Paper

# Learning from the Past, Planning for the Future

## Strategic People Management and its Vital Role in Today's Uncertain Times

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## The Context and the Questions

Do you think government and the Civil Service ever really had a strategic master-plan for Brexit? Some critics argue that our prolonged 'Brexit bedlam' was caused by the fact that there wasn't one; and the government just survived day-to-day, lurching from crisis to crisis. Others alleged at various stages throughout the drawn-out process that there was a secret plan, either to avoid leaving altogether, or to 'crash' out.

It has looked to be a very similar, challenging situation for HR functions in recent years. Critics of the function have argued on the one hand, that HR lacks strategic insight and impact, as it retains its traditional myopic, bureaucratic and control-orientation; unwilling or unable, as our own Wendy Hirsh argues, to engage in strategic workforce planning when they need to 'stop dithering, start planning'. But on the other hand, HR has apparently been engaged in a monetarist conspiracy to 'sell out' on the workforce and 'sweat' the employee assets, inflicting real pay and pension cuts, zero hours contracts and the rest on employees in their relentless pursuit of added value, so as to line the pockets of senior management and their shareholders; - 'little more than an administrative minder for investors' according to the joint-editor of the Human Resource Management Journal.

That journal was founded in 1990 as a forum for research in the emerging field of strategic HRM and 'to counter-balance the over-prescriptive tendencies in much of the personnel management literature which proffers recipes detached from context and free of evidence'. Brexit-style rants are definitely not our style at IES; we need the evidence to produce the insights. And so instead, through 2018 and 2019, we have been carrying out research work in partnership with the CIPD:

- First, we looked at the evolution of ideas of Strategic Human Resource Management (SHRM) and workforce planning since those early years of their application in the UK context, in a detailed literature review.
- Second, we carried out case study research in four deliberately different employers, profiled in a detailed research report which we have subsequently discussed with a range of employers and HR professionals in meetings and fora during 2019, including an excellent HR Directors' Retreat for our HR Network members in May.

Despite the major structural, technological and economic changes going on in the workplace today in what has been termed 'the fourth industrial revolution', our study highlights three core questions that have been at the heart of people management in organisations (and the function that specialises in it) over at least the last forty years; and this is where we focused our research. They are:

- 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?
- In terms of **practice**, how well do employers implement and 'land' their HR strategy and policies? Do HRM strategies really exist outside of boardrooms?

- Perhaps most fundamentally of all, what is the **purpose** of strategic HRM and do employees as well as employers benefit?

In this article we:

- first, summarise the findings from our literature review, running through the adoption in this country of the concept of SHRM imported from North America, and what its influence and impact have been since then;
- then, describe the findings from our case study research as to just how strategic people management and HR functions really are in these four deliberately very different types of employer;
- finally, draw out some implications for our members and HR practitioners looking to enhance their role and impact resulting from the conceptual shift that appears to be occurring.

We have found that strategic people management, as it is now increasingly being referred to, appears to be emerging in response to these contemporary challenges and criticisms; and we believe based on the evidence so far that it can offer a way forward to uniting the often dissonant and sometimes competing perspectives of HR policy and practice; and 'head and heart'.

## The History

> *'Their constant worry is their inability to prove they are making a contribution to the enterprise. Their preoccupation is the search for a gimmick that will impress their management colleagues…the work a hodgepodge, partly a file clerk's job, partly a social workers', partly firefighting, mostly unpleasant chores…all those things that do not deal with the work of people and are not management'*[1]

Drucker's infamous jibe more than fifty years ago at the appropriately named personnel administration functions of his era have often been repeated in the intervening years. Scarcely surprising then that as our literature review shows, as ideas of strategic human resource management and business alignment first drifted across the Atlantic from Harvard almost forty years ago, they were rapidly adopted and replaced the more pluralistic notions and job titles of traditional personnel management. IES itself was founded a decade earlier by a group of personnel directors aiming to produce more evidence and insight as to the beneficial impact of good people management.

But from the outset and ever since then, there have been these somewhat contradictory criticisms and allegations of HR 'cock up' and 'conspiracy', in the interpretation of the impact of this major conceptual shift from personnel administration to strategic HRM, which has been manifest in everything from HR department titles to the CIPD's professional qualification syllabus.

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[1] Drucker, P. (1954) *The Practice of Management*, Harper and Row, 1954

On the one hand, many studies in the intervening years (for example, by IES board member Professor David Guest) have highlighted the implementation problems and line management issues of lack of 'skill' and 'will' commonly experienced with trying to enact HR strategies, particularly in the fast-moving and pressurised realities of contemporary organisations; creating what my colleague Steve Bevan has referred to as 'the rhetoric : reality gap'. Khilji and Wang (2006)[2] noted based on their international HRM research, that 'it is necessary to distinguish between "intended HRM" which refers to HR practices formulated by policy makers, and "implemented HRM", which refers to HR practices as operationalised in organisations. There is often a significant difference'.

Others argued that this was deliberate, that 'very little changed in reality… just a set of initials or new wine in old bottles, another name for personnel management but which at least has the virtue of emphasising treating people as a key resource, the direct concern of top management as part of the strategic planning processes of the enterprise' (Armstrong, 1987[3]). It was also one which supported HR's quest for a seat at the boardroom table, a key emphasis of the CIPD's activity at that time in order to increase the influence and impact of its members.

