

## **SA: Boom time for HR**

### ***Part 2: Trends and opportunities***

#### **Tony Manning**

A sea-change in management thinking is under way. Companies are learning that the best strategy is worthless if it's not *executed* well, and that experimentation, action, and fast learning may be more important than brilliant planning. Result: people issues have risen right to the top of the competitiveness agenda.

Human resources specialists should be at the forefront of the drive for customers and profits. But chances are that they will be under-valued, under-utilised, and denied the credit they deserve.

There are four reasons for this strange state of affairs.

First, the HR community has done a poor job of positioning itself. All too often, the "people people" are seen as a necessary evil rather than a strategic resource. For years they've struggled to brand themselves as "professionals" or "practitioners", and to raise their profile. But many of their colleagues in top management regard them merely as "housekeepers" whose main task is to administer payrolls, deal with medical aid and pension matters, draft job descriptions, arrange training, attend disciplinary hearings, and fill in equity reports.

Second, a lot of HR work can now be automated or outsourced. The in-house workload may be sensibly reduced. So it's getting easier for line managers (who, after all, are responsible for *real* work) to ask: "What do those touchy-feely HR types actually *do*?"

Third, just as with information technology, it's hard to work out the return on investment from HR activities. Everyone knows that HR is needed, but its impact is uncertain. What, exactly, is it worth to have accurate deductions made from pay slips? What is the value of a diversity course? How much better off is a firm that has a visionary HIV/Aids programme in place?

Fourth, although trade union rhetoric is likely to become more strident as this year's elections draw closer, unions are losing members and thus clout. So while industrial relations will remain an issue, line managers may be bothered less by industrial *action*. HR people will have few chances to show what they can do in battle.

During 2003, a number of factors including the global economic slump, a rapidly strengthening rand, high interest rates, and intense international competition caused the South African economy to grow more slowly than expected. Many jobs were lost along the way. Now there are signs of an economic recovery in the United States, the Eurozone, and parts of Asia. With luck the SA picture will also improve.

But that doesn't mean that businesses will automatically deliver better results. For many, there's hard work ahead, and wrenching change.

Firms will continue to eliminate low-level jobs in order to cut costs. At the same time, they will fall over themselves to hire people with skills. And the race to attract blacks will accelerate as companies pursue their equity targets.

At the same time, the pace of merger and acquisition activity is sure to pick up. New corporate marriages will bring a host of challenges. Culture is a significant factor in the success or failure of these deals, and needs specific – and specialist – attention.

With this background, companies need to keep a close eye on developments in these key areas:

1. **The company as “results machine”.** In an uncertain environment, the way an organization is designed, structured, and managed is crucial to its competitiveness. Companies need to be fast, flexible, and effective. What happens *inside* them is at least as important as what happens *outside*. Advanced technology is a powerful tool, but it’s people who really make the difference. So every step along the “hire-to-exit” path – recruitment, induction, training and development, management, support, etc. – needs to be rethought.

2. **The explosion in outsourcing.** As the shift towards focusing on core competences continues, as cost-pressures rise, and as smart business leaders strive to make their organizations as lean and adaptable as possible, firms will shed all types of work. “On demand” hiring of workers such as drivers, call centre staff, bank tellers, and personnel administrators makes obvious sense. But companies will also buy higher-level skills from outside.

Knowledge workers such as designers, researchers, IR experts, and IT specialists will find a ready market as contractors. Interim managers, on the other hand, will fill some gaps, but employing them will always be a last resort, not a proactive strategy.

3. **A new phase in the “war for talent.”** The first shots were fired internationally in the early 1990s. The battle abated when markets crashed in 2001, but is starting to resume as economic growth returns.

The risk for SA is that emigration will pick up as foreign jobs become available, and as more headhunters turn their attention here.

In theory, the strengthening and slacker immigration laws should make it easier to recruit from outside SA. In practice, it will get harder and costlier to lure foreigners who have other options.

