

Becoming A Strategic Business Partner

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Historically, compensation & benefits department's have been professional bureaucracies. Their goal, to standardize processes used to compensate and provide benefits to employees. The strategy was to provide guidelines which when interpreted at the functional level, provided the organization with a consistent interpretation of how employees were to be treated. Tactics included development of policies and procedures that provided the organization with a highly consistent approach to these issues.

Departments were staffed with people who were hired to enforce these policies and procedures in pursuit of consistency. People were hired to focus on maintaining the bureaucracy and not necessarily for their ability to think strategically. In fact, employees were discouraged from going outside the bureaucracy to develop solutions. Often the bureaucratic rules took on an importance of their own as they became the final authority. Suggestions to circumvent the rules were discouraged.

Now the situation has changed. Compensation & benefits departments (along with the rest of human resources) are expected to be strategic partners with the organization. The focus now is on implementing strategies that support corporate goals and objectives where global

competitive thinking is required at all levels. If the old scenario can be equated to one dimensional problem solving, this new one requires problem solving on multiple levels.

The dilemma faced by many organizations is: Either convert the compensation and benefits department to a strategic business partner, or outsource the function and obtain state of the art professional bureaucratic processing from an outside vendor. The answer to this question is often found in their employee's ability to transition from a bureaucratic approach to becoming a strategic business partner.

Following are steps to making this transition.

1. **Evaluate how strategic the department is currently.** The question is how much time is spent on strategic issues versus handling the paperwork. The more time spent on paper pushing, the less time for strategic action. Administrative duties can always be outsourced, but strategic thinking will always be valued. With the development of new software to handle the mundane aspects of administration, it is very likely that more and more paper will be handled electronically in the future.

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Consider the dramatic impact that telephonic enrollments have had on flexible benefit plan processing. Both speed and accuracy have dramatically improved as a conclusion of automation while plans have become increasingly more complex.

2. Determine goals and objectives for the organization. Most employers are moving to eliminate activities not related to the organizations core competencies (Defined as those activities central to profit making ability). It is critical that the compensation & benefit department be in alignment with these goals and objectives and implement programs that will assist the organization in attaining their goals. Examples of goals and objectives typically found include, improving productivity (doing more with fewer employees), creating multi-dimensionally trained employees with transferable skills (allowing the organization to undertake new initiatives) and recruiting / retaining the right employees. Considering that organizations are having to compete more aggressively for a shrinking labor pool of highly trained employees, the best employees must be recruited and retained. Compensation and benefit approaches need to be based on a high degree of flexibility with significant employee appeal while driving corporate agendas.

3. Determine how to support these key core competency goals. It is no longer sufficient to meet minimum compliance guidelines as in the past. The focus must be proactive and future oriented, transitioning from measuring compliance to achieving results. A compensation & benefits model tied to achieving quantifiable goals in support of corporate organizational objectives must be developed. Innovation will be the key to unlocking success in this area. Approaches ranging from providing personal valet services (so employees do not have to spend valuable time picking up the cleaning, concert tickets, etc.) to benefit approaches that quantify the value of benefits in relation to cost and productivity will need to be implemented.

4. Establish benchmarks to guide performance. If you have a goal, you can measure where you are and where you need to go. The key is to monitor performance tied to organizational objectives. Historically, benchmarks were based on cost efficiencies (measuring cost on a per unit basis) demonstrating the cost effectiveness of one product or strategy compared to another. Now these benchmarks need to be geometrically expanded and tied to achieving more complex goals. For example, selecting managed care plans that are totally cost effective (lowest premium while also generating the fewest sick days in their insured population). Systems that evaluate new data extracted from multiple sources will have to be developed.

5. Reevaluate your progress. As organization's change their focus to take advantage of new or emerging opportunities, the compensation and benefits department must change as well. With the life expectancy of some software companies only 7 years, the market and how we do business will continue to change. The only guarantee in the future, is that the way things were done in the past is not the way they will be done in the future.

However, some things will not change in this new environment. For example, the organization still needs to comply with existing laws. In addition, determining the impact of proposed legislation will be important. However, compliance issues such as these will be a smaller percentage of the total work performed as the focus shifts to focusing on broader goals and objectives.

For some compensation and benefit managers, this transition will be difficult. For others, it will be exciting as new avenues of participation open and these managers assume a position of influence with senior management. What is involved, is a change in our paradigms. The goal of maintaining the bureaucracy must be replaced with a desire to find creative solutions within broad financial and legal guidelines in support of corporate goals and objectives.