

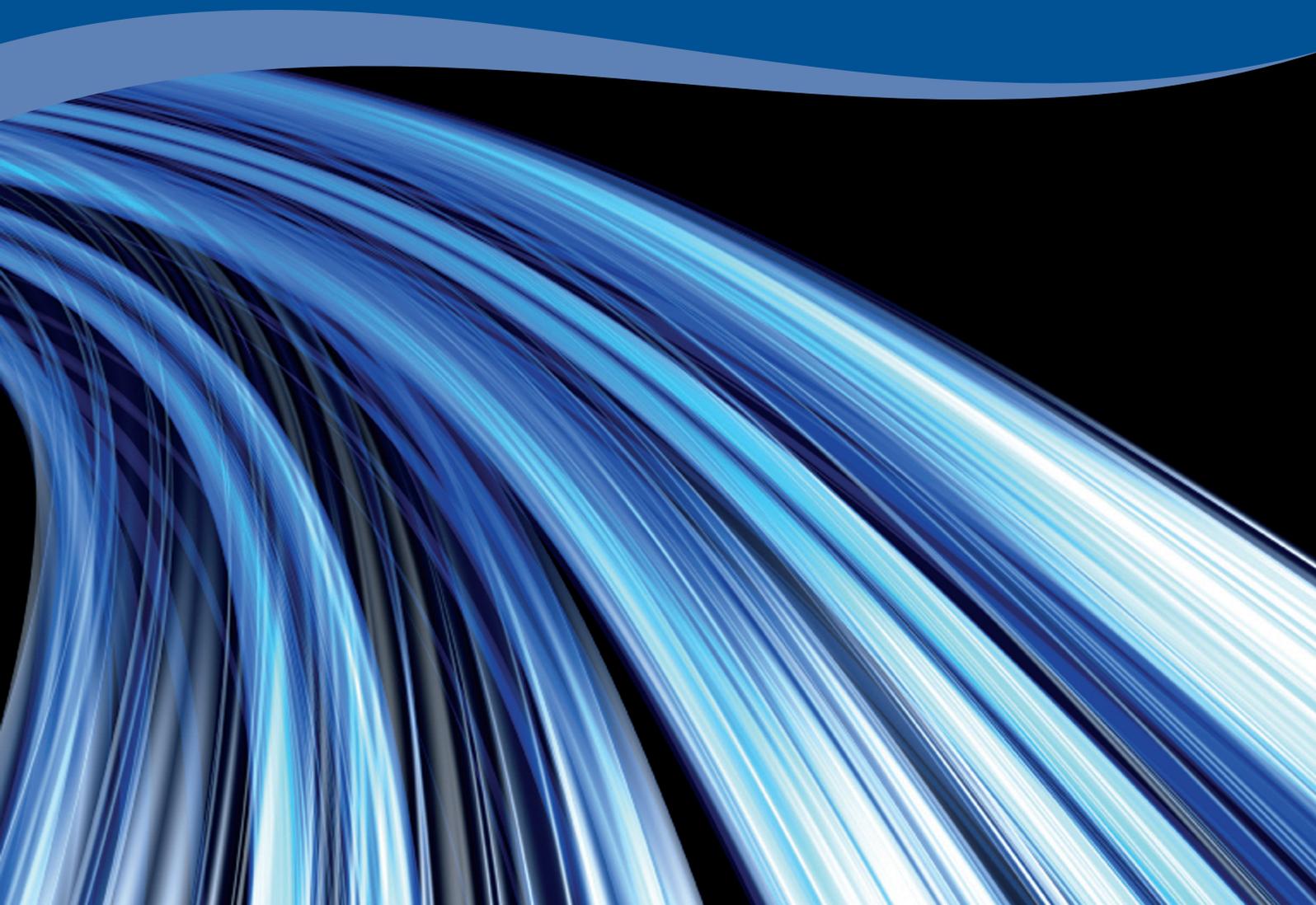
Research

HR after the recession

A study by the Henley Centre
for HR Excellence

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Every year Henley carries out two major pieces of research under the auspices of the Centre for HR Excellence, based on feedback from our members on the issues that are foremost in their and their customers' minds. In 2009 we looked at how HR was reacting to the then current recessionary climate. In late 2010 we looked at what HR had learned and how it was applying this to the recovery.

We interviewed:

- 13 organisations from the not-for-profit, manufacturing, communications, travel, pharmaceuticals, professional services, IT, software and telecoms sectors
- 30 in depth interviews conducted by 4 interviewers
- 20 senior HR professionals and 10 senior line managers

The organisations



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Key findings

As with the concept of the 'recession' so with the 'recovery'. Different organisations are having very different experiences. It is critical to respond to this reality – not the headlines.

For many organisations restructuring, the need for creative solutions to maintain engagement and other responses to tough times gave many HR functions credibility and relevance beyond their administrative role and a 'place at the table'. Unfortunately we have found too few HR functions building on this and many have sunk back into their traditional role and relationship with the business

If they are to build on the opportunity HR functions need to redefine the skills they require – focusing more on the strategic and commercial capability to understand the organisation and deliver relevant products and services that support the strategic agenda of the organisation.

The danger is the growth of e-HR, service centres, help lines and functional specialists has taken many HR people out of day to day contact with the organisation making it more difficult to see and feel the implications of this agenda.

