

A MANIFESTO FOR

FUTURE-READY

HR



## FOREWORD >>>>

CRF has been researching the field of HR and turning this into actionable recommendations implemented by HR functions for over 30 years. We have built a deep 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 helps organisations and the HR function make sense of the environment in which they operate and develop capacity to deal with continuous uncertainty.

With an international network of over 250 leading organisations, we are on a quest to improve organisation and individual performance through our research and expertise. 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 evidence and based on the principles of social science.

Our intention in this updated manifesto is to give our views on the business context, the necessary organisation response, how the HR function can contribute to organisation performance, where we need to focus our efforts and what it will take to succeed.

If this manifesto has stimulated your thinking and you wish to learn more about how CRF supports organisations in building capability, knowledge and effectiveness across the HR function, then please contact [richard@crforum.co.uk](mailto:richard@crforum.co.uk).

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**Corporate Research Forum**

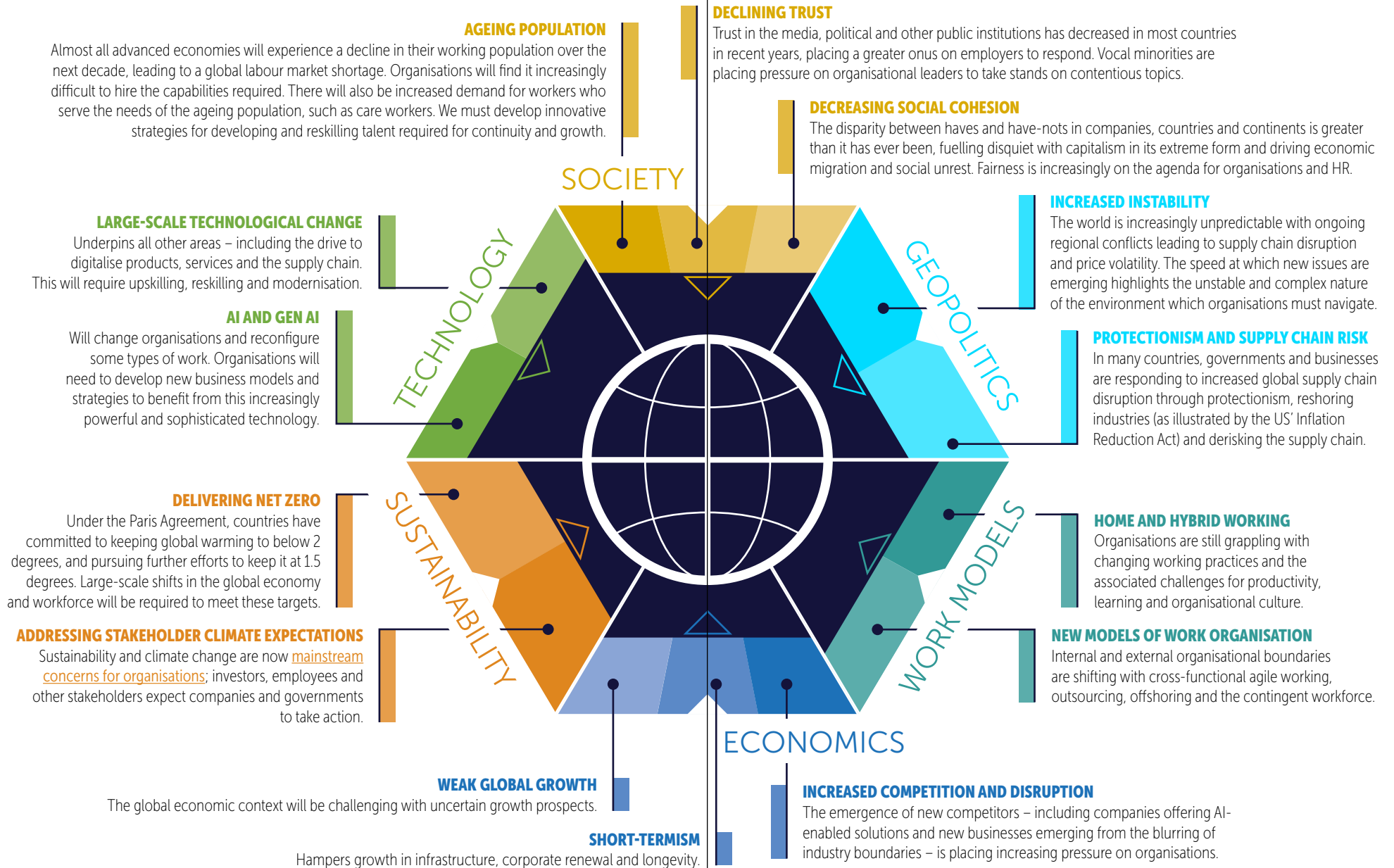


