

Executive Education

Point of View

HR – a glimpse of the future?

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Over the last decade or so, HR has striven to re-invent itself, spurred on by a number of key models and benchmarks which, over the same period, have become embedded as the central aspiration of HR functions all over the world. This undoubtedly increased the effectiveness and value of HR to business and saw the substantial growth of ‘strategic HR’ disciplines such as talent, leadership, engagement, culture and others. At the same time, under close examination of their cost vs. value equation, most HR functions leaned-up and re-structured. This saw the establishment of the HR Business Partner role, the development of Centres of Excellence, HR Helpdesks, Manager Portals and Shared Service Centres. These responses to the changing needs of business have definitely been positive for HR as a function but as business has become steadily more people-savvy, and with the increasing delegation of people process management to the line, there was always going to be a need for a re-examination of HR’s offer to business at some point.

However, the recent global financial crisis has without doubt catalysed a sudden shift in what business is looking for from HR and raised needs which challenge both the ‘hardware’ and ‘software’ which HR has spent the last few years setting in stone. There is a risk that some of the structures, skills, processes and tools which have been built could end up being white elephants, left high and dry by a sudden shift in the environment.

Those HR functions that can quickly and efficiently adapt what they offer and how they offer it to this new set of rules will potentially gain more credibility in the next two years than they have in the previous ten. Those who do not, or cannot, may well find their businesses considering fundamental decisions about the way in which it meets its HR needs going forwards.

So what are these new operating challenges for HR? Where have they come from and what could they mean? Over the past few years, four challenges seem to have emerged and grown from a distant hum to, over the last year or so, a loud banging at the door. They have been evidenced by, amongst other things, changes in the specification of positions and experience being recruited into HR, in the language of business being used in HR, the kind of questions and discussions taking place at conferences and the demand for service and knowledge provision from third parties.

Challenge 1: an integrated and prioritised organisational offer – beyond HR, to OE

What this could imply...

- HR must be able to develop strategies and plans which span all elements of organisation (structure, business processes & systems, knowledge, skills, behaviour) in an integrated way.
- Alignment, and even consolidation, of disciplines to service these organisational strategies eg: resourcing, talent, performance and reward functions move from ‘related verticals’ to ‘horizontally aligned’. HR staff must develop a broader knowledge of and perspective on these disciplines. For example, moving from running the performance management process to understanding how the management of performance and reward mechanisms work together to drive strategically vital behavioural shifts.
- The creation of ‘single doors’ for business into this offer. A move away from multi-person HR contact models and a potential re-structuring of how HR faces the business.

- A need for HR to talk about the value that it adds in a different, more joined-up and more tangible way. Less (micro) measurement of process compliance, more (macro) measurement of business effectiveness. Symbols such as HR Information Systems must reinforce this joined up view: integrated performance, succession and skills data etc.
- Traditional 'Hire, fire, pay, keep legal' HR offer may become a subset of a wider organisational effectiveness function – with the aims of (1) laying down capability needed to deliver strategy (2) maximising productivity and effectiveness.

A few illustrative examples...

- A global technology business asked HR to measure productivity across the business, create a link between revenue generation and total compensation and measure the alignment between the company's strategic priorities and the actual deployment of skills and resources. How many HR functions have the data or system capability to do this?
- Within a major name in Financial Services, the CEO's key requirement of HR was to drive the delivery of a 'high performing organisation'. The HRD and Head of OD were tasked with defining what this should mean. How does an HR function begin answering such a question?
- The past two years have seen an increase in the recruitment into HR of people with experience in the big consulting houses as a means of buying in breadth of business understanding. How many HR people can work with business processes such as Order-to-Cash, product/customer/channel/pricing strategies, IT platforms and operating models?
- A global healthcare name has six different organisational units who claim to provide 'transformational change support'
- I have seen an increase within my clients in the frequency with which talent, L&D, performance and resourcing disciplines report into an 'Organisational Effectiveness' function rather than direct into an HRD, so that their offers can be aligned in the context of the business strategy.
- Head-hunters report significant growth in the number of 'hybrid' roles which manage two or often more of these disciplines together. For example 'OD, Talent & Performance' or 'Leadership, Talent & Resourcing'.

