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Partners

HR on the Offensive

LACE Partners Limited

FUNDAMENTALLY DIFFERENT

Contents

Foreword

LACE Partners is a HR Transformation consultancy. We have a HR heritage and a passion for our profession. We specialise in helping our clients improve business performance by achieving their optimal HR operating model, selecting and implementing HR systems and delivering long term successful adoption of new ways of working. We are passionate about helping our clients to achieve their transformation goals.

We work with leaders in HR every day who want to change the way their function operates. We have been struck by the challenges the function faces even after 25 years of rhetoric, and the renewed drive to focus on delivering business value.

We wanted to understand why HR functions still struggle to seize the opportunity we believe exists to deliver bottom line value to their organisations. Is it a capacity issue? Or capability? Is it related to mindset? Or are we constrained by our infrastructure or technology?

We instigated this white paper with Kevin Green, former HR Director at Royal Mail Group and Chief Executive of the REC UK, to answer these questions. Our goals were to explore the capabilities that HR needs going forward, to understand what may be inhibiting progress and to identify what could enable HR to achieve the desired change. We also wanted to provide HR leaders with guidance on what to focus on and how to manage the change, in the context of increasingly busy and challenging work environments.

This report is the first output of our 'HR on the Offensive' campaign to challenge, inspire and motivate HR leaders to achieve more. We have convened a Think Tank with the research participants to debate the issues arising from the research and collaborate on the way forward. We will continue to undertake research and produce practical thought leadership to help the HR profession to thrive. The title of the campaign makes our intent clear: we are challenging HR to 'go on the offensive', to lead from the front, shape organisational strategy and drive business change.

The future is full of opportunity, if we're bold enough to break the mould.

HR on the Offensive

Executive summary

The ambition of this report is to help the HR profession thrive on change and disruption, not to be destabilised and overwhelmed by it in the years ahead.

As we enter a period of unprecedented turbulence driven by technological innovation, hyper-competitiveness, changing social attitudes and political instability, the stresses on our organisations and the people who work within them are increasing. The HR profession is at a tipping point. ▶

Most businesses now recognise that their customer proposition and how they compete is totally dependent on their people. They understand that the drivers of business success today are intangible – be that brand, intellectual property, relationships or innovation.

Leaders are concluding that they need new thinking and meaningful innovation in the areas that now concern them most around people, such as culture, talent and development. The opportunity for HR to take the lead in driving this innovation is huge, but do we have the capability, drive and the self-belief to move from being a support function to the long-term driver of competitive advantage?

This report does two things. Firstly, we take a health check on where the HR function is today and, perhaps more importantly, we seek to test the ability of HR leaders to grasp this once in a lifetime opportunity. We interviewed 22 leading HR practitioners. The vast majority were leading the People Function in their organisations. They were all working in the Private sector but in a variety of industries including Professional Services, Logistics, Banking, Engineering and Technology. The organisations varied in size from 3,000 to 100,000 people.

Our conclusions:

• HR needs to **think the unthinkable** and **reinvent** the very nature of what it does and why we do it.

• The People agenda is moving towards the strategic leadership of **long-term competitive advantage**. The ability for businesses to be successful commercially is now dependent on their ability to harness the imagination, creativity and ingenuity of their People. We question if most HR functions have grasped the change and if they have the capability and drive to claim the opportunity.

• The HR profession needs to **move away from its traditional norms** of conformity and compliance which resulted in too much focus on risk aversion and mitigation. A high percentage of HR time even today is spent on designing, implementing and policing HR polices, processes and procedures. We're a jack of all trades, master of none – which is simply not good enough.

• We must accept that we need to be able to **evaluate and measure** the impact of people activity. This means a sea change in the function's attitude to **data** and evidence based decision making.

• We need to **become more agile** as a function and develop people interventions which are co-created with line managers and our people. We can't say we know best. We are the experts, but we need to develop tools and approaches which are owned by business leaders and accepted as effective by our people.

• We need to **move beyond recruiting the same type of talent into HR**. The HR function needs to compete with other functions for the best and the brightest.

• We must **develop our capability and mindset**, so we move beyond just designing and policing HR policies, process and procedures. Organisational success is now dependent on businesses creating inclusive cultures, hiring and developing leadership, offering a differentiated employee experience and retaining talent.

The future belongs to HR if it can challenge itself like never before – it's simply now or never.

To achieve these ambitions the function needs to:

1. **Be crystal clear on its purpose and stand firm** – we need to understand the drivers of our business' competitive differentiation, be clear on those people interventions we will stand for and not compromise on when pushed.

2. Consider **splitting the truly strategic organisation design and consulting role** away from the operational delivery of people services, which we think the vast majority of HR business partners (HRBPs) are still focussed on delivering. This will enable the best talent to be sought for both of these important but different leadership roles.

3. **Invest in developing our function's capability** at warp speed in the value-adding areas such as people insights, OD, leadership and cultural development but also in softer skills like influencing and consulting. We must also hire a new breed of talent and compete with other functions for the best and brightest.

4. Create a **mindset shift** within the profession and promote the benefit of more HRDs becoming CEOs. We must seek more mid-career changes, with more HR talent spending time in other functions and bringing business talent into the people function.

5. **Ensure that no HR/People investment decisions are taken without clarity on the return.** We must question what we are doing, the value we anticipate to deliver and, perhaps most importantly, how we will measure the impact. This needs to become the norm within HR functions when recommending and implementing change.

6. **Be more assertive and directive** around the need for **high quality people management by line managers**. Treat poor performance in this area with the same zero tolerance as waste in other areas.

We hope that this report stimulates debate and discussion. We want to provoke a new conversation and call to action so the HR profession will be recognised as the driver of commercial success in the decade ahead.

HR on the Offensive

Introduction

We hear a lot in the market about 'the future of work', how the workforce itself is changing and how technology is disrupting traditional ways of working. But what does this really mean for HR? ▶

We spoke to 22 senior HR practitioners from leading global private sector businesses, ranging in size from 3,000 to 100,000 employees. We were seeking a clear snapshot of where the function is today and where it's going, as well the answers to four key questions:

• Are we focussing on the right things? What will be the core offering of the HR function in the future?

• What capabilities will the function need to successfully deliver business priorities?

• How does the role of the line manager as a 'people manager' need to change? And how should HR lead this?

• What are the other critical enablers of success?

Our research consisted of a data survey, structured interviews with each participant and a review of the existing research on the future of HR.

Research participants

AB Sugar	Aggreko
Ascential	BAE Systems Applied Intelligence
Bloomberg	Bunzl
Bupa Insurance	Carnival UK
Direct Line	Fujitsu
HSBC	Kuoni
Lloyds Banking Group	Lowell
Merlin Entertainments	Metro Bank
ODEON	Publicis Sapient
Savills	Severn Trent Water
Société Générale	VEON

Why change? We believe there are five external drivers for change in HR:

1.

Market disruption:
In recent years we've seen the introduction and success of some radically dynamic and flexible businesses, such as Uber and Airbnb, which have turned traditional organisational and commercial concepts on their head. To remain competitive, it's no longer enough to rely on the strength of an organisation's brand or lean operations – organisations are looking to transform themselves through technology or customer-driven change.

2.

Pressure for commercial value from people:
People are becoming more central to commercial success; intangibles such as a brand, intellectual property, relationships and customer insights are all human-driven activities that have never been higher in the strategic mix. HR needs to reposition itself as the architect of value-creation through people – a huge leap from compliance, policies and procedures.

