Nobody loves the HR team (or finance, or legal, or comms). What's wrong with group HQ functions, and what should CEOs do to fix them?

How many of us ever welcome a meeting set up by the group centre? The number of HQ functions has been growing, and so is their power and influence. But only 10% of companies are happy with the performance of these teams. HR, IT, Finance, Legal, Communications are not exactly everybody's favourite. This is not because functional leaders don't care or are not working hard. What is going on? Are group functions doing everything they can and what is the best way for leaders to help group functions to support the business? What role should the CEO play? We summarise what little research there is.

When you talk to leaders across a business they can describe group functions as bureaucratic, interfering and making the work of divisions harder. This is backed by research suggesting how HQ functions can become self-serving – by being over-focused on matching best practice rather than focusing on supporting actual needs across the business. Each function acts as if it is the only one - the business must cope with them all. Of course, many functions perform very well – but not as often as CEOs and others would like.

A survey of 50 function heads suggest that they receive too little guidance from CEOs on how best to support strategy and performance. Instead they are asked to develop their own functional strategies, while at the same time being asked to exert more influence and control. The result is seen as mixed.

The first step for a CEO is to ensure overall clarity in the role of HQ. There are broadly three options:

- **A.** ***Light touch governance:*** The classic holding company role, to ensure core regulatory, tax, audit, compliance and investor standards are met. This only requires a small number of people.
- **B.** ***Strategic value:*** An activist, enabling, role providing strategic value that individual units cannot achieve on their own. Focused on a few areas vital to the company's business model or strategy.
- **C.** ***Shared service:*** This is where economies of scale are harnessed to get more value out of doing certain things once or by one team rather than in fragmented ways across the business.

Secondly (assuming B or C above), CEOs can be more pro-active in setting requirements for functions:

1. ***Define 3 to 5 sources of strategic group-wide added value*** *(eg sharing innovation, talent management, stakeholder insight, investment:* each function can define its role relative to these.
2. ***Fully review the strategies of corporate functions annually***: they deserve as much time and attention as a business unit. Finding time is tough but reviews can be spread through the year.
3. ***Break out shared services from strategic value***: If these are managed in the same area, it dilutes the focus and often ends up with a 'worst of both worlds'.

Third, recognise the journey corporate functions go through and manage them differently at each stage:

Youth and enthusiasm stage: when a function is new (or has a new leader) - set a narrow mandate, start with a few people, focus on those parts of company where the greatest difference can be made.

Adolescence and ambition stage: when there is rapid growth in the function of people and activities – ensure everything links to major sources of value added. Review performance. Stay lean.

Maturity and best practice stage: Strengthen relationships with clients, monitor satisfaction levels, separate policy from service activities. Keep focus on strategic value over best practice.

Change - and the struggle for survival stage: replace the leaders, start with a blank-sheet zero-based review, identify new value-adding activities for the future (not past) and focus on managing them.

Through all this – build and maintain business unit and divisional buy-in, regularly seeking feedback and adjusting for strategic relevance. Only the group CEO can ensure this happens.