



WHAT'S HR
GOT TO
DO WITH IT?

Rethinking HR to improve
business performance

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Rethinking HR - what are the three steps to transform the HR function so it drives business performance?

The age old debate about what HR is and what value it adds continues to rage. Topics include its presence as a processor or strategic partner and what is right or wrong in terms of its design and placement in organisations.

It is a debate that as a younger HR practitioner, I had no idea really existed, and one that I largely felt irrelevant as my path of good fortune, filled with strategic thinkers and business savvy mentors unfolded.

It was during a series of tiny-aircraft regional flights, on a project that I'd been assigned last minute change management responsibility that a perspective changing conversation with one such mentor occurred. We'd been musing over the perennial HR dilemmas and discussing the frustrating reality that businesses consistently

Her point was searingly honest and made much of the prior decade make sense. It wasn't that I didn't get the reality of prioritising the industrial relations function over the training department when pennies were tight. It was that I hadn't really considered how we, as a HR function, understood where the sweet spot in our service offerings lay between being the workforce police and driving the execution of organisational strategy.

The process of discerning what we should be was the one that no one seemed to pay much attention too.

A seat at the table

For much of the last two decades, HR conferences have been filled with speakers calling for HR to get 'a seat at the table' – the C-suite table – the table where the Organisational Strategy is determined and driven.

The call never fails to bristle my back – not because I disagree that this is where HR should sit – but because just getting a seat at the table isn't enough. To get a seat HR needs to earn a seat. And to earn a seat the HR function needs to have more to offer than keeping the business and its leaders off the front page and out of jail. The "Finance is there so I should be too" argument just doesn't wash. Most HR Leaders get this.

The complexity that large enterprises face, ironically, is engaging the Executive in a dialogue, a process, which moves their internal perception of what HR is and where it should sit in a manner that moves the whole organisation forward in its maturation (change management job anyone?).

So why does this conversation matter?

a) How we perceive HR -> influences how we use HR

Competing definitions of the role of the HR function mean that the way we make decisions is limited by how we perceive HR. If we see HR as a conformance monitor then we underestimate the critical role strategic HR has on business results. For optimal performance, an organisation's adopted philosophy of HR needs to be closely aligned with what the business is trying to achieve¹ - there really is no one size fits all.

b) How we use HR is an investment -> and we should expect a return

Most organisations expend close to 60 per cent of all costs on their workforce. A recent PwC report found

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continue to skimp on strategic workforce interventions (such as well-resourced change management) to their inevitable detriment and typically nasty financial pinch.

"There are two types of HR people Fleur. The ones that keep you out of jail and the ones that nurture and grow your business for the future. When times are tough, who do I lose first?" ...lightbulb moment!

that approximately two thirds of total Commonwealth and State Government corporate services expenditure in 2014 was allocated to employees and contractors, regardless of entity size². Like any investment, that sizeable chunk must be subject to sophisticated analysis and management to ensure a return on investment.

As with all large complex and adaptive systems, the way HR is viewed by the CEO and other executives comes down to a few major factors. Key among them are:

Organisational Maturity

Whether the enterprise is emerging or established is highly relevant in answering the question - what value can HR add? Even the newest organisation is impacted by the prior experiences, biases and views of its leaders.

At the end of the day, what the Executive and Management believe the HR function should be is what it should be ... until HR can show them differently. It is critical to define current organisational expectations of the HR function through a meaningful dialogue in order to engage the business where it is and support it on a forward journey that adds value.

So often we hear executive teams tell HR to 'stick to their knitting' – it's usually a big red flag that the basics aren't meeting expectations and there's not enough trust in place to scaffold the next stage of development.

HR Maturity

Whether it's a product of recent lean times or the evolutionary path of a business, in many cases a HR function that keeps you out of jail, pays you and helps you with recruitment is one that most managers and leaders can know and love just for these things. If HR is enabled to it well, they're the folk that everyone knows and don't want to be without. Left to do it poorly and they're likely among the faceless 'bloody HR' people typified in water-cooler jokes and Dilbert cartoons.

Of course, vast numbers of organisations have HR functions that offer infinitely greater contribution and expertise than this and are already highly valued 'at the table'.

However, it's the HR functions somewhere in the middle, and the businesses that pay for them, that need help.

Capability

As we work with organisations striving for optimum business performance, we see them grapple with:

- articulating sharp and impactful strategy
- establishing the systems and processes to enact this strategy, and
- designing interventions to support the business, systems and people change necessary to achieve a return on investment

These are the biggest challenges they all face. If we accept them as common concerns then a long hard look at the capabilities required to ensure the business succeeds in these areas is required.

