sustainable organisation performance

cipd

Research report – phase 1
March 2012

Business savvy: giving HR the edge

building HR capability

sustainable organisation performance

Contents

Acknowledgements

Introduction and context

The CIPD's Next Generation HR research (2010) identified the need for the profession to be insight-driven, moving away from the service delivery and process focus with which HR is typically identified. That report outlines the point of intersection of three savvies – business, context and organisational – as critical for an insight-led profession.

Definitions of these three savvies are given in Box 1 below.

> ## Box 1: The savvies defined (CIPD Next Generation HR (2010))
>
> **Business savvy:** this is more than simply being financially literate and having a broad appreciation of how the business works, or what it does. This requires HR to have a deep understanding of the core value drivers and a deep appreciation of what makes the business successful or not. HR is acting as an applied business discipline.
>
> **Context savvy:** this requires not only an understanding of both market trends and forces that are affecting the business now and in the future, but also an understanding of how the broader macroeconomic and societal factors are affecting the organisation now and in the future.
>
> **Organisational savvy:** a rich appreciation of the interplay of 'hard' and 'soft' factors enables or derails business success. The impact of people, culture and leadership allied to a deep understanding of change dynamics is vital. This then needs to be applied to the organisation in question, and the people who are facing particular business challenges.

Ulrich et al (2009), Roebuck (2011), Sparrow (quoted in Wood 2011) and many other writers have also pointed to the need for HR practitioners to develop a deep awareness of business as a way of driving HR effectiveness. At the same time, other evidence suggests that there is some mismatch between what practitioners say they do and what others perceive them to do. Various surveys (eg Mercer 2011, Boston Consulting/EAPM 2011) point to HR being focused primarily on service delivery. Such a focus on service delivery and transactions undoubtedly detracts from the time HR can devote to generating insights and applying them towards relevant, situational practice, as set out in the Next Generation HR research.

However, evidence from our *HR Outlook* survey (CIPD 2011a) suggests that HR professionals are largely aware of the need to develop this 'business savvy' capability (see Figure 1).

Figure 1: Understanding of the need for business savvy (%)

HR needs to build its ability to understand the business issues in my organisation
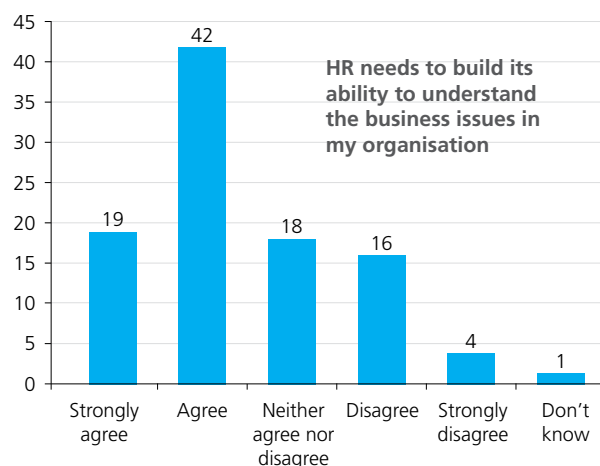
About three-fifths of HR practitioners surveyed (1,543 practitioners) agree/strongly agree with the need for HR people to 'build its ability to understand the business issues in my organisation'. Around a third are either indifferent or disagree.

The view of practitioners in Xerox, the world's leading enterprise for business process and document management, illustrates how they are also engaging with these key business issues:

> *'If you can prove effective HR is also business savvy you get value when you are invited to the business decision-making meetings because they believe you are going to add value to the business. They need to believe the value of HR.'* Xerox focus group

Similarly business savvy is critical in the public sector as Dean Royles, formerly Director of Workforce and Education at NHS North West and now Director of NHS Employers, explains in the context of change:

> *'You can't close the A&E department to allow for staff re-training or introducing new kit. Leaders in the public sector who introduce change have stories they can share with the best in the private sector about how change takes place without missing a beat in a 24/7 service.'*

All of this seems to point to a growing awareness amongst both researchers and practitioners of the need for business savvy, but despite this, in practice, HR still often comes up short in demonstrating this savvy.

In light of this we felt it was timely to undertake research to deepen our understanding of business savvy. This report outlines the results of the first phase of that work. In section 2 we set out our research approach. Section 3 describes what we found during this first phase and finally in the conclusion we discuss what is next for this research.

1 What we did: our research approach

In this first phase we wanted to get into a conversation with practitioners about what they think business savvy is, informed by a deep understanding of existing practice and literature in the area.

Our research approach

We undertook this research between May and November 2011. The research comprised the following elements.

Career stories

We conducted 20-plus semi-structured interviews with practitioners in order to discuss how they had developed and used the business awareness and 'smarts' which we identify with business savvy. We covered a range of issues from what influenced them to specific actions and practices they undertook.

Focus groups

We spoke to 100 practitioners in eight focus groups within a variety of organisations from the public, private and not-for-profit sectors to examine how these business-savvy aspects of HR capability are used and developed.

