

HR in the 'New Normal'

September 2010

As companies rebound from the global economic woes, a 'new normal' has started to emerge. What skills do HR practitioners need to deal with the emerging challenges from this? Korn/Ferry International invited some of Hong Kong's HR elite to discuss key issues for the new era including the need for strategic HR, the competencies for success and leading the charge for change.

The roundtable is part of a series of forums held by Korn/Ferry's HR Centre of Expertise to provide a platform for senior HR leaders to exchange ideas, share best practices and discuss issues and challenges to promote knowledge sharing across different industries.

Keynote speaker, Peter Yam, Former President of Emerson Greater China kicked off the session by sharing his experiences and what it will mean to operate in the 'new normal.'

Peter Yam: Good morning. I worked for 40 years before I retired two years ago, so I have seen quite a few recessions. I have to say, the one we are in today is perhaps the worst since WWII. It's the longest and the most severe in terms of unemployment results. Last year, many companies were scrambling and scratching their heads wondering what to do. Many seemed to competing on how much of their global staff they needed to reduce. There was approximately 20 to 40 percent headcount reduction across the board on a global basis. Laying people off became a very challenging task for many business executives, especially HR teams.

In fact this was a shocking experience for many younger managers in Greater China because the country had been in a growth mode for the last 10 to 15 years. They had never seen a massive lay-off before. It was a wake-up call; China was no longer immune to the global economic turbulence.

Since the middle of last year, the Dow Jones industrial index has rebounded. Some companies have started re-hiring. The situation is somewhat similar to a train moving at a very high speed that had to be stopped abruptly and then jump started again. The challenges ahead are enormous. A lot of people talk about or use the phrase the 'new normal' for the current economic situation. What are some of the characteristics?

Firstly, global growth will be subdued. I think the high growth rates we saw in the previous decade will no longer be attainable in the coming years. Secondly, there will be a rebalancing of the global economy; emerging markets will command more attention from global companies than the mature markets. There's a lot more interest in businesses in Asia and China, and talent development has become more important in this part of the world. Thirdly, budgets, either spending or selling budgets, will be monitored very closely. In fact, they will be adjusted more often than before, almost on a quarterly or monthly basis.

There are changes in consumer behavior as well. In the U.S., people are saving more than before and unemployment is likely to remain high. There will be tougher government regulations in the financial industry which in turn affects a lot of economic development. Executive compensation will again be closely examined, especially at the CEO level. The last point I'd like to make about this new era is that there is now talk amongst shareholders who feel that CEOs' leadership skills need to change as well.

CEOs are now expected to have the ability to manage businesses in hard times. In other words, they will have to make tough decisions decisively. They are also expected to stay ahead of the curve by making things happen and being ahead of market trends instead of following what's happening in the industry.

There are a lot of questions that come to mind in this new era. What new skills do we as business executives or HR executives need to deal with these challenges? Are we lacking certain skills, do we have to learn new things? Do we have to change our mode of operation? And as far as growing the business back to normal or becoming stronger moving forward, there's no doubt that organizations need people and talent. I've always said that the HR department is one of the most important departments in the company, if not the most important. So with that as the backdrop, I'd like to hear about the talent challenges you are all facing in the 'new normal.'

HR as a Strategic Partner

Akiko Takahashi, Melco Crown Entertainment: The importance of HR as a strategic partner is an age-old issue. It is unfortunate that after almost ten years, we are still identifying this as a major goal. The root causes are two fold, in my opinion. First, the incumbents in HR are more operational than strategic. The more critical causal factor however, is that too few organizations and/or CEOs appreciate the value of deploying human resources more strategically. Is it a chicken or egg dilemma? Over the longer term, hiring the right people for HR is critical. 80% of outcome is due to the first 20% of the process. HR talent doesn't necessarily have to come from the human resources functional skills.

Peter Yam: As far as the strategic partnership is concerned, the days of the administrative and supportive role of HR are long gone. I think it's very important for HR executives today to have an understanding of the business activities, the language, the trends. You need to understand the competition, so that in high-level meetings with your CEO for example, you can argue with him. Don't just accept all the facts that he presents to you, because if you don't know the language, you can never stand up and forward your view.

In my opinion, the days of the personnel operational type HR person is somewhat antiquated. You need to be more proactive in line with strategic partnership. CEOs actually need a lot of help from HR in terms of deciding when to do headcount reduction and when to rehire. What I would like to see are HR executives who understand business activities, form judgments and make recommendation to the CEO or senior executives of the company. To do that, you need talent. You need to have good people to help the company to grow and be successful, and you need to do something ahead of the market trend.

