

RESEARCH REPORT

BE EXCEPTIONAL. THE HENLEY WAY.



HR with Purpose: Future Models of HR

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FUTURE MODELS OF HR

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1 Background to the study

1.1 Our objective

The objective of this study was to investigate and recommend well founded practical suggestions on how HR functions (HRf) might best add value and organise themselves, given the likely changes and challenges in the socio-economic and business environment of the next 5 to 10 years. We also aimed to suggest how these various scenarios might impact the capabilities required in the HR function itself and how they might be developed. The objective was not to duplicate the many surveys and research studies assessing the current effectiveness, priorities or challenges of HR, although we did review these thoroughly to provide a base from which to extrapolate some challenges for the future. For that reason, the method combined in-depth interviews with selected thought leaders (both senior practitioners and academic) and an extensive review of existing studies and analysis. We have tried to generate new ideas and perspectives, which were debated at a major summit at Henley Business School. A key question is, of course, 'What is the purpose of the HR function?'. This has proved to be quite elusive in previous studies and prescriptions, even while there is considerable recognition among line and HR leaders that people and their capabilities are extremely important in all organisations.

The research focused on larger organisations in the public, not-for-profit and private sectors and included contributions from several regions of the world including the US, Europe, the Middle East and Asia Pacific. The research team had also worked on building human capabilities at the national level in various countries around the world, which provided other perspectives and a wider body of knowledge to draw from. Given the 'idea generation' objective, our aim was to garner the ideas, opinions and experiences of people who had contributed to thinking on the topic. The interviewees were chosen on the basis of reputation and contribution, but it is by no means claimed that they represent the only thought leaders in this field. We also carried out a comprehensive review of the extensive relevant literature, ranging from academic research through to consultancy-led studies, case studies and practitioner publications.

Once the interviews and literature review had been carried out, the team conducted brainstorming sessions to analyse the findings and generate ideas. These were then reviewed, analysed and weighted for feasibility, value and novelty (in order to challenge perceptions), resulting in the chosen options presented in Section 6.

The importance and urgency of this study is exemplified by the findings of previous research (Figure 1) by Bersin (2016), which concluded that:

Both HR and business leaders, on average, rated HR's performance as low; furthermore, business leaders rated HR's performance 20 percent lower than did HR leaders ...perhaps because of these dim views of HR's performance, we found an increasing trend of CEOs bringing in non-HR professionals to fill the role of CHRO [chief human resources officer].

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Deloitte, 2016

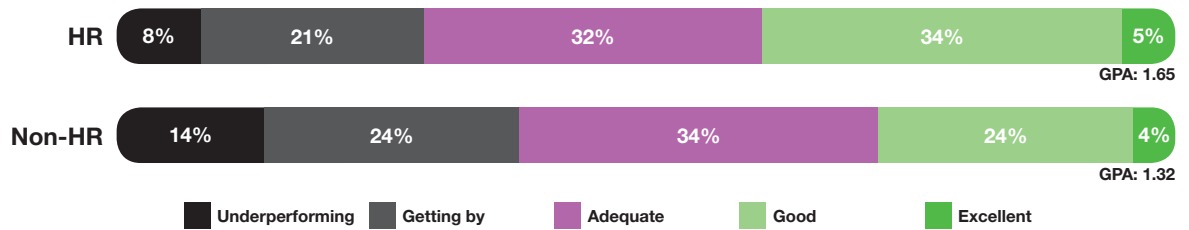
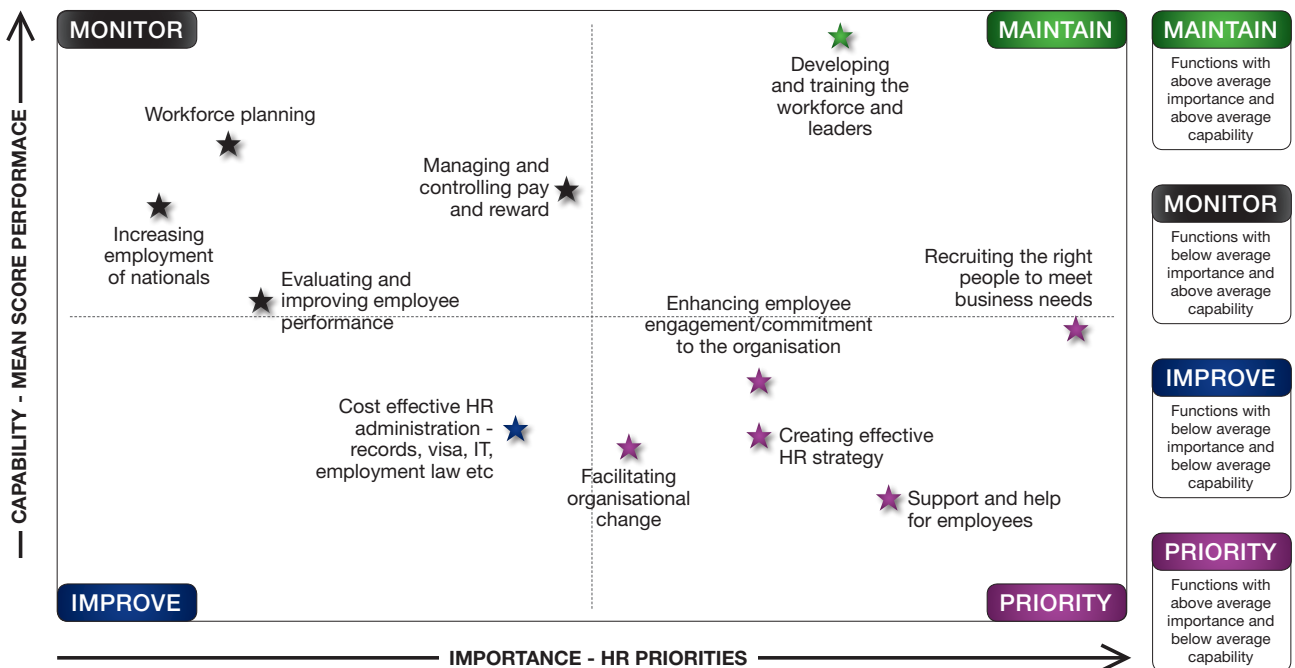


Figure 1: HR performance rated by HR and non-HR leaders (Bersin, 2016)

This perception is not confined to the West, as a study of HR in the Gulf Cooperation Council (GCC) also found that:

Business (line) leaders recognize the critical importance of human resource capabilities for the strategic success of organizations and for countries of the GCC; but even HR leaders themselves do not currently believe that the Human Resource function contributes effectively to the development of these capabilities. (Scott-Jackson et al., 2014)

The business leaders also perceived that the activities the HRf was good at, were not the priorities for the business (Figure 2) and that the HRf was less capable in the areas that were more important!



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Figure 2: Gap analysis of HR activities: the views of line leaders on relative importance and capability (Scott-Jackson et al., 2014)

Interestingly, our recommendations on how the HRf can best serve organisations also applies to the HRf itself, as an organisation with its own strategic objectives and capabilities.

1.2 Some definitions

There is often a confusion, when discussing ‘human resources’, between the function or department of human resources, the people themselves (inaccurately, and somewhat derogatorily, labelled ‘human resources’) and the management of those human resources (which is not exclusively the job of the function), so in this research we have worked to the following definitions (Figure 3):

Human Resources (HR) are the organisationally-relevant capabilities of groups and individuals (including contingent workers, suppliers and anyone else that provides any capability for the organisation). ‘Team-working’ or ‘innovation’ could be a human resource. HR is not the people themselves. There is no need to use an alternative term for people! People are people. People employed in an organisation could also be described as ‘personnel’, ‘staff’ or ‘employees’ but, again, ‘personnel’ are not the same as human resources. So, the evolution or rebranding of the Personnel Department, as the Human Resources Department, should have indicated a real change in function, not just labelling. Transforming from ‘looking after the people’ through to ‘building key resources’.

Human Resource Management (HRM), which in this report includes Human Resource Development (HRD), is the creation, utilisation, development and retention of human resources. This is mostly carried out by line managers, of course.

The Human Resource function (HRf) is the entity responsible, in most organisations, for delivering people-related administration and services and, in many organisations, for advising, designing and implementing programmes to do with people. The function can have various other roles, such as mentoring CEOs or managing health and safety, and can take or aspire to take a strategic role.

The research and findings in this study apply to HR functions in both the public and private sector. If we use words such as ‘business savvy’, ‘compete’ or ‘competitive advantage’, we are taking the view that public sector organisations are meant to be run in an effective and efficient ‘business-like’ fashion, to ‘compete’ in fulfilling their strategic aims just as well as or even better than similar entities. If we quote language that seems only to relate to business (e.g. ‘maximising shareholder value’) then we ask the reader to assume a public sector application.

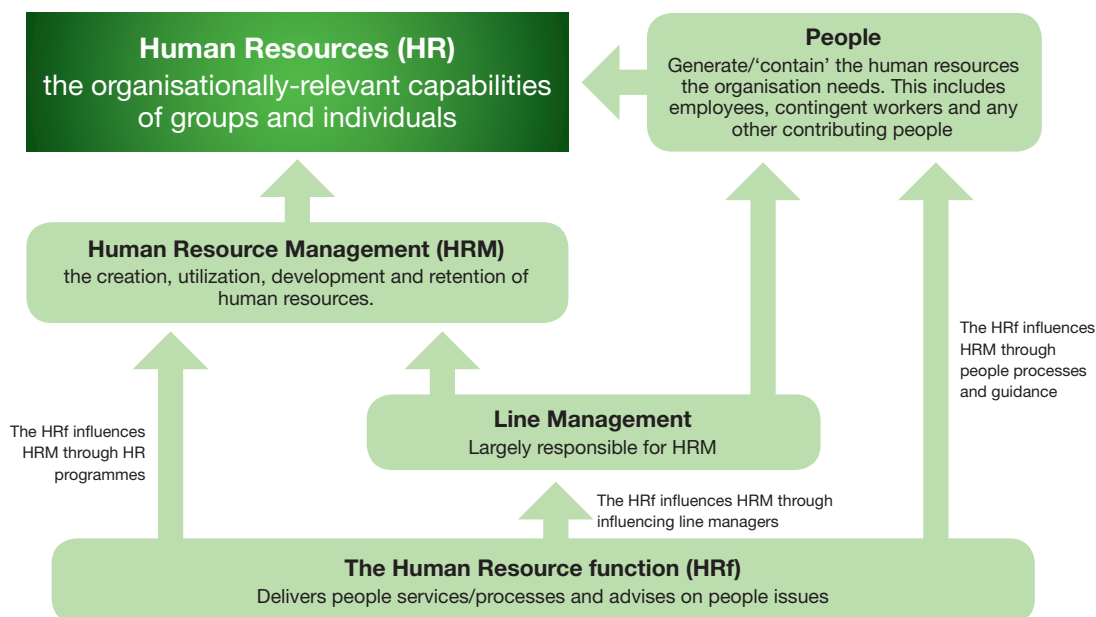


Figure 3: The (simplified) relationship between the HRf, line management, HRM and human resources

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2 Executive summary

2.1 Overview

This study confirms that changes in technology and how people engage with organisations present major opportunities for the HR function to demonstrate real strategic value, but that, excepting some thought-leaders, the function in general has been under-valued and has lacked the purpose or capability to maximise these opportunities. HR leaders have the choice of simply re-skilling in response to change, to provide better tactical value through people-processes and expert advice on people issues, or transforming the function to exploit its potential critical strategic contribution.

The recommendations provide not only a vision for the evolved or transformed function but also immediate steps that can be taken to achieve this strategic role. Although the organisation and structure of the function is important, it is much more important, and possible, to demonstrate immediate strategic value by carrying out a relatively straightforward process.

2.2 Where we are today

The focus and organisation of the current HR function has arisen through an evolutionary process. This process has been partly based on a very patchy implementation of some of the more superficial components (often just the names) of recommendations of various theorists (notably Dave Ulrich); it has been partly due to a changing of the role over time (including welfare, industrial relations and talent management); and has partly evolved in response to the changing needs of organisations and deciding how those needs might be fulfilled.

This has resulted in a major issue for the HRf: its purpose, in practice, has also evolved over time and largely results from, and is defined by, things it happens to do. But a purpose, mostly unarticulated, such as: 'We deliver HR services (such as recruitment)' is nothing more than a definition of activities.

Hardly surprising, then, that senior leaders, while consistently acknowledging that people and their capabilities are their most important strategic asset, also believe that the ability of the HRf to deliver people's potential is extremely low. Pleas for 'a seat at the table' and attempts to train HR practitioners in 'business savvy' will be to no avail if the function is seen as having little strategic value and as having not much to add to strategic debate, even if the 'not much' is couched in the right business language.

We also found that the much vaunted role of the business partner, in practice, most often had little strategic impact or involvement; incumbents are forced to act as account managers, mediating between the business and HR delivery and expert functions. This is, of course, a valuable and necessary role and is well described in its title. But it does not, as implemented, represent a strategic role of the HRf.

Dramatic and continuing improvements in process technology have meant that delivery of people-related processes has improved dramatically, and the HR function has taken some credit for these tactical improvements. However, future fundamental changes in how people engage with organisations, and developments in technology, will have a disruptive impact on the management and delivery of human resources, and this justifies and demands a transformation of the role and impact of the HRf.

The organisation of the HRf has commonly 'settled' into two functions: a reasonably clear delivery function, with the responsibility of understanding and utilising advances in process technology, and an expert function, which, given the increasing need for specialist expertise, will typically be accessed externally. In addition, many HR functions also include various roles (including the leader's) that aim to be 'strategic', and this is where the opportunity for the most dramatic transformation in strategic value occurs.

2.3 Where we need to be

The study reviews the significant changes in the future of work (Section 4.2), the search for talent (Section 4.3) and rapid advances in relevant technology (Section 4.4), and concludes that there will be a dramatic impact on the HRf, as well as significant opportunities. Overall, though, the function has the opportunity to maximise the positive impacts and to mitigate the negative, in order to demonstrate strategic value.

This study adopts the following logical process to achieve strategic value:

1. Define the purpose of the function.
2. Define the process by which that purpose would be best achieved.
3. Define the organisational options for how that process could be delivered.

We define the purpose of HRf as:

The delivery of capabilities needed to achieve outstanding strategic success.

This definition is central to the achievement of organisational strategy and allows the use of well proven models and methods to define and deliver strategic capabilities.

A process for defining and delivering strategic capabilities is described in Section 6.3.4 and immediate actions are recommended in Section 7.

In terms of organisation (Figure 4): the most commonly adopted, current organisational structure (steady-state) is not designed to achieve this purpose.

An evolutionary structure of the HRf would respond to the above-defined purpose by taking responsibility for the definition and delivery of strategic human capabilities (the original sense of the phrase 'human resources').

A transformed organisation would respond to this purpose by developing expertise in capability definition and delivery, with human resources/capabilities as one instance, to be evaluated alongside capabilities based on technologies such as AI.



Figure 4: The purpose and organisation of the HRf

2.4 How to get there – now!

As mentioned earlier, it is quite possible to demonstrate an immediate strategic impact with no changes in organisation in the short term.

This can be achieved through a relatively fast and cost-effective process (as described in Section 7) to identify the required strategic capabilities and define how they can be delivered through, for example, changes to HR processes and HR initiatives.

This report demonstrates that HR leaders have the opportunity to demonstrate clear strategic value, not by asking for a ‘seat at the table’, not by relying on the fear of people-related risks and other phenomena, and not by focusing on the mystique of engagement, but by delivering the capabilities needed to achieve outstanding strategic success.

3 The evolution of the HR function

It is important, in proposing new models for the HRf, to have a brief understanding of the development of the function to its current, steady state and to recognise the driving influences that have guided that development. In particular, we find that at several points, well considered, insightful and powerful recommendations on the shape and strategy of the HRf have been diluted or distorted. The transformation option for the HRf, proposed in Section 6, respects, develops and utilises much of this original thinking.

3.1 From welfare to a profession

The forerunner of the Chartered Institute of Professional Development (CIPD), the Welfare Workers' Association (WWA) was formed at an employers' conference in York on 6 June 1913. The meeting was chaired by Seebohm Rowntree. Along with his company, Rowntree's, around fifty other companies were present, including Boots, Cadbury and Chivers and Sons. The WWA was founded as 'an association of employers interested in industrial betterment and of welfare workers engaged by them' (Winstanley & Woodall, 2000). Its name changed several times and in 1946 became The Institute of Personnel Management. After a merger in 1994 with the Institute of Training and Development, the then IPD was incorporated under Royal Charter in 2000, and by then reported a membership of 120,000 practitioners. Its status as a profession in its own right was established, and it gave rise to a host of qualifications, including Bachelor's degrees for young people straight out of school.

It was not until 1948 that the American Society for Personnel Administration (ASPA) was founded. It was run only by volunteers until 1984, and in 1989 it changed its name to the Society for Human Resource Management. And so began the widespread use of the label of HR, which spread across the world and largely replaced the term 'personnel' (although Germany still uses 'personell').

So why did personnel change its name to HR? Alongside the entirely practical personnel focus on people, their contribution and their welfare, a body of theory in the field of strategy was emerging (Barney 1991), driven by business leaders, which suggested that firms could enjoy competitive advantage if only they possessed or could build 'resources' that were otherwise scarce, valuable and hard to copy. This resource-based view (RBV) of the firm is now a major strand of strategic thinking. In the late 1980s it was picked up by academics working in the field of personnel management, such as John Storey (1989), who began to develop models and theory on 'human resources', as a specific type of strategic resource, and 'human resource management', as the way in which it could be acquired, developed and maintained. The label 'human resource' was duly appropriated by the personnel profession but without, in general, adopting many of its principles (for example, that resources were not the same as the people themselves) leading to the charge, still levied today – that HR is simply 'old wine in new bottles', a relabelled personnel. This phenomenon, of taking the 'label without the content', has more recently been repeated in respect of Ulrich's business partner models, as will be seen below.

Why does this matter? Well, because the valuable insights and contributions to effectiveness that were originally proposed have largely been lost. In particular, the opportunity to acquire a clear strategic purpose with defined outputs for the HR function has, to date, been generally missed. One of the conclusions of this study is that there is now a renewed opportunity for the HRf to declare a clear strategic purpose and to demonstrate its significant contribution to organisational success.

Until Dave Ulrich's rethinking in the mid-nineties, most of the work in HR (or personnel) still centred around the administration of people and employee relations. The most common delivery model was to have accessible 'generalists' in each part of the organisation, together with employee relations and recruitment officers where needed. They would be directed by an HQ with a few specialists, such as pensions and management development. In a large organisation, there would be hierarchical layers in between. As the first computerised record systems came on board in the 80s, firms also centralised their payroll and administrative systems.

Meanwhile, mostly outside of organisations, consultants and academics studied many aspects of work and organisations. These included industrial psychologists such as Herzberg and Maslow in the 50s and 60s, and the invention of the discipline of 'organisation development' by Schein, Beckhard, Harrison and others. Charles Handy and Andrew Kakabadse in the UK studied organisation design, and had many influential ideas in the mid-nineties about the future of work. However, only the larger, more innovative HR departments paid much attention to these developments.

The growth in legislation and the economic turbulence from the late 80s onwards gave a lot of extra work to HR departments, mostly to do with staff reductions or employee negotiations, but it did not make them well loved. This was encapsulated by the character Catbert, the 'evil director of human resources' in Scott Adams' Dilbert cartoons. Catbert was supposed to be a one-time character, but he resonated so well with readers that Adams brought him back as the permanent HR director.

Constant criticism led to an epidemic of self-doubt and introspection for the ever-growing HR profession until they found a new champion.

3.2 Dave Ulrich and the HR function

Dave Ulrich, a professor at the University of Michigan, has been the undoubted, dynamic and globally acclaimed champion of the HR function for the last 20 years. He prefaced his influential book *Human Resource Champions* (1997) by saying 'the next ten years will be the HR decade'. His book explicitly set out to focus on what HR delivers, rather than the detail of what it does as a department. His key focus remains today on the value that an HR function adds.

'HR must recognise and correct its past,' he said. 'It has spent more time professing than being professional.' His mission was to explore how HR can create competitive organisations through a partnership between managers and professionals, with a body of detailed knowledge about people and organisations. The foundation of his approach was to see the contribution of HR placed in four quadrants, as shown in Figure 5.

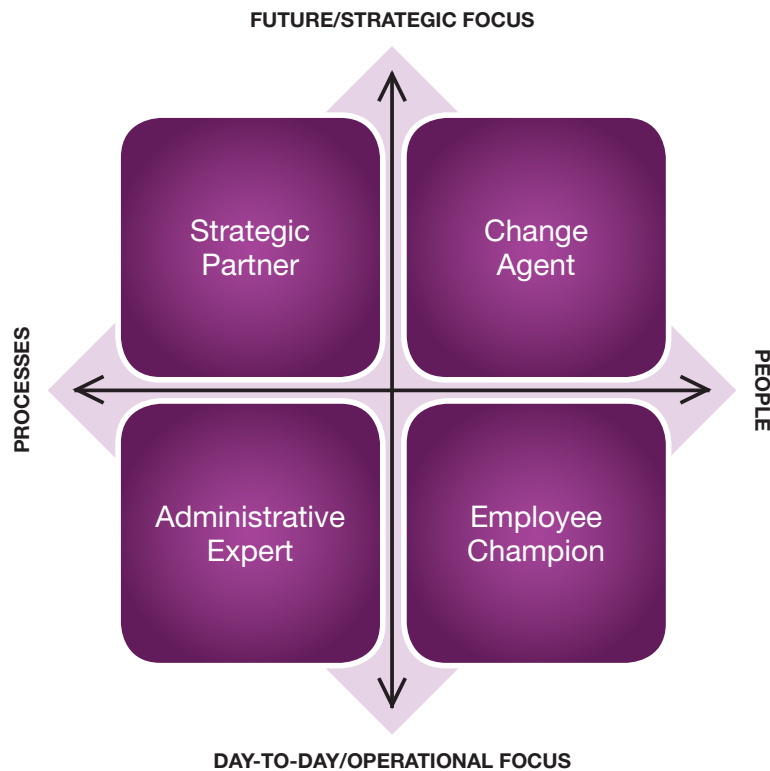


Figure 5: The dimensions of an HR function (Ulrich, 1997)

The two dimensions used here are ‘people vs processes’ and ‘day-to-day vs future focus’. Ulrich defined four roles to go with these quadrants, as shown in Figure 6.