> 66
> We've [HR] become leaner and more efficient but are still predominantly doing the same or similar activity to 10 years ago.
> Louise Wallwork, HR Director, BAE Systems Applied Intelligence
> 99

3.

Changing workforce and attitudes to work:
- Scarcity of skills and talent – there will be more choice of where and how talented, skilled individuals choose to work.
- Multi-generational work preferences – millennials and Generation Z are moving towards more transient careers, changing employers more frequently to develop their skills and experience[1]. There is a growing percentage of people who want to be self-employed or run their own business.
- Rise of the gig economy – more and more individuals are choosing to work for themselves to provide greater flexibility or work–life balance, to take control of their careers and of how, when and for whom they work[2].
- Increasing focus on 'positivity at work' – there is an increasing understanding of how factors such as engagement, CSR and inclusion impact productivity in the workplace and how employees feel about their work and their employer.

4.

New technology:
Technology is driving huge change in every organisation. Work is being digitised. Robotics process automation (RPA) and artificial intelligence (AI) are fundamentally changing how work gets done, displacing some jobs but also creating new opportunities[3]. Working hand in hand with such technologies will require a change in mindset and increased adaptability from all of us. The HR function is also undergoing a digital revolution – most organisations have or are considering a move to SaaS HR solutions for their core HR system and the use of self-service is increasing. There is also a plethora of rapidly emerging 'plug and play' tools to complement the core solution. It is becoming increasingly difficult to navigate the numerous HR tech options and meet the demands of the workforce to manage their work lives in the same way they do their social lives. HR needs to lead the digitisation of how we work and set the tech roadmap for the HR function itself.

5.

Regulatory and political change:
Brexit presents an array of challenges for businesses and the workforce, including resourcing options and changes in the regulatory framework we operate within. The Taylor Review in 2017 and the proposed private sector IR35 reform in 2020 are signs that the government is looking to modernise workplace rules. A future Labour government could create a wave of new regulatory activity in the workplace.

[1] The Deloitte Millennial Survey 2018.
   Available at: www2.deloitte.com/global/en/pages/about-deloitte/articles/millennialsurvey.html.#

[2] The Freelance Economy. Morgan Stanley Research, 8 May 2018.

[3] Partington, R. (2018) Robots in the workplace could create double the jobs they destroy. Guardian, 17 September.
   Available at: www.theguardian.com/business/2018/sep/17/robots-in-workplace-could-create-double-the-jobs-they-destroy

So, if we agree that HR needs to change, what needs to happen? This report is structured around four areas of focus for HR:

1. Service offering
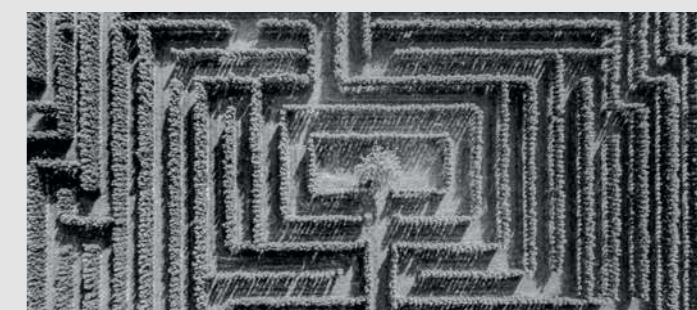
2. Structure

3. Capabilities

4. Mindset

We have then set out what we believe are two key enablers for HR to transform:

5. Data, insights and analytics

6. Line manager capability

Section 1: Service offering

Are we the 'jack of all trades'?

To better understand HR's role within each organisation, we asked research participants to provide insights into their business priorities. Unsurprisingly perhaps, operational excellence and cost reduction came close to the top in terms of importance. However, it is growth that is the most common priority amongst participants, cited by all but one – and of that group, 64 per cent of respondents said it is their business' top priority. ▶

When it comes to what we see as our main people challenges in the next three to five years, one challenge stands out above all others – talent. The challenges here are not simply attracting talent (91 per cent – also cited by almost half of our respondents as their top challenge) and retaining talent (82 per cent), but also optimising how work is performed (91 per cent) – either through technology or more flexible approaches to team management. Every HRD said that developing critical skills within the workforce is a challenge for the HR/people function to enable the delivery of the business' strategic priorities.

Overall, our findings mirror those of a recent Gartner report into executives' top HR priorities, where business growth and operational excellence were key (72 per cent and 64 per cent, respectively). In addition, building critical skills and competencies for the organisation was the number one HR initiative for 2019, cited as a priority by 85 per cent of heads of Learning and Development.[4]

But can we realistically focus on addressing all these priorities and challenges at once? Delivering operational HR activities effectively should be a given as they are our table stakes; taking the 'noise' away will allow us the time to focus on the things that really matter. We need greater focus and clarity – rather than trying to do everything, we need to differentiate HR services based on insight so we understand what will drive business and employee value.

[4] Gartner. (2019) 2019 Executive HR Priorities. Available at: www.gartner.com/en/human-resources/trends/2019-hr-priorities. Top business objectives for 2019, based on the percentage of HR leaders prioritising their top three objectives.

BUSINESS PRIORITIES
What are your business' strategic priorities?

Growth — 95%
Operational excellence — 91%
Cost reduction — 77%
Diversification — 41%
Other — 32%

RANKING

Of these business strategic priorities, Growth was ranked the most important, with 64% of participants ranking it as their number 1 priority

Cost Reduction and Operational Excellence received similar levels of ranking with both receiving 45% as a second priority ranking

Data collected from interviews LACE Partners conducted with 22 senior HR practitioners from leading global private sector businesses.

Figure 1: Business Priorities

Examples of 'other': investing in talent, adapting for Brexit, customers and brand, consolidation

PEOPLE CHALLENGES
What do you think the main people challenges for your organisation will be over the next 3-5 years?

Developing critical skills within workforce — 95%
Attracting Talent EVP — 91%
Optimising the way work is performed — 91%
Retaining talent — 82%
Sourcing the right workforce make-up — 64%
Data compliance and governance — 59%
Other — 41%

Data collected from interviews LACE Partners conducted with 22 senior HR practitioners from leading global private sector businesses.

Figure 2: People challenges

Examples of 'other': employee experience, culture, diversity and inclusion, improving HR service quality

12 Section 1: Service offering
Are we the 'jack of all trades'?

Section 1: Service offering
Are we the 'jack of all trades'? 13

The importance of understanding the Employee Experience

During our interviews, it was apparent that many of those who were delivering a differentiated people strategy and were very clear on their HR offering were doing so based on regular employee feedback. At the core was the principle that you have to evaluate or measure the effectiveness of how your people are led and managed. It's the bridge between the business purpose and strategy and what your people do at work every day. It also demonstrates the effectiveness of HR's people interventions. Some were focused on employee engagement whereas others had gone further and were assessing the full employee experience.

Engagement is still the best way to measure how your employees feel about their job and how effective you are at creating a positive attitude and behaviour. It measures the commitment level of your people and how this can be improved. If your employee engagement is positive, it has been shown in many studies that it makes a significant impact on organisational performance and productivity.

In comparison, **employee experience** is a more holistic view of your employee's perceptions about the organisation, their work and role, the environment they operate in and leadership and culture. It's a people-centric way of measuring the whole employment relationship and, like a customer's experience, it changes over time. By improving an employee's experience on a day to day basis, you will achieve increased engagement. Employee engagement can be viewed as the end goal; the outcome of a great or poor employee experience.

