HR’s Role: Roadmap from Transactional to Transformational

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Abstract:

An organization cannot be built without people and HR has the responsibility to lay the foundation of building the business with right kind of people. The HR is involved in various activities which work towards the smooth functioning of the organization. For a company to survive in the competitive world it needs to bring about continuous transformations. One of the most important functions of HR is to bring about the willingness and ability among the organisation’s workforce to adapt to the needs of the constantly changing business environment. Hence the role of Human Resources is swiftly changing from focusing on the organization of the business till very recently focusing on the business of the organization. The roadmap for HR to transit from transactional to transformational role has to be built on new thinking models, practices and competencies. A short survey conducted by us across the industry, in the field of HR helped us to gauge and understand the level of readiness for HR transformation. Towards the end of the paper we also examine some of the case studies of organizations and individuals where the strategic decisions of the HR have helped to bring about transformations.

Keywords: Strategic Decisions, Transformation, Competency

Introduction:

“The world hates change, yet it is the only thing that has brought progress.” ---- Charles Kettering
In this competitive world change is inevitable. For a company to survive it must bring in transformations to make each day brilliant. Gone are the days when change was rejected, today is the day for new possibilities and expectations.

Every organization is like a mini civilization in itself, and in order to make sure that the civilization not only grows but prospers as well, the HR mind-set had to change. One of the most important functions of HR is to be able to adapt to the needs of the business environment. The HR function has been working to transform its internal operations and improve efficiency for decades. Now, HR must expand its capabilities to address complex new people issues and contribute to business strategy. By helping the business tackle people-related issues such as new market entry, cost management, innovation, mergers and acquisitions integration, global sourcing, and global workforce management, HR can increase its overall value and help the organisation to achieve its growth objectives.

Some of the traditional transactional roles of HR:
Transaction HR included many of the traditional activities that most people think of when they hear Human Resources
- Designing the policies and procedures of the organization
- Handling the compliance and legal issues
- Employee Benefits
- Recruitment

Strategic role of HR: need of the hour:

Now the business environment is undergoing some massive changes these days. Technology is again moving forward in incomprehensible leaps. The unemployment rate is the lowest it’s been in ages. Companies are getting creative as never before in order to stay ahead of the competition. Innovation is the definition of our time. This has given rise to the strategic role of HR.

The HR has started becoming proactive. It provides workforce plans to support growth, skills assessments and recruiting methods to raise employee skillsets, and develops incentives to motivate employees. All of this ensures that the final vision of the company is achieved. The job definition of an HR is such that it is always in connects with people from various departments like the Operations, Sales, IT and many such resulting in a fact that it touches every part of the day to day business. Hence it is intimately familiar with the company’s business and the business environment. It has a seat in all of the meetings pertaining to business planning and objectives.

Transactional HR will always be part of Human Resources. It is something that is necessary and not going away any time soon. However, it can be streamlined, and sometimes outsourced, to make way for the additional scope that HR must provide.

What CEOs really want from the HR?
More than the roles of administrator and protector now the employers want their HR to address strategic issues involving competitiveness and performance.

Some of the key areas HR are focusing on now:
- Understanding the industry globally and locally in which the company functions
- Understanding the company’s business globally and locally
- Helping to set business objectives
- Developing HR initiatives that support the company objectives
- Focus on aligning HR strategies and practices with business strategy
- Focus and manage workforce and infrastructure to make optimum use

![Fig 2: Change in time spent](image)

**Key Stakeholders involved in the Transformation:**

![Fig 3: Key Stakeholder Map](image)

**Dave Ulrich Model of transforming HR:**
Dave Ulrich proposes a four phase model for HR Transformation to ensure the HR drives business success and avoids the common pitfalls of such efforts. This model addresses four phases of the transformation process.
Fig4: Dave Ulrich Model

Phase 1: (Why do HR transformation)
- Build the business case.
- HR Transformation begins with a clear rationale for why transformation matters.