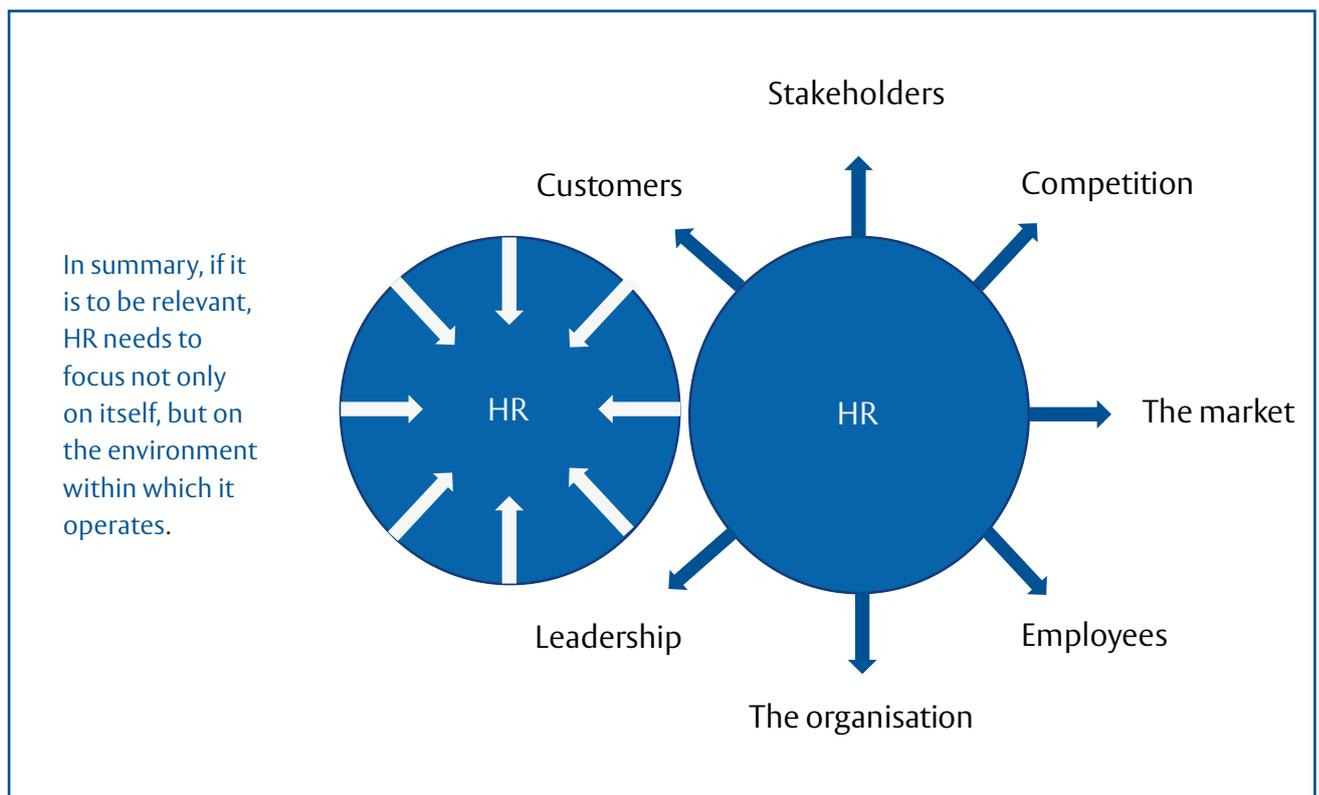
Those that have moved forward have excelled in four key roles:

Maintenance – retaining the focus on cost and productivity across the business.

Underpinning – providing support and challenge to the business.

Restoration – rebuilding trust and engagement after the tough times.

Building new – refocusing on the future and building a growth-oriented capability.



The nature of the recovery

‘We thought the recession would end earlier than it has and we haven’t planned too well around that’

In our last research project we found evidence of the ‘phoney war’ analogy and a feeling that any changes were driven by other organisational or market initiatives. This time some companies felt that changes came from long-term strategic initiatives and that they had not been through a recession.

Last time some organisations reported that recession had hit them and they had had to take tough actions but this time they reflected these actions had worked, they were now in good shape, but they were having to deal with the aftermath of those actions.

‘Now in the upturn – 2010 was a very strong year. We have a huge recruitment drive - it is a challenge to build up the recruitment function. The recruitment levels are the highest in ten years.’

The recovery is patchy, for some they have yet to see a recovery, for others recovery is evident in some part of their business but not others; for example the Far East and Australasia/Pacific areas are buoyant in contrast to US and Europe.

‘We are recovering globally and Eastern Europe is trailing. Asia’s growing, US slowing down, Western Europe not in full recovery. Europe and the Americas are a different story. See moments where things are turning around and then we are back in the middle of it.’

Other organisations may not have managed as well as they hoped

‘Last year we made main targets overall, 2010 we thought we were going to do much better and recession would end earlier than it has and we haven’t planned too well around that.’

For many whether they are still facing recession is driven by the external context as well as their immediate customers.

‘Not sure there has been recession; it’s partly true but I’m not sure either that we are post recession! Our xxxx business is less impacted but you can see actions taken by certain governments.’

‘Definitely a sense of cautious recovery, but getting back there. The big question that we are asking everybody is ‘are we in for a double dip or not’? And how far will all the public sector cuts, , how much will that hit us?’

This suggests that organisations are more at a convalescent stage than fully recovered. Some, although out of it and thinking they have survived well, can foresee going back into recession again i.e. a double dip, especially in the UK with public sector cuts still to come. In many companies this also mirrors last year’s findings that what was being done was more a result of other drivers than just the recession so for many recovery is not a relevant consideration. For example:

‘We have perhaps not had the same impact as we have foreseen for some time the hole in our 2012 pipeline and had already embarked on a cost saving programme which has included redundancies, outsourcing of some areas.’