Transformational interviews

We conducted six interviews with HR leaders who have transformed their organisations through the use of high-value practice including business-savvy HR and who are themselves recognised and highly regarded for their business savvy.

External views of HR

We conducted some broad research with non-HR informants to look at the extent to which they believe HR pursues business agendas in practice.

Practitioner engagement

We periodically tested our emerging insights with HR audiences at branches and tested the broad concepts with international audiences in the GCC (Gulf Cooperation Council) countries of Bahrain and Saudi Arabia to sense the extent to which our emerging concepts and research agenda are relevant for those audiences.

Survey data

We underpinned this with data from our *HR Outlook* survey (autumn 2011) to look at the extent to which HR professionals are focused on the need to link HR to the business and the extent to which they see HR as a business discipline.

From this research, we have developed four foundations which we believe underpin business savvy. We discuss these in the next section.

2 What we found: the four foundations of business savvy

Our initial research identifies four key dimensions or indicators. These are repeated and consistent approaches and behaviours, which will help to build business savvy in both individual practitioners and HR teams. We call these the four foundations.

The four foundations of business savvy

The four foundations of business savvy give us an overview of what comprises business savvy. They are outlined below and will be discussed in detail with supporting evidence from our research. Each is accompanied by:

- **Insights**, which are effectively how the foundation is positioned in two or three key points. Insight-generation is, at root, problem-solving, seeing something differently or reformulating a problem/solution in a way which drives action.

- **Indicators**, to demonstrate what a business-savvy practitioner would be doing as they 'live' these actions.

- **Inspiration**, to help put into practice aspects of business savvy. We offer development ideas and activities which can help build business savvy.

Figure 2: The four foundations of business savvy

Understanding the business model at depth	**Generating insight and impact through evidence and data**
Connecting and collaborating with curiosity, purpose and impact	**Leading with integrity, consideration and challenge**

Foundation 1: understanding the business model at depth

Perhaps it is self-evident that it is important to understand the business model in our organisations to be business savvy. We think it is fundamental. If we understand and engage with the business model at depth we can work with the business and our solutions will be informed by, and attuned to, the business realities. For public sector and not-for-profit organisations the business model is better thought of as the service delivery model. At the root of all business models is the role of stakeholder value, however it is defined. Immersion in the business/service delivery realities of the organisation is what makes us effective practitioners: David Smith, former HR Director of Asda and a noted HR leader, explains his approach.

'Business savvy for me means knowing stuff that works and understanding what makes business tick. Really effective people that I have come across in HR can do both those things. You have to have a holistic view of business in terms of knowing what the business levers are and how the business model works, where the business is going, how the strategy fits in with execution and the things that make it happen. These are important for any discipline whether you are an operations person, a finance person or an HR person. The belief that you rely on your own expertise is nonsense, you have to have a holistic view of business. It starts with experience – you acquire an understanding of how things work over time.' David Smith, former HR Director, Asda

- We know from our *HR Outlook* survey research that most HR practitioners understand this need but putting it into practice can be tricky. How do we systematically ensure that what we are doing fits with the organisational need?

- How do we know that what we are doing today, for example the strategies, policies and interventions we are pursuing, fit what the business needs now?

- How do we also know that they fit with possible future needs?

Many of us have seen a fundamental shift in business over our careers, with whole new business models coming on the scene, superceding and sometimes supplementing older ones.
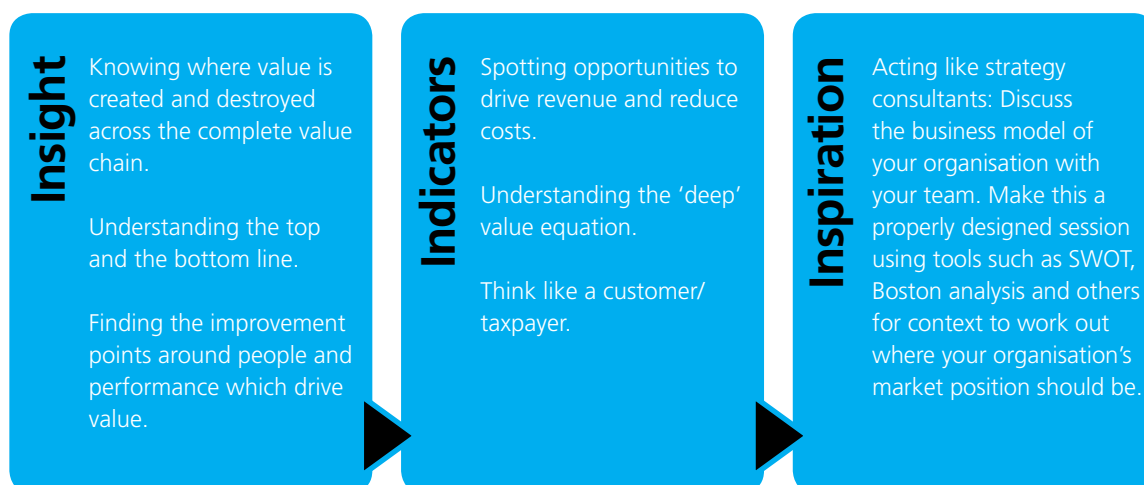
It's tempting to think that these are just business cycle issues, but what is occurring is deep, disruptive change. People and performance issues become more important in such times and this people imperative is shaping a more strategic response to the people agenda.

