Human Resources contribution to bottom line results

The Human Resources function must continue to evolve to a more strategic role impacting bottom line results. HR has to become a strategic role in order add value to the organizations’ results. In this paper, key HR leaders present their ideas and proposals.

CEOs invest a large portion of their time defining business strategies. Their goal is to make things happen and achieve or exceed the company’s business goals. In order to accomplish their most important resource is the company’s talent. We spoke General Managers and most of them agree their main concern is their team: how to attract the most talented executives and how to motivate, retain, and develop them. The Human Resources area then becomes key in these responsibilities, in line with company strategies and always involving the Senior Management Team.

The Human Resources role has evolved significantly in the last decade. From an operational role, it has become a strategic advisor, what many companies call a "Business Partner". Nevertheless, it still has a long way to evolve. This area is still not perceived as having a strategic role within the company or adding value to day to day operations. HR is considered an operational area responsible for payroll, hiring and laying off employees. As well as organizing annual events at the holidays.

In organizations where the Human Resources role has a greater impact, we will find initiatives such as performance assessments and compensation strategies. We will find projects focused on climate and culture. Employee engagement and company values will be promoted. Human Resources becomes an advisor to the CEO in day to day operations and understand the company’s strategy and its objectives. This works well in many medium sized companies which come from entrepreneurial leaderships styles and are starting to grow, but the HR role can still evolve further.

The Human Resources role should evolve toward the next development level that is to know and participate in the business strategy. At this point, specific challenges will emerge and HR must work closely with the Senior Management Team to deal with issues related to change, growth, competencies development or organizational structure.

Carlos Zepeda, HR and Management VP at IEnova-Sempra Energy
How can we determine if the Human Resources Director is adding all possible value to his/her function? By answering the following questions:

- What is the contribution of Human Resources to company results? Can it be measured in a simple and precise manner?
- Is the HR Director familiarized with the company’s P&L financial statements? Is he/she involved with day to day operations? Does he/she understand the problems and priorities of operational areas?
- Is the company’s HR strategy aligned to company objectives?
- Do other area directors seek his/her advice?

If the answer to any of the previous questions is no, there is area for development.

To understand the HR function in an organization, let's start with the Ulrich Model, which establishes four important roles:

**Strategic Partner:** The HR leader should see him/herself as a business partner, that is, someone who actively contributes to the organization's plans and operations. The Human Resources Director must understand the operation and the implications each personnel decision have in the organization's results. Must have a solid financial base and must be able to measure costs and investments in the working capital as well as to identify efficiencies. The HR professional has a vision on how the organization can "win" in the market. Recognizes tendencies and their impact in the business, moreover, understands current organization strengths and weaknesses, in order to develop strategies to face current and future market situations.

**Change Agent:** Organizations are constantly assessing their results and taking steps to adjust to them. This translates in having the human resources professional becoming a constant change agent. He/she is in charge of implementing change strategies among employees in such way that resistance towards these changes may be minimized. The HR leader serves as a constant thermometer to measure employee motivation and organization's performance, implementing initiatives to reinforce positive conducts and personnel development.

**Administration Expert:** It's the transactional part of the Human Resources area. The HR area must have reliable information and carry out adequate processes to comply with local labor laws, and also, appropriately handle hiring, dismissal, payroll, and talent administration processes. More importantly, the HR area must continuously promote efficiency in systems and processes, as well as making sure information is accurate and reliable. The HR head should automate processes and use IT tools to achieve efficiency.

**Employee Advocate:** The HR leader assumes an important role in the company due to his/her understanding of the employee's situation, conditions and motivation. The HR leader must be a true champion of employee's interests and develop a working culture focused on values and performance. He/she must be close to employees at all levels to establish adequate and effective communication links, thus promoting a working culture focused on performance.

This model describes a transformation that has happened during the last decade. Yet today, according to CEOs' perception, there’s still broad opportunity to add further value to the organization. The Human Resources department should keep evolving as an area that adds strategic value to the company. More than a diligent advisor, this executive is someone who understands operations and contributes actively to the strategy and results of the company. Mauricio Reynoso, HR Director for Latin America at MSD, comments that the HR leader should act as the CEO's copilot, someone who has the ability to propose, question assertively and lead.

Let’s look at it this way: for a company to be profitable, it must determine its overall strategy, area objectives and specific metrics at every level. Human Resources facilitates the creation and implementation of these objectives as well as the rewards aligned to their achievement.
Human Resources proposes the organizational structure that will facilitate the organization’s goals. HR must question if the company is structured to reach clients in the best possible way. Based on this, it will develop layers, span of control or specific positions, working together with functional areas but with the authority and knowledge to advise on levels, compensations, rewards and employee profiles. The HR Director must understand not only the organization but the market, competitors and new trends.

HR is also responsible for employee engagement. Gallup studies confirm that employees with higher levels of engagement achieve better results in their companies: more sales and better service. Human Resources measures this engagement and develops programs to promote it.

The company's culture is fundamental in determining the behavior and values expected in employees. HR is also in charge of communicating these values and recognizing achievements and attitudes in line with them.

Even issues that could be considered "soft" like work-life balance may be highly important. For example, if one or more directors of a company have serious health issues related to their workloads or stress, would the company be able to replace them before results are affected? Should this be prevented?

The Human Resources Director knows which buttons to push in order to have employees adequately compensated, measured and motivated so that they may exceed the objectives established. HR must attract and retain the best talent available in the market and know how to actively contribute to the company's objectives. HR must be able to adapt its talent strategies to market changes in the short, medium, and long term.

Continuous talent development strategies are also an important matter. Carlos Zepeda, Human Resources Director at Emerson, points out that a crucial issue in organizations is knowledge transfer or what is frequently known as “learning organizations”. He tells us that "The Human Resources role needs to make sure highly specialized people share their experience with young employees and teach them, developing robust middle management levels and succession pipelines."

"The Human Resources leader should develop Human Capital strategies that are parallel and complementary to Corporate strategies. It is important to establish a solid vision of this area, what you want to achieve and make sure it is in line with company's objectives. Otherwise, there is a risk of generating isolated projects, falling prey to "passing trends" that don't add real value."

Agustín Zúñiga, HR Director at Techint Mexico

Human Resources, along with Finances, are the CEO's copilots. HR asks questions, proposes and is in charge of aligning the human capital strategy with organizational objectives. Even though HR is not directly responsible for the results, it actively contributes to them.

Mauricio Reynoso, HR Director for Latin America at MSD
Human Resources should ask the appropriate and often difficult questions to leaders. Also, it should be the heart of the company and the leader in implementing the business strategy.

Omar Ríos, Regional HR Vice President for Latin America at Estée Lauder

In short, The Human Resources role is key to the organization and, to the CEO it must be his/her right hand and advisor on strategic matters such as continuous result measurement, change implementation and culture assessment. Human capital is the company's most important resource and the most complex to manage. A dedicated and competent Human Resources director is key to achieving the company's objectives.

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About the Author

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1 http://www.hrmagazine.co.uk/hr/features/1020649/exclusive-the-competencies-inspire-hr-professionals-2012