

INSIDE: THE HR SKILLS GAP | DIVERSITY IN THE BOARDROOM | MEDIUM-TERM DISABILITY

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HR'S CRITICAL ROLE

LOOKING INWARD

TALENT MANAGEMENT IS KEY TO ADDRESSING CRITICAL SKILLS GAPS

By Heather Hudson



HR organizations plan to continue to focus on upgrading their capabilities this year, but flat and declining budgets – plus a hesitant approach to transforming service delivery models – may put business and HR priorities at risk, according to The Hackett Group’s annual key issues study.

The strategic consultancy and benchmarking firm’s recommendation is clear: smart talent management is essential to building capabilities and addressing some of the most critical gaps.

HR Professional asked The Hackett Group’s global HR advisory leader, Harry Osle, and global people and HR transformation practice leader, Dr. Scott Leuchter, to share what HR organizations can learn from the study’s findings.

ADDRESSING TALENT MANAGEMENT IN HR

Osle says it can be difficult for HR professionals to be introspective about the talent in their own organizations. Ensuring the right people are in the right place with the right insight is an important gap that needs to be overcome. When assessing their current talent inventory, he advises HR leaders to be frank about strengths and weaknesses. One way to be decisive is to separate employees into three categories:

- **A players:** They have the specific skills the organization needs and should be offered compensation, equity plans and other retention strategies that identify, highlight and celebrate them.
- **B players:** They have many of the necessary skills, but their capabilities need to be rounded out with more training and development to get them to the next level. It’s incumbent on



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MANAGEMENT

DATA
ANALYSIS

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Key highlights from The Hackett Group study, *The CHRO Agenda: An Urgent Need to Close Large Gaps in Talent and Technology Capabilities:*

- Many HR organizations remain behind the curve in addressing issues that are central to achieving the most important enterprise goals. These include aligning talent strategies to business needs, dealing with critical talent and skill shortages and implementing organizational change.
- While some crucial development areas are targeted for major improvement in 2017, others – such as finding solutions to critical skills shortages, retention of key staff and strategy execution – will not receive the attention they need.
- Most HR executives recognize the potential of digital technology to transform enterprise and HR roles and operating models, but only a minority think their organization has the strategies and resources required for successful execution.

the HR leader to identify what these employees need and how to influence their growth. These employees need to know they're doing great work and are supported to continue to develop.

- C players: They don't have the necessary skills and capabilities for the role they're in and do not show any promise of developing the needed skills. They should be exited out of their function – and possibly from the organization altogether. It's not enough to have two or three of the required skillsets for a role.

Osle acknowledges that this isn't an easy exercise.

"Identifying A, B and C players and having a specific plan to address the talent management needs of these people is very difficult for most HR organizations," he said. "It's easier for HR to counsel the business than take their own advice."

Leuchter advises HR leaders to dig deep to expose truths about their talent pool.

"HR has a responsibility to the business to ensure the talent they have at an operational level is the talent they need for the future," he said. "They need to look introspectively to be sure they have the best team to drive performance for the organization."

MOVING FROM REACTIVE MODE TO A STRATEGIC APPROACH TO HR

According to Leuchter, the first step to becoming more proactive is to stop thinking about HR as a function that supports a business and to start thinking about it as a business in its own right. The shift in perspective can be a game-changer.

"When you're running a business, you're thinking about competitive advantage, running P&L and so on. You might view your functions and services differently than if you think of yourself as an organization with a budget that you use every year," he said. "When [HR] organizes themselves as a business that provides the right service at the right cost at the right time – like any other business driving a product or service – it will affect how they provide and how you charge for their services."

Leuchter says that it requires a strong CHRO with the courage and leadership to take this approach, but that organizations that have changed the paradigm to view themselves that way often become top performers.

THE ROLE DATA AND ANALYTICS PLAY IN THE PURSUIT OF A WORLD-CLASS HR ORGANIZATION

One of the keys to being a great business partner is to have intelligence at the ready, says Osle. While most HR organizations have data at their fingertips, it's what they do with it that determines whether they can become a top performer.

"Business partners with the right skillsets can take that information and derive insights and be informative to the operation or business group," said Osle. "But if you're a world-class operation, you'll have individuals who can take that insight and make it intelligence by being predictive."

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He cautions that this doesn't happen overnight and that service delivery models need to change to accommodate this paradigm shift.

“You can have the appropriate service delivery model in place with centres of excellence doing planning and an HCM system that drives all the critical data on a consistent basis, but if your employees and managers don't know what to do with that information, you're still not driving performance that the operation needs,” said Osle.

Data can be used to study many things, but Osle and Leuchter advise using it first to address the capabilities gap the study found.

“Do I have the right people I need? Are they productive? What are we doing to better drive the talent proposition?” said Leuchter. “If the HR organization can invest in building their analytic capability in terms of reporting, benchmarking, doing more relational and correlational type of work around talent, that's where they'll see results. World-class organizations have changed the paradigm by using evidence-based practices versus gut feeling-based practices.”

Business operations look to HR to solve the human capital aspect of any business problem – and it starts and ends with talent. HR can stay ahead by forecasting what turnover they're going to have and where, and offer a look at the pipeline of talent that can fill any skill gaps.

“This is where HR can drive predictive and prescriptive solutions to address the human capital aspect of the business,” said Osle.

THE SIX HR SKILLSETS NEEDED NOW IN THE FUTURE

According to Osle, there are key six skillsets that are needed in HR organizations now and in the future:

1. **Data savvy:** Individuals who know how to process data, extract info and turn it into insights.
2. **A strategic mindset:** HR leaders need to have agility, fail early, understand why, pivot and have the courage to go in another direction.
3. **Creativity and innovation:** Top performing organizations bring in individuals who aren't necessarily from HR – they might be innovative individuals who could bring their perspective to the organization.

4. **Agility and change orientation:** The leader and team need to be equally agile, welcome and understand change.
5. **Relationship management:** The best HR individuals have great consulting skills, the ability to listen, be likable, social, approachable, collaborative and positively influence decisions.
6. **Business acumen:** HR leaders need to understand the business, its strengths and risks, the demands surrounding the product or service and a strong sense of what the markets are doing at any given time.

WHAT HR DEPARTMENTS SHOULD FOCUS ON IMPROVING IN 2017

It should come as no surprise that The Hackett Group recommends investing in HR talent management this year.

“Be methodical about how you address the recruiting aspects for your HR organization. You need to build a healthy pipeline of individuals on a continual basis, looking for individuals outside and within the organization and constantly assessing your people to drive the organization to next step,” said Osle. “This is not a one-time thing. Don't do it in November and stop for six months. You should be looking at CVs all the time, finding a spot for high-level individuals and making decisions to exit C players.”

Hiring decisions are hampered by flat or declining budgets, but Osle recommends swapping out individuals on a net-net compensation gain while ensuring you have all the skillsets required.

Leuchter points out that efficiently managing talent could provide the cost-savings that the organization needs. He's also quick to acknowledge that HR organizations wear a heavy mantle, which has only recently been acknowledged by other business areas.

“In the last 15 years, there's been a stronger recognition from CEOs and executives that business is about people and people are our main focus,” he said. “HR is the only business area that has to be its own business as well as be concerned with every single employee in the organization and make sure managers and leaders are doing what they have to do.”

“That is a very heavy responsibility that I don't think other functions could do as well with. Sometimes you have to make calls about where to spend the time and investment. It's not easy.” ■