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# HR Manifesto



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# Foreword

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CRF has been researching the field of HRM, and turning this into actionable recommendations implemented by HR functions, for over 20 years. We have built an understanding of how the function has evolved, how its reputation has varied and the fads that have come and gone. We have gained insight into what works, what doesn't, and under what circumstances. Our work contrasts with many self-appointed experts and gurus offering their view of the world based on unsubstantiated opinions. We prefer an approach rooted in the principles of social science based on evidence.

Our intention in this manifesto is to give our views on the business context, the necessary organisation response and how and in what way the HR function can make an enhanced contribution.

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## Our Changing, Challenging World

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We should be familiar with the major impacts on our working lives.

- **Globalisation** has opened up markets, created new sources of supply, but also heightened competition.
- **New business models of work organisation** have emerged, such as outsourcing, off-shoring, the rise of the contingent workforce, zero hours contracts, partnerships, joint ventures and the gig economy.
- **Technology** has moved faster than many organisations can cope with and has impacted key processes in communications, manufacturing and distribution. New industries based on innovative technologies continue to be created. Artificial Intelligence and robotics will bring further challenges and opportunities.
- **Social media** has increased speed and transparency, with a democratisation of power and unforeseen reputational challenges.
- **Demographics** impact the availability of skills and create different expectations and behaviours of the generations. We still need to revitalise and refresh the workforce.
- The baby boom generation is retiring and people are living longer, creating additional burdens on **social, education and health resources**.
- There is a **disparity** between haves and have-nots in companies, countries and continents. It is greater than it has ever been, fuelling social unrest.
- There are serious concerns around **risk, security and terrorism**, political uncertainty and religious intolerance.
- There is a **disquiet with capitalism** in its extreme form, and a cynicism generally with politics, politicians, political systems and some corporate institutions.
- Investor preoccupation with **short-termism**, rather than longer-term sustainability, hampers real growth in infrastructure, corporate renewal and longevity.

These issues demand attention – much of it from HR.

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# An Effective Response – Some Organisational Imperatives

So if these are the major trends, what are the essential organisational responses?

- **Environment:** Scanning and bringing the outside in are needed like never before. We need to be better at detecting and responding to trends.
- **Clarity:** Organisations must be clear about what they stand for – a clear expression of purpose, strategy and values is essential. There must be no obfuscation. We need clear direction, and leadership, to ensure optimum efficiency and effectiveness. What are we going to do, how and why?
- **Innovation:** We have to invent or improve products and services at a rate faster than that of our competitors – today's 'good enough' will not be 'good enough' tomorrow. We need a real drive on innovation.
- **Speed to market:** Getting to market faster than the competition – speed of response, whilst not sacrificing quality – is crucial for survival and success. Prevarication costs money and competitive advantage.
- **Quality of products and services:** Those organisations which consistently deliver to specification and time will out-perform those which don't.
- **The customer experience:** This is key in private, public and not-for-profit sectors, as reputations can be destroyed very quickly and consumers have choice.
- **Cost and efficiency:** Good service must come at a good price. Process efficiency is essential to compete cost-effectively.
- **Commercialism:** The acumen to invest, design, price, negotiate and sell effectively are core skills for all those involved in all enterprises.
- **Building capability creatively:** Skill enhancement, through acquisitions, partnerships, new ways of connecting with the workforce, new ways of attracting, deploying and developing talent, and new ways of designing organisations and supporting cultures is a key differentiator.
- **Managing risk:** Seizing opportunities yet minimising dangers needs to be balanced, in a more rapidly shifting and networked environment with a burgeoning scale and variety of threats.
- **Resilience:** Work is needed on both the emotional and rational dimensions of leadership and workforces to enhance sustainability.
- **Agility:** Building organisations which can respond quickly to changing circumstances is a prerequisite of survival.

The big questions are: Do we know where we are good and where we have to improve? Do we have a clear and compelling strategy? What are we doing about these issues?

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## Current State of Play for HR

Many studies have been published about the state of HR. They can be summarised as follows:

- HR's reputation is mixed, and is not hitting the spot in terms of contribution to the business.
- HR has delivered huge cost savings very effectively.
- HR is often judged for failure in activities that it does not control, particularly related to lack of clarity in line and HR responsibilities.

So what are the shortfalls, and what should we be doing?

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## SHORTFALLS TO ADDRESS

This is our view of the key shortfalls.

