

HR as Internal Professional Services Firm:

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The trend to centralize HR transactional, and in some cases professional, activities into a shared services structure is not new. Such a structure enables economies of scale to be leveraged and, if effectively implemented, provides improved, focused service delivery to clients.

One of the consequences of restructuring HR along these lines is the new skills required of the consultants that function within the structure and of the strategic business partners and the specialists who generally function outside of such a structure. They increasingly are required to take on the role of internal consultant. Frequently they are given titles such as HR Consultant, Wellness Consultant, Organisational Development Consultant or Performance Consultant.

Yet all too often, the role of internal consultant is very different from the traditional HR roles that HR professionals have been used to. Furthermore, when change projects have to be implemented management call in external consultants and all too frequently internal HR consultants play a subordinate role in such projects.

Reconfiguring HR to play the role of internal consultants demands a very different mindset and a variety of new skills to that of the traditional HR roles.

This article aims to address the changing roles of HR from two perspectives:

Firstly, the idea of strategically positioning the HR function as an *internal professional services firm* and

Secondly, creating an understanding of the mind set and critical skills which a *consultant* requires to be effective.

The Internal Professional Services Firm:

The notion of the internal professional services firm is not only applicable to HR; it has application to many "Head Office" functions, particularly those considered centers of excellence. One client of the author has "ring fenced" the entire non - Executive head office structure and called it Group Professional Services with its own Executive Manager. It includes legal, company secretary, group marketing, business processes, risk and HR amongst others.

There are a number of reasons why HR (or any other Head office function) derives value from positioning itself as a professional services firm:

- ✓ Its core business is HR consulting, and, through this, adding value to the client business, rather than being an “add on” to the core business of the client.
- ✓ It requires a complete mind set shift to focusing on the client’s needs and the value proposition of the services it can offer, rather than continually trying to justify its existence as a minor player in a different business. It also assists in identifying those activities that are non value adding but often get “dumped” onto HR.
- ✓ It requires a management approach which equates in many ways to commercial professional consulting companies. This includes client contracting, proper costing and charge out processes, service level agreements, service based performance management and the provision of appropriate specialist and consulting skills which add value to the client.

There are a number of factors which make external professional services firms successful and which are applicable to an internal consulting business:

- ✓ They provide in depth professional skills. These include not only specialist functional skills but also high level problem solving and consulting skills. HR professionals, in an internal professional services role, need to be masters of their craft as well as having the ability to apply their expertise to solve a client's business problems
- ✓ Professional services firms have a clear idea of who they are and what their purpose is. Many traditional HR functions spend many hours debating their role in the organisation without achieving finality in the debate and without mutual agreement with line management.
- ✓ One of the most important success factors of a professional services firm is the degree to which consultants get to understand, clarify and agree the needs of the client. This process achieves up front agreement between the firm and the client about what services are required, when and at what level.
- ✓ Professional services firms have a very clear definition of their offerings in the way of services and products. They also know what they don't offer. In this way they can build a value proposition for prospective clients that is clear and well defined and to the benefit of both parties.
- ✓ Aligned to this they have clear set of explicit or implicit operating principles that sets out the basis for client / consultant relations in a way that is much more specific than in a typical internal HR function. It typically places a premium on managing the relationship on an ongoing basis.

- ✓ Professional services firms have a clear model for charge outs and revenue collection. A variety of approaches or combination of these may be applied including a retainer, hourly charge out rates or a price based on the value of a product or service. Many internal HR functions are continually involved in debate about what the organisation is getting for the perceived overhead that is HR – particularly in times of financial difficulty. By adopting a business model approach of a professional services firm, HR is able to offer what the client is willing to pay for based on their needs. This will seldom eliminate the debates about costs but it provides a rational, business based set of principles on which constructive engagement can occur. It also ensures that the function is able to determine utilization of staff through an understanding of billable hours determined with the use of time sheets.
- ✓ One of the potential pitfalls of this kind of financial model is that the function then decides to become a profit center and access external clients. In my experience this is an approach which requires extreme caution. There is a great temptation to then focus on external clients, since they provide higher margin revenue, at the expense of the organisation itself with obvious consequences. A number of internal training functions have gone this route, frequently at their peril.
- ✓ The adoption of a professional services approach changes the psychological contract between the HR professional and the organisation and creates an important mind set shift for the consultants, their managers and line clients. It requires a very focused model that is both client centric and business orientated. For those trapped in a traditional world view this can be very threatening; for those who are able to make the shift it is extremely liberating and provides opportunities for professional growth and personal effectiveness.

