

Human Resources Leadership: The Path to Strategic Partnership

Corporate restructurings, cost pressures, regulations and reporting requirements are just a few drivers that elevate the criticality of attracting, retaining and motivating top talent. In response, most Human Resource leaders are striving to be recognized as a strategic business partner and visionary leader, seating them fully at the executive table on par with their corporate executive peers. Considering the history of HR, the fulfillment of this mission requires today's HR leaders to continue to transform their own skills and roles as well as those of their HR organization.

As an HCM consultant, I'm interested in watching the ongoing evolution of HR. I sat down with Glenn Melrose, former Senior Vice President of Human Resources at NPS Pharmaceuticals and current Clarkston Executive Alliance consultant, to discuss his perspective on HR's transformation.

How do you define the mission and value proposition of Human Resources today?

The clear message I've received from my CEOs is that the Human Resource mission is to enable the organization to attract, retain and motivate top talent to achieve the highest level of performance possible. HR is the function that delivers to management the strategies, processes, technology, systems and training necessary to achieve this, and all HR activities ultimately support the mission. Using this as the backdrop can help HR leaders to best organize, define, prioritize and communicate their value proposition

to executive colleagues, middle management and all employees.

Interestingly enough, we developed the basis for this model about 20 years ago as a means to explain how a new Human Resource Information System was to be utilized. Although that discussion started in the thicket of administrative tasks, I believe it became an increasingly strategic and ultimately visionary discussion on why Human Resources exist in companies. This mission is as applicable, if not more so today; however, the degree to which HR organizations, and the companies they serve, have accepted and embraced it has varied significantly over time.

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Let's drill down on those changes over time. How has the role of HR shifted?

At the beginning of my HR career, HR was emerging from being viewed as a service center. Much of the function's mantra to leadership was "tell me what to do and we'll do it." Although, ironically, I think management often answered employee HR related questions with an "HR says we have to do this" response. Obviously, this was not a strategic partnership at work; however, Human Resource organizations certainly strove for high levels of customer satisfaction from the business, both management and employees. As with some other staff functions at the time, the business, nor HR, viewed the function as a primary contributor to the bottom line.

Looking back on it now, it seems a somewhat unenlightened view. Although my experience is that attracting and retaining top talent has only more recently been articulated as a critical strategic imperative, I think it has been such for quite some time whether or not it was fully recognized.

This point was illustrated about 20 years ago, when I heard a very senior business leader define the primary goal of Human Resources to be "keeping the company out of trouble." He simply wanted HR to develop policies in accordance to employment standards and regulations, and to be ready to defend the company when required. Although this statement may have seemed an extreme thought at the time, it does speak to where HR

has been – in a non-strategic, administrative corner of the organization only to be called upon when needed.

Since then, the focus has been on escalating Human Resources to a strategic business function with top HR leaders not only in the C-suite, but also active participants and contributors to the whole business strategy, not just HR. In order for HR leaders and their teams to operate at that level and to be critical enablers of the business plan, they need the rest of the organization to recognize them as such. Although this is relatively easy to develop on paper, it has been very challenging to achieve in practice, and I would say that most organizations, and HR leaders, would agree they still have a ways to go to reach this destination.

Talk to us about the challenges HR organizations face to achieve this goal.

I think one of the first challenges of becoming a true business partner is that HR, from the leaders to the front line team, must understand the business, both strategically and operationally. For HR staff in life sciences and technology industries it can be a real challenge to understand the products and the related business strategy and tactics. The same is true for gaining a working understanding of functions like finance, IT, research, development, regulatory, manufacturing, and sales and marketing. While HR does not have to become an expert in these, they do need to be able to hold

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credible, intelligent and insightful discussions with the various business areas; otherwise the best they can do is fall back to the “tell me what to do, and I’ll do it” role.

Many HR organizations took steps toward integrating HR staff into the business with the creation of business partner roles, where dedicated HR generalists serve specific functions. This works well in developing the kind of intimate functional knowledge mentioned earlier, and I’ve seen more and more HR professionals embrace this thinking. HR leaders should continue to look for ways to develop themselves and their staff into more well-rounded business people. For example, send HR staff to select portions of sales training and meetings or participate in formal programs like “Finance for Non-Finance Professionals.” I think those who do not put real effort into learning the business and its functions will find their career growth within HR very limited in most cases.

