

A New Employee Environment

Best Practices HR in Creative Industries

May 2016

With widespread gossiping, finger pointing, and despair right now regarding issues of harassment in the workplace, a fresh perspective is in order. More importantly, a guide to best practices must be implemented to establish an equitable work environment. It is often said that companies need to build shareholder confidence and trust. Now more than ever it is time for companies to build employee confidence and trust.

The dismissive attitude toward the value of best practices HR, pervasive in so many industries, is shortsighted and ill-suited to today's business climate. The human capital function has been historically undervalued – the general consensus, especially in professional services businesses has been, “if it is not directly aligned to revenue, then it is a dispensable function.” This attitude puts companies at risk.

Enough pointing the finger. What we need now is to move toward solution.

We have called together experts to share their collective knowledge on the pressing questions leaders are asking. The experts are as follows:



Wendy Murphy (WM) | Head of the Chief Human Resources Officers Practice at RSR Partners, an executive search and leadership advisory firm. Prior to joining RSR Partners, Wendy was a global managing partner at Heidrick & Struggles and was the head of the firm's Global Human Resources Practice. She has over twenty years of experience in management consulting and executive search, and she brings CHRO functional expertise to this discussion.

wmurphy@rsrpartners.com | +1 (203) 618-7080



Trish Shortell (TS) | Senior member of RSR Partners' Chief Marketing Officers and Chief Financial Officers Practices. Previously, Trish served as senior vice president, executive recruiting and talent management at WPP, a global marketing and communications company. Her search expertise spans the marketing services spectrum from agencies to corporations. She brings industry expertise to this discussion.

tshortell@rsrpartners.com | +1 (212) 661-5726



Margaret Regan (MR) | President and CEO of The FutureWork Institute, a global consulting firm that translates future trends to transform organizations. The FutureWork Institute is an incubator of innovation and change in addressing current and future workplace issues: diversity and inclusion, work/life, the future of organizations, and their employees. She brings expertise in cultural transformation and diversity issues to this discussion.

mregan@futureworkinstitute.com | + 1 (718) 832-8625

RSR Partners and The FutureWork Institute are independent boutique firms focusing on elements of the human capital spectrum. They work in alliance to assist clients in their respective areas of expertise.

1.) Are there skills that CHROs in creatively-run businesses need more than in traditional corporate environments?

WM: Yes, there are. First of all I'd say that you need flexibility and aptitude. When someone is the CHRO of a creative organization, he or she needs to know what top talent is, because talent defines everything, and it will make or break your company. Secondly, you have to have the ability to lead creative people, and all that goes with that – which includes understanding the creative mind and associated behaviors. There can be a lot of drama with creative talent – this specific talent thinks differently, expresses emotion differently, and thus has to be managed differently.

A CHRO in the advertising industry has got to be somebody who understands all the different channels of employment branding – how to attract the right people, develop them, retain them, make sure the environment and culture attracts millennial talent, which is the future of the organization. Additionally, the CHRO has got to think broadly about talent ... It is the CHRO's responsibility to peek around corners in a very different way and to understand what is necessary to support the business agenda focused on predicting and defining future trends.

This kind of talent equation is a very different one from the CHRO who drives policy, governance, and is most focused on risk and compliance.

TS: CHROs, in any business, have the mighty task of establishing every aspect of the employment experience—from recruitment and enticing talent to fostering a growth



environment to succession to rewards to exits. The CHRO sets the tone and context for the employee experience. In creative businesses this role is essential, because without people there is no revenue. Historically this function has been undervalued, understaffed, under-budgeted, under-rewarded and under recognized as a core contributor to performance and revenue.

MR: Yes, there needs to be a real recognition that creatives tend not to like traditional HR practices and find some of the approaches used as limiting and irrelevant. When a CHRO comes from outside the industry, it takes some time to win over the trust of the creative leaders, especially if s/he is seen as trying to make them too “corporate.” The dilemma is that some more creative versions of these corporate practices are needed, but how they are introduced and executed needs to be different. It becomes more important in creatively-run businesses to avoid “HR-speak” or people will join the movement to “blow up HR!”

