

HR Consulting Trends 2011-2013



OPEN SPACES

CONSULTING. LEARNING. PEOPLE. STRATEGY.



OPEN SPACES

HR Consulting Trends

2011-2013

There is a need to stop and reflect at the slow but exemplary growth of Human Resource consulting as a profession and as an industry. An attempt is made to project emerging trends in key domains of HR Consulting for the coming few years.



The author is an MBA graduate in the field of Human Resources from the School of Business Management, NMIMS. She is presently working with ICICI as an HR management trainee and has worked for independent research projects under Open Spaces Consulting Pvt Ltd. Prior to that, she has industry experience of more than 3 years in IT sector.

There is a need to stop and reflect at the slow but exemplary growth of Human Resource consulting as a profession and as an industry. An attempt is made to project emerging trends in key domains of HR Consulting for the coming few years. A distinct combination of secondary research and experience survey was carried out to comprehend the phases through which the HR consulting industry has evolved.

Through this article we intend to give you a sneak peek into the inferences drawn at the end of the research.

This monograph is divided into two parts:

- a) HR consulting : The years bygone
- b) HR consulting: The years ahead

The analysis presented in this article is based on experiences and personal judgment of highly acclaimed HR 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 changing the legal and economic scenario. Secondary research was done through internet references and other research papers. A set of HR consulting firms were terrain mapped for the services provided by them. Six key consulting domains were identified and a survey was formulated for trend mapping. A set of experienced consultants were approached for their responses on which the second part of this article is based.

Several issues were pointed out by the respondents which the HR consulting industry is dealing with in the present scenario. Some of them are listed below:

- Increasing in-house Consulting by firms to save on costs.
- Lack of accreditation in HR Consulting.
- Capacity building constraints.
- 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.





1.0 THE YEARS BYGONE

Pre 1990

The concept of Consulting in Human Resources domain was rare at that point in time primarily because of the limited number and scope of functions the HR department performed. The HR role was typically identified as a conventional department doing all those jobs that were not able to fit anywhere else in a firm. In the first half of the 20th century laden with political instability, economic fiasco and wars, the biggest responsibility of the HR department was to work as a payroll department. It was during 1970's and 1980's that labor laws and employee relations were added to the functions of the HR department when it was named as Personnel department.

1990 -1999

The first 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. Several of the Consulting firms which are the major player today, started cropping up in this era. 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. Consultants were typically independent professionals engaging in recruitment of payroll services. OD interventions from consultants meant T-group based workshops focusing on behavioural aspects and work culture.

2000 -2005

HR Consulting industry grew to \$5.8 billion market in 2000. The Consulting business slowed down during the economic slump in 2001 and the HR Consulting industry lost a lot of growing phase. Trends that stood out were that of recruiting through referrals and on-campus, professional setting up their own recruitment agencies. 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 (Paul S. Adler, 2003, Making the HR Outsourcing Decision, MIT SLOAN MANAGEMENT REVIEW). Training became more skill-based and performance focus of HR was sharpened. Consultants were qualified professionals and experts for hire.

2005 – 2010

HR Consulting showed a significant growth during 2005 to 2007 when a large number of MBA's were recruited and a number of self employed consultants came into existence. Another setback followed in 2008-2009, leading to shrinking of HR consulting industry by approximately 20%. By 2007, 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 2010 according to the Plunkett research, the HR Consulting market will rise to be a \$21.4 billion industry. Talent engagement and employee retention emerged as the largely demanded services.

