

Value-Based HR

Incorporating LeanHR® and DynamicHR®



Executive brief

Full brochure download at
www.valuentis.com

'Organisation Performance through a Human Capital lens'



overview	page 2
world class HR – the operational excellence 'clock'	page 3
an introduction to <i>Value-Based HR®</i>	page 4
the evolution of <i>Value-Based HR®</i>	page 5
achieving world class performance/common questions	page 6
senior HR management quiz	page 7
VaLUENTiS – the company	page 8

Organisations today face increasing pressures to perform whatever their strategy or remit, whether public or private and whether country or internationally based. In addition to working harder to maintain or increase value, or value for money, organisations are having to pay closer attention to the issue of human capital management.

The reason is simple – for many, people offer a means of sustainable competitive advantage or enterprise effectiveness where other drivers of value become harder to differentiate.



Persuading the right people to join, developing their talent in order that they perform to their full potential, in pursuit of defined business objectives and ensuring they stay demands management and measurement of the highest order.

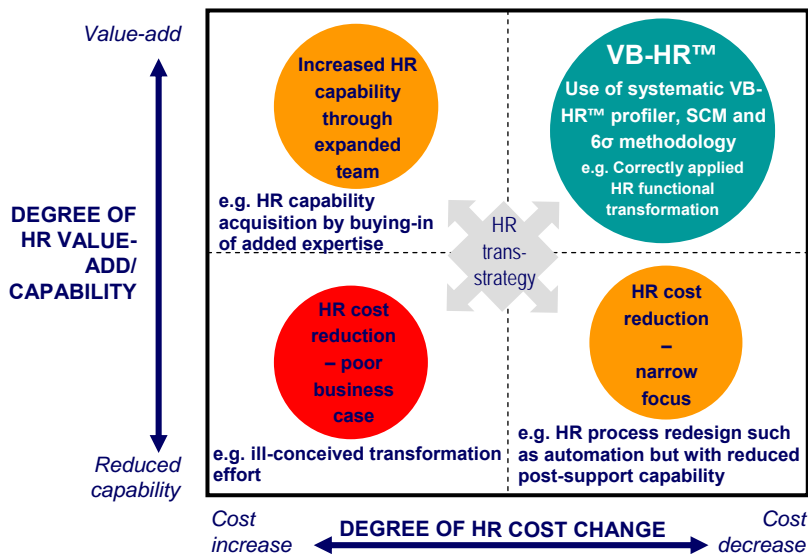
HR functions should be viewed as core to the business. HR spend demands an ever-increasing focus on making the right decisions regarding human capital management investment, including the efficient and effective management of the internal function.

- The HR function remit can be both broad and deep, though this is very much down to organisation context, functional capability and remit.
- A world class HR function can add significant value and play a significant contribution to organisation performance and effectiveness.
- Conversely a 'disconnected' HR function can ensure that its organisation incurs greater costs and lower productivity.

“ To date, many HR functions have found initiatives such as benchmarking, outsourcing/ shared services, automation and scorecards rarely solve operating challenges by themselves. This is because each of these is just one facet of HR Effectiveness, and part-components of a larger mechanism/design.”

In recent times, HR functions have already undergone functional realignments and transformations through various cost-reduction and outsourcing strategies.

However, these have not always benefited the function nor the organisation in terms of the potential loss of capability and subsequent increased costs realised as a result of inadequate business case construction.



A structured framework, such as VB-HR™, provides a means of changing this in terms of the value-cost relationship.

The diagram to the left is a representation of strategies open to organisations and their HR functions, and the potential consequences of the strategy undertaken.

world class HR: the operational excellence 'clock'

"Human capital management is the term which is used to describe an organisation's approach to optimising the capabilities and performance of its employees."

ValUENTiS International School of Human Capital Management
January 2006

HR functions' high level remit is primarily to assist the organisation in optimising people performance. We know that people are simultaneously assets, resources and liabilities.