‘We are undertaking a big transformation programme in finance but this is more to do with making sure that we are in good shape for the future – fuelling growth.’

‘Acquisition drives the HR activity – on top of the day job – it shows what we do as HR, needs the same support and energy irrespective of the numbers involved.’

What has HR been doing to support the recovery and the implications for the business?

The questions have been combined to shed light on what the role of HR is seen to be.

Last time most organisations were taking the opportunity presented by the recession to review costs, efficiency and value and to refocus which for some meant reorganisation and redundancies. For HR the focus was on enhancing performance management and also areas such as talent retention, workforce planning and engagement. They were involved in recruitment, staffing levels and communications and a few continued to invest in training and development. There was a general recognition that there was a need for good quality data to support fact based decision making. More generally, HR was continuing with key administrative activities.

Line colleagues felt HR needed to be closer to the line and agreed with the focus on skills, retention and engagement. However they were concerned about the increasing focus on costs and that HR should be providing the balance, reminding people about building future capability rather mass redundancies and actions that will damage longer-term prospects.

This time HR has been involved in four distinct areas, the first two of which are an extension of what they were supporting in 2009:

1. Maintenance

Responding to the cost focus of the organisation as it has responded to recession or other crises.

For many this has meant looking at the cost of salaries and benefits and resulted in pay freezes and reducing benefits as organisations have focussed on the bottom line:

'HR has to work on revenue and cost very hard. Better times allow HR to work on longer term revenue, in hard times HR works on steady cost management, in really hard times have to do both.'

'there has been an erosion of benefits, and you can see things being withdrawn and pay freezes. Not sure those are HR or general business decisions - but people tend to associate them with HR.'

It has also been about headcount control:

'Main function has been headcount control and we are expert at moving people out.'

And doing the 'tough stuff'

'Dealing with the tough stuff is what makes HR good. When HR is doing the hard stuff that people don't like to raise and manage through those processes then HR are tremendous value. It's not the conscience; it's the difficulty of dealing with tough stuff.'

'HR tend to get involved in the nasty stuff now.'

And doing it with less people

'Better times allow HR to work on longer term ... in hard times HR works on ... cost management, in really hard times have to do both'

'HR itself has gone from 1200 heads to 500 so we are still adjusting.'

often with inappropriate experience

'a lot of HR people have grown up in very specialist areas and that is a challenge for them moving into HR generalist roles.'

2. Underpinning

Many HR people saw themselves in supporting and helping roles, some of which were picking up the pieces as they supported business change.

'our major purpose is to support all the business functions to further reduce costs'

'They need to take stress out and bring energy in.'

'Support and challenge, another view that is well informed and credible.'

More specifically they saw a role in supporting change, leadership development and coaching:

'HR's role is coaching the leaders through it ... It's supporting people with resilience programmes, managing performance i.e. anything to do with managing change.'

Seen as a people stewardship role by some and in the opposite management corner by others:

'HR is what we will do to help you ... We are the people stewards – if we take out the transactions what is our role?'

'Managers see us in their corner rather than the employees.'

Not all HR was there to support as there was also a role in challenging and directing the organisation:

'an element of helping that to happen ... and partly to define, so it is the two, it shouldn't just be finance directing the business.'

'HR needs to be doing the right thing, challenging the thinking – are you pipelining the right talent? Line management thinking is more short term so pushing them on talent development.'

3. Restoration

Part of 'picking up the pieces' can also be seen in the area of dealing with the consequences of pay freezes and uncertainty as the general economy picks up, this also encompasses much of the implications for organisations. Retention becomes an issue as key employees think about moving organisations and with the demise of accrued benefits younger employees also see little reason to remain:

'employment brand and retention become more important but don't have any money to throw at the problem. Need different non-financial ways of doing this'

Also the rebuilding of employee engagement and dealing with the loss of trust.

'Potential loss of trust is an issue. There is less binding of an employee to a company when it seems you are getting no pay rise – regardless of external factors. There is potential for disengagement.'

'Much more engagement as it becomes very, really clear - increasingly people are the difference, it is about engaged and motivated people.'

'In terms of keeping the talent that we have – well I think it comes back to the need to focus on engagement and to rebuild trust'

'psychological contract changing. We have been taking benefits away from people and this isn't something we have done in the past. People are questioning why they put in discretionary effort.'

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This has also been seen in terms of the employee proposition and employer branding:

'Clear about the employee proposition. People don't leave for reward but do for career progression. So we need to be telling them,'

But branding might not be in HR

'That's why we are looking at engagement and attraction. New head of corporate communications is looking at employer brand and external attraction.'

4. Building new

The implications of the upturn brought out the need for HR to be building new skills and capabilities through recruitment, acquisition, development and talent mapping

'Recruitment – we weren't as fast as a click of the fingers but we are getting there ... generalists will carry on being close to the business as acquisitions carry on – we are onboarding whole teams and embedding new cultures.'

'We will also get involved in restructuring ... and motivating retained employees as well as bringing in new skills and retaining talent that you don't want to lose.'

'preserved our work on talent and we have a management leadership programme [which] we have kept going and we continue to feed people into the pipeline. We have almost got an embarrassing amount of riches.'

'focus more on strategic support for the business – to be more forward looking in e.g. organisational design and key talent mapping.'

'we need real plans to understand where our key talent is and what we are doing to manage their careers and hook them into us for the right reasons.'

'Developing the career landscape with job levels and career paths.'

