



Next Generation HR

Time for change – Towards a Next Generation for HR

A large blue rectangular area with rounded corners. It contains a series of white, concentric, wavy lines that create a sense of motion and depth. Overlaid on this is the text 'NEXT GENERATION HR' in a bold, sans-serif font. 'NEXT' and 'GENERATION' are in white, while 'HR' is in a dark blue color that matches the background.

NEXT GENERATION HR

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CONTEXT AND OVERVIEW

In 2009 the CIPD embarked on a substantial piece of research looking into the changing nature of HR and some of the best and emergent next practice work that HR functions are engaged in. Our intention is to stimulate debate about how HR will develop over the next five to ten years and the implications of this for business and for the development of the Next Generation of HR leaders.

A loaded deck

We did not embark on this work from a classic neutral research standpoint – we went out into the field with some clear viewpoints and biases about the changing landscape and the implications for HR. We wanted to test these hypotheses against interesting emerging practice and with numerous opinion-formers in and around the profession.

While many HR functions have gone beyond simply being the people function into overall performance, we see the crucial need is for HR to not only support short-term performance but also to put driving sustainable performance at the heart of its purpose. The implications of this are that HR needs to place much greater emphasis on building the foundations for future success and also play a much stronger role in holding the organisation to account for the unintended impact of decisions or behaviour on the long-term health of the organisation.

We were particularly interested in seeing how HR is helping to build *future-proof* cultures and the role it is playing as organisation guardians and commentators. The global financial crisis has highlighted the need for HR to be one of the key stakeholders in becoming active commentators thinking about the future integrity and brand of the organisation. We believe that HR leadership needs to be redefined in light of this challenging role.

Given these clear starting points, we wanted to know how thinking and practice is evolving and whether our viewpoints are reflected in the real world. Hence we engaged in research in organisations with emerging best and next practice (see box on page 3). We shared our thinking with and consulted over 100 senior leaders beyond the case studies (private, public and third sectors in the UK and overseas) to both test our hypotheses and see how HR is adapting to the seismic changes affecting us all.

Organisations taking part in the Next Generation HR research include:

BT
Cambridgeshire County Council
Cancer Research UK
F&C Asset Management plc
General Mills
McDonald's
Nationwide
Peterborough and Stamford NHS Foundation Trust
Shell
South Tees Hospitals NHS Foundation Trust
Standard Chartered Bank
Surrey Police
Tesco.com
Xerox

We used different research models with organisations – principally face-to-face interviews, although we also conducted telephone interviews and focus groups. With some we spent several days, and with others we targeted more specific areas of interest to illustrate emerging themes.

We also wanted to maximise the excellent access many organisations had given us to their people: from chief executive level to employees in customer-facing roles, and to take advantage of the wide range of stakeholders this offered.

The research took place between July and November 2009.

Range of interview subjects

HR

including: HR director, head of organisational development (OD), heads of function, business partner

Business leaders

including chief executives (CEO), managing director, chief constable and executive board members

Functional managers

including: head of brand, head of risk assessment, business transformation manager

Employees

from various parts of the business and including people in customer-facing roles.

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Hidden gems in a sea of rhetoric

We found some excellent next practice work in the course of our research. If one added together different elements of the work in different organisations, a very exciting glimpse of the future begins to reveal itself. The work implies a shift in the core purpose of HR and shows a development of value-adding activities of HR in exciting ways. However, there is not a joined-up story about how this can happen in many places, nor even an explicit sense that this is needed.

In many ways we have found our role in the research as translators, or *provocateurs*. This has been well received, but tells us that over the last 18 months many in the profession have had their heads down rather than truly taking a step back and asking more fundamental questions.

It also quickly became apparent that the professionalising of the HR function and the evolution of roles is following a broadly similar path in many organisations. It is also evident that differentiating between good and great HR work in organisations is not necessarily that easy to do, and it's not about the language used. To see how differently two organisations are impacting the development of the talent pipeline in practice, while on the surface doing very similar things, shows that the generic rhetoric used to describe what HR does has become very unhelpful.

In many ways, leading-edge thinking in HR is being outstripped by leading-edge practice. Some of the best and most impactful work is not necessarily being seen, understood or described in ways that mean it is truly replicable. In fact, even some of those engaged in what we see as next practice work are not very good at describing the subtleties that made the big difference.

Yet there was a fascinating glimpse into the way HR is becoming an *insight-driven* discipline in some organisations, adding value way beyond the discrete activities it engages in. The best HR functions understand exactly how their organisation in their market facing their specific challenges can respond in a way unique to it. Indeed in the same way as marketing has become a consumer *insight-driven* function, so some HR functions are delivering unique *organisation insight*, helping organisations to find new ways of meeting current and future challenges. In these functions, there is a new relationship to data-gathering and analysis – generating true insight.

It is also evident that for some HR functions, they see HR as an applied business discipline first and a people discipline second. The ability to understand the business agenda in a deep way means that they are then able to help the business see how critical objectives can only truly be delivered if the people and cultural issues are fully factored in – insight into what it would take to truly deliver. In these places HR has a real share of voice and credibility.