Those in HR roles that interact with management must represent HR in a strategic way – first listening, then asking questions, and ultimately becoming collaborative problem solvers. My science background and training taught me to ask follow-up questions even after initial answers were known. HR staff would likely benefit from training on how to use this aspect of the scientific method instead of solely relying on corporate policy. Let’s take a very tactical issue that pops up frequently – a manager wants to terminate an employee. As HR, we can either take this at face

value and walk the manager through the requirements and process of dismissal, if that’s even feasible, or we can discuss the heart of the matter, which is probably that the manager is not getting the performance required for that role. Perhaps the employee needs additional training, has not been fully briefed on expectations, or maybe there is still real potential, but in a different role. The difference in approach is critical; this will ensure the best possible result, while also demonstrating HR as a strategic partner instead of a service center.

Ultimately, fully integrating HR into the business must start at the top. As an HR leader wanting a seat at the table, I knew I had to be able to engage in many different business conversations in a meaningful way. This often meant connecting the dots between business decisions and human capital impact, but sometimes it meant contributing to discussions not directly related to HR. The most valued leaders I’ve seen around the table were those who contributed new ideas, perspective, trends or guidance in areas both within and outside of their own area(s). My own background in sales, marketing and R&D helped me tremendously; however, those who have worked primarily within HR must make a concerted effort to get outside of their comfort zones and their core competencies. Knowing all things HR is just not enough.

The challenges to HR’s continued evolution include both skill sets and perceptions. Even when the necessary

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skills and attitudes within HR exist, there may still be an antiquated perception or expectation outside the HR team that must be overcome. We know rebranding and reshaping people's thoughts and attitudes takes time, consistency, and continuous communication. HR has long and often been viewed as a policy enforcer and directive follower, and that is not going to change by solely making organizational changes. HR leaders must thus engage in parallel paths, working on both strategic business skills while also actively changing the perceptions and expectations that the rest of the organization may have of HR.

What other challenges are keeping HR leaders up at night?

No matter where an HR team is in its evolution, HR leaders know they are dependent on the company's managers to implement much of the HR mission. HR can have the best strategies, people, processes and technology to facilitate core HR functions and talent management, but ultimately, managers in the business play critical roles in carrying out the mission to the employees and potential employees. This requires management time and attention, two of the most limited resources in organizations today.

For example, a few years ago we redesigned job description formats to enable more targeted and effective recruitment and also to better communicate to employees about their

roles and expectations. We received a great deal of executive support, but when it came time for the managers and their staff to put fingers to keyboards the process dragged. I'm still confident the training and expectation setting for that project was first rate, but like many HR activities, it had difficulty rising to the top of our managers' priorities. At the end of the day, HR leaders must know what needs to be done and be skilled on selling, negotiating and getting management's full commitment for the time needed to execute.

With that said, however, a very big part of successfully gaining management time and commitment is about selectively choosing HR initiatives. There are a lot of business needs for which HR will have good ideas. However, organizations have only so much time and elasticity for absorbing change and implementing new initiatives. Against a backdrop of restructurings, mergers, acquisitions, divestitures and other projects, all the leaders on the executive team need to consider the amount of change and type of improvement initiatives an organization can absorb at any given time. Showing awareness of this is one way an HR leader can really build credibility.

The last challenge I'll mention is corporate culture. Preserving or evolving the corporate culture in the direction determined by senior leadership is front and center for many HR leaders. I believe "culture by design" should be a fundamental goal of all companies and that HR takes the lead in enabling senior



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management to do so. This becomes particularly important during periods of change, so if we think change is a constant in most places, then ensuring a mission enabling culture also needs to be in constant focus.

Looking to the future, what are some practical areas of focus for HR leaders?

Some specific areas I see now or on the horizon include:

1. Delivering world class employee performance, while still achieving the most cost effective human capital management possible;
2. Innovating and sharpening critical HR metrics internally and to some extent externally;
3. Developing processes and systems that enable excellent strategic planning and execution;
4. Creating increased executive awareness and action on achieving culture by design.

Let's dive in to each of these four practical focus areas. First, the cost of human capital is among the highest of ongoing costs for many organizations and thus will continue to be scrutinized both internally and externally. HR leaders need to not only effectively manage the costs of attracting, retaining and motivating employees, but also credibly demonstrate that the costs are in line, appropriate and necessary. This means being armed with both data and the financial acumen necessary to show how costs are being well-managed.

