

THE HR BUSINESS PARTNER MODEL: PAST AND FUTURE PERSPECTIVES

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The business partner model has existed for many decades when effective staff support functions, including HR, have contributed to business results. Formalizing how HR professionals may create more value as “business partners” has been of increased interest in the last 15 to 20 years. Without a doubt, HR issues have become more relevant to competitive advantage. When competitors can match financial, strategic, and operational initiatives, organization capabilities become the differentiator that creates sustainable value for customers. As business partners, HR professionals help their organizations define and deliver organization capabilities that add value to employees and line managers inside the organization and to customers, investors, and communities outside the organization. In this essay we want to reflect on what we have learned in the past decades about the relevance of the business partner model and on the challenges that lie ahead.

LOOKING BACK: LESSONS LEARNED

Since we have been instrumental in defining the business partner model and since there continue to be discussions about its evolution, we would like to review seven insights about HR professionals as business partners.

First, the business partner model is not unique to HR; all staff functions are trying to find ways to deliver more value to either top line growth and to bottom line profitability. Information systems, finance, legal, marketing, R&D, and HR are all under scrutiny and pressure to create greater value for their companies. This is especially true of transaction and administrative work that can be standardized, automated, re-engineered or outsourced.

Second, the intent of the business partner model is to help HR professionals to integrate more thoroughly into business processes and to align their day-to-day work with business outcomes. We have talked about focusing more on deliverables (what the business requires to win) than doables (what HR activities occur). We have talked about HR focus moving beyond administrative efficiency to functional excellence to strategic HR to HR outside in. Instead of measuring process (e.g. how many leaders received 40 hours of training), business partners move to measure results (e.g. the impact of the training on business performance), then move to how training build external value with customers and investors. For example, when HR builds better leadership capital, investors have more favorable images of the firm which shows up in market value.

Third, being a business partner may be achieved in many HR job categories. HR professionals generally work in one of four positions in a company.

1. Corporate HR. As business partners, corporate HR professionals define corporate wide initiatives, represent the company to external stakeholders, meet the unique demands of senior (and visible) leaders, leverage cross unit synergy, and govern the HR function.
2. Embedded HR: As business partners, embedded HR professionals work as HR generalists within organization units (business, function, or geographic). They collaborate with line leaders to help shape the business strategy, conduct organizational diagnoses to determine which capabilities are most critical, design and deliver HR practices to accomplish strategy.
3. HR specialists: As business partners, HR specialists work in centers of expertise where they provide insights on HR issues such as staffing, leadership development, rewards, communication, organization development, benefits, and so forth and they advise business leaders and HR professionals on how to turn insights into impact.
4. Service centers: As business partners, HR professionals who work in service centers add value by building or managing technology-based e-HR systems, processing benefit claims and payrolls and answering employee queries. These individuals may work inside or outside the company.

A common oversight is to solely define the embedded HR generalists as business partners, undervaluing the other critical roles of HR professionals.

Fourth, HR professionals as business partners have unique information, insights, and recommendations to deliver competitive advantage. In formal and informal business discussions, each staff group brings unique insights to drive business results: finance talks about economic performance with information about revenues, costs, and financial returns; marketing discusses customers with recommendations on targeting key customers, customer response (e.g., net promoter score), and customer connection; operations makes recommendations and systems, quality, and supply chain. When HR partners in these strategy discussions, we propose that they provide insight, information, and recommendations on:

Talent. HR professionals are centrally involved in providing the right people with the right skills in the right job at the right time. Talent insights capture future competence as well as commitment and contribution.

Leadership: HR professionals help prepare not just key individual leaders, but the collection leadership throughout the organization. They ensure that leaders have the knowledge, skills, and abilities to meet future demands.

Organization capabilities. HR professionals partner with line managers to identify and create organization capabilities such as speed to market, innovation, leadership, risk, collaboration, information leverage, accountability, and fast change. These capabilities (sometimes called culture, processes, or systems) become the identity and personality of the organization.

As business partners, HR professionals provide analytics, insights, and recommendations on talent, leadership, and capability to deliver business results.

