

## Configuring HR for Tomorrow's Challenges

“HR’s role is to understand the business and its external environment, ask challenging questions and bring innovative solutions to business problems.”

**Alistair Imrie, Group HR Director, BAE Systems**

# Executive Summary

Some HR executives in progressive organisations are exasperated or bored by the long-running and backward-looking debate about whether HR drives performance and improvement.

## What's the issue?

There is an ever-changing 'new business world' that HR must understand and make sense of. The purpose of this report is to indicate how progressive functions can raise their sights and be ahead of the game, working with the CEO and top team

The bar of required HR expertise is moving ever upwards. A tsunami of events and uncertainties is creating relentless pressures on leaders, the workforce and HR.

As technology drives new business models and ways of working – and globalisation adds layers of complexity – managers need more help than ever to see beyond task requirements and operational pressures.

## HR under pressure

For years, HR has been under pressure to become more efficient and add more value. Long-standing angst is felt within HR about its position in the corporate pecking order, and the difficulties it feels it faces in tackling poor people managers.

Critics have seen the function as overly process-oriented, fad-prone, insufficiently business-focused, poor at customer service, and timid in the face of challenges.

Some HR executives in progressive organisations are either exasperated or bored by this long-running and backward-looking debate. They feel confident that they are central to driving performance and improvement. They do not wish to be held back by the slower ships in the HR convoy.

## What's the solution?

### 1 Re-frame HR's purpose

We conclude that HR should re-define its purpose as 'organisational effectiveness' – creating a high-performance work environment, not just high-performing people.

Its objectives should be framed using three lenses - sustaining current performance, stimulating and guiding improvement, and driving and designing transformational change.

### 2 Re-focus HR's portfolio

HR's portfolio of activities should reflect demonstrable business priorities. Important roles to fulfil are

- business problem-solver, organisational architect, workforce planner and resourcer
- talent manager and capability raiser, performance management expert, change agent
- collaboration and innovation facilitator
- engagement champion, employer brand manager and culture guardian.

### 3 Re-skill HR people

HR urgently needs to tackle its own talent issue. This requires culture change within HR, and a more demanding capability framework that highlights business knowledge and organisational effectiveness skills.

Emerging from assessment and development processes should be a slimmer but far higher calibre function – and one that high achievers will want to join because of the rewarding work it does.

### 4 Re-define responsibility for people management

A people governance structure should be adopted that defines

- managers being responsible for 'doing' and engaging
- HR as guide, goad and guardian of quality
- a calendar and process for developing a compelling people strategy – no longer a separate HR strategy, but owned by leadership as part of business strategy

The HR director is pivotal in positioning and leading a business and future-focused HR function which is efficient in operation and effective in delivering value.

- measures for the effectiveness of both managers and HR.

A continuous drive to strengthen managers' people skills is essential in areas such as performance management, feedback, capability development, and understanding organisational effectiveness.

### 5 Re-shape HR's relationships

There are three critical relationship areas for HR to work on.

- HR and managers – co-creating more effective ways to get the best out of people, rather than HR just telling managers what to do.
- HR directors and CEOs/top teams – the ideal HR director will not only drive functional renewal but will be expected to improve top team effectiveness, and play an important role in advising the board.
- Within HR and head office – ensuring collaboration between parts of HR, and also helping head office functions to work together as a joined-up team.

### 6 Refresh HR processes

Our research indicates that people processes need to be designed with more rigour – backed by evidence that they really work – and tied more directly both to corporate goals and the needs of managers/employees to perform effectively.

Therefore, all important processes should be mapped – and their rationale, owners, customers and success measures identified. There should be a strong focus on measurement and evaluation to underpin all HR activities, supported by developing better HR analytics capabilities.

### 7 Re-align HR professional bodies

HR professional bodies need to raise their sights if they want to be seen as leading, not lagging, in raising HR standards and calibre. They should work with leading HR directors and progressive organisations to create a new 'tipping point' to improve HR's reputation.

### CEOs and investors

As the appointer and 'line manager' of the HR director, CEOs must understand what an effective HR function and HRD looks like. That includes being up-to-speed with future-facing concepts about structure and roles, as described in this report. CEOs must also be conscious of their responsibility as role models for effective people management.

Investors should note the mismatch between in-depth discussion of how progressive HR can drive value and the low level of interest taken by financial analysts, whose research often appears flimsy. We recommend a higher degree of understanding of what creates long-term value in organisations, and also point to HR's responsibility for providing convincing data about capability and resilience.

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