This is also the case in the public sector and the third sector, where approaches have changed markedly over the years driven by a changing external environment. One challenge for effective people and performance management is the array of targets and deliverables and the constant oversight of management by the political process. A recent CIPD report explains: '*The heavy emphasis on centralised targets and audits disempowers and demotivates both front-line managers and employees. It has led to a public sector that is too often numerically overmanaged (too many managers and too much reliance on numbers) but qualitatively undermanaged (poorly trained managers and insufficient focus on the quality of delivery).*' (CIPD 2010)

To understand the business model at depth, we therefore need to think about how the business develops and changes according to the external and internal environment, and the demands of stakeholders such as customers, employees and suppliers.

Figure 3: Understanding the business model at depth

Insight
Knowing where value is created and destroyed across the complete value chain.

Understanding the top and the bottom line.

Finding the improvement points around people and performance which drive value.

Indicators
Spotting opportunities to drive revenue and reduce costs.

Understanding the 'deep' value equation.

Think like a customer/taxpayer.

Inspiration
Acting like strategy consultants: Discuss the business model of your organisation with your team. Make this a properly designed session using tools such as SWOT, Boston analysis and others for context to work out where your organisation's market position should be.

Insights

Knowing where value is created and destroyed across the complete value chain.

All organisations, whether public, private or third sector, create and destroy value. A key aspect of business savvy is to know how that happens and how to 'optimise' our HR strategy and delivery accordingly. The key to value-creation is a business model or market proposition which allows an organisation to enter a market and to sell/provide/co-ordinate around a product or service.

Box 2: Value-creation and destruction

Value is a very broad concept with implications for different forms of capital: social, financial, intellectual, and so on. The key issue here is to focus on drivers of business value given our context in addressing business savvy.[1] The creation of value is really about ensuring that your business brings in enough to invest in keeping the business going. But it is also important to understand what destroys value. Pricing below cost to win market share, flooding the market with discounted product, failing to ensure that the cost of things such as distribution and delivery are properly allocated amongst shareholders can all destroy value. According to Dean Royles:
'value can be destroyed in the NHS by not utilising resource effectively towards better patient outcomes, or having patients return because of ineffective or inappropriate treatment.'

Understanding the top and bottom line

The **top line** is generally where a business drives revenues and the **bottom line** is generally where it incurs and contains costs. In company account terms, it is about how we move up and down the revenue cost equation. The revenue generated may not be profitable and may not be creating sustainable value. If we think about HR interventions, for example, a top-line focus might be about how your company expands sales by employing more customer service front desk. According to an HR director in the retail sector, *'it's about knowing how the retail operation supply chain works and where it "touches the customer" and what can add to and detract from value'*.

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[1] CIPD's Human Capital Reporting Research gives a wider, more nuanced view of this debate over organisational and business value (CIPD 2010).

The challenge will be to ensure that the costs of hire and deployment are offset against additional revenue. Other organisations want to contain costs, in which case the focus will be on productivity, so our focus in HR could be on adding capability without additional cost by managing productivity. To surface possible insight we may need to consider how the people plan can help tap additional revenues in one scenario and contain costs in another.

Finding the improvement points around people which drive value

Our role as HR professionals is broadly to deliver sustainable organisation performance. We do this largely through managing people and performance. At a strategic level, this means finding the 'improvement points', where managing and delivering this capability better could enhance organisational performance. Understanding these people improvement points is crucial in telecoms.

> *'For us it's average revenue per user – what's the amount of time and money someone spends on Vodafone? It's understanding people cost, network infrastructure, understanding the financial scorecard. At the end of the day it's key to the people agenda. How do you do more with less?'*
> HR manager, telecoms

'Finding the improvement point' is a good way to think about how we contribute to the creation of value and to the top and bottom line.

Indicators

As well as insights for understanding the business model, let's also look at examples from our research which show where this is happening. Those 'living' this aspect of business savvy will be:

- spotting opportunities to drive revenue and reduce costs, often both at the same time and often related to the cycle of the business or to the seasonal fluctuations in demand and supply

- understanding the deep value-creation/destruction equation, that is, getting behind the wiring and understanding how the different value drivers and destroyers are influencing both the top and bottom line

- thinking from a customer/taxpayer/benefactor perspective in terms of how the product is delivered and experienced, being mindful that customers drive revenue. They would be thinking of how value is created for shareholders and other stakeholders such as employees and suppliers. In a public sector or not-for-profit environment, they would also be thinking of the customer, but also the resource provider such as the taxpayer and donor.