## THE CONTEXT: CHANGING DEMANDS ON THE ORGANISATION >>>>

The Covid-19 pandemic accelerated changes we were already experiencing, forcing organisations to rethink their strategies and change working practices at speed. It required HR to play a central role in shaping the organisational response and demonstrate its value in serving the business and supporting the workforce.

We can expect the context to remain challenging and unpredictable for businesses. Organisations must navigate geopolitical uncertainty, technological advances, net zero and shifting societal expectations. We need to understand the implications of these trends and prepare our organisations for their impact. The major trends we need to take into consideration include:

# CHANGING DEMANDS ON THE ORGANISATION >>>>



Each of these trends will affect our organisations in different ways.

HR needs to play a key role in anticipating their impact and preparing the organisation to respond.



## AN EFFECTIVE RESPONSE – ORGANISATIONAL IMPERATIVES >>>>

What are the essential organisational responses to the changing demands outlined above?



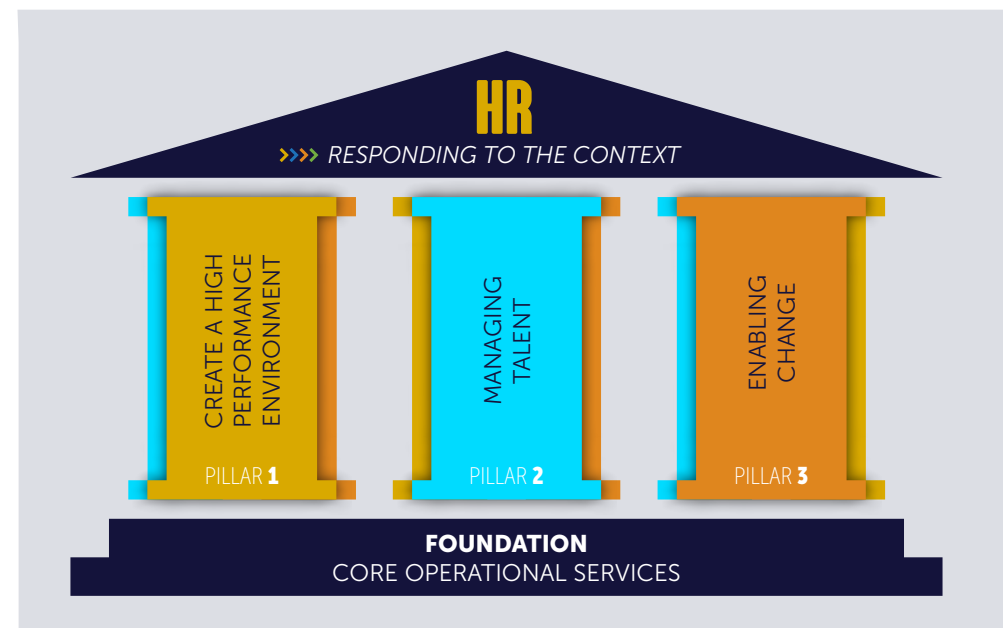
We need to challenge ourselves to answer the big questions:

- > Do we have a clear and compelling strategy?
- > Do we know where we are good and where we have to improve?
- > What are we doing about these issues?