Phase 2: (What are the outcomes of transformation)
- Define the outcomes.
- This phase clarifies the expected outcomes from the transformation.
- What should happen because we invest in HR transformation?

Phase 3: (How do we do HR transformation)
- Redesign HR.
- HR transformation requires change in HR Strategy around departments, practices and people. This phase focuses on how to change HR departments, people and practices.

Phase 4: (Who should be part of the HR transformation)
- Engage line managers and others.
- HR transformation requires that many people participate in defining and delivering the transformation.
- This phase focuses on transferring ownership to line management and on strategies for building HR’S capability to create sustained change.

Core Competencies Emerging from Dave Ulrich’s Model:
A well-designed Strategic Business Partner role coupled with excellent delivery of operational HR functions can help in transforming the HR function.
- Team Building and Leadership: Mastery in the HR functions is required so as to further integrate the HR functions and new work in strategic thinking, organization design, culture change, human system alignment and change management
• Functional and Business Domain Knowledge: Understand the business functioning to be able to handle turbulent challenges faced today. Identifying loop holes and closing them keeping in mind the resources the organization has.
• Analytical Skills: From past focused to future focused so as to able to adapt with new issues which may have never existed before.
• Financial and Technical Knowledge: An HR manager should improve his/her financial acumen and have sound technical knowledge. It will help them to connect the dots between the financial status of the organization and their HR role.
• Understanding the importance of partnership and to have the ability to do so. This also required the openness to discuss the differences and manage conflicts while maintaining the on-going relationship.

Once the business is understood, learnt about the partner and the consultative process, one can now have a solid basis for open and honest discussions. These discussions are necessary so the goals, projects and initiatives necessary to add real value to the business can be jointly developed.

<table>
<thead>
<tr>
<th></th>
<th>Transactional Model</th>
<th>Transformational Model</th>
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<tbody>
<tr>
<td>Manpower Budgeting</td>
<td>Collect requirements from Business Heads</td>
<td>- Chart out the existing Manpower job, role, and skill wise.</td>
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<td>- Inquire the business need behind the manpower requisition.</td>
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<td>- Optimize manpower utilization based on redeployment, re-skilling &amp; recruitment.</td>
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<tr>
<td>Recruitment</td>
<td>Source, Screen &amp; coordinate Interviews based on traditional job description.</td>
<td>- Chart out the business need for the recruitment.</td>
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<tr>
<td></td>
<td></td>
<td>- Source candidates based on the channel effectiveness for the competencies required</td>
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<td></td>
<td>- Screen &amp; interview based on job, cultural, boss fit.</td>
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<td>Training &amp; Development</td>
<td>Conduct generic domain, skill &amp; technical training programs.</td>
<td>- Tailor developmental plan for individual employee to ensure effective skill building.</td>
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<td></td>
<td>- Upgrade the content of training periodically to incorporate Best &amp; Nest practices.</td>
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<td>Compensation</td>
<td>Construct compensation around internal &amp; external parity</td>
<td>- Benchmark industry compensation structure for crucial positions</td>
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<td>- Develop Total Rewards model to ensure effective rewards.</td>
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<td>Performance Management</td>
<td>- Hit them periodically through the year.</td>
<td>- Create a dialogue using predictive analytics</td>
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<tr>
<td>System</td>
<td>- Wait for them to do something.</td>
<td>- Motivate actions through persuasive technologies.</td>
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<tr>
<td></td>
<td></td>
<td>- Pay for performance</td>
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<tr>
<td>Employee Engagement</td>
<td>Compensation structure &amp; Organizational culture</td>
<td>- Detailed benefits on monetary &amp; non-monetary kind like ESOPs</td>
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<td>- Formal job rotation policy, cross functional teams, leadership development &amp; succession planning.</td>
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<td>Culture Building</td>
<td>Engagement Activities throughout the year.</td>
<td>- Align the culture with the Vision, Mission &amp; Values</td>
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<td>- Enforce the value through various initiatives and build EVP inclusive of the organizational culture</td>
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<td></td>
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<td>- Emphasis on diversity and inclusion</td>
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Table 1: Roadmap from transactional to transformational
Survey Analysis:

