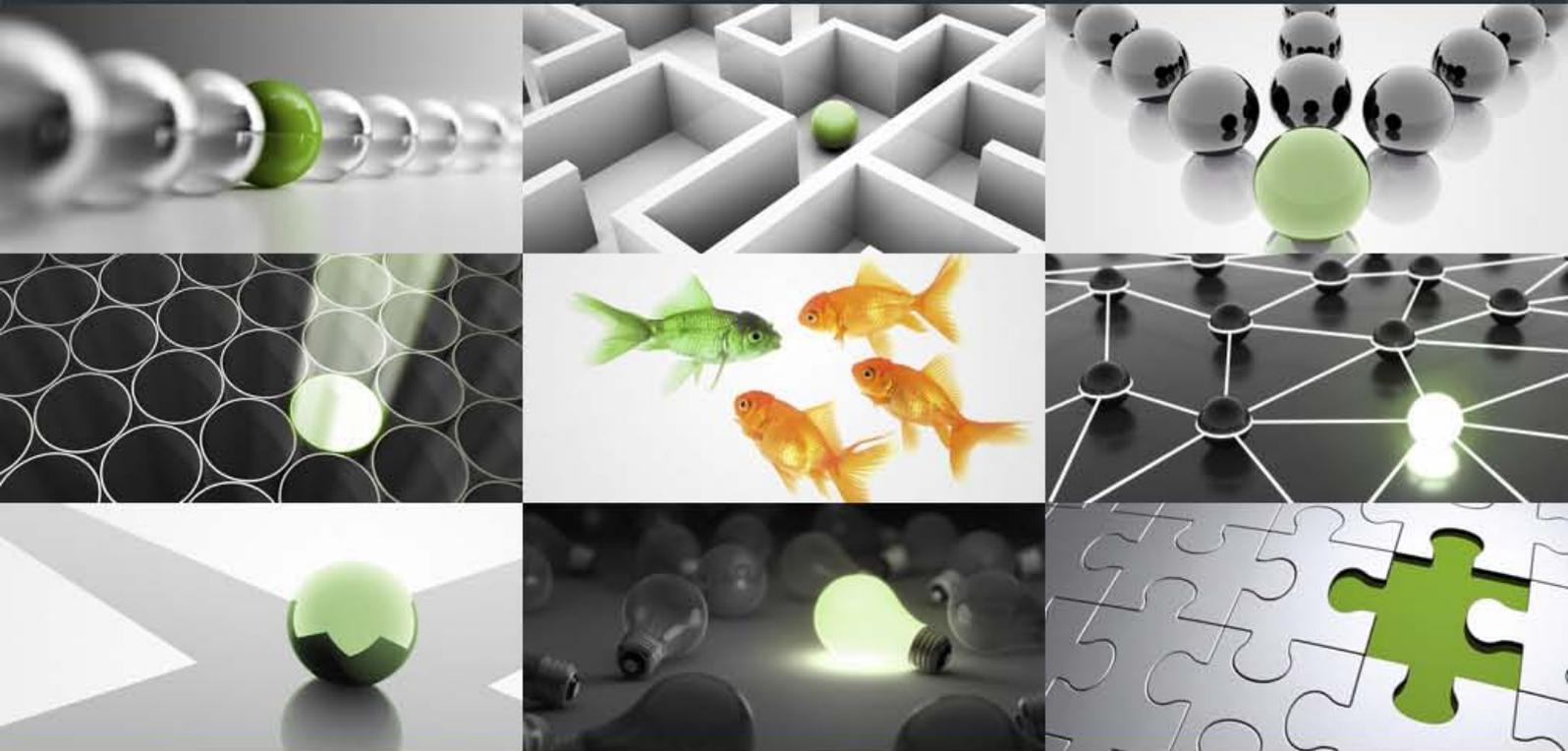


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Rialto Research Report 2011

The Future of HR - An Industry Perspective

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HR AND THE RECESSION: TWO STEPS FORWARD, ONE STEP BACK?

With several surveys showing a marked deterioration in external perceptions of HR and other reports that one in five HR professionals are looking to change their job, what is the current state of the HR profession?

Research from Roffey Park showed that views from 'the line' about the value of HR have deteriorated in the past year, suggesting that many UK organisations trying to cope with change will struggle due to poor relations between the two camps.

There does appear to be evidence of a sharp step backwards with the number of managers who think HR adds value to their business having dropped eight percentage points in the past 12 months, from 68% to 60%, and a massive 40% who think HR is 'out of touch' with their needs, up from 37% last year.

The view is that HR has had less opportunity to do the positive things that might otherwise bolster perceptions of its worth. Throughout 2010, HR teams have been more involved in frontline recession-fighting, handling all the things that come with people management during a downturn and often having to put more positively-viewed elements – such as learning and development, recruitment, reward and wellbeing programmes on hold.

"If we don't do HR with attitude, we will be dumped."

Martin Tiplady

Director of Human Resources

Metropolitan Police

There is some disillusionment within the profession too. A recent survey from Croner cited pay freezes, longer working hours and the perception that colleagues do not recognise the value of their work as key factors in the fact that one in five HR professionals are looking to change their job.

One of the leading HR practitioners in the UK, Martin Tiplady of the Metropolitan Police, spoke out recently and said that HR staff nationally are not adding value and are under threat of being budgeted out.

However, what does seem to be emerging is a pyramid. Whilst line managers' perceptions of HR may not be particularly positive, this is not necessarily a view held universally and if anything, the top tier of HR Directors are making significant progress in terms of reaching the strategic holy grail.

Ashridge Business School interviewed chief executives, the media and City analysts to discover whether the external perception of HR has moved from the unfair but deep-rooted view of HR as 'human remains' or 'human restraint' to better reflect the growing influence of HR practitioners on business strategy. The good news is that those HR Directors at the top of the pyramid are described as doing an excellent, first-class job. They work closely with their CEO and understand how HR can best deliver what the business needs.

