



5 TIPS FOR HR

FROM GOVERNMENT
AND BUSINESS LEADERS

HR STANDARDS: SETTING THE BAR

By Lyn Goodear, Chief Executive of the Australian Human Resources Institute

The findings in this AHRI-Insync study remind me of a *Harvard Business Review* article published in July 2015 by Ram Charan, a celebrated adviser to U.S. CEOs and corporate boards, in association with McKinsey's Dominic Barton and Korn Ferry's Dennis Carey. In the article, the three authors alluded to McKinsey and Conference Board research that found CEOs worldwide see human capital as a top challenge, yet they consistently rank HR as the eighth or ninth most important function in the organisation.

That finding echoes the results of this study in which Insync surveyed 821 CEOs, agency heads and senior HR executives from private and public sector organisations.

We asked them to rank the 17 key attributes that benchmarked studies reveal are required to perform competently as an HR business partner (Appendix 2). If a common element emerges from this study and the *Harvard Business Review* article it could be summed up in the word "disappointment".

CEOs and agency heads have high expectations of what HR could be doing for their business, and we see in this report that HR practitioners agree with those expectations. But HR, by its own admission, does not live up to the promise entailed in those expectations.

Why is that?

The central reason goes to standards. In a world that is fast changing and requires organisations to be fleet-footed, nimble and agile, the bar has long been set too low for HR. I hasten to add that it's not just HR practitioners who are responsible for accepting a low bar setting.

In the end, CEOs and agency heads need to demand that business partners responsible for the human capital of the enterprise must be clear about what they promise and be able to do what they promise. CEOs and agency heads need to get beyond the thinking that sees HR merely as the repository of soft skills in an organisation. Of course, where work is enabled through people, soft skills are plainly vital. But of the 17 HR attributes listed in this study, only "understand and care" could accurately be described as "soft".

If an organisation requires a workforce plan, a talent strategy or a better performance framework, it needs HR people who can do hard things. If the work structure is flawed, productivity is down or the culture is toxic, soft skills alone won't remedy the malaise.

High-level HR expertise is required, and it's a type of expertise that must be comfortable working with uncertainty, ambiguity, complexity and often paradox. HR business partners need to have a foundation of expert knowledge to work in collaboration with their counterparts in finance, operations, marketing and the like, and to always keep in their sights the competitiveness and sustainability of the business. In addition, they need to be able to do whatever is required to make good HR happen.

For their part, CEOs and agency heads need to cease bringing people in from outside HR in a desperate pursuit to bring good HR practice to the development of human capital within the organisation. Rather they need to find existing HR business partners who bring, through their endeavour, the requisite skill-set of capabilities and behaviours to the business. In doing that, business leaders may find the gaps will close between the importance they attach to the HR attributes set out in this study, and the performance of the HR practitioners who are delivering results through the people in the business.

During 2015 AHRI has set the certification bar high and is inviting HR practitioners to do the same. To do so they must demonstrate, through taking on AHRI's robust certification program, not just what they know but what they can actually do. That done, the National Certification Council will assess their readiness for certification and award to successful candidates the post-nominal CPHR. The CP signifies "Certified Practitioner".



EXECUTIVE SUMMARY

Most organisations are challenged by new and increasing competition from low cost, internet based business models that are commoditising many products and services. This is making it imperative for organisations to adapt faster and reduce costs to become more competitive. Organisations are rethinking how they will differentiate themselves, add extra value and build sustainable business models that will weather the storm.

Boards and CEOs are increasing the amount of time spent looking over the horizon and contemplating how an uncertain future will impact on the sustainability of their organisation. They are also spending additional time doing scenario planning, stress testing and contingency planning.

More and more organisations are also spending time measuring and understanding their organisational cultures and the extent to which they are fit for purpose to deliver their strategy. Many are finding that their cultures aren't evolving fast enough to keep up with the rapid changes around them; their cultures are not sufficiently adaptable, agile, innovative and resilient and this will hold back many organisations.

So what is HR's role in this rapidly changing business environment? What should boards and CEOs expect from HR and how can HR add extra value in such circumstances?

To help HR initiate and lead these dialogues with their executive stakeholders, AHRI's research partner, Insync, sought the separate views of directors, CEOs, and non-HR executives (referred to collectively as "executives") and HR professionals. The contrasting viewpoints paint a very clear picture around what executives are demanding from HR to drive their organisations forward.

Views of 821 respondents were gathered on both the importance and the performance of HR in relation to 17 HR attributes based on AHRI's well-established Model of Excellence (Appendix 1). This comprises 10 HR skills and behaviours – who HR professionals "are" – and seven HR areas of knowledge and capability – what HR professionals "know" and "do".