'We need real plans to understand where our key talent is and what we are doing to manage their careers and hook them into us for the right reasons'

Other areas that provided a thread throughout were those of **change management and employee relations** – both in terms of communications and industrial relations. Change management was seen in the context of organisations changing their business models and HR dealing with the consequences. This was seen as part of a continuous improvement process.

'We have looked at it from the perspective of continuous improvement in our change management capability; for us it's continuous change and becoming more nimble in our responses.'

Employee relations:

'[Industrial Relations] is much more informal and collaborative. We always had a lot of that behind the scenes going on and then we would play out the ritual. And actually in trying to kill that ritual and to build on that informal stuff and do it in a more respectful way. And generally we did very well this year.'

'it depends how emotionally attached they are to the business. That goes back to communications and giving them a vision and making them feel welcome.'

Many were still reflecting on what they have been doing in the recession as they do not feel they are out of it.

'Our turnover numbers were at a record low. We used the opportunity to build trust and as long as performance was OK we paid bonuses. As we come out of recession we need to leverage this.'

We have also observed a focus on **rewards and benefits** in particular.

After the pay freezes of the previous period, organisations seem to be

'In terms of keeping the talent that we have - well I think it comes back to the need to focus on engagement and to rebuild trust'

seeking to move to a more cash-oriented pay strategy. Several have cited benefits coming under the scrutiny of senior management who have been gradually dismantling them along with pension schemes.

'Reducing international assignments, visibility of pay and conditions will become under the microscope.'

Employee engagement remains a strong theme. Whereas in the recession employee engagement perhaps took on more a flavour of being a way of doing more with less, it has now been viewed as part of retention.

'Developing a high performing culture based on engagement.'

'In terms of keeping the talent that we have – well, I think it comes back to the need to focus on engagement and to rebuild trust.'

'One of things is engagement with staff. The moment the market picks up then talent will start jumping. Previously every company was unstable so stayed with us – that won't carry on ... so engagement will be key.'

'...dilution of engagement scores and this is something that we need to be worried about and respond to.'

For some companies engagement was talked about as a measure of how people were feeling especially as benefits have been eroded alongside a pay freeze for many.

In other companies engagement is talked about generically and accepted as part of good management practice, mostly in terms of building trust and in building strong leadership but with HR appearing not to take an active part:

'we are trying to push responsibility for building trust (empower, engage and develop) onto the line.'

'we need to think about the impact of new leadership styles and how this might affect performance and engagement and work to support that.'

In many organisations engagement is synonymous with communication:

'central leadership messages, internal communications and understanding. Employee engagement and communications are very important.'

'Real engagement is about talking, listening and shared solutions now more than ever.'

Some organisations mention planning for engagement and how they are involving line management:

'all our line managers have engagement plans and we have a quarterly senior leader update. This focuses on what does engagement mean (and we may have to revisit this going forward) and what are you doing to maintain / improve it. We talk a lot about engagement ... it's a critical part of the management agenda.'

Some provide a little more detail of the activities to build it

'equipping managers with the skills to lead in a context of change when they have been used to doing so in a buoyant and steady state environment ...leading through engagement.'

It is interesting to note the links between engagement and employer branding through retention:

'need to keep people engaged ... may have to build one element – while cutting back on another to fund it. This implies employment brand and retention become more important but don't have any money to throw at the problem. Need different non financial ways of doing this'.

The other implications included the need to consider flexibility in the sense of agility as well as work / life balance.

'Creating policies that allow us to be flexible, more specifically one size fits nothing. How they grow will be different.'

'People re-evaluating what they want from employment, they want a career, flexible working life, good rewards.'

Another area has been the implementation of shared service centres and e-HR:

'set up shared services. We have reduced HR resource so HR has less time to talk.'

'The shared service centre allows us to scale - everything is online.'

The role of HR

In the previous study HR reported in the main that it now felt that the business really valued its input as it came into its own as 'admin expert' and as the 'hard stuff' was needed and had proved itself. However, this time, as one respondent commented

'they were too busy managing the recession and redundancies and lost speed in picking up recruitment needs as recovery came.'

This is perhaps the biggest concern coming out of our research. The recession made HR more relevant as the business turned to it for advice in its specialist areas of expertise, 'keeping me out of jail', while the business was downsizing. We heard time and again line managers saying we really need HR at our elbow. We also heard time and again the line bemoaning the fact that HR was focused on its own transformation, exploring its own navel when we it needed to be focused on the business. We hear, from most of the line managers we interviewed, a disappointment that HR hadn't built on this position to become relevant at any stage of the business cycle. It feels to us like a lot of HR people missed the bus, failing to build on their relevance during the recession to demonstrate their ongoing relevance during the recovery. What was perhaps most disturbing was the gap between HR's self perception and the view of the line.

In describing what they had been doing to support the business very few HR respondents saw their role as being part of the strategic process or directing the business and it was mostly absent from the conversations – strategy was mentioned by only two respondents. The language of 'being close to' or 'aligned to' the business rather than being part of it also demonstrates the separation of HR in the minds of both line managers and many HR professionals.

'Line takes responsibility for business performance; HR takes responsibility for capability development.'

'their role in the recovery period is very tactical, about keeping our resources working hard and motivated.'

'we are closely aligned to the business and expected to contribute and understand the P&L. We struggle with the lack of commerciality. We can miss our way with being a business partner and employee advocate.'

'We also heard time and again the line bemoaning the fact that HR was focused on its own transformation, exploring its own navel when it needed to be focused on the business.'

'It is an admin role.'

The line are expecting HR to take this role and the pressure is coming:

'they don't provide any proactive support to the business – I would expect finance marketing and operations to get involved.'