The contemporary and mature HR practitioner moves beyond the facilitation of strategy sessions to contribute, as an equal participant, wise perspectives about the risks and opportunities for the enterprise in its market. They do this from an informed position about what it will take to move the internal mechanics of the business to the required state necessary for successful execution of the strategy.

In the past, HR practitioners who were considered 'well rounded' could simply tick off each stage of the hire-to-retire lifecycle as part of their kit bag of capability: recruitment and selection, induction and on-boarding, remuneration and benefits, policy and procedures, employee/industrial relations, workplace health and safety, training and development, and perhaps performance management and investigating naughty stuff.

As HR functions have matured in their contributions they've increasingly added areas like retention, culture and climate, executive leadership, diversity and inclusion, social responsibility and possibly strategic and business planning. All of these areas must be excellent to optimise performance of the enterprise.

These things are all part of the 'basics', that business have reasonably come to expect to be done well without a song and dance.

But the two areas of expertise that rarely rate a mention in HR circles and are vital in engaging the business are those of Project Management and Business Improvement.

With the emergence of strategic Chief Information Officers, Enterprise Program Management Offices and increasing systemisation of organisations in response to calls for improved governance, HR cannot afford to lag behind. In fact, mastery of business change and agility is possibly HR's greatest opportunity in a long time to get ahead of the game.

What HR has by virtue of its heritage is the ultimate focus on people – this is always the hardest part of the change equation. However, the language of large enterprises has changed – if HR can't speak 'Projects' and 'Governance', it can't have a voice, even if it's given a seat.

Volatility of resourcing cycles

The other influential factor here is the relative stability (or absence of it) in an organisation's ability to resource its HR function. As the economic context continues to stifle confidence and the political arena offers reliable change and disruption, businesses are rightfully wary of creating large internal functions with frills. The pressure on leaders to return benefits to their stakeholders – be they commercial or social – has never been more keenly felt.

Mastery of business change and agility



**is HR's
GREATEST OPPORTUNITY**

These dynamics place pressure on the Board and Executive to keep things lean and agile in HR. Mature and high performing HR teams know that staying strategic, delivering the basics well and creating flexible service delivery models are key to growing and shrinking in times of expansion and of frugality.

LANGUAGE OF LARGE ENTERPRISES
HAS CHANGED if HR can't speak



This reality necessitates a HR function that looks different to those most leaders have known in the past.

A critical task in defining the future is agreeing the specific design principles for an organisation's HR function. Cannings and Hills (2012³) suggest that contemporary HR functions must go beyond compliance, to include delivering:

- value for money
- contribution to organisational goals
- improvement on the effectiveness of an organisation
- alignment within the culture and practices of the organisation context, and
- stability in workforce management especially during turbulent environments

Transforming HR

The journey from 'Personnel' to 'Partner' in creating the future looks different for every organisation. Embarking on the transition and choosing to pay for more than just the team that keep you out of jail requires a jolly good reason. But just as the challenge has been extended for HR to become skilled drivers of business change, the opportunity to engage in this dialogue often lies in the learnings (or outright diabolical failures) of other parts of the enterprise.

There are few large organisations that have not felt the pain of a failed IT implementation. Experts warn the cost

worldwide to be in the order of \$US3 trillion annually, which is 4.7 per cent of global GDP, or more than the entire economic output of Germany⁴. One high profile failure was to the tune of \$1 billion, spent by the US Air Force⁵.

Few have not experienced the drastic drop off in performance bought on through a merger, acquisition or poorly executed restructure.

Most businesses can tell you where they have a couple of people tripping over one another or leaving gaping chasms in responsibility at the executive table. It is a rare enterprise that has not experienced increased external scrutiny of its governance and the consequent explosion of internal red tape in response.

In 2015, University of Melbourne and of South Australia researchers found that organisational change agendas were impacted by employee cynicism but that this can be offset by the role of HR⁶. When HR undertakes a strategic change agent role (over an administrative expert role), change is less likely to generate change cynicism. Organisations need to enable HR to adopt a strategic change agent role.

The opportunity for HR lies in making a difference by relieving some of the financial and delivery performance pain through well designed and executed mitigation and management strategies that target the workforce and align with the business strategy.

Being 'allowed' or 'invited' to make this difference requires that the organisation engages in a conversation about how and what specifically HR can assist with and the process of discerning what HR should look like when it's grown up.

Phase 1: Know where the start line is

It is our experience that many organisations assume that they know what talent they hold in their HR functions. The assumptions are based on their preconceived notion of what fits in HR. In reality, Universities have been turning out HR and Business graduates for decades with a picture of themselves that is so much larger than the hire-to-retain lifecycle.

