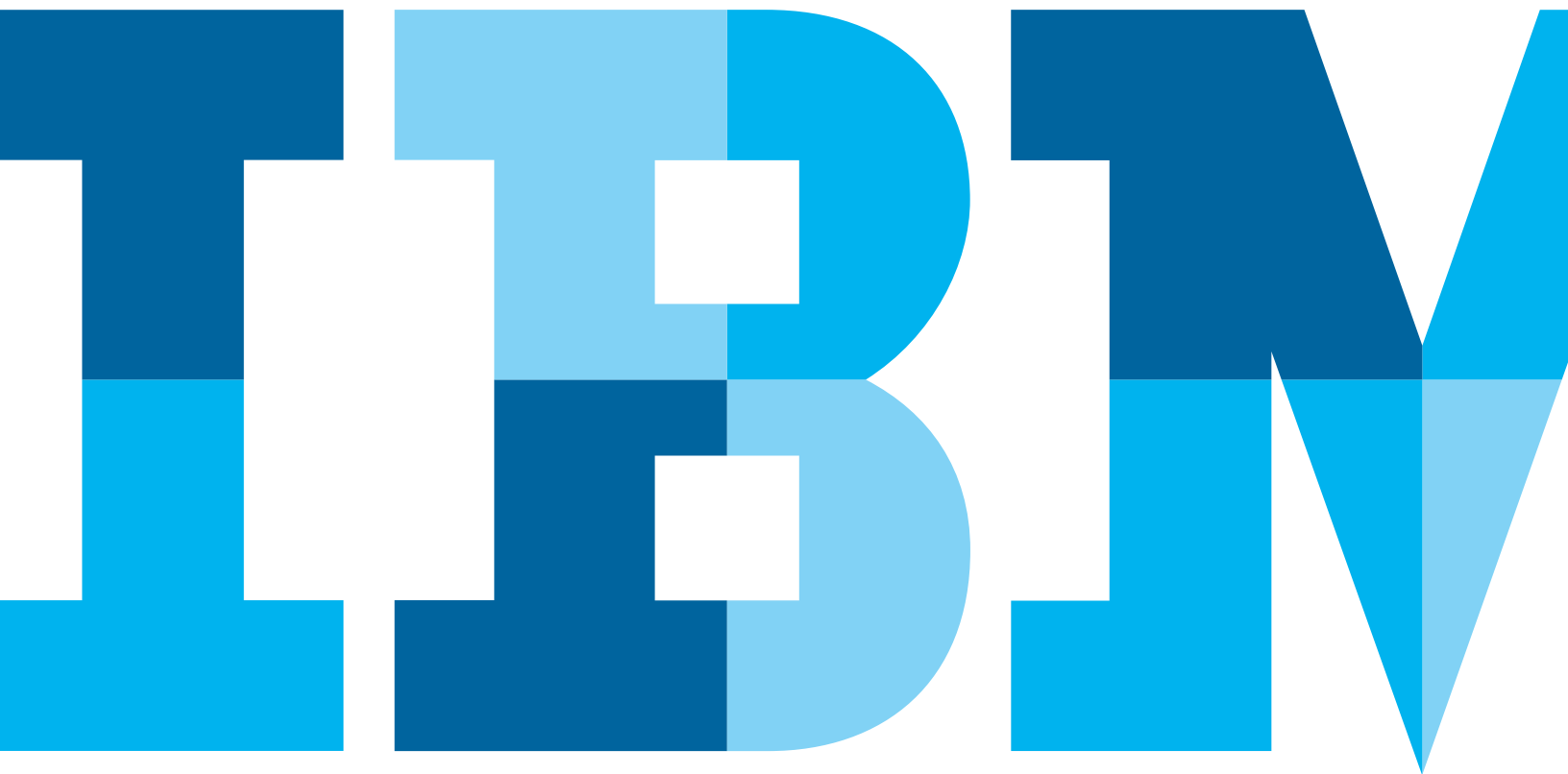


Building a smarter Human Resources function

The data reveal room for improvement



With the rapidly changing world of work and the increasing push for organizations to invest in their human capital, the human resource (HR) function has become an increasingly important facet of today's organization. Today, HR is responsible for a wide range of business-based people initiatives and solutions from managing the compensation and benefits strategy, to creating, improving and overseeing the development processes for the organization's future talent. Unfortunately, HR has often failed to develop real business credibility in areas it is responsible for in organizations.