- Insufficient understanding of, and linkage to, business and strategic issues. A preoccupation with HR measures offers a clue. We should focus instead on business measures and our contribution towards them.
- A tendency to start with 'HR best practice' rather than business goals. At worst HR lands on a product to push and then seeks an application for it.
- HR can be 'numbers shy' and 'technology shy'. A weakness in numeracy and lack of appreciation of technology limits the ability to talk 'the language of business' and guide the organisation on necessary technology led changes.
- HR focuses more on people and individuals rather than on the organisational context. There are more 'bad' organisations than 'bad' people. We need more focus on organisation improvement, to create high performance workplaces.
- HR does not always adhere to the principles of social science in its execution of major initiatives. We need definition, a theoretical underpin, evidence and an evaluation of all HR activities and a clear plan. 'Is it worth doing?' is a question not heard often enough.
- Some of HR's traditional 'products' are of uncertain commercial benefit. Performance appraisal, succession management, leadership development, coaching and psychometrics must be subjected to rigorous scrutiny before implementation. Is this the best solution for your organisation at this time?

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## What is HR's Role Now?

HR needs uncompromising clarity of purpose. Our work has identified four overlapping areas of HR delivery.

### CORE OPERATIONAL SERVICES

These need to be delivered both effectively and efficiently. In many ways this has been HR's traditional 'ticket to the game'. HR has worked hard to bring down costs and speed up processes through systems investment, automation, off-shoring, self-service and shared services etc. It is building capability in data and analytics. It manages projects, opens up, closes down, does deals with unions and manages pay, benefits and pensions.

This activity should not be underestimated. In many cases HR has delivered these key services in an exemplary manner. No matter how much of this work can be replaced by third parties or AI, HR must always be the stewards of it.

### CREATING A HIGH PERFORMANCE WORK ENVIRONMENT

A future-relevant HR function will be critically involved in creating an environment where people want to be, and which performs well.

It is about creating the right organisation – in terms of its leadership culture, systems, processes and organisation design to enable people to perform to their best.

Getting this right is a key business differentiator and requires a thorough understanding of organisational behaviours, change methodologies, engagement, technology, organisation development and communications processes. It is more than just managing finite change projects – it is about creating organisations that are striving for constant improvement. This is difficult work requiring top level HR skills and will take time to embed.

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## MANAGING TALENT

In addition to building the right culture, HR must get the most suitable people into critical roles. It is about finding them, keeping them, motivating them and helping them to perform to the optimum. Our research indicates that most organisations are not satisfied with their approach to Talent Management and feel there is a significant need to improve across the domains of resourcing, development, deployment, leadership and succession. Managing Talent requires an integrated approach which starts with the business need. Moreover, all Talent activities need to be connected – they are part of a system.

## IMPROVING PERFORMANCE

Performance exists at both individual and organisational levels. HR has to improve performance at both levels.

At an *organisational level*, the focus needs to be on measures which:

- genuinely indicate how value is being enhanced as well as how past performance is recorded
- are relevant to the organisation's circumstances
- are trusted – they meet varied stakeholders interests, avoid over-complexity and obfuscation
- demonstrate the connection between investing in human, organisation and customer capital and how value is created
- are far broader than just financial measures.

This requires clear understanding of the business, its products, its processes and how and where it adds value.

Working on HR initiatives before understanding an organisation's value creation model is futile.

At an *individual level*, people need to have a clear understanding of the direction of travel of the organisation and ensure that they are aligned and motivated. They need to know what is important. They need help in improving their ability to contribute through training, coaching, discussion and increased levels of motivation and engagement. They need an environment where they flourish.

The way that people are paid and rewarded is important, recognising that there is no simple relationship between increased pay and increased performance. The dangers of excessive or unrealistic targets, mixed messages and gaming should be avoided.

We are not against HR's traditional tools, but they are most likely to contribute where there are the right people in the right environment with a clear strategy. No amount of 'effective HR' will compensate if these are not in place.

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# HR's Methodology

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Delivering effective HRM in a turbulent, rapidly changing context is difficult work. It is best done by experienced, pragmatic, business minded experts with a theoretical underpinning based on sociological and psychological frameworks. Parachuting in an inexperienced leader rarely works.

Our work indicates the following principles are important.

## ANALYSIS BEFORE ACTION

Best practice does not exist, although good practice might. But what issue and problem are we trying to fix? Do we understand the circumstances? What do we believe are the causes of the issues? We need to examine people, organisations, processes and costs in an objective data driven way. Beware HR solutions looking for applications.

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## DEFINITION OF TERMS

Many HR and management terms are vague. What do we mean by leadership, performance, talent, engagement etc. and which organisational problems do they address? We have to be clear in order to share, improve and understand and we need a clear definition of all our 'topic areas'. Working on issues where definition is unclear creates confusion and means it is impossible to set objectives for improvement.

