

Keeping you up to date with IES  
research and consultancy work

Summer 2012 Issue 15



## Organisational effectiveness – the new focus

Paul Fairhurst

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### Working together

IES provides a unique evidence-based consultancy service for clients in the private, public and voluntary sectors:

- Our experts can assist with facilitating new strategies linked to business needs.
- We provide rigorous and independent auditing, evaluation and diagnosis.
- We have extensive experience of designing practical policies and processes.
- We can help you build organisational capability and develop your HR people.

Whatever your professional and HR needs are, get in touch.

[www.ieshr.co.uk](http://www.ieshr.co.uk)

[iesconsult@employment-studies.co.uk](mailto:iesconsult@employment-studies.co.uk)



**There is always a risk when people are specialists in a particular discipline that the solution to any presenting problem is whatever they are expert in. So, for example, L&D people might always think that the answer is some sort of learning intervention (or worse still, always think that it is a training course). This is like the tradesman coming to fix a problem in our house and only bringing a hammer with him. External consultants with their proprietary solutions and specialisms can be a bit like this, but so can internal specialists.**

The reality meanwhile is that any business situation is a complex interplay of people, their capabilities, structures, processes (and systems) and organisational culture all set within a context of the business strategy and external environment. The most important part of improving performance is understanding the problem and what changes, interventions, approaches etc. will lead to an effective solution. The focus needs to be on what any intervention achieves rather than the activity itself. This is increasingly being known as a focus on

Organisational Effectiveness (OE) and is also a good reflection of what has long been IES's approach to helping clients.

For example, we are currently working in partnership with four client organisations of various sizes and sectors to help them move through a period of challenging change. If we were to describe this work in traditional HR discipline terms, we could say that it includes workforce planning, structure and job design, job evaluation and pay design, coaching, new models of service delivery etc.

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etc. But actually, all the work with these clients is much more integrated than that. It is about working with them so that they can respond to the changing external environment (increasing customer demands, reduced funding and so on) in a way which allows them to survive and thrive. We have helped these clients make decisions about what are the right solutions for their situation and then worked together to identify the best route to implementation and how to manage the change. Often, this is the client doing things for themselves with our support and challenge. Sometimes, we will carry out specific tasks in the programme (such as design a job evaluation scheme or run a coaching programme) or it may be about finding a third party who can deliver a specific solution (such as an assessment centre). But whatever the specific interventions, these clients value us working alongside them so that the solutions remain integrated and focused on improving Organisational Effectiveness.

**Contact Paul Fairhurst if you want to discuss how we can work with you in partnership to help you make the changes you need to become even more effective as an organisation.**

## In the media

The IES HR team have been busy recently writing articles for publication, including:

*Strengths focused coaching – five years on*, Fairhurst P, Local Government Chronicle blog, 17 July 2012

*Mobilizing for rapid change*, Valerie Garrow, Strategic HR, Review, Vol. 11 No. 5, Summer 2012

*An analytical approach*, Peter Reilly and Dilys Robinson, HR & Training Journal, Issue 12, June 2012

*Why flexible working seizes up*, Mary Mercer, HR Director, April 2012

*The practice of strategy*, Peter Reilly, Strategic HR Review, Vol. 11 No. 3, Spring 2012

*What public managers can do to support stressed staff*, Ben Hicks, Public leaders network, The Guardian, 15 March 2012

We have also been invited to do several media interviews recently, these are some of the articles we've appeared in:

*Evidence-based reward*, Workplace Savings and Benefits, June 2012 (Peter Reilly)

*Valuing variety*, Edge, May 2012 (Mary Mercer)

*In search of a global model*, Hourglass, May 2012 (Peter Reilly)

*Adding colour*, Employee Benefits, March 2012 (Peter Reilly)

# The Performance Management challenge

Mary Mercer

**In the last year we have had a strong focus on performance management. Identified as an area of interest by our HR Network members, it is one of those areas which is so key to success and yet seems so difficult to get right. We continue to support individual organisations to develop performance management approaches. For example, we are currently working with Kingston University to develop an approach with the University's "Led by Learning" strategy at its heart, but which also focuses on enabling appraisees and appraisers to have a quality conversation.**

It is worth remembering that six years ago Michael West, at Aston University, identified the fundamental impact of good people management, and good performance management in particular. West examined the relationship between high performance HR management and healthcare outcomes in 52 hospitals across England. He focused on a 'high performance bundle or system' of HR practices and the effects that such systems had on patient mortality. After controlling for influential factors (such as the prior mortality rates at each hospital), the researchers found that the HR system variables accounted for almost eight per cent of the variance in mortality rates. They then looked at the contribution made by each of the individual elements of the HR system.