Figure 4: Practitioner insight: understanding the business model at depth

Understanding the business model at depth

'So it's about making sure you get embedded right from the word go into everything they're trying to do and making sure that not only are you helping them with the HR stance but you're helping them drive forward from a business sense.'
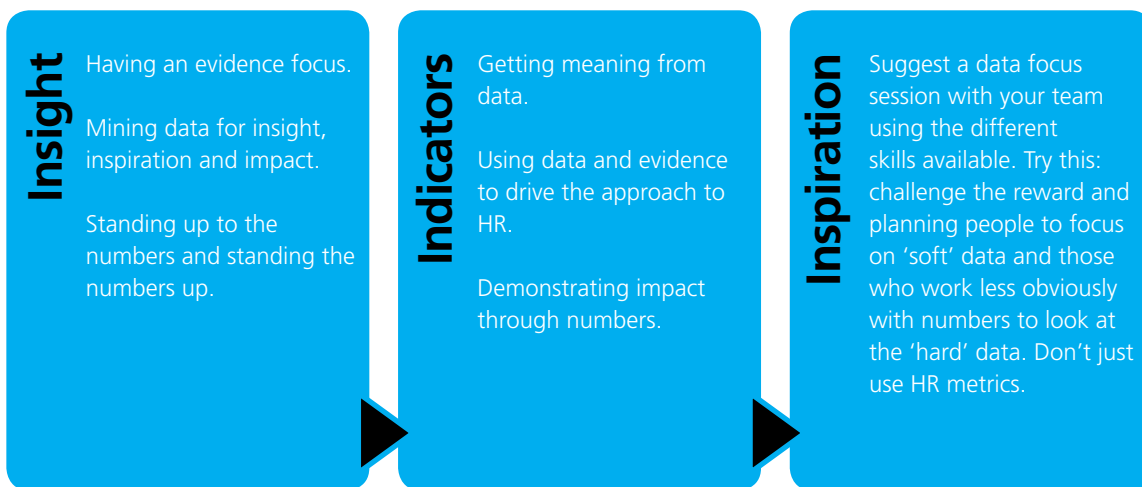
People In Aid focus group

Understanding the business model is a critical first foundation of business savvy. We now look at the second foundation: working with data and generating insights from it.

Foundation 2: Generating insight through evidence and data

Our impact as HR professionals is governed by how we use data. Data is not just numbers, it is information of all kinds. Corridor conversations questioning the fairness or otherwise of an incentive scheme are data, as are the detailed spreadsheets calculating the factors in that scheme. Put the two together sytematically and we can look for patterns. Investigate these patterns and link them and we get insight. Use this consistently to make decisons and put forward solutions and we have evidence. This evidence-based approach is crucial and understanding data of all kinds helps us to generate it. So what are the insights around generating insight through data? These are outlined in Figure 5.

Figure 5: Foundation 2: generating insight through data and evidence

Insight	**Indicators**	**Inspiration**
Having an evidence focus. Mining data for insight, inspiration and impact. Standing up to the numbers and standing the numbers up.	Getting meaning from data. Using data and evidence to drive the approach to HR. Demonstrating impact through numbers.	Suggest a data focus session with your team using the different skills available. Try this: challenge the reward and planning people to focus on 'soft' data and those who work less obviously with numbers to look at the 'hard' data. Don't just use HR metrics.

Insights

Having an evidence focus

When we make interventions we should use data to investigate the issue and build an evidence base for our approach. The data should be wide and varied, consist of detailed numbers and richer stories, intuition and experience. We should use as much data as we think can usefully help us to adress the issue. But we shouldn't get lost in the fog of data. We should be able to use data to inform decisions and drive our evidence base.

Mining data for insight, inspiration and impact

Mining data means exploring new ideas and connecting old ones into new insights and scenarios. It means looking for inspiration to push thinking forward, and it means looking at impact to make a positive and continous improvement in our practice and a contribution to the business. If we know, for example, that sales staff sell more on Fridays and less on Mondays, how can we use this data impactfully? If engagement surveys show that employees in the car pool maintenance unit or the toxicology lab are happy with their managers but not engaged, what extra piece of data do we need to understand why and what difference will it make? Xerox offers a good example of using data in this way.

'I think of myself as a business person first with an HR discipline. I don't see myself as an HR director but as a business leader. In the past, I've moved back into the line out of HR about every four or five years – into line management, sales force, property portfolio or real profit-and-loss responsibility. But 70–80% of my time's been in HR. There's something about exposing yourself to different disciplines in the organisation. You need to understand the profit and loss, the levers, talk to finance, to the FD, talk to business development, to sales and marketing, you've got to talk the language deeply. You do need curiosity – people who are really successful have a curiosity about the whole business. HR people have to have a curiosity. What's keeping the FD or MD awake at night and do you really understand? The ability to demonstrate savvy is about engaging with them in their language on their issues. It's not jumping to a solution. It's what an exec team do – a synthesis of different perspectives. If I'm presenting HR strategy I usually go in with data, information and questions so we then agree and develop a plan together.' Liz Ogden, HR Director, G4S International Cash Business

Standing up to the numbers and standing the numbers up

Confidence comes from exposure. Getting bombarded by data we don't fully understand can be daunting. For HR professionals there is a need to engage with (stand up to) data and to critcally appraise (stand up) numbers and other data. At Paul UK, Esther O'Halloran, formerly HR Director and now promoted to Managing Director, is clear what that entails in her HR team.

