

How Do We Develop the HR Business Partner Approach to Reflect the Increasingly Commercial Environment in Which We Operate?

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1.0 Purpose of the report.

The purpose of the report is to explore how to develop the HR Business Partner approach to reflect the increasingly commercial environment in which the authors of this report operate, focussing on:-

- Commercial challenges.
- Stakeholder expectations.
- The skills & behaviours required.
- Relevance of the HR Business Partner models.
- The value that a commercially savvy HR Business Partner can add to sustain organisational performance.

2.0 Methodology.

A qualitative research strategy was undertaken in order to gain insight into what can 'make' the HR Business Partnership approach more effective in a commercial environment.

Primary data collection involved a blend of in-depth interviews with, and bespoke questionnaires distributed to, business leaders from 14 different organisations from both the public and private sectors. The public sector included district, metropolitan and county councils covering a diverse range of services, whilst private sector ranged from construction, facilities management, and utilities, to consulting and social housing organisations. This was further supplemented by interviews with senior HR professionals across several of these organisations. A total of 25 responses were received.

A literature review was undertaken as a secondary data source to review academic and business literature, with a view to obtaining a wider and more thorough knowledge and understanding of the subject matter, and also to build rigour into the research data collection strategy.

Research findings from the primary and secondary data sources were cross-referenced and analysed to produce a GAP analysis.

3.0 Background.

3.1 The financial context.

The appointment of the coalition government in 2010 led to Local Government having to brace itself for the largest public spending cuts since the economic crash amounting to £18 billion. As part of the Government's comprehensive spending review later that year, Local Government funding was reduced by 28%. At a local level, within our respective organisations, this resulted in the budget reductions identified in the table below:-

Local Authority (cumulative) savings during 2011- 2015	Amount (£m)
Staffordshire Moorlands District Council & High Peak Borough Council	£5m
Worcestershire County Council	£98m
Warwickshire County Council	£60m
Sandwell Metropolitan Borough Council	£92m

In response to these announcements, local authorities across the country had already begun to look at ways to re-organise and delayer structures, redesign services and raise income streams to maintain service levels. Some of the most common changes and innovations in recent years included the merging of directorates, reducing headcount, streamlining or sharing back office functions, reducing low priority services and collaborating with other sectors or partners. Other measures included the closure of buildings, consolidation of office space, sale of property assets, and sharing facilities with partner organisations.

More ambitious local authorities have made better use of technology, rationalised their estates towards fewer physical locations, and also explored options to empower staff through remote and mobile working options.

Local authorities have increasingly tried to be innovative in the way they shape future service delivery by making important decisions on whether services should continue in the first place, be operated by volunteers, be commissioned, or be delivered through partnerships or arm's length organisations which are owned by the local authority but operate as separate organisations.

Examples of the measures highlighted above have included the commissioning of 20 Children's Centres in Sandwell out to external provision, whilst in Worcestershire County Council, an initiative entitled DMA (Decision Making Accountability) has reduced the organisational structure to six layers.

3.2 The Human Resources business model.

The Human Resources (HR) function plays a critical role in supporting services to achieve the aforementioned budget reductions, and has been at the forefront of achieving service redesign and reduction in staff numbers.

Sandwell Metropolitan Borough Council, Worcestershire County Council, Warwickshire County Council and High Peak & Staffordshire Moorlands District Councils all operate, or are working towards, a hybrid of the Ulrich model of HR Business Partnering, often referred to as the three legged stool. The Ulrich model typically describes having the following elements:-

- HR Business Partners / embedded HR.
- Centres of Excellence / Expertise.
- Shared Transactional Services.

HR Business Partners are either embedded within, or intrinsically linked to, the relevant part of the business they supported. Centres of expertise are deemed part of the central, corporate HR structure, whilst Shared transactional services are either delivered internally or outsourced.

All of the organisations have undertaken some form of transformation of its HR structure over recent years, and all are still reviewing or developing the model further to ensure that HR continues to add value to the business and achieve sustainable organisational performance.

3.3 The future financial context.

The 2015/16 Central Government expenditure and income forecast is expected to show a deficit of £79 billion. Consequently, Local Government is bracing itself for a further round of financial cuts in the Autumn Statement in November 2015. These are expected to be in the region of 8% reduction each year until at least 2018/19, and this means that the public's experience of Local Government services will continue to change significantly. The table on page 4 shows the anticipated savings of the four local authorities over the coming years.