West's analysis revealed that there were three individual HR practices that were the most influential: the presence of a sophisticated performance management system, employment security, and Investors in People status (which focuses on training and development practices and outcomes). Of these, performance management was the most important. Why then does performance management still have an image problem as a bit of an inconvenience and a paperwork exercise when it has been shown to be so influential; even a matter of life or death?

We think that people focus on the paperwork and process, and not on the purpose and the skills necessary to carry out an effective performance review. IES's recent research into performance management found, for example, that performance management was like an "overfull suitcase" with an unclear purpose and too many other processes (reward, recruitment, talent management, promotion, development and pay) tacked on rather randomly<sup>1</sup>. We also found a focus on the form and paperwork rather than the dialogue between appraiser and appraisee,



with people feeling that getting the paperwork submitted was more important than the quality of the conversation. The bottom line is that those involved have lost sight of what it is all about.

To address this IES has been running two action learning sets (ALSs), one with a group of London Boroughs and one with a mix of private sector companies and central government departments. These sets have each focused on topics of interest concerning performance management, and over the course of six sessions we have explored issues such as the process, the culture, alignment with strategy, links to pay and reward, manager engagement and alternative approaches to delivery. Each partner in the ALS has discussed their own situation and ambitions for performance management and, most importantly, we have established strong groups with mutual ambition who plan to keep in touch and continue supporting each other as we strive to get performance management right.

We will be circulating key thoughts from our ALSs in the Autumn. If you are interested in joining an IES ALS on performance management or another topic, or want to talk to us about what IES can do for you in developing robust performance management, contact the IES team at [askies@employment-studies.co.uk](mailto:askies@employment-studies.co.uk).

<sup>1</sup> *Performance Management: The Implementation Challenge*, Hirsh W, Brown D, Chubb C, Reilly P, Institute for Employment Studies, 2011

# Reward: modernisation and market competitiveness

Catherine Rickard

**IES was recently commissioned by the Office of Manpower Economics (OME) to explore pay progression mechanisms (how an individual moves up their pay range) in a range of different public and private sector organisations, including the Met Office, the Competition Commission and Dixons Retail. The research, using a case study approach, contributed towards informing the Pay Review Bodies of how pay progression systems have been modernised. It found that organisations have moved away from service-based progression towards more hybrid systems which commonly use measures such as market, performance, skills and contribution for progression.**

Different types of pay progression systems have varying objectives. However, commonly linking some of the progression arrangements are objectives around:

- appropriately recognising the highest performers;
- offering continued scope for pay progression to boost motivation and retention;
- recognising through pay progression achievement towards organisational objectives;
- and achieving transparency and equality in pay systems.

The research, including seven case study reports, will be available on the OME website in the summer: [www.ome.uk.com](http://www.ome.uk.com)

IES also recently conducted a review of market competitiveness of the Architect's Registration Board (ARB)'s reward arrangements. We conducted a tailored salary survey for the ARB which targeted similar regulatory and professional membership bodies to ensure the ARB was in line with current sectoral practice. Regular reviews of this nature support an organisation's ability to recruit and retain staff. They also assess the extent to which an organisation is consistent with prevailing reward practices and trends in comparative organisations.

If you would like to find out more about IES research and consultancy into reward practice, please contact [catherine.rickard@employment-studies.co.uk](mailto:catherine.rickard@employment-studies.co.uk)

## in brief

Peter Reilly ran a training course on employee relations for **Total** last month in Paris. Delegates came primarily from Africa but there were representatives from the Middle East, Europe and South America.

IES recently collaborated in a 'panorama study' with three other European partners from Italy, Germany and France. The aim was to throw light on how older workers are managed in companies in their respective countries. The report, *Managing Extended Working Life*, has been published by **Enterprise&Personnel**.

**UCEA and Universities HR** have commissioned IES to develop an evidence-based toolkit for HEIs on employee engagement. The aim of the project is to provide a practical framework for use by those in leadership roles in HEIs in building employee engagement within their institutions. Key objectives are to:

- explore the key role of managers and leaders;
- look at how successful organisations, including outside HE, engage their employees;
- analyse and define key activities that contribute to engagement, and
- focus on the specific issues and challenges in HE, with examples of innovative and effective practice.

To inform the toolkit, we will update our existing (2009) literature review and conduct one-to-one interviews with senior leaders in HEIs and stakeholder organisations. The toolkit will be piloted in up to three HEIs and there will also be a stakeholder event to (i) test the toolkit's usability and content prior to publication (ii) introduce the toolkit to a range of leaders and practitioners.

## Engagement Update

Dilys Robinson

**IES's work on the topic of employee engagement continues to grow.**

### Employee engagement surveys

We have recently completed surveys for two organisations – the Office of the Independent Adjudicator for Higher Education and the Architects' Registration Board – and are in the process of conducting a third, for the Housing Ombudsman Service. All three have attracted very high response rates, of 97 to 100 per cent. This is a good indicator of their employees' enthusiasm to share their views and suggest ways of making their working lives, and their organisations' performance, even better. The analyses we have carried out are helping these clients to understand what motivates and engages their employees.