One interviewee says HR is 'definitely there, playing with the big boys and being a strategic partner to the business' while a CEO speaks about totally trusting and working 'hand in glove' with the HR Director, noting: 'We meet every day and I have complete respect and trust in their judgment. I rely upon them to be my 'eyes and ears' in the organisation.'

In fact, according to Dr Rami Charan, a leading global management commentator speaking at a recent CIPD conference, more HR Directors could become CEOs in the UK in forthcoming years. He said that in India, HR people are becoming CEOs by broadening their skills in mastering how their business makes money, building their ability to judge people effectively in a non-political manner and keeping a close eye on trends occurring in the outside world.

However, there still appears to be a wider image problem, with one interviewee going as far as to say HR is 'weak, hesitant, inconsistent, ineffectual and at worst unprincipled'. Another adds: 'HR needs to get on with doing a better job. People will notice and respect competent people doing a good and valuable job.'

Externally too, the view is that HR needs to be less defensive and more active in seeking out media opportunities. With employer branding a hot topic, HR needs to be out there regularly using the media to its advantage and building the HR brand.

2011: A YEAR OF OPPORTUNITY

The HR function has evolved over the past few decades, with each decade having a guiding paradigm that was interrupted by periods of economic recession.

The '70s were the decade of compliance, a time when HR's role seemed to focus on being the cop that kept managers from making discriminatory employment decisions.

The '80s saw the emergence of strategic HRM, but from a siloed perspective as each aspect of the function (staffing, compensation, training, etc.) attempted to tie its activities to the firm's strategy.

The '90s were characterised by the "strategic partner" paradigm, a time when HR's role was focused on aligning all of the function (processes, policies, etc.) in order to execute the strategy.

The '00s was the decade of talent, with HR focused on creating the processes to attract, develop and retain the talent critical to organisational success but ending with a global recession of unprecedented turmoil and uncertainty, threatening to blow much of the hard work off course.

2010 ended in a state of flux brought with cuts and reform fundamentally recalibrating the employment market. It was a year of contrast with the private and public sectors - with the private sector moving towards recovery and renewal and the public sector being plunged later and deeper into the full force of the recession and its legacy.

Looking back at the year, Jackie Orme of the CIPD said "More than any other single year in my 20 years of work it's been a turning point year, that's how I'd describe it. Interestingly, it's been a year where it's been much less about the last few days of the old order and much more about real clarity about the emerging shape of the new order and I mean that in a global context. The next decade will define HR's role and our contribution over the next 20 years."

Although the last quarter saw growth and optimism in the UK employment market, further steady recovery is not guaranteed and the outlook is far from clear with the global and Euro economy also suffering from various challenges and setbacks.

2011 and the dawn of the new decade has left many people unsure whether to be cautiously optimistic or brace themselves in case it gets worse.

However, there are chinks of light – in a survey by Aberdeen Group last year, the two most critical pressure points in HR Executives' minds were the need for efficiency and increasing competition - this year, the need for efficiency took the top slot again but a focus on growth was the second priority. These may seem like opposing objectives but showed that whilst organisations still need to focus on cost and efficiency in 2011, they are also looking to take advantage of the opportunities for growth.

The CIPD HR Outlook identifies the top three priorities for organisations as:

- managing cost
- growing the current business
- focusing on customer needs

The challenge for the next decade is to recover and realign strategies and deal with a whole host of new challenges, long forecast but now finally becoming reality and firmly on the HR agenda.

Successful organisations will be those that achieve the correct balance, and it is the HR profession that has potentially the most important role to play in identifying that optimal positioning. The strongest and fastest HR leaders have an unprecedented opportunity to help their organisations succeed, and in doing so position the profession in a fresher, more progressive light.

A PACKED AGENDA

There are various views on exactly what's on HR's agenda over the next few years but there is agreement that it is a packed one!

Tactical challenges are fighting with strategic issues for attention. Many of the pressing issues over the next twelve months will focus on legislation changes adding an unwelcome and bureaucratic burden to the HR function as retirement age, pensions and immigration undergo radical reform.

The key issues include:

Employee Engagement

The recently published King's College/Speechley Bircham 'State of HR' report found that employee engagement remains the number one concern for HR professionals.

There is a danger of rising employee discontent ahead with employees in many sectors working longer hours for the same or less rewards which could reach a tipping point of employee satisfaction and engagement.

Methods that might seem more imposed from the top (more effective leadership, improved learning and development opportunities, developing better relations between staff and line managers) seem less successful than those that involve working more closely with staff (greater employee participation in decision making, better job design, greater fairness in procedures). Sadly it seems the latter are less likely to be used.

Strategies that seek to drive engagement with work (as opposed to the organisation) have been found by academic research to be more powerful in terms of driving performance - the greatest link with increased engagement is with more effective job design.

Retention

Retention is set to be jostling for position at the top of the HR agenda in 2011. As recovery creeps in and recruitment grows, keeping hold of a company's most talented personnel will once again be a key issue for HR professionals.

Business Growth/Expansion

With a patchy recovery and mixed economic news which changes almost daily, this is not straightforward. In terms of future headcount expectations, there exists much uncertainty regarding medium term workforce requirements, with 87% of respondents in a recent survey indicating uncertainty about the size of workforce required over the forthcoming two years and 71% indicating uncertainty about the skills that will be required over the same period.

Talent Management

Talent management is a HR function that goes far beyond the purely process-based definition. Strategic talent management makes it possible to attract and develop the right employees to promote the company's long-term objectives. For example, HR can take an active role in making diversity a genuine competitive advantage for the company – an extremely important contribution, since globalisation has not just made markets and customers more international and diverse, but employees and management teams as well.

Reward & Remuneration

Reward and remuneration remain a key priority for HR, with 25% citing reward schemes and 38% citing changes to remuneration and benefits as a major issue. This may again reflect the pay retrenchment that has occurred, the ongoing focus on pay inequality in the media, and calls for more equitable reward structures, such as those advocated in the current Hutton Review.

