

The Role of HR for Business Success



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Proceedings of the HR Dialogue - 2013

Volume 01, No.01, 2013

30th November, 2013

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Introduction

Organizations are considered as living entities. As such, they consist of the head and the heart, which are the two significant elements just like for humans. The business leader is the “head” of the organization while the HR leader is its “heart”. The roles may be distinct yet intertwined and therefore, capable of generating impact to the overall organization success. A perfect balance in the organization is possible only when these two elements (head and heart) work in perfect rhythm. If it is working in a perfect rhythm overall organization will generate profits, processes and systems will run smoothly with maximum efficiency and tend to have highly motivated and talented team of staff.

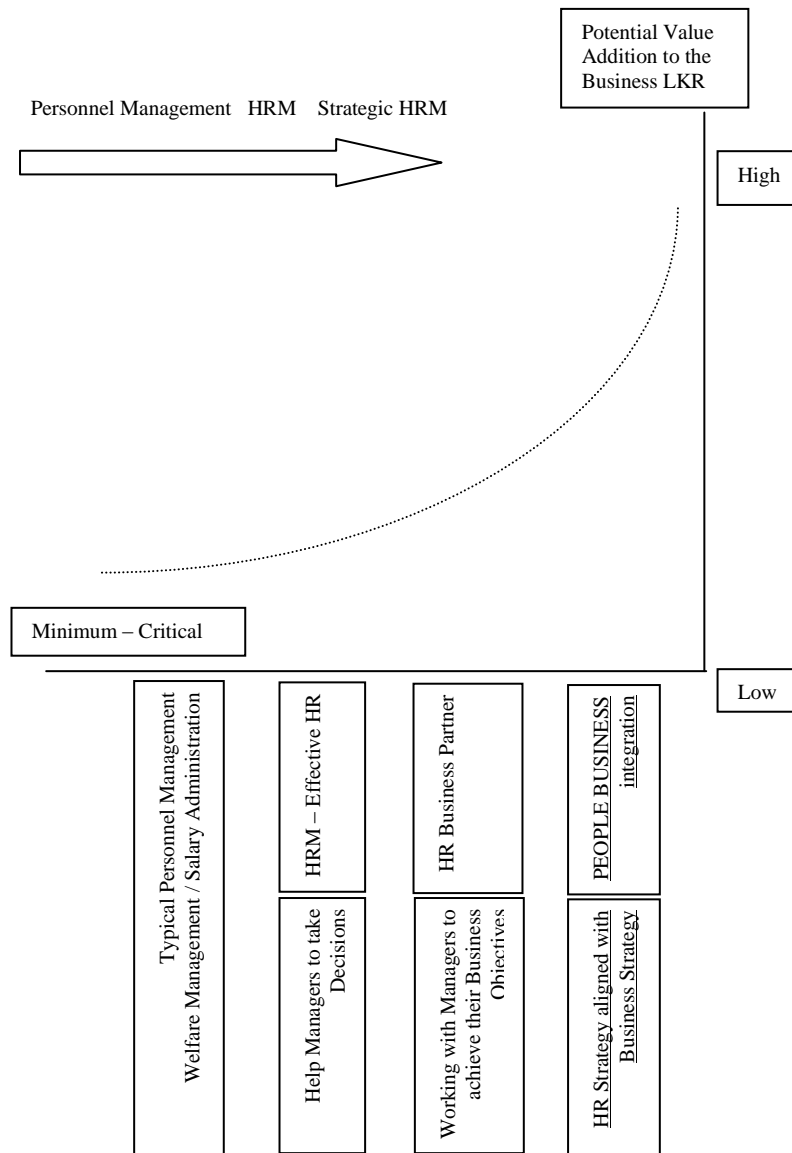
Role of HR as a Strategic Partner

In today’s economic context, HR can no longer be a reactive offstage function whose aim is to respond to a given business situation. In the present context all HR professionals should understand that Human Resources Department has to play a more significant and proactive role in achieving strategic goals and objectives of an organization. When HR departments understand its business it is suitable to recognize it as a strategic partner within an organization. The Human Resources Department should function or operate as a business unit thinking that HR department contributes to the overall organization bottom line. If they function as a business unit will lead to overall organization success. HR departments understand overall business focus, how the money flows, and what drives growth and profitability. They also think what would best serve the overall business, and by proactively contributing to the development and accomplishment of the organization-wide business plan and objectives. They are building partnerships with internal and external customers, developing human-resource programs with long-term objectives, and increasing employee productivity by focusing on business obstacles that occur outside of human resources. Finally, they come up with and share ideas on how to help people in the organization meet their goals and contribute to the overall business plan.

