HR professionals have long complained about the profession’s lack of a seat at the table when it comes to their function’s perceived importance by the executive level.

For a function that may be uniquely placed to help an organisation meet its strategic objectives, it is hugely frustrating to too often be regarded as simply a tactical, transactional department. But there is a problem. Wanting a seat at the strategic table isn’t the same as obtaining one (and we all know the oft quoted definition of insanity!). It must sometimes feel like the profession is suffering a crisis of identity.

Let’s put ourselves in the shoes of the rest of the business. P&L reports show a significant amount of financial investment in the talent and HR team and, like it or not, the business expects a return on the investment. As organisations become more complex, all departments, including HR, must strive to keep pace by adding increasing value, to become more strategic and consultative and less tactical and transactional. If not, HR, alongside any other department, will be left behind.

So what could HR do differently to become a more collaborative and valuable partner to the people who pay its bills?

To find out, we asked more than 400 departmental heads in large and multinational corporate organisations across Europe about their views on their colleagues in HR. The insights they offered make for important reading for HR and talent professionals. Not only do the findings paint a clear picture of how HR is perceived by its peers in the business, they also make clear what activities HR should do to consistently succeed in adding value. This feedback reveals the path that HR can take in order to transform its reputation within the organisation and finally secure the position to which it aspires.

HR’S ANNUAL APPRAISAL: HOW THE FUNCTION IS SEEN NOW—AND THE VALUE IT BRINGS

Technically, according to the research, HR already has a seat at the table. With just a quarter (24%) of respondents reporting that their HR function does not have a place on the board (although a telling 11% were unsure).

Is HR comfortable in the seat, however? Among interviewees – the customers of HR – the overall impression of the function is less than glowing.
Asked to cite just one department they consider to be the most important, sales once again topped the list. While not a single respondent cited HR.

HR may have attained a place at the top table, but these findings suggest that it may not stay there for long.

We find this surprising, given how little any organisation could achieve without its people and how concerned the most senior people in the business appear to be about talent issues. In 2013 The Conference Board found human capital to be the top global challenge among CEOs. Yet the function responsible for meeting the challenge has much to do to raise its stock.

Curiously, the survey found that 71% believe that the board sees the HR function as vital to the success of the business, and its influence appears to be increasing. So the door seems to be ajar. The following lessons outline what the function can do to open the door and supercharge the journey from transactional supplier of services towards becoming a true strategic partner.

1. Understand the business as a whole and what it wants

> Performance management is the HR activity seen to add the biggest strategic value to the organisation as a whole

HR teams in the 21st century have at their disposal an enormous array of innovative systems, products, and services. From recruiting new leaders, to training first-time managers, to compensation and benefit structures, to undertaking widespread organisational redesign, HR professionals have an incredible variety of hats to wear.
But rarely does the function stop to ask itself what activities would provide the most value to the business. If HR is not seen to be doing the “right things”, as far as the rest of the business is concerned it may as well be doing nothing at all. As one senior leader put it “doing nothing is much better than doing the wrong thing”.

Whether rightly or wrongly, respondents rated performance management, recruitment & selection, and leadership development as the top HR activities that add strategic value to the organisation as a whole (HR information systems are seen as the least useful). When asked outright, over half (53%) in the survey felt that HR was not taking enough responsibility for the leadership pipeline the business needs. A concerning perception indeed.

HR teams should take the time to identify what activities customers in their businesses believe have the most value. Understanding what services the business believes make a genuine difference will inevitably increase the function’s usefulness.

In an increasingly globalised world, large organisations are more and more complex. There has been a move away from a centralised structure for businesses that operate in more than a single market, and HR has a unique view of the business as a whole that it can leverage to its own benefit. Despite this complexity, it seems there are common problems across the whole organisation that need to be tackled.

2. Talk to individual departments to find out what they want from HR

> The single thing HR people can do differently to create a step change is spend more time working in respondent’s own departments
The value HR can bring to the business is not just found at an organisational level, but at a departmental or functional one, too. What problems are individual teams and business units facing that are different from the ones faced by the organisation as a whole?

