

Using QAs to align HR objectives with rest of company

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Quality agreements (QAs) are well established when the provider is an external supplier, but less between departments in the same company.

Since the '90s, the role of human resources (HR) departments has been changing. Besides simply managing people in organizations, HR is increasingly involved in supporting the company's operations and strategy. The challenge currently facing HR is how to carry out this new role as a strategic partner within the organization more effectively. To do so, it is becoming ever more important to formalize this relationship.

Against this backdrop, IESE Prof. José Ramón Pin and IESE researcher Pilar García Lombardía teamed up with the former HR director of BBVA, Antonio Ortega Parra, to advocate the use of Quality Agreements (QAs) between HR and other business units within a company.

QAs set the terms between the department providing the service (in this case, HR) and the one(s) receiving it - defining quality standards, providing evaluation variables and offering a system of incentives and penalties for meeting or not meeting objectives.

Such types of contracts are more frequently used with reference to IT services, primarily for ensuring quality levels from external suppliers. In fact, very few examples exist of QAs being applied within companies at an internal level, partly because they are considered too difficult to carry out. This lack of precedent makes it even harder to study how QAs are applied in the realm of HR.

One reason QAs are considered problematic is that they are complex to administrate and

process. For HR, QAs also represent a completely new approach requiring technical and certain other skills - such as a sense of service and the ability to negotiate - more common to sales departments.

To get past these barriers, the authors carried out a detailed study of four companies that have established HR service agreements: BBVA, GlaxoSmithKline, Randstad and Repsol.

In analyzing these four, the authors conducted focus groups comprising HR managers from these companies. Based on their findings, they recommended some steps to take before implementing QAs.

Steps for success

First, define the role of HR and then do strategic audits to ensure that HR objectives are being met in line with company objectives. Only then can you begin to apply QAs.

Next, determine your competitive advantages and identify the variables that HR must contribute in order to gain those advantages. This will require setting some indicators to evaluate whether you are meeting your objectives. You must also define the undertakings of any other areas involved in facilitating the work of HR.

Design a model for implementing the QA and another model for following it up. In addition, create an internal communications plan to keep the entire company informed.

In analyzing the four companies, the authors found that applying QAs in this manner resulted in a greater adjustment of HR policies according to company strategy. Moreover, relations between HR and other business units improved, since the other units gained a better understanding of HR functions and an informal network of contacts.

Results don't happen overnight, the authors hasten to add. Using these instruments is a learning process for both HR and the rest of the company. For some, this will involve a significant cultural shift and investment of time.

Still, companies do consider QAs highly effective for HR, say the authors, noting that all the company directors interviewed for this study considered them to be useful. Not only do QAs help to make much-needed strategic adjustments and align objectives across business units, but they are also good tools for improving efficiency and measuring real value contribution.

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