Role	Deliverable	Metaphor	Activity
Management of strategic human resources	Executing strategy	Strategic Partner	Aligning HR and business strategy
Management of infrastructure	Building efficiency	Administrative Expert	Managing processes and services
Management of Employee Contribution	Increasing commitment and capability	Employee Champion	Listening and responding to employees
Management of Transformation and change	Creating a renewed organisation	Change Agent	Ensuring capacity for change

Figure 6: The dimensions converted to roles (Ulrich, 1997)

The HR profession in the years that followed seized upon the top left hand quadrant and many HR professionals renamed themselves as ‘Strategic Business Partners’ (echoing the previous empty appropriation of ‘HR’ itself). In the process, the second role, ‘administrative expert’, became a candidate for outsourcing, and the ‘employee champion’ role was more or less forgotten, at least prior to the rise of ‘engagement’ as a key concern. The ‘change agent’ role was also very patchily carried out.

Many surveys have been carried out over the last 15 years that ask HR people how much time they spend on ‘being strategic’ as opposed to being involved in administrative matters. The implication always is that the latter needs to decrease and the former to increase – that the mark of arrival is when most of the time is spent on strategic matters. However, administration and compliance must be done, and done at as low cost as is consistent with delivering an acceptable service. The standards of delivery of that service should be high, since mistakes and delays cause immense irritation and have a high ‘price of non-conformance’ (Powell, 1995). How

much time do managers themselves spend on 'being strategic'? How often do we review strategies in organisations? Annually, or when a crisis forces us to do so? The research consistently finds that significant changes in strategy are a relatively scarce event – implementing chosen strategies is much more relevant and the focus of most leaders' everyday efforts.

Ulrich is at pains to point out that the concept of business partnership is the sum of all these roles, emphasising that contributing to strategic issues is but one part. Indeed, at a conference in Rome in 2008, where some criticism was directed at his 'unworkable' business partner model, he justifiably defended himself by saying he had been misinterpreted. His key message, then and now, was for HR to become more business orientated.

In his 2005 book, Ulrich (and Brockbank) revised the original model, although this has not generally replaced the original in the practice of organisations.

The four roles became five (see Figure 7), and are described below.

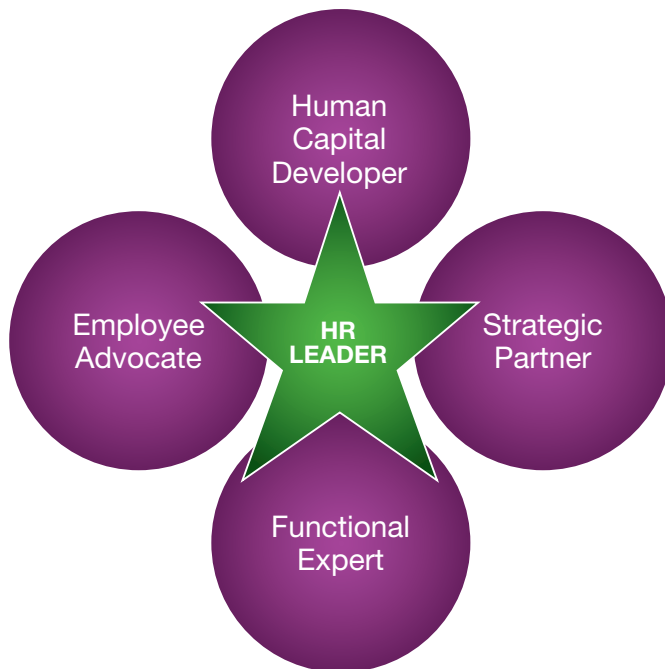


Figure 7: Revised HR roles model (Ulrich & Brockbank, 2005)

- **Strategic partners** are HR professionals with knowledge of business, change, consulting and learning. The role involves 'partnering' with line managers to help them reach their goals through strategy formulation and implementation.
- **Functional experts** are the repository of specialist knowledge in foundational HR practices and organisational effectiveness.
- **Employee advocates** listen to employees' opinions and needs, manage work conditions and well-being, deal with communication and grievance resolution and manage diversity.
- **Human capital developers** focus on staff, more as individuals than as 'processes', in terms of learning, development, effective teams, coaching and talent management.
- **HR leaders** provide functional leadership.

Ulrich's models have continually evolved and become more complex and, therefore, not so well known. His organisation carries out a review every few years of competencies needed in HR and his models have developed. The latest one is below (Figure 8), and compares with the recent competency models produced by the professional bodies Society for Human Resource Management (SHRM) (Figure 17) and CIPD (Figure 18).

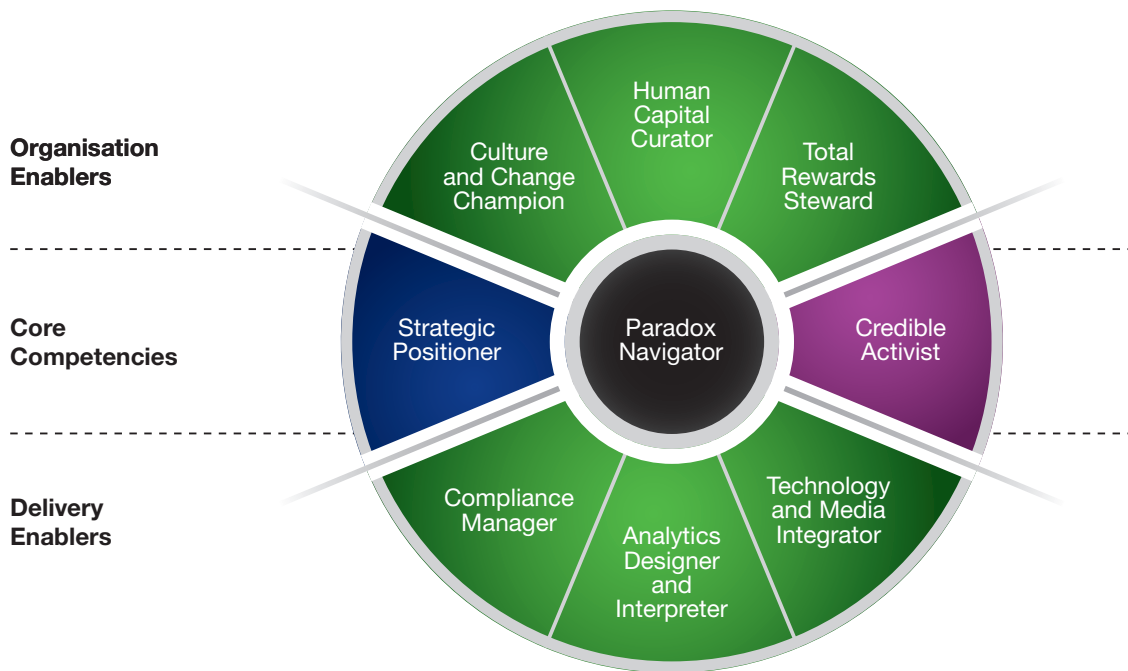


Figure 8: HR competencies model, round 7 (RBL Group, undated)

The above and subsequent models have not generally replaced the original in the practice of organisations. What has happened, in the urge to be strategic, and in the development of distributed technology, is that the original 'employee champion' role, the 'human face' of HR, has diminished. What has developed are call centres for queries, and 'business partners' preoccupied with management or process issues. No longer would anyone join HR because they 'liked working with people'.

One reason for this is that the CIPD in the UK, in a 2005 paper written by Peter Goodge, interpreted the Ulrich approach as the restructuring of HR into three distinct sub-functions:

- **Shared services:** a single, often relatively large, unit that handles all the routine 'transactional' services across the business. Shared services typically provide resourcing, payroll, absence monitoring, and advice on the simpler employee relations issues.
- **Centres of excellence:** usually small teams of HR experts with specialist knowledge of leading-edge HR solutions. The role of centres of excellence is to deliver competitive business advantages through HR innovations in areas such as reward, learning, engagement and talent management.
- **Strategic partners:** a few HR professionals working closely with business leaders, influencing strategy and steering its implementation. The task of strategic partners is to ensure the business makes best use of its people and its people opportunities. The role is to highlight the HR issues and possibilities that executives don't often see. It also aims to inform and shape HR strategy, so that HR meets organisational needs. (Goodge, 2005)

This became known as Ulrich's three-legged stool model – although Ulrich himself denies any ownership of it. It has become the currently accepted model of the modern HR department in the UK (and to some extent elsewhere), although it seems to be little different from the 'generalists, specialist and administration' format that was common in the 80s. Technology has undoubtedly enhanced administrative delivery, and the range of contribution of an HR function has been extended – but the concept of experienced functional managers being aligned to business teams is nothing new.

Its application however is inevitably highly varied. Depending on resource availability, it is often the case that so-called business partners are too thinly spread to be able to truly get involved in the business issues of operational teams, except right at the top of an organisation. There is also the tendency, given the priorities of the line manager 'clients', for business partners to simply act as account managers for the delivery of HR services and advice.

The tension between the priorities of line managers and the HRf is a long-standing issue, illustrated by the experience of one of the authors, Andrew Mayo, below. This study aims to help redress that conflict.

In 1980 I secured my first HR business partner role. Of course, that was not my job title – it was rather Personnel Manager. But I was responsible for the whole function in a subsidiary company of 2,000 people in an international IT group, I was a member of the management team and I reported to the Managing Director, Tony. Soon after starting, I booked an appointment with him in order to agree my objectives for the coming year. I sat down and he looked at me quizzically. 'Andrew,' he said, 'I asked you to join us because I know you know what you are doing in managing your department and I trust your judgement to recognise any needed changes to our Personnel and Training. I will judge you by the extent to which our other colleagues around this table find you helpful in achieving their objectives.'

After two years, our subsidiary was 'restructured'. Tony invited me to take a marketing role in one of the new offshoots. With much trepidation, I accepted and spent the next two years so immersed in the excitement of my particular business objectives that I found – to my dismay – that I was looking on the Personnel department as a 'necessary nuisance'.

All the activities that engaged me so seriously before seemed irrelevant. It was getting new customers that mattered. I eventually did go back to HR, a much wiser man.

Two lessons remained with me, as I returned to HR. The first was that HR's agenda is but a small part of the line manager's preoccupations. And the second was that to be a valued partner (or colleague, as I would have said then) I needed to focus on what managers were trying to achieve as the priority, rather than what I wanted to accomplish professionally.

Ulrich has, of course, continued to research and develop his ideas and contributed to this study. These ideas are referred to and developed in Section 6, below.

I don't think the Business Partner concept has worked – so-called business partners get 'dumbed down' by line managers. They should be renamed HR advisors, co-located together, and running strategic interventions guided by the appropriate centre specialist.

3.3 Problems with the business partner concept

Nick Holley (2015) examined the reality of the business partner leg of the 'stool'. He gives a powerful analogy of the difficulty of this role.

One of the causal factors has been that as organizational structures become leaner and ever more matrixed, partner roles become the knot in the bow tie, where they are pivotal in ensuring the whole model functions effectively. Nowhere has this been more prevalent than in HR. (Holley, 2015)

The difficulty is increased by many former roles being re-labelled 'business partners' without understanding the capability needed to make this truly effective. Ulrich and colleagues at the Ross School of Business, University of Michigan, have seen thousands of students through their advanced HR programmes; he informed our researcher of the 20–60–20 distribution of capability that they observed:

The top 20% are brilliant and really 'get it' – and 60% are 'willing to learn'. The remainder will never get it. The reality is that many people have gone into – or been moved to – HR because they are not very interested in business itself.

One cannot, after all, declare unilaterally that one is a partner – as HR functions have frequently done. HR functions have generally meant 'partnering with' rather than 'partnering in'. The former is another way of allocating resource to a part of the organisation. 'Partnering in' is much closer to Ulrich's intention, the mindset being: 'all you achieve is through people and we in HR are here to help you achieve your business goals'. This is not heard very often. A more accurate term for many – and indeed used by many – is the 'HR Adviser', allocated to look after a part of the organisation.

I don't think the Business Partner concept has worked – so-called business partners get 'dumbed down' by line managers. They should be renamed HR advisors, co-located together, and running strategic interventions guided by the appropriate centre specialist.

3.4 State of the HR Function

There are frequent investigations into the state of the HR function, its challenges and priorities. They nearly all take place in large international organisations, and standard themes emerge. We will not quote too many of them here.

Allan Boroughs of Orion Partners, an established HR Consultancy reports that:

In early 2014 we surveyed business and HR users in 40 organisations, each with more than 10,000 employees – complex beasts by anyone's standards. The survey showed, as expected, that in the last ten years investment in the HR operating model has become the norm, with over 95% of organisations having undertaken some sort of HR transformation. Of those, more than 50% had invested in what they termed the 'Ulrich model' for HR. The scope of HR transformation usually incorporated elements of centralised shared services, business partners and centres of expertise. However, we found that the most significant areas of investment were nearly always in the development of HR shared services and associated IT systems. (Boroughs, 2015)

When it comes to measuring the performance of the model, the results are compelling. Firstly, more than 90% of organisations felt their HR function to be more efficient and commercially focused than it had been ten years ago, with the majority (77%) attributing this success to the 'Ulrich model' (Figure 2).

This sounds like a very positive endorsement. However, this success could be said to be primarily due to the significant developments in technology that have improved HR operations. Orion also found that transactional HR still dominated most functions. One can argue that perhaps this is inevitable and correct, as the platform of the HR service.

Orion went on to state that:

against a background where 97% said that people issues are 'highly important' or 'critical' to the business, it suggests that the search for HR efficiency has deflected HR from its true mission and that it has neglected those areas that have the potential to offer the greatest level of commercial benefit.

Mercer LLC is one of the firms of consultants that conduct regular research into HR related matters. Their report, 'Future proofing HR' (2016a), was the first of such studies to seek the views of both employers and employees, and it included 1,730 of the former and 4,500 of the latter. One section was entitled 'Redefining the value of HR'. Compared across five global regions the percentage of organisations that felt their HR function was viewed as a strategic business partner ranged from a high of 11% in Australia to only 3% in Asia and 4% in North America. But across the world, between 54% and 66% of employees gave their experience of the HR function a C-grade or lower.

These are very low figures. A lot depends on how the question is asked. Lawler and Boudreau (2015) asked a different question – about the involvement of HR in the determination of business strategy. They found (in a global study of 416 large organisations) that 21% reported a full involvement of HR in business strategy and a further 54% reported that HR made inputs into it.

The CIPD produces the annual 'HR outlook' (CIPD, 2016a), which compares the views and priorities of HR leaders with an approximately equal number of non-HR leaders. In the winter 2015/16 edition they found that while 72% of HR leaders believed they were contributing to the strategic business priorities, only 26% of non-HR leaders saw it that way; a study in the Gulf Arab States (many of whom employ Western HR directors) found very similar results (Scott-Jackson et al., 2014). This raises questions about the visibility, impact and communication of HR functions. When looking at where HR leaders were focusing their attention in the priority of cost management, 51% were focusing on improving HR service delivery and 49% on restructuring. Only a quarter of non-HR leaders saw these as priorities – for them performance management and staff retention were top priorities. Similarly, the Scott-Jackson et al. (2014) study found a wide discrepancy between HR and line priorities.

3.5 The organisation of the HRf

Wendy Hirsh, a very experienced researcher, and Principal Associate at the Institute for Employment Studies, summed up her perspective as follows:

Perhaps the two suggestions made most often about the HR function are that it needs to be more business focused and more strategic. I support these intentions but

with some caveats. Being business focused requires us to remember that 'business' should be shorthand for the sustainable health of the organisation, not being a management lackey or doing whatever the CEO wants. It is part of the role of HR to challenge the executive to take a broader and longer term view of organisational effectiveness.

The 'strategic' role of HR should be about looking forward and focusing on the issues that are important for the business and its workforce – issues such as: productivity and work design; finding, developing and motivating people with the skills the business will need; and managing change more effectively. Sitting in a back room with the door shut and designing ever more complex procedures and forms for managers to fill in is not being strategic. Technology should support people management; it will not help us if we just waste people's time in the same old way, but using flashier kit.

HR needs to work in close partnership with managers and also more actively seek the insights of employees. The Institute for Employment Studies has found that senior managers, line managers and employees want HR to be 'responsive' and helpful; 'proactive' in anticipating and addressing key issues and 'professional' in using evidence and giving relevant advice, not just following fads and fashions.

In line with a major theme of this study, the role of the HRf is seen differently by our various experts and is unclear, leading to an issue of how to demonstrate value:

The current and future role of HR will remain unchanged, the essence of which is to execute the business strategy through the workforce strategy, including building the people and organisational capability to do so. However, such workforce strategies are typically only at a rudimentary stage, so there is a significant mindset and education deficit for boards, CEOs, executives and HR professionals to address regarding the effective management of their largest budget cost item. The concept of the 'T Manager', applied to the HR Director/Manager, will become ever more salient with the vertical part of the 'T' constituting deep, subject-matter people expertise, and the horizontal part constituting broad business and commercial understanding.

HR should become 'CEO Advisory' and not be a big management function in its own right. Also a global model of HR is not appropriate. It is clear that emerging markets have a range of politico/economic/environmental influences that place different demands on HR, not to speak of the variety of images HR has depending on top management. It is clear that the so-called Ulrich model does not work everywhere.

The challenge for HR is the same as 30 years ago – how to add value. In some areas scope has reduced, e.g. where central procurement exists, HR often has little say in suppliers such as consultants and head-hunters. They assist CSR (not a major thing in Australia) but rarely drive it. Most HRD specs in hands-on businesses (retail, manufacturing) are still very traditional and transactional. The more strategic ones are in technology and professional services.

And there is an acknowledgement, as noted above, that the business partner role is not implemented in practice as it is described in theory.

The HRBP role still struggles but seems to be the continuing model. We are seeing more chief talent officer positions. HR seems to have lost its original principles of representing both management and employees.

The 'strategic' role of HR should be about looking forward and focusing on the issues that are important for the business and its workforce... ..Sitting in a back room with the door shut and designing ever more complex procedures and forms for managers to fill in is not being strategic. Technology should support people management; it will not help us if we just waste people's time in the same old way, but using flashier kit.

The organisation itself will be impacted by technology developments:

There is the potential for lower level jobs to be much reduced as technology is harnessed more. In many organisations delivery is more complex, with flexible working and borderless virtual offices ... this leads to more self-service. It is a challenge to coordinate and align specialists who often pursue their own separate agendas and initiatives – and the generalists or BPs are on the receiving end.

Nick Holley echoes Ulrich's thinking:

HR seems to be fixated with one model of HR. In reality, we need to develop models that are relevant to the organisation of which HR is a part. The key question we need to ask isn't how to organise HR but what is the role of HR, as this will define how we organise ourselves. If we define HR as doing HR we will adopt an internally focused view, but if we define HR's role as building the capability of an organisation to deliver its strategy and create value this will drive a more outward focused model that will depend on these commercial and strategic challenges.

And Angela Szymusiak of Adobe notes:

We often bemoan 'Where are our leaders of tomorrow?' and 'Why aren't our leaders of today stepping up and leading their businesses and people like we want and need them to?'. Do our practices encourage leadership that takes ownership to truly lead and drive business success? Or are we unintentionally supporting lazy behaviour or lack of accountability? We must challenge ourselves with building leadership in everything we do. Thinking creatively about the problems we need to solve, taking bold steps and being deliberate in execution will help us to add greater value and impact in helping our businesses succeed.

Not surprisingly the senior practitioners interviewed expressed a range of views. Once again though, there is no real consensus on the role of the function and its organisation and structure also varies widely from the traditional 'personnel' to include a great range of people related activities.

Many described their organisation in terms of the three-legged model:

We are moving to a three-part model – factory (workforce), centres of expertise, and strategic partnership with the business line. The issue being grappled with is how to divide time and resources between them.

The key centres of excellence have a strong link to workforce planning and strategy, though we still do payroll (not part of Finance), and comp and benefits. We see the critical role of the function as being a Business partner – its role is to constructively challenge the business.

We are quite recently wedded to Ulrich model – we will continue to deploy and use it.

I think the HR Business Partner and centres of excellence model has real flaws – Business Partners need to become specialists, not generalists, and then a lot of the routine will be outsourced.

I see much more a move to a model adopted by Qantas – strong Business Partner approach, lean and having a team of change consultants which add value to the business on a project-by-project basis. There are HR functions that would be better placed in Operations – leaving HR to concentrate on adding value via change management expertise.

If we define HR as doing HR we will adopt an internally focused view, but if we define HR's role as building the capability of an organisation to deliver its strategy and create value this will drive a more outward focused model that will depend on these commercial and strategic challenges.

However, many practitioners have added other related functions to their responsibilities, largely due to specific role focus on, for example, compliance or employee brand:

In our company, procurement was put into HR and also corporate communications. As CHRO I am much involved with governance – would say about a third of US HR functions are in this area. HR has also claimed the mantle of Organizational Effectiveness which I see as the most important determinant of the impact of the function.

Getting much closer to the business – currently we work in close harmony with Chief Customer Officer and Brand Director. HR needs to follow through the mantra: great employee = great customer experience.

3.6 Variations in the label used

HR has a generally bad image so [it was considered] better to rebrand. In Box, we have People Operations, People Partners and four specialist groups. Being a relatively new and expanding company we anticipate the scope of the People Department to expand.

The label ‘human resources’ has engendered much derision over the years since it developed from ‘personnel’. Relabelling is, of course, a key tool available in so-called ‘transformation’ and, indeed, this is taking place once again. So, we increasingly see the use of the word ‘people’ in entitling the function with, for example, a ‘chief people officer’. In Adobe, they have created a function entitled ‘people resources’, which includes the customer experience team. The use of the more impersonal ‘human capital’ now seems to be confined to the major consultancies and a few organisations in the Middle East.