It therefore follows that HR as a corporate function has to ensure that all human capital management practices are integrated and in themselves performing, i.e. delivering what is required and mutually reinforcing.

In order to do this, the HR function is required to optimise eight aspects of operational excellence which constitute 'business as usual'. These are:

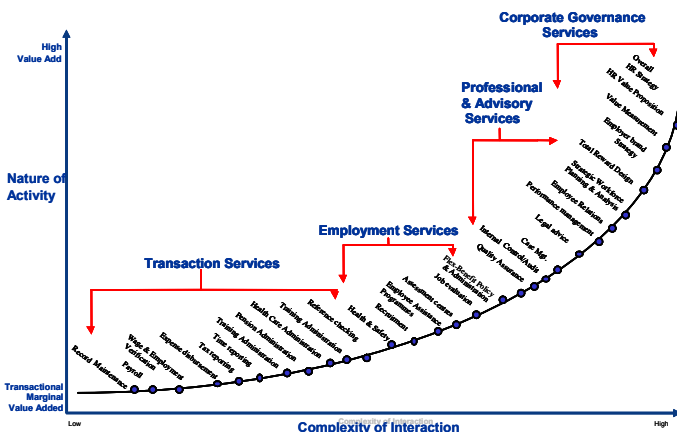
- Strong HR governance in terms of strategy, leadership and execution with regard to the other 'clock' dimensions
- A defined set of value propositions to clarify expectation and HR delivery parameters
- An appropriate HR delivery structure that retains flexibility and resilience
- Efficient HR/HCM processes that maximise value-added work drivers and minimise duplication/non-added value work
- A defined high performance competency set for HR/HCM professionals with supporting infrastructure that maintains/enhances their individual knowledge capability

HR operational excellence 'clock'



- Strong financial acumen that results in HR spend proficiency and commercial aptitude, given the modern-day demands and increasing use of HR procurement and outsourcing
- A systematic focus on measurement and reporting on both the HR function and the wider aspect of human capital performance
- Appropriate use of technology, not technology for technology's sake, which enhances HR functional performance

HR functions have, potentially, wide ranging responsibilities depending upon the demands of their individual organisation. ValUENTiS has deconstructed various HR activities and services into an illustrative model - the 'HR delivery curve' which plots the various related human capital management practices, their complexity of interaction and potential value-adding attributes across four types:



- Transaction services
- Employment services
- Professional/advisory services
- Corporate governance services

Viewing elements of HR service delivery in areas such as performance management, talent management, training, reward, resourcing etc from a supply chain management perspective provides new insight.

Through its work with many clients across a range of HR effectiveness projects, VaLUENTIS' multi-disciplined approach, unique research and commercial knowledge provides the market with an unrivalled modular solution. World class is no longer just an aspiration.

“Organisations, through their HR functions, have at their disposal a complete toolkit to take current performance to a new level.”



Value-Based HR and its derivatives *LeanHR®* and *DynamicHR®*, combine a number of leading management methodologies such as supply chain management and design for six sigma, plus various components from VaLUENTIS' leading VB-HR™ portfolio including, for example, the VB-HR™ Rating, the HR metrics suite and the overall 6-step implementation methodology.

Together with the groundbreaking VB-HR™ Profiler, organisations through their HR functions have, at their disposal, a complete toolkit to take current performance to a new level.

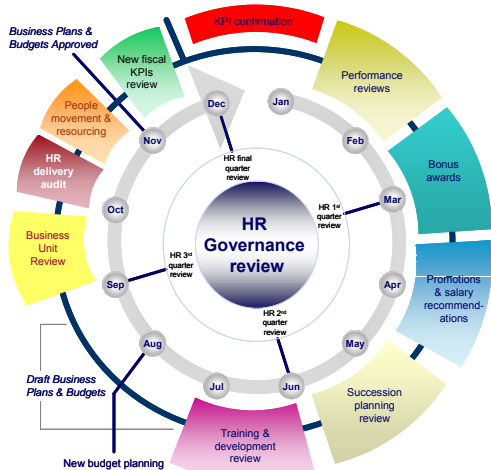
The VB-HR™ Profiler provides HR functions and their organisations with a unique understanding of human capital management practice. The diagram below shows an example of the first level breakdown of HR activity.

