



How HR can increase the value of your company

What can HR really do?

Forget traditional HR/personnel, the department that is driven by policing policies and processes, and ask “what can HR really DO?”

This document is intended to highlight how HR can directly contribute to an organisation’s bottom line. This is where your HR team should be focusing their time.

All too often in HR we work to a very high volume of queries and support those who shout the loudest – even when their requests add very little to the company overall.

We fail to prioritise, but more than that, we fail to challenge prior to agreeing to deliver something for line managers. Nothing should be on an HR plan that doesn’t directly or indirectly help the company grow and/or increase that all important bottom line profitability.

So - let’s get commercial and understand how the business makes money (margins, EBITDA etc.) and how it also drains profit (non-productive staff, staff turnover, customer complaints etc.) and deliver support accordingly.

These posts which should help you consider the real ‘value-add’ that HR can bring to the party!

1

Culture & values

You may be thinking “here we go again” - culture/values blah blah blah – but with first hand experience of businesses multiplying their valuation, a direct correlation is the culture in that business.

In order for your team to be as productive as possible they must be engaged and driven to help you succeed. Imagine 100 staff (100 being the headcount of the average UK company) working against their management – the client will clearly suffer.

We know that the average UK company drains £652K of profit (based on an average salary of £40K) p/a. Disengaged staff make lots of mistakes, so perhaps that’s why you’re losing clients or not securing as many new contracts as you’d like to. If you consider many businesses that fail, including in recession, there appears a direct correlation to how good/bad a culture was created. (This assumes that there is still demand for the product or service, and also that the quality & pricing is competitive.)

There’s a direct link between values and profitability. Employees need to understand what management stand for, as otherwise they will assume it’s just profit and they will simply disengage – hence reducing profitability.

So create values with your team – agree the culture you want to have and put a plan in place to get there!

2

Start-up & scale-up

Next we look at HR specifically for start-ups and scale-ups.

For new businesses starting out, it's important to be mindful at the outset of company culture and the impact this has on the attraction and retention of good people. It's so important to get the basics right: the policies and handbook, the induction programme, an effective recruitment/people strategy and so on; as everything else can be built upon this. Often at this stage HR is overlooked as being non-essential (a 'nice to have') but that's a mistake and one that will likely be paid for further down the line.

When businesses get to the stage where they want to accelerate their growth, HR can play a critical role in this phase too. When working with our clients who are looking to expand, we look at the 'six fundamentals of fast growth' to ensure these basics are in place. These are:

1. Clear embedded values
2. The right operating model
3. Clear roles & responsibilities
4. An engaged leadership team
5. Engaged employees
6. A cohesive business strategy and action plan

Once all of the above are taken care of, growth should come naturally!

3

Have brilliant communication

Good communication within an organisation is such a powerful tool.

Done right, and it's a sure fire way to increase employee engagement and enhance productivity. But done wrong (or not done at all) and it will almost certainly have the opposite effect and increase disengagement which, as we've said, drains profit as it makes people less productive - meaning you need more people.

Some key questions to ask - do employees ever hear from (or see) company leaders? Are they told how the company is performing? Do they know the best way to communicate with their line manager? Are there regular team meetings? Do you answer employee questions regardless how tricky they may be?

Go back to basics - ask people what they want to hear about. Make sure communication is frequent and transparent - sharing good news and bad is critical to building trust. Be clear on business objectives, what is being done well and what can be improved. Tell people where you are taking them – a journey is so much more interesting than day to day operations.

Create a communications calendar so people know what they will hear and when.

Where communication is concerned, even a little goes a very long way and your people really will respond to it. Try it.

4

Flexibility (reward & working arrangements)

Next up on how HR can use its role in a business to contribute to commercial objectives, we're looking at flexibility.

We've said it before and we'll keep on saying it: flexibility is an absolute game changer!

The greatest blocker to flexibility is management mindset.

And, like communication which we've talked about already, it's something that makes a huge difference to morale and engagement, and it doesn't cost much to implement.

People are individuals so there's never going to be a one-size-fits-all benefits package. So why not allow people to choose what benefits they want to receive?

In terms of flexibility where working arrangements are concerned – this is an area that's getting more and more attention, and we've all demonstrated that home working is definitely not a barrier to productivity. Trust your people. If you don't trust them, then question whether that is your issue as a leader or whether you have the wrong people around you.

If you're willing to be a flexible employer, you're essentially telling your people that you trust them to conduct themselves like adults and get the job done. This in turn will create a happy, engaged and productive workforce – which in turn increasing profitability.