As we discuss in section 6, some more radical options present themselves for breaking out of the traditional ‘HR’ silo. The Royal Mail for example has a ‘Director of Operational Excellence’ which incorporates performance improvement activity and is heavily integrated with HR. Box, an IT company in California, told us: ‘HR has a generally bad image so [it was considered] better to rebrand. In Box, we have People Operations, People Partners and four specialist groups. Being a relatively new and expanding company we anticipate the scope of the People Department to expand.’

3.7 Dispersing work

3.7.1 Outsourcing

HR functions have typically outsourced some activities for many years. Examples are senior level recruitment, running a payroll, specialist legal advice, career transition counselling, psychological testing, expatriate packages and so on. The range of specialist firms who will promise to do things better and cheaper widens every day. Many lessons have been learnt about the dangers of outsourcing as a pure cost reduction exercise, one which further distances employees from the HR function. As one of our interviewees put it:

HR has to balance activity vs impact. Things that other people can do better I outsource, such as payroll, reference checks and so on. But – outsourcers are driven by their own profit agenda and not by employee experience. So, this has to be balanced. Also ‘vendor management’ is not a common skill in HR.

There are many firms to whom one can outsource the entire HR function, and they provide services to smaller organisations particularly. Larger organisations are more discriminating (having more resources themselves) about what they will allow others to take over. The top reasons for utilising external expertise are:

- It frees up time to concentrate on ‘strategic’ issues.

- It saves money (or at least appears to) – the specialist organisation can utilise economies of scale.
- It improves compliance. As regulations and legal pitfalls increase, it helps to put them in the hands of those who do it every day.
- Specialists in recruitment or expatriate packages, for example, and who do it every day, are likely to do a better job.
- Dedicated firms are likely to have the latest appropriate tools and technology.

However, it does not give a good message to, for example, UK employees – that their problems can be solved by a call desk in India. We found a great range of approaches to this area. Some comments from those in companies were:

Employee brand development leads to recruitment being kept in house rather than (as more and more are) being outsourced. Social media management – at present this is outsourced but ineffective – brings it back in-house. A lot more functions could be outsourced, but only to high quality providers which reinforce the brand, examples being benefits and payroll.

Areas like reward are ripe for outsourcing but there is no need for shared services to be outsourced.

More and more is outsourced on a managed partnership model to organisations that specialise. For example: training administration, purchasing, major legal case management. We have a head of HR delivery whose job is to create a seamless service.

[Outsourcing] will increase as the company examines where it needs expertise (e.g. with employee benefits) and finds the appropriate partner to deliver.

And by ‘observers’ we were told the following:

There are increasingly complex models of outsourcing. For large scale, administrative outsourcing, the administrative work can be automated and done more efficiently outside the organisation. These are services that do not create competitive advantage and industry parity is sufficient. There are other outsourcing partnerships where an organisation forms alliances or partnerships to win by building an ecosystem of competencies inside and out. It is important to know the purpose of the outsourcing or contingent works.

There will always be a need for the ‘high touch adviser’ – but routine things can be done differently and avoid ‘the variable quality of the HR person’.

I only see two areas for HR to retain – OE/OD and Talent Management (or not motivated to do so). Everything else can be outsourced (or insourced, as above). It is “Capability” that is key to organisational success – at department, team and individual level. HR has to own culture, though it may subcontract analysis and feedback as it may be seen as too biased internally.

You cannot outsource core HR, but transactional stuff will increase. Too much is done by procurement today – a form of internal outsourcing of some key decisions.

Recruitment should be in-house, including head-hunting, because culture fit is so important.

Things that other people can do better I outsource, such as payroll, reference checks and so on. But – outsourcers are driven by their own profit agenda and not by employee experience. So, this has to be balanced. Also ‘vendor management’ is not a common skill in HR.

More and more is outsourced on a managed partnership model to organisations that specialise. For example: training administration, purchasing, major legal case management. We have a head of HR delivery whose job is to create a seamless service.

There are many examples of where internal and external expertise are combined in an ongoing partnership – indeed consultancy firms value these highly. One interesting model is the Australian company Talent Intelligence, which combines an organisation’s internal succession plan with proactive headhunting for external alternatives, even when there is no vacancy.

3.7.2 Insourcing

The meaning of ‘insourcing’ in this context is ‘outsourcing in house’, i.e. getting another part of the organisation to do some activities. An example would be the setting up of a corporate administration unit or service centre, including more than HR, such as is discussed later.

The classic debate is about the respective roles of an HR function and line managers. Many organisations developed an HR dependency – which gave HR a not unwelcome sense of power – so that all matters to do with people were handled by them. This was (and is) compounded by the prevalence of promoting first line managers because of their technical or professional – rather than managerial – skills. Public sector bureaucracies are particularly prone to this syndrome. The pendulum has swung over the last 10–15 years to put people management back where it belongs (i.e. with line managers).

When an organisation is first created, managers do most of the administration until they realise it will be more effective to release their time and get someone else to do it. This case for the effective use of time does not go away. The pendulum swing often confuses the strengthening of relationships between a manager and their people (clearly desirable), and the administration of them (questionable).

However, technology has now intervened to enable progress on both fronts. Many companies have extended the distributed HR service direct to employees so that they can ‘self-manage’ themselves on standard HR processes. And there are an increasing number of apps and tools that make it easier for managers to manage their people. The take up is only beginning however.

Dave Ulrich commented as follows:

We have proposed for some time that line managers are primarily accountable for HR (talent, leadership and capability) outcomes; HR professionals are architects and anthropologists who bring unique insights to improved decision making. I see this continuing, with these role differences being minimised.

Others commented:

I personally believe HR is there to support and take away ‘non-business activity’. Line has people responsibility up to a point.

Yes – much more partnership, HR adding value (via change management) rather than ‘routine tasks’ being performed. This would need a substantial attitude change by both parties.

Apart from giving managers more HR admin to do (is it really their job?), the big lack is in basic management skills training. Focusing all the time on leadership does not help – too many assumptions that the basic skills are there. Some companies are bringing back first line management skill courses (GSK, Standard Chartered).

Lots of self-service growth – applications such as Workday and Fusion are being utilised. Managers managing people is really important and all ways to help them are valuable. Technology can significantly help more collaboration.

HR sees its role as empowering the managers of the business, by acting as a coach and partner; with up to 40% of the labour force being contract/casual/part time, much more energy needs to be deployed to that segment of the workforce.

Self-service is system driven – so it very much depends on the system and what it allows managers to do.

3.8 Delivery vs strategy

It is both impossible and inappropriate to generalise about any 'right' solution, since each organisation needs to work out its own model based on its needs and its complexity. Although some organisations are just at the stage of introducing the ubiquitous 'three-legged stool', most have broken out into their own preferred models. The pressure on the costs of the function make it genuinely difficult for many organisations to find the added value time for so-called 'strategic work'. We also live in a world of increasing regulation and legislation, as well as litigation – and all of this increases the demands on the compliance and monitoring roles of HR. The more risk averse the culture, the more HR are asked to manage those risks (as particularly noted by Nick Kemsley). All this takes away from time and resource that can be devoted to making an impact on organisational effectiveness. So long as the transactional and compliance needs are linked together with the strategic development of capability in one function, for most, this tension will continue.

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4 The future context

The main imperatives for carrying out this study at this time were the perceptions that: a) the HRf itself was questioning its purpose, role and impact; and b) the context or environment within which the HRf operates was changing, or about to change, requiring a similarly dramatic re-evaluation of the HRf. Sarah Sandbrook, HR Director of T-Systems, provides a very interesting case.

CASE STUDY

Sarah Sandbrook, HR Director T-Systems

'EMERGING TRENDS REQUIRE STRONG HR LEADERSHIP'

Impact of new ways of working

We have experienced that a combination of enabling technologies, such as online collaboration tools and voice and video conferencing, have created opportunities for both individuals and our organisation. One example of the impact of this is that there is no longer the need to restrict our search for talent to small geographical areas close to offices, and for individuals, opportunities much further from home have suddenly opened up. Potential employees are, as a result, likely to favour those organisations that offer such flexibility. It also throws open the whole issue of space planning, with home-working, hot-desking and hub offices becoming more mainstream. HR must now be at the forefront of these emerging technologies and trends, to anticipate the impact on their specific organisations and to help directors and managers to develop strategies to benefit from them. The pace of change means that we simply can't just react but must anticipate and advise in a strategic context.

Blended resources

Another aspect of this technology is that traditional resourcing types are breaking down. Gone are the days when an organisation had 90% of its people on permanent contracts in a single workplace with a few contractors

to cover long term leave and short term requirements. For organisations like ours a mix of permanent, contract, nearshore, offshore and third party resources are the norm. A manager will typically have a mix of all these available to meet customer demands. For HR, it is not just about the resourcing, but issues such as how to blend such teams effectively, the impact on engagement, how to preserve an organisation's values and brand when many of the team are not steered by that organisation and, perhaps most importantly, the impact on the skills and competencies that managers need in this new world. The demands on managers and leaders at all levels are changing out of all recognition, but in many cases the traditional management development approaches still apply.

Sector differences

For organisations like ours, we are able to take advantage of these changes and challenges on a consistent basis. In other sectors the complexity can be added to by the fact that not all people can take advantage of these opportunities because they are tied to location by reason of the jobs they have, such as retail, logistics or manufacturing. Even more problematic is where certain parts of an organisation are being driven to these new agile methods because they are competing for the same talent (e.g. IT), while other parts are restricted because of the work being undertaken. The impact on engagement and the need to avoid creating a two-tier system requires strong leadership from HR.

4.1 The forces for change

It seems a constant truism that everyone always feels that change ‘has never been faster’. Certainly, as far as technology is concerned there are a multitude of studies that show its development to be exponential. Other things change little, however; human nature does not change, even though its aspirations and comfort zones do. And repeated experiments in novel organisational structures have eventually reverted to the hierarchical norm in the absence of their original champions. Organisations continually struggle with the paucity of effective leadership and available talent, with the transient nature of employee motivation, with the variance in people management capability, with cultural collisions and with ethical dilemmas. It is not that there is a shortage of knowledge, experience or even solutions in these areas. But it seems each generation must find its own answers.

In between the extremes of technological change and human nature are changes that move more gradually, but are steady and significant trends. These include:

- stakeholder expectations (including transparency)
- legislation and regulation
- demographic change
- the economic environment, which is cyclical and has its own impact on shorter term decisions – often with devastating effects

Many reports and articles continually urge changes in HR – such as its connections with ‘the business’ and its strategy. The day-to-day pressures, and the general ignorance of business dynamics by many HR people, mean that this connection is unlikely to happen without the dynamic intervention of an innovative CEO or CHRO. The normal distribution tells us that 15% or less of top leaders fall into this category. This is why we get the same recommendations year after year but with a very slow adoption, mostly by thought leaders in key positions. Deloitte’s recent report (Bersin, 2016) for example has several headlines such as:

‘Softer’ areas such as culture and engagement, leadership, and development have become urgent priorities

and recommendations such as:

Today’s CHRO must be innovative and business-savvy and be able to stand toe to toe with the CEO. At the same time, a CHRO must know how to bring the HR team together and help it evolve into a more distributed, business-integrated function. CHROs must also be comfortable adopting and embracing technology and analytics, which are integral to HR’s future success. (Bersin, 2016)

These are somewhat perennial conclusions. But we will look at the active forces in different areas of impact, starting with the effect of technology and then stakeholder expectations. Legislation, regulation and demographic changes – especially the ageing workforce that many more established organisations experience – are not to be ignored, but are generally beyond the scope of this report. We should just note that several developments – such as the ‘living wage’ in the UK, the economic and labour force impacts of major political events such as Brexit in the UK or Saudi Vision 2030 in the GCC, increasing rights of temporary workers, and the need for people to work longer to attain a better pension – all have their effect on a workforce mix that is affordable, willing and available.

Of course, these changes, and indeed the whole of this study, applies to the HRf itself and those within it, as much as any other people in work.

4.2 The future of work

Dave Milner of IBM reinforces that:

The future of work is here now – HR must not only embrace changing work practices but start to lead the way in how organisations can maximise the people and digital technology relationship.

It is almost entirely technology, and its innovative application, that causes jobs to disappear and, indeed, appear. Overall, the number of jobs available probably increases because technology and innovation create different kinds of jobs. However, all the changes, both the losses and the gains, provide challenges for organisations and their HR functions.

John Boudreau (2016) listed five forces shaping the future of work and organisations from his own research, as outlined below.

1. Social and organisational reconfiguration

Organisations will be more flexible, shifting towards power-balanced forms and project-based relationships. Talent will engage on aligned purpose, not just economics. Networks and social and external collaborations will make leadership more horizontal, shared and collective. And organisations will be increasingly transparent to stakeholders.

2. All-inclusive global talent market

Data proves the workforce in Africa and Asia is growing and becoming a talent majority. People are also working longer, creating multigenerational workforces. Finally, social policies support boundaryless work beyond traditional full-time employment.

3. A truly connected world

Work is increasingly virtual and occurs anywhere and anytime through mobile personal devices with global real-time communications.

4. Exponential technology change

Robots, autonomous vehicles, commoditised sensors, artificial intelligence and the Internet of Things reshape the work ecosystem so that flexible, distributed and transient workforces adapt to rapid business reinvention. Organisations and workers balance long-term bets and flexibility under uncertainty by engaging automation to adapt to frequent changes and rapid skills obsolescence.

5. Human-automation collaboration

Analytics, algorithms, big data and artificial intelligence increasingly abolish work previously performed by humans, but also create new work at the interface of humans and automation.

We are not so sure about all these predictions. History is very much on the side of traditional organisational structures, especially for organisations above a certain size. Many different models, with eminently sensible rationales, have come and gone. We see some of these things happening in some places – and they tend to get the publicity. The ‘anytime, anywhere’ virtual work certainly exists where the business lends itself to that model. Most organisations cannot live that way – they rely on people working together, or directly interacting with customers or machines.

Deloitte report that:

- Companies are taking a more sophisticated approach to managing all aspects of their workforce, including the hourly, contingent, and contract workforce.

- More than one-third (34 percent) of all workers in the United States are contract workers, and more than half (51 percent) of our respondents say their need for contingent workers will keep growing over the next three to five years.
- The on-demand workforce offers companies the ability to tap into extensive networks of innovators, technical experts, and seasoned professionals. To engage and retain them, companies should think broadly about how their HR programs, strategies, and analytics tools could be applied not only to full-time employees, but also to contingent and part-time workers. (Deloitte, 2015)

Media and advertising is one industry where full-time employment of creative people is no longer the model. Creelman, Boudreau and Jesuthasan (2014) reported the following example:

Look at what Tongal is doing to advertising. Unlike ad agencies, Tongal doesn't employ any of the creative talent they use to make ads. Instead, Tongal's talent platform connects advertisers with free agents who make ads. Established advertising agencies are not laughing when they see blue chip clients like Nestle, Lenovo and Ford send work to Tongal, which offers service at low prices they can't match. But the cost savings from using free agents without the employment overhead is only part of the story. Tongal doesn't just match an advertising job to the talent who can do it – their platform provides a system for organising the work. Tongal's system crowdsources ideas and videos with a contest. Ideas must be expressed in 140 characters and the top few ideas win the contest and get paid; then the video producers pitch how they would handle the advertisement, and the top few pitches get paid again. The winner gets to make the advertisement (the advertiser decides on and compensates the winners). Behind the scenes, Tongal simultaneously protects creative talent from client demands that exceed the original scope, and helps the ad buyers find and track the quality and reliability of the freelancers.

According to a report in UK newspaper The Observer (October 2016):

Self-employed workers in the UK earn less than they did 20 years ago, according to the Resolution Foundation. A report from the think-tank found typical weekly earnings in 2014/15 were around £240 a week, less than in 1994/95 once inflation was taken into account. The number of self-employed workers has also increased 45% over the past 16 years to 4.8 million.

Automation is changing job design, and has been doing so for a long time. Perhaps the most significant trend is artificial intelligence, where decision-making is taken out of the hands of previous human decision-makers. For example, there are a number of areas in the UK where magistrates have no discretion over sentencing, as it is determined for them by a pre-ordained algorithm. Investments by firms like Google and IBM in this area are enormous. Hence recent discussions about the 'polo' or 'bagel' effect, where jobs in the middle are being hollowed out and made redundant. This not only applies to middlemen and agents but to managers and supervisors. Thus, in many automated process plants there is nobody between the plant operatives and the overall works manager, hierarchically. There are just specialists who provide 'horizontal' services.

If ever there was a case for business partnership between HR and Operations, it must be in the forward planning of job and resource changes – which might be described as 'strategic workforce planning'. This is a discipline and process, much neglected over past years, that is coming back into focus.

The future of work is here now – HR must not only embrace changing work practices but start to lead the way in how organisations can maximise the people and digital technology relationship.

Our company is all about clever people. Our HR function is at the heart of our major strategy of attracting, retaining and developing talent in a range of competencies. We have national and international niche expertise, which is rare and could be even one person deep. We also have a demographics issue – being heavily weighted towards the older. Managers have been slow to understand the drivers of the new generations. Gen-Y is more interested in employability.

It is likely that the percentage of employees that are ‘contingent’ i.e. not on permanent employment contracts, will continue to rise in most private sector organisations – some to the extent of 100%. Similarly, the numbers of people working reduced or flexible hours has increased significantly in some sectors. It is the role of the HR function to open channels of recruitment and to develop effective selection methodologies with a view to facilitating line managers to choose such workers. This, combined with technological advances, will mean that increasingly a centralised recruitment function will require different skills (such as data analytics) and will target different kinds of people using different methods, including the increased reliance on social media data.

Looking at current trends in the workforce and workforce demographics, the conclusion is that there will be a lot less reliance on 9 to 5, Monday to Friday. So, HR needs to get ahead of this curve and others.

4.3 The search for talent

If there is one priority that CEOs and HR leaders agree on, it is the ongoing need for the best people and the best leaders. There is nothing new about this, and it will always be the case. But many factors make it increasingly difficult. These include more global competition, increased mobility and higher expectations of individuals.

The search for talent (including leadership) and its retention will never go away. In all areas of scarce expertise, individuals can sell themselves to the highest bidder and the individual’s ability to identify and sell themselves to opportunities has increased rapidly via internet facilities. The challenge of continual engagement, challenge and ‘well-being’ as drivers of retention will continue to be a top priority.

Again, there is a multitude of reports produced each year asking questions about talent. For example, Mercer LLC recently produced their report Global Talent Trends 2016, which found that:

Employers are experiencing ever-growing competition for labour. At the same time, unemployment remains high in many countries around the world. The issue goes well beyond lack of available talent,’ said Ilya Bonic, Senior Partner and President of Mercer’s Talent business. ‘It’s a lack of the right talent where and when it is needed to drive competitive advantage and deliver business results. For talent that has analytic skills, inspirational leadership capability, and a global mindset, demand continues to exceed the supply. (Mercer LLC, 2016b)

These conclusions will probably always be the case. Some comments from our practitioner interviewees were:

Our company is all about clever people. Our HR function is at the heart of our major strategy of attracting, retaining and developing talent in a range of competencies. We have national and international niche expertise, which is rare and could be even one person deep. We also have a demographics issue – being heavily weighted towards the older. Managers have been slow to understand the drivers of the new generations. Gen-Y is more interested in employability.

So now we're reversing the investment in L&D ... and moving it to a centrally coordinated model to ensure that we are spending wisely – on business strategy (top down and bottom up) rather than life-style training. The L&D element has to be part of the retention challenge. Investing in skills not only makes the individual more skilled but widens employability internally.

We are seeing in the search business more Chief Talent Officer positions.

4.4 The influence of technology

As noted by Julia Tyson:

To remain relevant, HR teams will need to be curious about and embrace developments in the digital economy to evolve their contribution to the emerging business challenges.

Technology is the fastest force for, and most powerful driver of, change in today's world, and a major challenge is to exploit it proactively. It has many impacts on the work of an HR function, especially in the areas of:

- People data management systems
- Distributed access and 'self-service'
- Online opinion gathering and feedback
- Use of mobile device applications
- Social media applications
- Artificial intelligence and decision algorithms
- Knowledge and instant learning availability
- Robotics
- Flexible and virtual working utilising cheap audio-visual communication
- 'Grab and go' how-to videos for processes
- Use of cloud based services
- Sentiment analysis
- Gamification, virtual reality and other immersive technologies

This is not the place to go into all these in detail; it is the impact on the HR function delivery models that are our concern. Dave Ulrich's response to our question is well worth quoting – he sees four phases of development:

First, HR technology is used to design and deliver HR practices more efficiently. Through self-service portals, employees become responsible for accessing and integrating HR solutions for them. HR technologies like mobile apps and gamification also help facilitate HR innovation in staffing, development, rewards and involvement.

In phase 2, HR technology enables transparency and sharing of information. Through big or cloud data employees' skills are public domain and companies may approach them without their applying for work. Technology-enabled training enables insights to be shared from training platform to application and also among the individuals that are trained.

To remain relevant, HR teams will need to be curious about and embrace developments in the digital economy to evolve their contribution to the emerging business challenges.

Employees are often looking less for a job or even a career, and more for an experience that will increase their personal identity and well-being.

In phase 3, HR technology encourages connections by involving more people in decision-making and by facilitating collaboration. Some of this collaboration comes from crowdsourcing, which allows firms to hand off some tasks to workers outside the enterprise. Salesforce.com uses LiveOps' 'cloud contact centre' to deliver global customer support services, which involves tapping contractors who work from home and set their own hours. The platform tracks performance and rewards high performers with recognition, more work and better pay and allows responsiveness to demands.

Finally, in phase 4, HR technologies shift towards an experience economy where employees and customers don't just want information, but the emotional experiences from it. The experience economy is one of the trends shaping personal lifestyle and being woven in architecture choices and organisation processes. Employees are often looking less for a job or even a career, and more for an experience that will increase their personal identity and well-being. Leaders learn from more experience-based training than classroom settings. Technology broadens access to experiences and magnifies the experiences through sharing them.

He concludes:

Technology should enhance experience not isolate it.

There is so much technology available today, with many start-ups seizing what they see as new opportunities, that selection is a difficult challenge for HR. In fact, some reported they were appointing their own fulltime Technology Officers or even units. However, Wendy Hirsh reminds us:

Technology should support people management, but will not help us if we just waste people's time in the same old way but using flashier kit.