## THE ROLE OF A FUTURE-READY HR FUNCTION >>>>

We believe HR's purpose is to help the organisation build both people capability and an enabling environment, helping define and deliver a strategy that creates sustainable stakeholder value. **The fundamental purpose of HR is to help the organisation achieve its objectives and all HR activities must flow from this purpose.** Our work breaks this purpose down into the following overlapping areas of HR delivery:



## PILLAR 1

## CREATING A HIGH PERFORMANCE WORK ENVIRONMENT

A future-relevant HR function will be critically involved in creating a high-performing environment where the organisation and its people can achieve their goals. How HR can drive organisation performance in practice will depend on the context of the particular organisation in question. For example, a focus on innovation will lead to different HR priorities compared to a strategy that prioritises increasing efficiency. HR functions therefore need to identify and understand these contextual factors to design and deploy tailored HR practices that are likely to have most impact. 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.

➤ **Performance exists at both individual and organisational levels: HR has to work on both.**

- ✓ At the **organisation level**, it is about creating the right organisation – in terms of its culture, leadership, systems, processes, capabilities and organisation design – to enable people to perform at their best. Getting this right is a key business differentiator and requires a thorough understanding of the drivers of value in the business and how HR can contribute to these, for example through organisation design, development, technology and behaviour change.
- ✓ At an **individual level**, people need to have a good understanding of the direction of travel of the organisation and how its objectives relate to their day-to-day work to ensure they are aligned and motivated and know what is important. Too often, people don't know what their job is or what they are expected to do. There needs to be a clear line of sight between organisational and individual goals cascading through each level of the organisation. This means breaking down organisational goals into specific and measurable individual sub-goals which, if achieved, should contribute to the attainment of higher level goals.

Individuals also need help in improving their ability to contribute to performance through training, coaching, discussion and increased levels of motivation and engagement. They need an environment where they can flourish, supported by encouraging, capable management.

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 the system must be avoided.

HR needs to avoid the assumption that having a highly-sophisticated performance appraisal system equates to high performance. We are not against HR's traditional tools, but they are most likely to contribute where they lead to the right people in the right environment with a clear strategy and aligned performance objectives. Having the latest HR tools will not contribute to performance if these are not in place.

## PILLAR 2

## MANAGING TALENT

Finding, keeping and developing talent is a critical role for HR and is likely to become even more pressing as organisations grapple with a changing workforce and new business strategies. Talent management needs to focus on developing the future capabilities required to build and transform the business and execute new strategies. The start point is to develop a strategic workforce plan that identifies critical future capabilities, quantifies the gap between the current and future state and sets out priority actions to close the gap. Talent management needs to focus on critical roles which have an outsize impact on business outcomes, and HR must prioritise getting the most suitable people into those roles: finding them, keeping them, motivating them, developing them and helping them to perform to the optimum.

The ageing population and talent shortages in key skills areas such as digital technology are increasing the need for organisations to invest in reskilling, which involves supporting workers to learn new skills to transition to new or different roles in the organisation. Reskilling in turn can help organisations increase their capacity to adapt to changes in their business environment and attract and retain scarce talent.

HR needs to keep abreast of new technology platforms and solutions which can be deployed to increase the transparency of skills, support internal talent mobility, better match talent supply and demand and help integrate the L&D and talent agendas.

Managing talent requires an integrated approach which starts with the business need. HR needs to be much more joined-up in its thinking and actions so that workforce planning, resourcing, talent and career development, succession management, learning and leadership development and performance management are all aligned to execute the strategy.

**HR needs to be more joined-up in its thinking and actions so that planning, resourcing, talent, development, succession, learning and performance management are all aligned to execute the strategy.**



### PILLAR 3 ENABLING CHANGE

As the rate of change facing our organisations continues to increase, the capacity for organisations and the people who work in them to continuously adapt will become a key differentiator. [Our research](#) finds that CEOs expect HR to play a critical role in supporting and delivering business improvement, bringing expertise in change management, culture change, organisation design, human systems and communication.

