

Why spend money

on the HR function?



Value creation or value loss?

About the PwC Workforce Perceptions of HR series

Now more than ever, HR is positioned at the forefront, supporting organisations and their workforce in these challenging and uncertain times. At PwC, we like to keep an ear to the ground. In order to better understand how Belgian professionals perceive HR and its role in dealing with current challenges and opportunities, PwC Belgium conducted a brand-new Workforce Perceptions of HR survey. In the summer of 2020, 175 professionals, working in a range of businesses based in Belgium, from start-ups to multinationals, took part in the survey.

The objectives of the study were to:



create a 360° snapshot of today's perceptions of HR in the Belgian market



assess HR successes, priorities and pain points in the year 2020



provide insights into how best to move HR operations to the next level.

The result is a series of reports reflecting a snapshot of how HR is perceived in the Belgian market. The content of the report should not be interpreted as the single source of truth, but rather as food for thought about your organisation in comparison to our snapshot.

In this first report we will cover the difference between organisations where HR is perceived as a cost or as an asset. Our research indicates that HR has been transforming into a core business function, and that this trend has been accelerated by the pandemic. When an organisation considers their HR department as an asset, they can begin to unlock powerful opportunities to create value. We hope that this report will lend you some insight into the changing role of HR, and give you an opportunity to reflect on the potential of your HR department and its position in your organisation.



What's the perceived added value of HR during the corona crisis?

In recent months, HR has been given a unique opportunity to demonstrate its added value to organisations. The onset of the pandemic forced most organisations to make significant and rapid changes to how they do business, and it was up to HR teams to make these changes work. During the financial crisis of 2008, boardrooms turned to the finance department. The COVID-19 pandemic presented a different challenge. The human health crisis highlighted the role of a potent HR department. HR no longer solely 'served the business', it performed a vital function for their organisation.

Under these new circumstances, change management has become key for HR teams to value employee experience.

The organisation's response and long-term success was, is and will be dependent on the ability of HR to guide and support its people through the crisis instead of just performing damage control. They were challenged to put together a people-first response to the global outbreak, while answering difficult questions, limiting the disruptions to employees' day-to-day activities and dispelling the fears of an agitated workforce.

Not only did HR enable remote working, they had to manage the wellbeing, productivity and work-life balance of their employees as they adjusted their daily lives to the crisis. Now, HR departments had a chance to show that they can do more than fill open roles and engage employees, and that their role goes beyond that of administrative expert and employee champion. Trapped between business and people, they had to deal with hard decisions around staffing levels, reducing work and cutting costs where possible by being a strategic partner. Moreover, HR had a key role as a change agent to ensure employees remained motivated and engaged to undertake the drastic change imposed by the crisis.

81%

of the respondents agree that their HR department **showed flexibility** during the crisis

73%

of the respondents agree that their HR department **communicated proactively** during the crisis

In the natural world it is not the most intellectual of the species nor the strongest that survives, but the one best able to adapt and adjust to the changing environment in which it finds itself.¹

That is why flexibility and innovation are key pillars for business resilience. In the context of today's volatile world and 'new normal' work requirements, flexibility is more important than ever. A total of 81% of the respondents indicated that their HR department performed well in terms of flexibility at the beginning of the corona crisis, while 73% of staff felt their HR department communicated proactively about legislation, the changing work environment, and mental resilience.

Food for thought...

Has your HR department shown flexibility during the crisis? How?



What's the perceived added value of HR during the corona crisis?

Just as nurses were the frontline care providers in hospitals, HR was the frontline care provider of business organisations. Now, the ability of organisations to prosper depends largely on how well HR teams can guide and support employees in the transition to the 'new normal'. To better understand if individual employees also perceive the value HR can bring to organisations, we asked them if they personally perceive HR as a cost or an asset. Overall, 93% of the individual employees we surveyed agreed that they personally agree that the HR department is an asset to their organisation.

93% of respondents personally see the HR department as **an asset to their organisation**

In short, we can see how HR departments have demonstrated their contribution to business resilience by playing a fundamental role in supporting their organisations through difficult times. Our findings also indicate that, as far as employees are concerned, HR departments are an important asset—but are they also viewed as such by their organisations?

When asked, only 76% of our respondents believed that their organisation viewed the HR department as an asset. This leaves one out of four believing that, within their organisation, HR is considered to be a cost!



1 out of 4 respondents have the impression that their organisation still perceives the HR department as a **cost**

Once we can distinguish between the organisations where respondents believe HR is perceived as an asset, and those described as perceiving it as a cost, we can begin to compare the study results under the categories of 'asset' and 'cost'.

When we compare the responses to these questions in the context of organisational perceptions of HR, however, we can see a **considerable difference** between organisations where HR is considered an asset, and those where it is considered a cost.

Of the organisations where HR is seen as an asset, 86% rated their HR department as flexible during the crisis, and only 4% disagreed. **There is a marked difference in response** from those working at organisations where HR is seen as a cost—only 64% agreed that their HR department showed flexibility, and 25% disagreed.

HR demonstrated flexibility during the corona crisis

Asset



Cost



Disagree Neutral Agree



Three alignments as a way to create a value chain

In the same way, the results on whether HR communicated proactively during the crisis differ between organisations where HR is seen as a cost and where it is seen as an asset. **Where HR is perceived as an asset, people were more satisfied:** only 11% disagreed with the statement that the HR department communicated proactively during the crisis, compared to 33% in organisations where the HR department is seen as a cost.