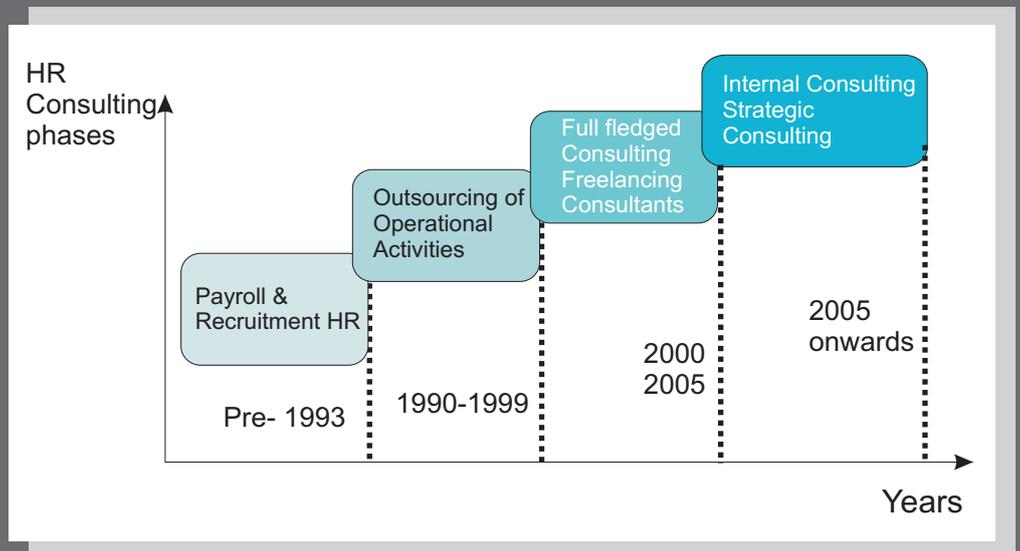
Post 2010

Early 2010, demands for HR Consulting were increasingly focused on elements that offer a measurable financial return. Revised regulations at US front promises to be the preeminent driver of client demand for HR Consulting. Looking ahead; we see fierce competition for firms as they develop their business. HR consulting is estimated to grow at a compounded growth rate of 3.9% 2011 by Plunkett research.

Emerging trends spotted are:

- ❑ Clients building their own internal Consulting staffs to save costs.
- ❑ Services for strategic HR and HR audits acting as a differentiating factor.

A summarization of the phases discussed above can be seen in the figure below.



Indian vs Global consulting





A list of top nine HR consulting firms at a global level were studied and then compared with a selected subset of Indian consulting firms. This subset was further a mix of large-sized, medium-sized, small-sized firms and independent consultants. (The terrain mapping is detailed in the base report).

Several differentiating firms factor came across when the consulting pattern was compared at the two levels. For instance, In comparison to the global Consulting firms, more number of Indian firms offered services in recruitment domain.

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

- Compensation & Benefit
- Learning and Development
- Strategic HR

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

There are certain domains where the global firms have a larger presence,

- Actuarial
- HR audit
- Workforce communication
- Labor Law Compliance

The following part focuses on the trend projections for the six key service domains provided at large by the Indian consulting firms.

Following is a snapshot of the interpretations of the survey responses for the overall Consulting domain:

- Revenues generation through HR Consulting is lesser than 25% for the larger firms whereas for the smaller HR Consulting firms it is 75% to 100%.
- Consulting through academic institutes and international Consulting are two emergent forms of consulting.
- Selling customized HRMS products such as HR portals or online software for processes like payroll.
- Build the employer brand can be an emerging service domain.
- Setting up of CSR policy and activities for a company will be seen as another service demanded & offered.
- 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 & benchmarking surveys

Six key domains that were identified through the terrain mapping were further explored. The salient trends that emerged are listed below:

Recruitment

- 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 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 offering targeted headhunting and searches services in the form of HR Consultants will be on the rise.



Compensation and Benefits

- Compensation and benefits may increase in value whereas it may increase or decrease in terms of volume of services offered.
- 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.

Evaluation of HR effectiveness

- 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.
- Parameters that can be seen as emerging criterion for evaluating HR are the financial outcomes and the customer profit model.
- Setting up of HR audit committees for the firms by the HR consultants, a service for which demand may crop up.





Strategic HR

- 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.
- Formation of HR councils for helping the companies to align their business strategies with the HR policies.
- In strategic HR domain, the dimension which may grow in importance is consulting on corporate performance.
- Use of HR scorecard within the context of Strategic HR may or may not increase, but will definitely not decrease.