We conducted an industry survey, to gather insights from the HR professionals for our research paper. The results observed were as follows:
(Refer Appendix-B for detailed analysis)

- A majority of the industry professionals strongly believe that HR department is more of a business function than just being a support function.
- 48% of the respondents believe that the HR is empowered when it is majorly involved with employees of the organization.
- HR professionals are now keen on developing their knowledge base about the organization as a whole and are slowly marching towards leveraging this knowledge base to develop HR procedures and policies so that they can give maximum benefits to the organization.
- In the recruitment process most of the companies still follow the conventional means of getting right resources on board. As we observe in the industry, recruitments are majorly done annually through referrals and one of the most valued qualities in the prospective employee is cultural fit.
- The compensation and benefits still forms a major role of HR transactional functioning and is a critical component in moulding the employee behaviour. This can be used as a tool for benchmarking the organisations manpower cost with that equivalent in the market.
- HR Corporate/strategic planning involves more of the conventional means of forecasting that is done for the business. Also the plans/ policies formulated are not flexible enough to support the constantly changing business environment. Thus it can be observed that HR’s function in corporate and strategic planning is not holistic but there is a need to work on the same.

Enabling HR Transformation:

Looking at the Indian scenario, below are some ideas which can aid company’s HR Transformational process:

1. Demystifying Big Data

Big Data can be a defined as a term applied to data sets whose size is beyond the ability of commonly used software tools to capture, manage and process the data within a tolerable elapsed time. Big Data sizes are a constantly moving target currently ranging from a few dozen terabytes to many petabytes of data in a single data set.

How Big Data can be used in HR and Recruitment?

We observe that HR is still at a basic understanding as to what Big Data can do for business. A large chunk of Big Data is human capital data and this can be leveraged in a number of ways for talent acquisition and management.

Fig5: Implementing Big Data in an organization
2. HR Shared Services:
It is an enabler in HR transformation. It has evolved with an idea to transition the more administrative role of HR into the administrative specialist function also known as Shared Services so as to create capacity for other roles within HR to deliver more strategic benefit. The 4 strategic reasons for the evolution and setting up of HR Shared services could be described as:
a) To be a part of wider business change introducing the concept of professional or functional services
b) To achieve a greater degree of structural flexibility to respond to business change.
c) To improve organizational learning across organizational boundaries.
d) To allow HR to reposition itself as more strategic; to reduce involvement in administrative trivia.

With the growing size and scale of organizations, there is a lot of pressure on the HR division to perform effectively and efficiently. Most HR executives realize that their current model is not sustainable and a new model is necessary. This gave rise to evolution to HR Shared Services Model.

3. Technology:
Technology has and continues to play a pivotal role enabling organizations to move from personal management to business execution. The widespread adoption of personal computers has made it possible for HR organizations to utilize more sophisticated talent, management techniques to support key talent decisions.
With increasing consumerization of IT, access to technology is possible for everyone from entry level employee to manager upwards. Technology reduces human effort and time invested on mechanical and repetitive jobs, thereby saving time and increasing productivity. This in-turn reduces the overall cost for the organization.

Benefits in advancement of technology:
a) Greater integration of HRMS, case management, knowledge and portals.
b) Interactive interfaces/tools enable greater level of self service.
c) Analytics tools help in better decision making
d) Mobile apps provide greater flexibility.

Outcomes:
Success Stories of Organizations:

Bank of Baroda:
Bank of Baroda is the highest profit-making public sector undertaking (PSU) bank in India and the second largest PSU bank in terms of number of total business in India. Based in Vadodara, India, it is the country’s first largest public sector lender in terms of annual profit. One of the most successful journeys in the world of HR transformation can be regarded to Bank of Baroda. ‘Dare to lead’ is the story of a dramatic transformation of a large public sector behemoth in just three years. Dr. Anil K. Khandelwal, a quintessential HRD professional in his role as CEO of Bank of Baroda successfully transformed a staid, legacy driven and government controlled bank into a financial powerhouse. His belief – “Anger is the prelude to transformation, peace leads to status quo.”