Challenge 2: measurable impact in shorter timescales. HR must balance long term capability with short term performance

What this could imply...

- HR has somewhat cemented its structures and skillsets around two camps – a day-to-day operational offer and a 12-36 month developmental offer. Business still wants the developmental offer, but desires change in a 0-6 month time-frame. HR must bridge this gap in its offer, providing short term benefit in a long term context. This has both skill and structural implications.
- HR must evolve its approach to metrics, turning data into intelligence and having a deep understanding of the capability and effectiveness landscape expressed through new kinds of measures which are more commercial and which span the business

- HR must become expert in helping the business find sources of internal funding – using internal productivity improvement to fund a higher proportion of growth needs. HR must look at this like a profit and loss account and provide smart alternatives when business threatens to cut off its long-term nose to spite its short-term face.
- The concept of ‘specialist’ and ‘generalist’ will be challenged, as will HR organisational models which often keep the two deliberately separate. HR must find ways of bringing both skillsets together in the same space at the same time where needed.
- HR will struggle, because of the way in which it has managed career paths in the past, to find people who can balance operational and strategic needs in this way. This may mean an increase in people coming into HR from the wider business and a re-thinking of functional career planning.
- HR must give up the search for the perfect implementation and do the best it can, where it is, with what it’s got. This means prioritisation, pragmatism and practicality in everything it does.
- HR must better understand which short term activity is congruent with, or at least does not destroy, long term value creation and get on with it. At the same time, it must look at longer term activities and challenge itself to configure them so as to front-load benefits to a greater degree.

Illustrative examples...

- A technology provider needs to re-train its salesforce over a three year period, but needs to reduce costs in Sales by 15% over the next 6 months. How does the HR function balance these requirements to best effect?
- A travel business with 9% YOY margin erosion on core business needs to shift its operating model into higher value services, but is fighting to maintain share and volume on a day-to-day basis. How does HR design sales reward processes which support an increase in pushing value over volume into the future, whilst recognising the criticality of maintaining market share in the meantime?
- A global gas & chemical business is struggling with succession to the HR Shared Services Director position because the shared service ‘stream’ model tends to encourage depth versus breadth and, beyond a certain level, moving to another ‘stream’ is often not possible due to the level of specialist knowledge required. How can this be managed?
- One HR function has generated a kind of ‘current account’ which allows investment needs to be balanced off against a prioritised ‘shopping list’ of productivity opportunities. How many HR functions have this level of business savvy?
- I have seen a significant rise in the requirement for HRDs to have tangible OD and transformational change experience when these roles are advertised in the external market.
- Clients and members of the Henley Centre for HR Excellence report a steady growth in the strategic capability support requirement for HR Business Partners.

Challenge 3 : expansion of what are seen as the 'vital basics'. Effective provision of these is taken as read

What this could imply...

- Business fully expects that HR has no holes below the waterline in day-to-day business support areas such as resourcing, reward and performance management. How many HR functions can truly say that this is the case?
- What were seen as more strategic and forward-thinking activities in the past, such as talent management processes, are now simply considered part of HR's basic offer. How many HR functions can truly say that these approaches are embedded and working well at the present time?
- HR must stop 'process polishing' and strive to get greater business impact from more basic processes and tools. At what point should HR functions say that a process is sufficiently robust in terms of its design and move on to maximising its effectiveness in application?
- An understanding of best practice is expected as part of the basic service, not an activity which needs to be funded. How are we developing this external viewpoint in our HR workforce? How many HR functions have decreased, not increased, development spend on their people?
- There is an increasing desire for HR to migrate core processes and tools into a virtual environment in order to drive consistency and ease of access. How smart and consistent are HR processes vs other business areas such as Sales or Finance?
- HR must have solid, accurate and up-to-date people data at its fingertips to support decision making around the Board table and at all levels in business. Inaccuracy is not tolerated. HR must find effective ways to work with Finance around headcount and Wages & Benefits costs. Systems must track the right data and be 'sources of truth'. How many HR functions still spend considerable time and effort arguing with Finance over the right headcount number and cost allocation?