If the current HR staff cannot handle the change management needs of the organization, they may need to be replaced. Until that is done, it might help to create a change committee made up of some HR people and some creatives to help move the needed changes through the organization,

2.) What are the core competencies for human resources leaders in creative businesses?

WM: Exceptional business acumen and exceptional talent management skills. Talent management skills means, assessing, attracting, developing & growing talent. The ability to ensure that an organization is operating with appropriate organizational boundaries, while building an environment that fosters creativity and unleashes human potential is paramount. Clearly all the other “core levers” are critical. HR must be the facilitator of the business strategy – and the activation of talent is how the vision, strategy and mission are achieved.

TS: Business acumen is the priority. Specifically, understanding the dynamics of an evolving business with a diverse employee population. The best CHROs understand how to develop a people/talent strategy against business strategy and projected results in an ever changing environment. Fostering a culture that enriches talent while maintaining corporate governance is paramount.

MR: CHROs need to see themselves as change agents. As the business is changing rapidly, the CHRO needs to work closely with the senior leaders to change how business is done, how people are rewarded and how they can remain engaged throughout the change. They also need to understand the business and what is predicted for the future of the business, so s/he can anticipate what needs to change to help the business be more successful in the marketplace. Finally, they must be experts in talent management, able to



measure and manage workforce supply and demand and the business analytics to make the best talent decisions that will put the right people with the right skills in the right place at the right time and at the right cost.

3.) What is the evidence of a best-in-class human capital function (e.g., leadership; resources; programs)?

WM: The organization becomes a net exporter of talent, while never losing their edge for innovation and reinvention. When an organization is known for recruiting and developing the best and brightest talent in the industry, a natural pipeline of talent of the future generation is formed.

Other notables of world-class HR leadership are the muted lines between business and HR, because great leaders and CEOs understand how to leverage the HR and talent functions. The HR executive is someone who is a coach, confident to the CEO and C-suite, yet drives rewards and engagement that measurably operationalizes the business strategy. Most impressive is the ability to use data and analytics to identify talent and demonstrate meaningful ROI. Few do this well... Plenty of companies are driving and using data and analytics, but few use it in a meaningful way when it comes to workforce planning and can measure the impact.

TS: A best-in-class HR function is not one thing but a combination of things. It runs the gamut from establishing programs to forecasting talent needs; learning and people development; creating an environment for growth so business can grow; creating performance management programs so people understand how they grow and for which they are measured in terms of remuneration and rewards; and transparent communications. A best-in-class HR function is more than one person sitting in a seat. Evidence comes from the company dedicating the appropriate resources and funding to support a function that cares for and nurtures people.

If you are a CHRO considering a role in a company, only join if: The CEO embraces you as a business partner; there is sufficient budget to staff and implement programs that support the function and that takes care of everyone in the company.

If you are a prospective employee considering two companies — choose the company that makes the investment in the HR function. This is a huge indicator on where a company stands with respect to talent management.

MR: A best-in-class CHRO is a strategic leader who understands the business and drives the changes needed to position the organization for the future. S/he leads the organization through creativity, and innovation, is seen as contributing directly to business performance by senior leadership and the organization, and uses business and people analytics to enable the organization to be more fact-based in workforce decision making.



They understand talent in a megatrend-driven world and have talent acquisition as a core competency. This includes addressing the widening gap between supply and demand and the increasing influence of millennials. They use tech-savvy talent strategies casting a wider net of multiple channels to find talent including on-line platforms and social networks. They recognize and respond to new innovation and growth opportunities while using their change management skills to create a culture where innovation and creativity thrives. They follow the changing technology trends and apply them to more effective people practices. They have the people resources and budgets to show that the organization invests in its people management and development of its leaders, managers and hi-potential employees.

4.) Should human resources and talent leaders be elevated in the corporate hierarchy? And should they have direct access to their board of directors?

WM: CHROs should have access because they drive governance, and they are the stewards of talent conversations, executive compensation and succession planning. If CHROs really are the strategic partners of the CEO and board – which they need to and should be – then they must have access to the board and continue working on that level. Great CHROs know how to appropriately impact board effectiveness and ensure integrity in decision making on key areas.