4.4.1 Data systems and cloud based services

The HR modules of ERP systems have historically been imposed on HR functions and caused many difficulties due to their lack of flexibility. In the CIPD 'HR outlook' (2016a), 41% of HR leaders expressed concern about 'outdated and inflexible HR systems'. The few IT companies that hold this space are, of course, now working hard to provide more flexibility and functionality.

The influence of ERP systems such as SAP has not been good – the function has been led by the machine! HR modules have been poor at both history and trends, and have been driven by administrative and cost needs rather than strategic requirements.

Companies like Oracle are continuing to ease the delivery of HR processes and systems while developing tools, including apps, for leaders to analyse and utilise the detailed data provided to aid key decisions.

Andy Campbell, of Oracle, predicts that:

Cloud-based enterprise systems will provide the heavy-duty data storage, processing and analysis, while smart apps will provide the easy-to-use interface that managers, and employees, need in order to lead and work more effectively and more easily.

New systems like Workday are making headway and are being mentioned by several interviewees. Workday claims 150 large organisations as customers and claims that its Human Capital Management module:

makes it easy for your managers to find great candidates, bring them on board, and enable them to succeed. With workforce planning, recruiting, talent management,

and learning together in one system that works across your devices, you gain complete visibility into your global workforce. Understand what your employees need to help them make connections and become future leaders – all from an easy-to-use HR system built for the way people work today.

It is these systems that are enabling the empowerment of managers and employees to manage without HR and will eventually change the shape of the whole function... in those organisations that can afford them. A cautionary note was provided by one interviewee:

It is important to first redesign your processes, and then use technology.

Empowerment is fine, but one mistake that is often made is to assume that people are prepared for the responsibility and to neglect their needs in being able to take on personal responsibility.

The 'digital divide' is growing. There is a greater reliance on individuals to take more responsibility – risks are being shifted to the employee. This reduces the need for supervision. HR has a key role in helping create a more resilient workforce, and in educating top management in appropriate ways of managing and empowering. Education on MBA courses also needs to change – they are often stuck with traditional agendas.

Peter Reilly of the Institute of Employment Studies observed:

Technology will, inevitably, significantly impact transactional HR by simplifying and speeding up processes and reducing functional headcount. Technology will also ease many of the data management and reporting tasks but will also facilitate planning and analysis. But the most interesting conundrum may be with operational HR. Managing people is not going to get easier if workforce diversity continues and activities are more spread out temporally and spatially. Giving managers an app to help them deal with people issues might not be enough. Keeping the best may require more rather than less nurturing, leading to 'high tech' not 'high touch'. Or there will be high touch for some and a very basic deal for others.

According to the KPMG annual 'HR transformation study' (2016), many organisations are pursuing cloud computing to revolutionise the HR function with data-based decision-making, cost advantages and new value for the bottom line. However, they are discovering that HR transformation entails much more than simply plugging into the cloud.

Investment in cloud HR continues to grow at an exponential rate and the survey shows that a growing number of HR executives who have selected new HRMS technology are opting for cloud-based solutions. The report said that 42% of the 850 surveyed had already or were planning to replace their HR systems with a cloud-based model. Users report much enhanced self-service for managers and employees, better access to processes, and better management information. However, like many IT solutions that promise much, only 24% could say it had enhanced their ability to be more strategic.

It is not just employee data that these services are used for: one example of other uses is sentiment analysis, which uses social media feeds to identify sentiment and mood about particular topics.

There is a greater use of (cloud-based) apps for employee input but also less obvious but advanced areas such as 'mood assessment' (e.g. see www.theysay.io).

Cloud-based enterprise systems will provide the heavy-duty data storage, processing and analysis, while smart apps will provide the easy-to-use interface that managers, and employees, need in order to lead and work more effectively and more easily.

4.4.2 Social media and mobile apps

This ever-expanding area presents many challenges and opportunities. On the one hand, it enables more information to be collected both about people themselves for recruitment purposes and also about their opinions. It can provide instant feedback on ideas and experiences.

The recruitment process has been affected more than most by the growth in technology. It is not just about finding out about people but is also about positively harnessing media in a marketing sense, such as company Facebook pages.

In the old days, we would get 300 applications per job advert and manually rank them by pointless criteria. Now we use social sourcing to cast the net wide. We use Facebook to show them what it's really like to work here. Then we allow them to check against some "disqualification questions" before doing an online situational judgement questionnaire and cognitive ability. We may now get 800 applications but the recruiter only gets to see the top 25. Finally, we hold a video interview. If we like them, they do online psychometrics and competency assessments. The technology allows us to attract more candidates, find the best much more easily and carry out much more thorough assessment via a much quicker process.

Checking social media profiles is routine (but only an addition – I have never seen a candidate disqualified because of it). Internal social sharing is an opportunity that will grow – CEO messages, internal webinars, YouTube videos of workers (e.g. Tiger Airways stewardesses) and as a recruitment device. As an example, we got 1,000 applicants in 6 weeks.

When it comes to feedback, we live in the age of the instant experience. Immediate continuous feedback can be much more valuable than an annual survey taken on one day in the year, but also requires careful evaluation as each day has its own variations. It also places much greater demands on monitoring, response and action – and runs the risk of these being overlooked in the pressure of time. Engagement, for example, is a state of mind that is experienced daily, not just once per year, and apps like iLeader (www.ileaderapp.co) provide this instant feedback.

We are using an instant feedback tool every Friday with our consultants – asking a) did they find work meaningful this week and b) their level of satisfaction with the work. We are seeing connections with engagement and performance, and are working with managers to examine the "so-whats" of the results.

Daily engagement and productivity can be checked. All leaders have iPhones but with big security constraints, so it's tricky – and of our first line managers, the majority don't have smart phones.

It is ever easier for firms to keep their finger on the pulse – of employee feelings, customers etc. But along with this availability goes the need to monitor and respond – it's a double-edged sword, and it changes the 'balance of power'. Everyone has access to so much more information as well, which has its own risks.

4.4.3 Branding, transparency and reputation

Social media is a two-way process – it provides channels for employees and prospective employees to use. This requires constant monitoring and selective responses.

The technology allows us to attract more candidates, find the best much more easily and carry out much more thorough assessment via a much quicker process.

We now have got a cadre of people who are much more tech savvy. Tools in consumer lives are much better so we have to provide and utilise the same tools [at work]. It leads to much greater transparency – plus the sharing of ideas etc and the democratisation of innovation. It is difficult for managers to hide.

[The HRf] definitely needs to have access to economists and social media experts. Social media is boundaryless. 'Glassdoor' has to be watched – whether it reflects the truth or not. Internal chat rooms; access to the CEO; communications opportunities – HR needs to get in front of and harness them all.

4.4.4 Learning and development

There is nothing new about 'e-learning'. What is growing fast is the instant availability of training and the ability to get questions answered through mobile devices – where they are available to employees.

I can be critical of our own learning tech. But others are even worse! Tech has an increasing part to play, but not by itself. There will always be a place for traditional learning in the 70/20/10 model [which suggests that 70% of learning is informal and self-directed, with only 10% occurring in a formal setting]. E-learning plays a part in repetitive training – e.g. mandatory requirements – and [we are] looking hard at materials for iPads etc.

Volume training will be much more mobile than classroom based.

A recent report by the Chartered Management Institute (Scott-Jackson et al., 2016), which focused on leadership development, concluded that new technology, especially mobile, had the potential to fundamentally change the way people learn, but that, to date, this potential had not been harnessed as most online training was basically 'content dumping'. New applications which help learners to do things in real time and in real situations (rather than learning and remembering) and which provide accessible curated knowledge, will begin to realise this potential (e.g. iLeader).

4.4.5 Artificial intelligence

Companies like Google and IBM are investing enormous amounts in this area, including buying up university spin-outs and other fast-moving start-ups. IBM's Artificial Intelligence engine, Watson, for example, claims in its publicity that 80% of data in the world is unstructured. It claims that Watson can:

- analyse unstructured data
- understand complex questions
- present answers and solutions

Watson was mentioned by two interviewees who commented on its power. The potential applications in the complex areas concerning people are very substantial. One such application is in recruitment. Not many interviewees commented on its use as this is a new application of a relatively new technology, but one practitioner said:

Artificial intelligence can take the human bias out of processes. People-based decisions are tricky because we're all different. We have now a full-time HC technology officer and a unified technology platform (including a learning management system, reward, care-giver and so on).

We are using an instant feedback tool every Friday with our consultants – asking a) did they find work meaningful this week and b) their level of satisfaction with the work. We are seeing connections with engagement and performance, and are working with managers to examine the “so-whats” of the results.

Daily engagement and productivity can be checked. All leaders have iPhones but with big security constraints, so it's tricky – and of our first line managers, the majority don't have smart phones.

However, a recruitment consultant commented:

Artificial intelligence algorithms used to filter candidates can come to quite wrong conclusions as they are very dependent on the 'garbage in, garbage out' principle.

Although there are always privacy issues at stake, one can envisage artificial intelligence and social media (such as Glassdoor) combining to give richer pictures than the current 'star weightings'. One organisation was rolling out a mobile app to provide a 'virtual career counsellor'. However, just as we see family members gathering together to focus on their individual devices instead of talking to each other – technology creates a dilemma between its personal availability and convenience, and the risks of reduced face-to-face contact in organisations. In a recent study for a major bank, we found that many supervisors would rather communicate by instant messenger to their team members, even when the team member was less than 20ft away.

4.4.6 Application of analytics/big data

This remains an undeveloped area in many organisations, where its application is limited to basic reporting. The existence of good data itself is a challenge for many as they migrate their systems or struggle with integrating different ones due to restructuring. Many also have a limited understanding of how to use them effectively, how to relate people-related metrics to business data and how to use them for prediction. Consequently, most operational managers do not understand how people-related metrics could help them to manage better. The problem is compounded by a lack of knowledge and capability within HR functions.

In the CIPD 'HR outlook' (2016a) only about a third of HR respondents indicated a 'managed' and robust approach to analytics. The study also found a wide discrepancy between HR's perception of communication in this area and non-HR leaders' awareness of them.

Deloitte's 'Global human capital trends' (2015) comments that:

Analytics is on the agenda of almost every HR team we surveyed, with three in four respondents rating it as 'important' or 'very important'. But despite this interest, our research shows only a small improvement in analytics capabilities. Thirty-five percent of this year's respondents reported that HR analytics was 'under active development' at their organisations ...and this year, only 8.44 percent of the respondents surveyed believe their organisations have a strong HR analytics team in place, a very slightly higher percentage than last year's figure. (Deloitte, 2015)

'Stuck in neutral' is the headline the researchers at Deloitte used.

There are some enviable role models which are hard to imitate. Outstanding in the field is Google. John Sullivan (2016), writing for ERE, a consultant firm, says, 'Google has the only HR function on the planet that is managed based on people analytics'. He lists his top ten most powerful illustrations of Google's practices, which include:

- The PiLab – which conducts evidence-based research into the most effective ways of managing and ensuring productivity
- A retention algorithm, predicting employee risks of leaving
- A unique hiring algorithm
- Calculating the value of top performers

Dave Ulrich commented:

Metrics in HR are not new. Good HR has always been based on good data. Today, there are four phases of HR analytics, each using different data:

Phase 1: HR scorecard: Presenting basic institutional employee data (number of employees in what job and demographic categories, performance history data, etc), HR initiative metrics (did specific assignments get done on time and within specifications? – a new on-boarding program).

Phase 2: HR insights: Looking for broad insights in the volumes of existing HR data, often called cloud (or big data) analytics.

Phase 3: HR interventions: Discovering the relative impact of HR practices (i.e. comparing those hired, trained or paid in one way versus another).

Phase 4: Business impact: Determining how business challenges (financial, customer or market results) are affected by HR practices.

The emerging trend is to start analytics at Phase 4, defining business outcomes, then showing how HR investments will impact those outcomes

Other observer interviewees commented that:

HR could make much more progress – it has the tools. But it needs to learn to make sense of the data it has and transfer it into knowledge, using it for intelligent decisions.

The use of metrics has not developed much yet beyond reporting; they should be used more for evidence-based studies, investigations and forecasting – both hard and soft measures.

The feelings of practitioners were very mixed, from frustration with lack of progress to enthusiasm for what they could achieve.

We have real-time digital analytics on people, performance, using mobile apps such as iLeader. We need to engage with big data for decisions, predicting and suggesting. We need to become much more analytical – with data scientists that can drive, manage and build the systems.

Yes, the use of analytics and interpretation of the information will become ever more important. Using data to manage today and predict tomorrow is absolutely critical – ripe for outsourcing to the right partner.

We definitely need a 'heavyweight' data and analytics function. Predictive analytics will be a crucial competitive tool.

There is too much current focus on what can be counted, as opposed to what should be.

The availability of so called 'big data' is seen by some as a great benefit and others as confusing. One of the weaknesses of many attempts at analytics is to report them as standalone numbers, or at best present them as trends. But it is the connection between the metrics that turns data into knowledge. Arguably the question of productivity should be an HR issue – after all it is about what people produce. The question is 'Which characteristics of people and the way they work can we show have the greatest influence on performance?'

We need to engage with big data for decisions, predicting and suggesting. We need to become much more analytical – with data scientists that can drive, manage and build the systems.

We definitely need a 'heavyweight' data and analytics function. Predictive analytics will be a crucial competitive tool.

Recruit HR people who get it: commercial, action oriented, focused, willing to challenge, agile and curious.

In 2013, Nick Holley studied the impact and application of big data on HR. His comprehensive survey concluded:

It's a massive opportunity for HR so long as we follow these golden rules:

1. Drive your data analytics from the business issue not the data.
2. Don't be seduced by the tools and technology; focus on people's ability to use them to address business issues.
3. Don't overinvest in your data initiative; start small and prove the concept.
4. Join your HR data with your finance, marketing, risk and other data.
5. Don't worry too much where your data analytics team sits but make sure they are connecting the data to the business issues and the HR solutions.
6. How you present the data is as important as the data – insightful, impactful, simple and relevant.
7. This will change HR, so recruit HR people who get it: commercial, action oriented, focused, willing to challenge, agile and curious.
8. Develop data comfort in the whole HR function.

Mayo (2012) suggested that just as line managers are given a budget, a regular report against that budget and a periodic balance sheet, that – since their people were actually the drivers of all that they do – they should also create with each line manager a 'people and organisation plan' (backed by customised and deliberately chosen metrics). This would have regular reporting (Figure 9) against it, perhaps quarterly. Each year a balance sheet (Figure 10) would be prepared which would weigh up the strengths and weaknesses in that manager's team and the way it worked.



Figure 9: The New Business Model (Mayo, 2012)

The balance sheet would be constructed as follows:

On the asset side	On the liability side
People and teams who add value to our stakeholders	People and teams who 'subtract' value from our stakeholders
Areas of capability superior to our competitors	Areas of capability inferior to our competitors
Aspects of our people policies and practices that motivate and retain our key 'assets'	Aspects of our people policies and practices that cause dissatisfaction and cause the 'wrong' people to leave
Aspects of our culture that support us in maximising value to stakeholders	Aspects of our culture that constrain us in our ability to maximise value to our stakeholders
People measures that are 'good' = better than target	People measures that are 'not good enough' = below target

Figure 10: The people balance sheet (Mayo, 2012)

4.4.7 Managing stakeholder expectations

In a commercial company, the key stakeholders are usually seen as the shareholders or owners. Their desire for a good return on investment does not change, but the routes towards it have become better understood, especially in regard to reputation. The growth in transparency attributable to social media leads to pressure on HR to play its part in managing this.

Sites like Glassdoor publish employee comments about what it is like to work in 562,000 companies. Accenture, for example, has over 20,000 reviews on the site. 93% of the employees approve of the CEO and 81% would recommend working there to a friend. Sites include interview experiences and ratings as well as employee comments on pros and cons of working in the organisation. This is a classic example of how external data is becoming as important as any internal surveys.

CSR programmes are an investment that HR is often involved in, though we could not find much evidence of them being owned by the HR function. Designed to show a caring face onto social and sustainability issues, programmes often involve giving time and/or money to employees to take part in charitable work.

In the 'war for talent', prospective employees are key stakeholders, and young people of Gen-Y have their own demands and expectations.

HR will always have roles in the CSR area if not direct accountability. For example, the current millennial generation are very switched on to sustainability and this can be a make or break in attracting them.

Young people are very focused on sustainability and this is a recruitment issue.

They also have increasing expectations about flexible working – building the job around 'me' rather than the other way around. This varies very much with culture but is particularly strong in UK/US. It includes opportunities to work from home and to have hours that suit domestic circumstances.

Businesses are ready to support the ways people work and their expectations, with roles becoming like a contract between equals. Jobs are expected to be less paternal, have a lot more flexibility and in certain sectors the employee has the power to choose whether to stay and to dictate when and how they work, and whether the role is permanent or fluid.

The expectations of external customers are constantly raised by often unfulfilled promises of customer care. Nevertheless, as in the model known as the service-profit chain (Sasser, Heskett & Schlesinger, 1997) (Figure 11), the level of employee satisfaction was found to be critical. Companies in retail and other service sectors know this well. One of our interviewees said:

We are getting much closer to the business – currently working in close harmony with Chief Customer Officer and Brand Director. HR follow through the mantra ‘great employee = great customer experience’. Customer and employee branding need ever closer synergy.

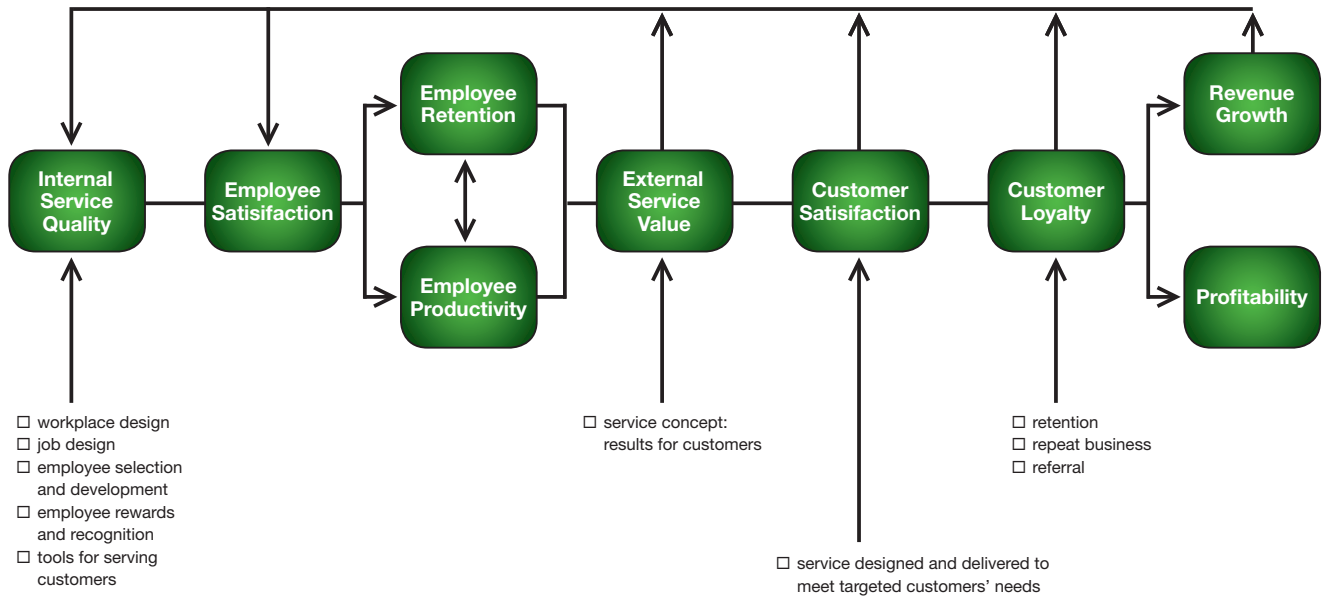


Figure 11: Service-profit chain

CEOs are of course a major stakeholder, and studies are often carried out to discover what they look for in an HR function. Nick Holley carried out research into this in 2014 and his paper references many such studies. What he concluded was:

They expect you to be getting on with the HR basics in the background but they don't want to be bothered by unnecessary detail. The only time they'll care is if there is noise in the system. If they are hearing from the business that the basics aren't being done, or doing them is getting in the way of people fulfilling their core roles, then they will become interested. So, you'd better focus on doing the basics simply and non-bureaucratically, focusing on enabling the business rather than enabling HR, because their focus is on the business not on HR. What they really want from the function and care about is your support in enabling the business strategy, building the people and organisational capability to deliver the business strategy. Indeed, what they value most in an HR Director is the director bit, less so the HR bit. (Holley, 2014)

Outsourced, insourced or whatever the model, the basic HR processes and administration must be done well to give the function a platform of credibility. He goes on to add:

They expect you to bring your HR functional expertise, but above all they expect you to be a 'corporate director' like any of their other direct reports. They expect you to contribute beyond your functional role. They don't want silence until a people-related issue is raised.

They also expect a more personal element to your position. They are under huge pressure in what is often a lonely role. They need someone they can trust, whom they can turn to for confidential advice or just to be a sounding board.

The most important finding of our study, the most consistent theme, was the need for absolute integrity. The lack of this was the most common reason for letting go of an HR director. They hold HR to a higher standard on this than others – it's integrity that decides if you'll win the gold medal.

Change is always with us, but some of those forces move faster than others. Some have demands that give no choice – such as regulatory changes, and the impact of technology on the jobs mix in organisations. Others are discretionary in the way in which we choose to respond or harness them. There is often not enough time to give to the discretionary areas. However, there are great gains to be made from deliberately and innovatively harnessing the technology available – whether for operational seamless excellence, or for enhancing the employee experience. From a business perspective, the ability to selectively deploy and manage analytics can make a real difference – but operational managers are unlikely to see the benefits until they are shown them. Doing so can only increase the sense of partnership between line and HR. Finally, understanding and responding to stakeholder expectations is the key to providing value to them, the goal of any support function like HR.

We are getting much closer to the business – currently working in close harmony with Chief Customer Officer and Brand Director. HR follow through the mantra 'great employee = great customer experience'. Customer and employee branding need ever closer synergy.