Illustrative examples...

- A globally-renowned business services organisation has devolved most operational HR activity to the line, with great success. Its HR function is there primarily to manage people or process change and is highly automated. As a result, HR is seen as the most cost-effective function in the business.
- A renowned UK Financial Services provider now only spends money on skills development *around* people processes. There is no formal training in basic people processes, which are positioned as part of a line manager's essential knowledge and accessible via the intranet. A tangible uplift in performance has resulted.
- In a restructuring following a merger, a global chemicals business bases OD in Finance rather than HR since the CEO feels that HR is not commercial enough to own organisational strategy

Challenge 4 : a more commercial, externalised and pragmatic approach. HR moves from process-driven to impact-driven

- Everyone in HR should understand how their business works and how what they do supports the creation and maintenance of a relevant and productive organisation which is driven by business need.
- Metrics relating to process performance become secondary to those which measure the impact on business performance. For example, knowing that we get back 94% of performance management forms on time does not tell a CEO if the change they need to drive is happening. Saying that these things are hard to measure will no longer be acceptable.
- HR is expected to be continually managing the cost-effectiveness of what it offers to business and what business pays for labour and services, creating an increasingly strong relationship with the Procurement function and an internal/external market perspective.
- There is a hardening of language surrounding HR disciplines, with a growing impatience for any over-intellectualisation of what HR provides, for example in the leadership space, or around engagement and OD. Can an HR function describe the contribution it makes outside of operational HR in a way that business understands and is willing to pay for?
- HR 'to-do lists' visibly replicate concerns around the Board table, contain no luxury goods, and are regularly re-examined for relevance, and non-aligned activities killed or deferred.
- HR is fully expected to service a business which is increasing in complexity whilst keeping costs at the very least flat. The need to continually do more for less in business forces HR to look much more to the 80/20, or even 50/10 solution, and to manage risk only where risk needs to be managed. This manifests itself as more pragmatic processes, a more targeted approach to governance and an increase in piloting or limiting the scope of implementations to those areas with highest payback.
- HR must be seen to be using the benefits of a business overview to put options on the table which the wider business has not considered, not just make the best of what it has been asked to do.

Illustrative examples...

- HR in a global car rental business uses six sigma methodologies to create tangible and statistically-sound links between HR activity and improvements in profitability and customer service on the front line. How many HR functions only measure the process, not the impact?
- An HRD in the Travel sector is asked to reduce headcount by 10% in order to meet a short term financial target. The HRD successfully influences the Board to instead simply defer the recruitment book by a single month, yielding \$3m of cost avoidance.
- A global insurer implements a new talent review process only down to Director level, rather than across all levels in order to balance speed and complexity with risk. The implementation is very successful at managing people risk, yet is achieved in a third of the time previously foreseen.

- A business operating in 140 countries globally decides to operate a business-wide management development programme purely in Sales for a period of 12 months in order to correct a skills gap ahead of a business-changing product launch.
- An HR function in a global technology business has reduced its operating expenses by 10% YOY whilst headcount has more than doubled over the same period.

So what can an HR function do to address these challenges?

HR capability has to have a more urgent feel to it in 2011, with gaps in HR's content, structure, process, system and skills offer needing to be addressed. Yet focus on HR capability is becoming a victim of the times. The recent Henley Business School Corporate Learning survey indicates that HR development has dropped down the priority list, with only 3% of organisations surveyed saying that it would be a first or second priority in 2011, versus 34% in 2010. It is vital in 2011 that HR keeps its focus on continuing to develop and transform. The following shorter term and longer term activities should be considered.