Operational HR Executives

- Possess strong social and communication skills
- Strong implementers. Emphasize execution and short-term goals
- More action-focused and directive in management style

Strategic HR Executives

- More collaborative and flexible in their operating styles. Display higher tolerance for ambiguity
- Focus on long-term issues
- View themselves as partners of the management team
- Possess Strategic Capability

Andrew Tsui, Korn/Ferry International: But HR people are usually generalists. They cannot be engineers for example, and understand what's going on in the company. So how do you advise our friends here to stay ahead of the curve?

Peter Yam: You don't need to have a business degree to understand business. All you need to do is to show and develop interest in the business you are in or the market trends. Once you have that understanding, you can start thinking about how to interpret those indicators and participate in the strategic meetings in the company. Once you follow what's going on and form your own independent judgment, coupled with your own HR perspective, you will have your own views on how things could be done going forward.

Josephine Chau, Korn/Ferry International: Peter, you are still a coach and advisor to Emerson's senior executives. Can you share your insights on how HR can eventually take coaching roles to support senior management team members, given that many of us don't have a business or engineering background?

Peter Yam: The important thing is to make sure that we look at things from other's perspectives. For example, you said that 60 percent of line managers don't view HR as strategic business partners. Why is that? That's because in the eyes of line managers, HR executives are not knowledgeable enough about their activities. They don't view challenges the way line managers see them. That's why I go back to my original emphasis on understanding the business.

HR executives need to be very involved with customers, the technologies, the issues, the competition, and so on. If you encourage people to see things differently, they will definitely have a better understanding of how to solve problems.

Vincent Luk, MTR Corporation: I cannot agree with Peter more. When I look at my experience during the merger of MTRC and KCRC, HR was one of the most important partners in the whole merger integration process. One way of ensuring HR becomes a strategic partner of the corporation is by using the organizational structure. For example in MTR, we have an executive committee that is responsible for making day-to-day major operational decisions of the company. The HR Director is a key member of this committee. Peter, can you share your Emerson experience of how you get your HR members involved in strategic decisions?

Peter Yam: I think it depends on the culture of different companies. In Emerson, our CEO calls himself CHRO. He's the chief HR officer and the HR team supports him closely. Many HR teams traditionally report to finance and administration. I would like to see HR reporting directly to the CEO instead. The future of the company depends on talent and people so you need to have good people supporting the growth of the company. If the team working on recruiting and developing talent is not reporting directly to the chief executive himself, then they are a couple of layers away. All those key messages are not able to go to the top.

If you happen to be in the HR team of your organization and do not report to the CEO, what do you do? My advice is to start managing your boss. You need to start voicing your opinion. You have to borrow examples from other companies and show why things have to be done differently. In other words, you have to initiate change or be the catalyst for change in the organization.

The Power of Influence

Andrew Tsui: Patrick, you've been in HR for many years and are now working for a Chinese company. What has your experience been like?

Patrick Cheung, Next Media: I truly felt that I was a business partner in my previous regional role with a multinational company because my role was to work with the business and look at the whole strategy for the region or internationally. It was my role to help the organization connect the dots to where it wanted to go, and that mattered for our strategic growth and the roadmap for HR. So I appreciate the fact that HR practitioners need to understand the business.

By the same token, I think the business side needs to know how to value HR as well. If you don't bring them in and help them understand the business and core thinking, it's hard for them to be a partner. Partnership is equal, so HR has to bring something to the table. In Chinese companies or local companies, the boss is truly the boss. If HR doesn't have any influence on the boss, it's very difficult to be a strategic partner. If they don't know the value HR can bring and they never use it, they won't bring you in. So I think that the collective HR community needs to think about how to educate business people first.

Sylvain Friedman, Ernst & Young: Working together to aspire to be better business consultants is key. I would say that staying close to the CEO, COO and CFO, and also at the management committee level, is critical to really being able to understand the business. At the end of the day, in order to work together, we need to speak the same language, be able to understand each other and be there when decisions are being made. The ability to influence is probably the most crucial competency today for strategic HR.

Competencies that Indicate Strategic Capability

- › Business Acumen
- › Strategic Agility
- › Problem Solving
- › Perspective
- › Dealing with Ambiguity
- › Learning On the Fly
- › Manage Innovation and Creativity
- › Make Quality Decisions on Complex Issues

Peter Yam: In Emerson the CEO himself is a true believer. He is the guy driving HR. Now, in terms of influencing, you have to first of all, speak up. In those strategic meetings, from my experience, most HR executives don't speak up. That doesn't help at all. If HR executives make their points known, and if they're valid, people will listen. In terms of influencing people, speaking the language is the key. Secondly, show that you have your own independent thinking, assessments and judgments, and convince the other side that what you think is the right way to do things.

Priscilla Fong, Korn/Ferry International: I think that a good strategic partnership is important. When the CEO and HR are working together, how they deal with the relationship is important. To echo Patrick, the CEOs of local companies are the real bosses. But interestingly, local bosses are also trying to find someone who can be part of the team, either as part of the board, or to give advice.