> ## We set out to understand our colleagues as well as we try to know our customers, and from that, what is most important to them. Engagement is an emotional state, well beyond the transactions that simply satisfy. This positive emotional buy-in is very difficult to achieve but it delivers huge discretionary effort which in turn helps us to innovate and deliver superior performance. 'Intention to stay' is still very relevant for some roles, but we also recognised some talented people would join us just to undertake one role, or a specific project, for a period of time only. In fact, some of your key contributors will join, perform and leave. Providing a great employee experience means recognising that is just as valid a choice, and ensuring that while they are with us, we understand them so that they can give us their best.
>
> Simon Linares, Group HR Director, Direct Line

What is employee experience (EX)?

Employee experience covers so much more than good onboarding, performance management, reward and access to development and progression opportunities. It also involves facilities (physical workspace), communications and the tools (systems and processes) used at work. The experience of the organisation's leadership behaviour, right down to the person who line manages the employee, is also a key component of a good EX. Just like customer experience, it involves evaluating every interaction and touch point the employee has with the organisation to deliver the maximum positive experience.

EX also differs to employee engagement in that it can be measured at specific points in the employee lifecycle, from candidacy all the way through to exit. This enables organisations to segment the experience by employee lifecycle stages so it can respond with tailored interventions. As well as defining what the EX should be for all employees as their 'core' experience, we can also consider the target EX for different employee groups (sales workforce, graduates, contingent workers etc.).

Why are employee engagement and experience so important?

A study by PWC[5] showed that employees most committed to their organisations put in 57% more effort on the job and are 87% less likely to leave than employees who consider them.

A Gallup study[6] demonstrated that companies with highly engaged workforces outperformed their peers by 147% in earnings per share. However, the same Gallup research found that only 13% of people at work are fully engaged whilst at work. This is staggering data! Employee experience and employee engagement are vital components of a strong people strategy; a differentiated employee experience leads to a more productive workforce which we know leads to superior financial results. This demonstrates the business case for investment in people; if people are treated well, listened to and led well, better business results will be achieved.

As well as considering the scope of the HR service offering and the employee experience, there are three other considerations that emerged from the research relating to what HR focuses on:

How can we avoid being the jack of all trades?

The issue isn't that we are offering the wrong services. Our challenge appears to be in the process of how we determine, prioritise and develop them – are we as efficient in this as we could be? Three considerations emerged from the research in relation to how we could improve:

1. Align to the business:
Few businesses are competing on the basis of their people strategies. Many HRDs said the function spends too much time and resource doing what's requested rather than what the business really needs.
HR needs to lead a debate, not just within HR but with the business community, about the impact of dynamic, well-designed and effectively executed people strategies on organisational performance.

2. Be more evidence based and outcome-focused:
All the HRDs spoke of the need for an increased focus on greater insight into what's happening, diagnosing trends and making evidence-based decisions. It's this data which allows leaders to understand the value of HR interventions, through tangible impacts on the organisation's performance.

3. Bring the outside in and continuously improve:
The majority of the HRDs we spoke to were keen to learn from the experiences of others and recognise that trying to create change from one internal perspective isn't going to cut it in the decade ahead. When asked how good they are at this, all said that they and their teams need to spend more time with customers, other businesses, suppliers and even competitors. Again, what hinders this is the relentless drive to do more and the increasing workload of the HR function.

It can be difficult to know where to start, but when considering new initiatives, these three simple questions can help with decision-making and the alignment to business strategy:

- Why are we doing this?
- What difference will it make?
- How will we measure the impact and value (both financially and non-financially)?

We've won the critical debate with CEOs and leadership teams about the role and impact of HR. They know people create value but they look at HR and question whether we can deliver i.e. whether we can execute the important people interventions that make a difference to organisational performance.

> ## HR's role is to ask 'what's the game we are trying to win at?' If we haven't got an answer to that there will be a lot of HR activity which just won't make a difference.
>
> Neil Morrison, HR Director, Severn Trent

Section 1 challenge questions

- What are your points of business competitive differentiation?
- What employee experience are you trying to deliver?
- What is your people purpose?

[5] PricewaterhouseCoopers. (2011) Millennials at work: Reshaping the workplace. PWC.
[6] Gallup. (2017) State of the Global Workplace. Gallup.

14   Section 1: Service offering
Are we the 'jack of all trades'?

Section 1: Service offering   15
Are we the 'jack of all trades'?

Section 2: Structure

Is there a silver bullet?

We are all familiar with the functional evolution from 'personnel' (pay and rations, 'keep us out of jail') to HR (managing the employee lifecycle, managing talent) – and now the potential transition from HR to a strategic 'people' function. So what is HR seeking to do differently in the next decade?

Ulrich has been the main player in the HR operating model arena for the last few decades. His 'three-legged stool' model (HRBPs, Centres of Expertise (CoE), HR shared services) has been seen as the silver bullet that a lot of HR functions have strived for. But is there really a one-size-fits-all model for HR? ▶

Our research shows a clear distinction between two operating models across the organisations we spoke to:

'Three-legged model' – 68 per cent of participants – Ulrich-inspired HR operating model[7] with clearly defined HRBPs, CoEs (at group or divisional level) and shared services. Most organisations in this category had gone through two or three modifications over the years since the original designed organisation structure but had stuck with the same design principles.

Generalist – 32 per cent of participants – Devolved regional or business-unit-specific HR functions with local strategies, policies, processes and decision-making. Directly aligned to the businesses they operate in, these HR functions do not leverage the economies of scale from enterprise-wide HR technologies and processes; however, they are designed to deliver focused HR services, tailored to their business and markets.

The two roles required from HR:

The optimal structure of the HR function also depends on the roles the function is required to fulfil. In our view, HR is expected to play at least two roles in an organisation:

1. Operational service provider – 'crank the handle' on the cyclical HR processes and provide the administrative and transactional support required by employees and line managers.

2. People strategist / consultant – work with senior business leaders to deliver people initiatives to address the strategic goals of the business.

Could the generalist operating model functions be moving towards the three-legged stool model? That depends on the broader business model. Our view is there is no silver bullet. Rather than aiming for some external view of 'what good looks like' for its structure and roles, HR needs to be driven by the operating model of the business they support. Is a shared service structure for HR going to work in a decentralised business where decisions are made locally with a high degree of local variation in how people are managed? The answer is no. HR shouldn't feel the need to trail-blaze shared services.

It is only a relevant model if it fits with the wider business model. Similarly, a tailored federation of HR teams operating at local level won't last long in a business with centralised decision-making and an ethos of shared operations.

The other consideration when evaluating the HR operating model is whether it delivers a positive user experience for employees that aligns with the employee value proposition. If accessing HR support online, via a chat bot or over the phone, is countercultural for a business, centralised and digitising HR services may not be an appropriate solution.

The most effective way to deliver HR services may also need to differ for specific populations within a business depending on the sub-cultures that exist. For example, would the HR service model need to differ for highly valued, specialist individuals who are critical to

the success of a business if this impacted their employee experience? Clearly there is balance to be struck here with potential cost implications, but this is an organisation-specific consideration that HR should lead the debate on.

All of the HR functions we explored are playing both roles. Our business colleagues have come to expect all of the above from one department. Operational services are quite often seen as the priority that HR needs to deliver on, while the strategic, advisory services are seen as useful but not critical. We need to challenge this thinking as it focuses too much HR bandwidth on 'hygiene factors'.

[7] Ulrich, D. (1997) Human Resource Champions: The next agenda for adding value and delivering results. Harvard Business School Press.

