

# BUSINESS SERVICES

EDITED BY {ANDREW HEATHCOTE}

## Man versus machine

Companies should examine the function of their human resources department in the business and learn how to use it more effectively. By **Bruce Andrews**

**H**UMAN RESOURCES DIVISIONS DO NOT bring in new work, advise clients or provide them with services. They do nothing that directly earns revenue for a business. And senior human resources specialists are not cheap – they can command annual salaries in excess of \$150,000.

Do HR specialists provide value for money? Holloway Consulting director Mandy Holloway believes this is a question all businesses should ask. In many cases, the answer will be no.

Many businesses have sufficient skills in their management teams for them to do without HR specialists, Holloway says, and the talents of HR practitioners are frequently misdirected. Many are forced to spend time convincing recalcitrant managers to participate in HR activities, such as completing performance appraisals and allowing staff to attend training programs.

"Human resources people could be used at much more strategic levels," Holloway, a business consultant and former partner of the accounting firms KPMG and PKF, says. "They would have a lot more time to do that if they were not running around like policemen trying to get people to do the right thing."

Holloway believes many businesses would be better off investing in software systems to handle tasks such as tracking staff performance and managing salary payments and leave forms. Managers could then take more responsibility for coaching, managing performance and maintaining staff records.

The chief executive of outdoor advertising company Adshel, Steve McCarthy, told a conference recently he does not have a HR division for 103 employees, preferring to work directly with managers when he was making internal changes in 2005-06.

Many small companies (fewer than 100 employees) don't need a HR division, the managing director of consultancy Our HR Company, Margaret Harrison, says. If one is in place, it should be involved in talks on how to advance the business and develop an appropriate culture. Senior HR practitioners should be responsible for suggesting which areas are under-productive or under-staffed and how to solve those problems. They should also have access to the financial data and forward projections. "If they cannot talk numbers, then get rid of them," she says.

The national president of the Australian Human Resources Institute, Peter Wilson, accepts that many companies could get more value from their HR professionals. He agrees with Holloway and Harrison that for a HR division to be effective, the HR staff must "have the ear" of the senior executive.

To participate in strategic talks, HR specialists need advanced training and experience. Harrison says undergraduate study in HR is usually not enough for them to offer strategic advice; they

need practical experience in the business. "Some of the best practitioners started off in HR, then got an operational role, then moved back into HR at a more senior level," she says.

In privately owned businesses and professional service firms, the value of HR divisions will be restricted if the owners choose to operate as personal fiefdoms rather than allow HR practitioners to "do what they do best". Wilson says fiefdoms within professional service firms are gradually being eroded because clients are calling for firms to cross-sell services to them, which is forcing partners to foster greater teamwork. "A lot of companies are putting pressure on [accounting] firms to provide risk-based solutions, advice on tax, advice on business strategy, a whole host of things," he says. "The better firms are those where the partners do and know they have to work closely together [with their colleagues] to meet the multiple needs of the client.

"The classic model, and it is still there in some firms, is a group of individuals who have their own accounts. They work alone, they do not have much to do with their colleagues and they are very individualistic, in which case they are not particularly interested in HR building their teamwork because they do their billings and check that against their peers. They do work for the clients they know, so teamwork is not required."

In large businesses, the trend is for HR divisions to be split into two. One part handles the administrative roles, such as maintaining performance management and payroll systems, and organising recruitment and induction programs. The other offers strategic advice and policies to partners or executives.

In July 2005, KPMG launched its people, performance and culture unit, which was hived off from its HR division. It consists of four people, led by senior audit partner Peter Nash, who reports to KPMG's chief executive, Lindsay Maxsted. About 60 of the firm's 321 partners are closely aligned to the unit and are responsible for delivering its messages to "community groups" of between 10 and 15 staff members each. "What that structure enabled us to do was to take communications from the highest levels of the firm down to the people who really needed to hear, so it did not get lost in emails or other communications from HR out into the field," Nash says. The programs devised by the unit contributed to KPMG reducing its staff turnover rate during the past 12 months from 19 per cent to 15 per cent.

New policies introduced by KPMG's people, performance and culture unit include allowing staff members to purchase additional leave and the introduction of a KPMG card that entitles staff to purchase items at discount prices in many stores. It has also made available more maternity and paternity leave to

**For a HR division to be effective, its staff must 'have the ear' of the senior executive**

## BUSINESS SERVICES

staff, and introduced directories to help them access child care. Nash says splitting the HR division into two has produced a big improvement for the firm and its HR employees. The experience brought to KPMG's operations by the people, performance and culture unit has been critical.

"What the HR folk need is someone who can bring the business perspective to the table and say, 'This is a great policy and framework, let's work out how it can have the most impact on our people out in the field,'" Nash says. "When you come up through the HR strand, you have not necessarily had that experience out in the field or the close contact with our teams [working] out at our clients' [premises] ... I think what the HR folk would say is it has given them a tremendous implementation and execution strategy, which they struggled with before.

"They would have the great ideas but there was always the difficult task of convincing the business and then getting that message out there [in the firm]."

One of the primary roles of HR specialists should be to coach managers on improving staff performance, Harrison says. "For example, when someone is continually late and the manager does not know how to have that discussion, HR should be there to help with that and to tell the manager how to do it."

However, it is important that the manager does not pass the responsibility for conducting this discussion to the HR specialist, she says. "The person would have no respect or regard for that manager. [As a result], their performance will falter."

Harrison says HR specialists ought to be able to design training and development programs that build staff members' skills in leadership, servicing clients and other so-called "soft skills". These programs help to retain staff and make the firm attractive to potential employees.

This role is critical in industries where there is a skills shortage, such as accounting and engineering, she says.

The cost of replacing employees, which includes training and mentoring their replacements, is estimated to be about 1.5 times a leaving employee's annual salary, according to a recent report in the journal of the Society for Human Resource Management in the United States. ●

Mandy Holloway:  
'Human resources  
people could be  
used at much more  
strategic levels'

PAUL JONES