HR communicated proactively during the corona crisis

Asset



Cost



Disagree Neutral Agree

Besides crisis management, HR is involved in the life cycle of the employees in the organisation, from attraction to exit. In order to create the most value during this cycle, there is a consensus that HR practices must be aligned with: 1. the company's strategy, 2. each other, 3. the employee needs². So, let's look at organisations where HR is seen as a cost versus organisations where HR is seen as an asset in terms of the possibilities for creating value.



1. HR departments play a critical role in the overall strategic alignment of a company

This is one of the fundamental links in the value chain that HR can create for their organisation.

One way to achieve this is to place the organisation's core values at the heart of its processes.

In our survey, we asked the participants if they agreed with statements concerning the strategy of the company, such as 'HR promotes the core values of the business.' In organisations identified as

Food for thought...

How is your HR department perceived throughout the organisation? As a cost or an asset?



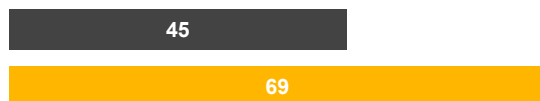
Three alignments as a way to create a value chain

considering their HR department as an asset, between 60% and 69% of respondents agreed with these statements. This was at least 20% higher than in organisations where HR was viewed as a cost.

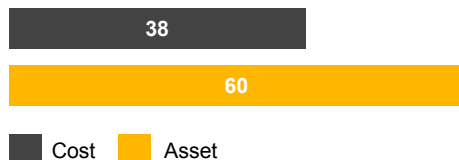
Yes, these results are still quite low. Overall, organisations may need to put a stronger focus on the role of HR teams in aligning organisational strategy.

Percentage of respondents agreeing with the statement

HR promotes the core values of the business



HR policies help employees to contribute to the business goals



2. One malfunctioning machine will hinder the rest of a manufacturing product line. The same goes for HR

A well coordinated set of policies, practices and procedures is the second way a HR department can create value. Yet, of the respondents working in an organisation where HR is seen as a cost, almost 40% disagreed with the statement that HR practices are well coordinated. For organisations where HR is seen as an asset, this figure is reduced by more than half.

HR developed a well coordinated set of policies, practices and procedures

Asset



Cost



Disagree Neutral Agree

3. When it comes to the alignment with the employee needs, the results are worse for organisations that see HR as a cost.

The percentage of respondents expressing dissatisfaction with certain HR practices never exceeded 20% in organisations where HR is seen as an asset. Where HR is seen as a cost, half of the respondents expressed dissatisfaction with the performance management and learning-and-development practices of the department. Our study showed that 29% of respondents are dissatisfied with the selection and recruitment processes, while 40% are dissatisfied with their compensation and benefits.



Three alignments as a way to create a value chain

Employee dissatisfaction with performance management and learning and development is a red flag for companies. Organisations should be careful if their employees report such high dissatisfaction. It has been proven that compensation and benefits can help elevate employee satisfaction in the short run, yet mainly focussing on compensation and benefits will not result in long-term employee commitment to the firm. For example, job security, timely feedback on performance, and career-and-learning opportunities are also essential ingredients for motivation³.

Since HR is an internal support function, its clients are the organisation's workforce. In the same way that low client satisfaction with a product is disastrous for the retention of customers, low employee satisfaction with services like HR is disastrous for the retention of employees. Instead of value creation, the result will be value loss.

Food for thought...

How well does HR achieve these three alignments in your organisation?



Percentage of dissatisfaction if HR is seen as a **cost** or an **asset**



Recruitment and selection	29%	17%
Performance management	52%	20%
Learning and development	50%	16%
Compensation and benefits	40%	17%

Why spend money on the HR function?

To conclude:

- HR has been shown to create value during the corona crisis by communicating proactively and demonstrating flexibility in the ways it supports the workforce. Indeed, practical initiatives such as remote working kits, frequent well being check-ups, work-life balance measures and virtual mental resilience workshops are notable HR actions that contributed to supporting the workforce through unprecedented challenges.
- While the vast majority of respondents agree that HR is an asset to the organisation, a quarter of respondents are still experiencing HR as a cost in their organisation.
- HR can create value if it aligns its practices with the company strategy, with each other, and with the needs of the employees. The department needs resources in order to create value instead of losing it.

According to our analysis of these findings, HR departments provide ample opportunity for organisations to create value. By supporting a clear vision for the workforce strategy, and by attracting, developing and retaining key talent, a financially enabled HR team can offer tremendous contributions to the success of its company. This cannot be achieved simply by providing coffee, addressing queries, and making sure everyone gets paid at the end of the month. To be able to really make a difference, the department must be in a position to shape clear and transparent HR policies and procedures.

But how do people that work in the HR department perceive their own role? What strategic involvement do they think they have in their organisations? And how do their perceptions compare to those of people outside HR departments? This is something we will examine in the next report.

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Food for thought...

How was your HR department involved in managing your organisation's response to the start of the corona crisis?

How is your HR department perceived? As a cost or an asset?

How well are the HR practices in your organisation aligned:
1. with the company's strategy, 2. with each other, 3. with employee needs in your organisation?



Why spend money on the HR function?

HR is vital to generate a healthy organisation. Considering HR as a cost will cut the flow of its lifeline. –
Tom Verboven

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Our HR Consulting services



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