TS: YES, yes and yes. CHROs are the standard bearers for the company. They are charged with championing an environment for people who directly influence revenue. CHROs need to sit on the Executive Committee and have some mechanism, similar to a head of internal audit, that enables them to access the board if the need arises.

MR: Yes and Yes! Creative businesses need to really value what CHROs can bring to the table. They not only need a seat at the table, but a strong voice at the table—but this can only happen if they prove how intimately they understand the business and the rapid changes that have and will take place. Access to the Board of Directors should focus on their role as change agents, talent management and business analytics experts.

5.) If CFOs are responsible for shareholder value and CMOs are responsible for brand value, what responsibility does the CHRO have?

WM: Ensuring the company attracts, retains, develops, stewards and engages the workforce. Additionally, the CHRO that is a trusted advisor, works with the CEO to ensure employees understand the employee value proposition and how their work every day (regardless of level) has purpose and impacts customers – which creates stickiness – and engagement. Shareholder value can be traced to employee engagement and talent can be measured in ROI.



TS: The CHRO is responsible for creating employee trust. At the end of the day the most critical asset to any company is human capital. If people feel they are not in a safe, nurturing environment where they are treated with respect and rewarded fairly for their contribution, they will leave. Imagine your top 10 employees left your business – What could it mean to your business, specially revenue, to lose those people? Then multiply that by your entire employee population.

MR: CHROs are responsible for cultural value, i.e., creating an innovative, open culture, where creative talent flourishes.

With a proactive mindset and focus on business strategy, HR needs to take on a wider people remit incorporating and influencing many other aspects of the business. If the function is seen as transactional and administrative and lacks the change management skills and business acumen to make a difference, it will (and should be) almost entirely outsourced.

6.) What are the three watch outs for talent leaders in creative businesses?

WM: Not to focus on driving policy and compliance but foster fluidity in decision making and creating an environment of accountability and trust. Somebody has got to be comfortable in a very fluid business, where relationships matter and priorities in the business change really quickly.

You do not want somebody who walks in the door and talks about compliance – what we can and cannot do here, rules based stuff – we want that out. You want to make sure you set boundaries in the organization that foster creativity instead of stifling it.

TS: Lack of resources, both financial and staff, to enact programs and processes for people in the company. Also, striking the balance of managing in a fluid cultural environment, maintaining corporate governance and championing the importance of people investment beyond direct compensation. In addition, the shifting context that HR is not ‘personnel’ anymore but really “Human Capital Management” and directly aligned to a company's ability to generate revenue.

MR: Being alert to top talent walking out the door because their needs are not being met or the culture does not allow them to be themselves or optimize their talents. Ensuring that top talent approaches the CHRO first when being recruited by a competitor, to allow for counter offers before it is too late. Monitoring the culture and engagement on an ongoing basis and looking for warning signs of fatigue, growing discontent, or a disconnect from the direction of the business. This includes “fretainers” who may be used more frequently for their special expertise.



Finally, failing to catch the wave of technology and the changing workplace and workforce. There will be a major shift away from the thinking that we learn one profession, have one job and stay in it for decades. People will work from anyplace, anywhere and anytime, and HR has to ready the organization for this shift or GenY and GenZ will vote with their feet in the face of traditional managers who believe that presence = performance.

7.) What are the three indicators of best human capital practices? And what is the evidence (e.g., diversity and inclusion function; performance management; seat at the table)?

WM: Somebody that drives fluidity, that drives talent management, and I'd say that is able to really drive strategic capability with identifying and retaining the best creative talent out there.

You need diversity and inclusion in the broadest sense. So it can't just be focused on African Americans or Asians, and it can't just be focused on LGBT. It has got to be focused on diversity in the broadest sense. And that to me means diversity of thought and diversity of perspective.

Performance management is under a big change. And considering the next gen talent, and the next and the next, CHROs need to figure out what that change should look like. Tech companies, for example, are scrapping traditional performance management stuff in favor of having a less formal, ongoing conversation, so everybody knows where they stand at all times. This caters more to millennial talent.