Fifth, as talent, leadership, and capability issues increase in business relevance, HR professionals may help respond by being both architects and anthropologists. As architects, HR professionals design, blueprint, and facilitate investments in talent, leadership, and capability. As architects, HR brings what is called structured information where the information is in a spread sheet which allows for traditional quantitative statistical analyses to find trends. As anthropologists , HR professionals increasingly look beyond the borders of the organization to identify what external stakeholders (customers, investors, communities, regulators) and what business trends (social, technological, economic, political, environmental, and demographic) will shape future business success. In this case, HR often sources unstructured data where they use qualitative insights to anticipate trends.

Sixth, as with almost any change, we have seen an inevitable 20-60-20 pattern for HR professionals to fully adopt the business partner opportunities. Twenty percent of HR professionals get it, do it, and act as business partners. Twenty percent will unlikely ever get there for a host of reasons (e.g., personal inability, lack of desire or organizational lack of support) and 60% are learning and moving in the right direction. While we see the HR profession moving in the right direction, some may never make it. Sometimes, critics of HR like to focus on the lingering 20% laggards and claim that HR professionals have not improved. This is as inaccurate as focusing on the 20% innovators and claiming HR has fully arrived. The business partner model is empirically supported and more of the 60% are making positive progress. A decade ago there was a clamor to “get to the table” and to become part of the business. Today, most effective HR professionals are already at the table and they need to be clear about how their insights on talent, leadership, and capability will deliver business results.

Seventh, being a business partner requires HR professionals to have new knowledge and skills. In the HR field today, there is confusion about certification and competency. Many, if not most, professions have some type of certification protocol. Attorneys pass a bar exam; psychologists are licensed after passing a standardized exam; "certified" public accountants pass a knowledge exam, etc. In all these cases, these licensing exams determine the extent to which an individual grasps the basic knowledge in the profession. Certification focuses on knowing the basics and meeting the minimum professional standards required to practice. Certification does not mean competence. Many attorneys, psychologists, accountants and others have become certified, but it does not mean that they are competent enough to be effective practitioners. Certification focuses on the past, not the future; on mastering ideas, not application of ideas; on joining a profession, not succeeding in the profession. HR certification ensures that HR

professionals know the body of knowledge (theory and research) that underlies HR. It does not imply that they are competent to apply the body of knowledge. They could be both incompetent and uncertified; they could be certified, but not competent; not certified but competent; or both certified and competent.

There are efforts to determine the competencies for effective HR professionals. Through the University of Michigan, the RBL Group, and partners throughout the world, we have spent 30 years studying (theory, research and practice) competencies for effective HR professionals. Essential to this long-term study are some underlying assumptions:

1. HR competencies are determined less by self-report and more by how those competencies are perceived by others. Competencies impact both the overall reputation or perception of the HR professional and the performance of the business. Leadership studies moved away from self-report as the way to determine leadership effectiveness over 40 years ago with the advent of 360 measures. Likewise, HR competencies should be assessed not only by the HR professional but by those who observe the HR professional. In addition, these competencies should be seen as predictors of important personal and organizational outcomes. We have found some very important differences between how HR professionals define their competencies and rate themselves versus how those who observe their work do. We have also found very important differences in how HR competencies affect both the perception of HR personal effectiveness and the impact on business results.
2. There are global HR competencies, but they also may vary by geography, level in the organization, role in the organization, gender, time in role, etc. To fully determine competencies and their impact, one needs data from multiple sources that are analyzed by various demographic breakdowns.
3. There are exceptional HR professional groups around the world, each working to determine how to help HR professionals be effective. Convinced that partnering with these groups furthers the profession, we have collaborated with more than 20 HR professional associations from nearly every major global region since 1987 to define both the overall global HR competencies and unique local requirements for effective HR. In an increasingly complex and global world, collaboration should be the norm instead of the imposition of one set of expectations from one country to the rest of the world.
4. HR certifications can be relatively standardized exams determining mastery of the body of knowledge in the field. HR competencies, meanwhile, should be evolving models, since the competencies for HR professionals change as business requirements change. For example, in the last five years, there has been an abundance of work on HR analytics, scorecards, the cloud and big data. Underlying these HR skill areas are competencies related to sourcing, bundling, interpreting, translating and using information for improved decision making. In our 25 years, we have identified about 125 specific competencies every four to five years that HR professionals should master to be effective. These 125

competencies, representing the "be, know and do" of HR, come from regional partners who survey thought leaders in their region and come to a consensus about what determines effective HR professionals. Every four to five years (now seven rounds of studies), we change about 40 to 50 of these items, based on the input of the consortium of HR professional groups. HR competencies evolve and their study should focus forward based on global requirements.