For example, any business leaders’ main objective will be to maximize profit. HR leaders will be well accepted if they can convince the business leaders of the ways and means of managing people that will add value to the profitability of the organization. Vibrant, courageous and charismatic business leaders would look for similar characteristics in their HR leaders as well, being the “heart” of the organization.

The below figure depicts that how HR will value adding to the overall business performances. In past HR was considered just as an administrative role, but in the present dynamic business environment it has to be aligned with the business strategy.

HR Return on investment Scale



Qualities of HR Manager as Business Leader

In order to brand HR as strategic business partner, HR leaders would need to possess certain qualities. HR leaders should focus on business strategies and future challenges. They must be able to see the bigger picture and may work as one of the major growth engines for the organization. Business acumen is another aspect which HR Managers needs to have. The word acumen means “keenness and depth of perception, especially impractical matters”. Business acumen is thus, an art that may be cultivated with regular practice. It is an art of linking an insightful assessment of the external business landscape with the keen awareness of how to enhance profitability and then executing the strategy to deliver the desired results. Reading and understanding of the financial reports such as profit and loss accounts, cash flow statements and balance sheet is required by all HR Managers, it will help HR Managers to understand the overall profitability and the productivity of the organization. Risk taking is an

integral part of business and life. It is thus, quite relevant for HR leaders to take calculated risks in dealing with people and impacting the bottom line of the business.

Recruitment on Business Point of view

Recruitment is one of the major jobs that all HR Managers are doing. Even though it is seen as a very simple thing it is crucial thing in the HR. HR professionals use different type of strategies to recruit staff. By using those strategies HR will evaluate skills, knowledge and attitudes of the candidate. But how many of HR managers are evaluating the candidates cost to the Company, prior to the recruitment. It is important to calculate and see how much will cost to this particular candidate to the company. The Candidate’s cost will impact to the overall bottom line of the organization. Therefore in business point of view HR manager should be able to know how much this candidate will cost and to what additional contribution is essential to overcome such cost. Most HR managers only look at the basic salary and basic qualification. But business oriented HR manager should look at cost to the company on the particular candidate while selecting the most suitable person to the position. Different people define CTC in different way. CTC means that the amount of cost that incur because of this particular staff member; It is the total cost incurred to hire, to maintain and to retain the employees and may also include part of overhead cost allocation as well.

It normally includes basic salary statutory payment cost such as EPF, ETF and gratuity, benefit cost, other relevant direct cost that can be considered for each individual. Global accepted norm is that each staff member who directly generates sales volume to the organization should generate three times of his direct cost. 1/3rd is for recover his/her cost, another 1/3rd is for cover organizational overheads and final 1/3rd is for the shareholder as investment return or profit. Therefore all HR professionals should really pay their attention to this simple logic and recruit best suitable candidate to the organization for business success.

Budget on HR Point of View

Budget is a very common word for financial accountants, but it is an odd word for HR professionals. HR budget is another very important aspect that HR professionals should consider in detail for the business success. A budget requires a systematic and thoughtful review of likely expenses and designated funds and helps a business to allocate those expenditures over a designated period of time. Comparisons of actual expenses to budgeted expenses provides a means for making adjustments where needed to address variances from expectations over time. The human resource practitioner’s responsibility is to align the human resource department’s budget with strategic organizational goals within organizational guidelines and procedures. This is particularly important in order to ensure that HR is viewed as a strategic partner who is able to substantiate expenses and link HR activities with the organizations overall program of work. It is also critical because HR is often viewed as a cost center rather than a revenue-generating function and may therefore be scrutinized as an area where costs can more readily be cut. A well-planned and well-documented HR budget demonstrates thoughtful consideration of spending directly linked to the organizations programs and activities.