We asked CHROs and HRDs how they currently spend their time and how they see this changing in the future. Over a third (36 per cent) said they spend most time acting in a consultative role. Thinking of the future, the overwhelming trend is a desire to reduce the amount of time spent on operational activities (16 per cent of overall time focused on this in the future – a reduction of almost half versus today) to focus more on strategic and commercial activities. This is not surprising; it's been HR's goal for a long time. However, over the last decade the volume of HR activity has increased and the majority of HRDs that we spoke to said that the major constraint impacting their ability to change is the function's workload. So, we believe more fundamental transformation is required.
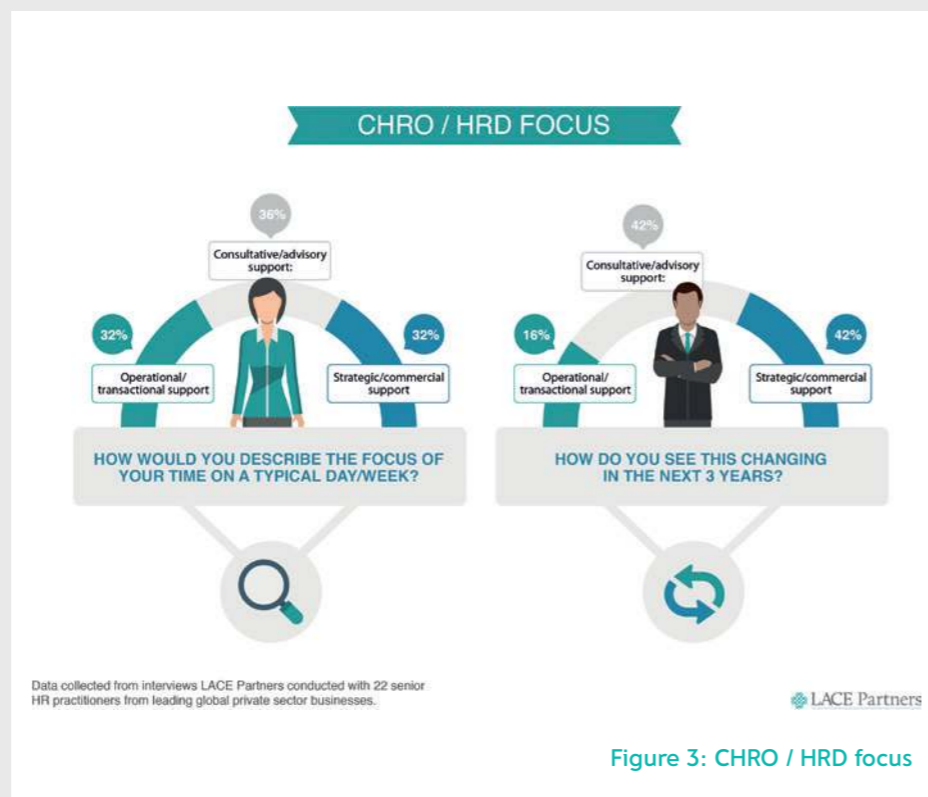

Figure 3: CHRO / HRD focus

Operational Service Provider or People Strategist / Consultant?

The capabilities required to be an excellent operational service provider are fundamentally different from those needed as a people strategist or consultant (see Section 3 for more detail). HR professionals are increasingly required to both deepen and broaden their knowledge base. In an ideal world, the perfect HR professional would be a master of finance, economics, psychology, law, and more[8]. However, one individual is unlikely to excel at both roles. And neither can a function, unless the two offerings are distinct in terms of service offering and operating model. Hence the emergence of shared services. But even then, does HR really know how to run an effective HR service centre? And while HR owns this part of the operating model, the function will always be seen as first an operator and second a strategic advisor.

According to a recent PwC report, 79 per cent of organisations believe HR will become a centre of excellence by 2025[9]. As such, we should challenge ourselves to make HR more focused on the two distinct roles and improve both of them. We would even question whether HR is the best-equipped function to run the operational services.

This latter service offering consists of high-volume, low-complexity and standardised activities. While they relate to people issues such as personal data, case management and job changes, non-HR resources could be trained to handle most of the queries and process steps. The priority capabilities to excel at this relate to customer service, efficiency and accuracy. Could other functions in larger organisations with more relevant experience and capabilities run these services, such as operations, IT or customer services?

As long as more complex or sensitive instances can be escalated to an HR professional, we would argue that there is no requirement for HR shared services to be managed by HR or staffed with particularly specialised HR employees. Giving up the time-consuming, transactional activities to another business owner could create the freedom for HR to add more value. Some large, multinational organisations have moved towards this with global business services (GBS).

The challenge is that HR would need to let go of a core service offering that some feel is their life blood. How comfortable would you feel if you woke up tomorrow and your function only had to focus on being top-quality strategic people advisors to the business? Would you welcome it with open arms or break out in a nervous sweat? If it's the latter, a change in mindset is required.

By separating the two roles and service offerings, HR has the opportunity to refocus the HRBP / CoE teams to become a potentially smaller group of 'people consultants'. This may involve the assessment of the existing HRBP and CoE populations to understand whether their focus and capabilities are truly operational or strategic:

- Those who are already focused on strategic advisory services with the necessary capabilities could be positioned as people consultants.

- Those who are spending the majority of their time providing operational support could be absorbed into the operational services part of the HR function, perhaps in relationship manager type roles with accountability for service delivery.

In summary, rather than obsessing about achieving an external goal for its structure, HR should ask itself:

- Are we structured in a way that supports the business effectively in its decision-making? That is, do we support 'the right connections, the right conversations and the right know-how'?[10]

- Are we delivering strategic value to the business to maximise organisational performance?

- Do employees have a sufficiently positive experience when accessing HR services?

If the answer to these questions is yes, there may be no need to change the HR operating model and structure. But, if not, perhaps organisational change is required.

[8] Nyberg, A. and Ulrich, M. (2015) Renaissance HR. In: D. Ulrich, B. Schiemann and L. Sartain (eds), The Rise of HR: Wisdom from 73 thought leaders. HR Certification Institute.
[9] PricewaterhouseCoopers. (2017) The way we work – in 2025 and beyond. PwC. Available at: www.pwc.ch/en/publications/2017/the-way-we-work-hr-today_pwc-en_2017.pdf
[10] Kesler, G. and Kates, A. (2015) Bridging Organization Design and Performance: Five ways to activate a global operating model. John Wiley & Sons, Inc.

Section 2 challenge questions

- What is your overarching business operating model?

- Are the 'people strategist / consultant' and 'operational service provider' roles distinct within your HR function or are the same teams/people carrying out both sets of services? Does this impact service quality?

Section 3: Capabilities

How do we up our game?

Upping our game will not be easy. Designing the optimal structure for HR is relatively straight forward; understanding the core HR capabilities to drive competitive advantage is more of a challenge. The starting point for change needs to be a critical assessment of these core capabilities. ▶

Where are we now?

When we asked about current HR capabilities, the vast majority of participants (64 per cent) perceived their own HR function to have 'market average' capability. Across all the data collected, only one organisation rated any part of its HR function as 'market leading' – which was for its communities of practice (centres of expertise).

