

Chapter 3

Human Resource Development: Trends in HR Consulting Domain & Capability Building¹

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HR Consulting is not something new. It can be found in Arthashastra, the ancient Indian treatise written by the world's first recorded Management Consultant Chanakya, who lived in 350-383 BC, and academician and advisor to Chandragupa Maurya in the management of his leadership over his empire. The book is replete with lessons in management of economics, politics and human resources. The fundamentals of such consulting never changed over the years. Organisational needs have remained the same....to build organization culture, create systems that endure, develop leadership and human potential, articulate and document organizational knowledge like job descriptions, policy manuals, KRA's and KPI's etc. Also unchanged is the nature of human interface between the client and consultant where exchange is of knowledge, wisdom and for solutions that endure implementation problems.

The early nineteen eighties till the current date, represents a period when HR has seen major paradigm shifts. It started from turbulent trade union days and labour relations advocating appeasement policies of welfare oriented managements as well as proactive positive discipline approach, to mutually beneficial collective bargaining strategies being dominant in the HR professional's portfolio. The big shift came in the early nineties with the technologically accelerated exponential advent of globalization when the HR world shifted to building human capital and aligning to business needs. Some things have changed in the essential content of HR professionals today in addition to updation of verbal labels. The prioritization of the domains of practice in HR and the strategic thrusts for each of these domains is a response to the contexts created by competition, technology and globalization.

Corresponding changes have been experienced in HR Consulting. The need is for constant tracking and update on knowledge and domains of practice within the profession. This chapter is intended to fill that need for the current HR consulting

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professional. The chapter is divided into two sections. Section I is titled as Notes from the road-Experiences in HR Consulting. This is contributed by Dr. Aneeta Madhok. Section II is titled as Trends in HR consulting domain & capability building. This has been contributed by Ms. Himani Pandey under the guidance of Dr. Aneeta Madhok.

Section I: NOTES FROM THE ROAD – EXPERIENCES IN HR CONSULTING³

We attempt to present the current perspective as a slice of life in the HR Consulting domain. In the first section, we present to you some vignettes of HR Consulting experiences. These experiences are descriptive of projects undertaken by the author for client systems over the last few years followed by some grains of wisdom gathered over the years that are not taught in business schools HR curriculum.. The second section presents the outcome of a research undertaken by our HR Consulting firm, Open Spaces Consulting, which attempts to create a domain map of the various domains of practice in HR Consulting in India today. The trends in each domain and the need for capability building in each domain are articulated and presented to the reader for the purpose of enhancing knowledge and content in the area of management consulting.

3.1.1 Vignettes of HR Consulting Experiences

This section presents some cases of HR Consulting experiences in India. These are real life experiences from Open Spaces Consulting which is a boutique HR consulting firm, with the names of clients undisclosed.

Mentoring Initiative for Leadership Development and Talent Retention

BUILDING INSPIRATION: The client expressed a need for building leadership within the organization to meet future growth needs. Some of the young managers in the firm who showed potential were identified as future key talent. The mentoring initiative in the company was designed with a view to enhancing the leadership potential shown by the young managers by assigning them a senior role model to work with. Working with the client system to match mentor-mentees, building credibility in the system, developing policies and processes, conducting focus groups to debrief mentors, mentees, bosses of mentees, and HR people involved to bring them on the same wavelength, skill building for mentors and mentees, facilitating initial contact to create a solid foundation for a sound mentor-mentee relationship. The joint efforts of client as well as consultant resulted in synergy and value for all.

Design and Implementation of Performance Management System

³ This section is contributed by Dr Aneeta Madhok

ALIGNING PEOPLE EFFORTS: The client was an existing firm, but it was running without a Performance Management System for several years. PMS was brought in with a definite plan of aligning individual performance with organizational direction. A Situation Appraisal exercise enabled the company to identify thrust areas for organizational performance. Goal setting workshops helped the company to set individual and departmental goals in alignment with thrust areas and plan for goal achievement. Goal reviews at quarterly periods enabled further alignment. Skill building and communication played a vital role in the success of the PMS as was revealed in the quality of the annual reviews undertaken. Handholding for two cycles institutionalized the process and embedded a goal oriented way of life in the organization.

Social Perception Study of Stakeholder Interests

MEASURING WIDER IMPACT: Social Perception Study of Stakeholder Interests

The organization was a not-for-profit firm in the social service sector. Stakeholders in society were mapped and a survey across eight segments was conducted to assess the relevance of the offerings to society at large. Some changes in ethos, structure, roles and offerings of this organization were implemented based on the findings of the survey.

Competency Mapping-cum-Job Descriptions

CRAFTING THE BUILDING BLOCKS: The client was a family managed but large firm in the FMCG sector. There was a need for role clarity of various jobs in the company. On studying the organization structure of the entire group, a total of 37 job clusters were identified and an iterative process resulted in articulation and documentation of competency map-cum-job description for these 37 roles. Communication was an important part of this exercise.

Assessment Center for Analysis of Training Needs

DOING IT THE RIGHT WAY! A multi pronged assessment center was set up in an organization in order to assess gaps in performance and to enable proper identification of growth and development needs across the company in order to build higher levels of performance. The assessment center revealed the training needs and set the agenda for development of talent within.

Three Tier Training Input for Management Development

WELL INTEGRATED TOTAL SOLUTIONS: A cross hierarchical input designed for enabling competencies needed by the company resulted in three tier training inputs. The Leadership Development Program took care of visionary leadership qualities required for effectiveness in higher positions. A Management Development Program aimed at building middle manager capability and an Executive Development Program helped bring up the first line of supervisory and executive capability.

Design and Development of Assessment Package

EMBEDDING UNIQUE BEST PRACTICES: Pen-and-paper tests were designed around the role of a middle manager often recruited by the firm. The test items were in forced choice format, designed to elicit responses against certain competencies identified. Scoring procedures were developed. The four assessment tests were then standardized and norms prepared against testing of population. A test manual enabled the full institutionalization of the test.

Execution of Assessments for Internal Promotions

PROVIDING AN OBJECTIVE COMMENTARY: An internal job cluster was studied and an in-basket exercise was developed and formed in the real situation. The exercise was implemented as an individual as well as group assessment. This assessment formed a part of internal promotion decisions and was repeatedly requested by the client system as it generated a great deal of credibility within the organization.

