list-style-type: none"> - PA and OM are implemented in their global HR System - Various ESS and MSS scenarios are only gradually implemented based on stable databases - Careful monitoring of each module that gets implemented - There is a lot of emphasis on the responsibility of local HR agents
Business expectations	As there is little understanding about why HR reports take so long to prepare and why they are often inaccurate, everybody expects accurate online HR reports and a fully integrated talent management system, learning management system, ESS, and MSS. However, there is no budget or discipline for integrating the local HR systems, standardizing the basic HR administration processes, or managing master data centrally.	This company wants to report on global data and empower its employees to take their career in their own hands by offering tools like Time Recording through ESS, e-learning, a fully automated appraisal and compensation process, and e-recruitment. HR is able to do this because they obtained the proper budget thanks to a business case that included the value of HR to the business.

Table 2 Certain strategies help or hurt a company's business partnership with HR

headcount of 9,500 employees, it operates in a highly competitive market where it grows through acquisitions. The biggest strategic challenge the company faces is that it is radically changing from a manufacturer (selling products) to a service provider (selling projects).

Company B is also a global player, but in the financial services industry. Its 5,000 employees face a comparable strategic challenge as they constantly need to innovate in order to maintain a leadership position in their market. With just a few players in the market, the company is no longer new to rapid innovations, offshoring, and spinoffs.

When we look at the net result in terms of business partnership, there is a significant difference between Company A and Company B. At Company A, HR is seen as a cost center and an administrative burden with no understanding of the business. There is no discipline in managing standardized processes or updating procedures. HR is constantly in fight mode for OM and PA data collection and the inter-

national partners are tired of dealing with duplicate data entry into the global HR system. As a result, ESS and MSS are hardly used.

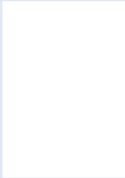
In contrast, HR at Company B is seen as a strategic partner in reaching the company's goals. It empowered the business by providing the means to motivate and satisfy the workforce as well as keep costs in control. Although both companies face comparable challenges, the way that Company B perceives HR, tackles HR processes, and manages expectations of HR influences the success of their SAP HR implementation to a large extent.

Taking Action

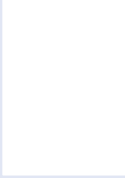
HR managers who are serious about business partnership can start by charting their own version of this three-step maturity model. They must not only create a destination but also the path to get there. As they are selling this approach to their senior C-suite peers, they should not only concentrate on and aim for budget and buy-in, but also for better expectations.

SAP HR has a lot of elements that can make life simpler for your business. What's more, it helps you connect to the business in many ways. However, implementing and harvesting the benefits of these modules depends on your level of maturity as a business partner. The SAP HR module is as powerful as the engine of a racecar, but it needs a clean racetrack (achieved through step 1, structuring and automating basic HR processes), a skilled driver (step 2, managing competencies), and a user-friendly cockpit (step 3, empowering other so-called drivers from the rest of the business).

It is a myth that HR needs a seat at the executive table to practice strategic HR. In reality, strategic HR is a matter of reclaiming a place in the value chain in three steps: get the basics right, get into the business, and shift ownership to the business. As controversial as it may seem, giving away parts of the personnel administration to outsourcing entities and parts of HR decision-making to the business makes HR more powerful as a business partner. ■



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