The question for HR is how do you manipulate the structure and be part of the committee to voice an opinion? I think the most important thing is that if the HR person is more outgoing, engages in more networking and understands the role, then he will be more confident in speaking up. So it's not just influence itself but how to equip yourself with the knowledge and the confidence.

Growing beyond HR

TT Ho, Korn/Ferry International: I think in order to be a strategic HR person, it's important to fully understand the business, to show your interest and passion in the business wherever you are. I think HR is a job with convertible skills, you can move across different industries. But once you are in that industry, you need to understand the business.

Peter Yam: Most of the HR executives I deal with always see HR as a life-long career. They will not move away from HR, which means they don't have the courage or enough understanding of the business. Because if they do, they can actually branch away from HR.

Mei Colom, Transitions Asia: I would like to bring the discussion to the next level, which is helping to create the level of strategic HR. How do we do that? For the CHRO, HR managers and even when I address other HR people, it is not just about strategic HR skills. It is about understanding the business. How do you make sense and relate to it?

Peter Yam: Would you put an engineering manager in the HR position or HR in a senior position like operations? It takes courage for people to make the change. Personally, I think an engineer could become a HR officer too but I'm not sure if a HR officer could be an engineer. A HR executive, if he's interested and keeps up on the business and technology trends, could become an engineering manager. But do people have enough courage to move into a different position?

Mei Colom: I have put a civil engineer in HR and it has worked out. That's why I made that distinction between skill and talent. There are inherent traits to consider. A HR person may not be able to be an engineer because he lacks skills in chemistry or electrical science. But if you talk about inherent traits – having the ability to deal with ambiguity or to influence people – these are inherent traits.

Akiko Takahashi: For HR to be a strategic partner to the business, rule number one: HR needs to report to the CEO. Rule number two: not just any CEO, but a CEO who innately believes in human capital. Rule number three: the ability to influence has to come from the CEO's authority. Having the influence through that authority comes with great responsibility. It must be deployed with the best interest of the organization. The individual must be competent, have integrity and able to build trust. Thereafter, it becomes a matter of personal influence through respect by others.

Andy Li, Flextronics International: I'm one of those who moved into HR from a non-HR profession, having been trained as an engineer in my early career. In terms of how we can be strategic in our HR deliverables, it's very much about the business focus.

In answer to Mei's question, 'What have we done to help HR to be more strategic?', from a recruiting standpoint, my recruiters are sent down to the production line to understand what an industrial or process engineer goes through, so that when they recruit, they are able to effectively project the job proposition to the external talent pool as well as speak the same language with the appropriate jargon with the hiring managers. Flextronics has global HR business partners who participate in strategic staff meetings with the business heads, we reciprocate this by inviting business leaders to sit in our HR meetings. We even go as far as involving HR in customers' business reviews.

Wendy Zhang, The Lubrizol Corporation: When you look at the future, human resources is really the fundamental competitive factor for an organization so from an organizational point of view we need to develop that capability. You will see that in the future, there won't be a distinction between HR function and business function. In fact, a good business leader has to be a good HR leader with the ability to build people capability and a right culture to sustain that capability. You will see more top talent from a business background transitioning into HR roles in the future.

Hayly Leung, Jardine Schindler: I want to share another point. In my company, we aspired to become business players, i.e. work on the same level playing field as our business partners. I have witnessed the development in the HR profession and seen some of my HR colleagues move into project director role or head up the customer services organization. I have done Finance myself. So I strongly believe if we want to, we can do what our business partners do.

Andrew Tsui: I think Peter can help summarize up what's been discussed today. How can we develop an effective HR person?

Peter Yam: To me, HR has to be a strategic business partner. There's no other way. When I talk about the "new normal," I'm sure you know that there are changes going on. How should HR professionals deal with the changes going forward? They need to set an example and encourage the organization to change. HR needs to be effective change leaders in their organizations. In dealing with, and leading the changes and transformations in your company, you need constant innovation – doing things differently and doing things ahead of the curve, and I'm sure you'll be successful.

Acknowledgements

Korn/Ferry International would like to thank the following CEOs and HR leaders for their participation:

Akiko Takahashi
Melco Crown Entertainment

Kenny Yeung
Hopewell Holdings

Andy Li
Flextronics International

Mei Colom
Transitions Asia

Angela Lee
Hong Kong Trade Development Council

Patrick Cheung
Next Media

Anne-Marie Balfe
Ernst & Young

Peter Yam
Emerson

Clare Allum
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Regula Schraner
Fresenius Medical Care

Denise Chan
Global Payments

Susanne Vaih
German Swiss International School

Hayly Leung
Jardine Schindler

Sylvain Friedman
Ernst & Young

John Goff
Alphaeight Institute

Vincent Luk
MTR Corporation

Karen Chou
St. Jude Medical

Wendy Zhang
The Lubrizol Corporation

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