

Does HR Really Create Value?



Mr. Pradeep Gunasekara
Head of HR & Admin
HI Fashion Holdings (Pvt) Ltd

Proceedings of the HR Dialogue - 2014

Volume 02, No. 01, 2014

29th November, 2014

Department of Human Resource Management & HRM Family

Faculty of Management Studies and Commerce

University of Sri Jayewardenepura, Sri Lanka

[03]
Does HR Really Create Value?

Pradeep Gunasekara

Introduction

While HR professionals watch with melancholy as their counterparts in finance, marketing, operations, engineering etc by-pass them to enter organizational board rooms or occupy seats of power and leadership; the blame is by default pointed towards HR. Other people have different perception towards HR, as the majority of HR practices fail to measure up to real business needs thus doing little or no justice to HR practitioners or their profession. Another aspect is also to be blamed.

The HR has repeatedly and consistently failed to powerfully position the practice in their own organizations and solicit support from their own backyards, which turns into a vicious cycle. The general perception on HR is not scientific and very negative when compared to other discipline in an organization. There are many myths surrounding HR; obviously the current circumstances call for a thorough analysis on HR practices and the realities on how HR may overcome these myths, irrespective of where the fault is and who is to be blamed.

Current realities of Sri Lankan HR practices

There are lots of initiatives and work done in academic and professional fronts in producing HR talent here in Sri Lanka. However have these efforts proved effective? Most of the top businesses leaders' believe that a large proportion of the HR talent produced over the years do not produce the HR results that most of the businesses today need. Business leaders' perception on HR is very simple and narrow. Even though so much HR education is happening around us, still we hardly seem to apply HR within organizations. Changing the name board from personnel department to HR department would not guarantee a shift in practice and strategy.

The practitioners as mentioned above do little or nothing to correct the HR standing in their organization and the management and owners fail to understand real HR, leading to undermining the function and practice alike. Strategic HR (aligning HR to business objectives), where the real value rests, is hardly ever applied. As evident today, more and more practitioners end up spending more and more time on less value adding transactional aspects such as spending more time on doing recruitment campaigns, handling security, food and beverage, transport verifying employees in/out times, checking leave etc.

How HR is perceived

HR is the job of the HR Department

Traditionally, the common belief is that HR must be practiced by the HR department the reality is quite different. True, HR is the business of HR, but HR is not the only business of HR. In addition, HR is the business of others in the company too (Dave Ulrich, 1998).

HR needs to see the bigger picture rather than being framed into their department. Imagine if HR doesn't understand the business or have the core business interest at the heart of their function, how would they deliver HR solutions and show results? Most of the time when HR people encountered by the CEO in the likes of what is our HR cost per person and is it aligned to our business strategy? Or what was our profit per employee figure last year? Without knowing the business and business strategies the question will neither be understood

nor answered properly. Unfortunately, this is more often the case than not. HR people need to understand what is happening on the production floor and understand completely the core business. Such HR practices not only gain influential power but also gain respect and recognition as a crucial partner to the business.

Interestingly, taking us to the other side of the same coin, HR is also every manager's job. All managers need to act as mini HR managers. Often this is a challenge faced by many organizations and HR department alike; traditional managers do not subscribe to this thinking. Therefore organizations need to promote the concept that every manager is an HR manager and instill a core HR capability. Together with their line managers then HR will be able to understand and address real problems and issues.

Anyone can do HR

This is so common, that we almost hear it like a common chorus. Are we not familiar with the practice that anyone found under – performing in another department being transferred to HR? Why? Because of the above myopic view of HR and our shortcoming that in our hearts and minds we are in personnel management and not in HR management (Dave Ulrich, 1998).

There are two elements that are necessary to perform a job role, they are

1. Technical Knowledge (Domain Knowledge)
2. Skills

This is why the “ANYONE CAN DO HR” myopic thinking could damage to a business.

HR department must be staffed by HR professionals and practitioners as this mix would mean a good combination with diverse skills sets required to perform at optimum level. They must come with good qualifications and proven track records in HR. Often inter- personnel skills are mistaken for HR capability.

HR Practitioners must be Nice

This is something we hear always, particularly in conflict situation. HR is an advocate between employer and the employees. Therefore, it is in the best interest of HR to be able to serve these two parties effectively and equally. In a well-integrated HR function, such activity is usually handled collectively by both HR and Line Managers (Dave Ulrich, 1998).