Top white executives have little difficulty getting jobs here now, and will continue to get them (except in areas like HR and corporate social responsibility). Other whites with skills – especially women – will find work, but their promotional prospects will be limited. Altogether, attracting, retaining and motivating whites with knowledge and experience won’t be easy.

Meanwhile, blacks at all levels are being snapped up, often at ludicrous salary levels, and promoted fast. This trend will accelerate – and last a long time.

4. **Training and development.** SA is slipping down the competitiveness charts – its skills shortage being one major reason. The education system is under-performing, so local companies must grow their own skills base or lose whatever competitive strength they have. Even the most basic of functions will suffer – as is already happening in many public sector organizations.

So watch for a) more customized in-house executive development programmes; b) rapid adoption of “action learning” as a way to make new

knowledge meaningful to real work, and to close the gap between discovery and application; and c) more and better use of sector education and training authorities (SETAs).

5. **Corporate social investment (CSI) and employee assistance programmes (EAPs) as recruiting tools.** A new generation of employees is emerging with high expectations of corporations. They want to work for firms that are socially responsible, and that make a positive impact outside their own walls. SA business makes a huge contribution to society, but could get a lot more “bang for its bucks”. Better communication between CSI/Marketing/PR and HR is sure to be a goal in progressive firms.

At the same time, companies will pay more attention to the well-being of their people. SA is a tough neighbourhood. Social trouble is rife, and stress levels are high. People need advice, counseling, and maybe treatment. To be rated as an “employer of choice”, companies will have to go out of their way to demonstrate that they really care. So benefits will be more carefully packaged and more strongly promoted.

6. **Technology to enhance HR productivity.** A lot of HR “grunt work” – managing payrolls, dealing with medical and pension claims, aspects of recruitment, and performance evaluation – can easily be automated. Intranets and portals can dramatically improve service levels to staff, and give them 24/7 access to information about their companies, their jobs and benefits, training programmes, promotional opportunities, and so on.

With these new tools, the administrative load of HR departments will shrink, allowing budgets to shift to other vital work. This is a major opportunity for HR leaders with the vision and sense to grab it.

7. **Accelerating and managing diversity.** It makes good sense for companies to alter their racial and gender mix so it mirrors that of the general population or their customer base. BEE charters and employment equity laws are forcing the pace of transformation. But while we’re told that diversity in the workplace is “a good thing”, strains will be inevitable as organizations battle to get the best from their increasingly mixed workplaces.

Trust – or the lack of it – is a big factor in any organization, and a massive problem in SA. When it exists, people talk to each other, share ideas, and are respectful. When it’s missing, toxic behaviours become the norm.

South African companies should be world class when it comes to managing diversity. But the jury is still out on how they’re doing. What’s clear is that HR people should be making maximum efforts to learn what works and what doesn’t, and to help shape the conditions in which people with different backgrounds and cultures will work effectively together. (Note: drumming sessions, paintball games, and rafting down the Vaal River are not the answer!)

8. **HIV/Aids.** Firms such as Daimler-Chrysler, BP, and Anglo American have taken this problem seriously, and have big programmes in place to deal with it. But now that the true impact of the pandemic is becoming clear, expect more companies to leap into action. This is good news, given that government can’t do the job on its own. The downside is that this will become a huge

distraction, and may lead to cutbacks in areas such as training and development.

9. **Managing the pay gap.** During the boom years at the end of the 1990s, executive pay became a hot topic. The screaming gap in SA between management and the rest is a red flag in an election year. But companies are caught in a bind: the market will force them to pay more for top talent, and less for “ordinary” workers, and they buck global norms at their peril.

Reward and incentive programmes clearly need attention. But HR people should also consider that, to many people, pay is not the ultimate motivator. *Meaning* is far more important. So management style is an untapped area of possibilities.

