



Changing the playing field: How to defend against purely cost-cutting initiatives

“...During the last 17 years, through our extensive research and our work with more than 350 international companies, we have identified the Strategic Agenda and the Must-Win-Battles in people management. Out of more than 300 metrics, 4.000 activities and business cases the significant results are extracted and condensed to the decisive topics and metrics that have an impact on the results of a company. This newsflash is about Changing the playing field....”

Summary: *Many consulting firms focus on streamlining transactional HR with pure cost focus - perceiving HR as a well-oiled delivery machine. Changing the playing field: Most value is generated where HR provides processes, tools and coaching — but line management has the accountability to execute. A thorough evaluation involves all people management processes and looks rather for top line potential (not only focusing on the HR function itself). All organisations are unique and an analysis should always be context sensitive*

During cost cutting/lean projects many organisations hire large consulting firms to analyse different supporting functions (including HR). Their approach is rather straight forward. They view the HR function as a well-oiled machine and filter out 80% of the value creation potential; areas like performance management, most development activities, talent management, strategic workforce planning, employee engagement, etc. are not emphasised. Their focus is purely on economising headcounts, costs per pay check and streamlining transactional HR without context sensitivity. The main message is: ‘The cheaper the better!’

But looking only at transactional/administrational structures and processes doesn’t create much value. As shown in the graph, most value is generated in the upper right corner – where HR sets up the processes and provides tools to be executed by line management. The top line potential is very high and this normally makes the difference — and companies successful and competitive.

A thorough evaluation has to involve all people management processes – regardless of who is performing them – and it needs to look (beside bottom line) mainly for top-line potential. Further on, it should be clear that the consulting firm undertaking the evaluation is independent and has no (sometimes hidden) agenda to sell more consulting tasks or IT solutions.

On top all organisations are unique; they are in different steps of their life cycles and face different challenges. For example, if your annual growth is 15%, HR has to be staffed 1 to 2 years in advance to manage this growth. This would not be considered in a pure cost cutting exercise. Furthermore, many organisations have structures that require a business partner in smaller units, which could make the whole group seem overstaffed... But you cannot work with 0.15 FTEs. In addition, the staffing of the HR function is also very much dependent on the maturity level of line management – hardly any one takes that into account.