Sometimes people present in a way designed to exclude, for example with professional or technical jargon. Sometimes the obvious question is the right one. Sometimes the 'inside knowedge' will appear inaccessible and we need to find a way to break through. By asking questions and looking for explanations, we will be in a better position to influence the discussion. By thinking about how the business data relates to our HR data we can start to make new and productive connections.

'We do a weekly trading meeting looking at what happened last week so that you are always aware of the condition of your business. It is the whole productivity, quality turnover for our bakery and for our shops and then any activity that is going on. What's happened with people in the previous week.'
Esther O'Halloran, Managing Director, Paul UK

Indicators

Those practitioners who are generating insight through evidence and data will be:

• **Getting meaning from data** and using this to make decisions, generate insights and propose solutions. The data will be their first port of call in making an argument. They will know that the perfect data picture doesn't exist but they will also know where the gaps are.

• **Using data and evidence to drive their approach to HR** and to the people and performance aspects of the business. They know how to 'play' with and manipulate data, for example spreadsheets and management information systems.

- **Demonstrating the impact of their interventions** by using data as a decision-informing/making tool. They will evaluate and assess everything from a coaching intervention to a new joiner's probation period with data and use data to illustrate any proposed improvements. They will seek to stretch themselves and their teams by understanding statistics and key business ratios.

In certain roles like retail there is an array of data on sales and store performance but developing the information needed to integrate these streams of data with the people- and perfomance-related data is now also becoming critcial, as this HR director in the retail sector explains:

> *'We've started to develop some HR management information (MI) and have developed a reporting process – payroll, headcount, staff:revenue, absence and cost of absence, locations, contractual types, cost of benefits, project progress. On business MI I look at budgeting and performance to budget monthly, profit and loss, payroll:sales ratio. To help me do my job I need to understand all aspects of how we're performing – sales against plan. Where have we got areas of underperformance? Is it a product issue? How are we serving people? What are the challenges from a technology perspective? What's staff competency?'*
> HR director, retail

Figure 6: Practitioner insight: generating insight through data and evidence

Generating insight through data and evidence

We have learned a lot about our leadership strength and the organisational climate and what they mean for culture. We are learning to recognise our insight, act on it and communicate more effectively. Information from the leadership intelligence work, from the culture and the climate survey tells us about the culture and some of the challenges from the talent perspectives. This is new and we can say: *'Ah actually that, with all of this insight we have to play this very differently and we have to handle this and communicate this and really embed this in a different way.'* It's a really powerful addition to what we already know.

Northern Rock focus group

Managing performance upwards. Once you understood what the critical issues were we ended up delivering an integrated approach between HR legal and training and development and saw an absolute improvement in the number of people managed out and the number of people whose performance improved. If you had been looking at it differently you might not have done it that way.

Xerox focus group

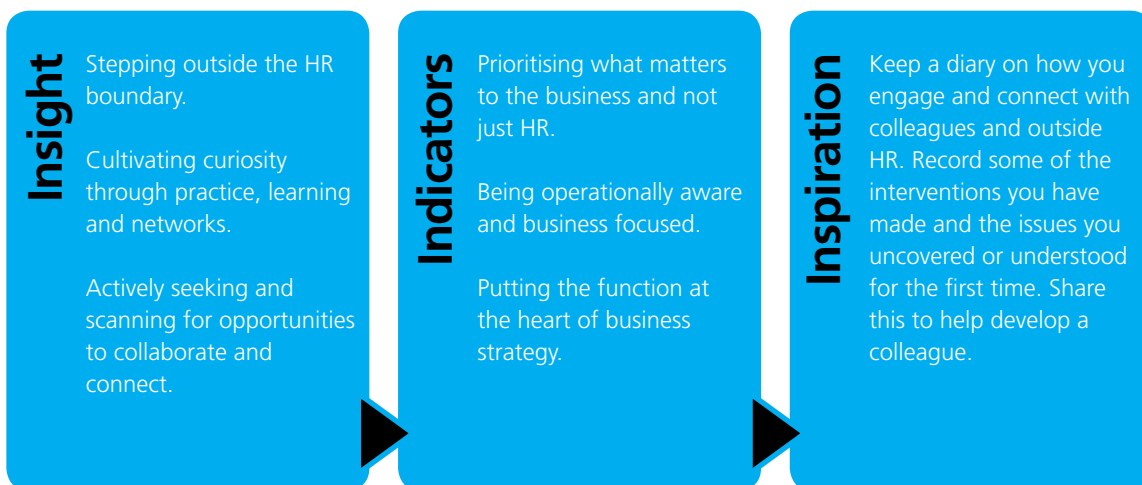## Foundation 3: Connecting with curiosity, purpose and impact

A key element of business savvy concerns the way we behave when we are operating in a business-led manner. For example, collaboration, curiosity and courage to challenge can all be considered business-savvy behaviours. It's clear that to be able to connect and collaborate and to be curious about the organisation, we need to get outside the HR function. This does not mean we neglect our core HR skills. Drawing on the contribution of both, we can uniquely improve both the organisational value from HR and the profile and positioning of the profession.