10. **Ethics and values.** A recent survey ranked SA number 36 of 102 countries in terms of perceived corruption. And a glance through any daily newspaper suggests that we’re going downhill fast. Given the rough-and-tumble societal pressures here, it will take a monumental effort to make good behaviour a way of life.

The new era of corporate governance and rising concern about proper workplace behaviour have triggered welcome interest in training, in hotlines which let staff report abuses, and in more careful management. Honesty and openness are the new imperatives.

HR executives cannot inculcate values and ethical behaviour into their workforce. But they can help line managers understand the need to “walk the talk” – and they should do so. They can also introduce training programmes for all staff, and ensure that communication is effective.

11. **The rise and fall of corporate governance.** For reasons that are well known, there is currently a great deal of interest in corporate governance. This is likely to persist. For the next few years, HR executives will have a field day promoting and organizing corporate governance training for senior people.

But a backlash is coming. The work of directors is becoming riskier, and decision-making is slowing down. Senior executives are being snowed by reporting requirements. *Performance* is taking a back seat to *conformance*.

Companies need to consider how to balance creativity, effective decision-making, and sound risk management. HR people can be catalysts in this process.

12. **Disempowerment as a reality.** Today, just about every manager and every organisation claims to empower people. In truth, however, most people in most workplaces are systematically *disempowered*. Their imagination and spirit are leached away by over-bearing bosses, inadequate communication, and dumb work practices. They’re under-trained, stupidly managed, and often treated as idiots or crooks.

Decisions are made about them and for them, rather than *with* them. They’re told what to do, and how, but aren’t helped to understand *why*. Silly mission statements are used to try and motivate them, but they hear too little and too late about changes in strategy and priorities.

Empowerment is not freedom. It's more a matter of development, direction, and support, and a willingness to take responsibility. These are all areas where HR can – and will – make a difference.

While most of these trends are evident elsewhere, they are particularly important in SA. This country faces great hurdles in the race to sharpen its competitiveness and grow its economy. People make everything possible, and right now people are holding us back.

HR people are critical today and will become even more so tomorrow. But if they are to deserve their self-bestowed title of “professionals”, they need to take their own advice and work to become professionals.

That means learning and development have to begin at home. Ambitious HR executives have to gain a deep understanding of the evolving business area. They have to study how companies compete, and develop a sense of what works and what doesn't. And they have to find new ways to drive value up and costs down themselves.

### Sidebar

#### **Advice for HR executives**

Everyone needs a success strategy. HR people are no different. There are five things they should do to make themselves more effective and more valuable.

1. **Understand strategy.** Learn about both the theory and latest thinking, and about what your company and others are doing. Without this context, you cannot function properly. You cannot provide sensible advice, and you can't hold a conversation of equals with your colleagues.
2. **Look for new ways to add value.** This is so obvious it shouldn't need saying, but ask yourself: “What have I done in the past day, week, month, or year to enhance my contribution?” You need to give your team compelling reasons to include you in discussions and turn to you for advice. And you need to keep promoting yourself so they do call on you.
3. **Keep learning.** As a consultant to your company, you have to stay ahead of the curve. If you don't make a deliberate effort to read the latest management books and journals, attend conferences and courses, and talk to other people in your field, your knowledge will quickly become obsolete.
4. **Beware of fads.** Managers are sitting ducks for new ideas. The problem is, there's little that's truly new, and a great deal that's trash. You have to stay abreast of current thinking to know what “best practice” really is; and you have to have a powerful bullshit detector to identify the interventions, programmes, and materials that won't make a difference.
5. **Don't pretend you can do what your line managers must do.** It's tempting to think you should be the champion of the next change programme, but it's not your job. It might give you a nice warm feeling to think you can be the king or queen of empowerment, when in fact you can only play a small part in that process. So get out of the way and leave these things to the line managers whose responsibility it really is. Don't let them dump their work on you. You

have a powerful role as their advisor and confidant, but never forget that your role is to help *them* get results through their people – not to do it yourself.

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