This report highlights five tips for HR from government and business leaders:

- 1 ANTICIPATE AND LEAD CHANGE**
- 2 LIVE AND BREATHE PROFESSIONALISM AND CREDIBILITY**
- 3 BEHAVIOURS ARE MORE VALUED THAN KNOWLEDGE**
- 4 BE MORE SELF-CRITICAL**
- 5 CHAMPION THE GENUINE CARE OF EMPLOYEES**

METHODOLOGY

AHRI's research partner Insync conducted the study during May and June 2015. Insync gained separate views of 365 executives along with 456 HR professionals by accessing AHRI's membership base and Insync's professional network.

Respondents rated the 17 AHRI HR attributes (Appendix 2) on a seven-point scale, where one equaled not at all important/very low performance and seven equaled extremely important/very high performance. Both the executives and HR respondents were asked to rank the importance of each HR attribute and how well HR in their respective organisations perform in relation to that attribute. The average score across the seven-point scale was determined. The results display a "gap" between the average performance and the average importance for each item; the higher the gap, the bigger the opportunity for improvement.

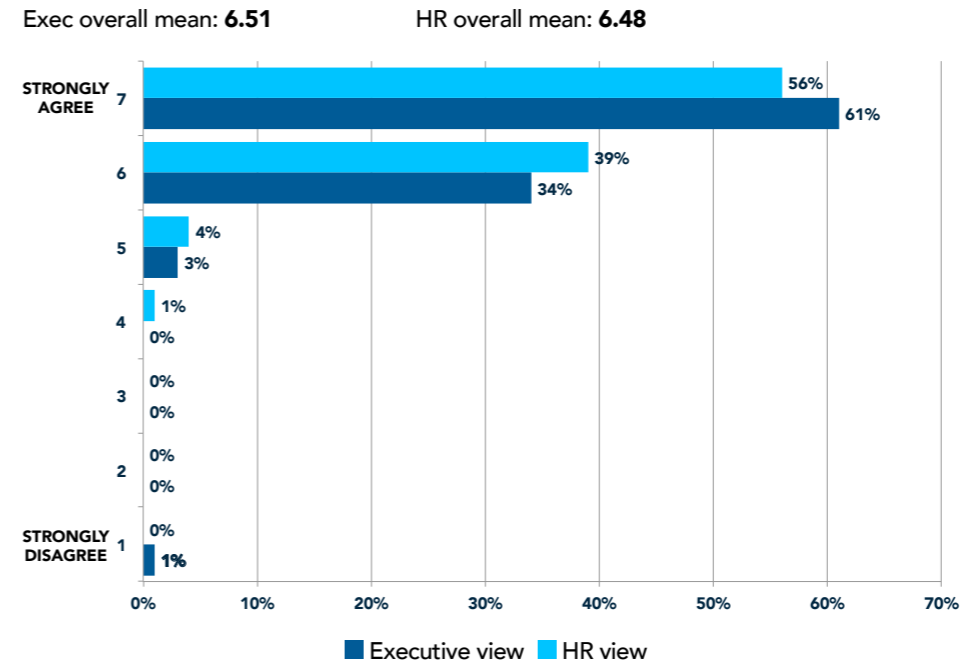
The study also collected comments from participants and asked questions around employee engagement, culture and the link to organisational success.

Organisations that had at least five executives and at least five HR professionals complete the survey qualified for their own organisational report. Around 20 organisational reports were provided.

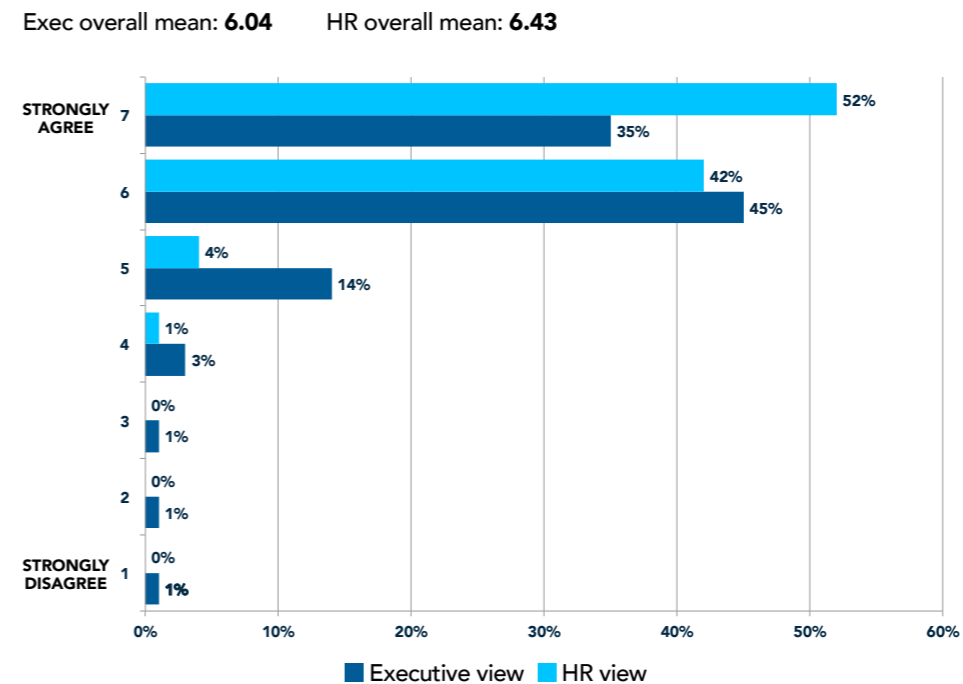
HR IS CRITICAL TO ORGANISATIONAL SUCCESS