Not just pay - HR must fulfil numerous and disparate requirements to attract and motivate the talent the company needs. Benchmarked compensation packages and performance-based incentives may be important, but they will not do the job on their own. The experience of recent years has repeatedly shown that companies that pay top salaries still lose top people when the leadership and value culture are found wanting – and that the wrong people end up staying, with disastrous consequences for the company's future.

Employer Branding

More care and energy will doubtless have to be devoted to employer branding; to cater to the varied needs of different target groups, the approach will have to be multifaceted and the delivery more flexible.

Recruitment Issues

Whilst there may appear to be more volume in the recruitment market, employers are reporting recruitment difficulties in finding top talent. Organisations appear to have been better at identifying and keeping their top people.

A recent report from Alexander Mann examining the opinions of senior HR decision makers from around the world found that over half of companies surveyed have experienced difficulty in recruiting in the last six months and that 70% attribute these difficulties to a skills shortage in the candidate pool.

At a time when unemployment is high and the candidate pool is larger than it has been for some time, these findings raise questions over whether organisations are failing to adapt their recruitment practices to current conditions.

A lack of flexibility in organisations' recruitment criteria could also be contributing to businesses' recruitment challenges. While over half (53%) of HR professionals surveyed consider that their organisation is "good" or "excellent" in terms of having flexibility in the recruitment process, one in five (17%) of HR leaders polled recognised a lack of flexibility in the type of candidate sought.

In addition, 86% revealed that their company has rigid skill requirements that candidates must meet, in terms of previous experience and education qualifications. With 60% of organisations admitting to having purposefully tough selection processes to ensure only the most committed individuals progress (increasing to 73% in the USA), and 64% having minimum qualification requirements that all candidates must meet, there is a clear need for companies to examine whether their current recruitment process is getting the right people through the door or whether it is simply exacerbating the skills shortage issue.

Skills Shortages/Immigration Cap

One of the key challenges facing organisations in 2011 is a skills shortage which, coupled with the tightening of immigration legislation and the introduction of the interim cap on the number of non-EU migrants employed by organisations, will serve to further exacerbate the problem.

Currently 1 in 3 organisations is reporting a skills gap, compared to 1 in 5 a year ago. These are predominantly in professional, managerial or technical areas, and finding staff with very specific qualifications and skills continues to present organisations with a problem. This is a particular issue for companies in the UK - 76% reporting skills shortages - and less pronounced in Asia Pac (60%).

Furthermore, in organisations where there are skills shortages, compared with those where there are none, it is more likely that staff turnover is increasing and that a greater number of working days are lost due to sickness and absence. These issues are likely to exacerbate the skills shortages within these organisations.

With many companies relying on migrant workers to fill the gaps, the tightening of immigration legislation has made it far more difficult to bring in talent from overseas and organisations are faced with a difficult challenge of how to deal with a skills deficit. Around a fifth of companies are not doing anything about it, with a third using temporary staff and around half trying to develop their existing employees. Only 33% of companies consider themselves as “good” or “excellent” when it comes to using innovative and creative approaches to secure new talent. Organisations will need to embrace innovative practices that go beyond their current recruitment processes if they are to successfully attract the skills they need to grow. Those wishing to recruit migrant workers will find it becomes more complex and time consuming as they take the sponsorship route.

Workforce Restructuring

Workforce downsizing remains highly prevalent, and around 7 in 10 organisations have made employees redundant in 2010. What has been different in this recession is that organisations have attempted to maintain the integrity of their workforces and retain key talent where possible.

This has required more input from HR and careful management of various techniques including flexible working, short time working, unpaid leave as well as the inevitable redundancy negotiations. Generally, organisations have, where possible, reduced the use of compulsory redundancy as a means of effecting restructuring and increased the use of flexible working arrangements.

For those where downsizing was deemed necessary, organisations have also adopted a variety of strategies. Again, the use of alternatives to redundancy appears to be a successful strategy; employee engagement was more likely to have decreased in organisations that had made redundancies compared with those that had not.

Employee Relations

The speed and depth of cuts, particularly in the UK public sector, has brought employee relations to the fore and this promises to be a hot topic in the next 12 months at least.

Overall, trade unions in the private sector have worked well together with employers, both endeavouring to keep pay rises down and come up with alternatives to job losses.

So far, it looks like things may not run quite as smoothly in the public sector - the cuts are deeper and swifter; employee relations are less amiable and the trade unions wield more influence. There are expectations of further unrest with protests and industrial action.

Stress, Sickness, Absence and Grievances

A significant and important trend since the onset of the recession is the relationship between increased working hours and increased absences, sickness levels, stress related problems and the number of grievances lodged. With organisations reporting an increase in hours worked year on year, which is expected to rise again in 2011, this may not yield the economic outcomes expected.

Conversely it may increase the burden placed on HR and the business as anticipated future increases in working hours are also linked with potential staff turnover and industrial action.

Retirement Age Legislation

The default retirement age will be phased out from April 2011 and completely abolished in October 2011, but according to the King's College/Speechley Bircham 'State of HR' report only one-third of organisations expect it to be a major issue for 2011, despite the fact that 78% of organisations have a retirement age of 65.

However, this may be a little optimistic as HR professionals are also predicting a major increase in the number of age related grievances and it looks like age will be a key issue for organisations in 2011.

Equality Act

Whilst 84% of organisations surveyed in the 'State of HR' have reported no pay inequality within their organisation, only 32% record and monitor such data so they could be in danger of playing catch up when the Equality Act comes into force.

AND AS IF THAT WERE NOT ENOUGH

Also on the agenda:

- Social Networking
- Future Skills
- Measurement
- Leadership & Trust
- Outsourcing & Off-shoring
- Organisational Transformation
- European Legislation
- Performance Optimisation
- Employee Mobility
- Consistent International Provision of HR Services
- Tailored executive leadership development
- Smart Recruitment
- Managing different segments of the workforce
- HR Fragmentation? Is the future of HR 5 or 6 discrete specialised functions?
- Flexible and remote working? Will top talent increasingly go freelance

“Every company serious about its survival and ambition to prosper in today’s market-place must be evaluating its business constantly if it is to adapt to changing conditions and markets. HR professionals and those with recruiting responsibilities must be a part of this evaluation, injecting their own creativity in to the talent mix.”