Local Authority	Savings period	Amount (£m)
Staffordshire Moorlands District Council & High Peak Borough Council	2016/17	£5m
Worcestershire County Council	2015-18	£75m
Warwickshire County Council	2014-18	£92m
Sandwell Metropolitan Borough Council	2015-18	£62m

In the context of the financial pressures referred to above, current thinking includes further changes in service delivery models, ceasing non-statutory services, and re-thinking how funds and budgets could be pooled together, both locally and regionally.

According to the Deloitte “State of the State” report 2014–15, the ‘low hanging fruit’ has already been exhausted and, as a result, similar approaches to cost reduction in the last five years will not be sufficient to address financial pressures over the next 5 years. Despite the budget cuts there continues to be a high demand for services; partly created by cuts in other areas of the public sector, but also due to demographic factors.

Many public sector executives have already spoken of risk, uncertainty and the prospect of organisational and service failure in the years ahead. They are aware that the second half of spending cuts will be harder to deliver than the first, and the changes required will have profound implications for organisations, the services they deliver, and the citizens who receive them. Being required to do more with less will undoubtedly create stiff competition from external organisations (both public and private) to provide public sector services in a different way in order to meet customer demand.

To survive and thrive, local authorities will need to shift their direction and emphasis to become even more commercially focussed. This will inevitably require a shift in mind set, different skills of the workforce, more effective and efficient processes, more innovative ideas, being open to challenge, and more pace and flexibility from all services.

3.4 The need to become more commercial.

The Cambridge Business English Dictionary defines commercial awareness as, **“the knowledge of how businesses make money, what customers want and what problems there are in a particular area of business”**.

Across business, the term ‘commercial awareness’ and ‘business savviness’ are used interchangeably. Griffin (2008) defines Business Savviness as: **“Keeping up to date**

with the factors, opportunities and risks affecting your business, your customers and your operating environment, so that you can make informed decisions that contribute to the sustained success of the business”.

Both definitions provide indications of what it means to be commercial. In terms of how this relates to Local Government this means that services (including its back office functions) need to focus themselves in the detail of running the business, their macro and micro environment, and their customer base. Furthermore, there is a requirement to do this with vigour and pace in order to survive.

According to the Deloitte “Global Human Capital Trends” report (2015), HR is no exception to this. The significant research over the past 4-5 years is suggesting that HR and its Business Partnership approach needs to shift from a reactive, process driven resource to one that can proactively respond to ambiguity with fluidity and flexibility in order to improve business results.

A shift in emphasis is therefore needed to develop the HR Business Partner approach to reflect the increasing commercial context in which Local Government is now operating.

4.0 Research findings.

This section of the report outlines the emerging findings from the research undertaken and includes both primary and secondary sources.

4.1 What are the commercial challenges for the next 3-5 years?

Research from the CIPD’s “HR Outlook” survey report in 2012/13 across businesses in both public and private sector indicated the top five commercial priorities were:-

- Cost Management – this includes the need for stringent cost management and generating income. In essence, it is about the bottom line.
- Agility and flexibility of the organisation – the need to have flexibility within and across job roles and teams to address skills gaps, and be able to respond quickly to business demands.
- Growing the domestic market – having a broader understanding of the wider market sectors and context in which the business operates or competes. This can include acquisitions, expansions, the re-alignment of service areas and collaborating with partner organisations.
- Productivity - this can involve streamlining, the removal of duplication, better use of time and other resources, greater efficiency of processes, and having a flexible engaged and motivated workforce.

- Increased customer focus – understanding and improving the customer experience. For local authorities, it is about managing customer expectations, especially in light of the current financial backdrop.

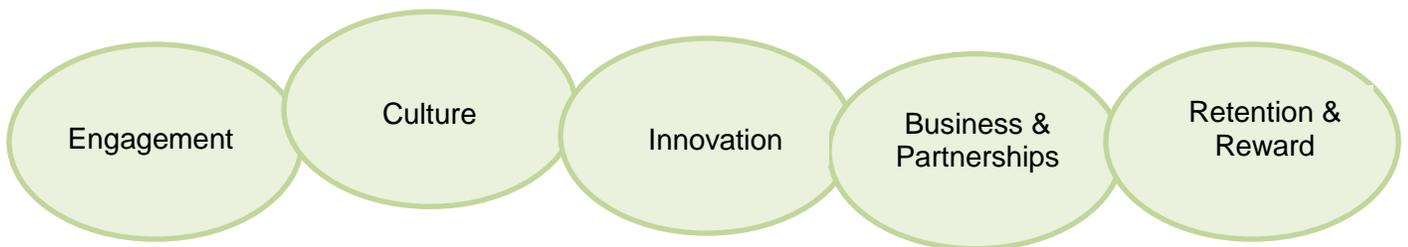
From those organisations participating in the research, it was found that the top five commercial challenges listed above still prevail.