It is clear from the viewpoints of both executives and HR professionals that HR practice plays a critical part in organisational effectiveness. HR has long been associated with employee engagement and both executives and HR professionals agree this concept is critical to an organisation achieving its goals (Figure 1). Further, there is absolute belief that HR has an important role in influencing and shaping an organisation's culture through good people management practices (Figure 2). Achievement in these areas will underpin sustained high performance for organisations and the HR profession alike.

1 EMPLOYEE ENGAGEMENT IS CRITICAL TO AN ORGANISATION ACHIEVING ITS GOALS



2 HR HAS AN IMPORTANT ROLE IN INFLUENCING AND SHAPING AN ORGANISATION'S CULTURE THROUGH GOOD PEOPLE MANAGEMENT PRACTICES



The results of the study indicate that execution is a problem in the eyes of executives. In all of the 17 HR attributes covered from the AHRI Model of Excellence, executives rated performance of HR lower than HR rated their own performance (Appendix 2).

TIP 1. ANTICIPATE AND LEAD CHANGE

According to executives, the two biggest opportunities for improvement for HR are “future oriented” behaviour (gap of -1.4) and “culture and change leader” capability (gap of -1.4). HR also agreed that “future oriented” and “culture and change leader” are two of the four biggest areas for improvement for them, reporting gaps of -1.2 and -1.3 respectively (Appendix 2).

Compounding this finding, behavioural improvement opportunities also exist in the areas of “credible” (gap of -1.3) and “influencer” (gap of -1.3) – shown as equal second highest behavioural gaps according to executives. This supports the opportunity for HR to step up from the day-to-day and contemplate broader business issues. Again, HR agrees with this sentiment reporting high gaps of -1.1 for “credible” and -1.2 for “influencer”.

WHAT EXECUTIVES REALLY WANT IS FOR HR TO HELP LEAD THE UNKNOWN.

HR shouldn't be passengers especially when it comes to their own domain of cultural and organisational change. In the words of one CEO in this study, HR should “understand broader organisation strategy beyond people dynamics (and) create opportunities for future planning/scenario planning”.

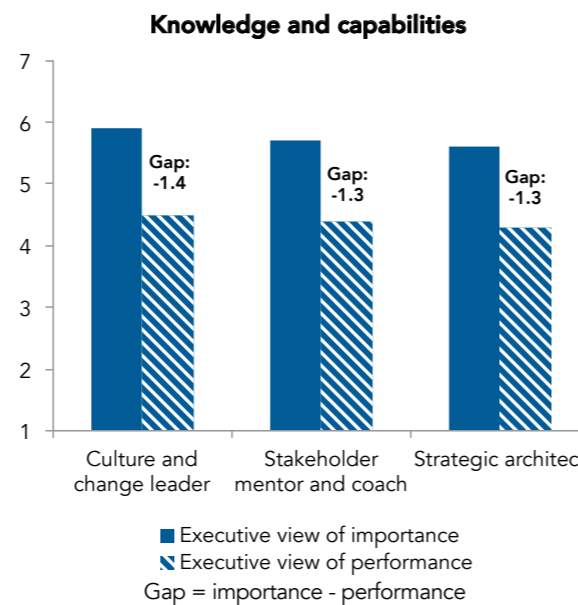
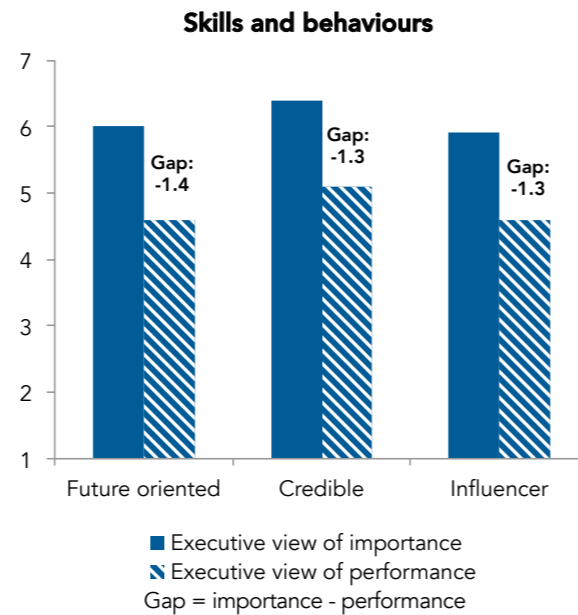
If HR won't lead change then who will? Much like a great coach of a sporting team, being future oriented and a culture and change leader requires an ability to read and adapt the play by guiding and influencing the team members around HR.