A number of organisations have used this approach in transforming their operations, in terms of identifying chronic system failures, broken processes, line-HR responsibilities, HR professional competencies and the basis for scorecard design and reporting templates.

VB-HR™ Profiler (1st level breakdown)

HR GOVERNANCE	ORGANISATION DESIGN	RESOURCING	TRAINING & DEVELOPMENT	PERFORMANCE (TALENT) MANAGEMENT	REWARD	EMPLOYEE RELATIONS & COMMS	EMPLOYEE HEALTH & SAFETY	HRIS & MEASUREMENT	PAYROLL
1.1 Employer brand	Design/ Capability Planning 2.2	3.1 Workforce Planning	4.1 Needs Assessment	Performance (Talent) Management Assessment	6.1 Total Reward Programme	7.1 Employee Communications	Management/ Regulatory Compliance	9.1 HRIS Strategy	10.1 Payroll
1.2 HR Value Proposition	Design/ Capability Planning 2.3	3.2 Candidate Identification Sourcing	4.2 General Training, Development and	Performance (Talent) Management Decision	Wages And Salary Management	7.2 Benefits	8.2 Risk Assessment	9.2 HRIS Planning	10.2 Manager Interaction Problem
1.3 HR Delivery Structure	Design/ Capability Planning -	Job Profile Services/ Requisition Process	Training & Development Management	3.3 Performance Reviews	Bonus/incentive/ Stock Options Comps	8.1 Leave Of Absence/ Exit Interview	Accident Prevention and Training Program	9.3 HRIS Support	10.3 Time Reporting
1.4 HC Reporting	Job Classification/ Evaluation	3.4 Candidate Selection	4.3 Functional/ Policy & Procedure	3.4 Succession (Talent) Management	5.4 Senior Executive Compensation	Return-To-Work and Job Accommodation	8.4 Health/ Medical Programmes	Employee Research & Modelling	Special Pay, Adjustments And Deductions
1.5 HR Capability	Organisation Restructure/ Change/ Division	3.5 Temporary and Contract or Sourcing	4.4 Employee Induction / Orientation	Attendance Management	5.5 Expertise Compensation	Company Policies And Procedure	8.5 Incident Tracking and Reporting	9.5 Benchmarking	Accounting/ Recor/ Manual Calculations
		3.6 General Sourcing	4.5 Technical Skills Model Development	5.6 Employee Cooperation			9.6 Personal	9.6 Measurement and Reporting	10.6 Tax Reporting/ gl/ Audit

The VB-HR™ Profiler has resulted from several hundred client projects. It is a 360° representation of HR activity across unit, country, regional and global structures. Our base manual covering the 93 main activities runs to over 500 pages – a comprehensive coverage which also includes over 1,000 organisational and HR related metrics .



A typical Human Capital Management calendar

Clients are increasingly using the VB-HR™ Profiler to create or map their human capital management calendars for 'on the ground' use.

An example is shown here.

The evolution of Value-Based HR

Value-Based HR can be viewed as an evolutionary process culminating in a expanded value-driven approach that underpins an enterprise-wide culture. The matrix below provides a guide.