5 Impact on the HR function

5.1 No universal concept

The HRf is not a universal concept and never will be. Most of what is written about HR as a function assumes the function has a universalism that applies to it – that what applies to one HR function applies to all. This is very far from the case. The majority of research and studies are carried out in the context of large international, private companies – and these actually represent a very small part of the workforce.

Even large national companies have a different dimension – they are subject to one legal framework and maybe a national union environment, and are inherently less complex.

SME's tend to be national and have different challenges. The HR functional resource may be much leaner. They may not afford the complex modern software that enables self-service, or some of the fancy employee applications we see elsewhere, but HR may also be closer to the business. There are many examples of people-centric CEOs partnering with their CHRO and together creating role model cultures; likewise, there are opposite examples of HR being seen as a purely administrative and compliance function.

Most public sector organisations are characterised by risk averseness; line managers will not move on people matters without HR's approval. They themselves are absorbed by often complex processes and traditionally have been seen as being apart from the operational side of the organisation. They tend to follow fashions, typically sometime after the private sector.

There are national differences too. In many countries, so called 'strategic HR' would not be seen as the realm of an HR function at all. Senior management takes more ownership of this – for example in the GCC countries.

The forces of change outlined in Section 4 are universal. But there is no one prescription or formula for responding to them.

5.2 The need to improve

Millions of words are written annually in prescriptions to improve the HR function. Probably no other function is so given to introspection and self-doubt – largely, we consider, because of the lack of a clear purpose. Deloitte (2015) for example says:

HR is at a crossroads. Once designed primarily as a compliance function, today's HR organization must be agile, business integrated, data-driven, and deeply skilled in attracting, retaining, and developing talent. These business imperatives demand not only a new organizational model for HR itself, but also a massive reskilling of HR professionals around the world. They also create an unprecedented opportunity for HR to play a preeminent role at the highest levels of business strategy.

Such a highly aspirational view of HR is not new.

It's easy to find examples of sexy, new and exciting developments. In most organizations however, HR is still very much designed around getting [people] in, getting them to work well, developing them and getting rid of them.

In early 2011, Henley Business School produced a paper, Zero-based HR, a Henley Centre for HR Excellence research study into the current and future value of HR by lead researcher David Birchall.

Their conclusions are remarkably similar to those we find 5 years later:

Technology and automation will be key factors in delivering increased HR value moving forwards, both as enablers to cost reduction and simplicity, but also to support decision making in an environment where a more data-based approach to risk management is becoming commonplace.

HR must try to break through the barrier to developing greater commercial acumen and strategic agility since the current approach does not appear to be bearing fruit. It should perhaps look to more fundamental issues around assessment and career development in light of this.

HR must become comfortable in creating and using data differently and must take greater steps to ensure its accuracy.

Excellence in project and programme management is seen as a key enabler for organizations but increasingly for HR itself. If HR cannot manage its own projects well, what right does it have to support change in the wider business?

There is an increasing need for risk management to become part and parcel of HR's role. In particular, a need to achieve a comfortable balance between governance and flexibility. This will test HR's ability to be pragmatic. (Birchall, 2011)

We could reference a multitude of reports over the last 5 or even 10 years that come to very similar conclusions, and indeed many of our interviewees confirmed well known challenges and dilemmas. Those that take non-HR perspectives into account as well as HR functional ones always find differences in priorities. This is inevitable. Getting such feedback internally in an organisation is very valuable, if the function is prepared to listen and evaluate it objectively.

Chris Brewster of Henley commented:

I see increasing bifurcation – in large, high-tech, international, rich businesses more and more becomes self-managed and there are opportunities for the use of big data for strategy. On the other hand, the vast majority of organisations carry on with standard models. So, we have a polarisation – at the one end enormous investment in technology and, at the other, a struggle with legacy systems.

The size of the organisation is a critical factor in HRM: in small organisations relationships are more informal and personal, HRM decisions are taken by the owner of the business and everyone knows their colleagues. In giant multinationals, HRM has to be more formalised, decision-making more structured and devolved. The trick would be for the smaller businesses to be as aware of the consequences of their HRM decisions as the larger businesses are; and for the larger businesses to retain their awareness of the employees as individuals. And, of course, human resource management varies markedly around the world. This is not just because some countries are backward, it is because different things work in different places; every HRM specialist in multinational organisations deals with this every day of the week. Cultures and institutions are very different in Latin America than in the People's Republic of China; very different in India than in Sweden – and consequently how people think about HRM and what works in HRM are different too.

It's easy to find examples of sexy, new and exciting developments. In most organizations however, HR is still very much designed around getting [people] in, getting them to work well, developing them and getting rid of them.

The size of the organisation is a critical factor in HRM... The trick would be for the smaller businesses to be as aware of the consequences of their HRM decisions as the larger businesses are; and for the larger businesses to retain their awareness of the employees as individuals.

5.2 HR practitioners' development and careers

This is an area of key importance. Digitalisation may eventually remove all the traditional HR knowledge and skill areas as self-service and AI algorithms take over routine activities. In many organisations, this transition will be slow but there will be pioneers to learn from. It will be a case of the hollowing out referred to in Section 4, and this will present significant challenges to the traditional career in an HR function. Indeed, as we explore in the next section, HR as a function in the traditional way may not have a long-term future.

Not that the need for intelligent and professional knowledge about people and organisations will go away. What Ulrich calls the architect and anthropologist roles continue – indeed his latest model has nine very demanding skill areas. Rather, it is that these skills need to be combined with finance and systems to give a unified organisational effectiveness capability.

A major issue is frequently voiced about HR professional education, at least in the UK and Europe, and recently, for example, in countries such as the UAE and Saudi Arabia. The CIPD reset its 'professional map' (Figure 18) and the educational syllabus to support it in 2009, but it remains weak in the business acumen area. In fact, the only business module in the CIPD Advanced Level 7 syllabus is called Investigating a Business Issue from a Human Resources Perspective, which is all about how to do research. There is another module, Developing skills for Business Leadership, which has one sub-module on finance and IT, but otherwise it is about personal transferable skills. It is not surprising, therefore, that HR functions struggle to be more business orientated.

CIPD is too basic for future needs – It needs much more emphasis on business issues like change management and talent management. There is a big question whether CIPD is relevant for future needs of HR.

There is little professional development for HR people in Norway. The more successful businesses have recruited senior HR people from business lines. Business competence of HR people is a major barrier.

The wider concern, of course, is that if the role of the HRf, particularly the strategic role, is unclear or varies widely, then the capabilities required and the logical career path will also be unclear.

5.2.1 Future skills

However, we had many comments about the future skills needs of HR practitioners (which we will revisit in Section 6).

There is a dominance of psychology rather than sociology and labour market economics, which needs rebalancing. HR needs to focus less on individuals and more on teams.

There is a need for the skillset of how you manage tensions between things: talent growth vs purchase, for example.

Because HR is becoming more and more integrated, the skillsets are different. At the bottom it's only operational; the medium level is a mix; at the top it's strategic. [There is the] challenge of how to develop HR people, who tend to have operational process expertise which doesn't work upwards. e.g. heads of operational recruitment service need very different skills to those creating a strategic workforce plan.

Because HR will become more focused, rather than continuing generalism – e.g. talent management, OD, L&D, workforce management – there will be a much greater need for HR to understand the business and be seen as part of it.

Change management ability and experience is a key need, as is coaching.

'Business acumen' is an ongoing need and not many HR people have it. A bit like leadership – is it born or made? Intuitive or trained? HR needs to learn to think more like an investor; be better at making the business cases and ROI for projects and programmes – at least making sure the function has accessible expertise in these areas.

Currently guys in HR don't understand the business because they start in HR.

The key skills HR will need are psychology and understanding people, developing compelling and effective organisations, collaborations and partnerships.

5.2.2 Having business experience

When we consider careers in HR, there was widespread agreement in this research that it was advantageous to bring people into the HRf with business or operational experience. However, except for the most senior jobs, this is rare in practice. As the profession, has consolidated its status, people enter HR as a career in itself. However, the development discussed in this report puts traditional career development at risk. We see the operational delivery becoming more side-lined and technical, and the need for HR Advisors overtaken by increasing self-service. Specialists will be true specialists in order to contribute effectively. The paths and ladders within the function begin to show real gaps.

Nick Kemsley made a very interesting observation:

The rise of hybridised HR roles at senior levels and the requirement to deal with complexity needs flexibility, ability to deal with ambiguity etc. So, we'd do well to develop breadth earlier – in HR, out of HR and so on. Whereas, in fact, careers tend to be specialist. Expertise might exist in specialist organisations but actually HR has very few real specialists (as experts in, for example, trade union negotiations, executive pay, employee mobility, employment law etc, are brought in anyway). L&D and talent are not in depth specialisms but suitable for people with good process expertise. We should lose the hyperbole around specialism and generalist. A Head of Talent needs general skills as does an HR Business Partner. HR work is complicated and is a great place to spend time on the way to the top. Mars do it very well – you cannot be a VP unless you have been through HR.

The recognition that actually there is very little HR work that is truly specialist, requiring years to develop, is a reality, however unpopular.

Nick Holley also commented:

In our recent research, organisations found the best way to develop the capability of HR and the people in it was to rotate people into and out of line roles. Despite this it was the least used way to develop them. In today's world, strategy is evolving at light speed, so how can we expect an organisational model for HR developed twenty years ago to be relevant? In this, as with so many issues we debate in HR, we need to get away from asking what is right for HR to asking what is right our organisations.

Because HR is becoming more and more integrated, the skillsets are different. At the bottom it's only operational; the medium level is a mix; at the top it's strategic. [There is the] challenge of how to develop HR people, who tend to have operational process expertise which doesn't work upwards. e.g. heads of operational recruitment service need very different skills to those creating a strategic workforce plan.

'Business acumen' is an ongoing need and not many HR people have it. A bit like leadership – is it born or made? Intuitive or trained? HR needs to learn to think more like an investor; be better at making the business cases and ROI for projects and programmes – at least making sure the function has accessible expertise in these areas.

The best way to develop the capability of HR and the people in it was to rotate people into and out of line roles. Despite this it was the least used way to develop them. In today's world, strategy is evolving at light speed, so how can we expect an organisational model for HR developed twenty years ago to be relevant?

The capabilities needed for HR Management in the future will not be acquired through the current career model. HR people will come from the line, from consultancies, from high potential programmes. Most of the capabilities HR professionals acquire today will not be required in the future as they will be delivered by technology or outsourced.

5.2.3 Career development

There is wide acknowledgement that the capabilities needed to succeed at the strategic/leadership level of the HRf will not be gained through a career in delivery or even expert functions, but will need to have been gained through wide business experience. It is easier to quickly acquire a reasonable understanding of HR than it is to acquire business acumen and strategic vision. This disconnect between the strategic role of the HRf and the delivery of HR processes is suggested in the following interviewee comments.

The capabilities needed for HR Management in the future will not be acquired through the current career model. HR people will come from the line, from consultancies, from high potential programmes. Most of the capabilities HR professionals acquire today will not be required in the future as they will be delivered by technology or outsourced. The HR function's only objective should be to build the capabilities required to achieve strategy and add value to stakeholders.

HR delivery isn't defined by the boundaries of its own capabilities but is managed through an ecosystem of expert providers – a critical role, therefore, is the selection and management of these key partners.

Another interviewee commented that:

The companies that were 'HR schools' (Ford, GSK etc) are no longer providing this contribution.

Lawler and Boudreau (2015) also looked at the crossing of functional boundaries by HR people in their career development (in the USA) and found that less than 2% of companies reported rotation in or out of the HR function. The fact that a large majority of HR people have no experience of any other function makes them very focused in the comfort zone of their own agenda. Some companies do insist on operational experience, especially for the most senior roles, but they are rare.

HR is moving to being more strategic but lean. It will have no more than a dozen or so in the centre, using more outsourcing and contingent labour. Specialist expertise will be primarily in OD and Talent.

'My' HR function would have 3 specialisms in the core unit: psychologist, econometrician and workforce analyst. Whether in HR or not is not important; they would all be highly curious and would eat data and turn it into knowledge.

Some other comments made:

I recall a previous study identified that the best performers in HR are those with a 'zig zag' career. i.e. not 'HR lifers'

Sadly, many people are still drawn to HR 'because it pays better than social work'. Or it's a place to park people or encourage diversity. But I believe more business people will be drawn into the function as it becomes more strategically important in the future.

Most good senior HR people don't come from HR.

The ideal is to circulate around the business. Have a spell in HR. Have a different career, in and out of the function. Develop business credibility and know the language. Build the capability to implement strategy and the knowledge to deliver strategy.

We will need broad skills in every part of the business, including developing programme management and change management skills. Send HR high potentials into operations. Encourage people to go around rather than just up.

A mix of HR and non-HR backgrounds is the most healthy. CIPD qualifications are very light on business but they do have good courses to provide HR knowledge and skills to non-HR people.

Working in a service centre does not equip anybody for a strategic HR contribution and one can get stuck in 'one of the legs of the stool'.

HR people need to be a mixture of 'HR professionals' (CIPD trained) and people with the right attitude who have worked in the business

On transactional issues – it's easy to hop from one thing to another. But once we get people in, there is a danger that we'll get people pigeon-holed early in, say, recruitment; it may become difficult to move. Career maps will need to look different.

Peter Reilly of the Institute of Employment Studies sums up a likely future scenario:

A different implication of the hollowing out of HR might be to see a more flexible team delivering HR. There will be those in charge of systems and data outputs; those concerned with planning and analysis; but then there might be a more disparate range of HR specialists and generalists called in to assist as required. This workforce might be a mixture of a few retained staff, with a fluctuating set of interims, temporary colleagues and consultants brought in for their specialist expertise. This group are the ones that design change in the HR offerings and deliver it to the organisation. This suggests that, while internal cultural capital will remain important and be cherished by the small internal team, much of the impetus will come from contingent skills sitting outside the organisation.

Liz Houldsworth of Henley points out that:

We all know that HRM people have been criticised as not being commercial enough and not knowing the business. These sorts of criticisms have been well rehearsed – see for example Hammonds (2005) on 'Why we hate HR'. So, what happens next?

The majority of organisations find themselves in the post-Ulrich implementation stage. However, they do not seem to find any 'steady state', just a constant set of new challenges both from the internal and external competitive environment. It therefore seems reasonable to presume that a key challenge for HRM is around how to support and enable organisations through ongoing change. This was a key finding of prior empirical work in 2008 by the Henley Centre of HR Excellence, which highlighted transformational skills as a key competence area for the future. More recent literature-based work by the centre, in 2016, has echoed this theme, highlighting the need for the HRM function to have technological and project management capabilities alongside organisational development, while at the same time being able to ensure that the day-to-day processes are in place to ensure ongoing management and motivation of workforce through times of change.

'My' HR function would have 3 specialisms in the core unit: psychologist, econometrician and workforce analyst. Whether in HR or not is not important; they would all be highly curious and would eat data and turn it into knowledge.

Most good senior HR people don't come from HR.

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5.2.4 HRf leadership and strategic role

Given the common separation of the three sub-functions of the HRf (delivery, expertise, strategy), one issue is that, currently, the management of the functions is conflated with the strategic role. So the CHRO has to be versed in strategy, as that is a major component of the role. We would argue that each of those functions needs a strong leader resulting from an appropriate career path, and we challenge (in the transform recommendation below) the need for an overarching HRf to encompass these three distinct entities. So the leader of the delivery function would have capabilities in people-related process design, analytics, technology and so on. The leader of an expert function would have capabilities in people-related issues, such as engagement, wellbeing and retention. The leader of the strategy function would have expertise in developing strategy and designing capabilities from organisational strategy.

5.3 Alternative models for HR

Just as 'revolutionary' organisation designs tend to fade away when their champions move on, the same can be said for those who radically dig into the traditions of an HR function. We will return to this in Section 6. However, it is worth noting some of the more radical ideas and experiences to date.

5.3.1 Radical ideas and experiences

To this day, few have matched the ideas of extraordinary employee empowerment proposed by Brazilian manufacturer Ricardo Semler. After assuming control of Semler & Company (Semco) from his father in 1980, he began a decades-long quest to create an organisation that could function without him. He studied and then implemented what could best be called 'corporate democracy', allowing employees to design their own jobs, select their supervisors and define pay levels. He then applied the same principles to education, banking and hospitality. It seems it takes his personal presence for this extraordinary vision to all work.

There are other modern examples of course, especially in small start-up companies. In 2014, Harvard Business Review ran an article (McCord, 2014) about Netflix, which summarised the partnership between CEO Reed Hastings and Chief Talent Officer Patty McCord. Some of their policies included:

- Hire, reward and tolerate only fully formed adults – people you can trust, so you do not have to write complex policies to control the small number who cannot be trusted
- Expenses – just act in the company's best interest
- Performance bonuses – if you have the right people you don't need them; people will do their best anyway
- Leave – take what you need (if its more than 30 days please talk to HR)
- Tell the truth about performance and forget formal paperwork
- Choose how much of your salary you would like in equity – and no golden handcuffs

Hire, reward and tolerate only fully formed adults – people you can trust, so you do not have to write complex policies to control the small number who cannot be trusted

Andrew Mayo wrote an article for HR Magazine (1997) in which he argued for the break-up of traditional HQ functions and a restructuring into:

- Corporate administrative and legal services
- Strategy management
- Organisational performance and professional consultancy
- Intangible asset management

An unlikely organisation, Hackney Borough Council, had an innovative CEO, Tony Elliston who was adopting this thinking. 'I don't want people at the centre to be drawn into the mire of being narrow experts with defined allegiances,' he said.

However, this was generally asking too much of functional loyalties – and the Hackney experiment failed.

5.3.2 The triumvirate

Recently the much-respected guru Ram Charan has proposed something similar to the Hackney Borough Council example. His core theme is that people create value, not organisations. His model is to create a powerful triumvirate of the CHRO, CFO and CEO who should work closely together. This requires the CHRO to release a lot of time-consuming activities:

For example, the transactional and administrative work of HR, including managing benefits, could be cordoned off and reassigned, as some companies have begun to do. One option is to give those responsibilities to the CFO. At Netflix, traditional HR processes and routines are organised under the finance function, while HR serves only as a talent scout and coach. Another model we see emerging is to create a shared service function that combines the back-office activities of HR, finance and IT. This function may or may not report to the CFO. (Charan, Barton & Carey, 2015)

This triumvirate idea was actually previously proposed by Antony Hesketh and Martin Hird (2009) of the Lancaster Centre for Performance in HR – they called it the Golden Triangle. This was not so much about restructuring the HR function as about ensuring the CHRO was fully involved in strategy through a triangle of mutual respect. As always, this cannot be guaranteed just by job titles. As Paul Sparrow put it when talking to us:

The future needs flexible structures which HR will play a part in and may or may not lead. For example: CSR, ethics, innovation, productivity, supply chain – none of these is unifunctional. Innovations often depend on individuals and when they leave, the project loses its steam. Too few CEOs are willing to meddle with established structures. At Lancaster, we have advocated the Golden Triangle of relationships that can work very powerfully – but break a relationship link and they fail.

We spoke to one company in California who had adopted the corporate shared services model so that 'the People function' could focus on talent and strategic issues.

The HR function has been evolving, particularly in new, fast growth start-ups, but not fast enough. We need a new perspective and a complete transformation.

Other comments included:

Create a Chief Performance Officer, covering HR, Marketing and Finance – will give greater credibility to HR.

HR will be a profit rather than cost centre, demonstrating the business value of what it does.

Its role will include creating frameworks for operational managers, to enable them to improve business performance.

I see it going to a ‘corporate services delivery’ model – which combines Finance, IT, some legal – into one transactional department. Technology is enabling this, despite all the promises of ERP systems. New apps such as Workday (expensive, but as good as you can get) will enable this. Seeing this in conglomerates in mining and manufacturing. Enables HR to focus on strategic contribution.

The HR function has been evolving, particularly in new, fast growth start-ups, but not fast enough. We need a new perspective and a complete transformation.

The future will focus increasingly on the whole person and improving their experience of working for ABC. Thus, areas like real estate – where employees are physically located – come under the jurisdiction of the function.

As Nick Holley describes it:

HR isn’t defined by boundaries but should manage an ecosystem of providers with specialist knowledge. It’s not about the structure of the function but the expert purchasers. Understand what good looks like, and commission. Centres of Expertise can be outside. So, you have an onion layer of expertise and HR capability could sit anywhere.

Figure 12 illustrates the kinds of organisations being proposed, which distribute the various HR capabilities and roles across the organisation.

From HR to ...?

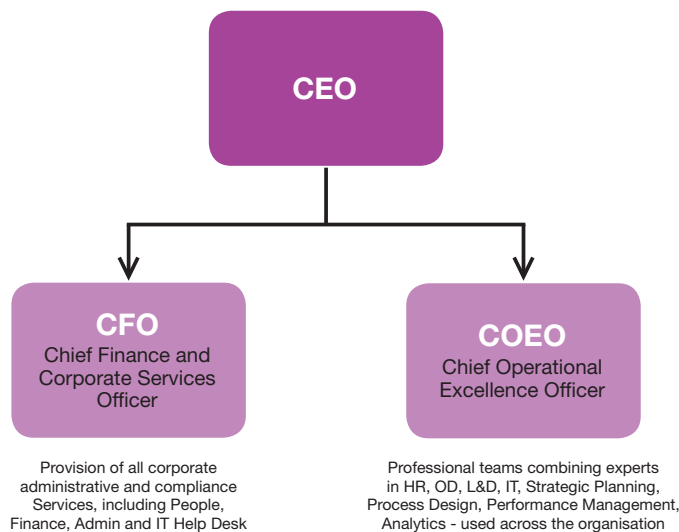


Figure 12: From HR to...

5.4 Section summary

We started this chapter with a note of caution – that reports like this use the term ‘HR function’ as if it has universal design and application, and that this is far from the truth. Dave Ulrich would argue that the right structure for an HR function is determined by the organisation structure that it serves (see Figure 14). What can be achieved in practice is limited by the resources and capability available. We have noted also the reality that much of what an HR function does in its basic services is prescribed for it, and it is only resources and resourcefulness that enables it to make the discretionary choices about where to add additional value to stakeholders.

When we look at the new capabilities needed, again the same applies – it depends on what the function is there to do and what it wants to achieve. Nevertheless, the traditional professional career in HR as a profession, especially in larger organisations, is certainly under threat as technology and empowerment redistribute the traditional service.