HR should know more about their organisation's culture than anyone else. As a culture and change leader, HR must constantly ask: “is our culture sufficiently adaptable, agile and innovative to meet the challenges ahead?” and “is our organisation's culture adapting and changing fast enough?” HR will have measured it with an employee survey, focus groups or other relevant tools and taken the time to develop a deep understanding of the results. HR will know what parts of the culture are acting as a handbrake on the execution of the organisation's strategy and what needs to change to invigorate that execution. HR will also understand how difficult cultures are to change and the importance of a like-minded executive team that is committed to the change envisaged. Engagement and leadership of the CEO and other executives will therefore be critical to HR's success and that of the organisation.

Carving out big picture thinking time to prepare for important conversations is a challenge for most leaders. HR must set aside time to understand what the board, CEO and other executives think are the main challenges and stay in tune with industry and competitor changes. Executives can rightly expect HR to manage the known but what they really want is for HR to help lead the unknown. HR therefore need to develop independent thinking and perspectives of the organisation's main challenges and opportunities. It's about HR being clear on organisational goals and being future focused.

As an example, many organisations face an increased proportion of the workforce being part-time, casual or offshore – HR must manage this to fit with ever-changing product and service demands while also maximising employee engagement, productivity and ultimately profitability.

According to this research, knowledge improvement opportunities also exist in the areas of “stakeholder mentor and coach” and “strategic architect” – shown as equal second highest capability gaps according to executives. This tells us that executives do value wise counsel from HR and want more of it. They want and expect HR to be playing an important part in the strategy of the organisation and in the development of future leaders.



See Appendix 2 for all data

TIP 2. LIVE AND BREATHE PROFESSIONALISM AND CREDIBILITY

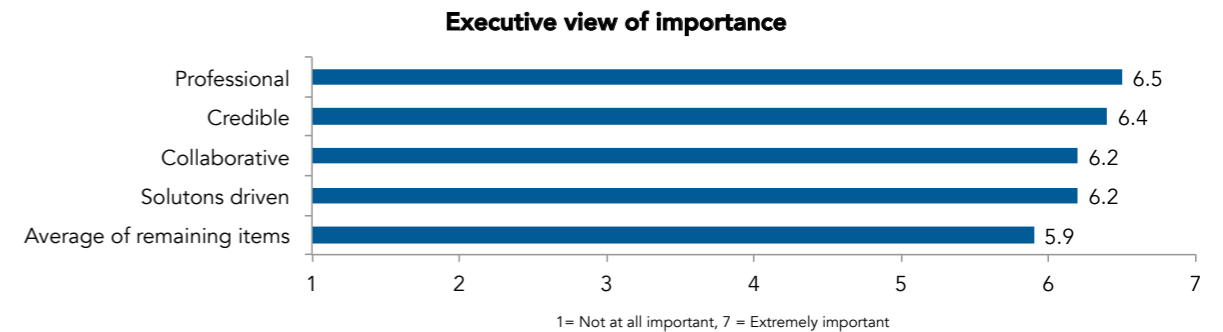
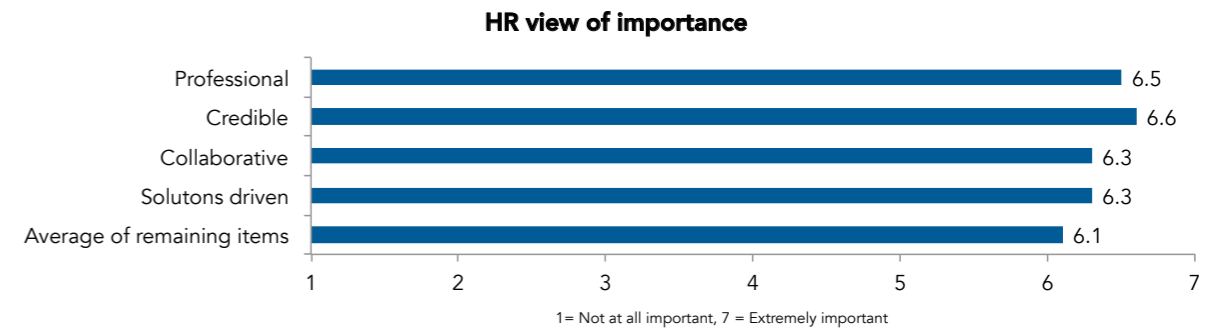
The Insync study found that “professional” and “credible” are the two most important attributes for HR according to executives, scoring 6.5 and 6.4 respectively with regard to importance. The next highest scores were 6.2 with the average of the other scores below 6.0. Professional and credible were also ranked as being the most important by HR.

