

# The Advisory Alliance

**60-Second E-mail™ – August 29, 2005**

***HR at the Crossroads; HR in the Crosshairs***

"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity..." When Dickens wrote this in the 1850s he was referring to the period just prior to the French Revolution, specifically 1775. However in view of recent articles and coverage concerning business and human resources, you would speculate that Dickens had 150 years of foresight. At present, there is a very lively and public debate concerning the role HR should/does/will play in corporate America. One of the most, if not the most, notable contributors to this debate has been the magazine Fast Company, whose current monthly issue features the cover article "Why We Hate HR". Author Keith Hammonds leads with the following comment: "In a knowledge economy, companies with the best talent win. And finding, nurturing, and developing that talent should be one of the most important tasks in a corporation. So why does human resources do such a bad job -- and how can we fix it?"

In her reply letter to Fast Company, Susan R. Meisinger, President & CEO of the Society for Human Resource Management (SHRM is the world's largest association devoted to human resource management, representing more than 200,000 individual members), notes that "Mr. Hammonds makes some good points about how HR can improve, and many of his assertions echo key messages the profession has focused on for years. But it was difficult to get past the imagery, glaring headline, tone and sweeping generalizations." She underscores there are companies (Jet Blue, American Express, Home Depot, Southwest Airlines) where HR is contributing at the senior-most levels, and she also recognizes that "[a]dmittedly, there are some who still have a long way to go. But HR is making progress, and among the profession's greatest strengths is that it has a clear vision of where it needs to be....It's time we brush off those old HR stereotypes and take a fresh look at the profession, one that is part of the business and responsible for the organization's largest, and most important investment."

HR is definitely at a crossroads. And if the Fast Company debate is any indication, it certainly is in the crosshairs.

This should be an incredibly exciting time for HR. At no other time in our economy has there been a greater emphasis on the individual employee as the key variable to a company's success. Although some companies are going kicking and screaming, many are recognizing that there's more to the mantra "People are our most important asset" than just repeating it robotically. According to a recently released Accenture study of 425 senior executives of leading corporations in North America, Europe and Asia, the two leading concerns for 2005 are: Attracting and retaining skilled staff (35% of respondents); and changing organizational culture and employee attitudes (33%). With issues such as these in play, HR is now, more than ever, critical to a company's success.

SHRM's Meisinger should be acknowledged for the courage and candor to admit that for many (but not all) organizations, HR is not the strategic player it needs to be. Others in HR are saying it as well. A McKinsey study of HR directors at 20 global corporations based in the UK found that more than a third believe the HR function is not "well positioned" to achieve the goals of the firm's management agenda.

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In several cases this was due to a perceived lack of business savvy. As one executive noted, "We know we're not aligned. We've changed the business strategy significantly two times in the past five years, but our HR strategy is exactly the same." A SHRM study of 200 executives in the UK (1/2 of whom were HR executives) found that only 12% felt that HR had material significance within their organization. The head of the consulting firm that led the study summarized: "HR clearly needs to develop and market a more relevant value proposition to the business, which may require a major overhaul in many organizations." This view is also consistent with that found within many HR professionals as well. In a global study of over 4,300 HR practitioners in 23 countries released earlier this year, SHRM noted that fewer than 1 in 10 HR professionals firmly believed that others viewed them or HR positively. Only 5% strongly agreed that HR professionals are viewed positively in their organization. Only 7% strongly agreed that HR professionals are being considered as true business partners by senior leadership. And only 9% strongly agreed that non-HR executives recognize them as having "specific knowledge and skills that add to the value of the organization."

So given the above, can Hammonds and others like him remain confident and a bit smug in their indictment of HR? Not quite. Ask HR professionals about the challenges in developing human capital and human potential, and they'll tell you about the impact of financial myopia, the impact of companies' pursuing short-term financial goals at the expense of long-term talent strategy. Companies may say they want a strategic partner in HR, but many really prefer an expedient companion. For those that survived the waves of downsizing, rightsizing, rationalization, re-engineering, etc. of the 90s and 00s, it's hard to now have the warm and fuzzies for HR, and you'll find those sentiments within HR personnel as well.

Wanting or even demanding HR to be a strategic partner may be needed, but it's also a bit misguided. It's misguided because it's incredibly lopsided and too narrowly focused: the focus is entirely on HR and on HR's need to approach senior leadership and the line for their confirmation that HR is finally "strategic". Notwithstanding the shortcomings that may be manifest in some HR departments today, what is needed instead is a strategic partnership among a company's senior leadership, the line, and the HR function. Working together, not in isolation, they must answer how they will simultaneously achieve both long-term and short-term corporate objectives; how they will satisfy both their Wall Street analysts and their next generation of high potentials; how they will maximize both financial and human capital; and how they will establish, once and for all, the fundamental connection between the potential performance of their business and the latent talent of their people. For many companies it will be answering the basic question: Do we have the needed talent to execute our business strategy?

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Until next month, best regards,

*David*

David Harper  
Member and Directing Manager

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