### Engaging Manager series

We are using the material gathered via our Engaging Manager research to produce four further reports on different themes. Two have already been published (*Images of Engaging Management* and *Teams and the Engaging*

*Manager*) and two more are waiting in the wings for publication later in the year (*The Engaging Manager* and *Sticky Situations* and *The Engaging Manager in Development Mode*).

### Engagement assessment tool

Good progress is also happening with this 360° tool to help managers understand the impact of their people management behaviours. It is being developed from a paper-based to an electronic product, and we will be working with volunteers to test it over the next few months.

### Engage for Success movement

Dilys Robinson is a member of the movement's Guru Group, and is currently on its steering group. Engage for Success is a completely voluntary movement, with members and organisations giving time and resources pro bono. Dilys is also participating in the review of materials for inclusion on the Engage for Success website, specifically on the theme of Employee Voice.

If you think your organisation has something to offer on this theme (or indeed on any other aspect of engagement) – such as a podcast, written case study, video clip, guidelines for managers, articles, values – please contact Dilys via email: [dilys.robinson@employment-studies.co.uk](mailto:dilys.robinson@employment-studies.co.uk)



# Workforce planning: the continuing story

Peter Reilly

aroundIES

**Though it has changed many times, from the old days of 'manpower planning' to today's 'strategic workforce planning', the essence of the activity remains the same. The aim of workforce planning is to establish the labour demand/supply balance and point to actions that need to be taken to rectify any identified shortfall, oversupply or mismatch of labour.**

What may be changing is the context within which workforce planning is being executed. Global companies are having to ensure that they have the right resources in the right place in an international context. This might mean having to cope with a switch of staff from west to east to follow business growth, whilst simultaneously dealing with an emerging demographic deficit in certain countries and real recruitment challenges in others.

Meeting this challenge demands good quality data on the supply position in each country of operation, together with information on workforce requirements. The complication here is that business planning might be done at global business unit level or on a geographical (regional or local) basis.

Achieving good quality data requires a standardised workforce planning process and, ideally, a common HR information system to allow standardised data manipulation. Some global companies have these assets, but many do not.

We are working with organisations where the imperative of cross-national workforce planning has been identified and where there is a desire to have the security of a common process. One of the challenges of building such an approach is deciding on how this standard workforce planning process is determined. Is it corporately set or settled through operating company involvement? How much scope is allowed for local

differences – in data collection, meeting legal requirements, responding to specific business challenges, etc?

To execute workforce planning in this way requires a certain level of capability, but perhaps even more one of cooperation. Training of the participants in the format used by the process is essential and may be combined with a reinforcement of the objectives and benefits of workforce planning in general. What this training may reveal is that:

- Some HR colleagues still do not really see the value of workforce planning.
- Or, more commonly, they see the value but raise objections as to its effectiveness through lack of line management engagement, HR exclusion from business planning activities, uncertainty over future workforce demand, etc.
- Certain HR managers resent corporate 'interference' in their local activities or claim that their circumstances are unique such that they cannot conform to corporate rules.

Meeting these objections/concerns may require patient restatement of the reasons for integrated, cross-national workforce planning; namely that in today's and, even more, tomorrow's business environment organisations need to understand their workforce pressure points, wherever they might apply across the world.



IES, Brighton

We have recently enjoyed the annual HR Directors' Retreat with our HR Network. This year the theme was *Creating and sustaining high-performing organisations*, and we heard from our speakers about what the evidence base tells us in these areas. We also heard case studies from our invited practitioners on how they set about the challenge of creating a high-performing organisation.

The next HR Network event we are looking forward to is our Annual Provocation in September. Entitled 'What has Dave Ulrich ever done for us?', this event looks set to provoke some truly stimulating debate.

The annual conference will take place in October as usual. This event always provides a wealth of informative speakers and food for thought. This year, with the theme of evidence-based HR and guest speaker Thomas Øyvind Lehmann, Director Analytics / People & Culture at Vestas Wind Systems, coming from Denmark, we are looking forward to more of the same.



## Institute for Employment Studies

Sovereign House, Church Street,  
Brighton BN1 1UJ, UK  
Tel. +44 (0) 1273 763400  
Fax +44 (0) 1273 763401

[askies@employment-studies.co.uk](mailto:askies@employment-studies.co.uk)

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## About the institute

IES, a not-for-profit organisation, is the UK's leading independent centre of research and consultancy in employment policy and HR practice. We contribute to corporate strategy and performance, through research and evidence-based consultancy commissioned by individual employers. IES is also commissioned by government departments, agencies and other bodies to research and advise on the effectiveness and development of public employment policy. Our expertise is available to all organisations through research, consultancy, publications and the Internet.