BOTH PROFESSIONALISM AND CREDIBILITY REQUIRE RELENTLESS CONSISTENCY OF APPLICATION.

Both professionalism and credibility require relentless consistency of application if HR wants to maintain a strong and positive personal brand. If HR is occasionally trying to wing it or take short cuts colleagues will notice and HR will be considered to be lacking in professionalism and/or credibility no matter how many times those attributes have been displayed in the past.

One HR manager noted in this study that professionalism is demonstrated by “developing trust through effective communication and providing reason and purpose”. Other suggestions were: “treat all employees as equals” and “model the way, exhibit and live the values of the organisation, keep confidences, treat people respectfully”.

Since the global financial crisis, senior leadership is firmly on the employee radar. Not only is the CEO in the line of sight but also other people in leadership positions, including HR. Compounding this is the ever-increasing rise of social media that shines the spotlight brightly on every aspect of our lives. Transparency is everywhere and HR is constantly on show. We can't say one thing and do another. We can't espouse the organisation's values and not live and breathe them ourselves. That's the fastest way to lose credibility. If anyone should be the best example of the organisation's values and if anyone should understand the importance of walking the talk, it should be HR.



See Appendix 2 for all data

TIP 3. BEHAVIOURS ARE MORE VALUED THAN KNOWLEDGE

This Insync study highlights just how crucial behaviours are. The 10 surveyed AHRI HR behaviours were regarded by all respondents as more important on average than the seven items in the capability area of the study (Appendix 2). This suggests that how HR practitioners “do what they do” is more important than what they “know”.

THE WAY HR DO WHAT THEY DO IS MORE IMPORTANT TO EXECUTIVES THAN WHAT THEY KNOW.

While all 17 HR attributes are important, the behaviours carry more weight for executives and HR professionals alike. In the famous words of Maya Angelou: *“I’ve learned that people will forget what you said, people will forget what you did, but people will never forget how you made them feel”*. It’s how we interact with people that is critical. Theoretical knowledge is of little worth if not applied well.

Leadership is about being authentic, building and maintaining sound relationships and living and embedding an inspiring vision and purpose: this builds employee engagement. While we all make mistakes, people are more forgiving of these mistakes if our behaviours come with the right intent.

Do HR practitioners empower people to make decisions and take on considered risk or do they maintain an arm’s length detachment and authoritarian stance? Does HR mobilise and inspire teams or squash their motivation, innovation and drive by being controlling?

In today’s business world, only true leaders care about and empower their people and can build strong, mutually beneficial relationships based on respect. True leaders, and that includes HR, can also gracefully step in and be direct when things go astray. HR today is about carefully and authentically taking firm action at critical times with the necessary people.

HR must therefore ensure that “people and culture” is a strategic pillar on the organisation’s five-year plan. HR today is about ensuring people and culture are just as important as winning clients and building the latest and greatest technology. This is much more than simply on-boarding people, writing policies and overseeing development and termination practices. HR must proactively influence and drive people leadership initiatives so that they are embedded in the organisational ethos.

As one executive put it in this study: *“It’s the people who make things happen... not solutions. Solutions are a means to an end but require the right people to develop, build, test and implement. If you do not have the right people, leaders or culture in place, then it doesn’t matter how good the solution is, it won’t get there.”*

TIP 4. BE MORE SELF-AWARE

Across the board, executives said HR performance for the 17 AHRI attributes was lower than the performance ratings given by HR professionals (Appendix 2). This shows that executives are more critical of HR than HR is critical of themselves. This provides an opportunity for HR to be more self-aware and self-critical. Favourably, the areas where executives were most critical were also the areas where HR was most self-critical.

The results in Appendix 2 show the average results of the views of all 821 survey participants. While the gap in the perception of HR’s performance between executives and HR professionals was around -0.4 overall, there were some organisations where HR’s perception of its performance was more negative than that of the executives. Of more concern, however, was that some organisations had a gap in the executive and HR view of HR’s performance that exceeded -1.5 on some items, indicating a significant mis-alignment. HR in those organisations needs to have an urgent discussion with their executive colleagues to determine the reasons for their differences in views and what should be done about them.

CONSTANTLY SEEK FEEDBACK.