Budgeting requires the collection of many forms of data. From a human resource perspective, the data needed to create a new budget include the following:

- Number of employees projected for next year (man power plan)
- Benefits cost increases or projections
- Projected employee turnover rate
- Actual costs incurred in the current year expected cost increases for the next year

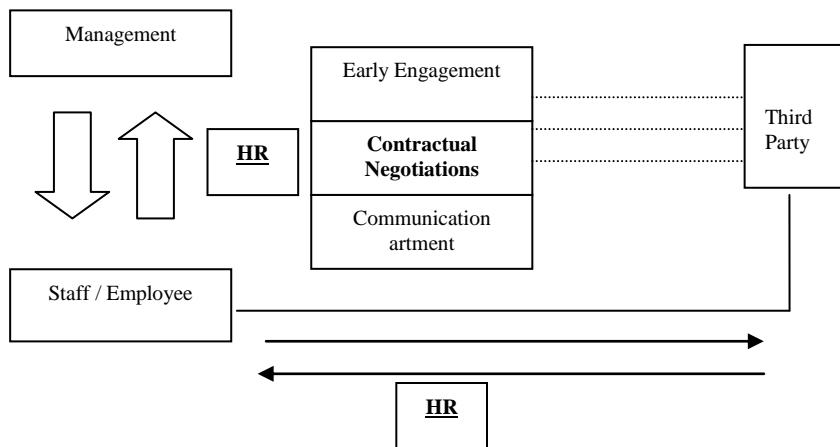
- Annual salary increase %
- New benefits/programs planned
- Expected training sessions
- Other changes in policy, business strategy, law or regulation that may impact costs.
- HR revenue (Savings from compensation, benefits, turnover reduction, headcount reduction/ lay off/ outsourcing activities, training costs, etc)
- Recruitment cost/ expected number of vacancy advertisement

Projections may be simple or complicated, based on actual costs or guesses, depending on the nature of the expense and the data available. For example, the cost of advertising may be easier to project for a firm with consistently low turnover or one with a steady stream of unsolicited applicants, while it may be much harder to project for a firm with significant fluctuations in turnover and staffing needs. On the other hand, the projected total cost of health insurance premiums may be fairly simple once armed with notice of the premium increase for the next planned year and some idea as to the number of employees to be covered. Those preparing an HR budget for the first time will need to gather every source of available data in order to make educated projections. Preparation of HR budget will be the sole responsibility of a HR Manager and it is required to work very closely with respective head of the department or relevant business leader. Long term objectives of the cluster heads will be very much useful for HR Manager when he/ she preparing HR Budget. Not only preparation monthly monitoring and variance analysis is also required. In cases where budgeting has been ongoing, to develop a realistic budget it may be helpful to use several years worth of actual expense data, such as training expenses or employee recognition awards, to develop a realistic budget. However, if a cost has fluctuated over time, it is important to look at the reasons for the fluctuations and to try to predict what is likely to happen over the next year. For example, if the organization used to have lavish holiday parties but has no plans to do so in the future, historical data will be of little use.

Each cost should be examined carefully while asking the following questions:

- Is this cost fixed (meaning the cost won't change for the year) or variable (i.e., dependent on the number of employees or actual utilization)?
- If it is a variable cost, will it fluctuate with some level of certainty (such as staff cannot exceed a maximum pre-approved number) or subject to change based upon business needs
- Is the employer in control of the cost or is it controlled by an outside entity (i.e., outsourcing fees based upon hours of service)?
- What is the best and worst case based upon available data?
- What is the justification for the expense-in what way would the business be adversely impacted if the cost was eliminated?
- Are there external forces that could affect this expense (i.e., downsizing, mergers, unexpected growth, mid-year cost increases, etc.)?
- While it is impossible to predict every scenario that could impact an HR budget, the questions above provide a thoughtful means of assessing each expense from an objective viewpoint.