Where HR is grounded in the business and delivering the fundamentals well, then it is able to engage in higher value-adding 'OD' and talent-related activities that speak to the critical challenges faced in that organisation. Where HR is taking this on to the next step by offering either insight or challenge to leaders as a matter of course, they are helping to educate a class of business leaders who are able also to see business as an applied HR discipline. In these environments HR is able to have the biggest impact most easily.

It is also evident that some HR functions are investing in building the foundations for future success with a level of focus and priority that is new. This takes a number of forms. Some of the most interesting work is in the area of building *future-fit* cultures – going beyond employee engagement towards building truly authentic organisations that 'do what they say on the tin' for

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employees and customers alike. Some are explicitly focused on going beyond building healthy cultures and are looking to build agile and changeable cultures that can always stay one step ahead of the game. Again, others have taken the talent agenda and turned that into a real ability to build tomorrow's leaders with a clear view of how different they need to be from today's.

We looked for evidence of where HR is taking on a more active stewardship role and actively challenging the senior executives in any areas where future performance or reputation might be called into question. There is a debate on the need for HR to play a greater role as 'chief integrity officer' and some HR leaders also talked about the need for regular dialogue with non-execs, especially the chair of the board. However, other than as guardians of values or behaviours, there is little evidence of any broader stepping up by HR as organisational stewards.

An inflection point for HR?

While we found much emerging practice that has the potential to help HR take another big step forward as a profession, overall there is not a sense that an inflection point has been reached despite the huge systemic shocks to organisations encountered over the last 18 months. Indeed, we witnessed widely varying expectations among senior leaders (in and outside of HR) about what HR can and should be doing to add greatest value, both now and in the future. The recession has meant a challenging time for many HR teams and has generated a 'back to basics' feel where retrenchment or even survival has dictated many agendas.

Too much of the debate on HR is driven by conversations on structure and roles (and how challenging it is to make the business partner role work) against the current predominant HR models, rather than asking the more fundamental questions about how it needs to change in light of the new demands on organisations. We also found consistent evidence that HR thought leadership still rests in a very small number of influential hands, while most of the rest of HR is still operational and tactical in nature.

In short, we felt that in some ways the evolution of practice is outstripping the evolution of thinking in HR. Indeed, even some of those people doing exceptional work are using the same jargon or labels to describe their work as everyone else, but the depth and impact of their work is substantially different. It is also apparent that even where some functions are engaged in a range of activities that are supporting the long-term as well as the short-term success of their organisation, it is not clear that there is an explicit recognition that HR needs to place a greater emphasis on building enduring organisation performance as opposed to short-term high performance.

In many ways, this has been the most interesting and important part of our work. We believe that HR thinking has to catch up with – and lead – HR practice, and that we need to encourage the profession and senior leaders in organisations to begin to challenge the purpose and practice of HR if it is to keep pace with the nature of change that is affecting us all. HR needs to be all about driving sustainable performance and understanding the subtle but significant differences this demands from organisations used to pursuing solely short-term success.

'There is no doubt in many organisations HR is running at full pace to stand still. It's not sustainable. HR now has an opportunity to pause, have a deep think where we can add disproportionate value in the future, and reset. Talent will be a defining resource in the years to come and we also need to take account of the changing global workplace as we figure out how to drive long-term value.'

Stephen Dando, EVP and Chief Human Resources Officer, Thomson Reuters

KEY MESSAGES

The intention of this report is to explore the key findings of our work to date, rather than to examine all the data and insights in depth. Over the course of 2010 we will be writing further supplementary papers expanding on the themes introduced here.

So we will explore the three most interesting findings from our work, which in our opinion help us to understand what HR functions are doing to deliver disproportionate short- and long-term value for their organisations. This will provide insight into what the Next Generation of HR functions might be thinking and doing.

The research findings also beg some big questions that as a profession we need to explore and find answers to quickly. These challenges are listed in the final section of the report.

1 Future-proofing our organisations – *organisation equity* as the focus for sustainable performance

'I know that HR will continue to play a huge role in building an organisation that delivers today, but they must play an even bigger role in developing an organisation that is always fit for the future.'

Steve Bertamini, Global CEO, Consumer Bank Standard Chartered

Over the last decade HR functions have been inexorably shifting from the traditional heartland of the excellent personnel function towards 'people and performance'. Historically, HR delivered the fundamentals that underpinned the whole employee lifecycle while keeping everyone out of court. In the last decade the embedding of HR into the heart of the business, the rise of the organisation development (OD) and talent specialists, the journey towards strategic HR, allied to the ownership of some of the core business processes have helped many functions be true drivers of organisation performance through people.

However, what we have found in some functions is a recognition that HR has a unique role to play in helping an organisation succeed today in a way that lays the foundations for future, sustainable success. The perils of HR simply supporting organisations to deliver their short-term strategies were clearly demonstrated by the excesses that fuelled the global financial crisis. Many a commentator asked 'where was HR?' when unsustainable business strategies supported by unsustainable reward strategies were being advocated by executives who stood to gain. As one HR director said off the record in response to this question: 'We were doing what we were told as well as we could.'