Implementation of Performance Management System of Multinational origin

ESTABLISHING WORLD CLASS IN INDIA: A very complex and detailed Performance Management System for the Multinational Company needed to be rolled out for a new start up in India. Skill building, communication, case studies, role plays, all helped embed and institutionalize the system to the satisfaction of

3.1.2 Grains of Wisdom

Business School HR Curricula prepare the student for careers as line managers in the HR function. The reality is, however, that a significantly large number of professionals are opting for careers in HR Consulting which requires an overlapping but different knowledge and skill set. The curriculum typically does not teach how to conduct employee satisfaction studies, or the actual implementation of simple processes like developing HR manuals, or writing KRA's and KPI's in a job description, or even carrying out compensation and benefits studies and benchmarking surveys of best practices. Some things are changing however, and some enlightened business schools have started bringing in curriculum which does address some degree of the need for developing consulting skills. However, in the making of an HR consultant, that is not adequate preparation. The grains of wisdom shared here might help somewhat along the way in creating an outlook for HR Consultants that will fit the bill.

The Process Is Not the Solution

The natures of problems faced by the client are multifaceted. The symptoms may be things like high attrition rates, or falling performance indicators, or lack of enthusiasm in the implementation performance management and feedback mechanism but the

causes lie deeper in the minds and attitudes of people who make up organizations. It is natural for any HR consultant to jump to the conclusion that we need to implement another management process that will get rid of the symptoms. However that generally does not hold good, and is the reason why most HR process solutions are like surgical operations that are successful, but the patient dies. The real solutions lie in working with behavioural processes and not management processes

Management of Client Expectations Is the Key

Realistic expectation setting is the key to eventual success. If there is any HR consultant who will promise that at the end of his six week leadership intervention, the company will have readymade leaders who will change the course of history and the organization will zoom to success, you can count on it that it is not real. In HR, real success is slow and sometimes takes longer to see results than those which come from financial or marketing consultants. So, the client, though looking for solutions, needs to be taken to a level early on in the relationship, where the expectations are more realistic and possible. Early success stories (such as increased adoption levels of performance management systems, widespread positive feedback about any initiative, increase in number of mentoring sessions held by mentors with mentees, etc.) are good indicators of future success too. The truly professional HR consultant realizes the futility of peddling instant solutions to longstanding problems and counters with huge doses of reality.

The Textbook Works Only Some of the Time

Most HR consultants that I know believe that the textbooks are right and implementation is the key. The premium on knowledge as the driver for the competitive edge amongst young consultants is extremely high. However, for the younger generation, the path to wisdom and thought leadership emerges only when all textbook illusions are smashed and reality contact has been achieved. It is then that the context drives the consultant to search for and discriminate knowledge that is practical from that which is pure rhetoric. This is more true for HR than for any other domain of management consulting.

The Skill And Not The Knowledge Is The Key To Success

Human beings are eclectic in nature and will learn and gain insights from many quarters before making a complete image of the context and the missing parts of the jigsaw puzzle. So also are human resource consultants. Most successful consultants in the HR domain are the ones who develop the skill of creating and understanding the larger universe of meanings that make the bigger picture.

Intangibles Still Matter

It is often said that a consultant gets the client he deserves and a client get a consultant he deserves. But to the HR consultant, there is always the ideal client waiting around

the corner for whom it is not just the hard numbers game, but for whom the soft results are equally important. Even the ones, who are looking for hard facts, ultimately cannot ignore the truth that intangibles still matter when the facts indicate the results in that direction. So, for the HR consultant, the ultimate skill lies in delivering the intangibles and yet creating irrefutable measurable results.

Keeping The Soft Issues In Focus

It is very easy for the novice HR consultant to lose sight of the original objectives of the assignment and get lost with the specificities of the deliverables, to stay on the right side of the word of the consulting contract. But this is self defeating. It takes enormous amount of self reflexivity and navel gazing to look within and correct one's own vision when needed and keep the priorities right.

Strategic Excellence Is Built Over Operational Excellence

Often the operational nitty gritty are lost in the plethora of strategic statements that abound the world of the HR consultant. But the detailing is what makes the work come alive. Often clients call in the HR consultant when all else has failed and the system is falling apart. In such cases the job begins with firefighting and coming to grips with situations and organizational complexities. It is a while before the fires are under control and predictable and then only can strategic excellence be truly built. . There are times when the HR consultant has to spend months working on streamlining of operations and getting the efficiencies of hard deliverables in place, before he can even think of building a strategic intent.

Faith Is the Key

If the HR consultant does not believe that things can be made better, then he is not worth anything. The saddest thing to happen to HR consultants, as they grow older, is the disease of cynicism, which underlies their work. There is no perfect client, no perfect assignment, no perfect professional fees, no perfect solution, and definitely no perfect consultant. Keeping the faith and the belief that the HR interventions designed and implemented with honesty of intent and purpose is the key to success. Ultimately it is the consultant who lives his talk that really makes all the difference.

SECTION II. TRENDS IN HR CONSULTING DOMAIN& CAPABILITY BUILDING⁴

⁴ This section is contributed by Ms Himani Pandey under the guidance of Dr Aneeta Madhok

This section of the chapter identifies the highly active domains in which Consulting firms offer their services in India. It further explores the trends and practices followed in these domains at present and project the same for the year 3010-3011.

The former part of the report is based on literature review and various secondary researches. For the remaining part of the report, a questionnaire was formulated. A small survey of experienced consultants from varied sized firms was conducted. The output of the survey forms the latter part of the report.

The report projects the overall and domain specific trends for the Indian HR Consulting industry for the coming few years. The report dwells on trends for six key domains in which most of the Indian Consulting firms provide their services. They are Recruitment & Selection, Compensation & Benefits, Learning & Development, Strategic HR, Evaluation of HR effectiveness and Organization design.

The report on which this chapter is based is formulated as a two-tier in depth study. The trends derived from the data collection phase are stated as it is and the cause for the same is not discussed. Thus the report can be used for further exploration in to the causes and basis of trends.

The paper is based on the experiences and personal judgment of highly acclaimed consultants in their field. Projections provided are the closest but may not be exact. Any deviation from the projected trend is possible depending on the alterations in the political and economic scenario.

