

FIT FOR BUSINESS

Report on the Consortium Project on

BUILDING A STRATEGIC HUMAN RESOURCES FUNCTION

EXECUTIVE SUMMARY

THE CONSORTIUM

1. The action research programme described in this report '*Building a Strategic HR Function*' commenced in June 2004 and involved 9 organisations selected from a larger group of interested organisations. These 9 organisations agreed to work as a consortium to improve aspects of their HR performance. Each organisation had a programme of action to develop a more strategic approach to HR. Within that programme each identified a specific project as the focus of its consortium work. The central and local government organisations were: Department for Work and Pensions, Derbyshire, Gateshead, Food Standards Agency, Health and Safety Executive, Kingston upon Thames, Ministry of Defence, North Somerset and the Planning Inspectorate.

THE CONTEXT

2. The pressures on the HR profession to adapt and reform itself across the public sector are considerable. Many people in the HR profession see this as an opportunity to make a better contribution to delivery of business results and establish a stimulating role for themselves. So the drive from HR professionals is strong. At this stage though, managers and leaders across the wider organisation are not always convinced that the HR function can deliver on its aspirations. The refrain is often, '*never mind all this strategic HR stuff, when will personnel get round to filling my vacancy*'. So the real challenge for HR is to reform itself and in so doing, provide demonstrable evidence of its ability to contribute organisation wide. This was the challenge faced by the consortium members.

MODELS OF THE HR FUNCTION

3. Various models of the HR function have provided templates for the development of a strategic HR function notably that offered by Dave Ulrich in *Human Resource Champions*. These are in evidence in many of the approaches to transformation described in the report. What the consortium allowed us to do was to decide on the suitability of these models and learn how to adapt them to suit each organisation as required. One thing was evident from the consortium though - the presence of these ideas was as strong a driver for change - particularly its direction, in some cases more so than the business or service delivery imperatives.

LEARNING

4. The report describes the lessons learnt by the consortium members in their efforts to make HR '*Fit for Business*' under 7 key themes:

HR Fit for Business

- ***Goals:*** Defining the strategic role of the HR function in the organisation.
- ***Physique:*** Building a strategic HR organisation.
- ***Technique:*** Ensuring HR is adding value to the organisation.
- ***Fitness:*** Developing the capability and confidence of the HR function to deliver.
- ***Teamwork:*** Building an effective working relationship with the other organisational players.
- ***Performance:*** Enabling managers to be effective and release the performance of their people.
- ***Results:*** Measuring the impact of HR activities in the organisation.

GOALS

5. Strategic HR means engaging in a different way with the organisation. It has a business focus and serves to support rather than constrain what the organisation is seeking to achieve. It means being fully engaged in developing organisational strategy and identifying how HR can help bring that about. It is also about engaging with the organisation at the critical decision points and levels in the organisation. Strategic HR also requires the capacity - for example through a 'strategy and policy' team and business partners - to engage in this way, and the credibility to be invited to contribute. Finally, all managers across the organisation need to understand how and when they can and need to use HR strategically. It is for top managers - in HR and the business - to address how this understanding might best be brought about.

- ☑ The HR team needs to understand what being strategic means in their *particular* organisation.
- ☑ The organisation needs a sufficiently well developed business strategy to enable the HR priorities to be identified.
- ☑ Strategy is as much about the process as the content of that work
- ☑ Strategic content is about vertical and horizontal alignment, impact and comprehensiveness.
- ☑ Working strategically is about engagement, credibility, confidence and capability - working in partnership with the business.
- ☑ Managers in the business also need to know what strategic HR looks like.

PHYSIQUE

6. The consortium members are aiming to developing suitable structures for service delivery with a number of key principles in mind which have enabled them to test different approaches to building that model. Success depends on a number of interconnected factors which all need to come together to deliver the greatest benefits: simple processes, new technology, changed capabilities and responsibilities and the most effective deployment of HR expertise and business knowledge. The precise combination and sequence in which they are addressed needs to be tailored to fit each organisation - a universal prescription will not work.

- ☑ Designing the HR organisation is about ensuring the best fit for each organisation and its environment.
- ☑ An effective HR delivery model is derived from the best balance of HR expertise, business focus, service quality and technology.
- ☑ Delivering the new structure requires the simultaneous adaptation to their new roles of the HR function and its customers in the line.
- ☑ HR needs to be close to the line to understand their needs - the message is '*get out more*'.

TECHNIQUE

7. To add value, HR needs to achieve vertical integration with the business priorities and horizontal integration of HR activities and policies but also to deliver the intended results from this integration when and where the organisation requires it. The key question is: does action by HR help deliver the organisation's business goals and priorities? Central to this is the requirement for HR to be in touch with the organisation by

being out and about. In the results section, we explore how HR added value can be measured.