HR function in Business Outsourcing



Outsourcing is any task, operation, job or process that could be performed by employees within an organization, but can be given to a third party for a significant period of time. In the current business environment outsourcing itself has become a key strategy for organizations to achieve significant cost savings. So what is the role of HR in outsourcing? When the word outsourcing is heard by the staff they will be disturbed not because of anything but because of beginning to think it will affect their jobs security, some may think they will lose their job some may think it will lead to reduction of their benefits. Therefore in the outsourcing projects, people management is a crucial part.

HR involvement in **early Engagement** is a most important aspect in outsourcing projects. HR Manager and his team compulsorily need to be deeply embedded into any outsourcing project throughout the project's lifecycle would reduce both current and future HR related problems and issues because outsourcing is purely dealing with human beings. In other words, the HR team should be involved in an outsourcing project early in order to scope out any potential "red flag" issues as well as be involved in the proposal stage since both HR and the potential outsourcer will need to be aware of any staff transfers along with associated costs. This will help to avoid further surprises in the future. Moreover and if staff transfers will occur, HR can also assist both their own organization and the outsourcer to identify key employees who could be matched with key roles in the outsourcer's organization.

Contractual Negotiation is the second aspect HR involvement is essential in outsourcing. HR team can give advice regarding specific contractual terms that may impact an organization's employees. This is especially important if an outsourcing agreement will result in staff transfers or redundancies as there will be both obvious and hidden costs and legal issues associated with both.

Finally, very important point is **Employee Communication**. HR team will need to play a critical role in managing employee communication. This role will include briefing managers to ensure that correct information is given to staff as well as being prepared themselves so that they can also handle direct questions from staff. The successful management of employee communications throughout the outsourcing process will prove crucial towards contributing towards the success or failure of an outsourcing project.

Responsibility of HR in Mergers or Acquisition

In a Merger or an Acquisition, both HR departments of the Seller or the Buyer play a vital role in the process. Human resource helps to manage any problems or challenges related to

people in the organizations as the merger or acquisition process unfold. Human resources must have a firm grasp on the culture of the company for which they work and must study the culture of the other organization to make such a determination. Cultural differences may include how the two organizations define and measure success within the organization; benefits employees enjoy, such as insurance; how problems within the organization are handled; the management styles of the two organizations; and the overall attitude of the employees and managers toward business functions and the industry in which they work.

During the due diligence period in a merger or acquisition, management of the purchasing company assess whether the deal makes strategic and financial sense. Human resources from the purchasing company specifically assess the benefits structure of the other company to uncover any potential problems, such as welfare facilities or health insurance package that will cost a significant amount for the company to continue offering.

People often fear change, and a merger or acquisition creates uncertainty and change for employees both of the purchasing company and the purchased company. Human resources in both companies should help smooth out the transition for employees, by helping to calm down any fears in answering questions about how the merger or acquisition affects each employee individually. If the employees of both companies do not have as much fear over the change, productivity is more likely to stay at previous levels. Human resources can detect and address any rumors about layoffs, office relocation or other changes employees fear, giving feedback to management about employee concerns. When one company merges with or acquires another, some changes to both organizations may occur, such as eliminating redundant positions or combining teams and departments. The process of altering two organizations so they work together as one can take months to complete and human resources plays a vital role in the changes. Human resources communicates to employees about changes in who they report to within the company, what team or work group employees are assigned to as well as any changes to different positions' roles in the organization. Human resources may work with management and employees to alter the job descriptions of various positions, ensuring that everyone understands his role in the newly altered organization.

Conclusion

The HR Leader should constantly develop competence and confidence to have a desire in making his presence felt in the journey of business success. His credibility to possess business intelligence and a heart to achieve success with a practical approach will enrich the role of HR in the game. His journey is not a march alone. It is a un- negotiated responsibility to build retain and develop talent. He should work towards making his presence felt in a leadership role where his contribution is respected and regarded as a powerful support which strengthens both the individuals and the teams proving, without doubt, that the power for success comes from the 'people'.

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