5

Provide visible career paths

Whilst not everyone wants career development, most people like to know they are working towards something at work.

Most businesses have several routes to the top and just highlighting people who have progressed is not enough.

Each person needs to understand where they are today, where they want to progress to and how they get there (and where are the training and development opportunities to achieve that). If you master this, you will see engagement levels shoot up, hence higher productivity and higher profitability as you will need less people.

Practically, each discipline should have a clear competence model so that people understand how and when they can expect to get to the next level in their career.

Line managers should be trained to coach and career-manage their employees, and two-way discussions around development should happen regularly.

Having visible career paths and actively encouraging career progression is empowering for employees and engages people which makes them more productive.

6

Be a profit centre

Demonstrate your commercial acumen by being cost-savy. Not only should you constantly be thinking of ways to reduce costs, but also try thinking of ways in which the HR function could actually generate income for the business.

Establishing a direct link between HR and income generation could prove tricky; but indirectly, an organisation's talent pool can be very profit generating and HR have a lot of control over this.

For example, consider whether your people could be directly reimbursed by specific clients by providing them dedicated focal points. Provide team members to clients on an interim basis. Consider whether your services or products could be sold on a 'consultancy basis'.

If you cannot create revenue, increase profit by reducing costs in the following ways:

- * Reduce recruitment costs
- * Improve the recruitment and retention process
- * Increase employee engagement
- * Eliminate potential legal costs with good ER practice
- * Remove HR retainers and instead get ad-hoc hourly call-off support
- * Make sure you are tendering your benefits regularly and checking with different brokers
- * Outsource non-core activities (payroll etc.)
- * Consider whether you need a full time resource for certain activities

And there's plenty more....

7

Be part of forming the company strategy

Make sure you have a seat at the big table, even if it is just to contribute to the direction of the business.

HR leaders should always be involved in the business planning process, so if you're not already, make it known that you want to be involved in this going forward – your approach and culture will determine how successful this is. So be ready to add value and talk the language of business. Every element of a business plan involves people, and that's your domain.

You'll be well equipped to manage expectations during this process, as well as identifying where additional resources or training may be required. Consider how the HR function can help the business grow and increase bottom line profitability. And don't just play the HR card - think new products, new markets, new geographies. If you understand the business you should be able to contribute.

Encourage the leaders to value map each strategic objective – so that everything you plan to have in the strategy will be feasible and will add value in some way to the company and bottom line.

Once the overarching business plan is in place, you should ensure the HR plan ties in, ensuring everyone is working towards the same outcomes and on the same priorities.

8

Help to step up your managers

Managers are facing their greatest leadership challenges ever.

Many have come up the corporate ladder and are technically sound but need a helping hand to develop into leaders. Developing your managers will engage them. If they are not engaged they will disengage their teams, which day-to-day looks like low productivity which impacts the bottom line.

Equip and empower your managers to deal with people challenges and take decisions without feeling they need to get HR involved every time.

Provide the opportunities for managers to develop in people management, whether it's performance management, redundancy management or dealing with conflict. They need to become coaches, sound boards; so first class communication is key.

Employees need to believe that their managers care about them and their career development. For some managers, this doesn't come naturally - so give them a helping hand.

Just make sure they're adequately equipped for what they're doing - for the day job, but also the leadership one.

Your organisation will reap the commercial benefits of effective leadership.

9

Grow your own talent

It's easy to get into a poaching war with competitors, but this in turn leads to people chasing money. Or we go to agencies and hire people and pay big placement fees.

When we say “grow your own talent”, people tend to think about graduates. Great - go for graduates, but don't miss out on career changers, ex-forces, apprentices, school leavers, parents returning to work, our older generation who want to continue working, etc. if you're looking for real loyalty.

Understand your key disciplines and the intake routes. Consider transferable skills, and don't be too quick to discount people because of their sector background or lack of formal qualifications. Unless your business is super high tech you're simply making life difficult for yourself.

Once you have the talent, develop them. Provide people with development opportunities, train them and show them that they have a visible career path with your company – this will really help to engage them & retain them. And when you need a senior hire you'll have the people internally who know the business to promote this – so no fee to a third party!

There's a huge commercial benefit to be gained by this – less spent in fees, fewer leavers, more productive staff, succession plans and so on.

10

Create a waiting list of people who want to work for you

Many companies opt for the traditional agency approach for their recruitment, which can be costly. They have a new vacancy and then think about finding someone to fill it – but this approach puts them on the back foot.