A recent global survey by Aberdeen Group (Human Capital Management – It's a Brave New World, 2013) revealed that while 55 percent of organizations believe that HR has succeeded in becoming more strategic over the past 12 months, many believe that there is still a long way to go.¹ Perhaps this is unsurprising, as aligning HR and business objectives presents several challenges – especially during a period of continued economic uncertainty and increased competition. HR functions that do make that connection successfully, can only do so with the support of critical business stakeholders throughout the organization, such as the employees. Thus the key to HR success is to focus on how well HR is serving its stakeholders and understand the root of the dissatisfaction they might harbor.

This paper uses three data sources, the WorkTrends™ Survey (refer to About WorkTrends on pg. 10 for more information on this and other WorkTrends mentions in this paper), a bespoke HR diagnostic questionnaire, and a series of a number of IBM assessment processes and tools. These data examine employees' satisfaction with their HR function, as well as the capability that exists across the HR function, and provide greater insight into the reasons behind it. The paper concludes with implications for the HR function and suggestions for improvements.

Challenges facing HR

We interacted with numerous HR functions on a range of transformational programs, which reveal several common challenges for HR. Understanding these challenges is HR's first step in rising above them.

HR is often the bearer of bad news

Some employees just deal with HR under stressful circumstances and forced interventions, such as restructuring, hiring freezes and union disputes. This narrow experience can color their views of HR.

HR is held accountable for intervention effectiveness

HR professionals are expected to know which discretionary HR initiatives and interventions business stakeholders require for improved business performance. HR typically has the power to implement a variety of programs, but if it chooses to introduce the wrong ones, the return on its investment becomes questionable and employees may become less satisfied.

HR must learn to ride the big data analytics wave

More and more, there is a greater emphasis on quantifying HR practices through workforce analytics. As explored in "KPMG – People are the Real Numbers" (2013), HR may also be obtaining data that is seemingly useful, but may not be business critical.² HR needs to be "up-skilled" in data analysis to enable the function to be even more essential to business success.

HR must balance efficiency and effectiveness

HR has focused on becoming more efficient over the past five years, but that does not necessarily mean that it has become more effective. HR has to be able to create value – this requires even better measurement of what it does and a tangible link to business outcomes. Such linkage demands extensive knowledge of business and people based metrics, and an ability to use data analysis methods – skills many HR employees may not have developed because they were not previously part of the critical demands of an HR role.

HR must master new technologies

HR faces challenges around how to properly implement self-service technologies and effectively use social media to carry out HR duties. These are all new demands upon the HR function and have created new demands that require certain knowledge and skills, some of which may not exist, or at least not be a strength, among HR practitioners.

Satisfaction with HR remains low on the totem pole

Using data collected over time with the WorkTrends survey, we measured satisfaction among full-time employees from six of the world's largest economies. The data reveal that employee satisfaction with the HR function has increased substantially (+10 percentage points) from six years ago, though satisfaction in 2011 suffered a relapse to near 2007 levels (*Figure 1*). However, despite this increase over time, in 2012 only 58 percent of employees were satisfied with the service they got from HR, leaving more than two-fifths of employees apathetic or actively disgruntled. What did not change over time: HR has consistently fallen near the bottom of the satisfaction list of the four functions researched (HR, IT, finance and purchasing), and is only slightly better than the lowest rated functional group (purchasing).