HR is only about making People Happy

This is also widely accepted fact in the corporate world. But if we assume that only HR is here to make people happy and no other managers have a role in this then there will be a serious problem with the organization. It would be nice for any practitioner to be nice in order to make people happy, not only HR (Dave Ulrich, 1998).

HR does not add Value

Most of the business leaders have a common belief that HR is not putting their hands to add value to the business and they view HR as not proactive and instead as a reactive function. HR deals with the soft side of a business and it is therefore not accountable.

HR People don't understand the Business

This is a common grievance that most business leaders are having towards HR. Business leaders believe that HR doesn't understand the business holistically the way marketing and finance does.

HR practitioners are also not trying to prove that they are well aware of the business, business environment, stake holders profit & loss, balance sheets and the cash flow statement and its application to the business.

HR is a Cost Center

Anyone who supports the above statement, usually have no understanding about what HR is or what HR does. Eventhough the HR needs to get approved budgets proposals by adding several costs but these should not be looked as at simply a cost but an investment. The problem is most of the people can only see that HR is spending money rather than earning money and here HR itself has failed to show, account and quantify the value they have contributed.

What Sort of Mindset Changes do we need to overcome the above Myths?

HR professionals and practitioners have more responsibility to change the mindset of the stakeholders specially the business leaders to overcome the typical shortsightedness and highlighted above.

Regardless of whether these myths originate with HR people or with line managers, it is time to overcome these, it is time to talk less and do more; time to add value, not write value statements; time to build competitive-not comfortable organizations; time to be proactive -not reactive, it is to perform- not preach.

- HR departments are not designed to provide corporate therapy or act as social or health – and - happiness retreats. HR professionals must create the practices that make employees more competitive, not more comfortable
- HR activities are based on theory and research. HR professionals must master both theory and practice.
- The impact of HR practices on business results can and must be measured. HR professionals must learn how to translate their work into financial performance.
- HR practices must create value by increasing the intellectual capital within the firm. HR professionals must add value, not reduce cost.
- The HR function does not own compliance-managers do. HR practices do not exist to make employees happy but to help them become committed. HR professionals must help managers to develop committed employees and administer policies.
- HR practices have evolved over time. HR professionals must see their current work as part of an evolutionary chain and explain their work with less jargon and more authority.
- At times, HR practices should force vigorous debates. HR professionals should be confrontative and challenging as well as supportive.
- HR work is as important to line managers as are finance, strategy, and other business domains. HR professionals should join with managers in championing HR issues. (Ulrich, 1998).

After two decades of extensive research, the practitioners and the professionals are still unable to answer the core question about the relationship between HRM and performance. Most HRM professionals face a crisis of trust and a loss of legitimacy in the eyes of its major stakeholders. The two-decade effort to develop a new SHRM role in organizations has failed to realize its promised potential of greater status, influence and achievement. According to a 2012 worldwide survey by KPMG across major industry sectors in Asia-Pacific, Europe, North and South America, the HR function is considered to be non-essential or ineffective. Only 17 % out of the 418 senior executives interviewed said that HR creates value to business (Economist Intelligence Unit study: Rethinking Human Resources in a Changing World, 2012.)

In today's business context, HR professionals face most of the criticism is based on their role and the competencies. In other words business leaders and others are questioning the HR role identity. If the role of a HR professional can't resolve the role ambiguity and the identity HRM will never be a central function in an organization and at best it will be a supportive service function.