Recognising that different activities may be required in different parts of the business is crucial. Solving these more immediate, localised problems will deliver some quick wins that will improve HR’s reputation. When asked what single HR activity delivers the greatest value to their department, over four-fifths (80%) of respondents cited recruitment & selection, performance management, and leadership development and assessment. While the emphasis is different, the similarity of the factors belies the difference in delivery of these at a local level within the business.

At both a departmental and organisational level, diversity issues, HR information systems, and disciplinary or legal matters are at the bottom of the list of activities that deliver the most strategic value. Diversity issues may be seen to make a positive difference, but for the executives and department heads with sales targets and customer KPIs to meet, they are never going to be atop the list of priorities. Departments seemingly think of these as HR hygiene factors – they need to be in place, but they really only affect HR.

There is often a difference between the hard work the HR team does in the background on hygiene factors to ensure the continued operation of the business, and the initiatives that make an immediate impact to functional teams on the frontline. The latter will alter and change over time and HR should take time to be on top of developments; checking in once a year will probably not be enough. Are there enough IT managers in the pipeline? Does marketing need different skills to cope with developing markets? Is the manufacturing plant in another country struggling to balance the local culture and the values of the business?

By building a direct and ongoing relationship with each department, the HR team will better understand that department’s needs – and in turn have the opportunity to educate the business about the benefits of the initiatives it is running for everyone’s benefit. It’s a win-win scenario, and worth the effort of breaking down a few barriers to make happen.
3. Increase effectiveness of HR activities the business feels could be improved

> 66% of business leaders say they want to see an improvement in recruitment & selection

The research identified that the activities and services business leaders value are also those where they see significant room for improvement. These “must do better” activities are outlined below, with some spot-checks to help take them to the next level.

1. Recruitment / selection (66% say this should be improved)

Are there definitions and success profiles, agreed by the business, in place for all key roles and divisions? Have these been clearly linked to the business plan? Is there enough flexibility to allow local offices to recruit successfully with autonomy? Is there a suite of flexible hiring tools that deliver the required outcome in every location? Have managers been trained in selection and hiring practices?

2. Leadership assessment (63%) and leadership development (57%)

Is understandable data available to show the current capability and skills within the organisation? Is leadership development seen as a journey, rather than a series of episodic events? Is there a clear understanding of how many leaders will be needed today and in the years to come – and what changing skills they will need? How satisfied are leaders that the development they receive provides the skills they need? Are the differences between potential, performance, and readiness fully understood? Are multinational leaders being given the right skills to operate in unfamiliar markets and territories?
3. Performance management (51%)

Is critical data from this process ending up back in the hands of the business, or does it stay with HR? Have consistent definitions of performance been agreed to? Do managers have the skills necessary to conduct effective appraisals? Can managers understand the data being collected, rather than just logging it? Can high performance ratings be linked to business goals?

A BRIEF WORD ABOUT SUCCESSION PLANNING

To our surprise, succession planning did not rate highly as either an activity the business values or as an area they would like to see improved – despite the high level of concern about recruitment and the clear impression that HR is not doing enough to own the leadership pipeline.

There are three possible explanations here. First, succession may be seen as relevant only for the most senior people in the business, and thus only an issue for discussion at the board or executive committee level. If this is the case, there is a need to drive understanding to the far reaches of the business that succession can and should extend to all key roles in the organisation.

The second possibility is that functional heads still have a view that it’s easier to hire someone externally rather than create an internal pipeline.

The third possibility is that succession isn’t a perceived concern of HR.
Any of these possibilities is troubling. The reality is that senior leaders have a significant part to play in the succession process and it is not undertaken by HR in isolation. Senior leaders should embrace the idea that HR can provide the tools and data to help identify the organisation’s high potentials and the true state of succession.

In each scenario there is an opportunity for HR to demonstrate the enormous impact on the business it can add through an effective succession management programme, and take an active role delivering it. This is a difficult challenge in large organisations where global talent pools depend on harmonised systems that provide useful and meaningful data at local and organisation-wide levels. However difficult, done right succession from a global talent pool can leverage enormous gains – gains that will reduce levels of concern, and cast HR in a more positive light.