> "
> Overall the challenge for the function is to do three different things well all at the same time. First, provide a great employee experience. Second, create a great narrative so we win the hearts and minds of our workforce. Third, look for data on how we can improve performance.
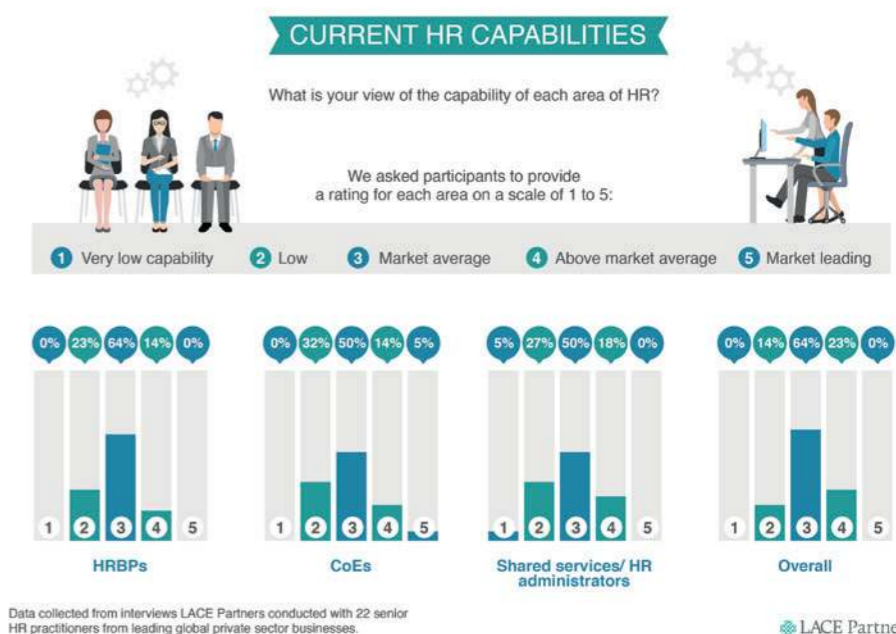> "
>
> Julie Welch, Group HR Director, Bunzl
> (now Chief People Officer, Carey Group)

CURRENT HR CAPABILITIES

What is your view of the capability of each area of HR?

We asked participants to provide a rating for each area on a scale of 1 to 5:

1 Very low capability   2 Low   3 Market average   4 Above market average   5 Market leading

	1	2	3	4	5
HRBPs	0%	23%	64%	14%	0%
CoEs	0%	32%	50%	14%	5%
Shared services/ HR administrators	5%	27%	50%	18%	0%
Overall	0%	14%	64%	23%	0%

Data collected from interviews LACE Partners conducted with 22 senior HR practitioners from leading global private sector businesses.

❖ LACE Partners

While 27 per cent scored one of their HR areas as a 'low capability', the vast majority of HRBPs, CoEs and shared services teams were scored as 'market average'. This highlights the opportunity for HR functions to make a significant step change in capability and contribution to their organisation's performance. We also need to consider that our research pool consists of effective, well-recognised HR leaders in larger, well-established organisations. Our sample therefore may not be representative of the broader HR profession in that it may be positively skewed, implying that the capability gap may be greater than these figures suggest.

> "
> We've got to move away from process, policies and procedures and towards innovative people strategies based on organisational design, capability planning, talent attraction and leadership development.
> "
>
> Jacky Simmonds,
> Chief People Officer, VEON

There has been much discussion in recent years on the role of the HR business partner. The majority of HR transformation programmes seek to refocus this role, particularly through the creation of shared services to 'free them up' to focus on strategic support. For example, through its HR transformation in 2017, a media organisation completely changed the success metrics for its HRBPs, removing those related to risk management and emphasising consulting and diagnosis measures. At the same time, they invested heavily in capability development for this group.

Another organisation we spoke to is currently reinventing the role of the HRBP to that of 'strategic people partner' as part of a wider business restructure.

But what about the CoEs, where these exist? They can sometimes be accused of being too focused on their own agenda, with limited or no clearly defined development pathways. There was a strong feeling amongst our research participants that this group is still too conceptually focused. CoEs need to be on top of what is going on in the market and how this can be applied in their organisation. They have a critical role to play in the future, particularly in helping to drive the digital agenda and change. We need to reassess the relationship between CoEs and HRBPs in creating practical, effective people solutions. Often CoEs act in silos, doing what they think is right and with good intentions, versus being driven by what the business needs. HRBPs and CoEs need to work hand in hand to develop and deliver the right solutions for the business to drive real value. Working together, they effectively become the 'people consultants' we referred to in Section 2.

Some of our research participants scored their CoEs highly. These tended to be the ones who are immersed in the business, co-creating solutions without a reliance on conceptual models of best practice. The use of agile methodologies can enable these teams to obtain immediate feedback on initiatives to inform future sprints and ongoing development.

> **We need to think of our employees as customers. HR is a service provider and should be commercial. If we were a vendor, could we compete in a crowded market selling our products and services?**
>
> Jig Ramji, Global Head, Leadership and Talent Development, Bloomberg

> **This means a constant reinvention of you, the work you're doing and the workforce. We need employees to know it's coming and feel prepared so they are not paralysed. We need to ask ourselves how we can get the workforce to take ownership of reinventing themselves.**
>
> Noel McGonigle, UK & European HR Director, Savills

[11]Kates, A., Kesler, G. and Pillans, G. (2018) Designing Adaptable Organisations for Tomorrow's Challenges. Corporate Research Forum. Available at: www.crforum.co.uk/research-and-resources/research-report-designing-adaptable-organisations-tomorrows-challenges/
[12]Roper, J. (2017) HR must understand automation versus digitisation. HR Magazine. 23 March.

So what new capabilities are required?

1. Business nous: We need to talk the language of the business and consider everything we do from their perspective. HR, particularly HRBPs, need to understand their business to the same extent as the other members of the leadership teams they are part of.

2. OD and leadership: This is not just about defining the future target operating model but about getting to root causes and linking organisation design to strategy. It's also about assessing and developing leadership capabilities and project management. In a recent report by the Corporate Research Forum (CRF), only 39 per cent of respondents to a CRF member survey felt that they had strong organisation design capability within HR.[11]

3. Change management: Change is constant and the new business as usual. We need to be comfortable and resilient enough to manage it on a daily basis and help everyone in the business to adapt. HR has a major role to play in leading and managing the people aspects of change. This is a critical capability of HRBPs and some organisations (two of those we interviewed) have full-time change teams within HR.

4. Data: We need to make more informed, evidenced based decisions, which means we have to be comfortable with data and what it tells us.

5. Technology/digital mindset: HR must understand how businesses are being disrupted through digitisation. We must be clear on what we mean by automation versus digitisation and take existing processes and reimagine them.[12]

6. Marketing: Part of HR's role is to promote its services and the value it can provide to the business.

Different capabilities for different roles

As referenced in Section 2, one of our conclusions is that HR could become two separate functions with distinct service offerings in the future – one being the strategist, architect or people consultant who works with business leaders, and the second delivering operational HR services.
These two functions have very different capability requirements:

Role	Capabilities	Areas of focus	KPIs
People strategist / consultant	· Leadership skills · Business acumen · Analytical capability · Organisation design · Change management	· Organisational transformation · Reorganisations · Mergers and acquisitions · Achievement of people plans (including the employee experience) · Long-term direction	· Profit per employee · Customer satisfaction · Return on investment
Operational service provider	· Service excellence · Operational execution · Lean/agile practitioner · HR technology · Data analysis · HR process expertise	· Customer service · User experience · Use of technology · Efficiency and effectiveness · Standardisation of ways of working · Continuous improvement	· Delivery against SLAs · Cost to serve · Productivity of HR · Employee and manager satisfaction (with HR services)

> **We need to be the catalysts for change. HR needs to assume the role of risk mitigation in a new way. Using data to galvanise an organization for constant reinvention and disruption. The future role of HR is to ensure that an organization is never sleeping and always alert to disruption. We need to be in charge at the table, rather than a spectator.**
>
> Jig Ramji, Global Head, Leadership and Talent Development, Bloomberg

> **We've made a huge investment in our HRBPs. We're looking for and developing a growth mindset, analytical strength and a fair amount of resilience.**
>
> Ralph Tribe, Chief People Officer, Ascential

Development of HR capability is tactical at best

While all the research participants accept that we need to change, most organisations are taking a more ad hoc, tactical approach to capability development in HR. Only 7 out of 22 of the HR functions have a strategic learning intervention in place for building HR capability. This would be understandable if HRDs believe their functions have capabilities that are 'above market average' or 'market leading' but, as we have shown, this isn't the case. This is a huge challenge and an obvious place for HRDs to invest to get improved performance from their own function.