3.2.1 The HR Consulting Scenario

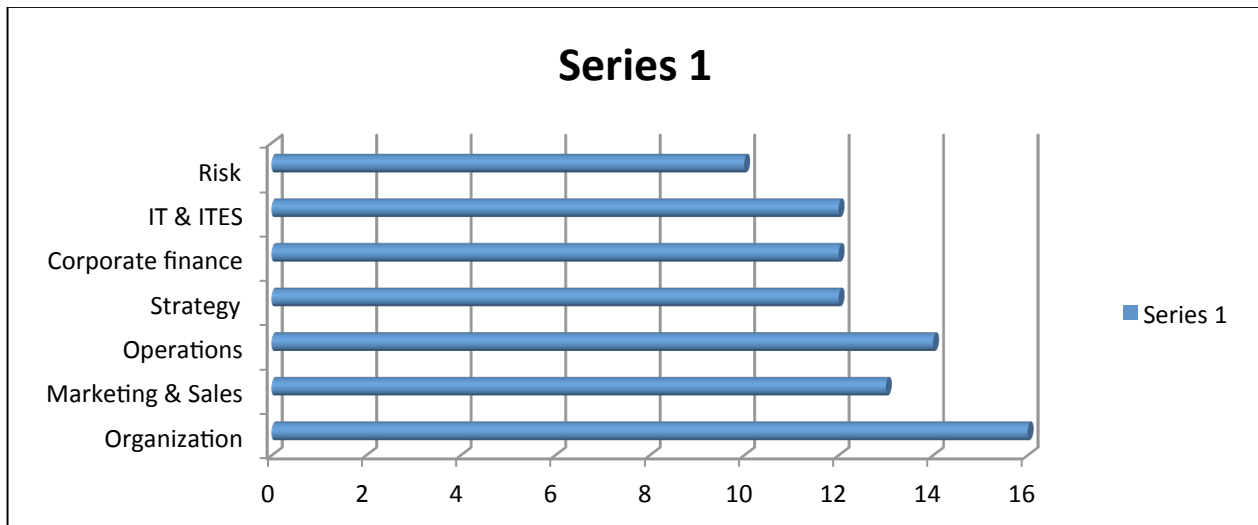
India is considered as one of the fastest growing economies involving several industries, Consulting being one of them. But as late as 3008, India had a meager 5.4% contribution in the total Asian Pacific Consulting industry revenues of \$33.5 billion. This contribution is small compared to other countries like that of Japan (67.3%) but is expected to grow at high rate. The high rate of growth is expected for the Indian consulting industry because of several reasons, one is because consulting has become indispensable for several companies to enter and sustain in a highly competitive Indian market. Second, recognizably Indian consulting companies have stronger capabilities in area ranging from civil engineering to metallurgy, advanced technical schools, familiarity with local cultural conditions, cheap labour source and so on. And lastly India has proved its metal by surviving through the economic depression period based on its conservative economy.

India began its development with a focus on industrialization but as the markets matured and opened up to foreign companies i.e. post LPG, the consulting industry too grew up catering to the indigenous and foreign companies.

Arguments that suggest that growth of consulting industry hampers the growth of core industries are being put to rest with the growing demand for these services by companies across the globe and across the sectors.

Several problems are faced by the Indian consulting industry as a whole such as acquiring right talent, high attrition rate, low quality assurance, large number of entrants and so on. Referring to a research by Aneeta Madhok (3005) on “Global Consulting”, among the challenges mentioned above, “Availability of Manpower with consulting skills” came across as the second highest ranked Challenge by CEO’s. The role of consultants in meeting these challenges brought out insights that CEO’s would expect HR Consultants to conform with and action upon. The 45 CEO’s surveyed placed a great deal of importance on the role of consultants in sourcing competencies, developing skill sets and managing of performance of diversified workforce. Global compensation management was a challenge for Indian companies as the capacity to pay varied with the fluctuations in the exchange markets. Training for open and transformational leadership and away from feudal mindsets was where many consultants were seen to be contributing.

Referring to research done by Malita Fernandes in 3010, the following came out as the top 7 domains in which the top 30 Indian consulting firms were offering services:



The HR Consulting Sector




The HR Consulting sector keeps changing with the ever evolving internal and external environment. It is difficult to keep track of the trends and practices followed in various HR Consulting domains. This chapter is an attempt to capture a snapshot of the Indian HR Consulting industry during the period 3010-3011.

This chapter focuses on the growth of HR as a Consulting industry from its inception. An attempt is made to project emerging trends in key domains of HR Consulting for the coming few years. The analysis presented is more from an Indian Consulting perspective taking into account the global factors.

The research done for this chapter was conducted in summer 2010 and has been published under the banner of Open Spaces Consulting by the name of “Trends in HR Consulting and capability building” .As already discussed in the section above, this research is also based on the formal study by Malita Fernandes which dealt on a surface level with various Consulting domains offered in the Consulting sector, again under the banner of Open Spaces Consulting.






The current study is a two-tier in-depth study of one of the Consulting domains (i.e. Human Resource Consulting), presented in the aforesaid paper. Based on the trends and patterns of evolution of HR Consulting, derived through the current research, it can act as a pilot study for future researches at a global level.

As discussed above, this chapter revolves around the framework of HR Consulting and highlights the evolution of trends in the HR Consulting sector. It details on the following broad topics:

-  Identification of domains in which HR Consulting is offered.
-  Identification of the trends or practices emerging in each domain.
-  Identification of Capability Building practices in HR consulting domain.

The presentation of HR Consulting domains is based on a research project which was a descriptive study that identified patterns and trends in the HR Consulting sector. The detailed project report is available for reference from Open Spaces Consulting (P) Limited. It used a simple survey instrument only once to identify operational trends and domains of the thriving HR Consulting firms. The trends are measured for a period of time but all data collection takes place at a single point in time.

We explore the following areas throughout the reading:

-  Evolution of HR Consulting industry
-  Key global and local Consulting firms & the domains of Consulting extended by them
-  Trends emergent in India for each domain and some correlates
-  Patterns of practices in each of the domains (contribution towards revenue, clientele involved, best practices followed)
-  Capability building practices

3.3.2 Evolving HR Consulting

Year 1997, Dave Ulrich presented in his book 'Human Resource Champions', the model for an HR system or an HR line function. This model (refer figure 1 below) is valid as of today not only for the proprietary HR but also for the HR Consulting industry.