4. Do what “the very best” HR people do and / Connect HR activity to business strategy

> 81% felt the best HR person they worked with connected HR programmes to business strategy

Respondents were asked to identify the behaviours of “the best” HR person they have worked with and what that professional did that made him or her so highly rated. Far and away, the HR behaviour rated most highly is the ability to link HR programmes to the business strategy. This would suggest HR activity has been, to some extent, disconnected from business strategy. The rest of the business may at times feel swamped with new programmes and projects from a motivated and proactive HR team, but if the various departments cannot see how these activities link into the bigger picture, they amount to little more than background noise.
There is a stronger willingness to participate in HR activities when a direct line back to the business plan is clear. This also hints at some of the reasons behind the ambivalence for initiatives like diversity we have seen earlier; senior leaders cannot make the link between these programmes and the business plan and, therefore, conclude that they are HR only programmes.

Senior leaders are often forced into shorter-term business cycles and have to react to the world around them as it shifts and changes. Longer-term projects and gains are harder for them to see, so to counter this the best HR people seem to spend a lot of time and energy embedded in departments to make the connection between HR activity and business strategy explicit, rational, and powerful.

5. Build better relationships by going deeper into the business

> Almost half (49%) of the very senior leaders and department heads in the survey could not name the most senior HR professional in their business

If you were HR Director for a day, what would you change to create the biggest difference to the business internationally?

Very clear result: it’s about building relationships!

A = Invest in building internal management relationships
B = Increase investment in leadership development
C = Improve effectiveness of the recruitment process
D = Demonstrate that HR does make a difference
E = Scrap HR
F = Other

January 2013

We have already seen that there are subtle differences in emphasis between the HR needs of the business as a whole and those at a departmental level – and how keenly the business wants HR to plug into individual departments to add value. This concern is reinforced by how many people in the survey could identify their most senior colleague in HR. Additionally, if survey respondents were made HR Director for a day, 60% would invest in building internal management relationships. Asked what’s needed for a step-change, 23% said HR needs to understand the business better.
HR, it seems, is notable by its absence. On average, respondents rated the strategic value HR brings to the business overall at around seven out of ten, but this drops a little when relating to their own departments. Despite 65% saying their senior HR person sits on the board, they struggled to put a name to the face.

It is vital that HR is not seen as a function or service that operates in isolation. It is clear from our data that people want HR to be a visible function in the business – and at the sharp end of their problems. Some easy wins for this can be found in what they view as the mid-range of behaviours for the “best ever” HR person: building departmental capability and championing talent in the business. At times the HR/business relationship can feel very asymmetrical and no HR function has the resources it would wish for. But that doesn’t change the way the business feels.

6. Communicate effectively – and in terms the business appreciates

> 40% rate the effectiveness of communication from the HR department six out of ten, or less

Beyond being visible in the business, HR and talent professionals can improve their standing through more effective communication with the organisation. Implementation has a far bigger impact on the success of an initiative than content; the better HR communicates about its work, the more engagement is likely to follow.

As an example, good people information is vital for any business and the HRIS is a facilitator of the data. However, HR systems were consistently rated the least useful HR activity in the survey, and only 20% of respondents rated the quality of their relationship with the HR departments as nine out of ten or better. I would postulate that the problem lies less with the tool and more to do with how the data is used in the business department.

There is also a clear sense that communication from the HR function does not use appropriate business language: 51% said HR uses the right language mostly or always, leaving significant room for improvement. Language that the business appreciates is generally that which has a clear line of sight to either 1) enhancing competitive advantage, or 2) reducing cost. HR initiative communication would do well to describe how either of these two areas will be impacted. In a global context, this may include understanding and adapting implementation processes and communication techniques so they will work in different markets, countries, and regions to enhance competitive advantage. Understanding and adapting to local culture plays a significant part in this.

Is HR talking about what it is doing? Probably. Is it giving the rest of the business useful information in a way it understands? This is less certain.

HR communication can also be jargon-laden. HR professionals must recognise that the business not only rarely understands HR and talent terminology and also is unlikely to use the data unless it is presented in terms they understand*.

This is crucial for talent professionals, who often see a wealth of useful information going to waste. HR sits on an inestimable pot of data that is potentially highly useful to the business. This included data on likely internal candidates for a vacant position, the viability of talent in a particular area, how engagement indicators are a predictor of future retention issues …the list goes on. Information has to be put in the hands of the people who can use it -- managers and leaders -- and it must be in a format they will use.
To do this, HR must go and find out what data managers actually understand and use, and talk to them about what additional useful data could be available to them. Again, this may vary from regional to region or market to market, but there is no substitute for getting out there.