The eight aspects of HR 'operational excellence'	pre-Lean HR	Lean HR®	Dynamic HR®	Value Based HR	Value Based Management
HR Governance	Done by 'good management' rather than systematic practice. HR not viewed as with supply chain management 'mindset'.	Application of supply chain management principles. HR calendar in use with priority matrix and objective cascading.	Application of supply chain management principles. Use of HC high-performance toolkit including VB-HR™ Rating and HCMI standard.	Application of value stream management principles. Use of HC high-performance toolkit including VB-HR™ Rating and HCMI standard - (also CHCO accreditation).	Use of HC high performance toolkit including VB-HR™ Rating and HCMI standard - (also CHCO accreditation). Finance, Marketing & IT have similar competence.
HR value proposition(s)	Not normally in existence, implicit at best.	Basic HRvps in place with appropriate attributes.	Advanced HRvps definition with 'dynamic' HR objective measures and criteria for success.	Advanced HRvps definition with 'dynamic' HR objective measures and criteria for success.	Organisation wide adoption of value proposition principles with other corporate functions and business units/ directorates engaged.
HR structure	HR Structure as lead. Some form of channel differentiation in terms of shared services, BPs and CoEs.	HR structure out of process. HR Structure is engineered after value proposition and process/ systems defined – 'lean' reporting principles.	HR structure out of objectives. HR Structure is engineered after value proposition and process/ systems defined – new 'dynamic' hybridisation.	HR structure out of value-based objectives. HR Structure is engineered after value proposition s and process/ systems defined – new hybridisation.	Organisation structure out of customer-facing value chain. Organisational structure follows value chain principles, allowing for country/region/global design architecture.
HCM Process	Focus on HR activity. Number of 'broken' or irrelevant processes/ tasks; potential or live HR system failures.	Focus on HR delivery efficiency. Use of HR Profiler™ to evaluate and redesign efficient HR activities. Cut wasteful duties.	Focus on HR delivery effectiveness. Use of HR Profiler™ to evaluate HR activities. Interlinking matrix of HR accountability, role definition and activity interface.	Focus on HR/HCM value-add. Integrated use of HR Profiler™ to evaluate HR value activities. Interlinking matrix of HR accountability, role definition and activity interface.	Focus on organisational value/value for money. Organisation follows stakeholder value principles than just shareholder value principles. Economic value/value for money creation overrides financial value principles.
Technology	Limited use of technology or non-use of existing technology.	Evaluate efficient use of technology, not necessarily automation.	Evaluate effective use of technology, i.e. capability enhancing.	Integrated use of technology which underpins good HCM practice.	Organisation-wide application of value-contributing infrastructure.
HR/HC Professionals	Mix of base HR expertise.	Exposed to certain 6σ/DFSS techniques and accredited where necessary. Expanded HCM proficiency.	Accredited in various HC Practitioner levels, HCM green & black belts, VB-HR™ Rating and HCMI qualified.	Accredited in various HC Practitioner levels, HCM green & black belts, VB-HR™ Rating and HCMI qualified.	Line management also exposed and accredited to HCM working practice where appropriate.
HC Measurement /Reporting	Basic benchmarking and sporadic metrics.	'Lite' use of evaluative analytics such as employee engagement and/or specific HR activity outputs. Use of 4-level (DEEO) structured HR scorecard.	HC modelling analytics creating causation and predictive HR models for advanced decision-making. Internal HC reporting template.	HC modelling analytics creating causation and predictive HR models for advanced decision-making. Reporting external HCR Standard with supporting SCHROPS.	Organisation using Intangible modelling analytics representing facets of 'business' model(s). Use of external reporting templates such as value-based enterprise performance.
Financial acumen	Budget management. Outsourcing not always business case driven.	HR spend proficiency using HR profiler™. Baseline ROI calculations	HR spend proficiency with supporting ROI and value-to-cost analytics modules.	Fully integrated value based spend proficiency with supporting HCM analytic modules.	Organisation has 'best-in-class' value-based financial competence.

achieving world class performance

The VB-HR™ database provides a comprehensive portfolio of measures and metrics together with 'best-in-class' HCM process chains (through the HR Profiler™) relating to HR operational excellence.