This work includes:

- Diagnosing and leading the development of the culture required to achieve specific business objectives through focusing both on values and behaviours and the systems and processes that drive decisions around people.
- Developing the capacity for adaptability and responsiveness into the organisation. One way HR can do this is to build expertise in organisation design, which [our research](#) suggests is often a skills gap for HR professionals.
- Building expertise in job and work design. As adoption of AI becomes more widespread, this will create opportunities for jobs to be reconfigured and automated in ways which increase productivity and make jobs more meaningful for humans.
- Making sure the ability to lead and deliver change is well embedded in the organisation. This can be achieved by having individuals within the function with deep expertise in change, but also through developing collective processes for change management that become core to how the organisation operates.
- Developing effective communication strategies that engage and motivate employees and deal with resistance.

**This is challenging work requiring top level HR skills and will take time to embed.**

**HR's work involves diagnosing and leading the development of the culture required to achieve specific business objectives.**



### FOUNDATION CORE OPERATIONAL SERVICES

High quality operational HR services are essential to the smooth running of the organisation. These need to be delivered both effectively and efficiently. HR has worked hard to bring down costs and improve processes through systems investment, automation, self-service, outsourcing and more. It has also significantly improved the quality of data, reporting and analytics. HR delivers highly specialist and technical services in areas such as employee relations, pay and benefits, recruitment and restructuring in an exemplary manner. This activity should not be underestimated.

These core services are increasingly delivered through technology such as digital self-service and AI-enabled tools. In using these, HR will need to meet employee expectations of a seamless and inclusive experience. Automation will also place increased pressure on line managers and HR will need to ensure they are equipped to deal with this. In the future, no matter how much of this core work can be replaced by AI or third parties, HR must always be the stewards of it.

### REFLECTING THE BROADER SOCIETAL CONTEXT >>>

Organisations are dynamic systems that respond to the environment within which they operate. Over recent years, expectations of the role of the organisation in society have shifted, requiring consideration of a wider range of stakeholders. This is driven in part by corporate governance which increasingly requires directors to take account of employees, local communities and the environment. HR's agenda needs to reflect this.

- **Fairness** is increasingly on the agenda for HR, with concerns about pay transparency, pressure to pay a living wage and concerns about mass unemployment due to the impact of technology weighing on corporate reputations.
- The focus of **diversity** initiatives is broadening, becoming more about inclusion and the wider representation of minorities in public and corporate life and not just about gender diversity.
- **Sustainability** is becoming a core element of business strategy and can also underpin much of what HR does, from helping younger and older workers into work, upskilling and reskilling, promoting fair pay and working practices throughout the supply chain and investing in employee wellbeing and mental health.
- These shifts are challenging for HR and business **leaders** to navigate – the risk of commercial or reputational damage through saying or doing the 'wrong thing' is increasing. HR can help leaders make sense of these broader shifts for themselves and the organisation through facilitating conversations, providing coaching and bringing in external experts who can guide executive teams on how to respond.
- HR can also **influence** the organisation's external profile through its people. The employee value proposition, employer brand and employee experience need to be kept up to date to reflect changing expectations of workers and ensure the organisation can compete for scarce talent.
- HR also needs to have a tighter grip on **risk** management, making sure that wider people and organisational risks are identified and discussed on the executive agenda with effective risk mitigation practices in place.