Deloitte’s 2015 “Global Human Capital” report (2015) also highlighted that engagement, culture, innovation, retention and reward are coming to the forefront of business challenges.

Private sector respondents particularly focussed on the imperatives of business growth, competition, expansions and acquisitions in order to gain market share. Reputation, branding and improving customer experience were high on the list of commercial priorities for private sector organisations in order to improve service, drive revenue and shareholder return. Technology, innovation and legislative changes were all influencing the direction of the businesses.

Many of the private sector organisations were also dealing with organisational and cultural issues affecting the workforce which had emerged as a result of acquisitions or mergers with other businesses. Harmonisation of terms and conditions, employer brand and attraction and retention of a skilled workforce were all linked to the commercial priorities.

A number of ‘softer’ organisational challenges emerged as underpinning commercial success; namely:-



Public sector respondents particularly focussed on, and emphasised, the continuing need to deliver ‘more for less’, combined with the challenge of rising expectations of the public as the customer base.

The relentless financial pressures, the demographics of an ageing population as well as supporting families were cited as putting unprecedented pressures on public services, forcing organisations to operate in significantly different ways than they have previously. Wider public sector cuts are having a knock-on impact. Public sector respondents indicated that they were now focussing on a more commercial approach to how they operate the business.

Transformation, innovation and getting better value for money through exploring different service delivery models were common priorities for the public sector organisations surveyed, whether these services were delivered in-house, under partnership arrangements or externally under contract. One of the organisations interviewed declared its commercial vision to be an 'excellent commissioning Authority', where service delivery will be provided internally by exception if there is no viable, developed or mature market from which to source a provider. Other public sector organisations stated that they are moving towards a model of more internal traded services or considering establishing local authority trading companies in order to find ways to generate income and compete in the marketplace for the delivery of services.

All public sector organisations surveyed are focussing more than ever on the bottom line and emphasise the imperative of operating with a commercial mind set, often establishing separate, defined and zero budget based business units within the wider organisation, each having to justify its existence and self-fund in order to be self-sustaining. One local authority was now actively marketing its HR and Payroll service to potential clients external to its boundaries in order to generate income. Another had its Traffic and Road Safety Team looking to develop its Safer Driving courses to extend to private sector organisations, such as a national retailer, with fleet drivers.

All of the public sector organisations talked about reducing costs and driving further efficiency by simplifying systems and processes, including negotiating better deals from win-win contracts as well as reviewing costly legacy contracts.

Another common theme was about understanding and developing the external market and considering the potential for partnerships as a key to driving value and efficiency, ie. by looking outwards to spot opportunities to collaborate or compete.

Public sector respondents also mentioned technology as an important commercial priority, seeing it as an enabler of more cost effective self-service and improved customer access. The focus on the digital agenda, and the opportunities that this can create to improve service, productivity and flexibility was identified by all respondents.

Efficiencies to be gained from streamlining, including the expansion of shared services and, in some cases, by outsourcing back office/support functions were consistent themes across the public sector.