There is no doubt that some senior leaders inside and outside of HR are placing much greater significance on sustainable performance and this will present significant challenges to the conventions of how many organisations currently pursue both the growth and profit agendas. With this in mind, and with operational efficiency and operational effectiveness being taken as a 'given' to even be in the game, some HR functions have been actively exploring how to drive long-term, sustainable performance and have taken current practice forward in some important ways. We see a strong parallel with organisations that invest in building brand equity over time and see evidence that some CEOs and HR directors understand the importance of building long-term *organisation equity* as one of the cornerstones of sustainable performance.

We saw three ways in particular that organisations are investing in building this *organisation equity* (see Figure 1).

Figure 1: Building organisation equity



Building *future-proof* cultures

Jim Moseley, General Mills Managing Director, places enormous value on the vision, culture and values of the company. He says: 'We've had success on the back of it – top and bottom line. It's been a very successful model.' He recognises a key challenge is 'about the speed at which we're growing.... We want to do this while maintaining the culture.' In risk terms, he considers losing authenticity and the family feel 'more of a danger than hitting the actual targets' the company has set itself.

'Top leadership cannot assume the culture "just happens". HR has a key role to help them shape and articulate the story.'

Andrea Cartwright, Head of Employee Engagement, Nationwide

'Authenticity has been central to our philosophy.'

Chris Jullings, HR Director – Organisation Development, BT Operate

Many organisations are investing in building a productive and open culture and the importance of OD activity is clearly on the rise. However, there are two very particular directions that some organisations are taking with an eye to building a more *future-proof* enterprise. This looks like an evolution of current best practice in important ways.

From employee engagement to *organisation authenticity*

The great work that many organisations are doing to create engaged employees is being taken to the next level based on two linked propositions.

The first is that trust needs to be deepened to unprecedented levels and this will create a much deeper level of emotional loyalty. The creation of talk-straight, transparent and dialogue-centred cultures is being given real priority. The building of adult cultures, leaving behind the paternalism of the past, is seen as a driver of short-term effectiveness and long-term loyalty.

This is about helping people develop trust in what the organisation stands for as well as a day-to-day experience that reinforces this in numerous ways. It appears that this ability to truly 'tell it as it is', without fear, enables organisations to go beyond the rhetoric of espoused values to learning how to live them in the heat of battle.

'The HR department needs to make sure that the values defining our culture are implemented and exist in the company, not just wishful aspirations. For example, do we reward success and sanction failure? Do we show respect? HR should see we don't discriminate and there is no reason for people to be unhappy.'

Alain Grisay, CEO, F&C Asset Management plc

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HR as architect, facilitator, *provocateur* and guardian plays a vital role in making an aspirational way of working withstand the stress tests and paradoxes of business.

'The Clinical Business Unit is using HR to tackle the difficult cultural issues around changing doctors' contracts and adopting a six-day week. We have a fantastic HR manager who is integral to all we do.'

General Manager, Peterborough and Stamford Hospitals NHS Foundation Trust

'Organisations are a pantomime, then there's a backstage. Our people feel that what they are is the character. We tell them that they have to be the person they are. If we can't have authentic conversations, we can't do patient care...Surgeons won't admit when they are stressed or tired.'

OD practitioner, South Tees NHS Trust

The second is the need to treat staff the same way as organisations want to treat customers. The rhetoric of brand alignment is appealing – some HR functions in partnership with marketing are taking this proposition very seriously and are re-engineering the culture from the customer backwards. The days of trying to police customer service or teach prescribed behaviours are very much seen as yesterday's solutions – instead, they are looking to create the same experience for staff as for customers. Feeling respected and served, and having an honesty at the heart of the relationship for both staff and customers, is helping the shaping of much more naturally customer-centric organisations. Loyalty of staff and customers is not undermined by brand promises or behaviours that send mixed messages.

Andrea Cartwright is Head of Employee Engagement, Nationwide. She joined 18 months ago to help the Director drive increased commercial success from its approach to employee engagement. Nationwide had set out to demonstrate it had the power, size and reach of the retail banks with the values of a building society. The challenge was to find a way of harnessing strong employee commitment with a new brand articulation.

Working with Chris Rhodes, the Society's Group Product & Marketing Director, they agreed the need to engage employees in creating the brand proposition. A series of world café events for employees to look at what is meant to be part of Nationwide, were held across the business.

The Chief Constable at Surrey Police wanted a police force that could operationally exercise intelligent discretion, and he knew that to achieve that, officers needed to work in an environment where they were managed and encouraged to act on a daily basis founded on that same principle. One of the ways to reinforce that was to reduce the number of internal policies and support this with broad principles rather than detailed dictat.

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From healthy cultures to agile cultures

Some organisations recognise that building healthy cultures that make it easier to do difficult work, feel stimulated and valued are vital but not sufficient if looking to build a *future-proof* culture. An equal emphasis needs to be placed on building an agile and adaptable culture that acts as an antidote to the natural tendency of organisations to focus on becoming ever better at what they already do. In these contexts, HR plays a very active role in facilitating a more dynamic strategic planning process. They also try to build a much more alert and enterprising approach to doing business in general. In these organisations there is more emphasis on a living strategy that responds quickly to the macro trends and opportunities that arise.