Finally, the question is ‘Would we start from here?’. Is the continuance of an independent silo called HR the right way forward? There are powerful arguments in favour of looking at other models for providing operational and administrative support and internal consultancy to organisations, which we will explore further in Section 6. However, a firmly entrenched sense of professionalism in HR will probably leave such changes to the small number of CEOs who are organisationally innovative.

HR isn't defined by boundaries but should manage an ecosystem of providers with specialist knowledge. It's not about the structure of the function but the expert purchasers. Understand what good looks like, and commission. Centres of Expertise can be outside. So, you have an onion layer of expertise and HR capability could sit anywhere.

6 Future choices

Human Capital is the most critical resource, not just for organisations but also for fast-growth countries such as the Kingdom of Saudi Arabia (see case study below).

CASE STUDY

Ms Huda Ghoson, Executive Director, Human Resources, Saudi Aramco

The Kingdom of Saudi Arabia is going through a transformation that will impact the nation's operating models. The Kingdom is aspiring to assume a leadership position in multiple areas as outlined in the Vision2030 and the 2020 National Transformation Program. The journey can neither start nor reach its destination without the right and qualified mix of talented men and women. The country faces multiple human capital challenges on the path to greater prosperity and sustainable economic development. Both governments and businesses recognise the critical role that highly skilled workers will play in the execution of their vision and strategies. Major challenges generated by technology, socio-economics and demographics will fundamentally transform labour market structures and the future of jobs. With increased business complexity, economic uncertainty and global volatility, it is more important than ever that we are able to attract, develop and retain the talent we need to be successful.

This introduces a tremendous challenge on the design and implementation of robust

human resource models that can produce a healthy labour market in an era of globalisation, technological advancement and urbanisation.

Saudi Arabia, along with the rest of the world, is continually evolving, perpetuating drastic shifts in the labour market where some previously traditional roles will become obsolete while other newly specialised jobs will be created. Technology and urbanisation will drive many of these changes, directly or indirectly, and stimulate a fundamental restructuring of the Saudi labour market. Workers' skills and capabilities require constant adaptation to keep pace with the new format of work and future jobs. The impact of digitisation and other changes is shortening the life cycle of employees' competencies, and workers need to proactively reskill and upskill throughout their professional lives. A serious revamp of the whole HR value chain and our role as HR leaders and professionals is crucial to support the shifts in the employment landscape.

In conjunction with these shifts, the Saudi labour market will face three main HR challenges as we progress towards achieving the Vision2030 aspirations: demand alignment, capabilities building and policy agility.

6.1 Is there one best way?

As previously noted, we start from the proposition that there is no single 'best way' for the HRf to define its role and to organise itself to add value. The HRf, even more so than the finance or marketing functions, must be adaptive to the organisation and its context and even, as pointed out by Mark Swain of Henley Business School, to reflect the key driving attributes of the organisation:

The HR function needs to reflect the 'fundamental force' of the business, where, for example:

Banks are built on risk and reserves, which leads to the structure and compliance you see in HR (leading, for example, to the most beautifully arranged top talent programmes).

Retailers are built on customers and trade, and therefore there's usually a tendency or desire to treat talent as a consumer, to follow customer trends and to provide development around business acumen.

Energy companies are based around infrastructure and pricing, and therefore HRM needs to be robust but also agile to reflect the dramatic swings in company performance that come from market fluctuations (which, in down times, takes money away from HR investment).

Very rarely does the HR model fit the fundamental force. Think of any small and entrepreneurial company that grows big. They will all say that new-HR hampers the business. It's because the model is about HR – vital basics, complying with legislation, and then the silos of talent, learning, resourcing, OD etc. It ties people up, and takes them away from what made the company great.

But it's a big ask to get HR people to understand the value chain, and adopt a structure that supports that value and the interconnectedness of modern business. Maybe thinking about a fundamental force might be a good way to start.

**The HR function
needs to reflect the
'fundamental force'
of the business.**

And similarly, the HRf needs to understand, adopt and commit to the key strategic imperatives of its organisation (e.g. in banking, the cost/income ratio) as this also results in a shared world view, shared priorities and a shared language of the organisation. On the other hand, there do seem to be some over-arching commonalities in the logical evolution of the HRf. For example, the separation of the delivery of people-related services from consulting on people issues (sometimes labelled 'strategic') is now ubiquitous, and the increasing use of technology for delivery and centralisation of services (internal or external as in outsourcing) is predictable, logical and makes good business sense.

There are, as we have noted, many potential ways in which the HRf could organise itself to meet the challenges of the future and to deliver the capabilities needed to achieve outstanding strategic success. The HRf could continue in the current 'steady-state' but this is not designed to effectively achieve the purpose. In the interests of stimulating debate, we present two contrasting options below which vary widely in their scope and degree of change.

1. **Evolve:** continues the general evolution of the HRf in applying its capabilities to a strategically significant role, combined with greater and greater efficiency in delivery and expertise in matters relating to people. This essentially takes a set of capabilities and applies them to the organisation.

Or

2. **Transform:** responds to the future needs and context of business in the context of a defined purpose and outputs. This essentially identifies a critical strategic organisational need and creates new entities to meet that need, building on the capabilities that the HRf has developed.

6.2 Evolve

The HRf, since its inception, has gradually adopted a general organisational model which appears capable of meeting the needs of the organisation, but also requires adaptation to specific organisational contexts and now requires improvements in capabilities and delivery to maximise the effectiveness of people in organisations.

6.2.1 The evolution of the human resources function

The HRf is, of course, continuously evolving in response to business pressures, environmental changes and best practice advice from experts. This evolution happens at an organisational level (for example if centralisation is being implemented) but also at a level of the discipline itself, as ideas and practices are disseminated. This dissemination follows proven best practice (e.g. if Google demonstrates something) as well as models proposed by experts (e.g. models proposed by Ulrich). This process ought in theory to result in every organisation adopting the best possible model and being able to imitate the best. But, as in economic theory, information is neither complete nor accurate enough to allow effective imitation, the advantages and benefits of a particular approach are often not clear enough to merit adoption and inertia prevents adoption even if the model is understood and the benefits are clear. This means that organisations with highly effective and differentiated HR functions are still safe from imitation – even when the models and the evidence are presented in some detail at conferences, in magazine articles and in academic papers. The use of new technology and platforms has the potential to transform the performance of HR processes (as shown in the case study on Du).

Ulrich recently noted the evolution of aspects of the HRf from the previous ‘historical myth’ to the current ‘modern reality’ (Figure 13).

Historical myth	Modern reality
HR professionals go into HR because they like people	HR is not just about liking people, but about understanding and solving people-related problems in organisations. In fact, HR often requires tough people choices to assure business results
HR professionals don't believe in or rely on numbers	HR has relied on data for years; now more than ever, predictive analytics guide HR decision-making
HR professionals want to get 'to the table' where business decisions are made	HR professionals are now invited to the table; the challenge is knowing what to contribute in order to stay
HR's customers are the employees in the company	HR's customers are the customers of the company; HR work helps both internal employees and external customers
HR's measures of success come from delivering the practices related to HR (e.g. staffing, training, compensation, etc)	HR is about delivering business results; the scorecard of HR is the business' scorecard
HR is responsible for the organisation's talent, leadership and capability	Line managers are the primary owners of talent, leadership and culture; HR professionals are architects who design blueprints and inform choices
HR's primary role is to keep the organisation compliant with laws and regulations	Good HR leaders help the organisation make good business decisions that match the risk tolerance (or appetite) of the organisation

Figure 13: Myths of HR (Ulrich, Schiemann & Sartain, 2015)

6.2.2 From talent to organisation

Recently, Ulrich co-wrote an article (as preliminary to his forthcoming book) for Strategic HR Review (Ingham & Ulrich, 2016). He argued that the last 15 years have become consumed by talent management and that the 'war for talent' that has promoted the cult of the individual so much, needs to be replaced by 'victory through organisation'. The theme of this latest proposal is that groups of people working as an organisation can be far more effective than the same number of individuals, even if those individuals are 'stars'. In this context, he sees the three key contributions of the HR professional as:

- Talent
- Leadership
- Organisation

In today's rapidly changing business world, the challenge of building the right organization complements and super-cedes the talent challenge. Talent is not enough. HR professionals need to establish organizations that leverage individual talent through collective actions. The whole organization should be greater than the separate parts. Teams outperform individuals. Individuals are champions, but teams win championships. (Ingham & Ulrich, 2016)

He includes three dimensions under 'organisation':

- Capabilities – What is the organisation good at doing and what should it be known for? Competitive differentiators.
- Culture – How do we shape the right patterns that will enable us to win? How the organisation works: event, pattern and identity.
- Management action – Create a clear message about the desired culture to share inside and outside; turn culture identity into employee actions; and create, shape and reinforce culture through management practices.

He proceeds to emphasise what he calls 'organisational diagnosis' as the heart of strategic partnership – analysing what factors make for effectiveness and generating ways to assess and improve those. His new book, *Victory through Organization*, due in 2017, expands these themes.

6.2.3 Organisational flexibility of the HRf

Although many HR functions are organised according to the three-legged stool, which suggests this structure has some value, the HR function in many organisations also includes responsibility for somewhat unrelated areas, such as facilities or premises. This had led some to comment that the lack of a clear purpose has made the HRf a dumping ground for 'orphan' functions.

However, it could be argued that one of HR function's strengths is, ironically, that the ambiguity of its role allows it to adapt to specific organisational needs: if health and safety is a key issue, then HR is ready; if the CEO needs a counsellor, then HR is ready; if people represent a key risk area..., if employees need representing..., if the business needs to recruit loads of people ...then HR is ready. From this perspective, the HRf is not a dumping ground but a safety net which can carry out functions that might otherwise be missed.

Capabilities – What is the organisation good at doing and what should it be known for? Competitive differentiators.

Ulrich has always maintained that the added value of HR is essentially about its impact on the business, and that its structure and agenda should be led by that. Too often it is led by a “me too”, so called ‘best practice’ internal agenda. In an article this year he and Jon Ingham (Figure 14) outlined the kind of HR operating structure that suits different business models (Ingham & Ulrich, 2016):

Business organisation form	HR department organisation
Centralised functional organisation	HR organised around HR specialty (recruiting, training and compensation)
Horizontal process/project-based organisation	HR operating in multi-functional teams dealing with HR-related issues or outcomes
Community-based organisation	HR professional groups, e.g. projects on digital HR or HR analytics
Network-based organisation	HR professionals connected across organisation to deal with particular issues or requirements
Decentralized independent businesses (autonomous business units, holding company)	HR specialists operating within each business unit (e.g. recruiting, training, compensation functions for each autonomous business)
Related/diversified organisation (matrix, multi divisional company)	HR organised as a professional services firm with centres of expertise (specialists) and embedded HR (generalists) plus project teams, networks and communities

Figure 14: Aligning business organisation form and HR department (Ingham and Ulrich, 2016: 134)

As part of this research, Ulrich told us:

The perspective or way of thinking about HR should shift from what HR does to the value created by HR. This mindset is relevant to all HR professionals. Kind of like a restaurant or hotel committed to customer service. All employees should be aware of and act on this agenda. HR value-added is a mindset more than an activity. It should shape how HR professionals think and act, how HR practices are conceived, integrated and implemented. It shapes how to organise an HR department. Value creation is not just about employees inside the organisation, but customers, investors and communities outside.

Under this model, the response to the changes and challenges outlined in Section 4 would be to:

- Demonstrate value through use of advanced data analytics
- Identify and take on critical ‘orphan functions’, e.g. ethics, CSR, wellbeing
- Become the acknowledged experts in people management and people issues
- Become a close advisor to the CEO and board
- Become an expert in future work and how this can impact the organisation
- Become ‘business savvy’
- Manage extremely effective people processes
- Carry out effective account management (through business partners) to maximise ‘client’ satisfaction

6.2.4 The role and perception of the HRf

The general consensus, as portrayed by professional magazines, press and indeed many academics and practitioners, is that the HRf is failing to fulfil the huge potential implied by the well-accepted and increasing importance of human resources (the capabilities, rather than the function) to all organisations. The impression of line leaders (as seen in the surveys previously cited) is that the HRf has failed to

fulfil the opportunity to maximise the organisations' human resources. There are regular calls to improve, get rid of the HRf altogether and to define the 'burning platform' which should drive dramatic change in the HRf. Given the continued lack of effective measurement of the impact of human resource management (HRM) on organisational success and, even more so, given the difficulty of assessing the impact of the HRf on HRM itself (as the main direct impacts come from line managers) then it is unlikely that this consensus is based purely on fact. Our impression is that HRf experts, academics and practitioners are relatively thoughtful and introspective, because people and their attributes are complex and unpredictable and are studied from many perspectives. As a result, the HRf has sometimes been seen as lacking in confidence, especially from a strategic perspective. We believe this is due to the strategic role being unclear, but HRf leaders often suggest that the solution is to measure impact or use business language or to be more efficient. These actions, while valuable, cannot replace the lack of a clear strategic purpose and contribution.

However, several of our interviewees felt that the need for change and the apparent impression that HRf was generally failing were exaggerated and, indeed, false. It was felt the general role of HR would not, and should not, change and that its organisation and functions would remain largely as now, while being highly responsive to the specific needs and context of the organisation. HR's perception of itself is too negative and is due to measuring itself against the wrong yardsticks and taking too much responsibility. For example, recruitment is an extremely important responsibility of the HRf and the process has improved dramatically over recent years. In this view, the HRf does a good job and, in any case, the line are at least 50% responsible for success or failure.

Arguably, the HRf needs to do more to demonstrate its value and impact to correct what might be an inaccurate impression. This would require the function to review current and future issues that might damage its reputation or value and to redress or mitigate those issues.

6.2.5 The societal responsibility of the HRf

Many have noted that the HRf has a crucial role in managing and mitigating organisational risk, as the organisation needs effective People Management, like it needs effective Financial Management.

The HRf has also sometimes taken a super-organisational stance, with a responsibility to the wider society to defend the wellbeing and rights of people employed in the organisation, to safeguard the ethics of the organisation, to provide a moral compass and so on, and the HRf has built organisation and expertise to do this over the years.

The HRf has to do this despite what business leaders want – like occupational health or legal department – we have a wider duty and are obliged to fulfil it.

The HRf in some organisations therefore carries out business-critical functions which include:

- Risk management
- Ethics
- Defender of the people
- Willing helper (who else would do health and safety or wellbeing?)
- Coach and advisor
- Critical systems management (e.g. payroll/visas)

The perspective or way of thinking about HR should shift from what HR does to the value created by HR. This mindset is relevant to all HR professionals. Kind of like a restaurant or hotel committed to customer service. All employees should be aware of and act on this agenda. HR value-added is a mindset more than an activity.

This supra-organisational function can be realised by HR strategy at a strategic level, by HR delivery at an operational level, and by HR experts at a policy level. HR strategy should advise on 'people' good practice, as much as the finance director advises on financial good practice, and the delivery function should implement processes that encapsulate good practice in the same way that the accounts processes should reflect good practice and mitigate risk.

In order to respond to, and maximise the opportunities of, the rapid changes outlined in Section 4, the main recommendations concern the types and quality of skills required. As noted by several respondents, including Ulrich, the organisation of the HRf is less important (and has generally 'settled into' the three-legged model) than the focus of the work that it does and the capabilities of the HR practitioners themselves.

6.2.6 The evolved HRf organisation

The organisation of the HRf can be described as a modified three-legged stool:

- HR delivery (shared services, outsourcing etc), which includes the account management functions of most current 'real-world' business partners
- Experts (centres of expertise), providing expert advice to line managers, HR delivery and HR strategy, on people-related issues such as engagement, leadership, culture change
- HR strategy (which includes the strategic elements carried out by a few current business partners) responding to, and contributing to, business strategy to maximise the effective impact and utilisation of human resources.

6.2.7 Delivery (shared service)

The delivery of HR administration and processes is most often carried out by a distinct function, shared service or outsourced operation and this trend will continue. This has led to greater efficiency and potentially allows the rapid adoption of new technologies and processes that become available. This function will increasingly be carried out through technology including AI and this will have, and is already having, a significant impact on the skills required. The skills required to manage the delivery functions include account management/customer service, digital expertise, data analytics, process management, effective procurement and supplier management. Many of these skills apply to any delivery/process management function and it is likely that process management across functional areas may become centralised and integrated to include, for example, financial and people processes. These organisational units will provide services to line units to maximise effectiveness and efficiency not only by running processes but also through the provision of useful and timely decision-making metrics. The profession believes that the credibility of the HRf is damaged by not being able to measure HR and, in particular, not being able to measure the impact of the HRf itself. This has led to an increasingly sophisticated range of measurements, scorecards and dashboards, which is beginning to have the effect of driving decision-making (the true purpose of measurement), and the increasing efficacy of big data and data analytics is dramatically increasing the value and use of measures and analytics. For example, the recent appearance of sentiment analysis companies, which enable emotional responses to issues to be measured and analysed via social media feeds, is currently mainly applied to societal issues such as voting intentions or investment propensities. But this technology could easily be applied within organisations as social media becomes even more ubiquitous and as sentiment analysis techniques become ever more sophisticated (e.g. www.theysay.io).

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HOW TALENT TECHNOLOGY AND ANALYTICS CAN DRIVE TALENT ACQUISITION STRATEGY

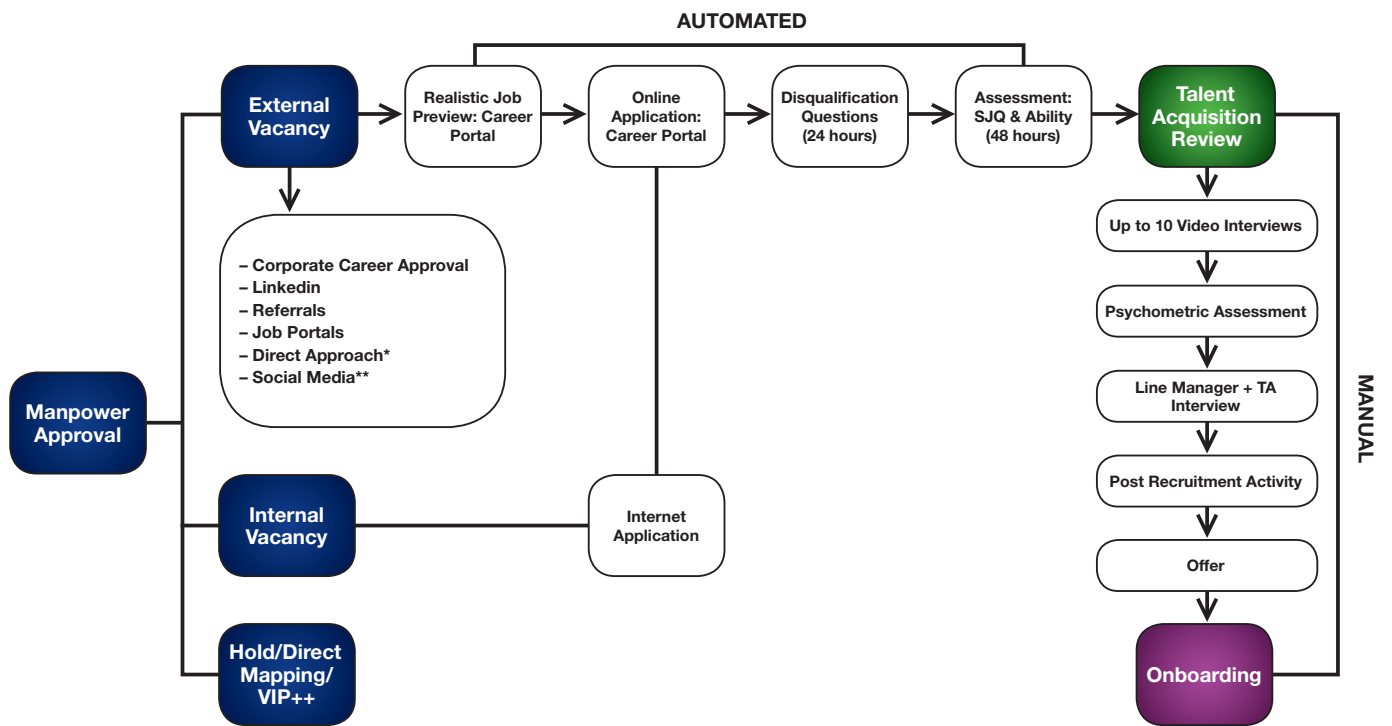
After only 10 years from its conception, du (Emirates Integrated Telecommunications Company) is currently the fastest-growing telecoms company in the Middle East and North Africa, as acknowledged by Changeboard Magazine in June 2016. The company is characterised by continuous innovation and improvement and, in order to stay ahead of competition, du plans on recruiting on average between 500 and 600 people annually, within different functions of the company: Operations, Commercial, Support or New Business and Innovation. The aim is to hire top talent for the organisation which will create a competitive advantage in the market and at the same time fulfil the strategic ambitions of the company and become the employee of choice.

While the organisation has successfully and consistently grown its revenue, the Talent Acquisition (TA) team couldn't achieve the same level of success, evidenced by a previous satisfaction survey, which showed that only 33% of the employees surveyed were satisfied with the service offered by the TA team. This low score was mainly due to the fact that the TA team lacked the strategy and vision to understand where it stood and where it was heading. In addition, other major issues were identified following discussions and focus groups with the leadership team and the Hiring Managers. The issues reflected a manual recruitment process which increased the time to hire and cost per hire, and created a poor relationship with Hiring Managers (lack of trust) mainly due to the low quality of candidates identified. There was also no individual development plan for the TA team members. The key performance indicators monitored were basic and took a long time to identify and present to the leadership team.