The Role of Consultant:

Whilst HR has often described its role as internal consultant, this has seldom been truly applied. There are a number of factors that differentiate highly effective consultants. These include the following:

- The ability to create and understand the value proposition they are offering their client and to brand themselves accordingly. This involves an understanding of the products and services that they offer and what is appropriate for a particular client at any particular time. It involves creating a personal and professional brand which gives the client the confidence that the consultant is able to facilitate the solving of the clients problem effectively. I have frequently asked HR consultants and managers in corporations to draft a web site stating who they are and what they

offer. Many find it extremely difficult. It is however, essential that they have a clear understanding of this. One leading South African company is in the process of creating a web site for each HR consultant.

- An ability to manage client engagement and manage the ongoing client relationship. All too often internal HR “consultants” are requested to deal with issues on an informal basis without clarification of the scope of what is required and without ensuring that expectations are agreed in advance. Client engagement and subsequent relationship management is a key consulting skill. Recognizing that problems presented by the client are frequently symptoms of a more systemic problem and that, often what the client wants and what he or she needs are not the same thing, is an important ability, particularly within a change context. This requires consultants to probe and get to understand the deeper nature of both the problem and the client requirements. Furthermore, as the process unfolds, consultants need to manage expectations on an ongoing basis.
- The ability to apply a variety of consulting roles in a way that is appropriate to the client at a point in time. In particular, consultants need to understand whether they are playing an “expert” consulting role where they provide a solution to the problem due to their technical expertise (eg. an IR or remuneration solution) or whether they are playing a process consulting role where they assist the client to understand and build the capacity to solve the problem (typically in an OD or change situation)
- In their new role, HR consultants are increasingly being required to solve complex, often multi-functional, business problems, rather than implement traditional HR processes. An understanding of systems thinking and strategic problem solving is therefore a key skill which consultants need to demonstrate.
- A toolbox with a variety of frameworks, processes and facilitation techniques is essential for consultants who are increasingly required to fulfill the role of process consultant and change agent. These collectively provide the consultant with the ability to facilitate the solving of the relatively complex problems with which they are confronted.
- Consultants need to be both masters of their craft as well as understand the impact on the business. Whilst it is essential that they keep on the cutting edge of their functional expertise, it is the application and impact of this to the business that determines the success of their intervention. Furthermore, the ability to determine the return on investment that a client will achieve as a result of the proposed intervention is all too often new territory for HR professionals.

- Whilst on a recent study trip to top local and global companies in the UK it was apparent that technology plays an increasingly important role in the life of HR. This applies to geographically dispersed organisations in particular. The ability to leverage technology, whether in general or in respect of HR – specific applications is essential for HR consultants to drive costs and efficiencies – a key priority in the current economic climate. Beyond the general applications, an understanding of the ability of technology to influence organisational design and organisational and individual learning (eg, wikis, blogs, second life etc.) will position the consultant at the leading edge of their profession.

Conclusion:

A review of the multiple surveys of key strategic issues which exercise the minds of global CEOs consistently shows that the majority of the issues concern the design of the organisation and the importance of leveraging talent. This presents the HR profession with a huge opportunities to make an increasingly significant contribution to their organisation and to the country as a whole. By repositioning the HR function as an internal professional services firm and by training HR professionals to be high level consultants, the profession will be well positioned to make the contribution that is needed in organisations in a complex, uncertain environment.