## THEORETICAL FOUNDATION

Whilst social science can be imprecise, we do have some theory in key elements of human behaviour. We know much about learning, motivation, change, communication and types of interaction. We need to make sure that we use the knowledge available whilst understanding that there is not a single set of theories which are universally applicable. We should ask questions such as 'Why will this work?' 'Where else has it worked?' and 'What's the body of knowledge which supports it?'

## A CLEAR BUSINESS CASE

What is our case? What will we do and how will it improve things? What are the costs and time spent? What will we stop doing to free up time to do this? Is this the priority? Does this case stand close challenge and scrutiny? Is this the best way to spend our money? Have we looked at this with systems thinking, viewing the whole and not just an isolated piece? Are there unintended consequences? Not all returns are financial, but is the investment worth it? Who gets to see and approve the business case?

## DELIVERY

Have we prioritised what we do against the needs of the organisation? Once agreed, do we have a written and understood project plan which defines the start, the added value, the customers and the outcome, not just the output but the intended business benefits? Does it have realistic timelines? Have we identified the risks involved and made a plan to mitigate and address them? Who owns the plan and how will they be held accountable? How is the impact and outcome reviewed? How is learning fed back into the organisation and by whom? In other words, we need a structured, thought-through plan, which helps organise activities and allocate resources.

## EVALUATION

In order to evaluate, clear, business based aims must have been set out and agreed initially. But not everything in people management can be measured. It is impossible to isolate all the variables. Indeed, significant amounts of time can be wasted developing ROIs. However, the process of evaluation (which is different to measurement) is essential. Our approach to evaluation is:

- What is the desired business outcome?
- What do we plan to do to achieve it?
- Have we done what we said we would do? Have we achieved our objectives?
- How much has it cost?
- Do we and our sponsors believe that the improvements or attainment from the objectives have been worth the investment made?
- Is the evaluator informed, experienced and impartial?
- Has the evaluator been involved from the start?

If senior management and independent evaluators are comfortable with the above, then it is probably a mandate to continue.

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# A Future-fit HR Function

So what are HR's ambitions and aspirations for the future and where should it be taking responsibility? Some suggestions would be:

- Be at the heart of strategic thinking and decisions, built upon deep analysis of the external and internal environment, and ensure that all employees understand the goals and values.
- Work within executive teams at each level to analyse and drive performance and build organisational capability – including regular organisational health assessments.
- Understand how decisions are made and power flows but combine this understanding with deep integrity to become a key trusted influencer.
- Champion the setting of clear objectives and standards, focusing on what is important, and evaluating outcomes.
- Facilitate teamwork and collaboration, and prevent silos by ensuring that head office functions work in an integrated and customer-focused way in supporting the rest of the organisation.
- Play a central role in designing, orchestrating, project-managing and facilitating changes of culture, structure and processes – built on a foundation of systems thinking.
- Take a lead role in assessing and steering culture – including important facets such as performance orientation, customer-centricity, learning, ethics and balanced risk-taking.
- Shape leadership selection and behaviour at all levels – ensure effective succession through building robust talent pools, recognising the critical few while inspiring contributions from all.
- Drive organisational adaptation to advances in technology and analytics, seizing opportunities and combating threats (e.g. cyber-security), built on deep personal competence.
- Develop a compelling narrative about sustainable value creation from insightful, robust data about people and capability – the story behind the financial figures, and the triple bottom line.

*Playing a central role in designing, orchestrating, project-managing and facilitating changes of culture, structure and processes.*

## Conclusions

HR does not stand separately from, or outside, the business. The description of an HR initiative is a misnomer. It is a business initiative supported by HR. The idea should not proceed unless endorsed and owned by the business.

HR must therefore be close to, and have the confidence of, the business – CEO, CFO, management team and other functions.

An outward looking function, clear in purpose, rich in commercial acumen and able to build effective relationships, HR should champion the use of the principles of social science as an integral part of a successful organisation creating an environment in which people are able to flourish.

Of course, much of this boils down to the experience, development and motivation of the incumbent HR Director. Top performers are thin on the ground and are likely to have earned their roles through a theoretical understanding, practice, networking and sharing, and deep experience in at least 2 of HR's major areas of responsibility. An understanding of business, if absent, will continue to be a major barrier to success for individuals and the function.

We disagree with commentators who argue that there will be no role for HR 10 years from now. With the right responses it will be enhanced. To achieve this, HR needs better people, much better development and a more systematic way of looking at organisations.

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