

HR TRANSFORMATION

MEETING THE NEEDS OF EVOLVING HR FUNCTIONS AND SCOPE

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SINCE the start of the Baby Boomer era, the human resource (HR) function has been an essential part of business operations – taking care of the hiring, firing, and calculating the balance of an employee pay packet.

Fast forward 50 years to today, and HR has greatly evolved in scope and sophistication. While still managing the headcount and remuneration related to employment, HR practitioners now have many tools to get the best out of their people; including systems for compensation, performance management tools, and talent development strategies.

As businesses are pressured to create more value from less input, the most progressive business leaders have elevated the value of the HR function, which has led to the integration of HR and business strategy.

HR insights and strategy are now an invaluable part of business operations. Best HR practices are no longer a response from 'management' to recruit, develop, or retain, but rather a key influence and partner in business decisions to maximise growth by matching HR activities with future market trends, setting the direction for a growth culture in varied context, and proactive preparation an allocation of HR.

WHAT IS HR TRANSFORMATION?

A company that goes through a HR transformation reframes how their HR team interacts with business divisions to drive business strategy. This new philosophy refocuses HR to become accountable for business objectives, instead of a reactive and isolated function of a business.

HR must understand how the market's competitive environment affects the business as a whole. HR transformations expose the HR function in all business activity of an organisation, because at the root of all challenges and progress, is people.

There is a heightened accountability that forces HR to move out of their natural silo and frequently enter into business dialogue, in areas that affect process and bottom line. A spirit of HR transformation also leads to re-evaluating the measurements of success.

Transformation aspirations lead to seeking metrics from different data correlation.

Previously, we looked at cost vs benefit of a resource in a specific department.

Now we should look outside of the box to locate the best resources company wide, that when grouped together, provide the greatest benefit to the company – when preparing for a boom or recession period.

For example, this strategy could include succession plan readiness, incentive compensation for high and low performers, and to prepare for drastic business market changes.



5 PRINCIPLES FOR HR TRANSFORMATION

LOOKING to the trends of future HR management, there is focus on how we process information for better decision-making. Not just looking at the manner in which we process, but most importantly the way information is utilised.

In an interview with Ravin Jesuthasan, co-author of *Transformative HR: How Great Companies Use Evidence-Based Change for Sustainable Advantage*, he mentions that 'evidence based change' programmes have their roots in 'evidence based medicine' – the practice of well-conducted research in healthcare decision making. In short, a better diagnosis.

According to Jesuthasan, he wants to instil rigour and science in the making of HR decisions – "just like finance and marketing functions have the tools, processes, and decision supports systems."

Instead of just having data driven decision making in HR, it's also about having hypotheses, the most relevant information, coupled with change management skills.

He suggests that when we identify the essential ingredients or tasks to make change happen, we are better prepared to transform company culture and raise productivity.

Transformative HR is based on five principles that build upon one another:

- 1 LOGIC DRIVEN ANALYTICS**
Is there information that is not being utilised? There is value in all information so it is important to make sure that all data is processed and utilised for decision-making. Take opportunity to connect the dots to find new clues and opportunities.
- 2 SEGMENTATIONS**
Look at the whole business and groups of talents to understand when it is a good time to put emphasis on one group more than another.
- 3 RISK LEVERAGE**
Risk can be utilised where an outcome is still suitable. Instead of protecting against all outcomes we need to distinguish between good and bad risks.
- 4 INTEGRATION AND SYNERGY**
How are your programmes integrating and building upon one another for improved outcome? Resources are better spent on integration rather than starting new initiatives.
- 5 OPTIMISATION**
Make decisions about where resources are allocated (HR and money) and analyse how effectively these resources are generating a return.

MARKET DYNAMICS – THE NEED FOR HR TRANSFORMATION

It's safe to say that markets all around the world go through evolutions, changes and transformations. We live in a time where companies, financial markets, and social connectivity link us together in a global business market.

When a country is in recession, there is a domino effect around the world.

This phrase exemplifies how we are all linked, where mild and volatile reasons call for the need for strategies like HR transformation.

In the last 10 years, there has been a big expansion of western companies into developing countries. Slowing markets in western nations have forced growth-seeking companies to set up operations in rapidly developing countries.

The reverse is also true for leading Asian companies, as big players in the Asian region have also expanded into western countries.

These companies' low cost philosophy and operations create opportunistic growth opportunities in western countries, where potential customers affected by slowing economies seek less expensive products.

According to a survey conducted by PwC and HFS Research, there are key global factors driving the need for HR transformation:

- 1 Economic hardships have left companies with buffer**
Recessions and tighter markets over the last decade have forced companies to decrease their recruitment rate, and to keep their labour force as efficient and lean as possible.

The 'leaner companies' have survived through sheer persistence and efficient practice. This has created a new paradigm in optimisation.

2 Increasingly complex regulatory environments
With shifts in international business, cross cultural operations, and attempts to rationalise changes, there has been an increase in regulations and compliance.

Financial, environmental, consumer rights and privacy standards have advanced in both western and eastern economies.

Employees must be knowledgeable of local market requirements and overseas markets. Adaptation in multiple contexts has ensured success.

3 The pace of business has accelerated
Customers have a higher expectation for a delivery experience. At the same time, business competition is quick to capitalise on gaps in the market, and to reduce the share of the pie.

As a result, more companies rapidly launch multiple products into many countries at one time to drive revenue objectives.

They must react quickly to competitive products and remain connected with customers – whose business environments are also changing quickly.

A TRANSFORMATIVE LEADER: GETTING US THERE

A transformative leader has a noble vision, is business-minded and in this regard, committed to creating an impact with the HR transformation methodology.

An individual can champion a programme, but rallying others to do the same, or at least foster the same spirit can truly transform an average company into a profitable 'Employer of Choice'. It starts with leading by example.

In addition to this, a transformative leader is focused on building a case to make a company's situation better today and tomorrow.

This vision translates through their presence and becomes the driving force to integrate HR and business conversations and translate this to operations and activity.

Transformative leadership behaviour includes:

- Vision**
Create a noble vision to work towards that inspires others.
- Authenticity**
Authentic in their commitment to their vision, and not just for their personal gain. Their integrity inspires others to take action.
- Perseverance**
They are transfixed on making this change happen.
- Coach**
Cultivate their team's professional and personal development. They invest time and energy knowing their efforts will bear fruit.
- Acknowledgement**
They recognise their teams individual effort as well as personal performance.
- Spirited**
Encourage team leader to develop their ideas, work with flair and embrace originality.
- Risk taking**
They allow measured risks to foster innovation.
- Change agent**
Focused on taking the change initiative from concept to implementation.

Looking at things functionally, a transformative leader must be business-minded. The future transformative leader has a holistic perspective of his or her company and perhaps has tertiary qualifications from a business school and has studied HR management.

This kind of leader will look for indicators to see where the market is going, and will adjust internal capabilities and seek integration opportunities to optimise his or her operations.

It's important to quickly realise they need a set of skills and capabilities within the organisations to move to the next level of success.

A transformative leader must make the vital connection between a strategic business plan, talent management plan and the programmes, processes and culture to enable all plans are sustainable.