Richard Donkin, The Future of Work

A LOOK AT HR'S CUSTOMERS OF THE FUTURE: MANAGING DIFFERENT SEGMENTS OF THE WORKFORCE

The workforce of 2020 will look starkly different to that of today - with changing demographics meaning new rules, processes and ways of working that will affect us all.

Soaring numbers of graduates mean that job seeking will change forever. Older workers will hold the aces like never before, and sandwich-generation workers will create entirely new working patterns.

The task of managing people in a more flexible environment will become wholly more difficult in 2020. It will require a skill set that, in most cases, doesn't exist now.

For graduates, strange though it may seem, they will be motivated to work in traditional and not-so-flexible ways. With student debt a problem, this group will be eager to advance – a more ambitious breed of graduates. The difficulties they will find entering the job market, however, mean they will apply a whole new level of enterprise and innovation to the job seeking process.

Faced with a squeeze on both their money and their time, the sandwich generation will require sympathetic employers. The relative shortage of skilled labour and the appreciating value of experience will be their levers to force a more flexible approach from employers.

The problem of an ageing society has benefits for older workers. The prejudice that surrounds this group will not disappear entirely but the value of experience has been highlighted by the recession and will lead to more power than ever before within this group, as knowledge and corporate memory become key.

Another major issue is the riddle over flexible working. Demographic changes and the extension of the sandwich generation will force employers to offer greater flexibility in order to retain elite workers.

However, home working provokes unintended consequences. Principal among these is that when we're removed from the workplace and our colleagues, we remain individuals with a lesser sense of belonging to an organisation. This means the slow death of the company man.

Future workers may feel themselves to be freelancers more than company people. It's much harder to express a company culture and to share goals when workers are geographically spread. It's also harder to exchange knowledge. Home working goes against the benefits of people working in teams and it may not be too strong to suggest that flexible working damages the knowledge economy.

While flexible hours offer some relief to parents and carers, flexible working is not a solution for all – many of us would rather trade flexibility for more pay while for others it means exclusion, a lower profile and being cut off from the very human interactions that will create the ideas for the knowledge economy.

In 2020 people management will be a much more demanding task –in measurement, in motivation and in maintaining a sense of what the organisation is.

INNOVATION IN HR

The structure of the HR function has remained fairly static for some time with the majority continuing to reflect elements of Ulrich's model. For example, in a recent survey it was found that:

- 50% of organisations employ HR business partners
- 35% have HR centres of expertise eg. recruitment or learning and development
- 23% have a shared services centre.

Likewise, Ulrich, professor of business administration at the University of Michigan, has topped the Human Magazine HR Thinkers ranking for five solid years and there is no sign of him falling off that perch soon. He is quite simply 'the foremost HR thinker in the world', or as one respondent puts it 'the poster child for HR thinking'.

However, many HR professionals report that their roles and responsibilities are broadening. 92% advised that there had been no cessation of in-house HR activities, while 27% advised that HR had commenced a new practice or procedure, or had in-sourced it during the year. The nature of activities identified relate mainly to core HR activities eg. recruitment, appraisal or employee development. What this shows is that, from the perspective of senior HR professionals, the activities of HR departments are continuing to grow.

From the early days when HR was primarily responsible for administrative personnel functions, the function has evolved along two parallel lines: widening its scope to include so-called 'soft' issues like leadership and seeking to maximize return on investment in human capital.

This evolution has raised a number of new challenges for HR and helped drive a culture of innovation. A recent study showed that almost three quarters (73 %) of HR leaders believe that the economic climate has forced them to innovate in all parts of the business already. Of HR leaders polled, 92% consider innovation to be 'very important' to their business.

HR departments that are themselves innovative are likely to have greater success winning buy-in for organisation-wide, innovation-focused talent management, especially when those innovations have implications for the wider organisation.

Many companies have sought to make HR a business partner by posting HR people to key parts of the Company, making a stint in HR a part of the career path of high-potential executives, and securing a seat for HR at the top leadership table. There is a thought that HR departments will come to resemble professional services firms for the Companies in which they are embedded. The introduction of tangible elements such as measurement, employer branding and product development more akin to other parts of the business may lead to increased understanding and respect from those colleagues.

No matter what specific form this HR department of the future takes, however, one thing remains clear. In a competitive world, innovation is an imperative for every part of an organisation.

From producers of ground breaking products and services to lowest-cost providers, companies of all kinds now see innovation as a key part of their business strategy. Whether it's through never-before seen offerings, a new business model, or innovative internal processes, the objective is to gain more than merely incremental advantages over the competition. Such quantum leaps occur only through talent – the people who individually and collectively generate superior ideas, fresh perspectives, and new ways of doing things.

Yet because of unexamined clichés about the nature of creativity – that it's an inexplicable, individual occupation – many companies simply hire smart people and hope for the best. They fail to see that the connection between talent and innovation can be systematically addressed as an organisational issue. As a result, no matter how strongly they subscribe to the notion of innovation, they are likely to lag behind those companies whose HR Directors and departments understand the issue from a company-wide point of view and know how to manage it on that basis. These forward-looking HR leaders understand the key role that their function can play in enabling a strategy of innovation. Standing at the intersection of strategy and execution, they know that achieving innovation goals requires:

- Developing the leadership and human capital implications of an innovation-focused strategy
- Identifying the elements of the corporate culture that need changing to support innovative thinking, appropriate risk-taking, and new behaviours
- Transforming the executive team that will underpin an innovation
- Building the organisation's short-term and long-term capability for innovation through superior talent management

Ultimately, this new role in innovation will bring about sweeping innovation in the function itself, transforming it even far beyond today's concept of HR as a partner to the business.

Understanding innovation

Given today's hypercompetitive markets, the commoditisation of products and services, and the stream of new competitors around the world, an innovative internal process can be as game changing as a product like the iPhone or a business model like MySpace. Innovation no longer simply means throwing money at R&D. It means outperforming the competition through the power of ideas in any aspect of the Company.