*DDI has produced “The CEOs Guide to Talent Management” to help non HR leaders understand their role in the talent process. The guide is available on request.

7. Challenge the business

> A quarter of leaders (24%) say HR needs to challenge their perceptions more

Reassuringly, there seems to be a desire among the senior leaders in the survey that HR has a role as a catalyst for change in the business and serves a useful purpose as a challenger to the business. This is another area where the function can add real value; while people expect the transactional, day-to-day services HR offers in its widest scope (everything from payroll to the performance management process), where it can help shift its perception is in the exceptional. Once the function has earned its stripes by getting out into the field, the staff and leaders in other functions are more likely to listen to HR’s advice, and view it as a true consultant to the business.

The success story for the finance function in recent years tells a similar story. In the drive to cut costs and improve efficiency during the recession, smart finance functions were acting as true partners to the business and helping make changes throughout the organisation at a grass roots level, not just issuing dictums from above. If the HR function is to help its business grow and adapt, it has to adopt a similar spirit of collaborative partnership. HR has to make its presence felt across the business in order to make a difference.

The business has an appetite for this; second on the list of things the “best ever” HR person did is “be a great coach” (51% in the survey). The business is at least prepared to listen to the help HR can provide.

Do HR and talent professionals see themselves this way? Some do. In the forthcoming DDI Global Leadership Forecast we asked 1,500 HR respondents to choose whether they saw themselves as a business “Reactor”, “Partner” or “Anticipator”. The figure below illustrates their responses.
8. Demonstrate that HR is worth the investment by the difference it can make.

> On average, respondents feel their departments could be 25% more effective if they had access to the perfect HR person.

This figure speaks for itself, and is highly revealing (as well as motivational). What function head would turn his or her nose up at increasing their team’s productivity by a quarter?

But understanding the potential value HR and talent professionals can offer needs to begin by acknowledging the frustration expressed by senior leaders in the survey. They know great HR talent is out there – and the difference it can make for them. They just cannot seem to access it. A quarter (24%) said their team would be 60% more effective with the best HR support.

After a series of hard knocks, it’s nice to know that these senior leaders appreciate the difference HR can make. Only 3% in our survey said they wanted the HR function scrapped! The question is how the value can be unlocked. HR professionals have a role to play, especially in effectively communicating the difference they make in the business, over and above the tactical activities they execute every day. Again, this means talking in the language and terminology the business understands.

For instance, the eyes of unenlightened business leaders may glaze over at the latest batch of engagement score data, but they may care very much about reducing the amount of sick leave and staff turnover in their team.
This Report Card for HR clearly offers a mixed perception of the function, and some degree of uncertainty about its strategic value. There is much to be done to raise the profile of HR and its valuable work in the business, even if it is currently only partially understood by its customers. Focusing on the activities and initiatives the business places a higher value on is a positive step towards enhancing HR’s reputation. The function then has a platform on which to prove the value of some of the less-understood activity it undertakes.

The current period also offers HR a perfect opportunity to make this kind of mark. Almost three quarters (71%) of senior leaders see the HR function as vital to the strategic success of the business – and this influence is growing. As organisations restructure and reorganise for more positive growth opportunities in many markets, HR has a vital role to play if it can heed the lessons found in the feedback of its peers. If HR professionals seize the moment, they can support their business as it emerges into the new business reality and strives to remain competitive in the changing global marketplace.

If HR has already earned a seat at the table, now is the time for it to show what it can truly achieve for the business.
METHODOLOGY
For this study, 410 telephone interviews were conducted with senior departmental heads in large national and multinational corporate organisations. Interviews were conducted across a range of countries including the UK, Germany, France, Holland, Sweden, Norway, Denmark, and Finland. A third (33%) of respondents sat on their organisation’s board, with the remaining 67% reporting directly into the board. Respondents were drawn from a wide array of industries and the full range of board functions: sales/marketing, IT, finance/business planning, production and operations, customer services, and technical or R&D. Business types comprised a broadly even split of multinationals or their subsidiaries (35%), non-quoted/private organisations (30%), and organisations quoted on national stock exchanges (35%).

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