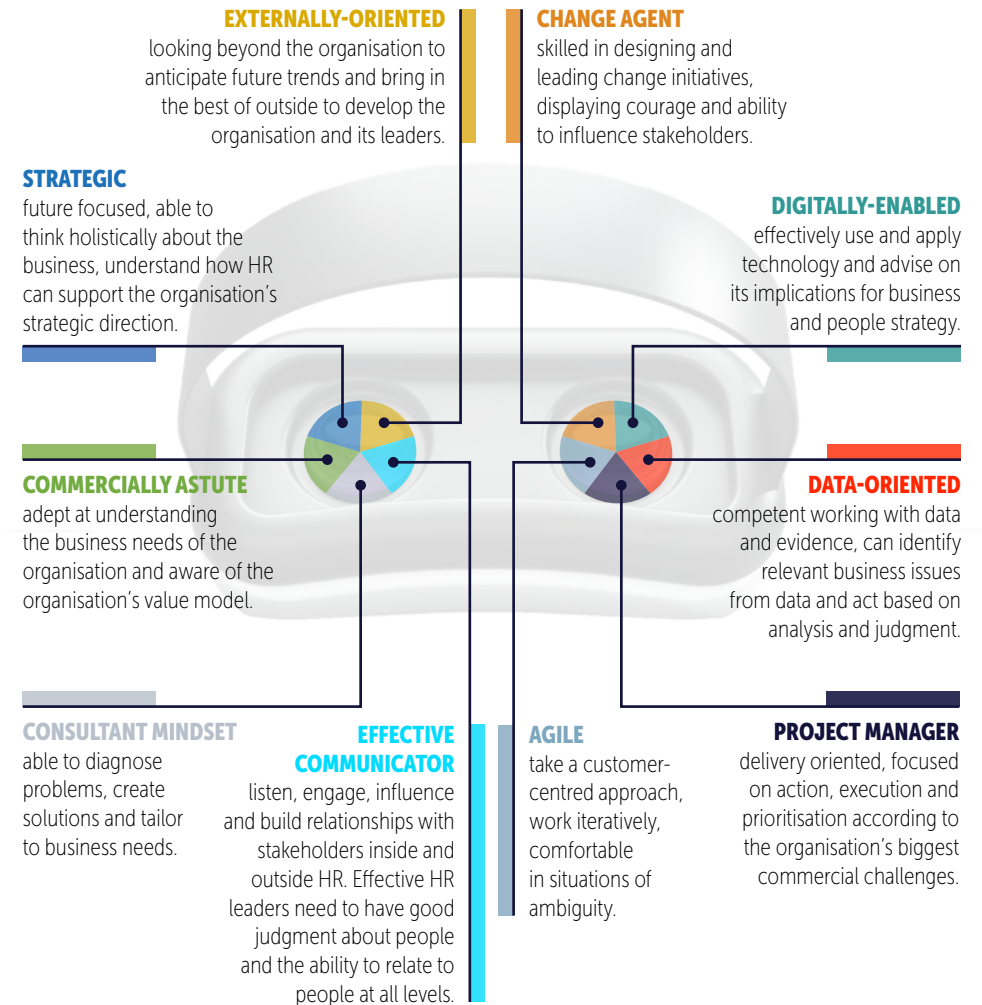
## CURRENT STATE OF PLAY FOR HR >>>>

Since we published CRF's first HR Manifesto in 2017, we have weathered a global pandemic in which HR played a central role in many organisations in shaping their response. Covid was a test for HR at both the strategic and operational level. For many HR functions the pandemic was a platform for demonstrating HR's value in serving the organisation and the workforce. However, as we take stock of HR's role in the organisation of the future and assess the current state of play, we find there are many ways in which HR still needs to enhance its contribution, including:

- ✓ Make sure we **understand and can articulate the business strategy**, how the organisation achieves its objectives and how HR activities link to business and strategic issues. We must focus on business measures and our contribution towards them. A preoccupation with HR measures such as employee turnover or engagement scores will not lead us to higher performance.
- ✓ We need to have the **right level of input and influence on development of the business strategy** rather than simply being an 'order taker'. HR can provide information and points of view to help define strategic options and work with the executive team and the board to shape strategy discussions, as well as working with the business to identify what's required to execute the strategy effectively. We need to develop commercial acumen, confidence and skills in navigating organisational politics to do this well.
- ✓ HR should **make sure the strategy is well understood and communicated** to employees in order to effectively align individual objectives with wider organisational goals. This cascade process does not work as well as it could in most organisations.
- ✓ We must **avoid the 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. Be prepared to question and challenge the commercial benefit of HR's traditional 'products'. Performance appraisals, nine-box grids, coaching and psychometrics must be subjected to rigorous scrutiny before implementation. Is this the best solution for your organisation at this time?
- ✓ HR tends to focus more on individual performance than **improving the organisation** and this balance needs to shift. There are more 'bad' organisations than 'bad' people.
- ✓ HR needs to **upskill and reskill itself** in areas where our skills are traditionally lacking. HR can be 'numbers shy' and 'technology shy' which limits our ability to 'talk the language of business'. Organisation design, models of behaviour change, the application of technology, data analytics and job design are all areas where HR is often held back by a lack of expertise.
- ✓ We need to **understand the technology landscape**, how to use new tools and how we can apply them in our organisations, not just to improve HR tech but to support business improvement. We can use our expertise in learning and external contacts to educate business leaders about the impact of technology. We also need to hold our own in discussions about related topics such as data privacy and ethics.