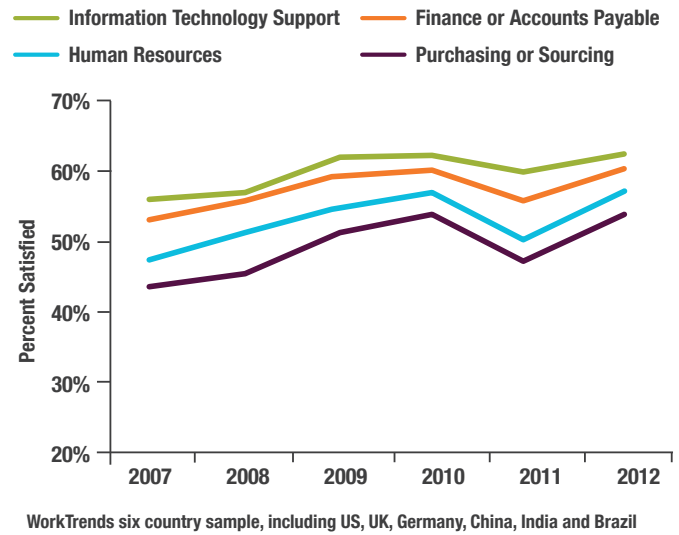


Figure 1: Internal customer satisfaction over time

To explore this finding in more detail, we turned to data from a bespoke HR diagnostic questionnaire, which asked 897 internal key stakeholders (executives, senior and middle managers) from Europe and the Middle East about their perceptions of their HR functions. The questionnaire was developed from both academic and project-based research, as well as insights relating to HR transformation programs that we have been involved in over the past six years.

The bespoke HR diagnostic questionnaire covers seven broad areas:

- The strategic context refers to HR’s development of a strategy to stay focused and organized. It includes being mindful of costs, setting clear goals, modeling the organization’s values and keeping up to date with relevant knowledge such as changes in employment legislation.
- Commercial context involves being aware of the competition and the environment of the organization’s industry, and includes planning strategy according to contextual factors such as the economy and having a productivity focus in regards to employees.
- HR solutions and services refer to the initiatives HR puts in place, such as development programs, talent management, compensation and organizational culture change. This area also includes the evaluation of these interventions in terms of both effectiveness and the bottom line.
- Line manager context refers to the level of support provided to managers by HR with regard to key people processes such as onboarding, selection, coaching, etc..
- HR serving stakeholders asks the managers about the level of service provided to various stakeholder groups such as former employees, executives, applicants, etc..
- The HR capabilities area encompasses a vast array of the knowledge, skills and abilities that line managers may observe from their HR function/partner in their dealings with them.
- HR delivery assesses how well HR delivers on its core tasks such as performance management, employee development, change initiatives and diversity management.

Figure 2 lists these seven HR areas from highest rated to lowest-rated. In general, management is more satisfied with the way HR reaches out to its organizational stakeholders. Their main areas of concern relate to the strategic and commercial context in which HR operates.



Figure 2: Stakeholder views of HR

Beyond ratings of satisfaction, an exploration of feedback collected with the bespoke HR diagnostic questionnaire revealed a more detailed picture of HR’s strengths and weaknesses (Figure 3). For example, we observed high levels of satisfaction regarding the more technical elements of being an HR practitioner (keeping up-to-date with legislative changes, providing value and input to people-based issues, etc.). On the other hand, the more challenging areas of feedback revolve around some core themes, namely:

- Thinking differently about issues; considering more of an external perspective perhaps and providing more long-term and strategic insight.
- Building a more robust commercial case for people programs and initiatives; this would also include assessing the value of previous programs, which would need to be aligned with business success metrics to be relevant.
- Being an advocate for technological based advances/solutions that can increase efficiency in the workplace.
- Underpinning just about everything HR does with business metrics and analytical insights that are linked to commercial challenges.

HR Development Areas	HR Strengths
Evaluating and measuring programs/ actions in commercial terms (ROI/ metrics)	Being a role model for organizational values
Monitoring costs more effectively to meet commercial demands	Being up-to-date legislatively
Understanding competitor strategies and approaches more clearly	Having a productivity-based focus
Integrating external factors into their thinking	Adding value to people-based issues
Understanding new technology advances, outlining commercial benefits	Driving compliance on operational-based people issues
Attracting better talent	
Developing better data analytical capabilities	
Providing more strategic insight into planning process	
Embedding change more effectively into organizations	

Figure 3: Summary of HR shift questionnaire feedback

Is HR receiving a bum rap?

Employees may be dissatisfied with HR because it is getting blamed for interventions it was forced to enact due to the recent economic recession. HR typically has little control or input regarding these forced interventions, which can include things like pay freezes, layoffs and union representation. Using WorkTrends data collected from full-time employees from 28 countries in 2012, we compared employees who are satisfied with HR to those who are dissatisfied. We wanted to get a clearer picture of what a highly rated HR department looks like in contrast to a lower rated department, specifically the frequency of forced interventions.