In McDonald's HR has taken this as a central design principle for the function. They had a much more fluid structure than most functions and flexed their focus, resources and roles, dependent not only on the current challenges, but also on the big future investment bets for the organisation. This is also reflected in their emphasis on the leadership development, where trying to build a class of leaders who can build as well as run businesses is much higher on the agenda than the norm. They know that a reliance on a small number of organisational innovators in strategy or innovation teams will not build a more universally agile culture.

The organisational structure at Cambridgeshire County Council (CCC) is somewhat unusual yet enabling. Under Stephen Moir, Corporate Director of People, Policy and Law, is a Corporate Development Service, headed up by Adrian Smith. Corporate Development incorporates three teams:

- Corporate Policy (a forward-looking team looking at CCC's priorities five to ten years in the future)
- Partnerships (that is, who CCC needs to work with to deliver its vision, as there is a recognition that the business model will change 'from provision to commission')
- OD and learning (covering organisational development, business and quality assurance and workforce development – most of this work is sourced internally).

This new structure enables 'agility in a planned way' and also enables proactive risk management, as the corporate policy team can actively scan the horizon for the big changes that are going to be coming and then the partnership and OD teams can ensure that the capabilities are put in place to deliver what's needed.

Building *future-fit* leaders

Talent management has increasingly been on the agenda of many organisations with a recognition that it is necessary both for future success and current engagement of today's key talent. Although we did not focus on this, it is clear that too many HR functions are focusing on building insight-light, process-heavy approaches to talent management. What stands out are those organisations that are able to describe clearly the different abilities and mindsets that the leaders of tomorrow will need and how that contrasts with the leaders of today.

For too many organisations, it appears that a big assumption is that talent is about filling the pipeline, rather than also understanding how leadership demands might need to evolve. As one senior executive put it, 'If we are not careful, we are perfecting the art of developing leaders who will be able to run yesterday's business.'

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In one organisation on a major business transformation journey, they realised that 30% of their leaders weren't right to take them there. HR worked with the CEO and senior team as part of this process to identify who had the qualities they needed to lead the organisation in the future. And then, what to do about it.

Anecdotal evidence through our study has shown that organisations that know they have reached an inflection point have begun to pay much more attention to this issue. Standard Chartered Bank, in recognition of the move towards much more customer-centric, as opposed to product-centred, banking has been actively pursuing a talent agenda that recognises the significant differences in experience and skills that this will demand of tomorrow's leaders.

Becoming organisation guardians and commentators

Some HR leaders are engaging in a range of activities to use, more actively, their understanding of what is really going on in the organisation and to run a commentary on how decisions or behaviour could undermine the long-term interests of the organisation. The needs of tomorrow's shareholders, employees and the wider community, as well as today's, very much informs this thinking.

This activity takes three main forms:

- 1 **Managing internal or external brand risk** – challenging the organisation to think again about potentially ill-advised actions that may run the risk of damaging the internal or external reputation of the organisation. For example, how to do business in a way that is truly customer-centric has been very high on the Tesco HR agenda in their new businesses.
- 2 **Designing balanced HR policies or processes that support progressive ways of doing business** – the design of performance management, talent development and reward processes (amongst others) is an exceptionally powerful vehicle for taking organisations forward in particular ways. Process-light, business-relevant mechanisms that are informed by real insight into the needs of today's and tomorrow's business make a big difference to an organisation's sustainability. In one case study, the impact of incentivising short-term sales, on the long-term loyalty of staff and customers alike, is being very closely monitored and a powerful commentary being run to open up debate at the top table.
- 3 **Behavioural commentary** – having a clear understanding of what the organisation stands for and being encouraged (or prepared) to challenge the behaviour of even the most senior leaders is very much part of the guardianship role as it exists in some organisations. However, there is ample evidence that some organisations pay only lip service to this and it is very easy for HR to be positioned as a maverick if it challenges too hard.

'It's not about liking people; it can be about confronting something you disagree with and being brave.... You need to have the awareness that something's out of line and the culture needs to enable not restrict you challenging.'

Sari Lassi, European HR Manager, Xerox

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We felt that the recent organisational shocks had placed greater emphasis on the role of HR as 'chief integrity officer' or as 'the risk manager for the organisation of the future'. The importance of the independence of the function, and the ability of HR to be in dialogue with non-executive directors, is a part of the debate. However, there is limited evidence of an emerging consensus on whether HR needs a more explicit guardianship role and the implications of this for the positioning of the function.

It is also clear that the few senior 'credible activists' still take a disproportionate weight of responsibility and HR needs to find more function-wide ways of running a commentary on particular categories of current and future organisational risks.

Measuring and valuing organisation equity

We believe that as the concept of building *organisation equity* through these three dimensions is so fundamental to driving sustainable organisation performance, it would be of tremendous value to develop a comprehensive dashboard of measures to predict how *future proof* and adaptable an organisation is. This is a stage further than attributing value to an organisation's human capital, which has already been well explored. But it is analogous to building brand equity as part of the core value of an organisation. And bringing the capacity to measure and value the *organisation equity* as it becomes more common to invest in it intentionally would be a value-adding role for HR.

2 Towards an *insight-driven* approach to HR

'You have to understand the drivers of employee engagement – what is the unique DNA that sets you apart? It's easy to dismiss the management information that can give you real and unique insight. Whilst you don't want analysis paralysis, you do want deep and meaningful insight and you use this to create a compelling vision for your employees.'