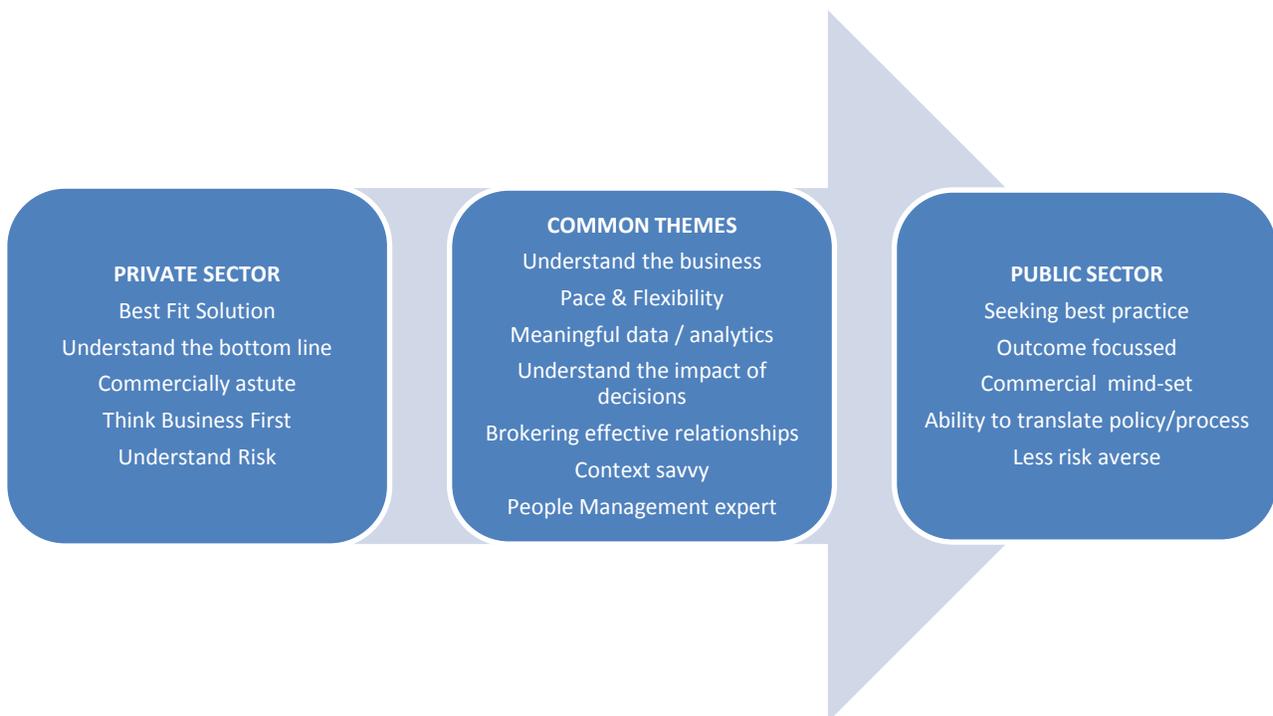
The rationalisation of the public sector estate was deemed an important commercial priority by many of the respondents who are now exploring opportunities to drive better value from the significant property assets within the sector. Selling or renting out office space or buildings and promoting more flexible and remote working practices for employees as a way of reducing accommodation costs were on the agenda for consideration.

In summary, irrespective of how services are delivered, the public sector respondents also recognised that their human capital resource, with its collective knowledge, skills, abilities and capacity, are critical in achieving their strategic goals. Local authorities that are operating with a more commercial ethos state that they need to ensure they attract, retain, engage, develop and reward individuals who have the necessary skill set and, more importantly, the mind-set to be able to deliver services in the most efficient way.

In essence, continuing to develop an agile workforce which is future fit is a key commercial priority for organisations and is the area where HR can add real value.

4.2 Stakeholder expectations of HR Business Partners.

From our findings, as illustrated in the diagram below, it was found that business leaders, both within public and private sector organisations require HR Business Partners to ‘get under the skin’ of the business, rather than focus explicitly on HR practice. In summary, this is about thinking business first and HR second.



Other common themes between the public and private sectors also included pace and flexibility, the use of meaningful data and analytics, as well as understanding the impact of decisions made. The commercial mind set and acumen of HR Business Partner was also common to both sectors. In addition, HR Business Partners are also expected to

broker effective relationships, to be 'context savvy', and to be a 'people management' expert.

There were some differences between the two sectors. For example, there was a view that HR Business Partners within the public sector should be able to meet all of the expectations identified above, whilst also being a conduit in relation to corporate governance, and also provide a degree of simplicity and flexibility when it came to translating and implementing corporate frameworks and policy. Critically, this would mean being able to speak the language of the business and not reverting to language and jargon associated with the HR profession.

The real disparity between the two sectors was highlighted in their response to seeking out best practice. Both sectors agreed that they expected HR Business Partners to be aware of internal and external changes and developments within their respective sectors and markets. Public sector respondents often used the term 'seeking out best practice', whereas private sector respondents wanted more than just best practise, they talked about 'best fit'.

One public sector respondent stated that: "There is an inconsistency with HR staff. Some think outside the box, whilst others are still locked in Council mode". A view expressed by a private sector business leader was that: "HR Business Partners are part of my budget in my business area therefore they must work towards effective people solutions to deliver performance outputs and financial outcomes."

A difference in view was expressed in relation to the approach towards risk. Public sector respondents wanted less risk aversion from the HR Business Partner, whereas the private sector wanted more focus on understanding risk.

The above findings are also reflected in the CIPD report: "Business Savvy: Giving HR the edge". Here, the CIPD's research report found that the top four expectations that stakeholders had of a HR Business Partner were having a deep understanding of the business model; generating insight based on evidence; connecting with curiosity purpose and impact; leading with integrity, consideration and challenge. These are further illustrated in the table on page 10.