'I see the intent but I don't see the delivery. HRD needs to get the organisation to see criticality of developing talent.'

'they will need to be able to prove that they are adding value.'

'The strategic piece is the weakest and is probably the hardest to do here.'

'Where I see the biggest gap in HR is around what I call strategic perspective.'

There were two or three exceptions – though they came from respondents in HR:

'Our regional HR managers have taken the opportunity and stepped up to it and their reputation is quite a lot higher as a result of it, not in every case but overall I'd say we are seen as a genuine strategic business partner.'

'Naturally, I think that HR is a strategic job and that we should be operating it as such.'

'Some VPs think they don't need HR because they are not having the strategic conversations so we do need to focus on that. These are the perceptions that I would focus on changing but not sure that we have a real plan to do that.'

There is a sense that in many companies that HR is being prevented from being strategic by the business demands placed upon it. There is the rhetoric around wanting HR to be at appropriate levels but then not willing to take the consequences.

'Most business leaders would say they want us to be as strategic as possible and they want us around the decision making table. They want talent management, succession plans, strategic capabilities and then when you say you have to phone a call centre or we will have a standard process or there will be automated emails, then that becomes difficult. They like the hand holding personalised service.'

However this could also be an excuse as there is an element of HR wanting to stay reactive and there is recognition that this is possibly their tactical comfort zone?

'enhancing manager accountability for their people responsibilities rather than relying on HR which will allow us to make further headcount reductions and force HR to rise out of the tactical and focus more on strategic support for the business - to be more forward looking in e.g. organisational design and key talent mapping.'

The advent of service centres and e-HR seems, in some instances, also to have led to the distancing of HR and the demise of the business partner role:

'It's more having someone you can talk to about people issues who really understands the other person you are talking about because they have some interaction with them added a lot of value. The lack of this now is a reflection of having moved to this service desk model where they have taken out the business partners.'

'Most business leaders would say they want us to be as strategic as possible and they want us around the decision making table. ...then when you say you have to phone a call centre or we will have a standard process or there will be automated emails, then that becomes difficult. They like the hand holding personalised service'

'A lot of our business partners are having to adjust to new ways of working now that we are outsourcing and for some of them it is way out of their comfort zone'

and further respondents in the same organisation corroborate this to the extent that

'We have reduced HR resource so HR has less time to talk and listen to individual employees and leaders ... We have no time, we have increased distance and we have standardised.'

There is also an element of resentment by the line that they are now doing what was previously done by HR:

'all I have seen recently is a withdrawal of services... I can see the intent but they have to see they are preaching to people who are now doing what was previously done by them.'

and this also demonstrates that the line perhaps wants to keep HR in the 'admin expert' role:

'I do value HR helping administer the admin systems. I don't value the road that gives me infinitesimal control of the systems because frankly it falls on the manager. It's a delusion that it helps the manager, it confounds the manager. I'm paid £120k and I'm an expensive and not effective PA.'

However in some cases this could be a strategy for forcing HR to adopt a more strategic role (and perhaps more profoundly its lack of understanding of its role in people management):

'more into self service and enhancing managers accountability for their people responsibilities rather than relying on HR which will allow us to make further headcount reductions and force HR to rise out of the tactical and focus more on strategic support for the business.'

In the previous report it seemed in many organisations as if HR had gained the respect of its line peers in helping them achieve what was needed to respond to the recession, working alongside them as part of the same management team. However it would now seem that HR has not capitalised on this and remains focussed on short-term reactive tactics, rather than taking a proactive role as part of the decision making process that ensures organisations are able to meet future challenges. It is as if having been successful in fighting the recent fire they have gone back to the station to clean the engine while waiting for the next call.

Is HR responding effectively?

The response to this question was mixed as summarised simply by 'yes and no'.

'Yes in that they are very close to the business, fantastic that they understand the markets and are part of the team and challenge the business to ensure they are thinking about people. No - the central policies, one size fits all - have to be more flexible e.g. in recruitment.'

The changes that have taken place over the recent past in terms of adjusting to new ways of working and having less people have taken their toll on how effective HR feels it can be and line managers' perceptions.

'a lot of our business partners are having to adjust to new ways of working now that we are outsourcing and for some of them it is way out of their comfort zone.'

'all really stretched as we are very lean and there is an awful lot of change.'

‘Where HR is a clear member of the management team and talks about business issues rather than HR, they are also seen as effective’

The line responses range from disparaging:

‘HR has the worst reputation in the company in terms of organisational effectiveness. They start from a low basis of expectation ... Functions don’t trust HR to deliver’

to effective:

‘HR is responding effectively and they have done a solid job responding to all manner of things.’

For the HR function reviewing itself there were issues of speed and agility:

‘Maybe needed to have responded quicker in some areas.’

‘stayed close to the business to try to react as fast as possible. In a recession we are very agile in an area of comfort but not so comfortable in new areas.’

There are occasions respondents have been pleased with what has been achieved:

‘Overall we have seen phenomenal reductions with no IR issues and our attrition is down – at a macro level we have done well.’

‘it has been a fantastic opportunity for HR and I think we have been exceptionally effective actually based on feedback, blowing my own trumpet, I think it was helpful that we started from the point of view, that HR was already held in a reasonably positive light.’

But effectiveness is not just down to HR:

‘No and it’s not only HR. The role the function plays is good but the answer cannot come only from HR. The role of the leader and the communication function is critical.’

and it is for others to judge

‘I do think HR is responding effectively for the first time. I do think we could do more about communicating it clearly rather than in HR speak. In a sense this is for organisation to judge.’