Senior Manager, Leadership of Professional Development, Nationwide

'We need deep employee insights – not just scratching the surface as you inevitably do with engagement surveys. As an HR function we need a deep and segmented understanding of employees' aspirations, motivations and needs, in some ways akin to the way a customer-facing company thinks about its customers.'

Stephen Dando, Thomson Reuters

Through the course of the research it became apparent that simply looking at the structure, roles and activities that HR is engaged in provides a limited understanding of what delivers impact in the organisation in the eyes of the senior executives and other internal stakeholders.

Much of our time was spent trying to understand what it is that seems to differentiate good professional functions that are well regarded from those that are seen as truly excellent and sit very much at the heart of the business, playing a significant role in driving short- and long-term performance.

In short, assuming the fundamentals of a good function are in place, then the biggest differentiator is the amount of insight they are able to bring to their work. A simple statement, but we found the ability of HR to deliver what we call genuine *organisational insight* is what enables its activities to be truly relevant, timely and impactful.

Organisation insight is the juxtaposition of a deep understanding of what will help make your organisation successful – or stop it from being so – in the market within which it operates at this stage in its evolution, together with a deep appreciation of what goes on around here and what really make things happen here (given people, politics and culture). The former derives from understanding the key drivers of the business, the wider market and the context in which it sits. The latter comes from the 'intelligence' generated both systematically through data-gathering and analysis, as well as from the discrete activities and interactions HR engages in across the organisation.

This insight underpins good judgement and sound decision-making, as well as an understanding of just how differently the organisation may need to tackle something if it is to make the change it desires. The insight can be either strategic (for example how to redefine the policing promise to the public) or operational (for example how to design and implement a massive structure change to drive a truly customer-centric banking experience for customers in diverse global markets) in nature.

In those case studies where HR is most highly rated, it is evident that the ability of HR to shape their solutions, or challenge conventions, or find a new solution to an old problem, is founded on this penetrating insight into just what would make a difference.

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For example, in Tesco there is a big appetite from line managers for their personnel counterparts to be 'taking the lead and running ahead of us'. An instance of this would be the subtle but significant role that HR has played in integrating new businesses under the Tesco brand in highly effective ways. This includes using the retail ethos to add a depth and richness to the appreciation of what 'doing our best for customers' can really mean in their new banking and telecoms business.

For this *organisation insight* to be scaleable and not simply something that is the preserve of a few experienced senior players, it is vital to understand what underpins it. As we looked closely at this, we found three essential cornerstones that underpin the ability of a function to deliver genuine *organisation insight* (see Figure 2).

Figure 2: The ingredients of *organisation insight*



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Business savvy – this is more than simply being financially literate and having a broad appreciation of how the business works, or what it does. This requires HR to have a deep understanding of the core value drivers and a deep appreciation of what makes the business successful or not. HR is acting as an applied business discipline.

Contextual savvy – this requires not only an understanding of both the market trends and forces that are affecting the business now and in the future, but also an understanding of how the broader macroeconomic and societal factors are influencing the organisation now and in the future.

Organisational savvy – this demands a rich appreciation of how the interplay of the ‘hard’ and ‘soft’ factors enables or derails business success. The impact of people, culture and leadership allied to a deep understanding of change dynamics is vital. This then needs to be applied to the organisation in question, and the people who are facing particular business challenges.

Outcomes of *insight-driven* HR

Having an appreciation of these three factors in concert would enable HR to shape its activities in some very powerful ways:

- 1 HR strategy becomes more responsive and relevant. Rather than HR becoming driven just by the tenets of the annual people plan or HR strategy, they are able to allocate resources and effort where it is needed in light of what is actually happening in the organisation on an ongoing basis. This avoids the danger of HR being disconnected from the business or too process heavy, rather than truly responsive to what is needed.
- 2 HR moves beyond being a service function towards establishing a proactive agenda, as it offers insight into things that others in the business may well not be seeing or acknowledging. This insight enables HR to establish its own agenda in a way that is joined up and relevant to the business, but not solely defined by the views of the current executive team or a current business plan.
- 3 HR can act as an early warning system where the organisation is not alert enough to the changing demands placed on it.
- 4 HR can provide insight into how to make the difficult things happen, given their understanding of how to mobilise the organisation and what is really happening rather than the spin that may be presented to senior line leaders.
- 5 HR is an integral part of the business where it would be inconceivable to think about driving the business forward without their involvement and perspective.

In this way the unique expertise of HR is being applied to the real business-critical challenges in a timely and integrated way. As the Director and General Manager of Xerox Global Services in Europe said, ‘I could not imagine trying to take this business forward without the shaping and insight that HR provides. Without their leadership and unique perspective, we would not have succeeded in the ways we have to date, nor will we in the future.’

In this *insight-driven* world HR no longer seems to run ‘HR initiatives’, and OD work never feels like ‘tree hugging’! Instead HR is able to provide new insight into how to tackle the challenges of the day and has an innate feel for how to pay attention to the long-term health of the business while delivering today.

