

Re-Inventing HR Newsletter

27th October 2015



The Human Resource function requires an extreme makeover driven by the need to deliver greater business impact and drive HR and business innovation. Once designed as a compliance function, today's organisational HR must be agile, business-integrated, data-driven, and deeply skilled in attracting, retaining and developing talent to solve business and performance issues.

In a recent survey conducted by HRC Associates, "A Review of the HR Function" in Trinidad and Tobago (August 2015), most CEOs and CHROs described the HR function in their companies as "strategic" and saw the HR function as a "Value Creator" as opposed to a "Cost Centre". We take this to mean that HR professionals should be integrated with the executive team to create people strategies that deliver tangible results.

The cover of the recent Harvard Business Review, July-August 2015 edition, had the provocative title: "It's Time to Blow Up HR and Build Something New", containing articles summarizing the sentiments of a number of academics who study and write about business, and debating whether we should do away with HR. The debate arises out of serious and widespread doubts about HR's contributions to organisational performance. They see HR as often ineffective, incompetent and costly, and quote critics as saying that "HR managers focus too much on 'administrivia' and lack vision and strategic insight". Indeed, more than half (55%) of Surveyed CEOs in Trinidad and Tobago are generally dissatisfied with the state of HR in their company.

Most international experts posit that the following six areas are the most critical and key points for the HR profession today:

- Managing Talent
- Improving Leadership Development
- Managing Workforce Demographics
- Delivery on Recruiting and Staffing
- Managing Change and Cultural Transformation
- Enhancing Employee Commitment

Furthermore, our survey results showed that local CEOs and CHROs see Recruitment, Talent Retention, and Employee Engagement as impactful HR issues, and most of the discussion amongst CEOs and CHROs focus on these matters. However, CHROs are not walking the talk, spending most of their time (apart from recruitment) on administrative and compliance issues; IR matters; payroll and benefits and straight administrative work. Managing change, cultural transformation and leadership development do not enter the conversation in most cases.

The competitive forces organisations face today, and will confront in the future, demand organisational excellence – the work of HR. People are the source of sustainable competitive advantage and all organisations must take the re-evaluation and elevation of the HR function as a matter of survival.

The question is how does one accomplish this!

There is a widespread consensus that the HR function must be redefined, and that the skills and competencies required of the CHRO and HR Staff be comprehensively overhauled.

Chief Executive Officers (CEOs) are a major force for change. While in many cases, CEOs see change as focusing on cost-cutting in response to crisis situations, change in fact requires new ways of organising and managing people - and, more often than not, neither the CEO nor the CHRO is up to the task. Therefore, real and sustained organisational transformation never happens. Most CEOs see human capital as a top challenge, yet are distanced and often dissatisfied with their CHROs and the HR function in general, while at the same time rank HR as the least most important function in the company.

It is up to the CEO to elevate HR and to bridge the gaps that prevent the CHRO from becoming a real strategic partner. In an article entitled "People before Strategy: a New Role for the CHRO", Charan, Barton and Carey (Harvard Business Review, July-August 2015) propose a new role for the HR function and suggest that managing human capital must be accorded the same priority as managing financial capital. To make the CHRO a true partner, the authors suggest creating "a G3" – a triumvirate at the top of the corporation that includes both the CFO and the CHRO. They see this as the best way of linking financial metrics with the people who produce them, signalling to the organisation that you are lifting HR into the inner sanctum and the CHRO's contributions will be analogous to the CFO's.

Elevation to the top of the organisation requires a shift in the HR profession from administrators to strategic advisors. HR professionals must understand the language of business, speak in financial terms and express the value of their work in relation to impact on the bottom line. HR professionals must not only understand the business, but must also know how to develop and execute strategy.

All CEOs (100%) in the Trinidad and Tobago Survey agreed that a head of HR should have previous line or business experience. However, most CEOs (67%) do not see their CHROs as potential candidates for the role of CEO, and similarly nearly all CHROs (91%) do not see this role for themselves. The major reasons cited by CHROs are not having the necessary business experience, or interest in the position.

A major problem relates to the way the role itself evolved. Most professionals who come through the HR pipeline have not acquired these necessary strategic skills. Too often CHROs manage with "ambiguous authority" – waiting for the CEO, or some remote, culturally unaware, regional HR Executive's directives instead of setting the agenda.

CEOs on the other hand are rarely experts on workplace issues and in many firms CFO and CIOs and their teams are the ones wrestling with data to solve classic HR problems relating to talent management and productivity issues. So the HR team must be capable of showing the CEO and other Executives what they should care about and why. That means articulating on every people-related topic relevant to the business – layoffs, recruiting, performance management, compensation and benefits, talent management, culture, etc. A lack of business insight leaves a gap in terms of predicting, diagnosing and prescribing actions that will increase business performance. The question remains how to shift the HR profession from Administrators to Strategic Advisors.

To make a successful transformation, the HR function will have to shed its traditional administrative, compliance and service role and adopt the new strategic role concerned with developing the organisation and the capabilities of its leaders. This new role requires people with different professional outlooks, skills and identity. HR requires first-rate analytical minds, comfortable with business financials and analytics. The process will involve a number of steps:

- Design the organisation's HR to deliver solutions with HR partners skilled to analyse, consult and solve critical business issues.
- Create a business-integrated knowledge base of HR specialists embedded into the business and coordinated through a strong network.
- Attract talent and leadership with rigorous assessments and create a magnet for strong leaders.
- Invest in HR development and skills as if your business depends on it – because it does.

CHROs must be given rich opportunities to learn by more exposure to the line and business side, coaching, and inclusion in strategic discussions. Some CHROs will rise to the occasion; others will fall by the wayside.

As Executive Recruiters, we have found the hiring of CHROs to be the most difficult Search Assignment. The supply of talented candidates is just not there. We have been recommending that clients choose their CHROs from amongst the brightest currently in line-management positions, while at the same time exposing aspiring HR professionals, who are 2-3 levels down the range, to business and line opportunities. This does not happen overnight - it will take at least 3 to 5 years to bear fruit.

The transformation of the HR function requires a bold approach. The Board, CEOs and CHROs must all take the initiative. A new vision of HR must be communicated throughout the organisation, and top managers especially must understand the critical role the HR function must play as a source of sustainable competitive advantage and as an agent of change.