After a thorough research of best practices of various key players (Emirates Airlines, PepsiCo

and Adidas) and a literature review of the latest updates in the recruitment field, the Director of Talent Acquisition decided to introduce a unique 'tech stack' that would transform the recruiters into the Talent Acquisition Partners that the organisation required. It was not only about identifying which tools could help in the current situation, but at the same time, it was about being able to customise them as a 'best fit' for the company's requirements and get the best results out of it. It quickly became apparent that there was not a single applicant tracking system (ATS) that could incorporate all the elements and requirements for the transformation. Therefore, the customisation involved designing a unique stack of various technologies that seamlessly worked together. The use of 'realistic job previews' allowed candidates to assess the company before applying and to self-select if they wanted to proceed. The introduction of the 'disqualification questions', 'cognitive ability assessments' and 'situational judgement questions', which were integrated with the new ATS, transformed the manual, time-consuming work of sifting through hundreds of applications/CVs. The process became an automated, non-biased task, which produced only the highest calibre of candidates whose behaviours most suited the organisation (Figure 15). The asynchronistic video interviewing platform helped candidates to save time and gave them an opportunity to 'sell' themselves, in addition to the classical CV.

In addition to an automated process and a better experience provided to the candidates, the ATS addressed a more pressing issue: it afforded the opportunity to measure each step of the process and bring improvements. The talent analytics resulting from the ATS implementation are helping the TA team not only with improving candidate experience, but also with creating a sound base for predictive analytics to attract, develop and retain the rising talent within the organisation. By connecting the data with employees and business performance, the analytics allows the organisation to stay ahead of competition. Following the implementation of the unique tech stack, another satisfaction survey was run, which showed that satisfaction had increased from 33% to 73%.



* Open Days, Career Fairs, Government Dept, Printed Media, Universities, External Agencies
 ** Twitter, Instagram, Facebook etc

Walford-Wright, G.J. (2016)

Figure 15: Talent rising (provided by Gavin Walford-Wright).

Like any other service organisation, the HR delivery function should certainly carry out account management and in many organisations, the so-called 'business partner' actually carries out this role.

6.2.8 People expertise (centre of excellence)

Organisations require expertise in people-related issues in order to advise on how to maximise productivity, well-being, engagement and so on. This is essentially an advisory and consulting role and could be provided by internal or external experts. Given the pace of research and discoveries in the fields of neuroscience (and its relevance to leadership, for example), behavioural economics (which focuses on how behaviours can be modified), positive psychology (with an impact on engagement and happiness) and a host of other fields, it would be impossible to own all the relevant expertise. Most likely, therefore, is a combination of internal generalists (with extensive knowledge across the spectrum of human capital) who identify key issues and solutions, consulting and commissioning projects from external experts and organisations.

The capabilities required here would include a general up-to-date knowledge of people-related topics; the ability to identify and define and propose solutions for key people-related issues; procurement and project management expertise. This function would both respond to organisational requirements and spot opportunities to enhance people performance. Its outputs would be operationalised through line management and the HR delivery function above.

6.2.9 Human resource strategy (business partner)

This is the area in which the HR's contribution varies most widely between organisations while, overall, being seen as relatively ineffective. In some organisations, a business-like, persuasive and strategy focused CHRO has had a major impact –

contributing as well as responding to strategy. In many others, the HRf is seen as irrelevant to strategy, with the main requirement being to meet specified business needs by carrying out recruitment, training and so on. In our study, the main difference between these two extremes was the degree of experience and understanding of the business (or the public sector) by the leaders of the HRf. Typically, this expertise would not have been gained in more junior HR roles, but in real-life business positions. It appears that it is easier, or more effective, for a business person carrying out the HR strategy role to acquire sufficient knowledge of HR (and to rely on the delivery and expert functions) than it is for an HR person to acquire the required business knowledge.

We would also argue that this strategic role differs from the account management/representative role that many so-called business partners adopt. We recommend that business partners, as currently positioned, should adopt, embrace and focus on the account management role, and to do so effectively as an outward-facing activity of the delivery unit.

The HR strategy role should only be carried out at a level where organisational strategy is effected – typically, centrally for a whole organisation, whereas the business partner/account manager role would be replicated for each major customer group of the delivery function.

The main capability required in this strategic role is business/organisational acumen.

As we saw earlier, the CIPD and other professional bodies are trying to solve the issue by focusing on teaching the language of business and ‘business savvy’ but this is nowhere near enough. For example, the CIPD identified four foundations of ‘business savvy’ (which seem self-evident), which HR practitioners should adopt:

- Understanding the business model at depth
- Generating insight through evidence and data
- Connecting with curiosity, purpose and impact
- Leading with integrity, consideration and challenge

The fact that the professional body believes that these very basic ideas need to be explained to HR practitioners is somewhat alarming, but of course the guidance might well be aimed at less experienced members.

Many of those taking part in this research suggested that HR practitioners should experience non-HR roles and, indeed, that non-HR leaders should experience working in the HRf.

The obvious conclusion, however, is that a traditional HR development path does not provide the skills required for a strategic HR role (except for rare individuals) and that a varied business career is a much better foundation. The HR expertise can be acquired relatively easily, supported by access to the experts and the delivery function.

6.2.10 Roles and career paths

This evolved model of the HRf organisation brings into sharp focus an issue that has troubled the HR profession for some years. The skills and experiences needed for the three different functions do not overlap and do not allow for a consistent development path, as would be preferred by professional bodies and those wishing to preserve the disciplinary integrity of HR.

For the delivery function, development and a career in digital/process/analytics may well be the most useful.

For the (very few) HR strategists, a wide business career with some formal HR knowledge acquisition and support of delivery and expert functions seems more effective.

The role where a general development in people-related subjects still appears crucial is the expert function.

This lack of commonality in career development is also reflected in the question as to whether these three functions need to report to one CHRO (Figure 16). The evolution may result in the disintegration of the HRf into three separate entities:

- Delivery as part of a general shared service/process function
- HR strategy as part of a central strategy unit
- Experts as a self-standing HRf, if it is not entirely outsourced to specialist firms and individuals

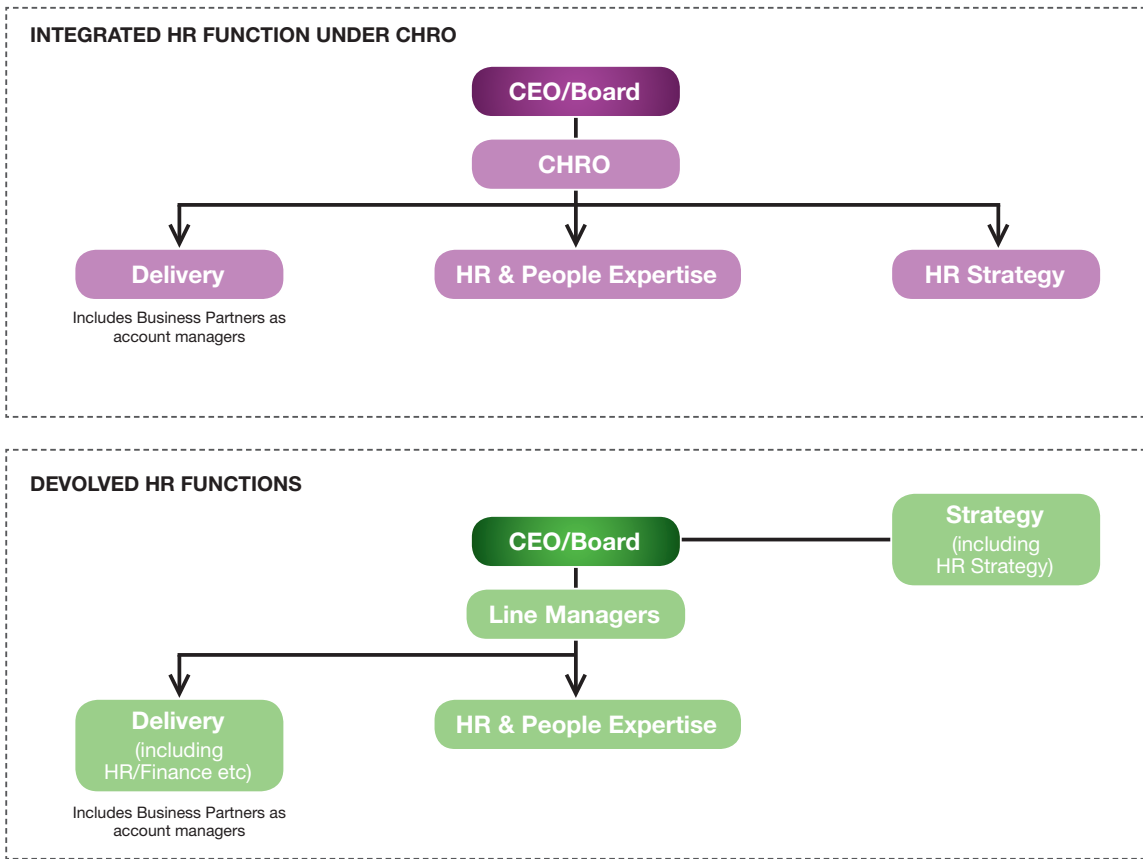


Figure 16: Options for evolved HRf – integrated or devolved

6.3 Transform

An alternative to the evolution of the HRF in response to the changing context, is to reconsider the basic purpose of the function, in the light of future organisational requirements, and how that might be realised in this new environment.

6.3.1 Re-purposing HR

As we have seen, the human resource function's role has most often been considered from the point of view of what the function does – What can we offer the organisation? – leading to a purpose and role based on the skills and expertise developed within the function. For example, our purpose is to do recruitment, training, pay and reward, or provide areas of expertise seen as being to do with people, such as change management, engagement, leadership, employee relations and motivation. However, given the challenges highlighted earlier, it might be wise to first consider the strategic needs of the organisation and only then, how those needs might resonate with HRf expertise.

In fact, a major conclusion of this work is that – while the role and operation of the delivery and expertise components of the existing HRF seems relatively clear and, therefore, relatively easy to predict – the impact of and sensible response to technology and the role and operation of the consultative 'strategic' element of the HRF is still not at all clear, beyond arguments for and against it or how the HRF should claim a 'seat at the table' or become 'business-savvy'. As noted by Storey (1989), the HRF has traditionally delivered certain services (e.g. recruitment) and so the role of the HRF has come to be defined as 'to deliver those services', whereas, he argues, the purpose should be to meet some kind of organisational demand. The lack of clarity about the strategic role of HR stems from a varied and ill-defined sense of the strategic purpose of HR, ranging from 'looking after, or representing the human resources [people]'; 'fulfilling the manpower needs of the organisation'; advising and legislating on any matters related to people (such as engagement or leadership); to 'acting as personal coach to the CEO or other senior leaders'. Often, the purpose of HR is not clearly articulated, understood or agreed by the organisation so that, for example, leaders may feel that the HRF is interfering in their remit or the HRF is standing against the organisation in defending the interests of staff.

Definitions dealing with the purpose of the HRF include:

- The primary purpose of an HR department is to keep a business supplied with a competent and satisfied workforce.¹
- An essential business function leading the way in delivering bottom-line results.²
- HR in any organisation should find and commit to a specific configuration ...that directly enables the value chain of the organization in its specific circumstances (KPMG).³

The CIPD aligns its professional map with 'what the market tells us great HR looks like' and defines strategic HR as the 'strategic management of human resources aligned with the organization's intended future direction'. 'It is concerned with longer-term people issues and macro-concerns about structure, quality, culture, values, commitment and matching resources to future need' (CIPD, 2016b).

¹ www.reference.com/business-finance/purpose-human-resources-department-82c1cc6e20b894b

² www.uk.mercer.com/what-we-do/workforce-and-careers/hr-transformation.html

³ <https://advisory.kpmg.us/content/dam/kpmg-advisory/PDFs/ManagementConsulting/folder/designing-next-generation-hr.pdf>

The Society for Human Resource Management suggests that:

In support of our company's principles, values, vision and mission, it is the mission of human resources to support the total operation in meeting its goals through its most valuable resource – its PEOPLE. (Society for Human Resource Management, 2016)

Ulrich, in his soon to be published new work (Ulrich, in press) says that:

HR exists to deliver value to key stakeholders. The outcomes of HR become the goals for the HR department, capabilities an organization requires to win in the marketplace, and intangibles for investors.

Many authoritative texts on the subject are organised according to the various ways of delivering HRM (recruitment, reward etc) with a plea that these functions should be treated strategically.

SHRM, similarly, developed its competency model (Figure 17) based on what represents successful performance across the HR profession, as judged by HR professionals themselves. This results in a tautological definition of the purpose of HRf being 'to do what it does – well'.



Figure 17: SHRM competency model

Similarly, the CIPD developed its professional map based on what HR professionals and experts reported were the most useful competencies (Figure 18).

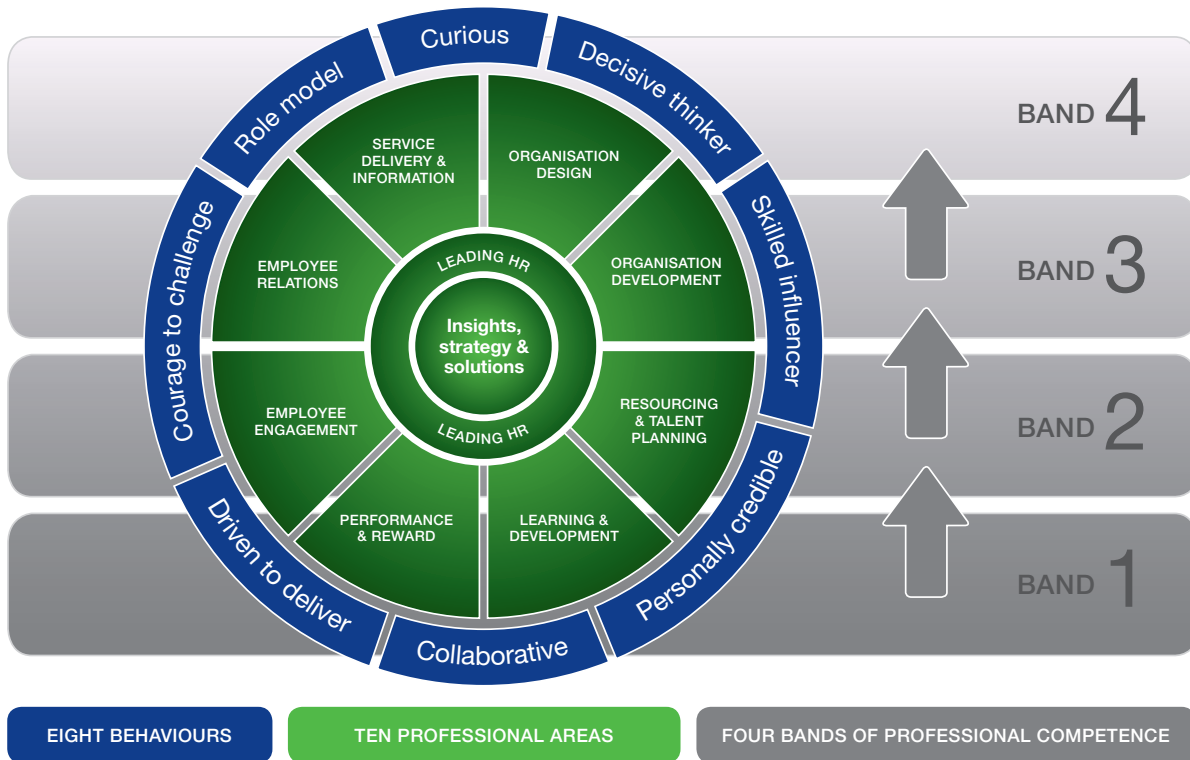


Figure 18: CIPD professional map

Often, definitions of human resource management (HRM) are assumed to also define the function of the HRf – on the basis that the purpose of the HRf is to ‘do’ HRM.

HRM is a comprehensive and coherent approach to the employment and development of people (Armstrong & Taylor, 2014)

A key conclusion of this study is that the activities and organisation of the HR function should be derived from a clear purpose within a specific organisational context. HRf should only do things because they achieve an overarching purpose. Storey (1989) describes this as a demand perspective (what the organisation needs), rather than a supply perspective (what the HRf does).

The Human Resources Manager starts ...from the organization’s need for human resources: with the demand, rather than the supply. (Storey, 1989)

The closest to a definition of the HRf’s purpose also comes from Ulrich (in press) (although it is described in terms of outcomes):

The outcomes of HR are not just administrative efficiency or strategic execution. The outcomes of HR have become the capabilities that an organization requires to win in its marketplace. These capabilities likely include talent and leadership, which are essential for any strategy, but also include capabilities such as innovation (in product, market, services, business models), agility (speed of change or flexibility), collaboration (teamwork, cross functional teams, merger or acquisition integration), customer service, efficiency, managing risk, changing culture, and so forth. The capabilities represent what an organization is known for and good at doing and vary depending on an organization’s strategy. Capabilities represent the outcomes of HR that enable strategy to happen, ensure customer share over time, and increase investor confidence.

Based on our interviews and review of the academic and practitioner literature, we therefore propose that the purpose of the human resource function (Figure 19) is:

To deliver the capabilities needed to achieve outstanding strategic success.



Figure 19: The purpose of the human resource function, and its delivery

This incorporates both strategic aspects of capabilities (such as chemical engineering or engagement) and tactical delivery of programmes and processes to deliver capabilities (such as recruitment and retention) and raises some substantive and useful questions, such as:

- What capabilities? How can we define the required capabilities? What are the criteria for the capability? Can we substitute a capability that might be easier to build?
- Why do we need that capability? What does it add to the organisation? Can we know when it has added the predicted value?
- When will the capability be needed?
- Where, and how, can we acquire key capabilities?
- Who owns the capability? Is it necessarily a human capability or can it be built via some other mechanism?
- How much of each capability will we need? How can we know when we have enough, or not enough? How can we maximise the utilisation of the capability?
- How can we build, acquire, nurture and retain our key capabilities? If the capability provides competitive advantage, then how can we protect it from competitors?
- Do we already have capabilities that might contribute to our strategy or even suggest modification to the strategy?

Many of these questions would be answered by the traditional HR functions of talent acquisition and management, reward and so on, but the reason we are carrying out those functions is to build the required capability and this could significantly impact the types of things we do and the way we do them. Fortunately, there is a very relevant body of research and recommendations emanating from the field of strategy which can help guide the HRF in the identification, design and delivery of capabilities.

6.3.2 Strategic capabilities in theory

From the viewpoint of organisational strategy, there are two major themes (which of course overlap and complement each other) which very much relate to the building of organisational capabilities. The first, exemplified by Porter's (1986) early work, suggests that organisations should base their strategy on the requirements of the market. The second, as mentioned in Section 3, exemplified by Barney (1991), is the resource-based view (RBV) of the firm which suggests that the organisation should identify its key unique capabilities and then find a market where they confer competitive advantage. Not being subject to academic polarisation, we can take the best of both viewpoints, of course. The resource-based view of the firm states that an organisation will enjoy sustainable competitive advantage if it has capabilities which are rare, valuable, inimitable and owned by the organisation in question. These have been described as 'differentiating strategic capabilities' or DiSCs (Scott-Jackson et al., 2011).

The major issue in applying RBV theory has been to find instances of capabilities which can be defined, but still remain hard to copy. Capabilities such as great IT or access to finance may well confer advantage but can be copied or acquired by competitors so cannot confer sustained advantage. Research over the past few years has suggested that there are only two major sources of DiSCs: reputational capabilities and human capabilities. The other issue, of course, is that in a fast-changing environment, capabilities that confer advantage may need to be adapted, and this has given rise to the model of dynamic capabilities (Teece & Pisano, 1994) that evolve over time in response to the organisation's environment. Human capabilities arise through chance combinations of history (e.g. developing a certain culture over time), leader influence, market pressures and so on, but also combined with deliberate programmes such as recruitment, training and management support for human capabilities such as innovation or friendliness. Because of this partly random combination of factors, human capabilities remain hard to copy even if they obviously confer advantage. So, Google, for example, is renowned for innovation and its processes are well-known, yet it is hard for competitors to follow. Supposing that human capabilities are a source of competitive advantage then how can they be designed and built if they are so hard to copy? They are hard to copy because they are partly built on the history, culture and leadership ethos of the organisation. So even if they have been built 'on purpose' they cannot be copied by another organisation with a different history, culture and leadership ethos. Recent studies have demonstrated that it is indeed possible to build the strategic capabilities, including DiSCs, that the organisation needs and that the HRf has a major role in defining and building human capabilities. In this way the HRf takes a central strategic role in not just responding, but also contributing, to the development and implementation of organisational strategy.

6.3.3 Providing those capabilities

Organisational capabilities can be defined (Figure 20) as:

- Enabling capabilities: These are capabilities that most organisations will need in order to succeed in any particular sector (public or private). Capabilities such as being able to effectively manage finances, maintain a brand, communicate with stakeholders, respond to changes in context and, of course, build and manage the capabilities themselves through enabling capabilities such as leadership and engagement (in the case of human capabilities). The traditional capabilities of the HRf are enabling capabilities.

We therefore propose that the purpose of the human resource function (Figure 19) is to deliver the capabilities needed to achieve outstanding strategic success.

An organisation will enjoy sustainable competitive advantage if it has capabilities which are rare, valuable, inimitable and owned by the organisation in question.

- Best-practice capabilities: These are capabilities that are required to succeed/ compete in any specific sector. These could include capabilities such as chemical engineering, oil exploration, actuarial expertise etc.
- Differentiating capabilities (DiSCs): These are capabilities which, through being rare, valuable and hard to copy, can confer a sustainable competitive advantage on the organisation.



Figure 20: Strategic capabilities: Enabling, best-practice and DiSCs (Scott-Jackson et al., 2014)

The HRF's own scope of capabilities currently often includes talent management (recruitment, development and retention of talent) and has often been deployed to build and maintain enabling and best-practice capabilities in response to perceived business needs. The capabilities focus enables the transformed function to apply that expertise to better predict the enabling and best-practice capabilities needed to achieve future strategic intent (reacting to strategic needs) but also allows the function to contribute proactively to strategic intent by identifying and proposing DiSCs, based on pre-existing history and culture. For example, a firm at the forefront of automotive research was able to extend strategic intent to the wind-power sector, due to a historical base of thought-leading innovation in gearing and turbines. Similarly, the hotel group Jumeirah developed a 'luxury brand' strategy based on exceptional personal customer interaction which was rooted in a long tradition and reputation for friendliness which had developed over time. Having identified 'friendliness' as a key differentiating capability (DiSC), the group could not only build strategic intent around this DiSC but could also ensure that relevant processes (recruitment, measurement and so on) helped to build and maintain this DiSC.