Despite our expectations, the data actually tell a more nuanced story (Figure 4). As expected, some forced interventions are more prevalent among those who are dissatisfied with HR (i.e., layoffs, outsourcing, pay raise and hiring freezes). These data suggest employees are blaming HR, at least in part, for these interventions over which they may have little control.

	Dissatisfied	Satisfied	Difference
Pay Raise Freezes	34%	26%	+7 points
Layoffs	37%	32%	+5 points
Outsourced Jobs	33%	28%	+5 points
Hiring Freeze	30%	26%	+4 points
Union Representation	42%	44%	-2 points
Acquired by an Organization	12%	15%	-3 points
Acquired an Organization	19%	25%	-6 points

Note: Values are the incidence rates

Figure 4: Incidence of forced interventions by satisfaction with HR

However, the frequency of other forced interventions are virtually the same (i.e., union representation), while others are actually less prevalent among the dissatisfied (i.e., mergers and acquisitions). These data appear to dispel the idea that unions and HR are mortal enemies. Further, the data suggest mergers and acquisitions are special situations. It could be that during these organizational changes, employees come into greater contact with their HR departments, perhaps giving employees more of a chance to watch HR shine.

What is HR doing right?

In addition to explaining what drives dissatisfaction, we sought to explore what can make employees satisfied with HR. In addition to forced interventions, many interventions implemented by HR are under the control of HR practitioners. Discretionary interventions are those that HR professionals choose to, rather than are forced to, implement. Often, these interventions are designed to promote employee wellbeing, cultivate employee engagement and develop human capital to its fullest potential. However, do employees who are satisfied with HR report these interventions more often?

In a word: Yes! Unlike forced interventions, the prevalence of discretionary HR interventions is very different between satisfied and dissatisfied employees (*Figure 5*). Satisfied employees report higher rates (between 13 and 21 percentage points) of discretionary HR interventions, like cross-training employees, developing managers, surveying employee opinions, appraising employee performance and publishing a mission statement.

	Dissatisfied	Satisfied	Difference
Cross-Trained	34%	26%	+7 points
Management Development Program	37%	32%	+5 points
Employee Opinions Surveys	33%	28%	+5 points
Performance Appraised	30%	26%	+4 points
Mission Statement Published	42%	44%	-2 points

Note: Values are the incidence rates

Figure 5: Incidence of discretionary interventions by satisfaction with HR

Taken together, our data suggest that while HR gets blamed for some organizational events that can negatively impact employees, it also gets credit for programs designed to develop and help them.

Does HR have the capability to deliver?

Another potential explanation for dissatisfaction with HR may stem from a skills mismatch. Given the changing priorities for the HR role and the ever-changing demands upon HR practitioners, the capabilities of these employees may simply no longer fit with the job.

Over the past few years, we have undertaken extensive research into the priority demands for the future HR role; “future proofing” what is needed to fulfill the demands made upon tomorrow’s HR practitioners.

Our findings fall into two categories:

- **Capacity:** the innate talents (such as motivations, preferences, work styles, etc.) that a person is born with.
- **Capability:** the acquired behaviors, knowledge and work experiences an individual possesses.

The results indicate that the HR practitioners themselves do not necessarily have a good “fit” with the job.

Capacity

Looking at capacity first, there are six personality characteristics that have been found to be particularly beneficial for an HR practitioner’s performance, independent of job level: extraversion, energy, emotionality, agreeableness, and structure and openness to experience.

By linking trait scores on the IBM® Kenexa® Personality Assessment to exceptional performance in HR roles, we have created a Job Fit profile, to which we can compare an individual’s profile in percentage terms for selection or development purposes. In the past three years, 521 HR practitioners from Europe, the Middle East and the United States were assessed. Based on the personality traits needed to fulfill the critical HR job demands, the HR practitioners were assessed in terms of their percentage fit with the optimal personality profile (*Figure 6*).