Ironically, these people get shown the ropes and start to shrink their world view in line with the expectations placed on them in the role they attain – stretching the boundaries is hard in isolation. The executive team

doesn't want to hear about 'best practice performance management' or 'psychometric testing' if it's going to cost them money and make zero difference to their burgeoning problem with red tape. The HR grad learns that the business isn't willing to invest in contemporary practice and shuts down. The business ends up paying more than it should for paper shufflers and the best and brightest leave.

Another common experience is that much HR work gets done across the business by non-HR folk, not as a result of deliberate end-to-end process design, but in patches of process duplication that have emerged organically as a consequence of a feeling that "if you want something done you'd better not ask HR!" This stuff costs dollars. Sometimes big dollars. And it's another opportunity for HR to evolve to be more efficient, effective and strategic going forward.

The important first steps in getting more from HR in the future is knowing who in your organisation is skilled across the full range of contemporary HR capabilities, knowing what services HR thinks they're providing, what the business thinks it's getting and how satisfied are HR's customers.

Phase 2: Know what success will look like

Given that all organisations' business strategies are different, if we hold the assumption that a mature and high performing HR function exists to support the execution of the strategy, it must also hold true that the best design for HR in any business will also to a greater or lesser degree be unique.

We would not suggest for a moment that delivering the core functions aligned with the hire-to-retain lifecycle don't have excellent precedent and benchmarks for size, capability and output worth using. Nor would we suggest that there is nothing to learn from best practice – using this data should form an essential part of the dialogue that needs to occur in determining the right size, shape and service offerings required from your HR function.

However, HR's service delivery model should be built in response to a clear set of design principles developed through helping the Executive Team understand what the different stages of maturity look like across the suite of services contemporary HR might offer. This discernment process is important in understanding the

appetite for change and exploring the business case that might underpin the desire to build either a 'Rolls Royce' or 'Kia Rio' HR capacity.

The human desire for progress and decades of driving 'Continuous Improvement' into our organisational psyches have left our HR teams with an almost impossible task in satisfying an appetite for 'best-of-breed' when in most cases they're on a uni student budget – and they're unlikely to be getting a raise. Defining what success will look like is an important step in managing expectations of the Leadership Team and also of your HR resources.

Phase 3: Plot and make the journey

As with all change, mapping the gap between the current state and the desired future is essential. Building, buying, boosting and bumping HR's capability to close the gap is a change management exercise in its own right – one that requires resourcing and skilful management.

It is important to look closely at HR processes that can and should extend from a HR function 'into the business' to ensure that contemplated changes add value in people's lives are critical. The use of technology and outsourced partners with niche expertise, and the impact on role design in the HR team are all factors that require exploration and have the potential to radically improve the return on your HR investment by lifting organisational performance.

The exercise of transforming the HR function is one that opens the dialogue between HR and the C-suite in a new way. HR's evolution to become a strategic contributor and its resulting impact on the business's ability to execute its strategy will rely on the lines of communication remaining open indefinitely. The quality of the relationship between the Head of HR and the Executive is critical in maximising contribution⁷.

HR TRANSFORMATION PROCESS

1 Know where the start line is

- Current customer perceptions
- Current people, process and systems capacity and capability

2 Know what success looks like

- Customer expectations
- Leading practice
- Organisational context
- Design principles
- Future capability and capacity
- Expected ROI

3 Plot and make the journey

- Stakeholder engagement
- Organisational design
- Business process change
- Capability uplift
- Measuring success

Parting thoughts

There is no one size fits all in HR design, and like all human systems, the potential for evolution is ever present.

The debate about whether HR should or shouldn't have a seat is tired. We all know that sustainability within our complex internal and external environments demands more than simply staying out of jail.

Rather, the new conversation is about how we shape HR in the future so that its seat is well used and making the kind of contribution your organisation needs. The big question is whether the C-Suite can picture where they need to head if they don't know what they don't know about contemporary HR.

It's important that the process for discerning what the future might hold is methodical, engaging and rewarding for all involved. Also important, is that the approach produces tangible, qualitative and quantitative rationale for doing anything differently.

At the end of the day, there are many right ways to do HR. The challenge for all organisations is always whether they're getting best bang for their buck.

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About Johnston & Goldsmith:

Johnston & Goldsmith is a specialist business improvement consultancy. We work in partnership with our clients to identify organisational challenges and provide solutions that improve performance. From strategy to execution, Johnston & Goldsmith have the right resources and methodologies to support your corporate transformation.

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