And it depends on what part of the organisation:

‘...mixed reaction. The managers think we are fantastic value and support for them. The employees - I don’t think they get it. They didn’t get a bonus / pay rise this year. Sales just see the bonus.’

Overall HR seems to be effective in the tactical ‘hard’ areas, which are in its ‘comfort zone’ and as expected in its functional expertise such as in operating the HR processes. Conversely where HR is a clear member of the management team and talks about business issues rather than HR, it is also seen as effective.

‘Having a HR function which can be strategic is really needed for a complex global business like ours. General managers can’t get the necessary visibility and scale that HR can.’

Where it is seen as particularly ineffective is when it has been internally focused on ‘HR transformation’ or restructuring rather than supporting the business or in activities where it is seen as inflexible or risk averse.

‘Net result is on many occasions overly cautious e.g. on headcount reduction we go into a spin about processes, consultation rather than getting on with it. HR isn’t responding effectively.’

The other issue that emerges again, as in the last project, is where HR has downsized dramatically and finds itself stretched or has moved to a service centre or outsourced model. The main differentiator would seem

to be the action orientation of HR which accords with the view of Gratton and Truss (2003) in their research, those that are seen to take action, with the resources and the organisational support to take it, are able to be more effective than those focussing inwardly or without the management capability.

'No and it's not only HR. The role the function plays is good but the answer cannot come only from HR. The role of the leader and the communication function is critical.'

'There is also the lesson not to get too fat and happy in the good times'

Lessons from previous recoveries

Once again we found little evidence of reflection on lessons learned. Perhaps people are too busy, busy, busy to stop (many people reflected on the value of the interview itself as a rare opportunity to stop and reflect) and think, though for many people the recovery had not yet started so they still focussed on lessons from previous recessions:

- 1 Thinking carefully about where to make cuts**
'In past we have taken too many front facing junior people out – this time deliberately targeting a more senior level.'
'We can't solve everything by taking out heads.'
- 2 Redundancy is not the only solution and only short term as will be hiring the same people back quite shortly**
'If you aren't careful you end up with people back in having paid them loads.'
and will have lost loyalty especially as benefits have changed
- 3 Expecting high turnover as soon as the economy picks up**
'Be prepared for higher turnover as we come out if the boom comes back so we have improved recruitment capabilities.'
'Market was buoyant around recruitment. We need to be smarter about how we recruit – if we want to hunt and attract right people we need to use technology (Facebook and Linked in).'
- 4 Thinking about it as continuous improvement**
'It is in our DNA to review continuously - we are constantly re-engineering our processes.'
'not allowing people to think that we have had a period of change and now we are going to have a rest from that change. That sense that it is continuous and it may not be a recovery, or recession or any of those.'
- 5 The importance of working across functions not in silos**
'Collaboration between functions is key.'
'Consistency and flexibility. They want to involve us – we have now educated them to talk to us right at the beginning – we need the skilled people to have that conversation.'
- 6 The need for agility**
'In general terms the need to be agile – to be quick with direction, being specific, having a sense of direction.'
'We are expected to be able to turn on a sixpence, we don't have the experience or the ability to see 6 months ahead.'
- 7 Not to get fat/ flabby in the good times:**
'there is also the lesson not to get too fat and happy in the good times.'
'Not allowing the number of jobs to creep back again is the most obvious one, where we were before, not allowing the creep, not allowing the flabbiness.'

What should HR focus on and what does this imply for how HR is structured?

When asked what HR should be focussing on there was surprisingly little commonality from HR people unlike last time when facing recession and other changes in the marketplace. The line however were more consistent in their views. From the line's perspective there was an area of getting the basics and specifics right such as performance management

- *'They have to get the basics right. This is critical particularly when you are moving to a different delivery model.'*
- *'low level HR services which do all the transactional services around e.g. putting through pay rises.'*
- *'More rigorous in performance management.'*

Another theme emerged on HR's role in challenging and looking further ahead

- *'would like them to be more challenging to board and senior management on people issues and to be less compliant.'*
- *'start to look longer term.'*
- *'HR have to provoke and challenge. We need different players we are now in the premier league and need to bring in new players.'*

Other areas included specific issues such as employee engagement, recruitment coaching and development.

For the HR respondents there were almost as many issues as there were people, the most common theme was on the need to take a longer term view demonstrating the awareness of their strategic role:

'...would like them to be more challenging to board and senior management on people issues and to be less compliant'

- *'Main focus should be maximising performance for the business. Taking the longer term view such as looking at our skills and capabilities and whether to buy or develop them.'*
- *'HR should only do things that support the business strategy and put efforts, resources and design in those areas the business is growing rather than traditional ones.'*
- *'HR should be focusing on more strategic interventions but in order to do that effectively we need to build better relationships with the business.'*
- *'the main thing is that it has reinforced the strategic partnering focus, it hasn't meant a radical restructuring of HR ... how much of the admin stuff can we simplify, reduce.'*

The others have surfaced a wide variety of issues some that may reflect particular specialisms and roles but equally demonstrate the wider issue of not being aware of business strategic needs. These ranged from structure and systems solution to the 'soft' issues of OD and organisational effectiveness, to the people processes such as recruitment, succession, training and development.

- *'HR should focus on organisational effectiveness and I am really coming to believe that engagement lies at the heart of this. My personal view is that at some point in the future HR will be renamed Organisational Effectiveness.'*

‘We aren’t good at focusing on what is really important and identifying the critical 2-3 indicators and tracking them’

- *‘Need to focus more time and resource to train and enable managers to be better people managers.’*
- *‘Do need to have the transactional activities but also very important to work on learning and development, talent review, reward, change management and OD, rewards recruitment and shared services.’*

The diversity of issues that HR feel they should be working on reflect the differing contexts of the organisations represented and the focus and structure of the HR functions. It is more likely that the line is consistent in their view as they would only be interested in the areas that affect them such as the main HR processes such as talent management, performance and engagement.

