

Chapter 1

Introduction

“The HR profession should not be defined by what it does, but by what it delivers” ULRICH 1997

This report is about the future of the Human Resources (HR) profession; and in particular the changes in the organization, roles and skills through which the profession delivers value.

The development and adoption of new organizational solutions such as the creation of ‘shared service’ organizations for the delivery of back-office HR transactions, combined with the growing interest in outsourcing (of both single services such as recruitment and training as well as the entirety of the HR administrative operation), has posed a new set of challenges and opportunities for the HR practitioner. These trends have also occurred at a time of heightened scrutiny of the role of the HR executive. The economic uncertainty of the last few years in many industrial economies, the growth of globalization and the increased pressure on Boards of Directors has led to demands that HR revalidate its contribution to the business. The ability to contribute to the strategic debates within a boardroom will increasingly be seen as important as the depth of technical understanding of HR processes, tools and techniques. The change in expectations combined with the continued pressures to squeeze costs, restructure and deliver headcount reductions will ensure that HR Directors and their teams truly need to partner with the business leaders they support, and seek to demonstrate their ability to deliver strategic advice while serving their internal customers with fewer resources. However, while repositioning HR as a strategic partner makes sense to many at a conceptual level, on a day-to-day basis it may be a little unrealistic. Only those who are truly in significant positions in the organizational hierarchy can realistically claim to the label of ‘business partners’. Those occupying positions much below board level may struggle to make the impact that the business partner role demands.

The move to models based on a combination of shared services, outsourcing and business partnering has resulted in many HR directors focusing their functional teams not just on do-ables but on deliverables. Setting the shift to more strategic roles together with the associated increase of exposure does not sit happily on the shoulders of the more traditional personnel practitioners. Significant numbers of HR staff are in danger of being disenfranchised from the new HR model, because they are deemed not to meet either the necessary commercial or intellectual benchmark. Indeed, it is possible to envisage an HR community in 5 – 8 years time that is perhaps 50% or 60% smaller in numbers employed than at present. This may well be the price that the HR profession has to pay to enjoy the shift in perception of HR by business leaders as the value that the function adds is enhanced by the new organization models, the increased take-up of technologies allowing employee and manager ‘self service’ of routine administrative tasks and the growth of the adoption of the HR business partner role. The opportunities and challenges posed by the adoption of outsourcing and shared service solutions are explored in Chapters 3 and 4 respectively.

A brief scan of the nationally advertised positions in publications like ‘People Management’, ‘Personnel Today’ or ‘HR Director’, shows that increasingly companies are looking for candidates who can demonstrate:

- Exposure to line activity (i.e a period spent outside of HR within a business function such as finance, marketing or sales).
- Evidence of a wider business education than the traditional qualifications offered by the somewhat tired curriculum of the UK’s Chartered Institute of Personnel & Development. Increasingly, the CIPD qualification is being passed over in favour of an MBA or specialist MA/MSc.
- The ability to demonstrate the basics of business literacy such as being able to read and comprehend financial statements and sophisticated statistical analysis.
- Clear, precise and decisive verbal communication skills backed up by an ability to shape and deliver a commercial solution not just a series of options.

These requirements reflect the desire to find HR leaders with commercial literacy and represent a fundamental shift in the perceptions of what it takes to be a successful contributor as a senior HR manager. This trend will only grow and become more commonplace. Chapter 5 of this report looks at the skills and competencies which the authors believe will be critical for professional success in the HR arena over the next decade.

The ideas and thinking contained in this report are based on the collective experience of the authors' consulting practice, within Orion Partners which amounts to over 55 years spent working with, and consulting to, the HR profession. Furthermore, Orion Partners completed a series of in-depth interviews with over 60 HR leaders working in all sectors of UK industry, including the public and not for profit sector. Of those we interviewed nearly 70% believed that the HR department was falling short of meeting the expectations of the business that it supported. Over 90% were looking to improve the contribution that their teams made to the organization, and in excess of 75% felt that the move to outsourcing and shared services would allow those left in the core function to focus on value added activities.

A particular area of both interest and concern, amongst our interviewees, was the frustration felt at the inability of the profession to prove its strategic worth in numerical and quantifiable terms to chief executives. Many HR leaders are looking at the use of concepts such as key performance indicators, service level agreements, service and account management activities and tracking mechanisms, such as the balanced score card, to record and monitor the efficiency and effectiveness of the function. It will increasingly be unacceptable for the HR Director to say 'I don't know' when asked to prove his or her department's contribution. The introduction of these new tools and approaches, and in particular the skills required to manage internal relationships using the concepts of service and account management, will require extensive up-skilling for many in the profession.