The trigger for transformation:
In 2000, the Bank of Baroda was rated as No.1 bank in the nationalized sector and by March 2005, the bank had slid to No.4 position. The bank had failed to respond to the competitive environment. The bank had not adopted the technology for core banking as was already done by the peer banks. The bank’s market share on both credit and deposit had come down. The morale of the staff was low and customers were angry as the bank was failing to respond to the new environment.

Initial steps taken in the transformation journey:
- Restored the confidence of customers and employees.
- Kick started the core banking project.
• An action plan for the first 100 days which included starting the technology project, rebranding the bank, structural changes to speed up decision-making in credit, customer-centric program like 8 am to 8 pm banking, 24 hour banking and opening of additional 330 ATMs.

**Major steps initiated to engage people in the Transformation story:**
The company believed that banks are fundamentally human institutions staffed and operated by people with complex human needs and interests. It is vital to tap into those needs and interests that will help employees to share a larger vision for change and transformation. A major part of their time ranging between 40 to 50 percent was spent in improving human processes and internal operating mechanisms, direct interfacing with front-line at different locations, building a communication culture and virtually taking charge of the HR function.

**Transformation Plan:**
**The key guiding principles included:**
- Visible branding
- Technology enablement
- Customer centric initiatives
- Strategic business
- Communication
- Initiatives
- Organisation restructuring
- Employee engagement

Communication, Initiatives, Organisation restructuring and Employee engagement were major principles which played an important role of HR in this transformation journey.

Change does not happen naturally. Change, particularly systemic change in an organization of a large size required communication across levels - one that is authentic, clear, persistent, consistent and ubiquitous. Information was communicated to 38000 employees individually to make them aware of the important initiatives of the bank, the context and rationale of such initiatives and the benefits that the bank aimed to derive from such initiatives. These letters were delivered individually to all the staff members. The tremendous impact of such communications had on the branch managers, frontline staff and others.

**HR Business Model:**

**Fig6: HR Business Model**
The Strategic HR Business Model adopted by Bank of Baroda incorporates its HR Mission and Philosophy and is focused towards attainment of long-term organizational goals. A very strong Organizational Leadership at different levels forms the key link in the Model. These are:

- **Strategic Leadership** - Corporate level
- **Business Leadership** - Zonal & Regional level
- **Operational Leadership** - Business unit level i.e. branch

The two vital Human Resource sub-systems i.e. HR Planning & Management Sub-System & Competency Based HRD Sub-System shape the very crucial Performance Environment within the Bank which facilitates development of enabling capabilities of people. Through proper developmental inputs, Positive Attitude & Right Mind-set is created among people.

Through proper Communication Medium and an Organizational Culture of sharing, openness, collaboration & confrontation, autonomy etc., people in the organization are facilitated to give their best output (performance).

The Model is adequately supported by a suitable Learning Platform, which imparts proper Knowledge and enhances Learning among people (functional, behavioural etc.) so that their Competence increases and their potential could be properly leveraged for greater Individual and Organizational Effectiveness. These create proper Employee Motivation, which ultimately facilitates Goal Achievement.

**HR Transformation Timeline: Bank of Baroda:**

![Timeline of Bank of Baroda](image)

**Success story of an Individual:**
Listed below are the success stories of some of the greatest Indians professionals who have redesigned the way HR functions and have majorly contributed in driving the business strategies of the organizations:

- **Sagarika Rai**, currently Chief People Officer of Reliance BIG Entertainment Private Limited has an impressive track record with Jet Airways, RPG and Bharti Airtel spanning across 20 years of practice as a HR professional.
She has envisioned and implemented numerous innovative approaches in selection, development, compensation, performance management, communication and process management. Her core strength is to bring real impact on organization results by bringing together the best talent practices needed to attract, engage, build, leverage and retain top talent. She states that it is essential to create a work environment where employees enjoy what they do and take pride in the mission of the organization.