- ☑ HR adding value means achieving organisational goals through better motivation, commitment and morale of people with the right capabilities for the future.
- ☑ The HR function also adds value by providing efficient services to the organisation.
- ☑ HR people need a single minded focus on these outcomes for the organisation.
- ☑ Success means action not rhetoric.

FITNESS

8. Adapting HR and learning the new skills required for a transformed HR function demands a clear focus on the new roles of HR, a changed relationship with the business and the difference in attitude and approach required to operate in the new environment. These factors emerged as much more significant for consortium members than the acquisition of HR expertise per se. Whilst HR skills were a necessary condition for the building of the new function, they were not sufficient in themselves to establish the HR function as a strategic partner in the business. What is also significant is that HR is being expected to change itself at the same time as supporting change in the wider organisation - so flexibility and adaptability as well as the skills to manage change are critical in the transformation process.

- ☑ Strategic HR capability means understanding the business and establishing productive relationships with managers across the organisation.
- ☑ Crucial to the ability of HR to deliver this capability is the ability to be flexible and adapt.
- ☑ These abilities are more important in the strategic HR context than HR expertise.
- ☑ Building capability through external recruitment can only be a short term solution; longer term capability also needs to be built in house.

TEAMWORK

9. To make a strategic impact, HR needs to engage effectively at all levels in the organisation and be seen to add value. This means knowing what it has to offer the organisational stakeholders - the board, business units/service areas, line managers and employees - and develop an appropriate relationship with each. It also means using varied methods for engagement. Above all it means that HR has to be a visible presence to make a difference and be recognised for it. This creates the virtuous circle of involvement - the more HR can add value the more HR will be asked to contribute.

- HR needs to develop a relationship tailored to each of its partners in the business and be clear what each relationship is to deliver for the organisation.
- Mutual expectations between the HR team and their partners need to be explicit and understood.
- Sound processes need to be in place and used to ensure effective joint working.
- HR needs to be visible throughout the organisation.

PERFORMANCE

10. The evidence of how managers deliver high performance is now well established but the issue for organisations is how to develop managers and change the culture for them to accept and exploit these abilities. A clear focus on what effective management behaviour looks like, an understanding of what staff expect combined with development options and a supporting environment for management can bring this about. Ultimately organisations will need to be much tougher about what they expect from managers if the culture of poor to average management is to be changed. Overall, HR transformation also means managers doing much better than they are now.

- Better management means managers embracing responsibility for HR issues in their team.
- Managers need support to be ready to address the difficult aspects of management, but also need to be weaned off dependency on the HR team.
- The climate for better management must be set by exemplary management at the top.
- The HR team needs to put in place a range of mechanisms to support better management - single initiatives will not work.

- The organisation needs an agreed view of what better management looks like in its own context.

RESULTS

11. HR needs to be in a position to both define clearly the outcomes it is to deliver to the organisation and be able to demonstrate that it is achieving them. Having a measurement framework in place means that HR manages those aspects of HR performance that count for the organisation. This is nevertheless still an embryonic area for HR in central and local government and more development work is required to build a robust framework for measuring HR impact.

- A coherent strategy mapping process enables vertical and horizontal alignment of HR.
- HR has to focus on the outcomes it has to deliver to the organisation.
- HR measures should assess the extent to which outcomes are delivered or factors that cause them to be delivered are in place.
- Both senior managers and the HR team need to measure and then manage what matters.

CONCLUSIONS

Messages to HR teams

12. The central message for HR in the public sector is that it needs to be significantly more closely engaged in the wider business of the organisation if HR is to understand the business and how HR can best contribute to business results. This means that HR needs to be more visible, more responsive, flexible and adaptable to the needs of the organisation. It is about HR being integrated not separate; about speaking the language of the business and not the jargon of HR; it means deploying expertise to solve problems; it means using new skills to coach managers and facilitate continuing change. Above all else HR needs to get out and about more.

Messages to public sector managers

13. If organisations are to achieve their professed desire to make best use of their most important asset - their people, then HR needs to be at the heart of strategy and delivery. This requires a credible and effective HR function, which provides the business with the right people with the right skills in the right place at the right time.

Messages for policy makers

14. The increasing professionalisation of the HR function in the public sector offers the best means to achieve an HR function equipped to support the delivery of business results. The credibility of HR depends on its business knowledge and the consortium has shown that all efforts to build knowledge of the business and to develop the skills and behaviours to manage relationships will be most valuable.

Messages for the HR profession

15. The issue is that as HR becomes more strategic there are fewer HR professionals with the skills to be able to fulfil such roles. The profession needs to look at mechanisms to develop strategic capabilities if the role of HR as strategic partner is to develop and bear fruit. There is a continuing role for HR people in helping organisations and line managers to manage the employment relationship more actively