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Human Resources

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## HR's strategic role - A major blow to HR's credibility

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Despite CEOs being more aware of the importance of people in gaining competitive advantage, research shows they lack confidence in HR's ability to meet the challenge.

HR professionals are in danger of being sidelined unless they heed new research that shows chief executives lack confidence in HR's ability to drive forward the strategic people agenda.

Aligned at the Top, a global survey by Deloitte with the Economist Intelligence Unit, reveals that the ability to gain competitive advantage through people has risen to the top of the corporate agenda, with 60% of senior executives identifying people as 'vital' to their business performance and 90% saying people issues will become more important over the next five years.

Yet only 5% of these senior executives describe their company's HR function as highly effective in addressing the people needs of the business, and only 3.4% say their organisation is world-class in people management and HR.

### Question mark over skills

Most worryingly, these global chiefs question whether HR has the right skills to do the job - that is to implement a strategic vision on leadership development and talent, motivation and organisational culture; all areas that should be at the heart of HR practice.

According to Sabri Challah, head of human capital consulting practice at Deloitte, HR professionals need to raise their game. There is disconnect between what CEOs want from HR and what HR can deliver, he said.

'This research is a challenge to HR to start addressing those things that make most material difference in a business,' Challah said. 'Everyone agrees with the people agenda but CEOs do not have confidence in HR.'

'The temperature is rising on this issue,' he added. 'There is a real risk that the strategic people agenda will be taken away from HR, which will merely be left to run administrative and operational procedures and policy.' He pointed to a small, but important, trend within some professional services firms whereby business executives, rather than HR professionals, are being selected to run the talent agenda.

Given that 29% of HR directors questioned for the survey already outsource recruitment, training and payroll and another 18% expect to do it in the next five years, this appears to leave HR with little more than overseeing areas that do not give company advantage and which have a low cost emphasis.

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Within five years more than two-thirds of respondents expect to have a chief human resources officer (CHRO), with 82% expecting HR to be perceived as a strategic-value adding function.

But again there is disconnect. While half of HR leaders believe they play a role in influencing company culture, a quarter of senior business executives claim senior HR professionals do not contribute to this at all.

No wonder HR leaders are sceptical about their bosses' willingness to give them a seat at the senior strategy table. Only a quarter of HR directors claim they even contribute to conversations about strategy formulation and fewer than 16% believe HR is highly valued by senior business executives. Astonishingly, two-thirds of senior business chiefs never consult their HR directors on mergers and acquisitions, despite the massive people challenges these throw up. A quarter rarely or never consult their senior HR team on talent or compliance and regulation issues.

#### A split function

So what can HR do to address this gap, and could there be the emergence of two functions - HR administration and human capital management? Many believe HR staff at every level must improve understanding of business and develop new capabilities. As one global CHRO said: 'To be a CHRO you have to be a business person first and an HR executive second. You have to know how HR fits into the business, and you can't know that unless you know the business.'

Whether this is CEO or HR-led, though, still raises arguments. 'It's a bit rich of CEOs to point the finger at HR,' commented former head of talent at UBS and visiting senior lecturer for Cass Business School Chris Roebuck. 'The people agenda has to be driven from the top.' He added: 'The CEO has to accept the role of chief people officer and to be seen driving this agenda. The HR director needs to be in a close personal relationship with the CEO and make sure he or she is given all the resources needed to be a leader. There needs to be a frank discussion between the CEO and HRD about resources.'

Saudagar Singh, HR director at RWE npower, also believes those at the top should look at themselves: 'If they are saying HR is not delivering, then what are they personally doing about it? There is no doubt HR wants to do a good job. Executives not prepared to engage, develop or motivate their HR people in order to reap the returns will get what they deserve.'

All agree it is imperative to demonstrate value. But HR often spends too much time in self contemplation and not adequately aligning or supporting the achievement of business objectives, conceded Singh. 'It is doing some great things but often fails to demonstrate, in a quantitative manner, where it has contributed towards bottom line value to the business.'

Nicholas Higgins, CEO of human capital management consultancy Valuentis, believes leaders need to start taking metrics seriously. 'Given the importance of people, why do organisations spend fortunes on financial audits but very little on true people management evaluations?'

#### Grasp every opportunity

Maybe HR directors need to grasp opportunities when they arise rather than wait for the CEO to give them a boardroom seat. 'There are issues around HR talent,' said Challah. 'I don't meet people who have passion for this agenda. A hugely impactful HR leader shows the CEO the relationship between interventions in people and the competitiveness of business.'

Roebuck says it's all about communication and credibility. 'HR directors need to think about what subject the CEO would like them to deliver on, for example talent. They need to ask: 'what can I say to the CEO that delivers something simple, rapidly and that is an easy win to boost my credibility?''

Do that, and you will find the CEO coming back for the next bite. Fail - and be prepared to be stuck on the

sidelines.

**PERFORMANCE APPRAISAL NEED FOR IMPROVEMENT**

Which of the following statements best describes the overall state of your organisation's management of people issues?

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