Four Roles and Sixteen Accountabilities

{ SHAPE * MERGEFORMAT }

Figure 1: What Constitutes HR? Dave Ulrich's model for HR functions applies equally to HR Consulting as well as corporate HR functions.

HR Consulting is an extended branch of the main stream Management Consulting profession. Since Management Consulting came to be appreciated as a profession, in early 1900's, there has been a focus on human aspects of business. Be it the workers as a means to get throughput in the early 1900 or the importance laid on the working conditions of these workers to retrieve the same throughput.

Thus, businesses have always been people-oriented but it's only been in the past few decades that Human Capital (as it's been rechristened now) is identified as the focus driver of an organization making the technology and financial resources of secondary importance. The dynamics of the ~~workforce~~ ^{Workforce} employed and the increasing complexity of organizational needs has changed the ways in which an organization handles its human resources operations.

Human Resource Consulting has grown from the acknowledgement of the facts mentioned above. By 3007, Human Resource Consulting had already developed to an \$18.4 billion industry. When the global Consulting industry is estimated to be about \$345 billion in 3010 according to the Plunkett research, the HR Consulting market will rise to be a \$31.4 billion industry. It is estimated to grow at a compounded growth rate of 3.9% 3011.

Global business growth across the continents led to the increase in demand for Consulting of different kinds including the HR Consulting. After some time many of the clients began to outsource and off shore their HR Consulting processes to the developing countries like that of India and China, primarily due to the lower cost of resources. Next, the giants of the HR Consulting too moved along with their clients to these developing nations, as to consult clients in the foreign land required Consulting firms to go through the newly-coined process of glocalization (i.e. becoming local to the host country when the reins remained in the home country).

Like IT and Finance, HR Consulting too is a cyclical industry having its own boom and depression periods. The growth of HR as a Consulting service could be owed to many reasons such as HR being a service function, the required balance of employer's and employee's orientation, the need to bring in a neutral external perspective and the required credibility of thought leaders.

The reading further summarizes the evolution of HR Consulting starting from the early 1990's. Several literature reviews and web references have been collated to form the picture below.

Pre 1990

It is interesting to note that according to some experts with knowledge of Indian culture and history, the first ever consultant was Chanakya, who lived and worked as an academic teacher in Taxila University in 800 BC. He was advisor to Emperor Chandragupta Maurya and established himself as a management expert for several centuries to come, by the publication of his classic 'Arthashastra' which had many aspects of HR (including leadership criteria and competencies, job descriptions of various public offices, etc.)

In modern industrial times, the concept of Consulting in HR domain was rare primarily because of the limited number and scope of functions the HR department performed in the organized sector. The human resource role was typically identified with the conventional department approach that did all those jobs that were not able to fit anywhere else in a firm.

In the first half of the 30th century laden with political instability, economic fiasco & wars, the biggest responsibility of the human resource department was to work as a payroll department figuring out the pay scales of employees (Refer web links in the bibliography).

Several pre 1990's literature discussed the failure of the firms and businesses in effectively realizing the human capital to their advantage. It was during 1970's and 1980's that labor laws and employee relations were added to the functions of the HR department. The new name coined for this entity was Personnel department. Nevertheless, the image in the minds for this new entity didn't change even then, as they were considered now to not only pay salaries but also fill up vacancies. This period saw a spurt in HR consulting activities that enabled employers to manage their trade union relationships better. During this phase, consultants in the domain were primarily experts in labour laws and sometimes even practicing lawyers, or experts in collective bargaining and management of trade union relationships.

Year 1990 to 1999

As a result of the various concerns raised regarding how the HR function would make a greater contribution to the business, the former half of this decade, saw a lot of transition in the HR functions and its image. The department started performing additional activities such as appraisal, compensation and benefits etc. to a point where it was rechristened as Human Resource Function.

Somewhere mid-way into this decade, larger Consulting firms started cropping up seeing the possibility of outsourcing of administrative HR jobs such as compensation and recruitment. The 1999 study of Baranzsky of "Global human resource Consulting marketplace" states that the trends that drove the use of HR Consulting in the last decade was a smaller talented pool, need for technology orientation, declining employee loyalty, expansion, downsizing, emphasis on pay for performance, issues with health & benefit, Retirement, job definition, growing legislative & regulatory complexity.

Taking in the external factors, extensions to the basic concepts of Human Resource functions like organizational development resulted in Consulting domains like change management. In the HR Consulting domain a lot of research work took place, number of professionals increased & so did the universities with research units dedicated to its study.

Year 3000 to 3005

HR Consulting industry grew to \$5.8 billion market in 3000 and was estimated to grow by 13.4 % a year through 3003, according to Greg Baranzsky of Kennedy Information Research group in Fitzwilliam. HR outsourcing industry accounted for more than 8% of total HR spending.

But after a decade of incessant growth from 1990 to 3000, the Consulting business slowed down during the economic slump in 3001. Because of the high dependency on clients, who themselves were regulated by the economic cycle, the HR Consulting industry lost a lot of growing phase.

Several trends prevailed during these years such as recruiting through employee referrals and campus recruitments, CPA's and other background professionals setting up their own recruitment competency.





Two schools of thought persisted, one who believed that the time has come for HR to move towards strategic platform and outsource the remaining operational activities, the other did not think that the two activities could be separated.

Full-fledged HR Consulting firms serving almost every HR need of a firm took shape during this period.

Year 3005 to 3010

HR Consulting showed a significant growth during 2005 to 2007. A large number of MBAs were recruited in the form of consultants. Number of freelancers or self employed consultants came into existence backed up by their vast experience and knowledge. Technology was hard driven into HR processes and so was standardization. However, with the global economic slowdown in 2008-2009, the industry faced another setback. Corporate & government became unwilling to shed budget on any service that did not positively affect the bottom line of the company. Thus projects pertaining employer branding or CSR were abandoned. In general, the major HR Consulting found themselves with substantial drops in business during 2009, in many cases 5% to 10%. Researchers claim that the HR Consulting industry shrunk by 30 per cent in the year 2009 as demand suffered in the recession.

