

Strategic Human Resource Management, in Practice: Case Studies and Conclusions – From HRM Strategy to Strategic People Management

Executive Summary

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Executive Summary

Introduction

More than 30 years after the concept first started to be adopted in the UK, the Institute for Employment Studies (IES) and the Chartered Institute of Personnel and Development (CIPD) have been partnering on research into the contemporary state of Strategic Human Resource Management (SHRM) and people management strategies in UK organisations.

The main aims of this research have been:

- to assess the reality of strategic HRM in UK employers and HR functions today;
- to document and assess how it has evolved and how it is changing;
- to summarise recent academic research on the subject and to bring together research and practice in this area;
- to address some of the key questions raised by prior work in the field.

Despite major structural and economic changes in the workplace, our study highlights three core questions that have underpinned much of the work in this field throughout its history:

1. In terms of policy, how strategic are HRM policies and HR functions? What impact do HRM policies have on organisational performance and how can this influence best be leveraged?
2. In terms of practice, how well do employers implement and 'land' HR policies?
3. Perhaps most fundamentally of all, what is the purpose of strategic HRM and do employees as well as employers benefit?

These fundamental questions of impact, implementation and ethics underpin much of the research and policy work in the field and lie at the core of this research.

In order to obtain the perspectives of both academic research and organisational practice, the work on the project has involved two main components: a review of the relevant academic literature; and case study research in four employers.

Literature Review

The methodology and findings from our literature review are contained in a separate report (Armstrong and Brown, 2019). We searched and analysed academic and 'grey' research and sources to chart the evolution of the concept, its meaning and its practical application over that timescale.

In summary, we found that SHRM is not an easy concept to define or to deliver and that helps to explain the continuing controversy about its aims and impact. Initially, the focus was on vertical integration and alignment between HR strategy and business strategy. From the outset there has been a strong focus in the literature on organisation performance and the links between HR strategy and performance outcomes. The ‘best fit’ versus ‘best practice’ debate has been a key dimension of this in terms of the optimum way to leverage these relationships.

Two other key issues have been:

- practitioners questioning the difficulties of implementing HRM strategies; and the related academic research findings that they may have had more impact on the HR functions’ influence in the boardroom than on ‘real’ people and organisational performance; and
- suspicions from the outset – and particularly since the 2008/9 financial crash – as to the motives and morals of SHRM, with suggestions that it has really been a justification for excessively shareholder-focused, employee-exploiting HRM.

Perhaps the most important conclusion reached by our review was of the need for a more multi-stakeholder perspective on strategic HRM.

Case Studies

Our qualitative case study research on this project was based on interviews with HR directors – and in some cases other HR specialists involved – in four deliberately different types of employers. It was designed primarily in order to address the ‘how’ questions in this research: how did you develop the HRM strategy? how did you decide what to include and prioritise? how well is it working in practice? how can it be improved? and so on.

The detailed findings from each case study are described in the body of this report.

Conclusions and Implications

‘Stakeholder management and having a clear vision for the future, whilst being willing to be tactical about how to get there, has been vital in ensuring that the People Plan has continued to be supported and its focus and impact evolved.’

Case Study Interviewee

Our four case studies were obviously not in any sense a representative sample of UK employers. However, they nonetheless provide some positive and common answers and experiences to pass onto other employers in terms of how they are addressing contemporary challenges and working to make strategic HRM a successful, effective reality in their organisations, to the benefit of all of their major stakeholders.

Policy: Is HRM strategic, what is Strategic People Management today?

Three of our case study employers had a defined HRM strategy, although two called it different things – the people plan, and the people development plan, respectively – and the fourth had people objectives very clearly apparent in its business strategy. While the confusing mix of terms may not be helping academics to define and study the concept, the perhaps less jargon-ridden and less alienating term ‘People Management’ does seem to be coming to the fore again, and we welcome that.

The idea of strategic HRM implies that HRM policies are ‘aligned’ in linear fashion with and driven by a formal business strategy; and the HRM strategy in turn translates the people aspects of that business strategy into a plan for action on the people aspects of the business and drives the HR activity designed to support that process.

What we have seen in the case studies is that, in today’s more unpredictable and fast-changing environments, SHRM is more complex, layered, adaptive and multi-directional than that. Our research points to at least three levels of contemporary strategic people management:

1. The **context** and drivers of the people management strategy; the key determinants of the contents of that strategy; and the tailoring/’best fit’ process, which all our case study interviewees told us is so essential;
2. The **components** of the people management strategy, which seems now often to contain a longer-term workforce plan, a shorter-term plan for the HR function activity, as well as core priorities and policies for managing people in the employer and a strong link to values and culture;
3. The **capabilities** and processes required in the organisation to implement and put the people management strategy into practice and to avoid the much-researched policy:practice gap.

At the **contextual** level, rather than driving out medium-to-long term strategic planning and actions, an increasingly rapidly-shifting external environment appears to be ‘driving in’ both more multi-stakeholder business strategies and highlighting the importance of a strategic approach to people management.