We also need to ask ourselves if we have the right people working in HR. Are we attracting the talent we need to perform, both as operational service providers and as people consultants? To perform well, do HR leaders need to have worked outside of HR in the business or other functions?

But it shouldn't just be down to organisations to try and bridge the capability gap themselves – the HR profession has a key role to play too. We need to be more radical. The CIPD as the professional body for HR in the UK has a more active role to play in HR development. It has recently introduced a new career framework, but we have a burning platform that requires solutions now. 96 per cent of organisations do not feel that professional HR bodies and academia are doing enough to ready HR professionals for the new skills they require.[13] The Guild of Human Resource Professionals launched a new Leadership Programme in 2018, so it would seem the profession is starting to wake up and realise that we need to do more – and fast. But we are still behind the curve and we only have a limited window to up our game. We need more focus on business and people consulting skills, whereas HR practitioner skills can be easier to learn.

We need to compete for the best and brightest talent

Job descriptions and sourcing channels result in a talent pipeline of candidates who are CIPD qualified and have spent most of their career in HR. Yet we know we need talent with a much broader range of skills, experience and fresh thinking mindset. There was a strong recognition from the HRDs that we need to fundamentally rethink our recruitment approach. What is it that draws people into HR? How can we compete with other functions for the best and the brightest? How can we better market ourselves to redefine the perception our internal and external candidates have of us, so they see HR as a fun, challenging, exciting place to build their business careers? We need to go on the offensive in the war for talent.

[13]LACE Partners. (2018) people_tech 2018 survey.

> "
> We recently reviewed talent in the HR team and future development. We've asked everyone in HR to record a video of themselves on their phone – a bit about themselves and what they want from their career/have done recently. We share these each month at HRLT as our 'profile spotlights' so we can get to know everyone in the function.
> "

Caroline Smith, People Partnering Director, CIO & Transformation, Lloyds Banking Group

Section 3 challenge questions

- What HR capabilities are critical to your success and drive competitive advantage – both now and in the future?

- Where do you really need to be 'market leading' versus where you're happy to be 'ok'?

- If you need to develop HR capabilities, what's your marketplace: build or buy?

Section 4: Mindset

Are we our own worst enemy?

One of the most surprising findings from our research is that most participants think HR is distinctly average. This is frustrating because we know we are making progress, but we aren't moving at the speed necessary to respond to leadership and market challenges. And so we tend to be negative about the function. ▶

Are we being too hard on ourselves? Perhaps so – you probably wouldn't find any other function being so self-critical. We're hard on ourselves because we know we can do better. However, we often don't get the investment we need to help us improve and we're still lacking the capability required to help us to up our game.

This was clearly articulated by some of the HRDs as a journey in which the profession has made significant progress over the last decade but still finds itself needing to improve to fulfil its potential. It also reflects the recognition by CEOs and business leaders that the people (often referred to as 'talent') agenda is the driver of future business performance. After all, the businesses that are successful today, and in the future, will be those that win when it comes to talent.[14]

But even if we resolved the challenges of investment and internal capability, most HRDs said that the greatest barrier to success is our own mindset – the HR profession needs to become more confident and assertive. HR needs to be a change leader, spikier and bolder in its approach.

We have a tendency to revert to our comfort zone and focus on HR's traditional norms of conformity and compliance. This simply isn't good enough any longer.

We need to be confident enough to lead, disrupt and use data to influence leaders. Working with ambiguity should become the norm. We need to embrace the opportunities and value the future of work can bring, championing digital innovation to help drive this change and deliver the value the business is seeking – yet we should be careful not to push too far and lose sight of the need to 'be human'.

As with most cultural shifts, the required change in mindset will be driven by HR leadership. HR leaders need to reflect on how much HR seeks permission versus leading the way. As an example, when 'noise' from the business comes, how often do we automatically absorb the responsibility and assume it's our problem?

More times than not, business leadership or line managers should be stepping up and taking the responsibility. We need to have more confidence in saying 'no' and pushing back.

We're still operating in a master-servant relationship, there to take orders rather than challenge. Why do we have to defend our existence? The more we do this, the more we engender the perception. We have to stop thinking of ourselves as a support function and drive the business more. Given the nature of what we do, we actually understand the business better than anyone and therefore we have the right to have a say in how it's run.

> HR has a tendency to be too introspective and lack confidence in marketing the impact it is having, particularly when interventions are focused on the few rather than the many.
>
> Ben Higgins, Head of HR UK & Ireland, Société Générale

> HR is the conscience around people and challenge. We get sucked into what our customers think HR is/what they think they need. We need to use the great examples to say "this is what we're about!
>
> Joanna Phillips, Chief People Officer Carnival UK

Section 4 challenge questions

- When was the last time you said 'no' to the business?

[14]Sari Wilde, Managing Vice President of Gartner's HR Practice; taken from a press release on 17 January 2019 launching Gartner's report, 2019 Executive HR Priorities. Available at: www.gartner.com/en/newsroom/press-releases/2019-01-17-gartner-identifies-top-three-priorities-for-hr-leader

Section 5: Enabler 1

Data, analytics and insight

Technology is not seen as a value-creator

Until recently, the focus has been on cost saving from more effective service delivery rather than value-added, enhanced delivery capability – that is, the employee experience. This may be because enhancing the employee experience is a much harder outcome to quantify in a business case. But we must try; it's too important to put it in the 'too hard' basket.

There are so many people technologies available today across the employee lifecycle to help streamline processes, enable self-service and provide improved data and analytics. But once organisations have 'fixed the basics' through implementing a new core HR system, it's difficult to know what to do next and also what's good now versus what was good 6, let alone 12, months ago. According to our people_tech 2018 survey,[16] a mere 23 per cent of organisations feel informed about the HR technology market. Building out an HR technology roadmap becomes a real challenge.

Another challenge that almost all organisations (94 per cent)[17] have in common when it comes to technology is adoption. Successful adoption is not about users logging onto the system on day 1 – that's the easy bit. We're talking about enabling and sustaining long-term behavioural change. So that in 6, 12 and 24 months beyond launching your

new HR technology, it's integrated into how people are operating every day and feels part of business as usual for HR, line managers and employees. It's a lack of adoption that ultimately leads many organisations (87 per cent)[18] to feel that they don't get a good return on investment from their HR technology.

Digitally enabled HR solutions are a given. Technology is the base infrastructure which delivers the input we need to prove the impact of what we do and make evidence-based decisions – data.