Overcoming organisational obstacles

Developing, aligning, and driving the talent management system falls squarely on the shoulders of the HR Director, who in today's environment must be a key player in the company's ability to innovate and outpace the competition. At the same time, the HR Director must win the support of senior leadership and active participation across the Company if a culture of innovation is to be sustained.

Forward-looking HR leaders understand the key role that their function can play in enabling a strategy of innovation.

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WHAT IS A SUCCESSFUL HR DIRECTOR MADE OF?

It has been said before but now more than ever, HR Directors need to see themselves as HR strategists.

As the lead strategist for HR, the HR Director has a major part to play in ensuring the company's long term success – a success that must be founded on innovative and highly effective people development strategies, moving beyond defining HR processes to embrace strategic elements as well and making a genuine contribution to the organisation's capabilities.

While effective HR administration is essential to the smooth running of a company, the true contribution of HR only becomes apparent when HR is empowered to exert a concrete influence on the organisation's capabilities.

The HR Director should be a strong, independent personality in order to face the highly complex responsibilities of the role and in order to be truly successful need the support of the CEO who recognises the importance of the strategic aspects of an effective people policy.

HR Directors are farsighted strategists with a nose for business and a passion for working with people.

Of course a successful HR Director needs a solid HR skill set that ranges from classic HR administration and today's often complex compensation models to strategic talent management. Also necessary, however, and at least as important, is a deep-rooted understanding of the company's business in order to ensure that input to strategic matters is taken seriously.

It is not sufficient to merely understand the business strategy and translate it into the best possible HR policy. If HR is to be involved in the development of a strategy from its inception, the HR Director must be able to work with the other members of the executive board to evaluate trends and anticipate market developments.

HR Directors must be capable of asking the truly pertinent questions, as this is the only way to influence corporate strategy from the HR angle.

It is not just professional competence that makes a good HR Director, but a strong personality as well. While on the one hand HR Directors must guard their independence and not become embroiled in corporate politics, on the other they need strong powers of persuasion and the ability to influence people. People expect them to be open, accessible, and extremely trustworthy, and at the same time impartial and objective. A HR Director who enters into political alliances or hides in the CEO's shadow will quickly lose credibility. HR Directors do need the support of the Chief Executive, however, because they often have to assert their authority without the benefit of institutionalised empowerment – for example when central HR policies have to be implemented at largely autonomous business units.

In addition to seeking out and maintaining contact to talented employees, successful HR Directors establish a personal presence and remain approachable. They also understand what is happening inside competitor companies and know how to ensure that their organisations remain attractive in the market for new talent.

In summary, effective HR Directors command knowledge and skills that go well beyond the limits of classic personnel responsibilities.

COMPETENCIES

In Egon Zehnder's 'Good to Outstanding', 360 HR executives were appraised across the world and across sectors against seven scaled competencies:

1. Results orientation
2. Strategic orientation
3. Functional competence
4. Collaboration and influencing
5. Organisational development capability
6. Team leadership
7. Change leadership

Outstanding HR executives were found to have stronger scores in results orientation, change leadership, and collaboration than in other competences.

Good HR executives are relatively stronger in results orientation and collaboration than in other dimensions.

The good HR executive has to improve on all dimensions, but with a particular focus on change leadership because that is where the greatest gap between good and outstanding lies.

These findings confirm the intuitive idea that to contribute greatly as an HR executive, you not only need to identify the required changes in order to implement the business strategy successfully, but also to be good at initiating and leading those changes and focusing on results, not only on concepts or processes.

The analysis also found that HR executives in all categories are weak in the strategic orientation dimension relative to their performance on all other competencies. Almost all HR executives, including outstanding ones, stand to make the biggest gains in performance along the dimension of strategic orientation.

Ulrich identified five critical HR competencies:

- Being a credible activist - someone who understands the business well enough to build trust with other leaders
- Demonstrating operational efficiency - being an administrator who can expedite HR work
- Contributing business acumen - a leader who can talk easily about the business - especially in financial terms
- Managing talent - a person who can align HR strategies and tactics with organisation goals
- Leading cultural alignment and strategic change - someone who can lead - and sustain - change efforts

But these five competencies are also not enough according to Ulrich. Too often HR focuses on only one or two of the competencies and these are usually the more traditional HR functions like staffing, training, and compensation. Instead, Ulrich suggests that HR focus on work outcomes - the ROI of efficient and effective HR practices.

Ulrich noted that the need to change the HR focus is brought about by a host of environmental forces that include:

- Expanding global markets;
- Increased customer expectations;
- New information technology;
- Emerging employee demographic trends;
- Industry consolidation and convergence.

Ulrich believes HR professionals need to shift to playing four roles:

1. From employee champion to human capital developer. This is a switch from the role of HR as employee champion to a role caring for employees today as an advocate and tomorrow as a developer.
2. From administrative expert to functional expert. Ulrich notes that it isn't enough to get things done efficiently; HR needs to get the *right* things done efficiently.
3. From strategic partner and change agent to strategic partner. While this may seem confusing at first glance, Ulrich explained that being an agent for change isn't enough if the change itself isn't linked to business strategy.
4. New role as brand leader. According to Ulrich, HR leaders embody the brand of the organisation. And, because HR leaders and professionals are in touch with everyone at every level of the organisation, they are in a position to make sure the brand is reflected in all HR talent practices including staffing, training, and communication.

HR DIRECTORS - BORN OR MADE?