Foundation		Insights	
1) Understanding the business model in depth	Knowing where value is created and destroyed	Understanding the top and bottom lines	Finding the people improvement points which drive value
2) Generating insight from data and evidence	Having an evidence and data focus	Mining data for insight inspiration and impact	Standing up to the numbers and standing the number up
3) Connecting with curiosity purpose and impact	Stepping outside the HR boundary	Cultivating curiosity through practice, learning and networks	Actively scanning and seeking opportunities to collaborate and connect
4) Leading with integrity consideration and challenge	Operating with integrity means business savvy - not boardroom servility	Serving stakeholders not power structures	Challenging our own impact first and foremost

CIPD Research Report – Phase 1: “Business Savvy: Giving HR the edge”.

4.3 Skills and behaviours required of HR Business Partners operating in a commercial environment.

Research findings from our primary and secondary data sources identified 12 common skills and behaviours (highlighted in blue and yellow) in the diagram below:-



In addition, our research has also found direct links to the CIPD's Professional Map (shown in the diagram on page 12). We have identified six common behaviours of the HR Business Partner which correlate with the Professional Map and our research findings. These are as follows:-

1. Decisive thinker – uses information, insight and knowledge to make robust and timely decisions.
2. Skilled influencer – influences and gains commitment and support from stakeholders.
3. Personally credible – combines professional, commercial and HR expertise to drive organisational performance and sustainability.
4. Collaborative – works effectively and inclusively with a range of internal and external stakeholder.
5. Driven to deliver – demonstrates determination, resourcefulness and purpose to deliver the best results for the organisation.
6. Courage to challenge – asking the right questions at the right time and in the right way to achieve the best outcome.



© CIPD Profession Map

According to the CIPD, these skills and behaviours can have a direct impact on sustained business performance and reflect the commercial challenges of business today.

Furthermore, in order for an HR Business Partner to operate successfully within a commercial environment, our research from both private and public sector sources is suggesting that HR Business Partners must have a commercial skill set which includes the following:-

1. Financial acumen – understanding revenue, sales, costs, profit, margins etc.
2. Project Management – including business case development, and the ability to take projects from inception to completion.
3. Adding value – understanding return on investment and return on expectation.
4. Risk – the ability to focus and manage risk, and to see risks as opportunities.
5. Market awareness and engagement, and understanding the context in which the organisation is operating.
6. Metrics – the ability to interpret and utilise metrics, analytics and performance data appropriately in order to add value.

This is supported by the research by IBM in its “Smarter Workforce” report. Here, it identifies that financial insight, market place / sector awareness and organisational perspective are seen as important positive contributions towards a greater commercial approach by the HR Business Partner.

4.4 The relevance of the HR Business Partner model.

As referenced earlier in this report, variations of the Ulrich model of HR were prevalent across the organisations surveyed. All of the organisations operated with hybrids of the Business Partner approach. HR Business Partners were seen to be embedded, and the key link between the business, line managers and the corporate/central HR function.

Business leaders interviewed as part of our research were not overly concerned with how the HR function was structured. Fundamentally, in their view relationships and the capability of the HR Business Partner were considered to be more important.

Business leaders did confirm that, regardless of how the HR function was structured, the real imperative was that the HR function must be united and aligned with itself in order to provide a cohesive, joined up service to the business as a whole. In addition, the HR function and, in particular the HR Business Partner, must align itself and embed itself within the business, operating as professional peers, sharing insight, knowledge and expertise in order to add value and make a real impact on the business.

Again, this very much aligns to Ulrich's thinking around the HR operating model that puts relationships at the forefront of the HR profession.

In summary, no one individual model of HR suited all of the organisations surveyed. Instead, our research found that HR should seek a structure and set of practices that are appropriate to the specific context, and the CIPD's "Changing HR Operating Models" report reinforces this view. It concludes that how an organisation structures its HR function should be based upon its organisational strategy, the wider organisational structure and the customer requirements.

4.5 How do HR Business Partners add value?

4.5.1 Being business savvy.

From our research, business leaders often referred to HR as being overly process driven, reactive and too risk averse and, therefore, potentially operating in an anti-business and non-commercial way.

For a commercially minded HR Business Partner to add value, they need to acquire greater in-depth business knowledge, be interested and immersed in the business and the numbers in order to help accelerate the pace of change, improve performance, seek out opportunities and contribute to the future of the organisation. Practical examples of being immersed in the business would include being physically located within the business rather than isolated away from it, and accessing leadership and management meetings and activities.

The CIPD Business savvy Podcast stated: ***“HR should be a performance maximising asset not simply an overhead/cost. HR Business Partners should be integral to the running of the business unit”***.

The Podcast also went on to comment that: ***“HR Business Partners have to understand how the business is changing and not reply with a historical policy or approach which is safe. Pace of change is accelerating, economic, political, demographic etc...HR must not only respond and keep up but also see it coming”***.