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A next stage of evolution for HR – from *service* to *process* to *insight*

In the past, HR was positioned very much as a service function and its credibility and influence stemmed from delivering excellent service to its internal customers. Many functions then enhanced their influence and impact by becoming owners of some of the key organisational processes – a process-driven function. Much of this process work around supporting the performance, evaluation, development and reward agendas built HR's influence and impact. However, our belief is that the next big evolution for HR will come in becoming more of an *insight-driven* function in the ways we have touched on above (see Figure 3). In this way HR uses much of the work from its core activities to further inform the organisation about challenges, course correction and big opportunities.

Figure 3: HR's journey



The implications of this for HR are far reaching, both in terms of how it positions itself as an *insight-driven* function and what it does, but also for the types of people who work in the profession.

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3 Next Generation HR leaders – partners and *provocateurs*

'Open, approachable, wanting to work in partnership and wanting to challenge.'
Sue Swanborough, HR Director, General Mills, describing how her function works with the business.

'You are a sort of independent unit... you have a responsibility to flag things beyond your function.'
Roel Louwhoff, CEO, BT Operate

Whenever we found substantive evidence of HR functions building the long-term equity of the organisation or providing breakthrough insight to strategic or operational challenges, there were strong indications that a new breed of HR leader is emerging. There are two interesting facets to this.

First, they are positioned in the minds of other senior leaders such that they have real share of voice and influence. Second, they demonstrate an unusual ability to be real *provocateurs*, encouraging new ways of doing business or new areas of strategic focus. What sets them apart, though, is the subtlety and sophistication with which they do this. Because of this they are not seen as mavericks or marginalised for challenging, or taking an unfashionable point of view, and they are often successful at influencing people who are more senior in the hierarchy.

We describe them as 'Omega personalities' – Alpha personalities who have arrived at ego maturity. Despite some very different contexts, these leaders exhibit some remarkably similar underlying personal traits, leadership and influencing strategies. The other similarity is their capacity to offer the type of *organisational insight* we highlighted earlier. In many ways this is what gives them the right to transcend the traditional hierarchical relationship and offer a viewpoint or stimulate and challenge firmly held world views or opinions.

Cornerstones of the Next Generation Leader

Without *organisational insight* the capacity of the HR leader to be influential is limited; however, insight alone without being able to stimulate debate, influence opinion and navigate the organisation dynamics is not enough. Doing this consistently requires subtlety and sophistication, and while there is no evidence of a simple replicable approach, it is clear that these 'Omega' leaders all demonstrate a number of similar core underlying attributes.

Purpose, humility and resolve

The capacity to elevate the debate and look at what really matters, or what is possible for the organisation in question, is something that they all do. They have a strong underlying sense of purpose and a connection to some fundamental values such as truth, respect or safety that act as an innate moral compass. The combination of this sense of possibility allied to a desire to build organisations that will be built to last means they can often take a conversation beyond the achievement of immediate objectives or targets, and in so doing they can positively ignite the leadership ambition within the organisation even when the going is tough.

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What enables them to be influential when dealing with assertive senior leaders is their own lightness of touch and humility. They will often explore and stimulate rather than challenge or browbeat unless this is absolutely necessary. In so doing they reconnect leaders to what matters and build resolve through a deep connection to the agenda rather than a short-term provocation or jolt. They also tend to be patient and build this resolve over time and in many and varied ways.

Yet in no way do they lack the courage of their convictions, and at times this demands a significant challenge to the prevailing wisdom. Personal courage underpins all of the above. As one person said, 'I tend to keep my powder dry, but when it is needed I will not back away from striking the match.'

Sue Swanborough, HR Director, General Mills

One area where the work of HR really seems to be making an impact is building on the culture of trust, led by Sue. This work is based on four key areas of credibility: integrity, intent, capabilities and results, with an emphasis on making people feel they can be themselves in order to release potential.

However, the wider story of vision and values at General Mills is not an 'HR story' but a partnership story. It is an initiative owned by the people of the business, and this seems to be what makes it work. HR plays an important role in oiling the wheels of the machinery, and as one manager described it, 'acting as the caretakers...keeping us honest in terms of vision and values.'

Sue is not very concerned with functional boundaries. As a member of the Executive Team she sees the future of HR as being to support learning and change and having the courage to challenge.

A dynamic and holistic world view allied to real personal savvy

The Next Generation Leaders' capacity to be insightful is underpinned by a great ability to join up the dots in ways that others might not and to spot the critical insight in a world of 'information'. They tend to be natural systems thinkers and this ability is grounded by an interest in, and appreciation of, what really makes their business tick. This means they are unusually alert to what is going on and whether a response is merited or an opportunity is presenting itself.

Similarly, they are less inwardly facing and insular than might be the norm for many busy leaders and will draw on wide experience, networks and an understanding of the macro trends and how they affect the organisation of which they are a part.

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The personal savvy to pick the big issues, or know how to get a thing done in the organisation, with the particular personalities and interest groups, is also a core skill. This savvy is more than simply being an 'experienced operator'. There is real thought and planning allied to great instincts about how and when to pursue a particular agenda and how to build alliances and momentum.

One of the HR Directors we met believes that the focus of HR is moving in practice from people (HR) to organisation development (OD) to organisational effectiveness (OE). She has the support of her Chairman and can talk to the Finance Director. She believes it's important to know what to say and when to say it. She believes in the 'law of three': if three attempts to do something all fail, there is not enough energy in the system or the timing isn't right. It's about pace, rhythm and timing.