Have people processes changed?

On the whole any changes have not been dramatic, more ‘tweaking’ and for many organisations the upturn has not affected them. The two main processes that have been brought out are recruitment and reward which reflects the discussion earlier in the interviews.

Recruitment is an area which presents many organisations with problems due to scarce skills and expectations of the graduate workforce which has led organisations to be more creative about the ways they access the market and rethink sources

- *‘we know we are going to have to be slicker as the economy improves.’*

Rewards have changed, as discussed earlier, especially in the benefits field as pension schemes and other benefits have been diminished, although there have been concerns raised about the impact on retention that this will have.

Other areas raised included:

- *‘Investing in HRIS for the first time really underpins all this. Previously we have always had a problem with data – knowledge is power!’*
- *‘We now provide debt counselling, more communication, the engagement survey.’*
- *‘The traditional workforce vs. Gen Y is fluid and what are they looking for? How should we use technology to engage them in communication- central leadership messages, internal comms and understanding? Employee engagement and communications are very important.’*

What gaps does HR have and what new skills are required?

For most participants there were common areas they could identify as gaps in capability: commercial acumen, data analysis, project management and risk management. Many of them also identified other areas, many of which were linked such as the lack of financial skills when talking about data analysis.

‘We aren’t good at focusing on what is really important and identifying the critical 2-3 indicators and tracking them.’

The other major area recognised was developing more strategic skills

where there is recognition of the need to give people different exposure to develop their wider skills and some perspectives on what that entails:

'Where I see the biggest gap in HR is around what I call strategic perspective in order to work with: short medium and long term, ambiguity and strategy ... I think we ask a lot of HR people by developing them through the transactional route and forgetting they need additional capabilities that we may not have given them the chance to develop. We need to develop flexible, strategically savvy people who can work with ambiguity and use solid judgement.'

'Some people spend too much time in HQ and should spend more time in business and in the field.'

'We need to have better relationship building skills, a more commercial outlook, the ability to work at a more strategic and future focused level so that we can support the business more effectively.'

'Gaps will be around, business knowledge, strategic reward, leading change, maybe international knowledge, possible consulting skills – asking the right questions to understand a situation, diagnosing that situation, coming up with possible solutions and finding the resources to deliver them.'

Line managers echoed the same gaps such as data and financial skills;

'It feels difficult to get to any metrics without taking an age and the stats being wrong. To have inaccurate statistics that aren't really usable is a constant thorn in the side.'

'but when briefing my team on supporting HR contacts I do have to prepare them to walk HR through the financial implications prior to the sessions and to ask probing questions about value - so this lack of commercial knowledge does make life more challenging for my team.'

Other areas where the line see gaps in capability include scenario planning and change management;

'We are very backward looking rather than future modelling (e.g. workforce planning). Without that predictive instinct it makes my job very difficult.'

'I wonder how many people in HR are trained to execute change management. They are very good about selection etc but how many could drive a change programme – I can almost hear them saying that is a business not HR role.' (Interesting to contrast this with Ulrich's four boxes)

What line management is looking for is people:

'Being more confident about putting forward their view on new HR matters and asking questions where they really don't understand some aspect of the business.'

'Understanding the business context, participates in the debate, adds to the decision making, and bringing the people element to the fore and listening is critical.'

Another capability recognised the importance of systems:

'Our technology is useless – we are Neanderthal in our HRIS. This is already a limiting factor and will become increasingly so. We are underinvested in HRIS.'

The capability gaps outlined in the responses reflect much of the discussion in the rest of the report. It highlights the lack of business skills, experience and capability which perhaps explains why HR has not built on the respect it gained in the recession; to become a natural part of the strategic decision making team, unlike their finance and marketing colleagues. This lack of skills and capability comes either by not having recruited or developed them or losing them through downsizing and outsourcing. As a result it is difficult in many organisations for HR to perform the business partner role.

'Some people spend too much time in HQ and should spend more time in business and in the field.'

Conclusion

When you look at what it does and how HR sees itself, only a few teams have taken the opportunity to take a strategic role in the current situation be it recovery or still in recession. There is evidence that HR recognise's the need to be more strategic and that it ought to be focussing longer term, which is also picked up by its line colleagues. It has found it difficult to find the time to take on this role when faced with the more immediate tactical needs of a demanding business whilst at the same time shrinking the function. Alongside this, many HR functions do not have the appropriate skills, experience and capability. There is indeed a growing question whether HR should be first or last to go through transformation within a wider business context.

There are HR teams within organisations in our study that have found it easier than others and have used the changing context to demonstrate their value to the organisation and played a role in setting the direction for the future. HR has demonstrated that it was able to prepare the organisation to meet the recession effectively from the people perspective, or to be in a position where the recession did not affect them and are now preparing the organisation for the 'upturn'. These are also the ones where HR is an integral part of the senior management team. Theirs is the rhetoric of business and they are clearly contributing at a strategic level whilst many of the others still use language that separates them from being a valued part or partner in it.