4.5.2 Being context savvy.

In terms of how HR Business Partners can add value, from our research, those interviewed wanted to see the HR Business Partner provide an insight into what is happening externally, and to bring back ideas and examples of good practice with a focus on the bottom line. The business leaders believed that the HR Business Partner needed to be aware of outside developments, for example, with what geographical (eg. local, regional) neighbours are doing, and any other wider market sector factors which may affect the environment in which the organisation is operating or trading. Such input can assist managers in analysing their relative performance, detect possible threats, and identify opportunities for cost reduction and growth.

In the book, “HR: From the Outside In”, Ulrich et al supports this view by suggesting that the real business is external. He states that the real business is the context and setting in which the business operates, the expectations of key stakeholders (eg. customers, investors, communities, partners, employees) and the strategies that give an organisation a unique competitive edge. If HR professionals, in this case the HR Business Partner, are truly to contribute to business performance, their mind set must centre on the goals of the business. They must take that outside reality and bring it into everything they do and not just from the perspective of their own function or department.

Ulrich also writes that HR professionals almost invariably define business as “HR business” and are inclined to talk about their current initiatives in leadership training, recruiting, engagement, or rewards – the areas where they focus their attention on the job. Whilst these efforts are important, they are not the business since they are in support of the business.

4.5.3 Good insight, metrics and analytics.

From our research, we also found that the use of metrics and analytics were critical to the sustainability of the business. Business leaders spoke about how good metrics contributed to supporting workforce planning and being able to predict and anticipate future needs. In addition, they highlighted the need for quality metrics to understand where the business is now and where it will be in the future, and how this compares to other parts of the business with the view to identifying trends and potential future

challenges. It is also about measuring the things that really matter, rather than providing data for the sake of it, or because it has always been the measure. Good insight is about thinking what is needed for the future.

The “HR Outlook” 2014/15 report stated that the majority of HR professionals (63%) agreed that HR data & metrics inform business decision making and its use can demonstrate impact for the business. That said, there was less agreement about whether HR effectively communicates and interprets the people measures to relevant stakeholders.

In the book “HR: From the Outside In”, Ulrich et al suggest that without metrics, decisions are made on impressions and instinct, not on facts. In order for HR Business Partners to add real value, there needs to be a shift from measuring traditional HR activities (eg. the number of days training) to measuring HR outcomes (eg. the impact of the training). HR Business Partners can add value by seeking out, interpreting and connecting a wider range of data including from non-HR sources in order to have a better insight and understanding of what is happening in the business. Another example would be to a move from providing a static HR scorecard to more predictive analytics that show how HR investments and interventions may drive business results.

4.5.4 Being a credible activist.

Research from our interviews also suggested that to add value to the business, the HR Business Partner should listen and communicate more meaningfully with the business to gain a greater understanding of the business. Business leaders wanted HR Business Partners to meet regularly with managers, to build relationships based on trust, and deal with real life challenges. By offering solutions to these challenges, HR Business Partners not only improve the capability of managers but also build up the manager’s confidence in them.

Ulrich et al very much reflect this view in the book “HR: From the Outside In”, whereby HR professionals can be described as ‘Credible Activist’ by meeting commitments, acting with integrity and building trust. In practice, this is about being committed to developing the performance of line managers and teams, demonstrating a genuine interest and challenge to the business, forming collaborative relationships and providing support and solutions to business problems.