Personal presence

Our Next Generation Leaders were able to engage in difficult conversations or challenge firmly held views with a real lightness of touch. This was particularly important when working with a colleague in a more senior role (for example, when coaching a senior leader) or working with peers over whom they have no direct influence.

Therese Procter is the HR Director for Tesco Retail Services, her background includes both HR generalist and learning roles as well as business positions. Like most of the Tesco senior HR leaders she has a strong grasp of the levers that drive the Tesco P&L and sees clearly her part in pulling them. She sees her role as 'agitation creation' to stimulate change and leadership in her team – 'I expect my people to do an all round job, for the business and people. To encourage this in my people I ask loads of questions and they know I'm going to ask them. They can come in with half of an idea and we make it happen.' Therese uses her blend of business and development skills to develop strong relationships with the most senior members of the business and influence them. She also sees herself as a guardian of the values and lives this so strongly that they are now a way of life for her.

It is also apparent that they have a personal presence and natural authority that goes well beyond their 'official' role in HR. They are very much an individual first and a role second in the eyes of many they are influencing. They have mastered the art of being themselves, both confident in their abilities and open about their fears. This builds trust and removes anxieties about hidden agendas or the feeling of being judged.

They are seen as worth listening to, but able to step into difficult territory without upsetting people. They are not conflict-averse and will have the difficult conversations when needed, but in a way that can be 'heard'. The most common descriptors of them are professional, transparent, insightful and thought-provoking.

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The positioning of the function

'HR leadership consists of two things: the formal role and where HR plugs in and how it is viewed by the CEO and the board; and the operational impact, where real HR influence is felt on business performance and culture. HR leadership needs to be embedded in all operating teams; at the heart of the business where it belongs.... Organisational leadership is expected of HR.'

Stephen Dando, Thomson Reuters

'The Chief Executive and HR Director have a very strong relationship.... The CEO supports what we do.'

HR Manager, BT Operate

These Next Generation Leaders bring quality and relevance to the core HR responsibilities, but also start to raise the expectations of what HR can offer to support new ways of delivering today and laying foundations for the future. It makes the debate on 'HR's seat on the board' irrelevant, because irrespective of this their counsel and involvement is both welcomed and demanded.

Equally, many of the best functions talk about the coaching and challenge role that HR performs with the most senior leaders, who are not always behaving in a way that creates the right environment inside the organisation.

However, it is apparent that few functions have a clear picture of the role they are playing in managing and mitigating risks to organisational performance. It is certainly one of the areas that would benefit from greater clarity in the future. In order to be really effective it is important that mutual respect, challenge and partnership between HR and the business exist at all levels in the organisation.

Mutual respect and responsibility are evident at all levels in Tesco, where the relationship between the line and personnel is key. Where this works, personnel leaders are acting as consultants to the line, but the line is equally seeing their role as a consulting role. Responsibility for sustainable high performance iterates back and forth between the line and HR.

Where a CEO has a broader expectation of what HR's contribution could be – and this is matched by an HR leader who can step up and offer more than the sum of the activities that have always been done – it creates a real enabler to repositioning the function.

Sharon Kedney – BT Operate

Sharon Kedney is the Head of Internal Communications at BT Operate – reporting to HR Director Kevin Brady. She found it ‘unusual’ initially to be sitting in HR – and had some concerns that she might be ‘pushed down the route of looking at Ts and Cs’. In contrast, what has happened is the development of a very close relationship with the OD team – helping Sharon to ‘play outside the role of a normal comms person’.

She describes the way she works with Chris Jullings, OD Director, as being like the ‘glue’ in the organisation: ‘challenging and asking courageous questions’. This wouldn’t have happened were it not for Kevin’s permission (‘he’s not just an HR guy – he’s a proper business partner’) and CEO Roel Louwhoff’s sponsorship. He said from the beginning ‘you will come to my meetings’ and now Sharon attends all executive board meetings and strategies – which is very helpful and powerful.

It is interesting that many HR leaders have to actively educate their CEOs and other senior leaders to help them broaden their expectations of the role HR could play in truly helping the organisation deliver its agenda. As one HR director put it, ‘Initially my new CEO wanted to spend an hour a fortnight on “HR” issues with me. He pretty quickly got used to me being in his office every day exploring what we really needed to do to deliver the hugely challenging agenda we had set ourselves over the next three years.’

‘The CEO said that if we didn’t pay enough attention to the leadership and their behaviours we won’t succeed.’

Chris Jullings, HR Director – OD, BT Operate

Senior leaders who have high expectations of HR and an instinctive feel for and belief in the importance of the people and cultural elements of organisation tend to be much more receptive to the expansive and dynamic agenda that an insight-rich, future-facing function can offer their organisation.

Those senior leaders who have a purely rational view of business will often end up with a much more limited and transactional HR function and this easily sets up negative spirals that undermine HR’s potential value.

We highlighted earlier in this report that some of the organisations where we see HR operating at its best are where HR acts as an applied business discipline and comprises individuals who see themselves as business people. These HR people understand the way people and organisational factors impact on success. This position is reinforced where the business leaders see business as an applied people discipline.