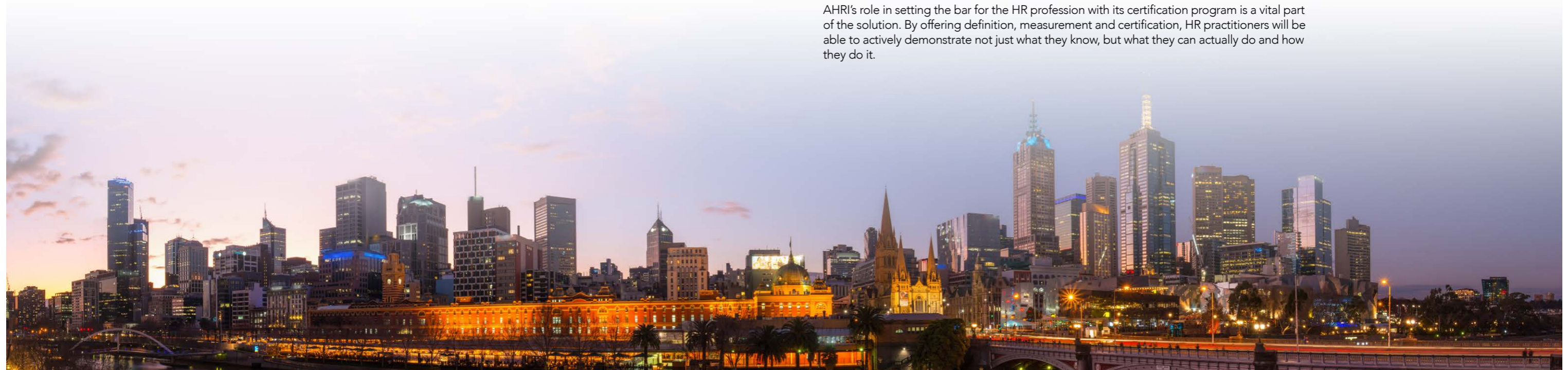
If HR is not seen as a strategic partner, can it work with the CEO to bridge the gaps? Does the HR leader allow time for critical self-reflection of HR’s role and that of its team? Does HR regularly seek feedback from stakeholders on whether it’s meeting their needs and what it could be doing better?

Like the finance function moving beyond simple accounting and marketing advancing beyond sales, the HR team has to represent much more than payroll and policies. HR must understand the operational, strategic and financial challenges of the business. If HR can understand and discuss all elements of the business, then it is easier to be credible when discussing the importance and relevance of people.

Both HR and executives also rated HR’s performance of each attribute lower than the respective importance of the attribute. These findings may suggest that proactive, strategic HR continues to be an aspiration that is clouded by a reactive, operational reality. Do HR practitioners expect a lot of themselves but are they falling short of expectations? Does HR spend time fighting fires and being task focused instead of being strategic?

The Insync study findings in this section represent an opportunity for HR to really assess its profile and brand and confirm what HR wants to represent within the organisation. By developing HR’s professionalism, credibility and influencing skills discussed in other sections, HR should be able to drive the organisational strategy and agenda rather than taking a passenger seat. HR and the CEO need to openly discuss what the HR team needs to do to ensure success. In the words of one executive in this study: *“Our head of HR is constantly seeking employee feedback to better his team, isn’t afraid of getting out there and hearing what is truly going on on the ground.”*

AHRI’s role in setting the bar for the HR profession with its certification program is a vital part of the solution. By offering definition, measurement and certification, HR practitioners will be able to actively demonstrate not just what they know, but what they can actually do and how they do it.



TIP 5. CHAMPION THE GENUINE CARE OF EMPLOYEES

The study highlights that HR has a reputation for “understanding and care” represented as a top performance item according to executives and one of the lowest gaps according to both groups (executive gap of -0.9 and HR gap of -0.5). In terms of importance it ranked very highly too, at 6.1 for both groups.

HR CAN'T ALLOW OTHER EXECUTIVES TO DE-HUMANISE THE PEOPLE SIDE OF THE ORGANISATION.

Let's celebrate that HR has “understanding and care” covered. It is a great thing. In today's world where hard numbers and results are so important HR must ensure the “soft stuff” doesn't get sidelined. HR can't allow other executives to de-humanise the people side of the organisation. Employees detest being treated as simply a cog in a wheel. HR can be a champion for people's feelings and for relationships. HR can find new ways to add meaning and purpose to the organisation's way of life — employees are crying out for it.

Some CEOs say their people are their greatest asset but when it comes to dealing with shareholders it can be all about efficiencies and profit. However, in terms of building sustainable high performance HR can — and should — remind everyone that people are very often the organisation's best competitive advantage.

Understanding and care must be delivered in a genuine and authentic manner to maintain credibility as a leader. HR must also effectively balance the needs of the business alongside the needs of employees. For example, when doing a restructure for the business, HR needs to appreciate not only the enormous impact on the lives of those departing, but also the massive bearing it has on those who remain and the extent that they think they are understood and cared for. HR's actions and those of colleagues will speak a lot louder than words. HR must be authentic. Most employees can spot a fake a mile away.

As mentioned previously in this report, true leaders genuinely care about their people. HR should therefore capitalise on its reputation as the business function that understands and cares, and should mentor and coach executive colleagues to ensure this remains high on the organisational agenda.

As well as being a champion of the need to genuinely care for employees HR must build a compelling narrative that explains the link between this quality and the impact on the engagement of employees and the sustainable performance of the organisation. Insync and others have plenty of research that shows that demonstrating genuine care for employees is the biggest driver of employee engagement. Genuinely caring for employees is also one of the seven factors that differentiate high from low performance organisations as revealed in a book by Insync's CEO, Nicholas Barnett, titled: *7 Business Habits That Drive High Performance*.