5. We assert that HR competencies do not exist for their own sake. Rather, HR competencies exist to enhance business performance. A major problem with most competency models is that they ask the question, "What are the competencies of HR professionals?" This is the wrong question. The question should be, "What are the competencies of HR professionals that have the greatest impact on business performance?" Our statistical analysis of our data over the past 30 years has addressed both of these questions in detail. However, our unique and important contribution is our examination of the business performance question.

So, HR business partners insights should be based in knowing the research (certification), but focused on delivering business value (competencies)

The reality is that the HR professionals must evolve into being the best thinkers in the company about the human and organization side of the business. The nature of business is dramatically changing. Changes are occurring in virtually every element of the social, political, and economic environments that impact business. Under such conditions, the human side of the business emerges as a key source of competitive advantage. Therefore, HR specialists in the logic, research, and processes of human and organization optimization become central to business success.

LOOKING FORWARD: CHALLENGES AHEAD

As we look forward, we need clear thinking, effective practices and insightful research. There are many excellent thinkers who continue to examine how HR professionals can deliver value to the business. The business partner model continues to evolve. Many of the critics of the model look at today's problems through yesterday's solutions and wonder why they don't work. This is like trying to run today's software on yesterday's computers. Of course, it won't work. The HR business partner model in the 1990's has changed in recent years to adapt to today's business challenges. We are comfortable projecting five trends that will continue to evolve the HR field and how it delivers value to business.

First, over the last thirty years, we have both anecdotally and empirically seen steady progress in the HR field as it has moved toward greater strategic understanding and relevance. We anticipate that this progress will continue. They will continue to increase their knowledge of their companies' wealth creating activities and of critical external realities such as customer requirements, investor expectations, supplier relations, competitive market structures, domestic and international regulatory issues, globalization, and the requirements of capital markets. With this foundation in business knowledge, they will bring to strategy discussions their personal visions for the future of

the business. We call this focusing HR from the outside/in, not looking at strategy as a mirror which reflects HR practices, but as a window to the outside world. As anthropologists , HR professionals will increasingly be connecting internal HR practices with external business requirements. Instead of focusing on being the employer of choice, HR will help companies become the employer of choice of *employees who are valued by customers and shareholders*. Customers can participate in the design, deliver, and participation in training, 360's can become 720's. Performance standards can be set with customer involvement. Investors may examine leadership capital as part of their investment criteria. Culture can be defined less as internal patterns of work (values, beliefs, behaviors, and norms) and more as an identity of the firm in the mind of key customers made real to employees.

Second, companies will continue to require fewer HR professionals to do transactional administrative work. Newly emerging information and communication technologies will continue to be applied to improve the efficiency of HR administrative work such as payroll, benefits administration, entry level staffing and employee record keeping. Some HR activities will be centralized to reduce redundancies, to optimize natural synergies, and to leverage economies of scale. As companies continually grapple with the challenges of focusing on the most important wealth creating activities of the firm, it will undoubtedly be the case some nice-to-have but strategically unnecessary HR activities will be eliminated.

Third, as business partners, HR professionals will increase the trend of being more focused on key external constituents. Our recent research shows that HR departments that focus on external as well as internal stakeholders are more significantly associated with business performance. HR professionals will increasingly focus their work on creating value for external customers and investors. We also found that HR departments as a whole have more impact on business performance than the competencies of individuals. So, as business partners, HR professionals need to create organizations that are better than the individuals.