HR leaders not already proficient in financially managing their function – and in understanding the broader finances of the organization – need to focus on developing this competency.

Second, executive teams today face increasing pressures from stockholders, customers and other stakeholders to transparently communicate what has historically been considered internal information. In response to this, boards have also become more interested in HR metrics. Integrated reporting is moving quickly, requiring companies to bring together financial and non-financial information to give outside stakeholders an inside view. Looking to the future, I can envision critical HR metrics eventually being pulled into the mix to some extent. HR should be prepared – if not leading edge – in communicating human capital metrics that ultimately impact a company's performance, financial or otherwise. On the positive side, by definition the same data should already be leveraged by management.

Third, I think the very essence of being a strategic HR leader is to lead the organization in proactively planning and implementing an organizational talent management strategy. The key is to first understand the vision and strategy of the business and then ask and answer questions about the next 3-5 years, such as:

- What competencies and skills (management and non-management) will be needed?
- Do we currently possess these? If not, what are the gaps?



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- Will we “buy” these or develop them internally?
- How should the organizational structure evolve to support the business of the future?
- How do we ensure the organizational culture is an enabler of current and future success?
- How will we ensure our ability to attract, retain and motivate top talent?

Finally, I believe culture deserves a special mention, as it is often times undervalued and one of the most challenging elements to manage. I once led the HR function for a life sciences company that had been on the verge of extinction, trying to regain its footing after receiving negative feedback from the FDA. As they fought to survive, the CEO determined that a critical success factor for the organization was not what most leaders would have identified – he determined that culture would be absolutely key in their turnaround. Within a few years, culture was viewed by management and employees alike as being the single most strategic advantage we had in the marketplace. With that banner held high, the organization grew, against all odds, to new heights.

All companies have a culture yet frequently little effort is invested into actively driving it. Whether struggling, growing or trying to sustain a company, culture can have an incredibly positive or negative impact on the organization. While there is not any one right answer on what the best culture looks like, it’s hard to ignore

the importance of driving a consistent, healthy culture as an enabler for maximizing performance. Just think about the impact of hiring a new generation of employees that are an ill fit for the organizational culture. These new hires are destined to be at the very least disruptive, and at worst, failures within the organization. Conversely, including cultural fit into candidate assessments greatly increases the odds of making great new hire decisions. Cultural impact is an incredibly powerful force in successfully engaging, retaining and motivating your most valuable corporate asset – the people.

Given everything we have talked about, can you summarize the top items that HR leaders should focus on to be equipped for the future?

There are many things that HR leaders can spend their time, effort and budget doing, but there are probably only a handful that will actually move the needle. Here are the areas I would encourage HR leaders to consider:

1. Invest in understanding the mission and strategy of the business.
2. Develop yourself and your teams in the working knowledge of non-HR areas such as finance, sales, marketing, technology, science and operations.
3. Emphasize skills within your HR team like listening, analysis, problem solving, negotiating, and selling.
4. Develop your HR teams to become solution providers, as opposed to just policy creators and enforcers.





5. Lead and enable the executive team in developing a talent management strategy.
6. Create an HR function strategy that aligns with the business and talent management strategy, and build a team that can effectively execute it.
7. Educate and collaborate with your executive colleagues on how the HR function strategy can and will support their needs.
8. Provide guidance on the organization's capacity and elasticity for change at any given time, and be selective in what you ask for in order to build your credibility as an equal at the executive table.

To quote the late Steve Jobs, "People think focus means saying yes to the thing you've got to focus on. But that's not what it means at all. It means saying no to the hundred other good ideas that are out there. You have to pick carefully." It is important for HR leaders to keep a selective and focused mindset when choosing the projects that they want to work on.

Meet the Experts



David Watts is a Senior Manager with Clarkston Consulting who has a passion for helping organizations better utilize their human capital. He has over 15 years of IT Project Management experience, of which the last 10 years has been focused on successfully managing SAP Human Capital Management (HCM) projects as well as general SAP implementations.



Glenn Melrose, Executive Consultant with Clarkston Executive Alliance, possesses a broad base of 30 years experience within the life sciences industry, most recently holding the positions of Senior Vice President, Human Resources at NPS Pharma and Vice President, Human Resources at Alexion Pharmaceuticals. Glenn has navigated organizations through significant growth, mergers and acquisitions, culture transformation and international expansion.