Emotional and social intelligence is therefore critical and HR must lead by example. As one HR manager states, HR should have: *“emotional and organisational behaviour intelligence to determine what the ‘temperature’ of the team/organisational culture is. Also an ability to judge the ‘signs’ of when a team or project is working well or about to fall apart and needs intervention.”*



OTHER RESEARCH FINDINGS

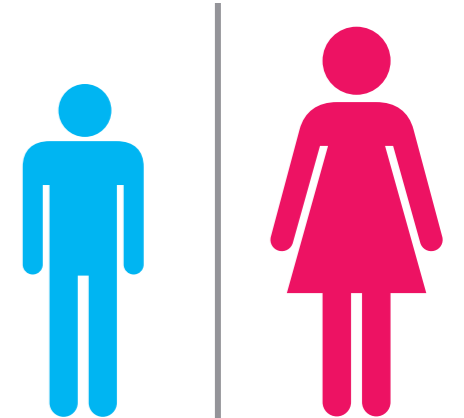


FINANCE AND INSURANCE EXECS rate HR attributes higher in importance than other sectors...

AND

their **AVERAGE PERCEPTION OF HR PERFORMANCE IS RATED LOWER (4.5** compared with an average of **4.9** across all industries)

FEMALE CEOs SET A HIGHER BAR FOR HR, rating 16 of the 17 attributes higher in importance than their male counterparts



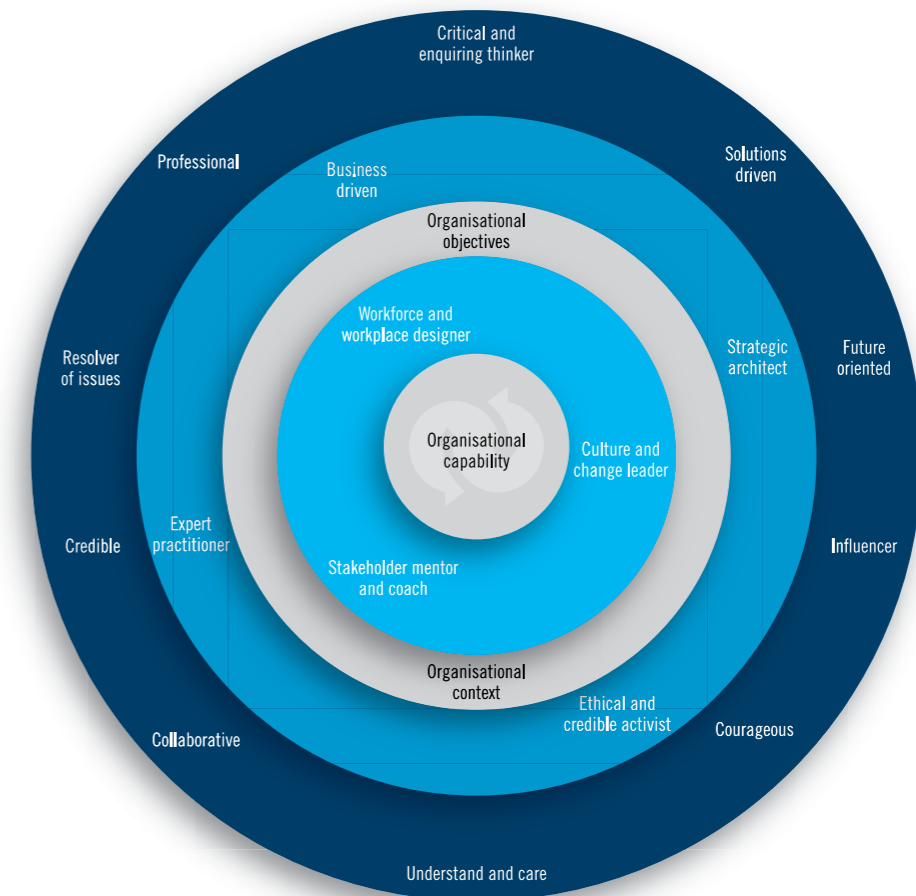
THE LARGEST GAPS between the importance and perceived performance of the AHRI attributes are in organisations with more than **10,000** employees

Around 20 organisations received an individual report comparing their results to the average findings. Insync cited gaps as high as “-3.2” in some organisations and gaps as low as “-0.3” in others. Government departments, not-for-profits and commercial entities were all different. If you are interested in understanding the specific gaps between the perceptions of your HR team and executives, contact Insync at www.insyncsurveys.com.au

APPENDICES

APPENDIX 1 – THE AHRI MODEL OF EXCELLENCE

The seven attributes of HR knowledge and capability (shown in the inner part of the circle) were drawn from global research conducted over many years by Professor Dave Ulrich from the University of Michigan and were supplemented by research that AHRI has conducted continuously since 2005 in Australia. The outer 10 behaviour attributes have not undergone the same degree of external critique and benchmarking, so the data from this Insync survey stands as a market test of their reliability.



