

Strategic HR

Building the Capability to Deliver

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GOWER

Introduction

According to the 2001 Census, there were then some 320,000 people working in HR and training in the UK. Statistics from the Labour Force Survey in 2004 suggest that the numbers in the function have grown by over 12 per cent since then. Despite this apparent robust good health, the HR function continues to lack confidence in its role and purpose. Navel gazing is a near-continuous activity. The views of customers, especially senior management ones, are canvassed to test opinion on whether HR is doing a worthwhile job. For example, in a CIPD survey of HR practitioners (2003a), only a third thought that others in the organization believed it was a good place to work. This puts off quality people from joining the function and dispirits those working in it. There is the gloomy report that, of HR staff in the UK surveyed, as high a proportion as 39 per cent claimed to be unhappy or very unhappy in their work (*Personnel Today*, 2005a). A wider SHRM (Society for Human Resource Management in the USA) survey of 23 countries reported HR professional's low sense of self esteem (*People Management*, 2005).

There is the self-flagellation of repeating the critical comments of colleagues that HR is a dead-end place. There is frequent anxiety over whether HR is making the right sort of organizational contribution or even whether it has a future at all. At the HR Forum in 2005 (Dempsey, 2005) it was claimed that HR faced a double bind. There is the risk, according to Larry Hochman, of HR becoming 'human remains' if its role does not change, with Vance Kearney of Oracle arguing that if it were successful at organizational transformation, it would do itself out of a job.

To fight back, HR is keen to promote research that establishes the connection between HR and the 'bottom line', to emphasize its relevance. Phrases such as 'the war for talent', 'employer of choice' and 'employee value proposition' have entered business parlance as means to emphasize the importance of employee attraction to organizational success. The concept of 'human capital' has also been the subject of much recent debate, not least because it allows HR to present the value of people management in strategic terms – as a source of competitive advantage.

As is often said, the finance function does not seem to have this sense of insecurity. It claims its rightful place and gets on with the job. Part of the difficulty for the HR function seems to stem from an uncertainty over what role it should play. For some critics the very renaming of the function, from personnel to human resources, was no more than a rebranding exercise, a matter of spin not substance. Whilst many may now adopt the term 'HR' rather than 'personnel' because the abbreviated HR trips off the tongue more easily, there are those though who want to assert a real difference between the two and a freshly defined position for the function. As we will discuss later, this goes back to the development of the concept of 'human resource management' in the late 1980s. HRM appeared to offer a new philosophy of people management that sought to find ways to release the potential of the workforce. This encouraged the shift in HR's role definition from welfare or administrative officer to business strategist. Opponents saw this less positively as a means to exploit the value of staff and

considered the term HR as demeaning to employees, counting them as resources no different from money or machinery.

But change in the role of HR has also been driven by real change in the context within which it has had to operate. Briefly put, more intense and globalized competition has pushed organizations to be both more effective and efficient. Private sector companies have had to respond to stock market demands for a quick return on investments. Those in the public sector have had to cope with similarly impatient government requirements for cost reduction and improved delivery. This has driven many companies into mergers or new partnership arrangements; others have been the subject of takeovers. Reconfiguration, perhaps more for political than efficiency reasons, has similarly affected public sector bodies. At a more micro level, structures have adjusted to meet organizational imperatives. Delaying, matrix management, broader roles in place of jobs, project team working, decentralization of responsibility to business units and the centralization of administrative activities have all been seen in recent years as means to raise organizational performance. For similar reasons, new forms of service delivery – via call centres, intranets or the like – have been launched. Tasks may, as before, be subcontracted to specialist outsiders, but talk (and sometimes action) is of whole functions being outsourced, or even offshored. There has been internal competition over the investment in resources and the release of funds. Organizations have increasingly paid attention to the customer and to the need for quality, as well as increased productivity. And then there has been the increase in the regulatory burden. Whether emanating from Brussels or from Westminster, over the last ten years there has been a spurt of employment legislation – from the minimum wage through the working time regulations to the employment of agency workers. Whether this legislative burst is for good or ill is beside the point in this context; what matters is that HR has had to concern itself with its implications. Some have turned out to be less threatening or onerous than expected; others have presented a greater challenge.

This degree of organizational and environmental churn has focused attention on the people element of the business. The HRM notion of getting employees aligned with business goals fitted with the new model of doing business. The current interest in employee engagement and human capital is the latest manifestation of this imperative. Where the labour market has been tight, i.e. where supply hardly matches demand, the emphasis has been on retention. This has been especially true for some specialist skills and for those talented individuals with potential to get to the top. In these situations, for some organizations there has also been a convergence of philosophy and need; employees should be valued to improve their productive capability and must be valued to keep them in their current employment. Indeed, ‘human capital’ is, in some quarters, even replacing ‘human resources’ as the term of choice.