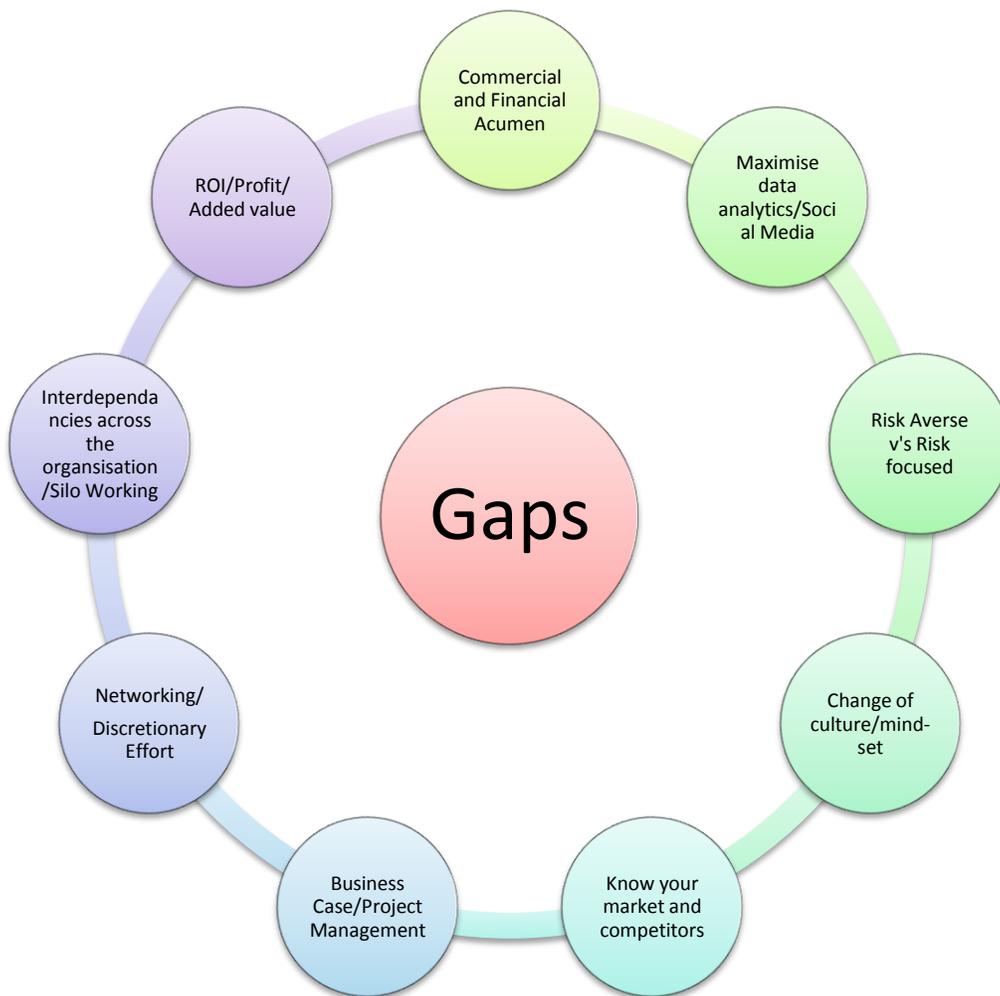
4.5.5 Being a business / HR filter.

Lastly, whilst it has not been apparent in any of our wider reading, in our interviews with public sector business leaders, they expressed a desire for HR Business Partners to interpret and translate key organisational messages and processes. They saw value in HR Business Partners helping with the simplification, flexibility and ‘cutting through organisational bureaucracy’ where key organisational messages and processes were

concerned. They also referred to HR Business Partners being an important conduit by filtering messages upwards, downwards and through the organisation.

5.0 Gap analysis.

The purpose of our research was to explore how we develop the HR Business Partner approach to reflect the increasingly commercial environment in which we operate. Our primary research identified a number of gaps where there was greater emphasis in terms of the current HR Business Partner approach and that which is required by the business leaders in both private and public sector organisations. These gaps are summarised in the diagram below:-



There was an acknowledgement from private sector respondents that the HR Business Partners were working “in a silo” to a greater extent, and not necessarily working or connecting with other parts of the business. Our research identified that the gaps in the public sector around the HR Business Partner having a commercial mind set and having the external perspective, for example, were greater compared to that of their private sector counterparts.

6.0 Constraints on the HR Business Partner approach within the public sector.

Whilst the findings from our research have sought to identify how and what it means to be an effective HR Business Partner within a commercial environment, we have also considered whether there are other factors which can act as constraints when progressing towards a more commercial approach to the HR Business Partner role in our organisations.

It is clear that the public sector context in which local authorities operate will, to some extent, dictate the boundaries and therefore freedom for HR Business Partners to work in a truly commercial way. Local authorities in general do not have full autonomy when it comes to key decisions such as pay and reward, and yet these elements are crucial factors which commercial organisations will focus upon to ensure it attracts, retains and rewards its talent. Local authorities continue to seek ways to work around national pay bargaining arrangements which can limit their ability, for example, to compete for talent in the market place.

The ability to be agile and flexible in order to make timely commercial decisions is often hindered by established formalities and processes which are set out in policies and procedures across areas such as procurement and commissioning, financial regulations and employment. The political and employee relations dimensions influence the strategic direction as well as the pace that local authorities can take which can limit the development of the commercial agenda.

Financial constraints determine affordability of services and, if seen through a short term lens, can inhibit the longer term investment necessary to enable real transformation. Income generation, winning new customers, competing and trading in the market place are fundamental to growing a business. The public sector is still playing catch up with these concepts and yet this is a commercial reality for many local authorities.

The skill set, competence and behaviours of the wider workforce for which they were recruited in the past has changed over time, thereby leaving a potential mismatch between the capabilities of the current workforce and the expected outcomes. For many staff the evolving workplace and skill set required will feel very different from those needed at the point they joined.