Short term:

- Focus on making HR's existing operational offer work smoothly and seamlessly, with as low an investment of time and cost as possible.
- Re-examine all activity within HR and prioritise business critical activity with the aim of doing fewer more important things, quicker, cheaper and just well enough to make a difference.
- Introduce metrics relating to productivity and effectiveness, which both identify opportunities and track trends and progress, at overall functional and key activity levels. A move from process measures to impact measures.
- Tidy up people data to support short-term decision making around structure, costs and resourcing.
- Examine ways of easily simplifying HR's interface with the business and display an integrated organisational perspective which is visibly linked to both short term financial performance and longer term strategy delivery.
- Assess the capability of those in key roles requiring hard-to-find skillsets such as true strategic perspective, pragmatism and an ability to balance thinking with doing.

In parallel, be looking ahead to

- Consider whether the way in which HR is structured makes sense against these changing needs. Is it too fragmented, with too many internal interfaces and too much 'glue'? To what degree do roles overlap? Is it clear who the wider business should talk to? Do people understand their roles?
- How can we create 'horizontal' connections between 'vertical' people processes such as resourcing, talent, performance, reward, engagement etc which provide simpler, more integrated and aligned solutions at organisational level?
- How are we developing skills in HR? Are we reinforcing a fragmentation or siloing of skills? Are we low on strategic ability? Can our people operate in more than one dimension? Can people both think and do? What does this mean for HR career pathing and recruitment?

- Do our HR Information Systems need an overhaul to put us on the front foot? Do we know who is working where, on what, how well and at what cost? Do our figures tally with Finance?

These are the questions which once likely to be asked of HR in 2011 and beyond. It seems that it is time for HR's next transformation, building on the good work of the past decade, but recognising that things have moved on and that fundamental questions must now be faced up to.

This change must happen quickly. HR will need to live the values of the post-downturn world – speed, pragmatism, tangibility, impact – in its own evolution, or else risk being left isolated in a business world which has to get on with things with or without its help.

If HR can pull this transformation off, then the kind of work which happens within the function will be genuinely business-critical and offer both enormous opportunity and challenge for those who want to, and are able to, work like this. HR would be a place where a connection with business strategy and performance was immediate and tangible, where an overview of the business and its operating environment was a daily requirement, a home for some of the most complex and challenging activities within an organisation and some of its most highly-skilled people.

HR has the opportunity to become **the** place to work in business; a fantastic entrée into the realities and complexities of corporations, a breeding ground for developing leadership essentials such as judgement, strategic agility, pragmatism, for understanding how the different elements of a business work together in the delivery of strategy and a testing ground for those already at leadership level. Will it rise to the challenge?

Nick Kemsley



Nick is a highly experienced HR practitioner having had responsibility for organisational development, resourcing, talent, performance and L&D functions in three major global businesses; Travelport, Prudential and BOC/Linde, as well as cutting his HR teeth in European OD & Management Development at Mars. Most recently, Nick was Group Vice President, Organisational Effectiveness for Travelport, a global, private-equity owned provider of technology solutions and services to the travel sector with a presence in more than 140 countries worldwide. His role was to develop the organisational capability required to deliver strategy, whilst at the same time maximising efficiency and productivity. By contrast Nick spent the first ten years of his career as an engineer engaged in project and business management for world-classes businesses such as GE, GEC-Alstom and Rolls-Royce Aerospace.

Nick has leveraged his eclectic sector and functional career to build an industry reputation as someone who challenges both HR and the wider business to think differently and as a creator of innovative thinking in the organisational capability arena. He frequently speaks and writes on the subject and delivers open and bespoke development programmes for Henley. As Co-Director of the Henley Centre for HR Excellence he contributes to its research and activities for members as well as providing expert input to bespoke Henley programmes for corporate clients.

Point of View

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