Patrick Wright at Cornell University has been researching the HR Director role for the past three years and has identified the following tips for building the HR Director talent pipeline:

- **Identify the pool of successors early:** identify the candidates who have HR Director potential 15-20 years before they would be expected to sit in the HR Director seat.
- **Provide potential successors with internal and external development opportunities:** individuals learn the most from on-the-job experiences (70%), followed by learning from others (20%), and last learning from courses (10%).
- **Manage HR Director careers:** HR Directors need a carefully managed career that includes a combination of generalist and specialist roles. Without generalist roles, potential HR Directors will not gain a deep understanding of how business works; without specialist roles the same person cannot develop deep functional expertise. Since they need both, they should be moved through a variety of roles to develop the needed depth and breadth of experience.
- **Move potential Chief Human Resource Officers out of HR:** the jury is still out on the need for HR Directors to have experience outside of HR. There are as many views for or against.
- **International exposure:** today's HR Directors need to have much more of a global perspective than their predecessors. There is some difference of opinion on the optimal length of overseas assignments. Many suggest an optimal international exposure of 2-3 years, research also shows that special projects of 1-3 months can provide a rich experience without risking the individual losing touch with the main office that may come about with a 2-3 year assignment.
- **Get out of their comfort zones:** Staying in our comfort zone encourages repetition. Going against the grain, being forced or venturing outside the cosy boxes of our lives demands that we learn.
- **Get them in front of the CEO and board of directors:** The HR Director is responsible for managing the programs that will ensure the workforce is prepared to deliver against the strategy and, therefore, close contact with the CEO and board of directors is mandatory.
- **Develop a new vision and sense of purpose:** review and renew mission statements with the learnings of the past and the possibilities of the future in a compelling vision and strategy.
- **Align all the senior teams:** the role of the HR Director is to align all the senior teams behind the vision, mission and strategy. Ensure cohesion in the thinking, decision making and acting of the whole organisation. The senior teams are most likely in much better shape than the work force in general; they know where the company is going, how it is going and when it will arrive there.
- **Assess the people and capabilities needed to succeed:** once the vision, the strategy and operating model are clear, the HR Director and the rest of the senior team should review the capabilities that are absolutely necessary for success.

WHAT DO SUCCESSFUL HR DIRECTORS DO RIGHT?

Successful HR Directors make it their business to ensure that they have a commercially focused HR business plan in total alignment with what the business needs.

In 2011, there is a renewed emphasis on customer focus, efficiency, leadership capability, innovation and change management with HR at the heart of it all. HR Directors now need to ensure that their companies become fully prepared to capitalise on the business opportunities that will arise from an improved economic environment.

In the last 15 years or so, senior HR leaders would have been hard pressed to open an industry publication, read an article online, or attend an industry-related function that didn't address the HR professional's 'seat at the executive table' referring to the need for HR to be aligned and integrated with the overall organisation vision, mission, and strategy.

Organisations that have created the role of HR Director are hopefully trying to demonstrate that issues of talent are central to their success, but HR Directors must make good on that claim by not only quantifying the value of innovation-focused, organisation-wide talent management but practising it.

This often requires courage and persistence on the part of the HR Director. The CEO and senior leadership must believe in and own the talent management strategy with very strong process design, coaching, and support from the HR function. There will be members of the top team who resist the idea and once again demote it as 'a HR issue' but with buy-in at the top, the HR Director has a far better chance of bringing along the rest of the organisation.

Insight

Successful HR Directors don't just manage structure, roles and activities – what makes the difference in the eyes of senior executives and other internal stakeholders is the level of genuine organisational insight. This is what can transform a function from good to excellent and enables its activities to be truly relevant, timely and impactful.

This insight underpins good judgement and sound decision-making, as well as an understanding of just how differently the organisation may need to tackle something if it is to make the change it desires. The insight can be either strategic or operational.

In those case studies where HR is most highly rated, it is evident that the ability of HR to shape their solutions, or challenge conventions, or find a new solution to an old problem, is founded on this penetrating insight into just what would make a difference.

Without organisational insight the capacity of the HR leader to be influential is limited; however, insight alone without being able to stimulate debate, influence opinion and navigate the organisation dynamics is not enough. Doing this consistently requires subtlety and sophistication.

HR from the outside/in

With employer branding raising its profile, HRDs are using HR to create value inside with employees and organisations and outside with customers, investors, and communities. HR professionals are shifting from an inside/out to an outside/in approach to HR work. HR from the outside/in is a seismic shift in how HR thinks and acts. Value is no longer created by just serving employees, but by making sure that services offered inside the company align to expectations outside the company. For example, to be the employer of choice of employees our customers would choose, to build on strengths that will strengthen others. This positions HR to not just respond to strategy, but to

helping shape and create it. Defining value with an outside/in approach starts when HR professionals understand their business context and key stakeholders.

Executive Branding

HR professionals have finally earned their place at the table, to a greater or lesser degree, and the focus is slowly shifting to how they can bring value and a unique perspective to the executive table. Executive branding is a way of defining this – Korn/Ferry define a brand as “a promise of value.” By default, if a person’s brand is their promise of value, then the role of the HR Director is the promise of the value they bring to the executive table.

Research by Brand Channel shows that a CEO’s brand can now account for up to 50% of the organisation’s overall brand reputation. Like the CEO, other board members contribute to the organisation’s brand equity. In the case of the HR Director, they need to realise that what they say and do can directly affect the organisation’s talent brand, and by default, their ability to attract, develop, and retain top talent.

An executive’s brand is built on authenticity; really understanding your unique promise of value and what makes you stand out from others.

Think Ahead, Futureproof your Organisation

Unnecessary failures and high costs can be headed off by bringing HR to the corporate strategy development table early on. HR can also frequently act as an important catalyst in areas such as change management and the way in which the values and culture of the company find active expression. HR has a unique governance function that goes far beyond drafting and submitting HR policies - its task is to ensure that, within the framework of performance management, individual contributions to the company’s success are only rewarded when the behaviour of the employee in question is in keeping with the core values of the company. Align individuals’ goals with the organisation’s goals. Defining, establishing and managing a talent management system focused on innovation as an organisation outcome requires the tight alignment of performance measurement and management tools and processes with individual, departmental, and organisational performance.

Simply put, the HR Director is the person responsible for linking the corporate strategy to the people strategy

WHERE DOES IT GO WRONG?