All the HRDs spoke of the need for an increased focus on people data to provide greater insight into what's happening, diagnosing trends and making evidence-based decisions. It's this data which allows leaders to understand the value of HR interventions, through tangible impacts on the organisation's performance.

At present the majority of HR functions are using basic people data, often from a variety of HR systems and sources. Utilising people analytics is still an emerging capability. For example, according to a recent CIPD survey[19], just over half (54 per cent) of organisations have access to people data and analytics and only half (52 per cent) of HR practitioners stated that their organisation uses people data to tackle business problems. Three-quarters of the HRDs we interviewed said that the use of predictive analytics is a major opportunity for HR to provide more business value, as demonstrated by IBM who use artificial intelligence to predict with 95% accuracy[20] which workers are about to quit their jobs. However, despite the clear value predictive analytics can bring, its usage within HR is currently still in its infancy.

[16] LACE Partners. (2018) people_tech 2018 survey.

[17] Ibid.

[18] Ibid.

[19] CIPD. (2018) People analytics: driving business performance with people data

[20] Ginni Rometty, Chairman, President and CEO, IBM; taken from a CNBC news article published on 3 April 2019. Available at: https://www.cnbc.com/2019/04/03/ibm-ai-can-predict-with-95-percent-accuracy-which-employees-will-quit.html

There were three clear approaches to data and measurement from the HRDs interviewed:

Approach	Objective	Example questions answered	Example metrics
Align people metrics to business or customer metrics	Help HR define its priorities and target outcomes, especially in consumer-focused businesses	• What outcomes matter most for our business right now? • If we could only do 3 things, what would they be – and why?	• Net promoter score (NPS) • Operational performance (cost, turnover etc.)
Use data to achieve greater insight	Design and tailor specific people interventions with the ability to see demonstrable impacts	• What is integral to driving engagement? • What could we do better? • What is our ROI on technology?	• Line manager performance • Usage of self service / number and type of queries managed by HR Operations • Net promoter score (NPS) • Employee engagement score
Predictive analytics	Plan for the future of the business and start proactively acting up on it now	• Where do we really need to be 'market leading' – in terms of employee experience, HR capability etc.? • Which areas of the business risk greatest attrition in the future – and how can we mitigate this now?	• Correlation of NPS / employee engagement to organisational profitability

"

Our HR business partners are effective because they focus on data and evidence more than any other HR function I know. It allows us to challenge and then to co-create solutions with the line.

Ben Higgins, Head of HR UK & Ireland,
Société Générale

"

"

As a FTSE 250 company, we have all the normal HR compliance activity, but this doesn't help us succeed. What is important is the right HR capability focused on data, evidence and insight. This enables us to make the right interventions and ultimately impact positively on business results.

Ralph Tribe, Chief People Officer,
Ascential

"

If we're using measures / data to defend the HR function, we're already on the back foot. HR can create bottom line impact but we don't sufficiently measure our performance to show this. Other support functions measure the return on investment of their work on performance, so why doesn't HR?

We need to start demonstrating our worth with hard facts, define expected outcomes with clear metrics and hold ourselves accountable for the delivery of these outcomes.

Section 5 challenge questions

• How do you measure success?

• What are your physical and subjective data points?

• Where will the data come from?

• What does 'better' really mean?

Section 6: Enabler 2

Line manager capability

Another key enabler for HR to evolve is to no longer hold the hand of line managers who are reluctant to own their people management responsibilities. People management will be one of the top five leadership capabilities needed over the next three years,[21] yet unless HR can improve the capability of line managers, they will always be 'pulled into the weeds' to support individuals with managing their teams.

The majority (64 per cent) of HRDs we spoke to said people management capability of their line managers is average. Only 3 out of 22 feel it is 'above market average' due, in part, to the fact that these organisations are explicit about exactly what is expected of line managers as people managers.

All of the HRDs we spoke to recognise the critical requirement to have business leaders who understand and truly value people as the key to performance enhancement, along with managers who can inspire, coach and have tough conversations. Most feel that progress is being made, but that, again, we need to intensify our efforts to keep up with the scale of change happening in the market. In fact, 45 per cent of organisations are struggling to develop effective managers and effective leaders.[22]

> **We need to build managers' people skills at warp speed.**
> Neil Morrison, HR Director, Severn Trent

> **We have a number of leadership development programmes. For example, "Learning to Lead", a programme for first-time managers which participants complete before they are actually in their new leadership roles.**
> Danny Harmer, Chief People Officer, Metro Bank

> **We have to drive a more distributed model for leadership. HR has a critical role to ensure long term business success by helping organisations and leaders build the capabilities and capacities they need to adapt to a rapidly changing environment.**
> Louise Wallwork, HR Director, BAE Systems Applied Intelligence

[21] CIPD. (2017) HR Outlook: Views of our profession. Chartered Institute of Personnel and Development. Available at: www.cipd.co.uk/knowledge/strategy/hr/outlook-reports

[22] Gartner. (2019) 2019 Executive HR Priorities. Available at: www.gartner.com/en/human-resources/trends/2019-hr-priorities

> **We are starting to challenge line manager behaviour in a positive way as part of being more explicit about what people leaders need to do every day as a core part of their job.**
>
> Val Dale, Global HR Operations Director, Aggreko

The concept of 'line manager' is outdated. Depending on the maturity of the organisation and the industry in which it operates, there is an increasing shift towards 'people managers'. There is also an increasing need for line managers to be able to work in more agile, flexible ways with their teams.

This is a significant challenge for most of the organisations we spoke to. HR needs to focus less on organisation and individual activity and more on teams, as teams are the true drivers of improved work performance. However, do we develop line managers to build great teams and are we explicit that this is their role? What is HR's responsibility in enabling this? HR typically spends time dealing with processes, policies and procedures which are all about individuals. We believe HR needs to provide the support, coaching and – in partnership with other functions – tools for managers to thrive in an increasingly networked, team-driven and agile environment. It also needs to measure the success of these interventions to demonstrate the value good people management delivers to the business.

At the end of the day, upskilling line managers to become better people managers isn't difficult. So why is it such a perennial problem for organisations? We believe there are a number of factors involved:

- **Have we defined what good people management looks like?** Until an organisation sets out its expectations of its line managers, it's difficult to provide the feedback and coaching needed to make a change. As a result, there may be a lack of obvious role models to learn from.

- **Is people management a capability that's valued and recognised by the business?** Are people promoted to more senior positions because of their people management capability? Is this set out as a core requirement for progression? If people management doesn't form part of the core responsibilities of line managers against which their performance is measured, what's the incentive for people to change and do this properly? In some cases, we're talking about a fundamental culture shift. The business needs to see effective people management as a lever of driving increased productivity and value to the bottom line.

- **Does the HR function have enough capacity to invest in this properly?** We've already talked about the fact that HR is under pressure with the sheer volume of services it has to deliver. If HR is to lead the capability development of people managers, it will need to be prioritised and resourced appropriately. More creative ways of delivering the capability interventions will be required, such as digital coaching, to provide point-of-need support in the most efficient way possible.

Even if we do all the above, the only way we're ever going to see the seismic shift in line manager capability that's required is if we **take a 'zero tolerance' stance with poor people management and refuse to compromise.**

> **More and more line managers are getting better at some HR activities; therefore, our influence isn't quite as strong as it was ten years ago. This places even greater emphasis on the need for HRBPs to be strategic, understand their business area and focus on the right things to drive value for the business.**
>
> Paula Porter, Former Chief People Officer, Carnival UK

Section 6 challenge questions

- Do you know what 'good' people management looks like?