Turn the process round: interview and screen people (even without roles) to build a pipeline.

We've helped clients to significantly reduce their recruitment spend by ensuring that most hires are people 'in the pipeline' and hired directly.

Direct sourcing is achieved by:

- Raising the profile of your brand;
- Understanding & defining your value proposition;
- Mapping the market/sector and geographies to highlight potential candidates;
- Screening and assessing these candidates & understanding their desired package;
- Keeping them warm, staying in touch & maintaining a relationship. That way, as positions arise, you already have a shortlist.

So you speed up the 'days to close' a vacancy ten-fold. You've also recruited directly which reduces overhead cost and increases not only profitability but the effective operation of the business.

Our recruitment interim service is a great example of helping clients to build a pipeline and also to reduce third party recruitment spend.

11

Devolve power to employees

Empower your people by allowing them to have say in decisions which affect them. Avoid being viewed as a dictatorship, where the leadership team make the decisions and everyone else just has to fall into line.

And leaders, let's face we often try to please everyone and fail - so push these decisions to the team and let them make the decision as that way they'll be more happy to live with the outcome.

For instance, imagine you are considering moving your business premises to reduce costs.

Most employers would find a new location and then start consulting with staff. Some will be happy, many won't. But why not involve them at the planning stage, not necessarily all of them but have a couple of the team representing the views of the workforce at the management table. It may actually be more of a help than a hinderance and it may help break down the 'them and us' walls.

Consider other things like chosen charities, training budget allocation, social budget allocation, the creation of values etc. as these things all tend to be quite emotive, so leave it to the employees to help you out! You can comment and tweak afterwards if you feel that's necessary.

12

Gauge your culture

Your culture can make or break you, so it's important that this is carefully cultivated, and values lived and breathed from the top down.

It's a mistake to think that the notion of 'culture' only applies in large corporate organisation – it's critical to the success of every organisation.

Remember that a disengaged workforce costs an employer up to £650K per annum in lost profit (based on average engagement levels and also a headcount of 100 staff and average salary of £40K)

Some indicators that you might have a problem include:

- Lack of employee engagement (low productivity, absence, lack of accountability etc.)
- Communication problems at all levels
- Finding it difficult to attract talent
- Finding it difficult to retain talent

It's often easier for a third party to examine an organisation's culture, as sometimes the internal leadership team is just too close, or perhaps they're more likely to ignore issues as they don't want to believe they have a problem.

We recommend conducting independently-led focus groups in the first instance to get honest feedback from people, and then going forward and making improvements from there. There is potentially a huge improvement to be made to the bottom line here.

To conclude...

Approaching people management in a commercial way can have a huge impact on the bottom line.

Most businesses in the UK have a 'disengagement' level of 64%. This means 30% of the time most of your people are non-productive - it also means you have too many people and are draining profit. No one can afford that.

Over the last couple of weeks we've shared a series of posts highlighting how HR can directly contribute to an organisation's bottom line.

We want you to forget everything you thought you knew about HR in a traditional sense and ask yourself "what can HR really do to help me grow this business and/or reduce costs"?

So we've shown you some of our suggestions on how to approach HR and people management commercially. To be an effective as a leader (including HR leader) understand how the business makes money and support that in day-to-day operations and strategic planning.

When you think commercially and always keep the end goal of bottom line profitability (or whatever goal has been set by the owners or leaders of the business) in mind, you earn yourself a seat at the table and ensure that HR isn't just seen as an overhead or a barrier to productivity. In fact it can be quite the opposite!

So give it a try. We're here to help guide you if you need.

If you need help to grow & increase profit

We have many cost effective solutions for each of these key suggestions, so please get in touch with one of our regional offices if you would like to have an informal, no commitment chat.

hunteradams.co.uk

Aberdeen

13 Rubislaw Terrace
Aberdeen
Scotland
AB10 1XE

t: +44(0)1224 900 760
e: team.admin@hunteradams.co.uk

Edinburgh

19/1 Manor Place
Edinburgh
Scotland
EH3 7DX

t: +44(0)131 285 0420
e: team.admin@hunteradams.co.uk

Manchester

5th & 6th floors, 51 Lever Street
Manchester
Greater Manchester
M1 1FN

t: +44(0)161 297 0001
e: team.admin@hunteradams.co.uk

London

12 Hammersmith Grove
Hammersmith
London
W6 7AP

t: +44(0)203 714 4930
e: team.admin@hunteradams.co.uk