Similarly, the competence of HR Business Partners in the public sector may also be a constraint to delivering the commercial agenda. Nick Holly poses this question in his article: “You Can't Put in What God Left Out”, particularly where the HR Business Partner role has been introduced into organisations following an internal restructure. In many cases he cites that the re-shuffle has simply resulted in a different set of internal appointments with a change of job title, and has missed the opportunity to define and therefore appoint to ensure the more business and commercial focus that is required of the role.

The availability of good management information is a challenge for public sector organisations that are now looking at better ways to produce meaningful real time data which can truly inform and influence business decisions.

In essence, local authorities will need to be considering these constraints when making their strategic decisions and choices going forward.

7.0 Summary.

In summary, the findings from both our primary and secondary research have identified the following:-

- The financial challenges facing the public sector are driving the commercial agenda with pace.
- Commercial challenges facing both public and private sectors are similar and are summarised as: cost management; agility and flexibility; growing the market; productivity; and customer focus.
- More emerging commercial challenges include: engagement; culture; innovation; business and partnerships; retention and reward.
- Service transformation, new service delivery models, effectiveness, agility, cost reduction, the digital agenda, growing the business, commissioning, income generation and innovation are key priorities for local authorities.
- The commercial priorities are influencing the requirements and expectations of the workforce in the public sector in terms of capabilities, skill sets, behaviours and culture.
- The HR Business Partner approach is not always fully aligned to the expectations of stakeholders in relation to understanding and connecting with the business in a meaningful way.
- There are five key areas where HR Business Partners can add value to the business. These are: being context savvy; being business savvy; applying insight,

metrics and analytics; being a credible activist; and being a business/HR filter.

- There are significant constraints and difficult decisions to be made in the public sector if a more commercial ethos is to be successfully embedded.
- There is an identified skills, knowledge and behaviour gap which will need to be bridged in order for the HR Business Partner to operate more effectively in an increasingly commercial environment.
- The HR Business Partner approach and HR model will need to reflect and support the requirements of the business, and must enable the HR Business Partner to deliver its contribution to the commercial agenda.

8.0 Recommendations.

Our objective was to explore how to develop the HR Business Partner approach to reflect the increasingly commercial environment in which we operate. Based on our findings there are a number of recommendations which we believe would contribute to the shift required. These include:-

- Thinking business first and HR second in everything that they do and the language they use. This is about the HR Business Partner thinking from the perspective of the business at the outset, rather than from HR's perspective. In essence, it is the HR Business Partner thinking: What would the business want in this particular situation?
- HR Business Partners would benefit from exposure to working on the 'shop floor', directly within the business, in order to gain a deeper understanding of how the business works and the challenges and blockages it faces. This could be achieved through a range of opportunities; including short term placements, secondments, temporary attachments and stretch assignments within different parts of the business or indeed outside of the business. Such an approach would not only provide a better understanding of the business, but would also add a degree of credibility.
- Developing commercial acumen by seeking out opportunities to work more closely with Finance colleagues in order to gain a greater understanding of the financial landscape, challenges and language. This could include specific projects or pieces of work.
- Taking on financial responsibility in order to develop expertise. Examples could include managing a cost centre, active involvement in procurement or tendering processes, or preparing business cases.

- Creating the necessary space, time and opportunities to develop business and sector networks, with a view to bringing ideas and best fit solutions back into the organisation from a wider business or sector perspective. This would involve seeking out those organisations who are deemed to be ahead of the game in terms of being commercially savvy.
- Using a more evidence based approach to demonstrate how their contribution impacts upon outcomes and, therefore, adds value to the organisation using metrics, data and analytics.
- Developing stronger inter-dependencies and relationships across the organisation, for example, by working in multi-disciplinary project teams on key business priorities.
- Encouraging HR Business Partners to consider their brand, and how this aligns to the area of the business they support and the overall HR brand.
- Reviewing the HR Business Partner career path in order to encompass a wider experience of work and business to generate different perspectives and experience in a commercial setting. It is suggested that the traditional vertical HR path may not necessarily enable the development of critical skills such as business acumen and commercial awareness that are needed, and that a more diverse range of experience is more desirable.
- Reviewing the role profile of the HR Business Partner to bring it into the commercial context in which the business operates. This could include looking at the skills and experience being asked for and considering whether or not business acumen and commercial skills are equally or even more important than the HR background when appointing to a HR Business Partner role
- Ensuring that all parts of the HR function are properly and appropriately aligned in order that the HR Business Partner can confidently work effectively with and support the business.

9.0 References.

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