HR professionals will likewise become more attuned to the requirements of capital markets. The recent burgeoning research in finance and economics on “intangible assets” is emphasizing the increasing importance of human capital assets and HR practices that create and sustain those assets. Empirical evidence has clearly shown the investment community is accounting for practices such as succession planning, leadership development, setting and meeting performance targets, corporate culture, and executive compensation as considerations in buy or sell decisions. Companies that are able to create a credible leadership capital are more likely to enjoy price earning ratios above that of their competitors. As business partners, effective HR professionals play a central role in defining, creating, and sustaining leadership capital that is valued by investors.

As HR professionals account for customer and owner requirements in the design and delivery of organizational capability and related HR practices, they will do so with greater awareness of competitors. They will recognize that forward looking and

innovative HR practices have relatively little value unless they create greater value than do their dominant competitors.

A final emerging trend in HR's external focus is the role of HR in representing companies to their communities and in accounting for community requirements in their companies' value proposition. For the first time in our twenty years of empirical research in HR practices, we have found a substantial increase in HR's role relative to social and political stakeholders from local communities. Concerns over global warming, air and water pollution, local employment regulations, ethical treatment of indigenous populations, endangered species and land utilization have move up the list of corporate priorities. HR departments are increasingly given the mandate to work with local communities in addressing these complex, difficult and important issues.

Fourth, as HR professionals become more effective as business partners, they will become more balanced as they approach their work. In the most recent round of our competency research, we found nine competencies. Figure 1 portrays the nine competencies we identified for HR professionals. Three of these competencies were core drivers:

- **Strategic positioner:** Able to position a business to win in its market
- **Credible activist:** Able to build relationships of trust by having a proactive point of view
- **Paradox navigator:** Able to manage tensions inherent in businesses (e.g., be both long and short term, be both top down and bottom up)

We also found three domains of HR competence that are organization enablers, helping position HR to deliver strategic value:

- **Culture and change champion:** Able to make change happen and manage organizational culture.
- **Human capital curator:** Able to manage the flow of talent by developing people and leaders, driving individual performance, and building technical talent.
- **Total reward steward:** Able to manage employee wellbeing through financial and non-financial rewards.

We found three other delivery enablers that focused on managing the tactical or foundational elements of HR:

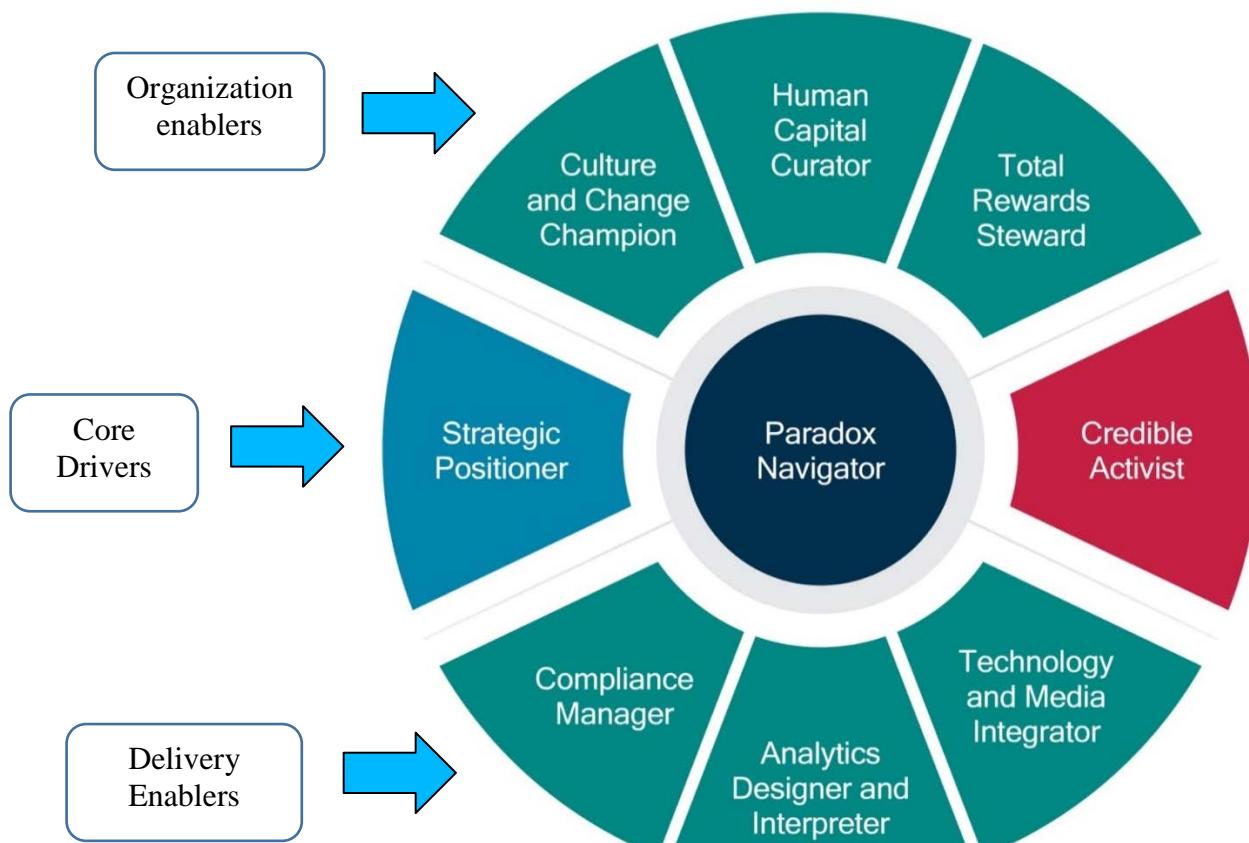
- **Technology and media integrator:** Able to use technology and social media to drive create high performing organizations
- **Analytics designer and interpreter:** Able to use analytics to improve decision making
- **Compliance manager:** Able to manage the processes related to compliance by following regulatory guidelines.