- Have you made a step change in your people manager capability in the past year?

- What was the percentage turnover of your people managers last year?

- Do the criteria for the promotion to line management positions include people management capability?

Section 7: Conclusions

It's time for us to step out of the shadows. HR needs to go on the offensive.

It's clear that HR has a once-in-a-lifetime opportunity to help businesses to be more successful. We're at a moment in time where, as a profession, we either step into the future or we will forever be mired in the status quo.

HR leaders must be brave. This is very much a leadership opportunity where we face up to the challenges and develop the professional capability, ways of working and tools to show that HR is critical in improving business performance while also making our organisations great places to work.

> "
> We need to think about the end-to-end workflow, break down our silos. We need more introspection about when things go wrong, be agile and pivot where we need to. We need to fix the basics with the quality and integrity of our data
>
> Jig Ramji, Global Head, Leadership and Talent Development, Bloomberg
> "

BE BOLD AND TAKE ACTION

Overall, what is the one thing you would stop, start or continue in HR?

This was a freeform question – we've summarised the most frequent responses

STOP
Naval gazing, pandering to line managers, reacting to business whims and working in silos

START
Strategically acting on how businesses need to compete. This is more than having a people plan aligned to business strategy. Real impact comes from understanding what the critical people drivers of business value are and measuring HR's return on investment through data and insight.

CONTINUE
Being curious and challenging the status quo, really partnering with the business and supporting commercial change.

Data collected from interviews LACE Partners conducted with 22 senior HR practitioners from leading global private sector businesses.

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Over the next three to five years, we need to:

Be more strategic and analytical, leading the business with evidence-based decisions.

Transform our own capabilities, jumping into the driving seat of organisational and transformational change versus acting in a support role.

Develop effective leaders who can manage in an increasingly agile, networked way and connect with people to create an engaging workplace, while also dealing with increasing complexity.

Build and sustain a culture that involves meaningful work and ensures people develop and grow their skills, particularly in the context of increasing regulation, growth or cost reduction.

Successfully navigating these challenges requires HR to be bold and operate as a strategist or architect of business value.

Key takeaways:

Dimension	Questions to ask yourself	Where you can start
Service offering: Make trade-offs and stand resolute	• **What are our points of business competitive differentiation?** • **What employee experience are we trying to deliver?** • **What is our people purpose?**	• **Focus on the core: if you could only do 3 things, what would they be – and why?** These need to become your non negotiables on which you need to hold fast when faced with 'noise'. Be ruthless. After all, if there's no commercial impact of your people initiatives, why bother doing them? • **Develop a well-articulated, competitive people strategy.** This should define long-term organisational-wide change, with clearly defined outcomes and measures of success. Use data to support your narrative. • **Stop navel gazing.** Use external facilitators, company visits and co-creation workshops with employees to define talent, culture, OD and leadership interventions that will deliver value and drive the employee experience your people want.
Structure: Fewer and better 'people consultants' aligned to the business	• **What is the overarching business operating model?** • **Are the 'people strategist / consultant' and 'operational service provider' roles distinct within our HR function, or are the same teams / people carrying out both sets of service? Does this impact service quality?**	• **Align with the business.** If decisions are devolved to local business units, a locally tailored federation of HR teams operating at local level will most likely be the best operating structure for HR. • **Design your HR operating model so it reflects and enables your desired employee experience.** Consider the culture you're trying to drive and how you want leaders, line managers and employees to engage with HR. • **Clearly define the activities and capabilities bespoke to your organisation for a 'people strategist' vs an 'operational service provider'.** This will enable you to determine how best to organise HR teams to deliver services (the role of HRBPs vs HR Operations, for example) and whether delivery of all services should be owned by HR.

Dimension	Questions to ask yourself	Where you can start
Capabilities: Invest at warp speed	• **What HR capabilities are critical to our success and drive competitive – both now, but also in the future?** • **Where do we really need to be 'market leading' versus where we're happy to be 'ok'?** • **If we need to develop HR capabilities, what's our marketplace: build or buy?**	• **Hire a new breed of People Consultants** – break the traditional HRBP and Specialist mould. Hold out for commercial individuals, people from consulting and non HR backgrounds. We need more and stronger generalists to lead HR functions. • **Critically analyse your EVP.** Reflect on why people want to work in HR; how can you attract this new breed of People Consultant; what is the new HR career route. • **Look for opportunities outside of HR** to gain business change capability when developing your next generation of HR leaders. • **Redefine your HR development programme.** Build something bespoke for your business, including modules on: > Business, OD, change, leadership, data and culture. > Self-development and coaching focused on personal style, self-esteem, difficult conversations and giving and receiving robust feedback. > External visits and the creation of ongoing external mentoring relationships.
Mindset: Be a change leader. Be spikier. Don't ask for permission to act	• **When was the last time we said 'no' to the business?**	• **Be bold, be spiky.** The role of HR is not to please everyone and nor should people expect that you will do everything that they want. > Have courage in your convictions; > Explain why you are focussing on the people initiatives you are; > Stop looking for appellation and recognition. • **Stop focusing on your comfort zone.** Move away from HR's traditional norms of conformity and compliance. Be comfortable working with ambiguity. Embrace the opportunities and value the future of work can bring. • **Lead business transformation.** Ensure an absolute focus on an enhanced understanding of the business. Speak the business language and organise and manage HR teams as a commercial organisation. • **Become the catalyst of change.** Shift the focus from fixing the here and now to thinking of the future and challenging the status quo where focus doesn't align with business priorities. Think about the capabilities and talent the business will need five years from now and plan for it.

Key takeaways:

Dimension	Questions to ask yourself	Where you can start
Data: Prove the value with hard facts	• **How do we measure success?** • **What are our physical and subjective data points?** • **Where will the data come from?** • **What does 'better' really mean?**	• **Don't assume technology will solve everything.** HR systems are only the engine that provide your data points – you need the people capabilities to be able to turn data into insight. • **Build your analytics capabilities.** Embed analytics as a core skillset in all HR roles. Blend data scientists who can crunch the raw data with individuals who have a deep understanding of the business context. • **Align people metrics to business or customer metrics** to help you define your HR priorities and target outcomes / success measures.
Line Manager capability: It's time to stop making excuses	• **Do we know what 'good' people management looks like?** • **Have we made a step change in people manager capability in the past year?** • **What was the percentage turnover in our 'people managers' last year?** • **Do the criteria for the promotion to line management positions include people management capability?**	• **Define what good people management looks like** for your organisation, working with the business. • **Take a 'zero tolerance' stance with poor people management.** If, having followed proper performance and feedback conversations, someone isn't hitting the mark, have the tough conversation. The impacts of poor line management on teams are too great to ignore. • **Set out the core skills and capabilities required by all people managers and promote based on performance.** Don't put individuals in people management roles unless they are a good fit. Use people data to inform these decisions. • **Be clear on the difference between leadership and management.**

> **"**
>
> In ten years' time HR will be somewhere or nowhere. We have to own our own change; we must be tech-enabled, externally focused, data-driven and more deliberate, or it's over.
>
> Ralph Tribe, Chief People Officer, Ascential
>
> **"**

> **"**
>
> Ultimately, HR is not going to disappear. The question is how we position the value it can bring.
>
> Christoph Grandpierre, Group HR Director, Lowell
>
> **"**

The future is full of opportunity, if we're bold enough to break the mould.

LACE Partners

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