By contrast, other organizations have been more concerned with downsizing and redundancy programmes. This may be driven by economic necessity or to meet shareholder requirements. Harder still to manage has been the pendulum swinging between recruitment and reduction, or cutting in some areas and growing in others. This balancing act has been more challenging still for those companies operating on a global scale. The economic situation has varied so much between countries or regions and over time. So we have seen the tiger economies of Asia go from boom to not quite bust and not quite back again. We have seen the growing power of China, but the declining influence of Japan, and the contrast between the sclerotic performance of many European countries and the rollercoaster ride of the USA.

This conflict or tension between retrenchment and growth poses real problems in positioning the HR function in some organizations. The professional leanings of the HR staff are towards engagement and development, yet the exigencies of the business situation may be

pushing them towards downsizing and outsourcing/offshoring. They want to assert the value of people as the organization's greatest asset, but the actions required of them reduce the scope of their professional position.

All of this has certainly given HR much to do!

It is an irony that people management is becoming more and more important in many organizations, but that the effectiveness of HR function continues to be questioned.

Against this background, of a changing, and more demanding, organizational environment and an HR function trying to improve its game so that it can make a genuinely strategic contribution, we take time out in this book to look at progress to date and the challenges ahead. The book, like Gaul, is organized in three parts:

Part 1: the story so far. This looks at the changing purpose and role of HR. It reviews the move to devolve more responsibility to line management and to encourage the line to take more of a lead in people management. New structures and delivery mechanisms will be considered next, covering shared services, call centres and business partner models. We will look too at improved HR processes – the move to simplified, standardized and best in class procedures. This section will also include developments in e-HR, outsourcing and measurement and monitoring.

In this part of the book we describe the common features of change and the problems faced. We will also summarize some of the debates about HR's role, activities and ways of organizing itself.

Part 2: where to next? Here we set out our vision of what HR should look like in the context of the big questions faced by the function. What should its purpose be? How can it build the capability to be more strategic? How should it organize itself? What are the skills required for success? We will give our view on HR's role and what activities it should be tackling, organized under the headings of organizational capability, effectiveness and proposition. This leads into a discussion on skill requirements. We will also give our opinion on HR's relationship to its stakeholders: how organizations are pushing line managers more and more to manage their people, and how the function might aim to connect to employees. New structures, processes and delivery will be considered next, including shared services, outsourcing and e-HR. We will also look at the way the function is changing the means by which it relates with the business through the business partner model. Methodologies for measuring the efficiency and effectiveness of HR and people management are discussed.

Part 3: impediments to success. This part of the book confronts the challenges the function faces in meeting the objectives detailed in Part 2 and offers possible solutions. We pick out three particular issues. Firstly, we cover the positioning challenge: the difficulties of building successful relationships with senior managers, line managers and employees. Secondly, we describe problems with the new HR operating model, its structures and roles. Finally, we examine the capability challenge. Against the backdrop of HR's search to be more effective, we ask: what are the skill deficiencies that will be the main impediment to HR's success? Will careers be developed in such a way to bring on talent in the new model?

Under these headings we offer ideas to deal with these challenges. Among the solutions we offer, we suggest that HR looks to other functions (such as finance, marketing and IT) for ideas on the way they have tackled similar issues.

Our conclusion will aim to draw these strands together and we will discuss how HR can best make its strategic contribution, and what obstacles it needs to overcome. We finish with a list of pointers that cover the areas where we believe particular attention is required.

We hope that the book will interest all HR readers, but, depending on the stage the organization is at, HR practitioners may be familiar with the concepts and practices described. We have included at various times reference to issues that we hope should challenge the more sophisticated. The aim is to get one and all to think through why they are taking a particular approach and what the consequences might be. This applies to skills as to structures, content as to roles. But, as we eschew a best-practice style of commentary, we will not be advocating a single approach to people management, rather pointing out the different options – their advantages and disadvantages.

In putting together this book we have drawn on the experience of a number of people in HR roles in large, respected organizations. They have been drawn from the UK public sector (Alan Warner, Director of People and Property Services, Hertfordshire County Council, and Dean Royles, Head of HR Capacity and Employment, Department of Health), from international companies (Neil Roden, Group HR Director RBS; Rick Brown, Vice President of HR Functional Excellence in Shell; Penny Davis, Head of HR, T-Mobile; Trevor Bromelow, Personnel Director of Siemens Business Services; Paul Birt, General Manager, HR Shared Services, and Rob Baston, Head of Compensation and Benefits, Siemens plc) and from those who have had a foot in both camps, i.e. Richie Furlong, ex Unilever and Cabinet Office. In addition, we have spoken to a wide range of people during the course of writing the book – some of whom have been quoted; all of whom have had some influence on our thinking.

In all three parts we will refer to how their organizations have dealt with the challenges we have identified. We hope this will give readers both confirmation that the issues we cover are real rather than imagined and confidence that they can be addressed.

Enjoy!