Each of these HR competencies are important for the performance of HR professionals.¹ To get invited to business discussions, HR professionals need to be **credible activists** who influence

¹ The authors have available statistics on these 9 competence domains by gender, geography, respondents, time in HR, and other demographics.

through relationships of trust. To serve customers and investors, HR professionals need to be **strategic positioners** who understand business context and can think and act from the outside-in. To deliver business value, HR professionals need to be **paradox navigators** who effectively manage the inherent tensions in the business

Figure 1:
2016 HR Competency Model: Round 7



Fifth, as business partners, HR professionals (as in other key functional areas) will be expected to the greatest extent possible to base their activities on solid empirical research. This expectation exists for finance, marketing, R&D, and manufacturing. It is also the case for HR. Good HR has often been based on empirical data, but HR analytics has gained great attention in recent years. The focus on analytics has evolved from HR

scorecards to insights to interventions to business impact. As HR focuses on business impact, the analysis are less about HR work and more about its impact on business.

In the future, the HR profession will conduct research that focuses on HR issues that are associated with business results. Research will continue to be done in rigorous and relevant ways. Since best HR practices are emerging from all parts of the world, HR research will increasingly be done on a global scale. Information will be gathered from large numbers of participants from companies of various sizes and industries. Research will focus on the practices and competencies that result in individual and company performance. The reported conclusions will stick close to the empirical data on which they are based. The research will also report what we still have yet to learn as well as what we have learned.

BY WAY OF SUMMARY

Many HR professionals are doing exceptional HR work. From ING in Hong Kong, to ICICI and TATA in India, to ADIA in the United Arab Emirates, to MTN in South Africa, to DHL and BAE Systems in the UK, to Arcos Dorados and América Movil in Latin America, and to Walgreens, Intel, and GE in the United States and in thousands of other companies around the world, HR professionals are making enormous progress towards delivering value as business partners. In the future, the ways in which HR business partners serve as business partners will continue to morph. The bar has been raised on HR and some HR professionals will and others will not make the grade. There are emerging business issues where HR can and will contribute value. The future for HR is filled with both challenges and opportunities. As we look to the future, HR professionals as business partners will continue to deliver value and help businesses manage the enormously difficult and exciting challenges ahead.