BEHAVIOURS (OUTER CIRCLE)

- Critical and enquiring thinker**
Can analyse data and situations in order to provide advice and make decisions
- Solutions driven**
Is focused on achieving business objectives
- Future oriented**
Focuses on continuous learning and improvement
- Influencer**
Has the capacity to exercise influence on others to effect the actions, behaviour or opinions of others
- Courageous**
Has the ability and necessary authority to negotiate outcomes as required
- Understand and care**
Is able to look at a situation and understand the varied perspectives of different stakeholders

- Collaborative**
Has the ability to build productive relationships and consults with key stakeholders when making decisions
- Credible**
Is ethical, personally credible and operates with integrity
- Resolver of issues**
Can bring together teams and deliver outcomes when appropriate and required
- Professional**
Conducts self appropriately to the situation and is held in high regard by stakeholders

CAPABILITIES (INNER CIRCLES)

- Business driven**
Understands the organisational context and objectives
- Expert practitioner**
Builds, maintains and applies HR knowledge

- Strategic architect**
Contributes to organisational strategy translated into HR strategy
- Ethical and credible activist**
Influences through the provision of valued insights resulting in the achievement of individual and organisational objectives
- Workforce and workplace designer**
Designs a workplace that sustains a capable workforce
- Stakeholder mentor and coach**
Builds and fosters relationships and partnerships with key stakeholders in order to ensure organisational capability
- Culture and change leader**
Fosters a productive and sustainable organisational culture

APPENDIX 2 – RESEARCH FINDINGS: GAP ANALYSIS

Executive view (n = 365)

	Performance of HR	Importance of attribute	Gap
Skills and behaviours			
Future oriented	4.6	6.0	-1.4
Credible	5.1	6.4	-1.3
Influencer	4.6	5.9	-1.3
Resolver of issues	4.8	6.0	-1.2
Collaborative	5.0	6.2	-1.2
Courageous	4.5	5.7	-1.2
Solutions driven	5.0	6.2	-1.2
Professional	5.4	6.5	-1.1
Critical and enquiring thinker	4.8	5.8	-1.0
Understand and care	5.2	6.1	-0.9
Total average	4.9	6.1	-1.2
Knowledge and capabilities			
Culture and change leader	4.5	5.9	-1.4
Stakeholder mentor and coach	4.4	5.7	-1.3
Strategic architect	4.3	5.6	-1.3
Business driven	4.7	5.9	-1.2
Workforce and workplace designer	4.4	5.6	-1.2
Expert practitioner	5.0	6.0	-1.0
Ethical and credible activist	5.0	6.0	-1.0
Total average	4.6	5.8	-1.2

HR view (n = 456)

	Performance of HR	Importance of attribute	Gap
Skills and behaviours			
	4.9	6.1	-1.2
	5.5	6.6	-1.1
	5.0	6.2	-1.2
	5.4	6.0	-0.6
	5.4	6.3	-0.9
	4.8	5.9	-1.1
	5.4	6.3	-0.9
	5.8	6.5	-0.7
	5.1	6.1	-1.0
	5.6	6.1	-0.5
Total average	5.3	6.2	-0.9
Knowledge and capabilities			
	4.9	6.2	-1.3
	5.0	6.1	-1.1
	4.5	5.8	-1.3
	5.0	6.1	-1.1
	4.6	5.8	-1.2
	5.4	6.2	-0.8
	5.5	6.3	-0.8
Total average	5.0	6.1	-1.1

ABOUT AHRI

The vision of the Australian Human Resources Institute (AHRI) is to shape the HR profession for the future.

The 20,000 members of AHRI hold the institute accountable for looking after their career interests, for creating a viable HR community, for generating intellectual capital through the power of ideas, for making use of the best and brightest to find people solutions for business, and for enabling great HR.

To support HR practitioners in becoming valued business partners and building sustainable organisations through people, AHRI has recently introduced a robust HR certification regime and established for that purpose an industry-wide National Certification Council.

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ABOUT INSYNC

Insync is passionate about helping organisations achieve sustainable high performance by measuring and improving employee, customer, patient, board and other stakeholder engagement.

It has conducted over 1,000 survey, research and consulting assignments over the last five years for some of the largest organisations throughout Asia Pacific including: ACCC, ASX, Cathay Pacific, CSIRO, Fairfax, GlaxoSmithKline, John Holland, Johnson & Johnson, KPMG, Metro, Nufarm, Orica, QBE, Swire, Toll, WorleyParsons, Visy, AFL, Mission Australia, several federal and state government departments, many local councils and most universities.

Insync has delivered surveys in over 35 languages across more than 90 countries and its benchmark database exceeds 1.5 million responses.

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