## CAPABILITIES OF A FUTURE-FIT HR FUNCTION >>>>

HR's agenda is challenging and wide-ranging. To build a future-fit function and deliver against our stakeholders' expectations, we need deep technical expertise and high degrees of people sensitivity. We must continue to develop our own capabilities, invest in our learning and upgrade our skills. Our research highlights ten capabilities that are essential for effective HR leaders to develop:



Build your capability in each of these critical areas through CRF Learning's self-paced online learning courses [here](#)



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# HR's METHODOLOGY >>>>

## BASED ON EVIDENCE >

Best practice does not exist – we need to define the business issues to be solved and use evidence to identify those practices and solutions which are most likely to provide answers. An evidence-based approach will help us avoid falling for HR solutions looking for applications.

The goal of Evidence-Based HR is to make better-informed decisions. **Our research** sets out a process that helps practitioners identify the most relevant issues, develop the most effective solutions and have a positive impact on business outcomes. Our process helps HR develop more informed and accurate answers to two fundamental questions:

- > Which are the most important problems (or opportunities) facing the organisation which are relevant to HR?
- > Which solutions (or interventions) are most likely to help?

## DEFINITION OF TERMS >

Many HR and management terms are vague.

- > What do we mean by leadership, performance, talent, engagement etc. in our business and which organisational problems do they address?

We have to be clear in order to set objectives for improvement, agree what needs to be done and evaluate results. Working on issues where definition is unclear creates confusion.

## THEORETICAL FOUNDATION >

Whilst social science can be imprecise, we do have some theories around human behaviour that can guide our practice. We know much about learning, motivation, behaviour change and assessment. 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:

- > What's the body of knowledge which supports this?
- > Why will this work?

## A CLEAR BUSINESS 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?
- > Have we used 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 are our stakeholders and what do they want?

## DELIVERY >

- > Have we prioritised what we do against the needs of the organisation?
- > Once agreed, do we have a written and understood plan which defines the key steps, 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?
- > 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?

## EVALUATION

CRF research consistently shows HR could do much better at evaluating the business impact of its work. Not everything in people management can be measured and it is impossible to isolate all the variables. However, the process of evaluation (which is different to measurement) needs to address the following questions:

- > What is the desired business outcome, expressed in terms of business measures such as increased sales, reduced costs or improved customer ratings?
- > What baseline are we measuring against?
- > Have we done what we said we would do? Have we achieved our objectives?
- > How much has it cost?
- > Do we and our stakeholders believe that the results have been worth the investment made?
- > How can we adjust and improve the process?

## HR's NEXT STEPS >>>>

**A future-fit HR function needs to be at the heart of strategic decisions, bringing deep understanding of the organisation and workforce as well as insightful analysis of the external environment into discussions.**

**HR leaders need to understand how the organisation works and how power flows, combining this with integrity to become a trusted influencer to the CEO and other leaders.**

**Effective HR leaders bring together commercial acumen, great people judgment, leadership, theoretical understanding and deep expertise.**

Key questions to ask ourselves as we consider our purpose and business impact include:

### 1 >

Considering HR's plan and major activities, is it clear how each element directly flows from and connects to the business strategy?

### 2 >

How are you helping the organisation to achieve clarity around its objectives and make sure teams and individuals understand how they contribute to the organisation's wider purpose and goals?

### 3 >

Are you focusing sufficiently on improving the organisation, increasing its speed of response and resilience and creating a high performance context, or is it all about individual performance?

### 4 >

Are you well-informed about the impact of external trends, particularly technology, on your organisation and the HR function? Can you advise your business leaders from a position of expertise about actions they should be taking in response?

### 5 >

What is your plan for developing your own capability and that of the wider HR function?





CORPORATE RESEARCH FORUM