Job Fit Range	Level of Fit	# of HR Population in Range	Percentage of HR Population
90% Fit or More	Excellent Fit	125	14.2%
85% to 89%	Good Fit	159	18.0%
80% to 84%	Adequate Fit	169	19.2%
79% to 75%	Development	106	12.0%
Less than 74%	Significant Development	323	36.6%

Figure 6: HR practitioner fit with optimal personality profile

Fit with the HR role focuses on social confidence, assertiveness, self-confidence, energy and drive, collaborative team work, personal organization, problem solving, and being a change agent. The bottom line is that from a traits perspective, a third of the population are a good fit for the demands of the role with 31.2 percent regarded as an adequate fit. Of more concern, however, is the finding that 36.6 percent required significant development focus to be able to fully operate in the HR role. This does not of course mean that they were or are unable to perform in the role, but it would mean that a significant level of coping mechanisms would be required. Furthermore, development of individuals' work styles is both hard to achieve and inevitably takes time. As we know, employees who poorly fit with their job tend to be less satisfied with it, and their supervisor and co-workers; less committed to the organization; and more likely to leave (Kristof-Brown, Zimmerman, Johnson, & Tippie, 2005). Such outcomes may also harm job performance – so having a good person-job fit appears to be in the organization's best interest.

Since personal traits can be difficult, if not impossible to change, the focus should be on selection in HR departments, rather than training employees to adopt specific traits. When selecting employees for their own departments, incorporating personality assessments into selection batteries can help identify the HR employees who possess the personality characteristics most relevant to the job. It is worth noting that personality is not the only characteristic employees bring to their jobs; other key predictors of good fit, such as knowledge, skills and abilities should be considered as well.

Capability

Looking at capability, similar themes emerge, albeit the issue of commerciality raises its head in terms of priority capability issues. Over the past seven years, extensive work has been undertaken to look at current and future behavioral and technical demands. Our research has identified seven key demands:

- Commercial insight: being able to bring business insight into HR issues.
- Breakthrough thinking: being able to make sense of problems and opportunities, and provide different ways of looking at challenges before making a decision.
- Impact with credibility: being able to persuasively communicate and gain support and “buy in” for ideas.
- Facilitating relationships: being able to facilitate participation and ongoing relationships in teams and across organizational boundaries to achieve shared business goals.
- Collaborative leadership: being able to promote and reinforce a clear belief in one's own and others' capability to succeed for the benefit of the organization.
- Delivering value: being able to continuously drive forward significant improvements and changes in business results.
- Technical capability: having skills around HR commercial awareness, HRD knowledge and techniques, and HR consulting.

Once again, we are able to examine data to understand whether HR practitioners possess these key behavioral capabilities. To that end, we assessed 589 HR practitioners via assessment/development centers, interviews and/or 360-degree processes against these criteria and the key behaviors that drive success in each of them. Again, the individuals were assessed in relation to their job level and demand. *Figure 7* shows the level of fit that was behaviorally and technically demonstrated.

Key Behavioral HR Capabilities	Percent Fit with Job Level
Commercial Insight	39%
Breakthrough Thinking	62%
Impact With Credibility	43%
Facilitating Relationships	78%
Collaborative Leadership	29%
Delivering Value	35%
HR Commercial Awareness	45%
HRD Knowledge and Techniques	61%
HR Consulting	65%

Figure 7: HR capabilities fit with job level

The results reflect a lack of overall behavioral capability to operate and optimize the opportunities to add value, which HR needs to capitalize upon. A realistic expectation would be a 70 percent fit when assessing capability against job levels they are required to perform. Having discussed these results with many HR practitioners, some interesting reflections have emerged:

- Facilitating Relationships reflects the strong collaborative and teamwork-based approach across the various HR functions. The key question asked by many, though, is whether HR is capitalizing upon this area of strength to create greater influence and provide some leadership to their internal clients.

- Breakthrough Thinking reflects the move to more data-based analysis and insight. It has been acknowledged by many HR functions that better use of business-based, not just HR, metrics can help to make use of this capability more effectively.
- Impact with Credibility and Collaborative Leadership are generally the most challenging capabilities given the partnership focus of HR. HR practitioners are thought leaders in their discipline and should portray confidence in their ability to fulfill this brief (they have solid HR specific knowledge upon which to do this). From feedback, it would appear that if HR can focus on providing more of a commercial perspective, rather than focusing on “HR speak,” they have a real opportunity to start increasing the perceived value they can bring to organizations.