Subscribing organisations can compare and contrast from various perspectives, both sector and x-sector. Sectors already benchmarked include:

Private

- Biotechnology
- Business services
- Chemicals
- Construction
- Distribution
- Food Production
- Financial services
 - Insurance
 - Investment banking
 - Retail banking
 - Other
- FMCG
- Leisure
- Manufacturing/Mining
- Oil & Gas
- Pharmaceutical
- Professional service firms
- Retail
- Telecommunications
- Utilities

Public

- Government
 - Agency
 - Central
 - Local
- Health
- Higher Education
- Police



common questions

1. Do I have to conduct a Value-Based HR exercise all in one go?

No – you can select a smaller, well-defined piece to start. However, it is important to ensure the connections with other 'parts' of the HR supply chain and it demands greater effort for structured implementation to incorporate any related changes and overcome the potentially messier context that prevails.

2. Can we purchase the Value-Based toolkit and implement ourselves?

You can purchase various toolkit licenses and under certain circumstances you and your team can implement. This is subject to our initial VB-HR™ capability assessment, successful completion of requisite training and 'spot auditing'. These are to ensure that the quality of the VB-HR™ methodology does not suffer 'ground degradation' or 'diluted application' which may harm its standing.

3. Can I get access to benchmarking data?

Yes, where appropriate, sector and x-sector data can be supplied from our VB-HR™ database. However, due to the inherent limitations of benchmarking, it is important to note that this is only used in conjunction with the overall process.

4. This seems to be a fairly comprehensive set of tools and I am concerned that if started we will never complete given our day jobs?

Human capital management incorporates many facets, which is why HR functions face so many challenges. We acknowledge this through our HR Profiler™. As the sponsor you have the choice to start with a particular process, activity, capability or performance issue, 'business as usual' allowing. Alternatively resource can be at hand to start the process, or indeed to continue implementation. Certain organisations have used external resource to implement transformation-type projects.

5. What are the associated costs of this?

This is very much dependent upon the type of solution that is required, the modules, software and resources utilised, and whether some form of 'pilot' project is first employed. Typical projects range from £20,000 upwards.

6. How does it work in practice?

We ensure that we receive a clear brief and that we understand the organisational context. Our 6-step process methodology provides the baseline to define clear expectation of assistance, dependent upon what type of expertise or resource we are providing. All our practitioners are competent project/ programme managers and we follow clear reporting and accountability principles.

7. How will we know we are world-class?

If world-class is your goal – then our VB-HR™ database will provide you with comparative data across a range of 'operating excellence' criteria. You can also assess your organisation against The HCMI Standard, which evaluates human capital management practice, human capital management reporting and organisational performance from a human capital perspective. There are nine levels of achievement and this can be done an annual basis.

8. Can this be delivered in more than one country/region?

Yes.

9. How does this fit with other initiatives that my organisation has currently on the go?

The VB-HR™ framework is designed to be a modular toolkit with the ability to link into or parallel other organisational initiatives that may run concurrently. It is quite common to find this scenario, and we know that this does not normally present a problem.

10. We've recently carried out a restructure and it sounds as though we could have done with this. However, we are reluctant to start again. How can I take advantage of this but avoid duplication?

The question to ask should be, "Has our restructure solved our problem from an HR 'operational excellence' perspective?" We do have a 'lite' version for HR functions/organisations who have done qualifying work that we are able to utilise and avoid duplication. We would stress, however, that we do evaluate the qualifying work to ensure that it meets requirements laid down under VaLUENTIS' Quality Management System (VQMS).

11. What is the difference between LeanHR® and DynamicHR®?

DynamicHR® provides further depth and breadth across the operational excellence parameters – see page twelve for further information.

12. Apart from the organisational benefits, do we as a function and/or as individuals receive any acknowledgement or accreditation for our efforts?

Yes. The HCMI Standard has already been mentioned in Question 7 above. Individual accreditation can be provided by the International School of HCM for specific related courses and modules.

senior HR management quiz

Operationally 'excellent' HR functions are in control with organisational intelligence. But the everyday operating environment provides constant challenges. Taking our quick test provides you with an insight into any potential current 'gaps' or 'issues'.