Stepping outside the HR boundary doesn't just mean going out into the business areas where we operate as part of our delivery role, but thinking outside our HR remit. The key skill and attribute here is *curiosity with purpose*. Curiosity on its own is not enough, but curiosity about why and how the business operates with the purpose of improvement is the key.

The individual profile and footprint of an HR professional can be improved by learning more about the business and what it does. NHS OD specialists, for example, will have increased impact if they know more about clinical tasks. The HR specialist for a gaming company should understand enough about betting to know how it can maximise its impact. If we don't know (and sometimes we don't as we are in a new industry), we should be open to learning and to identifying networks which will help us improve. Sometimes this happens through induction, but the best way is to cultivate networks within and outside the business. That in turn positions us as HR professionals who connect and collaborate. The dimensions of this foundation are given below.

'There's a frantic time in a new job to learn about the business. If you're pitching a role to a potential candidate at interview, you have to be able to talk about the business you're in and demonstrate your understanding of it. In moving to Shell's Prelude FLNG project, I've had to get my head around the technical engineering piece as well as the commercial side of the venture. With Shell Trading, I needed to understand crude and oil products trading, as well as the shipping business, you just quickly have to have that credibility. But it's also having the people skills to show you have that credibility, then to be an enabler and a problem-solver and demonstrating that you won't just be policing and blocking what people need to do.' Ian Schlich, HR Manager, Prelude FLNG, Shell

Figure 7: Foundation 3: connecting with curiosity, purpose and impact

Insight
Stepping outside the HR boundary.

Cultivating curiosity through practice, learning and networks.

Actively seeking and scanning for opportunities to collaborate and connect.

Indicators
Prioritising what matters to the business and not just HR.

Being operationally aware and business focused.

Putting the function at the heart of business strategy.

Inspiration
Keep a diary on how you engage and connect with colleagues and outside HR. Record some of the interventions you have made and the issues you uncovered or understood for the first time. Share this to help develop a colleague.

Insights

Stepping outside the HR boundary

It's not possible to be business savvy isolated in an HR department. We need to connect first and foremost internally with different parts of the organisation. We also need to connect externally, seeking insight and inspiration from elsewhere.

Cultivating curiosity through practice, learning and networks

We can cultivate our curiosity and collaborative approach by thinking about how our HR interventions are delivered; for example, accessing and sharing learning and using networks across the organisation.

> *'It is about getting immersed in the organisation. I have been fortunate that in each of my roles there have been elements of transferability and elements of steep learning curves. Going from a hospital to an ambulance trust I know what happens when an ambulance turns up at an A&E door, but I wasn't familiar with what happened in the call centre to getting the ambulance out. Spending time with the operational managers and understanding what they do is what I have always tried to do in the honeymoon or first 100 days. As part of the induction you need to get into the stuff you didn't know.'* Dean Royles, Chief Executive, NHS Employers

Actively seeking and scanning for opportunities to collaborate and improve

Part of connected collaborative behaviour is not to wait to be asked. The best examples from our research offer to become involved, mindful of their workloads, and so on. If we see a struggling business unit or a hospital ward in difficulty and we can help, let's provide a solution. But there is a balance between this sort of connecting and collaborative behaviour and becoming the 'fetch and carry' function. It's all about judgement. Penny Davies, HR Director offers an example in the construction/business services group Balfour Beatty.

> *'Working at a strategic level I focus on talent, reward and culture and I try to align everything I am doing to the corporate strategy. It is important I know the market well. At the moment we are looking at the concept of parenting values, how the operating companies fit together and how to ensure the parent adds value and effective support.'* Penny Davies, HR Director, Balfour Beatty

If we proactively identify opportunities for improvement, we can use our insight and judgement as well as our HR expertise productively, as the example above shows. However, if we are simply responding to line managers as the HR department that 'does the people issues', we will not be seen as effective. At all times we can underpin this foundation by ensuring that we use data of all kinds to investigate and appraise before we act. An interesting perspective is given by the managing director of a provider which specialises in placing senior interims.

> *'Typically the only people who ever stop big projects are interim managers because they're there to deliver, not to further their career in the organisation. When we place candidates we want to help our clients deliver a better outcome than they had planned. Interims want people to do well, to grow, develop and be more resourceful. We want candidates who will upskill the team so the team and the business is in better shape.'* Christine de Largy, Managing Director, Impact Executives

One of the key issues in this foundation is to understand and engage with the perceptions and expectations of non-HR managers. Sometimes HR gets a bad press for being too inwardly focused, but as the quote below from a senior finance professional in a global energy company indicates, we can connect by being aware of and driven by the key business requirements.