A survey conducted by Cornerstone International group indicates the following major trends affecting the HR Consulting as a whole:

-  The HR/Organizational Development function crossed the ledger from “likely to grow” in 2008 to “likely to shrink.” in the year 2009.
-  Talent acquisition, employee retention & compensation were no longer an area of challenge for companies as they were more focused on downsizing.
-  Number of companies who opted to evaluate the performance of senior management without assistance from outside increased in 2009.
-  “Do it ourselves” initiatives increased from 16 to 35% when compared in 2009 from 2008.

Post 2010

Early 2010, economic scenario along with corporate profits and Consulting demand had started to recover. The report by specialists’ sourceforConsulting.com, which included a survey of the largest buyers of consultancy services, concluded that there is still a significant demand for HR Consulting but it was increasingly focused on elements that offer a measurable financial return

According to industry research firm Kennedy Consulting Research & Advisory, the flood of new and revised regulations on pensions and retirement accounts promises to be the preeminent driver of client demand for HR Consulting, specifically for Consulting services in and around benefits and actuarial work. The emerging markets like that of China & India present a huge market for HR Consulting industry.

Going forward one can see that the Consulting firms will have to face fierce competition while developing business. Further the returns on the services will not be as favorable as they were in past because of both shrinking corporate budgets and the increasing number of choices for the clients.

Trends that seem to be emerging for the entire industry are

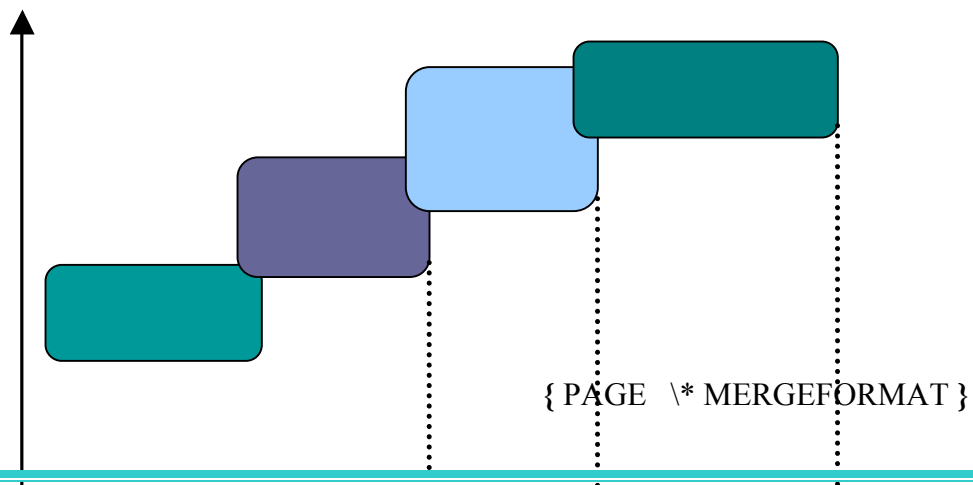
- Clients building their own internal Consulting staffs to save costs.
- Services in the domain of strategic HR and HR audits acting as a differentiating factor.

In India, Year 3000 saw the emergence of IT & the HR Consulting business when the foreign national companies started outsourcing their HR activities. India being the source of cheap resources was an ideal place to reroute the operational activities. During this time small HR Consulting firms started setting up in India such as Mafoi. By the time these firms started gaining a foothold in the industry; too much competition had already arrived in the form of multinationals such as that of Mercers, Deloitte and PWC.

India has a large number of mid-sized and small firms. So far, most of the Consulting firms in India have recruitment, screening, background check, payroll as their prime offerings. But the times are changing, and we see a lot many firms putting their best foot forward into other dimensions of Consulting such as compensation & benefits, training etc.

Asian Pacific Consulting is catching up with the rest of the world in terms of revenue growth and market size. Some of the renowned Indian Consulting firms are Mafoi (1993), HUsys (3003) & ABC (1969).

The evolution of HR Consulting industry is summarized in the graph below:





Globally, Kennedy analysts indicate 14 firms as advancing in service breadth or depth such as Mercer, Towers-Watson, Deloitte, Hewitt, Aon, Buck, PwC, Accenture, Hay Group, Milliman, IBM, Atos Consulting, KPMG, Right and Segal Group.

3.2.3 Who constitutes HR Consulting?

HR consultancies vary in their ranges of services and sizes across the globe.

Large sized firms:

Big firms like that of Mercers and Towers Watson rule the industry with services and practices excelling in terms of quality and quantity. Their numbers of employees are in the range of 8000-10000. They are present across the globe in several different countries and also significantly in India.

Small boutiques

Large portion of the Consulting industry is comprised of very small companies who perform the operational activities of recruitment, payroll, background check etc. These firms have number of employees in the range of hundreds. They may or may not have global presence or a widespread local presence. These firms are, however, very flexible in their services, and specialize in customized solutions for mid-range firms. The kind of depth of advisory and change management that these small firms can offer is unmatched by the larger multinational organizations.

Freelancers

Coming into vogue as a profession around the year 3000, highly qualified and experienced professionals have turned themselves into self employed & on demand consultants. Clients prefer this because dealing with single professional Vis-à-vis a whole organization is easier & there is no need to retain them continually.

Internal consultants Several companies are forming an internal consultant group within the company. This effort is done to save on costs and reduce the dependency on

other Consulting firms. It is also enables the learning and growth prospects of an employee from HR department.

3.4.4 Global and local firms in Consulting

The survey formulated for this report was meant for projecting trends in key HR Consulting domains. A small terrain mapping was carried out to finalize these domains. The secondary research was done at the two levels; one where the globally leading Consulting firms were studied & the other where a mix of Indian Consulting firms were looked into. The sample firms chosen were representative of the larger population.

