

HR Directors Breakfast – October 2009

October 2009

Chair

Charlie Wagstaff, Managing Director, Criticaleye

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Introduction

Human resources directors from the Criticaleye Community gathered at this breakfast event to discuss their top-of-mind issues. Opening the discussion, chair, **Charlie Wagstaff**, MD, Criticaleye asked if any of the delegates were recruiting, as this is a useful measure of an organisation's confidence. Most of the delegates around the table said they are engaged in 'focused recruiting', ie, they are no great recruitment drives, but hires are happening where a business case can be made.

The host of the event, the HR director of a global FMCG brand, explained his current situation and challenges. He works in what has proven to be a resilient industry, with a high operational margin and, for the most part, turnover and profits have held. However, he advocated the mantra 'never let a good crisis pass you by'; his company has therefore implemented a 'global integration programme'. The company employs 55,000 people across 180 markets; therefore the great challenge of this programme, is driving efficiency and maintaining consistent standards and practices across the business.

As part of this 'efficiency drive' the host found that HR got a great deal more airtime with the board. However, this proved to be a double-edged sword: board members became frustrated with HR's consistent calls for cost-cutting, and tired of hearing 'bad news', and so HR's reputation as a function became tarnished. As a way of reengaging with the board, the host spoke to each member individually, and asked what they wanted from the HR function. The overriding answer was that they were looking for a balance between efficiency and effectiveness.

This balance became a watchword for HR at this company. Many of the delegates around the table found real resonance with this statement.

HR's role in change management

There is a danger that everything can come under the auspices of HR – change is part of the day-to-day running of a business, and running big change projects should not be HR's responsibility. It is thus essential to define the function's role in change management and agree expectations from the board at the outset.

On bigger projects, HR can ensure that the organisation's change capability is up to scratch. HR can play a role in planning future capability and finding new ways of working. A key function of HR is also to engage employees through times of change.

One area in which HR should have a big impact is on the 'soft side', ie, the organisation's values. Its contribution should be to create a culture that responds positively to change and is equipped to deal with it, supporting executives and managers where they are grappling with a new or difficult situation. One delegate emphasised HR's educational role in change management, especially around the emotional aspect. He educates line managers on the emotional impact of large-scale change, so that they are able to manage their team effectively and with emotional intelligence.

One member advocated 'stealth HR' or the 'MI5 school of HR' where HR professionals are positioned in key parts of the business to foster engagement with strategy and day-to-day management and become accustomed to advising on a range of issues. The Member admitted that although this approach has a 'slow burn' it can be very effective. It builds HR's reputation and encourages executives from different parts of the business to call on HR to be a part of strategic meetings as they are confident in their usefulness.

A Member gave an example of when, as an HR Director at an investment bank, he set up a project and change management function within HR, running it as an internal consultancy. This team ended up running big change projects and in the end was moved out of HR to be under the direct report of the CEO.

All delegates agreed that in order to be effective in supporting strategy and change it is essential for the business engagement of the HR function to be extremely high. One described the transition of a good HR professional from 'business partner, to trusted advisor, to enforcer'. HR will have little success in implementing directives until they have the trust and engagement of employees. This means that talent in HR is crucial, and should be developed.

One delegate suggested dividing the HR function into two types: those interested in process and those interested in strategy. She advocated *not* applying these labels as this limits people, but to be aware of differing skills

so that key talent is given the appropriate opportunities. She also reiterated that it is essential for all HR professionals to 'walk the floors' and engage fully in the business.

It is also a good idea to move employees from other business functions into HR. Delegates commented that this does mean they are usually promoted out of HR into management roles after a few years, but this is not necessarily a bad thing: employees see that a role in HR is good for career development and the top talent comes through HR. If you can maintain a constant flow of talent through this process then the HR function is kept well informed, fresh and engaged.

Shared services and outsourcing

Delegates were divided on the efficacy of outsourcing HR. A major problem with outsourcing the function is that even when external consultants promise a fully tailored service, the likelihood is that they are reconfiguring an old package that other businesses are already using. This erodes all competitive advantage that a strong HR strategy can create.

A delegate pointed to the example of his own business as a way around this problem. He sets his own strategy and then pulls in external 'arms and legs' to carry it out. All outsourced employees operate strictly within the parameters of the strategy set by internal HR. The Member also employs two different consultancies to force the two to constantly benchmark with each other.

The other problem with outsourcing or shared services is that external consultants might not have a good understanding of the business. One delegate circumnavigates this problem by building long-term relationships with external consultants so they become an extended part of the team – he sees this as having the best of both worlds.

One member was strongly in favour of building up a strong in-house HR function. Her organisation was unusual in its industry, keeping all HR functions in-house where most other firms chose to outsource. She observed that those firms that have now made the decision to bring their HR and organisational development teams in-house, struggle to integrate them successfully into the business.

Talent Retention

One delegate described a one-page checklist he has developed for line managers. It helps them to identify 'high potentials' who might be looking to leave. The document helps to identify the employee's personal drivers, and then to develop remuneration and development strategies to encourage them to stay. A number of other delegates really liked this idea.

Another delegate put forward the example of a successful programme from his own business. High potentials were identified and individual plans put into

place for their development. Where the right opportunity was not immediately available, HR committed to a longer-term plan where they would be looked after and given the right opportunity when it arose. He found this built up trust between employees and employers, and that employees were prepared to wait for promises to be realised.

When faced with losing key talent, delegates advised identifying exactly why it is essential that they be retained. It can pay dividends in the long run to support top talent's career progression outside the business, follow it closely and then encourage them to return when they have gained new skills elsewhere.

One delegate raised the point that HR professionals can become too fixated on talent retention. Moving people in and out of a business is positive, and 100 per cent retention is not only impossible, but also undesirable. It ignores the potential of 'up-skilling' and benefiting from fresh ideas from outside the business, as well as stifling the career development of upcoming talent within the business.

Retention becomes a sharper problem when the business needs to retain dying skills. One member, HR Director for a broadcasting company that relies on technical workers, is faced with this challenge. New talent is not conversant with technology that is on its way out, and it is not worth retraining them to use it. This puts pressure on the business to keep employees with that training.

Integration following M&A

This issue was raised as of particular relevance due to the greater potential for M&A when markets consolidate. This topic will be a subject for a future HR Director Breakfast and was recently covered in a Criticaleye Discussion Group, *Sharpening M&A Performance in a Declining Economy*, the summary of which can be found at www.criticaleye.net.