'I want flexibility and pragmatism. As a finance guy I know that policies are really important. We live by them, but there has to be a good reason why they're there. I have an "HR in the business" person – they can be good and experienced but they have to have the time too. You want the skills you may not have in your own team. They need to be able to search for the pain – the sensitivities in your team that don't get really surfaced. They need to have the sensitivity for that. If you have someone like that who has the time it can be very good or it can cost me time'. Maurice de Wilde, Finance Manager, Head of IT, Contracting & Procurement, Shell, Gabon

Indicators

Practitioners who are connecting with curiosity, purpose and impact will be:

- **Prioritising what matters to the business** and not just HR – this could mean ditching a long-term project which may no longer fit with business needs, for example, or getting all hands on deck, including their own, when the need arises.

- **Operationally aware and astute** – they will know how the operation works, what its pinch points are. For example, what the peak times and periods for production or delivery are, and how people and performance drivers impact that. They will know about the production models and 'philosophies' such as lean production, six sigma, and so on, and the metrics which drive the operation and be attuned to them. They will know about the major market and delivery priorities and how people and performance issues impact them. They will have a clear focus on improvement, not policing processes.

- **Positioning the function at the heart of business strategy** – when they connect and collaborate they will be making sure that the people and performance agenda is everywhere and that they are seen as key contributors to the organisation.

Another real connecting opportunity is to get involved in bid teams offering people and performance expertise to win business. As Liz Ogden of G4S explains, sometimes deep involvement in such a team is a good way of buiding business capability.

'I like to see an appetite for HR people to get involved in cross-functional teams, like a bid team. It's not spending some of your time; it's about getting completely immersed in it... Being honest, if you're really serious about an HR career get out of HR to really understand the organisation and get credibility.' Liz Ogden, HR Director, G4S International Cash Business

Figure 8: Practitioner insight: connecting with curiosity, purpose and impact

When you are involved in a business discussion with line managers, perhaps talking about how you might interface with the customer, for example, how to organise telesales, whether the people who took orders could also be responsible for doing some selling. I think engagement is the discussion in terms of looking at the decision the line mangers are thinking about making and bringing an organisational HR perspective but not restricting it just to the HR aspect. Thinking about the marketing, customer and any other issues that might arise.

Xerox focus group

I spend most of my time thinking we'd be part of the broader corporate planning things. So I am able to do the connections with what's going on and certainly from a leadership perspective the whole agenda this year has been about the future health of the organisation and that's the basis upon which we built that agenda. And it's a three-, four-, five- or ten-year perspective. It's not a one-year programme. It's a leadership agenda that goes beyond (know the immediacy of the here and now).
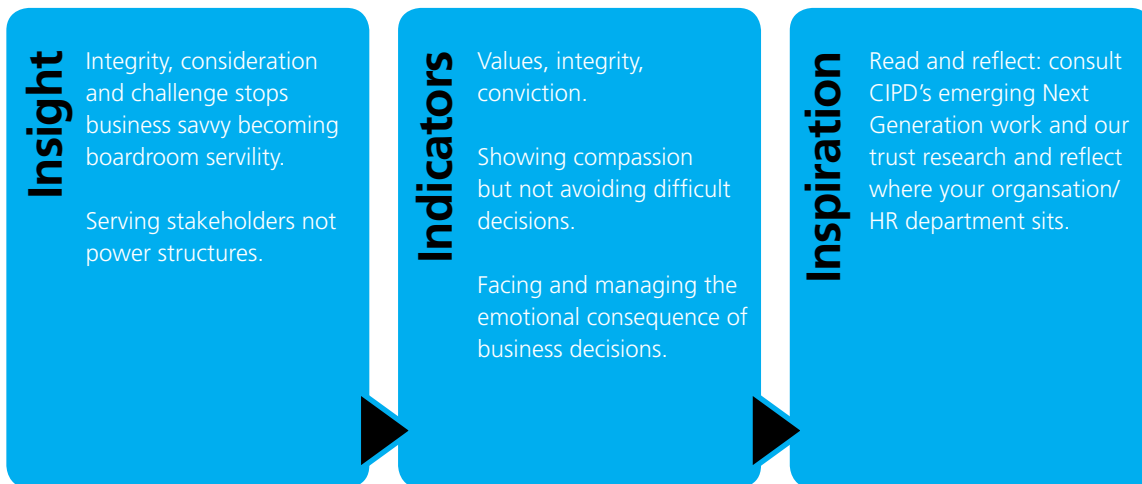
Shell focus group

The issue of HR's role in ensuring that it connects with the wider business and its operational and strategic focus is critical and it very much relates to our fourth and final foundation: leading with integrity, consideration and challenge.

Foundation 4: Leading with integrity, consideration and challenge

Our last foundation is about leadership. Leading with integrity, consideration and challenge is the hallmark of a business-savvy leader and indeed any practitioner leading the work of HR in a managing and leading context.

Figure 9: Foundation 4: leading with integrity, consideration and challenge

Insight

Integrity, consideration and challenge stops business savvy becoming boardroom servility.

Serving stakeholders not power structures.

Indicators

Values, integrity, conviction.

Showing compassion but not avoiding difficult decisions.

Facing and managing the emotional consequence of business decisions.

Inspiration

Read and reflect: consult CIPD's emerging Next Generation work and our trust research and reflect where your organsation/ HR department sits.