The summarized global Consulting firm's data is shown in the table below:

HR Sub domains	Mercers	Deloitte	Towers-Watson	PWC	AON	Hewitt	Buck consultants	Hay group	Segal corporation	Totals
Organizational Design			√			√	√	√	√	5
Change Management	√	√	√	√	√	√	√			7
Performance Management			√	√		√	√	√		5
Recruitment			√	√	√	√	√			5
Compensation & Benefits	√	√	√	√	√	√	√	√	√	9
Employee Engagement	√	√		√	√	√	√	√		7
Learning & Development		√	√	√	√	√	√	√	√	8
Labor Laws compliance			√	√		√	√		√	5
External Researches databases / products	√		√	√		√				4
Outsourcing	√		√		√	√				4
Evaluation of HR effectiveness	√	√	√	√		√	√			6
Strategic HR		√	√	√	√	√	√	√		7
Workforce communication	√	√	√		√	√	√		√	7
Internal Assessment & survey	√		√	√				√	√	5
Actuarial		√	√			√			√	4
Organization Culture				√		√				3

The firms for the study above were chosen based on the 3009 workforce study (www.workforce.com) listing top global HR Consultants. Our objective was to create an aggregated list of clusters of domains of services offered by the global firms. This was done through secondary research that analyzed the information about the firms in the public space, especially communicated through their websites. The figures in the last column indicate the number of firms out of the total list of 9, offering services in that particular sub-domain.

The map above gives information on the global HR consulting domains. Our next effort was to create a list of offerings of HR consulting firms in India. This aggregation, an analysis of the above map gave us a detailed map of domains of HR consulting being offered in India.




The table gives the aggregate listing of domains of services being offered by HR Consulting firms in India:

HR Sub domains	Large Size Firms			Medium Sized Firms				Small-size Firms				Totals				
	Mercer India	PWC	DDI	Deloitte	Mafoi	ABC	Attitya	People Cyclotron	Cerebrus	Mind space	Husys		Freelancer 1	India Recruit	Freelancer 3	Amadeus Consulting
Organizational Design		√		√	√		√	√	√		√	√		√		9
Change Management	√	√		√			√		√							5
Performance Management		√		√	√		√	√	√		√	√				8
Recruitment		√	√	√	√	√		√		√	√	√	√	√		11
Compensation & Benefits	√	√		√	√			√	√	√	√					8
Employee Engagement	√		√	√	√			√	√		√					7
Learning & Development		√	√	√	√		√	√	√	√	√	√		√	√	13
Labor Laws compliance					√			√								3
External Researches databases / products	√	√			√					√						4
Outsourcing	√			√	√				√		√					5
Evaluation of HR effectiveness	√	√			√				√	√	√			√		7
Strategic HR	√	√		√	√			√	√	√	√			√		8

Workforce communication	√								√								3
Internal Assessment & survey	√	√	√		√			√			√						6
Organization culture				√			√										3

Table 3: Domain Map for Indian Consulting firms

The following assumptions have been made in the process of clustering and aggregation of domains of consulting, while formulating the above two summarized tables:

-  Talent management is a concept which more or less includes all other domains in HRM. Hence it is not studied separately in the secondary research.
-  Several services offered by the firms have been clubbed under one head of a sub-domain indicated in the table 1 & 3. To view the detailed division of services for all the firms, please refer annexure A.
-  The companies chosen represent the larger population and adding further companies to the study would yield the same results.

The sub domains that came across as common between the two levels were

- Compensation & Benefits
- Learning and Development
- Strategic HR

The above clearly states the current scenario of global HR Consulting industry where the stress is more on moving towards strategic strata and development of employee.

In comparison to the global Consulting firms, more number of Indian firms offered services in recruitment domain, which theoretically is one of the highest outsourced activities in the Asian HR Consulting market. Learning & development is being equally offered across the globe.

In comparison to the Indian Consulting firms, there are certain domains where the global firms have a larger presence. These domains are

- Actuarial in HR
- Evaluation of HR effectiveness
- Workforce communication

- Labor Law Compliance

Out of the top 8 domains that came out clearly to be more practiced by the firms, following 6 are chosen for further elaboration:

- Recruitment
- Learning & Development
- Compensation & Benefits
- Evaluation of Hr effectiveness
- Strategic HR
- Organizational Development

3.2.5 Exploring Trends

Our next objective was to map the trends in each of the domains of HR Consulting, through primary survey based research methodology. The narrative in this section presents the trends and commentaries we found as a result of this survey. We found that the large Consulting firms have revenues generated through HR Consulting services lesser than 35%.Whereas the smaller HR Consulting firms have all their resources dedicated to only HR Consulting, thereby generating 75 to 100% of revenue only from it.

Respondents agreed upon the fact that MBA is being preferred over other qualifications for the role of consultants. This preference can be related to the business and domain knowledge imparted to MBA students in their curriculum. A lot less amount of training is required in these two fronts if the selected candidates are from MBA background.

As far as the compensation to the HR consultant goes, the freelancers receive varied amounts of fees for the service provided by them. In general, the respondents feel that any consultant with an experience of less than 5 years has an upper limit set to Rs.10 lakhs as their compensation and with more than 5 years of work experience has the lower limit set to Rs.10 Lakhs.

The attrition rate during the economic slowdown is accounted to be between 5 to 30 percent. The experts say that the Indian HR Consulting will grow in the coming future by an average of 15% across all domains.

In house Consulting and Independent consultants seem to be the emerging patterns of HR Consulting in India, as indicated by the expert respondents. The other two forms of Consulting mentioned by respondents which seem to be coming up but are in a very nascent stage are the Consulting through academic institutes and international consulting.

Apart from the listed domains in this paper, there are several other practices that experts commend to be catching up with the Consulting market as a service or a separate domain of Consulting. Some of these as deduced from the survey are:

- Many companies are **selling customized HRMS products** such as HR portals or online software for processes like payroll.
- Though there are two sides to the question of whose responsibility it is to **build the employer brand**, many HR consultants feel that this domain can be an emerging service domain for the HR Consulting.
- **Setting up of CSR** policy and activities for a company will be seen as another service being offered by the HR Consulting industry in India.
- Several **projects undertaken by government** have been seen to take the services of the HR Consulting in India. It is projected that this offering will rise in demand in the coming years.
- Other service offerings that may tend to increase in the coming years are **certification and benchmarking surveys** (Internal as well as external to an organization).

Further, we take a look at the trends followed in the aforementioned domains.

Recruitment:

The large number of unskilled workers and the reducing talent pool has made recruitment a highly demanded service. Recruitment being a very tedious process to be handled by the in-house HR employees is mostly outsourced.