It is clear that the focus on building capabilities can relatively easily be accommodated within the role and skills previously defined for the evolved delivery and expert functions (although we will suggest their reorganisation into other units). The entity that would be most transformed by this new purpose, to deliver the capabilities needed to achieve outstanding strategic success, is the function previously described as HR strategy.

In order to explore this transformation, and to then define how it might be reflected organisationally, it will be useful to briefly illustrate a process for building organisational capabilities.

6.3.4 Building organisational capabilities

The process for building organisational capabilities has been developed within a diverse range of organisations from a Television shopping channel (Figure 21) through to a country (Figure 22)!

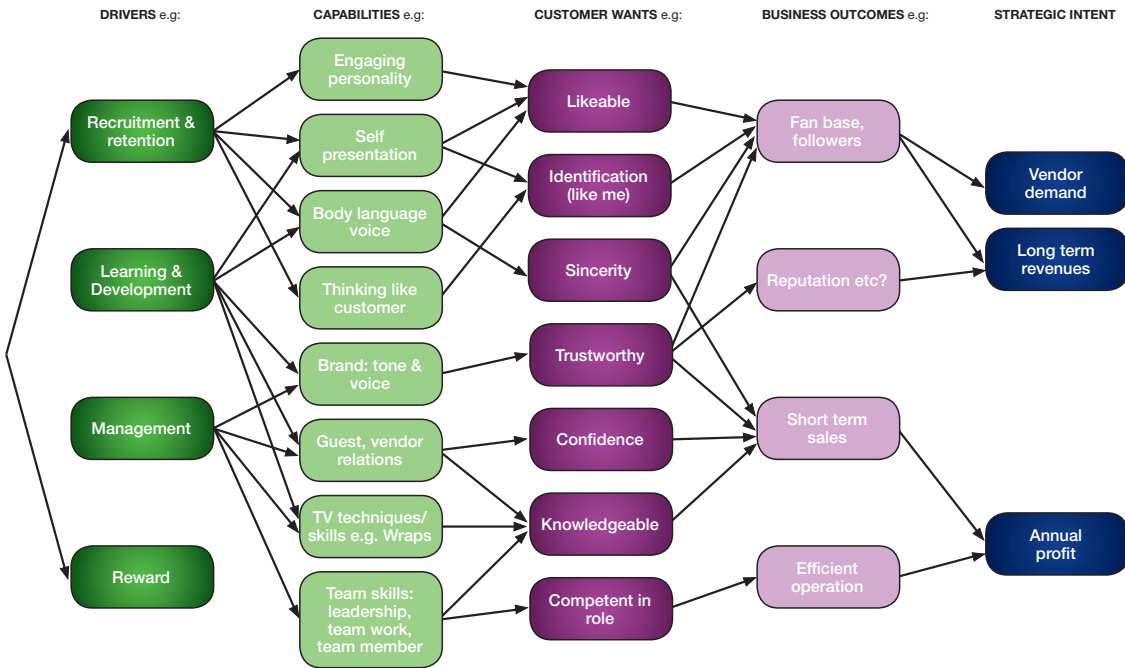


Figure 21: Building the strategic capabilities for a shopping channel

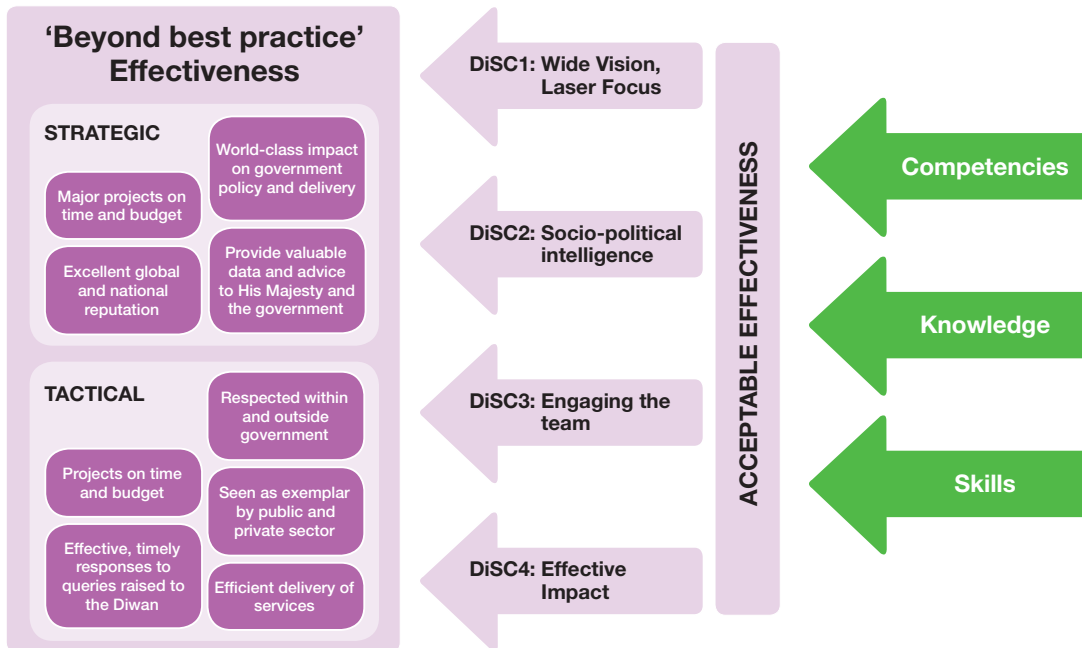


Figure 22: Strategic capabilities for a government cabinet department

James Baker, Global Head of Executive Search, Jaguar Land Rover

DIFFERENTIATING STRATEGIC CAPABILITIES

Once we are confident we have robust plans in place to fulfil the urgent short term needs we are then able use our resources to look further out into the event horizon against the company's longer term strategic roadmap.

To meet short term/immediate needs requires knowledge and analysis of the current organisational structure and the key gaps that need to be filled (internally or externally). For the medium-term we need to understand how organisational priorities and succession planning will create gaps that we will need to recruit against and to determine the actions to ensure we have talent identified and pipelined as needed. In the longer term, we carry out targeted talent mapping, which is clearly linked to the organisational strategy roadmap, to grow required capabilities and this exercise could inform the organisation design process as well as being an outcome from it. We also maintain talent intelligence in key developing capabilities, which then informs workforce planning and recruiting activity globally, as well as decisions about, for example, where to locate people and resources to facilitate our growth plans.

An example of this process is that a head of department was seeking to benchmark their leadership talent and we were asked to conduct a generic talent mapping exercise and to submit interested 'top talent' from external organisations.

The building of organisational capabilities requires three distinct sets of skills. Firstly, to define the capabilities required, including 'what', 'when' and 'how much of it'. Secondly, to build the capabilities cost-effectively to meet strategic needs, and thirdly, to maximise capability utilisation through effective processes. These functions need to be fast enough and flexible enough to adapt to changing strategic environments. Jaguar Land Rover are already deploying some of these techniques within resourcing. James Baker of Jaguar Land Rover (JLR) reports that JLR integrates talent acquisition with workforce planning over the short term, medium term and longer term. This provides intelligence that informs the HR and organisational strategy, talent pipelining or immediate, live, recruiting activity depending on the timeline and focus.

A broad scope would have been inefficient, so in order to shape the project, we worked with the data from the strategy team to focus on the three key technological pillars that were likely to significantly disrupt our industry. We had current recruitment projects against all but one, and subsequently confirmed with the HR organisation that these were also a capability gap against our existing organisation for the target skills group against the business plan. This determined our project scope and we drafted a role profile against this brief for this key future capability, which is currently both rare and highly valuable.

We then focused our activity on this skill set and identified and approached the key talent at organisations that were seen as leaders in this field. We mapped the leadership of those organisations, approached them and presented back to the head of department the best candidates that were interested in an exploratory conversation, along with other key insights gained from the project.

The project outcome was that the head of department met a selection of candidates and developed a deeper understanding of the commercial value-chains around this key area, an insight into the supplier base and the rationale behind our competitor's organisational structures. We made a key leadership hire that will enable us to make a significant step forward in building a rare, valuable and hard-to-copy capability, which is critical for the future success for the business.

6.3.4.1 Clarify strategic intent

In order to define and build the required enabling, best-practice and differentiating capabilities, it is crucial to understand the organisation's 'strategic intent' as well as its formal, shorter term plans. 'Strategic intent' was first defined by Gary Hamel and C K Prahalad (1989) to encourage Western companies to set 'stretch' goals which would be visionary, stable over time, deserving of personal effort and commitment, and that, while fully utilising the organisation's current capabilities, would also require their enhancement and the development of new capabilities. Strategic intent should have the following attributes:

- Sense of direction: A unifying and personalizing point of view about the long term that the organisation aspires to.
- Sense of discovery: A competitively unique position which requires exploration.
- Sense of destiny: It is a goal that is inherently worthwhile.

A readily grasped declaration of the course that the management of a business plans on taking the company over some future time frame. The strategic intent of a business needs to be easily understood by every member of the firm so that all staff can be working toward a consistent overall goal. (Hamel & Prahalad, 1989)

There is a wealth of papers, consultancies and advice available on how to design and implement strategic intent but here we are focused on the implications for capability definition. Hamel and Prahalad's suggestion was that strategic intent should be widely understood, and committed to, by everyone in the organisation. However, whilst formal strategic plans are often fully articulated, strategic intent is typically not written down, but may exist in the shared aspirations of leaders or embedded in the history and culture of the organisation.

An example of a formal strategic intent is:

UIS [The University of Illinois] will be recognized as one of the top five small public liberal arts universities in the United States. (University of Illinois, 2013)

The UIS then explains how this will be achieved:

We will achieve this by creating a world-class liberal arts oriented undergraduate educational experience reflecting many of the characteristics and best practices of small private liberal arts colleges while building on our many strengths. Among those strengths are professional academic programs, graduate education, and public affairs activities.

This clearly fulfils the criteria for a strategic intent and builds on existing capabilities (strengths) as well as demanding new ones.

The best way to understand a strategic intent is to ask the leaders to describe it, and there are various formal processes available. As an example, Oxford Strategic Consulting ran a short workshop for the executive board of a major bank which used brainstorming and weighting techniques to derive and agree a strategic intent. One of the most interesting outcomes was the resolution of important but unrecognised and unacknowledged differences in the board members' aspirations for the bank.

The building of organisational capabilities requires three distinct sets of skills. Firstly, to define the capabilities required, including 'what', 'when' and 'how much of it'. Secondly, to build the capabilities cost-effectively to meet strategic needs, and thirdly, to maximise capability utilisation through effective processes.

6.3.4.2 Define required capabilities

Given a clear strategic intent, and plan for the short term, it then becomes possible to define the kinds of enabling, best practice and differentiating capabilities that would be required to succeed (and gain advantage in competitive markets).

Taking UIS as an example, the enabling capabilities might include effective educational administrative management and understanding of the global liberal arts market. It could also include contextually effective leadership, and academic and research excellence. The differentiating capabilities are best rooted in existing culture, history or tradition. For a similar institution, the University of Oxford, it was identified that the traditional and long-standing tradition of High Table was a key enabler of a unique capability for interdisciplinary conversations and inter-working, which has since been formalised in several colleges with the formation of special interest 'clusters'. But the dining tradition, with its encouragement of sharing research interests, having to summarise key findings and being expected to show interest in one's neighbours' work, combined with various mechanisms to ensure that people converse with people they don't know, provided the basis for this more formal DiSC.

6.3.4.3 Identify current capabilities

Having identified high value capabilities required for the immediate and longer term, the HRf would then need an understanding of current capabilities. So, in the Oxford example, it might be that the interdisciplinary capability was already being built (through the dining system) and perhaps this could be enhanced with new technology (e.g. social media and networking) and to take account of much wider networks (e.g. researchers from elsewhere) and people that may contribute to the University but who are not employed by it or belong to it in the classical sense.

6.3.4.4 Define the differentiating capabilities

Having a clear view of the enabling and best practice capabilities required, as well as the current capabilities (and history and culture), it is then possible to identify potential differentiating capabilities (DiSCs) that might confer competitive advantage. In the case of Jumeirah above, for example, the capability of 'friendliness' was already informally embedded in the culture and had the potential for competitive advantage in the hotel sector. Once the three types of capabilities are defined then consideration can be given to how those capabilities should be delivered.

6.3.4.5 Define the delivery vehicle for that capability – AI, robotic, human, cloud etc

For example, in the case of Jumeirah, 'friendliness' could conceivably be delivered via a reception robot, by a user-friendly booking system, by advertising and by human behaviours such as greeting on arrival. For many capabilities, it has long been possible to substitute various sources or vehicles of capability. For example, a chair could be produced by a person or a machine, or construction could be highly capital intensive or labour intensive. Recent advances in technology, in particular, means that the possibilities for substitution are greater than ever, to the extent, for example, that surgery can be performed robotically and helplines could be provided via artificial intelligence. In this context, it is arguable that the function responsible for building capabilities should not assume that the capability can only be realised through humans. In fact, the analysis and decision on what are the most effective vehicles for a specific capability is a necessary and highly valuable part of the process of capability building. This would suggest a further transformation of the HRf to become a capability building function (CBf) and this is enabled within the role definition as proposed below.

Having defined the:

- capabilities required (enabling, fundamental and DiSCs)
- current capabilities
- DiSCs
- most effective vehicle for the capability (human or otherwise)

then the required capabilities must be built, developed and maintained.

For human capabilities, this would be via a delivery function with similar capabilities to those involved in current talent management (residing in the delivery/shared services function). For capabilities to be delivered through AI or similar then the relevant centres of technical expertise (internal or external) would be commissioned. The new capability building function would essentially commission the relevant internal or external experts to build whatever capabilities are required. This combined function matches well onto a centralised shared services/process function covering all process areas, not just HR.

For capabilities that already exist or have been built, then need to be managed, maintained and retained and this could well be the function of the specialist process unit, which runs (or manages the running of) all processes, HR or otherwise.

For capabilities like 'engagement' or 'leadership' the capability function would need to call on internal or external expertise to help design and implement the programmes needed to build and utilise the capability. If internal expertise is desired, then this would be within a unit very much like the centre of expertise as previously defined.

6.3.5 Transformed organisation

As described above (and as implied in Section 5, Figure 12) a transformed organisation, capable of **building the capabilities the organisation needs**, could comprise three separate units (Figure 23). The organisation is quite similar to the devolved version of the evolved HRf (Figure 16) but the purpose, focus and skills requirements are quite different.

Strategic capabilities – defining, specifying and measuring the strategic capabilities required and their delivery vehicles – including technical and human.

Capability experts – experts in building various types of capability (reputational, technical, human). Most likely external specialists but managed by the central 'expert' function.

Delivery – designing and running various processes, including people processes – most likely through internal management with IT/outsourced delivery.

HR-specific functions would disappear, except perhaps as specific specialists within the delivery function and, mostly external, 'people-experts' (such as psychologists) within the expert function.

The strategic capabilities function would require extensive organisational/business experience as well as a broad and up-to-date understanding of capability areas such as technology, marketing, HR.

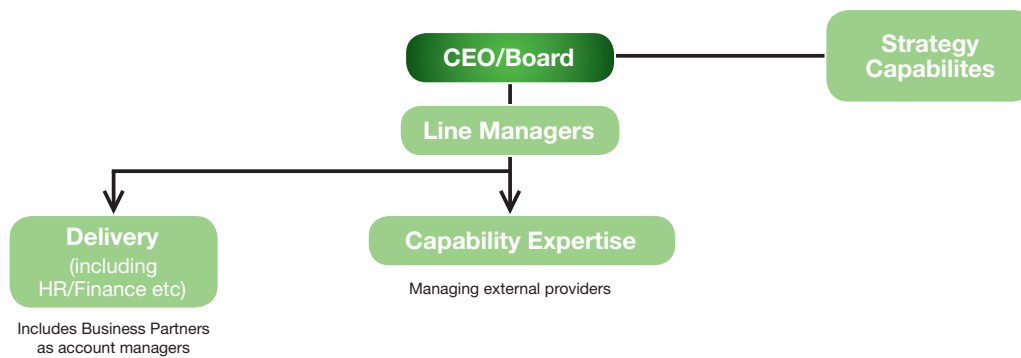


Figure 23: The human resources function transformed to the strategic capabilities function

Ironically, in adding true strategic value by building the capabilities the organisation needs, the HRf has effectively disappeared!

6.3.6 Roles and career paths

This transformed capability-based organisation implies that very different skills and capabilities will be needed by the functions themselves and that career paths would also be very different.

Strategic capabilities – this function would require extensive business/organisational experience and an ability to grasp and analyse complex strategic and market information. It would also need an ability to maintain an understanding of advances in all areas of technology, socio-economics and people-related topics. This is likely to be acquired through a wide-ranging career, in more than one organisation and through direct experience of advanced tech and people management.

Capability experts – as well as the world-class expertise in particular subjects (likely to be acquired externally), this function would need the ability to translate requirements and specifications from strategic capabilities into proposals and tenders for expert consultancy and projects.

Delivery – this function requires process and technical expertise, as well as data analytics and, possibly, some specialist knowledge of specific areas like accounts or recruitment. These capabilities could have been acquired through a technical career, possibly with a service provider or outsourcer.

6.3.7 Issues with the transformation

The biggest potential issue (other than the disappearance of the HRf per se and the professional bodies and so on that support it!) is that some functions that are currently performed by the HRf might not fit elsewhere and might not be carried out:

Champion of the people – but this should be the role of leaders and, arguably, the presence of HR has allowed them to abdicate! Of course, it is highly likely that, in all organisations, the empowerment and engagement of people is a key enabling capability in its own right.

Health and wellbeing – this should be defined as an enabling capability and so be included in the remits of strategic capabilities, experts and delivery

Guardian of ethics and moral compass – this is the role of the board, and of the non-executive directors in particular.

Mentoring the senior team – this can be provided by an internal process of colleagues or external mentoring provider.

7 Conclusion and next steps

7.1 The purpose and the opportunity

This report has reviewed the current state and perceived value of the HR function and the likely impact of future changes in technology and patterns of work. These present a major opportunity (and threat) for the HRf to add value through the technologically enabled effective delivery of people-related processes and the provision of advanced expertise in areas such as engagement, which these new models of work will make even more important. But the main opportunity is to truly demonstrate strategic value in the context of a clearly defined strategic purpose. The report has presented two possible future structures for the HRf – Evolve and Transform – both of which could be organised either within an overarching entity or distributed, with delivery being part of a wider process management function, expertise being accessed externally and strategy being part of the wider strategy unit or reporting to the board separately.

These organisational options are based on a clarified purpose:

To deliver the capabilities needed to achieve outstanding strategic success.

This purpose is clearly strategic in that it is crucial for the achievement of strategy, but also enables the function to contribute to strategic direction, based on unique and possibly under-utilised strategic capabilities which the HR function can identify. For example, a privatised industry, newly competing with the private sector, identified ‘trustworthiness’ as a key differentiating capability, which could easily have been destroyed if private sector best-practices had simply been implemented in the interests of efficiency.

Even an apparently ‘soft’ capability like ‘trustworthiness’ can be built and enhanced through selection, induction and development processes as well as consistent role-modeling by senior leaders and so on.

In the ideal world, the HRf would reorganise itself to reflect this purpose but in fact, of course, action to achieve that purpose is far more important than the organisational structure itself and action towards that purpose can be taken immediately, even within a current steady-state organisation structure.

7.2 What can we do – now?

Our recommendation, therefore, if the purpose is broadly agreed, is to act now to start to design and deliver the key capabilities needed to achieve outstanding strategic success.

We have described above (6.3.4) the steps required to build strategic capabilities and the starting point, which has significant value in itself, is to define what they are, based on a clear understanding of the organisation’s strategic intent.

Enabling and best-practice capabilities can be defined by carrying out research into competitors’ capabilities across the sector. That is, by essentially answering the question ‘What capabilities would we need to be as successful as the best in our market?’. So, for a hotel group like Jumeirah, these could include the enabling capabilities of leadership and engagement and the best-practice capabilities of world-class cooking or efficient check-in.

In the ideal world, the HRf would reorganise itself to reflect this purpose but in fact, of course, action to achieve that purpose is far more important than the organisational structure itself and action towards that purpose can be taken immediately, even within a current steady-state organisation structure.

An effective way to identify the differentiating capabilities (DiSCs) is to hold a structured workshop, ideally with the top team, which aims to clarify strategic priorities and generate candidate DiSCs that can then be prioritised.

In a major bank, for example, this workshop used brainstorming and a mind-map to capture the ideas of those present on the strategic intent (which itself highlighted some disagreements, which were resolved), the key factors that would enable that intent to be achieved and then a whole range of candidate capabilities that could enable those factors. The candidate capabilities were then weighted by value, scarcity in the sector and inimitability (how hard would it be for a competitor to copy the capability). The highest rated DiSC, to the surprise but agreement of the Board, was ‘the most helpful staff’ (Figure 24). This scored very highly on inimitability (as the bank had a long history and tradition of service, personal attention and empowered staff) and differentiation (as competitors were constraining ‘helpfulness’ through a focus on process and sales).



Figure 24: Defining a differentiating strategic capability for a major bank

As we have mentioned, it is increasingly possible for capabilities to be delivered through non-human means and so it is useful to consider the appropriate ‘vehicle’ for building the capability. AI-based cashiers, for example, could at some point be a potential vehicle for helpfulness, as is being demonstrated by systems like Siri for the iPhone and Echo by Amazon. Assuming that the capability is delivered largely through people, then the expert and delivery functions will be able to modify relevant talent management and other processes appropriately. In the bank example, it was found that the existing selection process, for example, had no criteria or content to assess ‘helpfulness’ so an online pre-qualification was designed to self-select people strong on helpfulness. Similarly, management processes and appraisals were modified and used to start to measure ‘helpfulness’ in combination with customer and colleague feedback. Leaders, from top down, encouraged and rewarded helpfulness (over immediate sales) and subtle changes were made to market and employee brand.

Thus, the HR function can finally demonstrate its true strategic contribution and value to the organisation by delivering the capabilities needed to achieve outstanding strategic success – now.

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