At this level we also find the influence of major **employment issues** inside and outside of the organisation; and of the values and culture of the organisation. This clear influence of **corporate values and culture** on the components and delivery of the people management strategy has been a key common finding.

Then at the second level of **content** is the people management strategy itself. Our four case studies illustrate that in some organisations this is more focused on how people are managed in the employer; and in others on the HR function and its work. But the strategy generally incorporates both dimensions.

Prioritisation seems to be a key goal and requirement of people management strategies today. One HR director told us that excessively lengthy and overly-ambitious HR strategies have bedevilled the function and given HR a bad reputation in the past for

‘over-promising’ and ‘under-delivering’. ‘Focus’ and ‘delivery’ appear to be the new watchwords of people management strategies.

The **employment or workforce strategy** is not always articulated in one or more written documents, but covers the dimensions, sources and supply and any changes required to the size, shape and nature of the workforce and its contractual and psychological relationship with the organisation. This is where strategic workforce planning now sits in the process of aligning employment plans with business needs and as our case studies illustrate, with such a tight labour market in the UK, employers across all sectors and sizes at last appear to be taking workforce planning seriously.

All of our case studies illustrate the need for an **interplay between the strategic and operational**, balancing explicit business alignment with the need in uncertain circumstances to keep flexible, or else as the MHCLG interviewees told us, the strategy risks just remaining a ‘document on the shelf’.

The process of simultaneously planning and acting is also designed to help address the third level of our model, which research has found to be the main Achilles’ heel of traditional HRM strategies: **capability and implementation**. A focus on line managers and their people management capability by the HR function is common to all our case studies.

Communications and political skills also emerge from our research as critical to the effective implementation and delivery of people management strategies in practice. The HR function needs forums and models of working with senior business leaders on strategy and implementation. They also need a model of how to support the business and line managers, and need the orientation and capability to deliver on this. Staff communication and involvement also appears to be increasingly important to delivering on the people management strategy.

The case study organisations all use selected **metrics** to track the progress of their people management priorities. The metrics in themselves are often not all that surprising or exciting and tend still to focus on operational HR activity. How the metrics are used is at least as interesting and important as the metrics themselves.

Purpose

On the basis of our four case studies, the ‘heart and the soul’ of people management seems to be very much alive and well, and is not buried beneath an obsession with shareholders or overwhelmingly cost-driven priorities. The **purpose, values and culture** of these employers are critical determinants and components of the people management strategies in these organisations, and also help to explain the strong focus on developing appropriate **leadership behaviours** and values.

If anything, these employers seem to be becoming more, not less, focused on the wellbeing of their employees, recognising that high performance in a service and knowledge-based economy generally can’t be programmed and regulated into people; that they have to be engaged, supported and enabled by leaders and HR professionals to deliver it. These employers are recognising that employee wellbeing is a critical route on

the road to high performance, and failure to invest in it will have counter-productive effects in important metrics they are monitoring, including employee turnover and absenteeism.

Practice: Managing the Balance

Many philosophies and religions incorporate a dualistic concept of balance. Our research and the participants very much support the 'best fit' and cultural tailoring school of strategic people management, and we have highlighted a number of tensions and balances which HR functions and their people management strategies need to navigate if they wish to increase their strategic impact. These include:

- balancing the HRM plan and the implementation;
- balancing longer-term thinking and short-term action;
- balancing external and internal drivers;
- balancing 'best-practice' HR with 'best-fit' approaches;
- balancing employer and employee and other stakeholder interests;
- balancing central control with local discretion in people management.

More detail and examples from the case studies on each of these balances and striking them at the most appropriate point are contained in the main text.

Implications for Future Practice

Learning that we would highlight from our case studies for HR leaders and practitioners would be as follows:

1. HR needs to prioritise its working and the people management agenda.
2. HR has to co-create the people management strategy with leaders and other stakeholders.
3. The involvement of managers and employees in HR planning, processes and services is critical to their success.
4. It is essential to define and deliver the most appropriate structure of HR and its service model.
5. We need to recognise that strategic people management is underpinned by a set of capabilities that need to be defined, developed and practised.

Implications for Future Research

Our study indicates the need for researchers to conduct more process-focused, multi-stakeholder and multi-method studies, as well for practitioners to adopt a more integrative and open, emergent approach to developing their HR strategies. We have tried to focus on the actual methods for developing and implementing strategic people management approaches, and have attempted to document what written HR and people management strategies actually consist of, by gathering the perspectives of their HR 'owners' on how strategies were developed and how they do (or do not) operate in their organisation.

However, our work has been weakened, largely through resource constraints, by an almost exclusive focus in the methodology on the HR function and HR leaders' views. More studies comparing the views of employees and line managers on strategic people management, the influences on employee behaviour and the barriers to managers in implementing the intended approach would be of great benefit.

We would also have benefitted both from a larger number of more varied case study organisations, and also some additional quantitative research – for example through multi-employer surveys – to test the generalisability of some of our tentative conclusions.

Given that the reality of people management strategy appears to be that it is a long-term and at least partly emergent process, more time-series case studies following the progress of specific people management strategies and changes in individual employers would also be of value.