She believes that while HR plays its transactional role it is important they become domain expert to ensure credibility and showcase excellent execution skills.

- Dr. Santrupt Mishra: He is on the apex decision making body of the Aditya Birla Group and is also responsible for the Group Human Resources and Group Information Technology function of the Aditya Birla Group. His areas of interest include – Organization Development, Change Management, Management Training and Leadership.

- Leena Nair correctly feels that impossible is nothing; she started as a Management Trainee and currently is the Executive Director, HR at HUL. She has done business partner roles for 6-7 years and has driven many HR intervention roles including performance management. This indicates the role of HR can take many turns in the future and will enable a person to understand the holistic idea of business and achieve new heights.

Conclusion:

Human Resources has continued to evolve as we look at various ways to support the constantly changing business and operate more efficiently. Our recommendation in using the Dave Ulrich’s model is that it needs to be adapted and not adopted. We believe that issues raised in each of the four phases are important and should be considered in ways that make sense for the concerned organization. We have suggested some tools which will help HR to change from transactional to transformational business function more effectively keeping in mind the financial constraints. With services like employee self-service, help desks and faster turnaround times, the employee experience will undergo a complete change and will expedite HR professionals to spend more time on talent management and development and strategic planning.

Although a majority of organizations are still following the usual traditional mode of transactional HR but few organisations have already taken small steps towards bringing in transformational HR in their organisation this fact is well supported from the survey conducted by us which states 87% of the industry professionals believe that HR is held accountable for business performance. Thus the era of transformational HR function in the organisations business has risen but it is yet to reach its peak of excellence to benefit the organisation to the fullest. The future will open up a whole new horizon for HR citizens to explore.

We would like to thank employees of ACC Ltd, Godrej and Boyce, OD Partners, L&T Hydro carbon and Say a Leadership to be kind enough to answer our questionnaire and help us get deeper industry insights.

References:

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   - Roadmap to Strategic HR- Ralph Christensen

2. Report References:

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   - Dare to lead – The story of transformation of bank of baroda.pdf
   - How a non-banker transformed Bank of Baroda.pdf

4. Google Images – Logo
Appendix
Survey Analysis

Is HR held accountable for business performance?
- Yes: 20 (87%)
- No: 3 (13%)

How empowered is the HR to deliver business performance?
- Fully equipped and empowered: 3 (13%)
- Mostly empowered with a few exceptions: 9 (39%)
- Empowered only if HR has a strong business case: 11 (48%)
- Not empowered at all: 0 (0%)

How effective is the alignment of HR processes to business objectives?
- Never: 0 (0%)
- Rarely: 1 (4%)
- Most Often: 16 (70%)
- Always: 6 (26%)

Do you as HR Professional in your organization have a strong understanding of the business, your competitors, and the external business environment?
- Never: 0 (0%)
- Rarely: 1 (4%)
- Most Often: 29 (87%)
- Always: 2 (6%)

Which among the below are a part of your job profile?
- Recruitment: 4 (17%)
- Training and Development: 7 (30%)
- Performance Review & Management: 1 (4%)
- Corporate/Strategic Planning: 3 (13%)
- Leadership Development/Succession Planning: 0 (0%)
- Compensation & Benefits: 5 (22%)
- Employee Relations/Industrial Relations: 0 (0%)
- Other: 3 (13%)
Recruitment

What aspect of recruitment is a part of your responsibility?

- Source, Screen & coordinate interviews based on traditional job description: 5 (20%)
- Analyse the requirement gap: 6 (24%)
- Understand the competencies required for a particular job: 7 (28%)
- Prioritize the core competencies for recruitment: 2 (8%)
- Chart out the business need for the recruitment: 5 (20%)

How often are critical talent/positions identified?