"Seat at the table" is kind of old terminology in my opinion. Most HR people at this point are sitting next to the CEO and reporting directly to the CEO.

TS: Diversity of leadership. Financial budgets to support the employee population. Range of programs: diversity and inclusion; affinity networks; annual reviews; performance management; training and development philosophy and programs.

MR: CHRO has a seat and strong voice at the top management table and is a trusted advisor to the Chair/CEO. The HR function is highly valued by the leaders of the organization and they have confidence in HR being able to fill their talent needs on time.

They have adapted a more modern performance management system that relies on ongoing feedback as opposed to a once-a-year performance appraisal. With the changing nature of work, 12-month goals and the once-a-year review are no longer realistic. Work in creative businesses happens in teams, so best human capital practices have recognized that rankings worked against collaboration, and are using on-going feedback often accompanied by apps that support weekly or monthly feedback from the teams. This is



also being driven by the need to focus on development and develop people faster and by Millennials' desire for constant feedback and growth.

With the industry under attack for its lack of diversity, the CHRO is a strong partner with the CDO (Chief Diversity Officer), working side-by-side to increase diversity and ensure an inclusive environment. This means constant assessments of the climate for all, and especially those who are not in the majority.

8.) What should a CHRO do when the challenge is his or her CEO?

WM: Well, it's usually the CEO. The challenge is always the CEO. So the CHRO ought to behave like a true professional, as someone who is a businessperson and is very commercially minded. I have a checklist that I use occasionally, and it's like a David Letterman Top 10. One of the questions on it is: Could you as the CHRO close a shareholder meeting? Really great CHROs could do that, even though their focus is really attending to the talent in the organization and building a culture and a partnership with the CEO and key business leaders. If they can close a shareholder meeting and really talk the nuts and bolts of the business and the future of the business and the numbers, they're impressive. That's kind of how I see that.

TS: CHROs need to establish a process similar to that found in the financial function which enables an auditor to go around the CEO, reach the board, and bring significant issues and challenges to light.

MR: It depends on what the challenge is: Inappropriate Behavior – S/he should first try to take the CEO out to lunch/dinner and do some coaching around CEO behavior and the risks to the organization of behaviors that are not appropriate. If that fails, s/he should seek outside counsel to advise her/him and also convince the CEO to get a good executive coach. The CHRO should work closely with the coach to ensure that the behaviors are changing, and make sure s/he also has ongoing coaching about how to handle these types of challenges.

Devaluing the HR Function – if the issue is that the CEO does not value the HR function and actually disparages it, s/he should first try to prove the value of the function by engaging in some of the best practices cited above. If that fails, the CHRO should look for another opportunity in an organization where the CEO values what HR brings to the table.

Stuck in the Old Ways of Doing Business and Managing – if the CEO is failing as a business and/or people leader, the CHRO should: a.) bring in experts who understand the current challenges and future direction of the business; b.) enroll the CEO in a good executive education program which includes 360 feedback; and c.) hire an executive coach who can work with the CEO on an ongoing basis.



9.) If one thing was implemented in business to demonstrate fair and equitable commitment to employees what would that be?

WM: Pay for performance!

TS: Senior leaders' compensation tied directly to employee enrichment. Specifically the support of diversity and inclusion in the work force.

MR: One thing may not be enough. Some possibilities are: conduct an organization assessment (Interviews and focus groups) re: fair and equitable treatment; carry out recommendations for change and measure again 2-3 years out to determine progress. Focus particularly on underrepresented groups; do a pay equity study, announce that it has been done and make the necessary adjustments; conduct a turnover analysis to determine why top talent is leaving the organization and implement changes based on the data; introduce a feedback app to provide continuous responses to questions about employee engagement including fair and equitable treatment. This constant monitoring of how employees are feeling AND acting on the data will help to convince employees that HR and the organization really cares about fair treatment; and provide an ombuds person (a trusted member of the organization) for employees to turn to when they feel they are not receiving fair treatment. This may need to be someone outside of HR, since HR is now functioning as a business partner with management and not as an employee advocate.