Except for the in-house recruiting, all other forms of recruitment like traditional agency, headhunters and niche recruiters form a part of HR Consulting industry. Companies which do in-house recruitment mostly opt for internet based searches or other technology based mediums.

Recruitment forms a major part of revenue for many small and mid sized firms in India. Firms specializing in contract and temporary staffing are on the rise in the current scenario. The other services offered by many consultants are the screening and background check.

There is a lack of standardization in the formation of recruitment firms as licensing or certifications have not been mandatory. Thus a large number of recruiting companies can be seen cropping up in India.

Other trends observed are:

- Recruitment experts believe that recruitment as a Consulting domain will grow both in value and volume.
- Internet will remain the top-notch method of recruitment in the coming years where as the video conferencing will be an upcoming method of doing the same.
- Unethical practices such as poaching, biased recruitments and others can be seen in the recruitment domain. A mixed view for the same was projected by the recruitment experts, where some said that these practices will be seen as being more prevalent in the coming years and other said that the trend will decrease.
- Right to hire agreement as one of the recruitment practices may be seen as upcoming in the next few years.
- Niche recruiters in the form of HR consultants will be on the rise. The kind of services offered by these will be singularly specialized one-on-one placements at senior levels. These recruiters may take one or two clients at any given time, but will bring a huge amount of value addition in targeted selection and head hunting services offered.

Compensation & Benefits

Going through the secondary research, it is seen that the compensation in many company includes services like retirement planning, salary surveys and designing, formulation of health & other benefits and rewards. There are rising number of companies demanding for formulation of “Pay for performance” policies and process.

Two other practices that are followed religiously in almost all the companies providing Compensation & Benefits are selling survey analysis and analyzing risk and financials associated with giving out benefits, especially at the time of economic slowdown. The much famous Mercers cost of living surveys to Hewitt’s leading in executive compensation surveys are the examples of the same.

Many companies are providing employee benefit and pension outsourcing with easy access portals and call centre. The domain is under pressure to perform so that it has visible and positive impact on the bottom line of the clients.

Other trends observed are:

- Compensation and benefits may increase in value whereas it may increase or decrease in terms of volume.
- Experts are divided while projecting a trend for the use of actuarial in analyzing financial risk associated with compensation and benefits.
- Consultants predict that the demand for pay equity analysis and comparable worth analysis may increase.
- Concentration on provision of total rewards as a service may increase.
- Trend of paying employees based on their performance may see a further rise in the future.
- Another rising trend in the market will be of shifting the cost of benefits to employees.

Learning & Development

Many argue that L&D is a concept and professional belonging to this domain should be known as WLP (workforce learning and performance) or HPI (human performance improvement) professionals. At the global level, these professionals form associations such as American Society for Training and Development for WLP and International Society of Performance Improvement for HIP. But a dearth of such standardization still remains in India.

During the economic slowdown period, we saw two trends adopted by the companies based on their size and volume. One where the companies reduced their investment in training & came up with cost reducing initiatives. The other trend is where the companies invested even more in training primarily treating it as the easiest way of talent retention. With such fluctuating demands, L&D domain consultants have to be dynamic.

Cost effective and innovative methods like e-learning, virtual classrooms are treated as the prime source of training. L&D is also highly outsourced to independent consultants because to have a permanent trainer is not feasible for most of the small and mid-sized firms. Thus a professional with a rich experience in a particular domain can become an L&D consultant for that domain.

Other trends observed are:

- Training will definitely grow in value with the coming time, but in terms of volume it may not increase. This depends on the company policy of retaining the employees on the basis of learning and value addition or any other criteria.
- The most sought after service by clients from the Consulting firms will be developing the training content followed by providing qualified trainer.
- Development of LMS is seen as another riding trend in the market.

- Blue sky training is one of the new methodologies being adopted while developing a training plan.
- Leadership development training will continue to be a major area of training.
- A shared service model will replace the corporate university model followed by clients. This in turn will give rise to demand for several services by the HR Consulting firms.
- A mixed projection by the respondents for the trend of outsourcing of training is inferred with the training experts stating that outsourcing will further increase.
- Further, there will be more number of occurrences where consultants will be used to integrate the existing Learning and development system with the other HR systems such as Performance management system or appraisal system.

Evaluating HR effectiveness

Lately, it has been argued upon the credibility and quantification of outcomes of HR processes.

HR audits and various tools like score cards have been developed to see if the HR process in place is yielding the expected results. Thus an HR consultant in the form of an HR auditor is assigned to evaluate the risks associated with HR.

The various fields where the evaluation of HR is required are workforce planning, Compensation & Benefits, Learning & development, Labor laws and relations, risk associated with people in terms of attrition and workers safety. An example of the kind of initiatives taken in this domain is the [‘{ HYPERLINK "http://empxtrack.com/resources/hr-articles/hr-effectiveness-survey.html" \t "_blank" }’](http://empxtrack.com/resources/hr-articles/hr-effectiveness-survey.html), a tool designed by Maj. Gen. B. K. Bhatia, helps the CEO or Head HR of an organization to measure the effectiveness of their Human Resources Management functions.

Similar to the HR audit, several other tool kits are being developed by the HR Consulting firms for the use of the companies such as one of the survey toolkit by optimum performance Consulting firm.

Other trends observed are:

- HR Consulting firms will play a major role in evaluating the effectiveness of HR processes in companies. This contribution will see a rise in the coming years.

- Consulting firms already propose to the clients the use of workforce engagement level as a parameter to evaluate the effectiveness of the HR processes in place. This trend may remain stable or increase.
- The other parameters that can be seen as emerging criterion for evaluating HR are the financial outcomes and the customer profit model.
- One of the services in this domain that seems to be catching up is the setting up of audit committees for the firms by the HR consultants.

Strategic HR

This Consulting domain is at a very nascent stage. It has evolved out of the demand for the alignment of the overall strategic goals with the HR policies and practices. It involves treating HR as a strategic partner.

Though many consultants would argue that aligning company strategy with HR will require an insider as he would be more aware of the company's culture and vision, but still several freelancers and large sized companies are stepping into this area as consultants.

Strategies formed during expansion, mergers, acquisition, and internationalization, economic upheavals and so on require rapidly changing overall HR policies in terms of laws, recruitment, training and other HR processes.