These results help to highlight some terrific learning opportunities for HR employees. Some people in HR already excel in these areas, but targeted learning and development interventions around gaining more competitive commercial insight, for example, can lead to better HR performance. This of course raises the issue of whether HR practitioners should have a “zigzag” career path that embraces both HR and a business discipline – but that is another discussion altogether. The traditional HR practitioner who learns his/her professional capabilities and qualifications over many years may be a thing of the past. The commerciality of the HR function is deemed critical says the feedback obtained from business leaders and crucial to developing the credibility that HR seeks; the route to that development may well be moving from business related roles to HR and back again. Certainly, a number of clients seem to be adopting that route already.

Conclusions and practical implications

Using data from three large samples, we looked at how HR stacks up, in terms of how satisfied employees are with HR, how well HR practitioners' personal characteristics fit with their job, and whether these employees have the capabilities necessary to succeed in their role and in the organization at large. Across all three samples, the data reveal there is room for improvement.

Regarding employee satisfaction with HR, while satisfaction has improved compared to six years ago, currently more than two-fifths of employees are apathetic or actively disgruntled with HR. This could be because HR is getting blamed for certain forced interventions, such as layoffs, outsourcing and freezes. However, HR is also getting credit for discretionary HR initiatives aimed at promoting employee wellbeing, such as cross-training and surveys. Perhaps HR practitioners can use these discretionary programs to counter employee ill will during times of organizational change.

Regarding person-job fit, while many HR practitioners have the personality and skills for their job, several common development opportunities stood out in the data. Although some HR practitioners may feel uneasy about using intelligence and personality tests in selection, research shows that using both leads to hiring even better employees (Rynes, Colbert, & Brown, 2002). In particular, the use of intelligence tests, including HR-specific knowledge tests and personality assessments (including the six key traits identified in this paper, helps ensure better job fit among new HR employees. It is not enough for individual HR employees to demonstrate optimal job fit – an entire HR department with the proper knowledge and skills can be much more effective (Ulrich, 2012). HR practitioners should act as a cohesive and highly skilled team to optimize the quality of delivery.

In addition to focusing on the areas specified by employees, HR practitioners should also make sure they fulfill what senior leadership expects of them. During the past couple of years, IBM has researched 10 key factors business leaders want from their HR departments. HR practitioners should consider the following:

- Know the business; be a credible business leader.
- Know the financials really well; link people initiatives to the balance sheet.
- Know their HR stuff; use research and interpret data, bring their expertise to the table, and build the commercial business case.
- Know the people; build capability through frameworks, tools and coaching; be an enabler.
- Know how to be a key influencer of change.
- Know when to challenge the business and stop trying to please others.
- Know how to show the value HR can bring to an organization and drive performance.
- Know how to balance between strategic and operational needs – resist being too immersed in process.
- Know the external customer and make fact-based decisions.
- Have a view on each of the business issues, not just the HR/people-based issues.

Many of these factors overlap with what employees want from HR, as well as the key capabilities and traits identified for optimal performance in HR, providing convergence toward a core set of factors on which HR can focus. As the nucleus of the workforce, and major drivers of organizational change (Ulrich, 2012), it is important for HR to stay current with the times and address the primary needs of its stakeholders. Armed with the knowledge of exactly what internal stakeholders expect of them (provided through the research in this paper) HR practitioners can forge ahead, better serving their primary clients and helping improve the overall effectiveness of their organizations.

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About WorkTrends

Kenexa WorkTrends Survey, 2012. In its current form, WorkTrends is a multi-topic survey completed online by a sample of employees representative of a country's working population in terms of industry mix, job type, gender, age and other key organizational and demographic variables. In most countries, survey takers must be adults who work full-time for an organization of 100 employees or more; this threshold drops to 25 employees or more in countries with smaller economies or hard-to-reach populations. The survey has over 200 items that cover a wide range of workplace issues, including senior leader and direct manager effectiveness, recognition, growth and development, employee engagement, customer orientation, quality emphasis, innovation, corporate social responsibility, workplace safety, work stress and performance confidence. In 2012, over 33,000 employees were surveyed, representing 28 countries.

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