'Theirs is the rhetoric of business and they are clearly contributing at a strategic level whilst most of the others still use language that separates them from being a valued part or partner in it'

For the others, however, there is an increasing separation of HR from the everyday workforce – partly through delegating people processes to the line and the gradual increase in outsourcing, e-HR and service centres. This means that there are fewer touch points with the business and this includes the areas where HR people have generally felt comfortable i.e. the traditional people processes and practices. This leaves them remote and isolated, with little opportunity to develop an appreciation of the business and its issues at the traditional entry level, especially as line managers have the everyday interaction with people in these areas. Coming into HR as specialists equally means that they have little opportunity to develop an appreciation of the business issues at this level as they will be focussing on their specialism rather than developing wider business skills. As a result they remain remote. In many ways some people are building a wall or even rebuilding the silos.

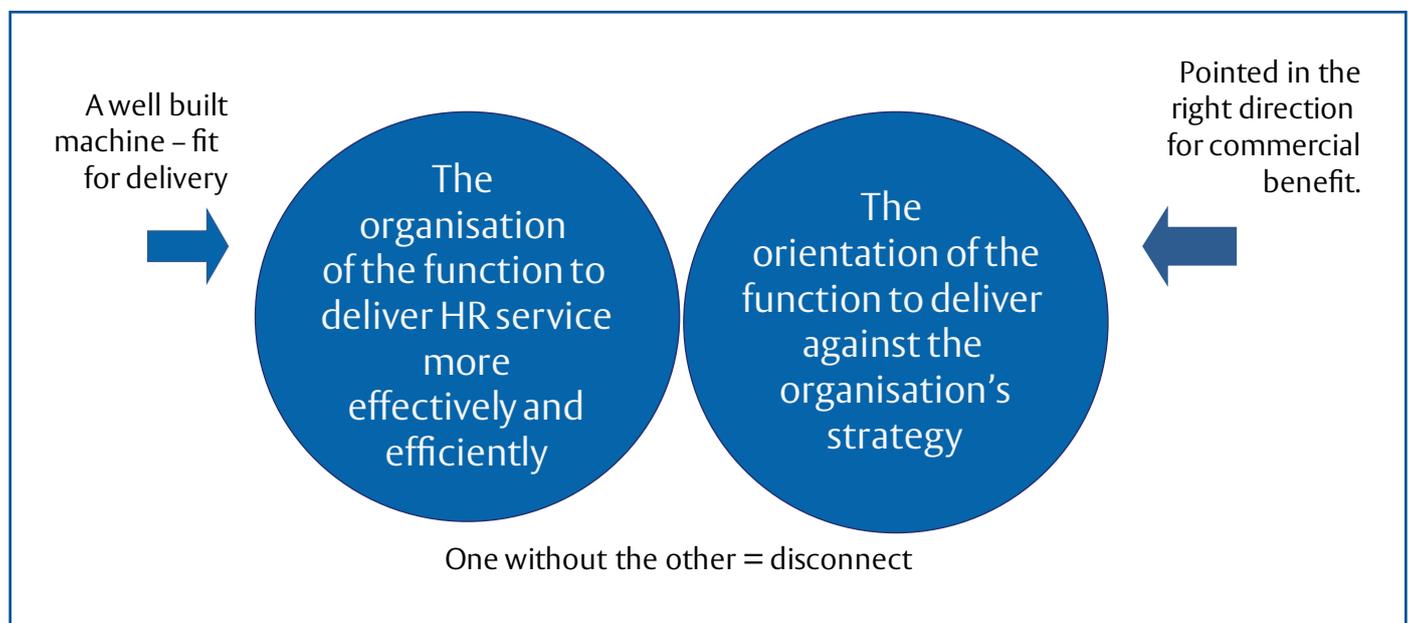
Everything seems to be stacked against HR. It must seize the opportunity and create the right environment, as it does in some organisations, to be seen to be in touch with the business issues. This was the opportunity that the recession offered. HR is in danger of becoming irrelevant if it remains sidelined; focussed on its traditional areas and comfort zones. HR needs to attend to its own development, talent management and pipeline, as well as the business. It is essential that it provides the balance to busy line managers focussed on their bottom line and the short term, so that HR can seize the high ground with confidence and be part of the future agenda of organisations. Ideally we should not need HR in organisations but until line managers and leadership automatically think about people when they make decisions, we need to be there.

‘The recession provided the opportunity in a crisis to build a reputation for delivery in the reactive areas that HR knows best, but now it needs to look forward and work proactively with their organisations at a strategic level to meet the challenges of the future’

To be credible business partners HR needs to be able to recruit and develop those business and strategic skills and the confidence to use them. There is a potential cyclical issue that if HR is to be a respected profession that attracts those with the capability and the ambition to become a true strategic business partner then it has to continue to demonstrate its value to the business and be visible. The recession provided the opportunity in a crisis to build a reputation for delivery in the reactive areas that HR knows best, but now it needs to look forward and work proactively with its organisations at a strategic level to meet the challenges of the future. It needs to be inside the team and contributing to the debate rather than called in afterwards to deal with the consequences. Perhaps we need to think about HR’s brand - let alone an employer brand.

In reading this report it is very easy to think ‘we’re OK, we’re in the credible box’. Only you can know the answer to this. However we found a big divide in many organisations between the views of the line and HR’s self perception. In many cases HR continues to look inwards either in its view of itself or in its focus on transforming the HR function. It is critical it understands how the organisation views HR and what the organisation needs from HR. We agree that HR needs to build its own effectiveness but if HR is not focused on the needs of the organisation and the realities of ever tougher markets there is a potential disconnect and the danger of a slow slide into irrelevance and outsourcing.

An effective HR team focuses on making a difference to the business not simply ‘doing HR stuff’.....



We would like to acknowledge Conor Molloy at BAT’s contribution to this model.

White Paper

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