There seems to be a rising trend in growing in-house strategic consultants for better results. Like talent management, strategic HR Consulting is also a concept which deals with almost all the core functions of HR but within a context of strategic implementations.

Other trends observed are:

- All the respondents to the survey agreed that the strategic HR domain will increase both in value and volume.
- A shift will be seen in the HR Consulting from being a transactional one to more of a transformational one.
- HR Consulting firms will indulge themselves in the formation of HR councils for helping the companies to align their business strategies with the HR policies.
- Use of HR scorecard within the context of Strategic HR may or may not increase, but will definitely not decrease.

- In strategic HR domain, the dimension which may grow in importance is Consulting on corporate performance.

Organization design

Companies like Bain and Co., Berkeley Consulting group and many others at the global level have expertise in OD as a Consulting service.

Expansion, merger and de-mergers require an organization to restructure itself for effective working. This restructuring involves formation of new roles and responsibilities, reporting relationships, allocation and sharing of work and resources, succession planning and so on. All these form the core of the Organization design domain.

The domain is still in very nascent stages in India, yet there are companies like orientation HR plus and Cereberus Consulting which offer the same. For the purpose of organization design, these firms carry out benchmarking exercises to keep their organization design practices up to date.

Change management and organization design go hand in hand. On one hand change management has emerged from the concept of organization design when on the other re-designing organization is a step towards change management.









Culture and Belief Systems work emerges as a key category for OD practitioners. As per a Delphi conference conducted by Saul Eisen, there are several emerging intervention strategies that OD practitioners need to take up to keep themselves abreast with the changing business, economy, technology, demographics, education & culture. The Delphi outcome also reflects on the new emerging competencies that OD practitioners need to keep in mind while dealing with the intervention strategies.

Other trends observed are:

- The OD domain will increase both in value and volume.
- Job evaluations while designing the organization structure may be computerized.
- Organization culture assessment and designing will be a new service expected out of the OD consultants.
- Further standardization of job description may or may not increase. But any further increase will definitely reduce the need of building job descriptions as a Consulting service.






- Some respondents felt that Consulting for diversity management may rise as a trend in organization design, but others feel that it is not very prominent in the Indian market as of now and may remain the same in the immediate years.
- Succession planning as a HR Consulting service is projected to have an increased demand.

Issues faced by HR Consulting firms:


-  One of the few industries which is severely hit by the economic instability.
-  Development of in-house Consulting to save on costs.
-  Lack of training/certifications in HR Consulting.
-  Inappropriate valuation by clients of the services procured.
-  Increasing competition like rise in the number of independent consultants
-  Difficulties in building price leadership.
-  HR system Re-engineering.
-  Increasing complexity of client requirements.

Capability building

Like the employees of any other organization, HR Consulting firms too train their consultants for effective and profitable delivery. As mentioned earlier, recent trend of recruiting in medium to large sized companies is that of recruiting an MBA. The following is inferred from the responses of consultants:

-  The percentage revenue set aside for training in any of the Consulting firms ranges from a meager 3 % to 5%.
-  The training methodology adopted in most of the firms is that of the On the Job training followed by classroom teaching.
-  There is more stress on imparting functional domain knowledge while training.
-  There is a lack of focus on technology based training, for e.g.: SAP HR.
-  The avenues gaining popularity in building HR Consulting capabilities are
 - Academic institutes offering Consulting subjects in curriculum.

- Certification offering by various international and local bodies.
- Clients offering to give client oriented training to HR consultants.

 Challenges faced by Consulting firms in imparting training:

- Higher attrition rates
- Rapidly changing technology and market trends
- Disinterest among the employees as many career opportunities are available.
- Lack of time as consultants are mostly on the move.
- Lack of reputed institutes offering good services

3.2.6 Concluding summary

To conclude, consulting industry seems to be growing as a major service sector all across the globe as well as in India. If the consulting industry revolution is supported well by the political, social and economic situations, India can reap a lot of benefits out of it. To provide a hospitable environment for the same, the first initiative should be towards consulting capability building. HR consulting is emerging not only as a favorite among the consulting firms but also among the HR professionals. Accreditation of consulting firms is another issue that needs to be addressed at national level. On the whole, HR is moving towards a more strategic role from its initial proprietary HR functional role. The analysis provided in this chapter can be used for further in-depth research work at a larger scale and at global level. The projections made in here are based on judgment & experience, any deviation from the stated is plausible.

Annexures

Annexure – A: DOMAIN MAPS DETAILS

HR Sub domains	Services Clubbed together
Organizational Design	<ul style="list-style-type: none">✓ Competency mapping✓ Job evaluation✓ Succession planning
Recruitment	<ul style="list-style-type: none">✓ Workforce planning✓ Executive search✓ Temp staffing✓ Screening
Compensation & Benefits	<ul style="list-style-type: none">✓ Rewards✓ Retirement✓ Health Care
Talent Management	<ul style="list-style-type: none">✓ Employee Engagement✓ Brand Building
Learning & Development	<ul style="list-style-type: none">✓ Training✓ Leadership✓ Orientation✓ Career Planning
Evaluation of HR effectiveness	<ul style="list-style-type: none">✓ HR audit✓ HR process Consulting

Annexure - B

SAMPLE QUESTIONNAIRE

1. Preferred qualifications of consultants in your organization:
3. Top 3 Challenges which Consulting organization may face in future
3. What % of revenue set aside for investment in training?
4. What are the methodologies adopted for training in your firm?
5. Top three challenges faced in capability building.
6. What is the emerging pattern of HR Consulting in India?
7. Please tick the (√) present and expected columns for the trends in each domain. You may skip a domain in case you feel that it is not feasible for you to predict a trend for the same.

		Present ↓	Expected ↓		
Domain ↓	Trends in HR Consulting domain ↓	Does it Exist? (Y/N)	Increase	Decrease	Remain stable
Recruitment	Cases of unethical practices				
	Consulting firms functional in sector specific recruitment				
Compensation & Benefits	Actuarial				
	Pay Equity/comparable worth Analysis				
Evaluating HR effectiveness	Workforce engagement to evaluate				
Strategic HR	Shift from transactional to transformational HR practices				
Learning & Development	Blue Sky training				
	Leadership development as a practice				
Organizational Design	Computerized Job evaluation				
	Organization Culture building & assessment				

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