Insights

Integrity, consideration and challenge stop business savvy becoming boardroom servility

Integrity, consideration and challenge are critical to how we lead a business-savvy HR department. Integrity is how we conduct ourselves: our honesty, truthfulness and our reliability. It's also about how we defend and protect the reputation of good people management. David Smith explains how he did this at Asda.

> *'If you deliver you get listened to. You also have to be prepared to be brave and speak the truth. If you are close to the customer and close to the views of people you can be that voice of authenticity. It is important that anyone at the top of the tree in HR does all those things.'* David Smith, former HR Director, Asda

Business savvy is not about being servile to narrow boardroom interests at one point in time. It is about exercising a sense of stewardship at senior levels, when our sense of integrity and values tell us they are operating in an unsustainable way. The fallout from the financial crisis shows that group think took over and threatened the whole future of many businesses and indeed a sustainable model of private enterprise. Some corporate leaders in financial services, for example, may have earnestly thought they were serving the business model, but the fixation with short-term reward and a bonus entitlement culture for a few ultimately proved destructive. Clearly the management culture in many such organisations made it difficult for HR or even finance to challenge, but maybe we need to be more aware of the grounds upon which we can challenge.

Serve stakeholders, not power structures

Acting with integrity, consideration and challenge means serving stakeholders of all kinds, not just power structures. This applies to both private industry and to the public sector. The real danger in the public sector is to focus on the agendas of politicians, senior managers and leading stakeholders. This is often in tension with the stated purpose and objectives of the organisation itself. Dean Royles' dictum, 'think like a patient, act like a taxpayer', is a good guiding principle for action. Retaining our integrity in the face of such pressures is important in engaging employees, connecting with customers and recognising the needs of wider society. This also means challenging ourselves and our colleagues to improve their performance and contribution. It's probably the most difficult aspect of business savvy because it is bound up with issues of morals, trust and respect.

This is also reflected in the CIPD's research into trust repair (2012), where we suggest that a revival is needed of HR's previous role as 'the conscience of the organisation' by playing a greater part as 'chief integrity officer' – a guardian and champion of ethical and integrity issues.

These hard/soft attributes are critical to effective leadership and promise to be more so in the future. If HR can hold the balance between supporting effective business growth and organisational performance and upholding the values of sustainable business, we will be in a much stronger position. That said, we do not underestimate the challenges!

Indicators

The business-savvy professional operating with integrity, consideration and challenge demonstrates the following:

• **Values, integrity and conviction** – leading with values to challenge unsustainable practices, not treating existing policies as sacrosanct. In particular, leaders will use data, insight and evidence to generate purposeful debate and discussion. The practice of HR interventions should receive the same scrutiny and challenge.

• **Showing consideration but not avoiding difficult decisions** – they will make difficult decisions while retaining empathy and compassion, and keeping the clear focus and decisiveness to make business-critical decisions around people and performance.

• **Facing and managing the emotional consequence of business decisions** – they will be mindful of the emotional impact of business decisions and will develop the resourcefulness and resilience amongst HR teams to deal with this. They will be watchful of the impact on engagement and motivation in difficult times.

'I have been in situations where I have challenged managers around moves and promotions and I have said "No, I am going to veto it and these are the reasons why", because operationally it just did not make sense. It wasn't about the individuals but it was actually about the businesses they were moving and the timing of the moves.' Esther O'Halloran, then HR Director, now Managing Director, Paul Bakery UK

'I actually think HR is the most long-term aspect of the business and so people last longer than strategies. You see five-year plans or ten-year plans so I tend to essentially say if you look at what we are trying to achieve in the five-year plan, if we destroy trust today we won't regain it ever later. But I don't think there is a limit…that …if you take the people agenda in isolation it is like a finance director taking finance in isolation, it is not actually very useful. HR itself is a balance of economic psychology and sociology and most HR people often worry whether their people are motivated, which is basically psychology, or they worry if they are selective, which is sociology, but they rarely put economics into the equation.' Executive vice president, HR, technology sector

Conclusion and next steps

We have identified four foundations of business savvy through this first phase of research, namely:

- understanding the business model at depth

- generating insight through evidence and data

- connecting with curiosity, purpose and impact

- leading with integrity, consideration and challenge.

In this report we have explained each of these foundations in terms of two or three insights that accompany each, plus related indicators and inspirations based on the conversations we had throughout the research phase.

We acknowledge that these foundations now need exploring in more detail, to unpick them and embellish them further. This is what we intend to do in further stages of this research. We will also be looking to continue our wide engagement activity around business savvy, both in the UK and internationally. In this way we hope to move the profession beyond simply understanding the need for business savvy, to really being confident to act in a business-savvy way in support of the need for HR to be truly insight driven.

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sustainable organisation performance

Building HR capability is one of the three themes in our Sustainable Organisation Performance research programme. The other two themes are stewardship, leadership and governance and future-fit organisations. Within each of these themes we will research a range of topics and draw on a variety of perspectives to enable us to provide insight-led thought leadership that can be used to drive organisation performance for the long term.

stewardship, leadership and governance

future-fit organisations

building HR capability