	A Yes	B Don't know	C No	Don't need to know
Do you know your organisation's overall performance from a human capital perspective? (if yes – what is it?.....)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do you know how many of your employees and managers are truly engaged? (if yes – how many?.....)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Can you provide a robust 'return on investment' chart for the current HR spend? (if yes – what does it tell you?.....)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Does the organisation know how much is spent on people ancillary costs (such as recruitment, training & development, certain HR initiatives)? (if yes – what does it tell you?.....)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are all HR processes working efficiently and there are no breakdowns or (non-IT) system failures? (if yes – what methodology do you use?.....)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Have you quantified operational risk through people related activities/competencies? (if yes – what does it tell you?.....)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Does current HR resource activity match HR priorities? (if yes – what does it tell you?.....)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is technology in HR part of the solution (yes) or part of the problem (no)? (if yes – why?.....)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do you feel a need for measuring or quantifying things but don't know how to start? (if no – why?.....)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Have you tried HR benchmarking only to find it is of little value? (if yes – why?.....)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do you constantly feel like you're on a 'business-as-usual' treadmill with no means of stopping? (if yes – what's getting in the way?.....)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Does the HR function suffer from a lack of capability? (if yes – why?.....)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do you know how long is it before the next round of HR budget cuts? (if you do not know – why not?.....)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Did you see the last HR restructure coming? (if you don't know – why not?.....)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What are you going to do differently this time? (if it's the same as last time – what is it telling you?)				

Answers

Mostly As – (as long as you can qualitatively answer) – Your organisation/HR function shows signs of being 'operationally excellent'. Are you world-class?

Mostly Bs – Concerning that you /your organisation doesn't know the answer to pertinent operational excellence questions

Mostly Cs – Very concerning that you/your organisation cannot answer these operational excellence questions

'Don't need to know' – Potentially dangerous and no real defence. Your organisation/ HR function may actually be poorly performing or heading for a potential re-adjustment

Action

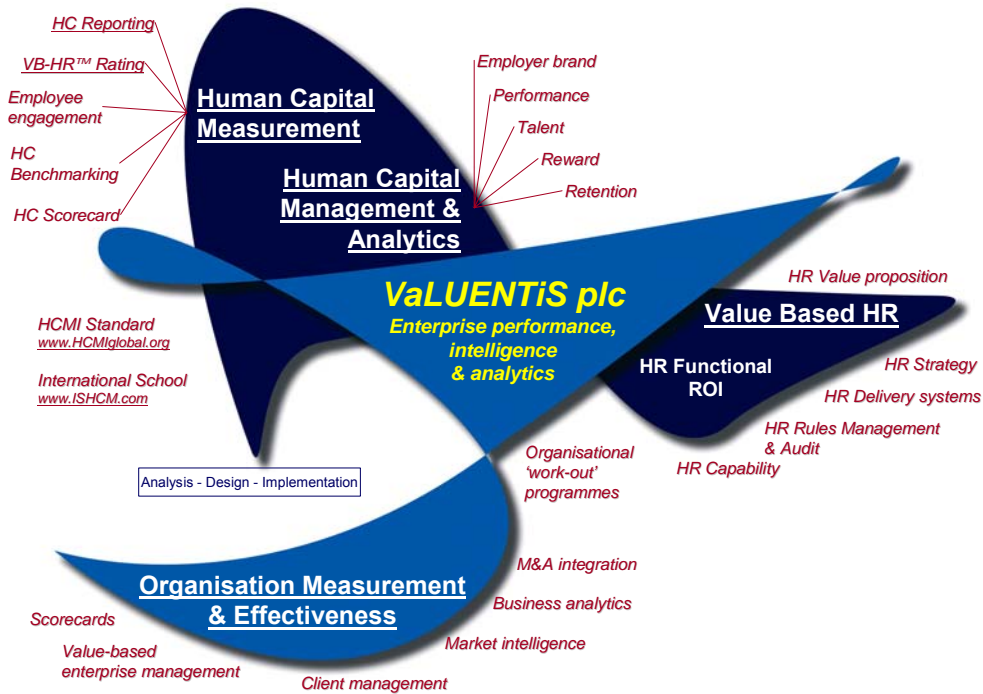
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