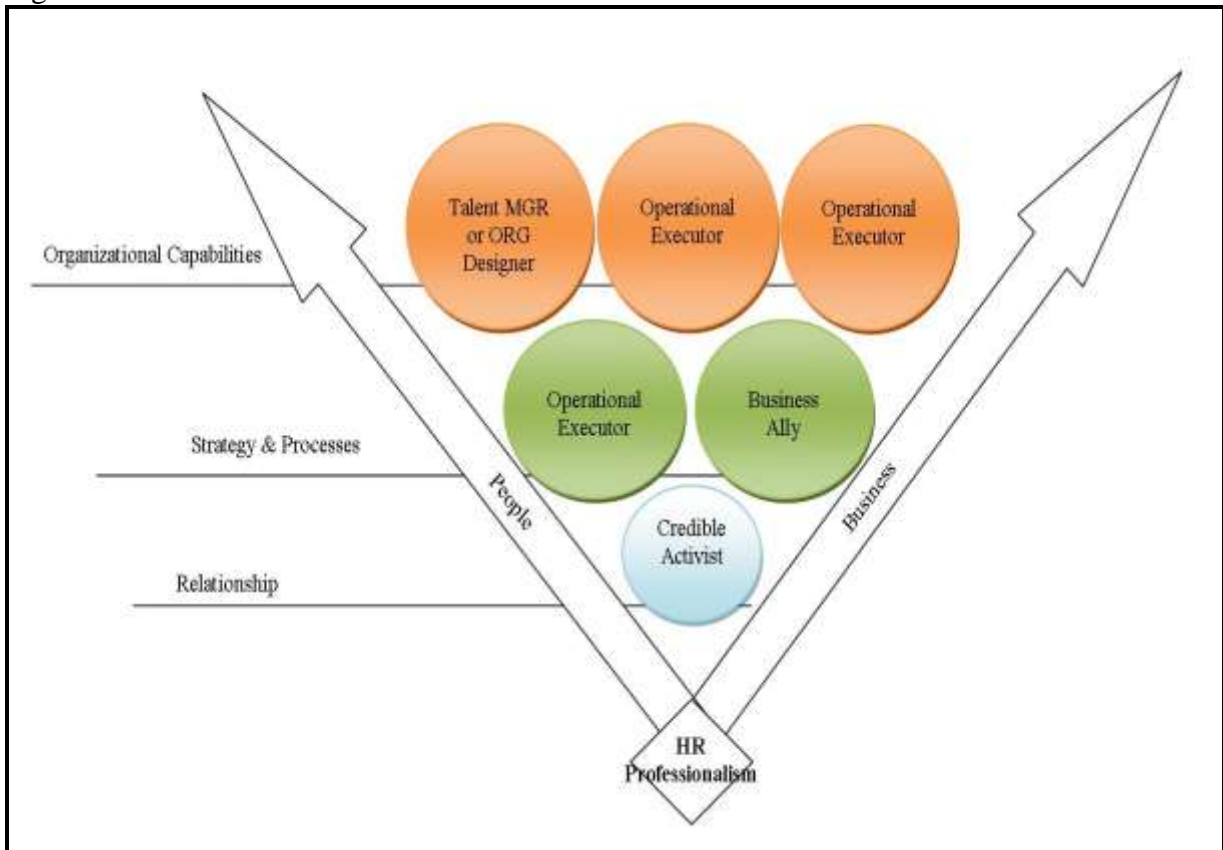
The Role of an HR Professional

HR professionals need to play an active and guiding role in enabling a company to choose its people well, invest them with the proper responsibilities, support their growth and respect their needs in order to achieve an organization's strategic business objectives. This vital role requires competence in HR leaders that will create and sustain a flexible and adaptive workforce (Gomez-Mejia, 2001).

- 1. Credible Activist**
 - a. Delivering results with integrity
 - b. Sharing information
 - c. Building relationships of trust
 - d. Doing HR with an attitude
- 2. Culture and Change Steward**
 - a. Facilitating Change
 - b. Valuing Culture
 - c. Crafting Culture
 - d. Personalizing Culture
- 3. Strategy Architect**
 - a. Sustaining strategic agility
 - b. Engaging customers
- 4. Talent Manager/Organizational Designer**
 - a. Ensuring today's and tomorrow's talent
 - b. Developing Talent
 - c. Shaping Organization and communication
 - d. Fostering Communication
 - e. Designing Rewards System
- 5. Business Ally**
 - a. Interpreting Social Context
 - b. Serving the value chain
 - c. Articulating the value proposition
 - d. Leveraging business technology

According to Dave Ulrich the new model of HR will help to the HR professionals to earn greater respect from other functions within an organization (Figure 01 and 02). Most importantly it will help the professionals as well as the organization to move forward.

Figure 01: The new face of HR



Source: Abbott, P., Goosen, X., & Coetzee, J. (2013). The Human Resource function contribution to human development in South Africa. SA Journal of Human resource management/SA Tydskrif vir Menslikehulpbronbestuur, 11(1), Art. #408. 14

Interestingly, Most of the Transactional HR Work can now be Outsourced

So, if that is all you do, then you are vulnerable. HR professionals should be able to win the trust of stake holders in order to gain respect and change the whole perception towards HRM.