A short list of some common errors include:

- Failing to move talent across organisational boundaries for development and pivotal innovation opportunities
- Creating barriers to letting talented outsiders into the culture
- Conducting inept assessments that unjustifiably protect poorly performing leaders
- Settling for “good enough” rather than “great” in critical talent appointments
- Spending too much time resurrecting leaders who have proven to be flawed or failures in the new context of innovation
- Failing to align the major components of talent management with each other and with the organisation’s strategy of innovation
- Lacking agreement among senior leaders about what success looks like – the unique set of values, skills, capabilities, and behaviour changes believed to be necessary for pursuing a strategy of innovation
- Over-weighting past performance as a predictor of future success in a job that may require far different competencies
- Forsaking talent management during tough economic times for the company – precisely when innovation could offer the best hope for dramatic turnaround

Research reveals the part of the job HR Directors feel least confident about is their relationship with the Board of Directors yet it isn’t enough for the HR Director to simply show up for leadership team meetings, he or she needs to have and present a thoughtful and well-reasoned point of view.

The CIPD HR Profession Map found that HR people were fully engaged with what their organisation and business wanted from them and knowledgeable about their own HR agenda but were lacking in curiosity in terms of finding out what else was needed, in being more inquisitive and consequently more proactive. They were also low on collaboration and yet curiosity and collaboration are key factors in HR’s potential success.

Whilst behaviours like courage and drive to deliver are critical execution capabilities, curiosity is absolutely key to insight-driven HR. Without curiosity is the profession playing too much in the “here and now” execution space rather than taking the broader strategic role where it has the potential to be so pivotal?’

Furthermore seeking HR innovation requires a spirit of inquisitiveness, a willingness to experiment with new ideas, a capacity to seek innovative ideas inside and outside your industry, and a rigorous discipline of assessing what works and what does not.

**THE MOST INFLUENTIAL HR PRACTITIONERS IN THE UK:
HUMAN RESOURCES MAGAZINE & ASHRIDGE BUSINESS SCHOOL**

<p>1. David Fairhurst Senior Vice President/Chief People Officer, McDonald's Restaurants Northern Europe</p>
<p>2. Clare Chapman Director General, Workforce, NHS</p>
<p>3. Tanith Dodge HR Director, Marks and Spencer</p>
<p>4. Martin Tiplady Director of Human Resources, Metropolitan Police Service</p>
<p>5. Tony McCarthy Director People and Organisational Effectiveness, British Airways</p>
<p>6. Liane Hornsey Vice President, People Operations – Sales and Business Development, Google</p>
<p>7. Angela O'Connor Chief People Officer, National Policing Improvement Agency</p>
<p>8. Stephen Dando Executive Vice President and HR Director, Thomson Reuters</p>
<p>9. Therese Procter HR Director, Tesco Stores</p>
<p>10. Caroline Waters Director of People and Policy, BT</p>
<p>11. John Ainley Group HR Director, Aviva</p>
<p>12. Neil Roden Group Head of Human Resources, Royal Bank Of Scotland</p>
<p>13. Vance Kearney Vice President HR (EMEA), Oracle</p>
<p>14. Graham White Director of HR, Westminster City Council</p>
<p>15. Rachel Campbell Head of People Management, KPMG</p>
<p>16. Daniel Kasmir Group HR Director, Xchanging</p>
<p>17. Stephen Battalia Head of Team HR, Nestle UK and Ireland</p>
<p>18. Helen Giles HR Director, Broadway</p>
<p>19. Catherine Glickman Personnel Director, Tesco</p>

<p>20. Mary Canavan HR Director, British Library</p>
<p>21. Gillian Hibberd Strategic Director (Resources and Business Transformation), Buckinghamshire County Council</p>
<p>22. Dave Gartenberg HR Director, Microsoft</p>
<p>23. Sara Edwards HR Director, Orient Express</p>
<p>24. Stephen Moir Corporate Director: People, Policy and Law, Cambridgeshire County Council</p>
<p>25. Alex Wilson Group HR Director, BT</p>
<p>26. Gareth Williams HR Director, Diageo</p>
<p>27. Stephen Kelly Chief People Officer, Logica</p>
<p>28. Beryl Cook Chief HR Officer, EVP, News America (News Corporation)</p>
<p>29. Jean Tomlin HR Director, London 2012</p>
<p>30. Ann Almeida Group Head of Human Resources, HSBC</p>

CHARACTERISTICS OF TOP HR DIRECTORS

Human Resources Magazine & Ashridge Business School's study of the most influential HR Practitioners in the UK remarked on the following characteristics of those considered to be at the top of their game:

David Fairhurst, Senior Vice President/Chief People Officer, McDonald's Restaurants Northern Europe displays all the characteristics of influence:

- High-profile
- Challenging
- An ambassador
- Pushes the profession with outstanding thought leadership
- Commercially astute.

A real myth-buster in the HR community, tackling the real business issues whilst keeping the agenda centred on the people.

"Synonymous with the HR profession and has a stellar reputation and influence."

Clare Chapman, Director General, Workforce, NHS, is praised for her:

- Incisive analytical skills
- Style, passion and professionalism in a complex organisation
- A strong advocate for good people management
- An active contributor to HR thought leadership
- Remains a thoughtful and inspirational HR figure
- Her personal visibility within HR remains strong, her influence is even greater
- Ability to deliver change at scale is noted
- Ability to influence at political level as well as inspire and execute strategy at scale
- Her infectious good humour is legendary

One of her peers remarks: 'She, quite simply, delivers the biggest HR role within the public sector with gusto.'

Tanith Dodge, HR Director of Marks and Spencer:

- Commercial focus
- Common-sense approach
- Influence at board level
- A clear thinker
- A significant change agent
- Not afraid to make difficult business decisions
- Her strength is in achieving buy-in at board and line management level as well as pushing Forward the CSR agenda within M&S

One former employee calls her a 'very dynamic lady - great coach and innovator who challenges ways of thinking. She was my boss a number of years ago and she really inspired me to be the best that I can.' Another describes her as 'clear and down-to-earth - achieving great things in employee engagement to keep one or our national institutions consistently up there'. Another meanwhile praises her 'extremely articulate description of how common-sense rather than intellectual theory drives great HR'.