Therefore, it could be said that every business gets the HR it deserves.

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Challenges for HR in light of our research

What our research has shown us is a fascinating glimpse into the future of the function and a picture of how HR can continue to evolve so that it offers a new balance in organisations, as it supports an agenda of long-term success, and provides new insight into how to deliver today's objectives. The possibility of HR playing a more significant role in building the foundations for future success, while acting as a true partner and on occasion a *provocateur* in the business today, is very real.

However, our work has clearly shown that establishing this broader role is predicated on being able to consistently generate real *organisation insight* that grounds HR's contribution in the issues that matter the most, and allows HR to offer new insight into an organisation's readiness for today and fitness for the future.

Without this, the future could simply mirror the challenges that many HR functions face today, namely a proliferation of activity that adds ever more pressure to a scarce resource, allied to a reliance on too few key leaders to deliver the highest value-adding parts of the HR agenda.

'If HR is to deliver to the business it should stop relying on one or two bright sparks and work together to raise the bar.'
Jackie Orme, CEO, CIPD

There are a number of big questions that we think this work demands answers to from the wider HR community. And as the purpose of this work is to encourage debate and dialogue amongst HR and business leaders, we ask those questions here.

Has HR asked itself enough questions in light of the seismic shocks to our global economy?

We have been surprised to find that relatively few leaders have had the time or inclination to step back from the immediate challenges of weathering the storm. A 'heads down' feel still pervades many organisations.

But sustainable organisation performance and what drives it should sit at the heart of the HR agenda. And without a more penetrating and conscious exploration of what we need to learn from recent events and in light of this explore the evolution of HR's role, it is likely that we will largely carry on as before.

Understanding this and how it challenges current thinking and practice should have significant implications for the evolution of HR. This potential shift in purpose needs greater debate and our sense is that this should represent an inflection point within the profession. Currently there is little evidence of this.

Yet the good news is that practice seems to be ahead of thinking in this territory. Our work has shown that some HR functions are building the long-term equity of their organisations in a number of ways, even if they have not thought about it or expressed it in these terms. If we ask the right questions of ourselves, then the beginnings of some interesting answers already exist.

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Do we need to challenge the way we create HR strategy today?

As HR becomes a more *insight-driven* function and as organisations try to keep evolving, the ability to create a more adaptable 'living strategy' both in the organisation and for HR becomes a driver of competitive advantage.

In this way HR creates much more emergent strategies in light of a clearer picture of how the organisation needs to change. In this world, HR may well be at the vanguard of encouraging the organisation to adapt and change, so the assumption that HR strategy always follows on from business strategy no longer makes complete sense. Indeed, many organisations have developed strategies that have not kept pace with the changes and challenges that confront them. All too often in these settings HR has had a very well-articulated strategy that has been actively building yesterday's organisation!

Are we equipped to become a truly *insight-driven* function?

The combination of the three types of intelligence or savvy we talked about earlier is what sets the excellent apart from the good, and it has far-reaching implications for both the development and selection of HR leaders of the future.

This combination of 'savvys' acts as a real challenge to the notion that a career in HR for life is necessarily the best career path for the future leader.

In addition, organisational savvy and the ability to deeply understand how the hard and soft elements of business interact and drive success are equally important to offering unique insight into how to support performance. But in many organisations the OD and HR communities have become quite separate.

Our work suggests that real OD insight needs to sit more firmly in the heart of HR. Perhaps the next evolution of HR is with the best of applied OD sitting at its heart?

The calibre and experience set of HR practitioners who can deliver to this more expansive agenda is very different from much of our current population. Redefining the key capabilities and looking to challenge the current brand of HR in the eyes of many is vital if we are to build a talent pool that can add this unique contribution to organisation success.

Is there a need to build new HR partnerships to deliver this agenda?

It would appear obvious that this way of looking at HR means that the Marketing and Strategy functions of many organisations are natural partners of HR. Yet were we to ask them today, not many heads of Marketing or Strategy would see what value HR had to offer or why our agendas are so inter-linked. This will be an acid test over time and we imagine that some organisations will take the plunge and create new structures that combine elements of these functional agendas in new and exciting ways.

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The need for courage, pioneering leadership and a new language

As HR begins to make these transitions, we need to be courageous enough to step outside of the historical expectations that many leaders have for the function and show how HR is uniquely placed to offer value.

As we become increasingly *insight-driven*, the relevance and impact of our work increases and HR will very naturally be seen as trusted advisers, partners and *provocateurs*. If we can create a cadre of leaders who want to take the profession in this direction, then there is little doubt that HR will be able to spotlight the value it can make to organisations. Today, much of this excellent work happens behind closed doors in the hundreds of conversations and pieces of invisible work that many HR people are involved in. Creating a language that can describe the shift in purpose and some of the core activities of the function is therefore a vital part of this journey.

If we have the courage of our convictions and move towards what HR is capable of, then HR **will** be an applied business discipline working with leaders who **do** see business as an applied HR discipline – and then perhaps all organisations will get the HR they really deserve.

If you have any comments or would like to find out more about the work we're doing, please visit our website at www.cipd.co.uk/nextgen

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