Figure 02: HR Competencies



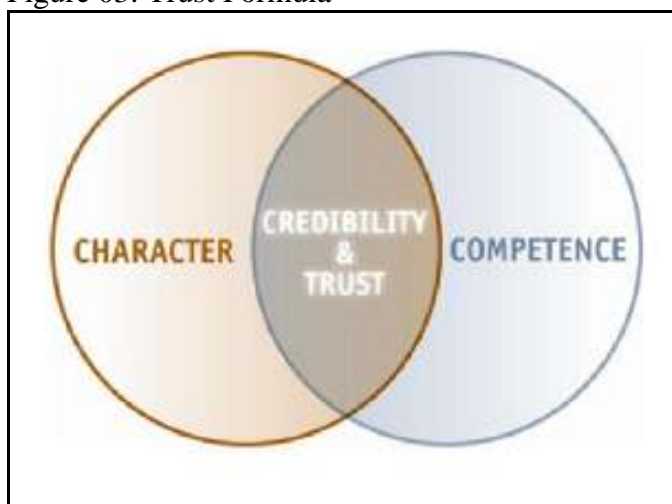
Source: Ulrich, D. (1997). Human Resource Champions: The Next Agenda for Adding Value and Delivery Results. Harvard Business School Press.

Trust is one of the most powerful forms of motivation and inspiration. People want to be trusted. They respond to trust. They thrive on trust. Whatever our situation, we need to get good at establishing, extending, and restoring trust – not as a manipulative technique, but as the most effective way of relating to and working with others, and the most effective way of getting results (SMR Covey, 2006).

Trust is a function of two things: Character and Competence (Figure 03).

Character includes your integrity, your motive, and your intent towards people. Competence includes capabilities, skills, results, and track record. Both are vital.

Figure 03: Trust Formula



With increasing focus on ethics in today's society, the character side of trust is fast becoming the price of entry in the new global economy. However, the differentiating and often ignored side of trust competence is equally essential. You might think a person is sincere, even honest, but you won't trust that person fully if he or she does not get results. The opposite is also true. A person might have great skills, talents and a good track record, but if he or she is not honest, you're not going to trust that person either (SMR Covey 2006, The speed of Trust; The one thing that changes everything. New York: Free Press).

Conversations

Mainly, there are three types of conversations you as HR professionals need to start and implement in order to add more values to the business and gain the respect of top management and your colleagues.

With your business Leader

- Gain respect by discussing the industry, the strategy and the challenges ahead
- Earn credibility by listening, doing and doing better
- Deliver value by helping make his /her goals happen by your actions

With your team

- As the Leader treat HR like a business
 - Create a vision
 - Set measurable goals
 - Act on those goals
 - Follow-up
- Turn what we know to do into what we do by being disciplined, focused and result oriented

With yourself (While coaching others)

- What do I want?
- What are my options?
- What are the decisions I need to make?
- How will I know if I have succeeded?

Conclusion

As a developing nation Sri Lanka's HR practice needs to mature rapidly in order to measure up and deliver what today's business is desperately seeking from HR. An increasing number of organizations are plagued by myopic HR thinking that is imposing debilitating effects on HR practices. Whilst taking on this challenge head on, HR professionals must also stand up for what the function espouses to be by aligning with business needs and striving to play a powerful, influential and leadership oriented role. The significance of this is not only for today but for ensuring a sustained the practice for tomorrow's HR professional.

As HR professionals, everybody who is in the industry needs to consider- HR as a serious practice meeting business leaders expectations in order to find a deserved seat in the board room.

References

1. Abbott, P., Goosen, X., & Coetzee, J. (2013). The Human Resource function contribution to human development in South Africa. SA Journal of Human resource management/SA Tydskrif vir Menslikehulpbronbestuur, 11(1), Art. #408. 14
2. Covey, S. M. R. (2006). The speed of trust: the one thing that changes everything. New York: Free Press.
3. (2013) IPM, National Issues, Stakeholder Relations, Research and Publication Committee.
4. IPM, People Power - (2011-June/2013-June/2014-June).
5. Perera, D. (2011). A pre – Motem-HR as a Business Partner or as Business.
6. Ulrich, D. (1997). “Human Resource Champions: The Next Agenda for Adding Value and Delivery Results”. Harvard Business School Press.