John Ainley, Group HR Director of Aviva, lauded for:

- firmly placing human significance at the heart of Aviva's thinking on customer and employee engagement

'He has extensive experience across industry sectors and is hugely respected by his HR profession peers as a wise counsellor.'

Graham White, Director of HR at Westminster City Council:

- bold opinions on the need to revolutionise the way HR does business earn him much praise.

One respondent says he 'really makes you think about what HR needs to be doing to change and thrive', while another calls him 'Mr Twitter - a good strong presence and took a strong stance with the issue of disclosing HR salaries in the public sector'.

Tony McCarthy, Director of People and Organisational Effectiveness at BA:

- the way he has handled industrial relations
- holding firm to principles
- facing change
- taking on the unions
- prepared to take on the difficult jobs in HR that need doing.

'A difficult period of industrial unrest, lots of media coverage - not always positive - but held his nerve,' says one respondent while another adds: 'Dealing with the strikes in a professional manner, sharing with the public the stressful times and issues facing the company' and 'he's being put to the test and so far on the winning side'.

Jean Tomlin, HR Director of London 2012:

- set up and effectively run the scale-up of the people side of the Olympics
- a great example of how HR impacts a business and in this case the country
- huge respect for someone who has to consider the longer-term aim of maintaining drive and enthusiasm for such a large project with so much focus
- her self-belief and determination are hugely admirable.'

The best are described as inspirational leaders, successful in showing how HR can add real value to the business and with strong vision. They are effective, progressive and transformational, commanding the respect of their peers, the organisation and key stakeholders.

ACKNOWLEDGEMENTS:

ACAS

Alexander Mann

Ashridge Business School

Ceridian

CIPD

Croner

Egon Zehnder

Future Foundation

Heidrick

HR Magazine

IES

Korn/Ferry

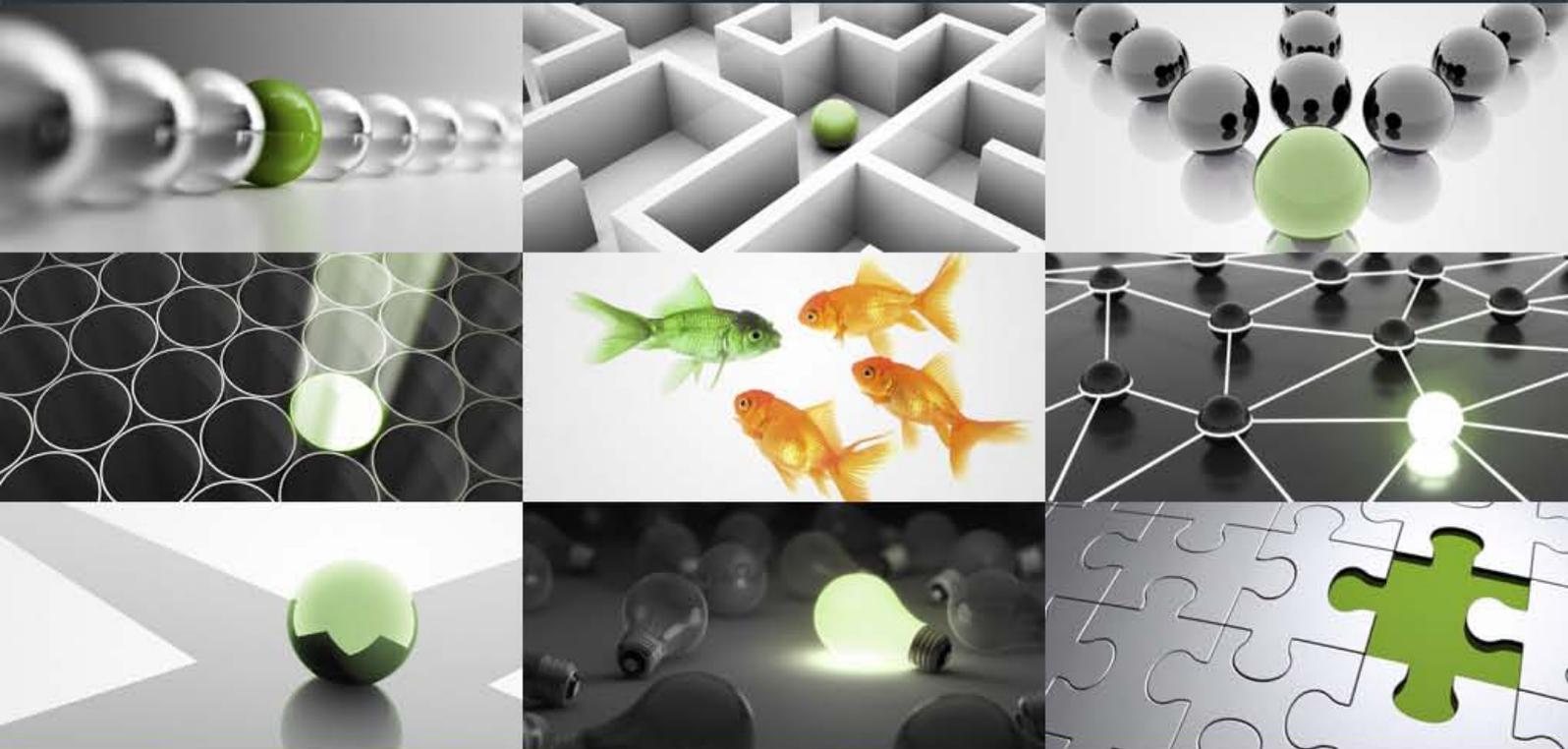
RBL Group

Roffey Park

The Work Foundation

rialto

people solutions for business



The Rialto Consultancy Ltd
25 Southampton Buildings
Chancery Lane
London WC2A 1AL
T: +44 (0)20 3043 8640
F: +44 (0)20 3043 8641
E: info@rialtoconsultancy.com
www.rialtoconsultancy.com