- Quarterly: 1 (13%)
- Biannually: 0 (0%)
- Annually: 5 (63%)
- Other: 2 (25%)

Which sourcing channel is actively utilized?

<table>
<thead>
<tr>
<th>Channel</th>
<th>Value</th>
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<tbody>
<tr>
<td>Internal job portals</td>
<td>3 (13%)</td>
</tr>
<tr>
<td>References/referral</td>
<td>7 (30%)</td>
</tr>
<tr>
<td>Company website</td>
<td>0 (0%)</td>
</tr>
<tr>
<td>External Job sites</td>
<td>7 (30%)</td>
</tr>
<tr>
<td>Recruitment/staffing firms</td>
<td>6 (26%)</td>
</tr>
<tr>
<td>Other</td>
<td>0 (0%)</td>
</tr>
</tbody>
</table>

What is most valued in recruitment?

- Competency fit: 1 (13%)
- Knowledge/Training fit: 0 (0%)
- Cultural fit: 6 (75%)
- Boss fit: 1 (13%)
Training and Development

What aspect of Training and Development is a part of your responsibility?

- Source training firms or trainers for training programs: 6 (24%)
- Analyze the skill gap: 4 (16%)
- Understand the competencies required for a particular job: 5 (20%)
- Develop training programs/modules for the competencies: 6 (24%)
- Chart out the business need for the training and update the training modules accordingly: 4 (16%)

How often do you conduct training and skill development programs?

- Quarterly: 1 (14%)
- Biennially: 1 (14%)
- Annually: 3 (43%)
- Other: 2 (29%)

What are the average mandays per employee allocated for training?

- Less than 3: 0 (0%)
- 3-5: 4 (57%)
- 5-7: 2 (29%)
- More than 7: 1 (14%)

How critical do you think is the function of Training and Development in your organization?

- Never: 0 (0%)
- Rarely: 0 (0%)
- Most Often: 2 (29%)
- Always: 5 (71%)
Compensation and Benefits

What aspect of Compensation and Benefit is part of your responsibility?

- Collate attendance and run payroll software / module / process (3, 30%)
- Collate attendance, correct discrepancies and feed to outsourced payroll process (2, 25%)
- Review benefits and adjust the ROI (0, 0%)
- Study and benchmark Comp and benefits to industry standards (1, 12%)
- Analyze trends to develop innovative Compensation & Benefit structure (2, 20%)
- Other (0, 0%)

What philosophy is used while deciding compensation and benefits for the employees?

- Internal parity and trends (2, 40%)
- External parity and trends (3, 60%)
- Total rewards like compensation model (0, 0%)
- Job worth model (0, 0%)

Are the compensation policies and practices able to reinforce employee behavior to achieve the organization's objective?

- Never (0, 0%)
- Rarely (1, 20%)
- Most often (4, 80%)
- Always (0, 0%)

How often is the compensation structure revised?

- Yearly (0, 0%)
- 1-3 years (3, 60%)
- 3-5 years (2, 40%)
- More than 5 years (0, 0%)
- 1-3 years (3, 60%)
- More than 5 years (0, 0%)
Corporate/Strategic Planning

Does your organization have clearly defined organizational capabilities that ensure strategy execution?

- Never: 0% (0)
- Rarely: 0% (0)
- Most Often: 100% (3)
- Always: 0% (0)

What is the scope of HR plan?

- A few months: 0% (0)
- 1-3 years: 33% (1)
- > 3 years: 33% (1)
- Upto a year: 33% (1)

How often is the HR plan reviewed and re-framed if needed?

- Quarterly: 0% (0)
- Biannually: 0% (0)
- Annually: 67% (2)
- Other: 33% (1)

What are the tools used to forecast and estimate business needs?

- Trend analysis: 100% (1)
- Historical data: 0% (0)
- Internal business forecast and estimates: 67% (2)
- Trend analysis involving competitors: 33% (1)
- Trend analysis using competitors, clients and other stakeholders: 0% (0)
- Other: 0% (0)

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