Learning & Development

- Training will definitely grow in value with the coming time, but in terms of volume it may not increase.
- 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.

Organization design

- The domain will increase both in value and volume.
- 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.

3.0 CONCLUSION

For HR consulting to grow as a strong consulting domain in India, the first initiative should be towards building consulting capabilities. Accreditation of consulting firms is an issue that needs to be addressed at national level. The inferences drawn in this article can be used for further in-depth research work at a larger scale or at global level. More number of trend mapping exercises should be undertaken to keep a continual track of the evolving HR Consulting.





ANEETA MADHOK, PhD, CMC, GPHR DIRECTOR



Dr. Aneeta Madhok, is Director at Open Spaces Consulting in Mumbai, India. A global professional, HR systems expert, people person, creative thinker & writer, much sought after speaker, academician of repute, behavioral scientist and experienced trainer.

She has served the Management Consulting Profession as President of Institute of Management Consultants of India and is currently Chairperson of the Executive Committee (2009 2011) the International Council of Management Consulting Institutes which she undertakes in an honorary capacity.

Dr. Madhok is a recipient of the British Chevening Scholarship from the U.K. Foreign & Commonwealth Office. She has received the award for Best Faculty in Management from Bombay Management Association as well as NMIMS University. Her area of experience & expertise are in Human Resource & Organizational Development (with special acumen in Performance Management Systems, Behavioural Skills Training, Personnel Assessment, HRD Systems Design and Improvement) with proven success stories having provided various multinational, large & small enterprises with an innovative insights and solutions. Dr. Madhok is a Certified Management Consultant and a Master Trainer for the Global Professional in Human Resources (GPHR) Certification for the Society for Human Resources Management (SHRM). She is an accredited user of the Myers Briggs instrument of the Consulting Psychologists Press, and the DISC based assessment system of Thomas International.

Dr. Madhok qualified with an honors degree in Psychology from Delhi University and MBA in HRD from XLRI, Jamshedpur, and also has a PhD in Managerial Leadership from Punjab University in Chandigarh India. Her corporate career in India spanned over 12 years with the DCM Group's SRF Limited and FMCG major Marico and has worked in academics from 1993 to 2007 with NMIMS University as Dean of their School of Business and with SP Jain Center of Management as Dean, Center for Human Resources.

She draws upon ancient wisdom from India to throw light on modern day situations with clarity and conviction. Her approach has always been to create integrative and inclusive, holistic frameworks and perspectives for the work that she does. She is keenly interested in the ways that individuals integrate themselves with organizations and group dynamics in teams. In her research, teaching and consulting, Dr. Madhok looks for opportunities to translate management practice into theory and vice versa.

Dr. Madhok has consulted to the International Labour Organisation and has interacted in several national and international professional forums. She holds life membership of the Indian Society for Training and Development, Bombay Management Association, and National HRD Network. Dr. Madhok is also a fellow of IMCI and Sumedhas Academy for the Human Context. International memberships include Society for Human Resources Management, USA and Dubai Human Resources Forum



O P E N S P A C E S

Corporate Strategy and Human Resources is the key to building businesses that are vibrant, competitive and well integrated. Sustaining and growing businesses that endure over the long term and delight in the short term is one of the biggest challenges faced by companies in today's context. Open Spaces Consulting has been set up by management professionals to meet the needs of companies today for transforming organisations and meeting these challenges.

At Open Spaces we believe that People and Strategy come first in any business. Almost all business issues can be worked with at these two levels. Success comes from building perspectives that move the organization forward and up the evolutionary path and also comes through implementing solutions to problems that arise in the normal course of business. There is a role to be played by external consultants who bring an objective point of view, in the facilitation of such perspectives and solutions. We see ourselves as partners with our clients in their growth and development

Open Spaces Professional Development Series 001

OPEN SPACES CONSULTING (P) LTD.

Suite 102, Thirty Six, Turner Road,

Bandra (W), Mumbai – 400 050

Phone: +91 22 2640 0449, +91 22 3082 7139

Website : www.openspaces.in

Email: info@openspaces.in