Some saw the strategic business and results-focus of HRM as being the core purpose and correct direction for HR. Allied with Dave Ulrich's[4] arguments for structural re-design of the function to create HR business partners and value adding specialists, Charan was critical in the *Harvard Business Review* that 'most [HR staff] are process-oriented generalists who aren't meeting the business's performance goals'. He advocated the separation between the two aspects of HR function activity: 'We have to split HR into HR-Leadership and Organisation and HR-Administration', preferably outsourcing the latter activity to make it more efficient. The fact that the former strategic activity might need to rely on the latter for data, evidence and credibility seemed to escape his business and boardroom-focused attention.

On the other hand, some academics and trade unionists were suspicious of strategic HRM from the outset for this unitarist business focus. Tom Keenoy (1990) labelled it a 'wolf in sheep's clothing', allegations given succour by the subsequent post-financial-crash-decade of real pay declines and pension cuts, zero hours contracts and ballooning executive remuneration, leading some today to fear for 'the potential demise of HRM' (Dundon and Rafferty, 2018). 'Why is HR so often a henchman for the chief financial officer?' asks Hammonds pointedly in his piece '*Why we hate HR*'[5]. Allegations of HR's failure on diversity and inclusion and even collusion in creating secretive cultures which create the context for abusive behaviours, have been used to illustrate further the

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[2] Khilji SE & Wang X (2006), 'Intended' and 'implemented' HRM: The missing linchpin in strategic human resource management research. International Journal of Human Resource Management, 17(7), 1171−1189

[3] Armstrong M (1987), 'Human resource management: a case of the emperor's new clothes?' *Personnel Management*, August, pp 30-35

[4] Ulrich D (1996), *Human Resource Champions: The Next Agenda for Adding Value and Delivering Results.* Harvard Business Press, Boston: MA.

5 Hammonds KH (2005), 'Why We Hate HR' Fast Company.

function's resulting loss of moral compass, leaving it to regulators like the Financial Conduct Authority to address these failures and call out the 'firms who don't care about conduct, their purpose is just to make as much money as possible. They generally end up being sent to enforcement for investigation.' These firms have HR directors and functions.

Writing as a visiting fellow for IES a decade earlier, Marchington (2008)[6] foresightedly worried for 'the heart and the soul of people management'. He thought that HRM was at risk then of becoming 'uni-dimensional and one-best-way-driven', elitist, overly-focused on the needs (and short-term financial performance priorities and metrics) of investors and leaders, and mis-focused, by ignoring how HRM is (or is not) put into effect by line managers. In 2015 he elaborated:

> *'HRM has always been located at the interface of potentially conflicting forces within organizations. However, in its quest for legitimacy, HRM has tended primarily to look up the hierarchy and focus on narrow performance goals, so neglecting other long-standing values and stakeholders. Unless HRM reasserts its independence, it is likely to wither both in academic and practitioner circles. (Marchington, 2015[7]: 176)*

So is the management of people and the HR functions' work in organisations today really about growing the long-term value of an employers' most important asset, in an increasing uncertain and skills-short labour market? Or is it more to do with continuing to drive costs down and shareholder returns up; with meeting the bare minimum standards required by the increasing volume of employment legislation and regulation being passed, as HR retreats further from its former employee advocate and protector role?

Or does HR still largely concentrate on its day-to-day operational and administrative functions, with HRM strategies only designed to impress in the boardroom papers? Guest and Bryson (2009)[8] assert based on their analysis of the huge Workplace Employee Relations Survey database that 'far from being change-oriented radical HR innovators, HR staff in the main are traditionalists, bringing up the rear, passively engaged in a variety of operational activities'.

Our look at the reality of people management (as it is increasingly being called again today, rather than HR management) in our four case study employers comes up with some generally positive findings. We conclude that a variety of techniques are being used to make a strategic approach to people management a successful reality in these

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[6] Marchington M (2008), 'Where next for HRM? Rediscovering the heart and soul of people management'. *IES Working Paper 20*. [Online]. Available at: https://www.employment-studies.co.uk/resource/where-next-hrm

[7] Marchington M (2015), 'Human resource management (HRM): Too busy looking up to see where it is going longer term?' *Human Resource Management Review*, 25 (2), 176–187

[8] Guest D, Bryson A (2009), 'From industrial relations to human resource management': The changing role of the personnel function', in ed. Brown W, Bryson A, Forth J, Whitfield K, *The Evolution of the Modern Workplace,* Cambridge University Press, 120--150.

organisations in their contemporary environments, with signs of a significant shift towards a broader-based and multi-stakeholder approach once more.

# So what did we find?

## The Current Reality

### You need a people plan

First, our current uncertain, Brexit-battered context and the scale of the challenges this presents – particularly of sourcing and retaining labour (with record numbers in employment), but also of developing talent, managing the risks presented by new employment legislation, and of making change happen - actually seems to be increasing the influence of the HR function and its plans and policies, rather than furthering their 'demise'. People management has become increasingly integral to business strategies and their delivery for all of these employers, in low-paying sectors such as retail and care homes, just as much as in knowledge-driven public service and higher education employers.

For example, Jane Ashcroft, a former HR director and now Chief Executive of Anchor Hanover, refuses to have a distinct people strategy, because she sees it as so integral to their business strategy. 'Our customers live with us, so the workforce is above and beyond critical' she told us; and the people plan therefore can't be 'a specialist agenda, worked on in a darkened room by HR'. She somehow manages to pay care staff above the national living wage in such a cash-starved sector and is rewarded with outstandingly high levels of care and low levels of staff turnover.

### You need a workforce plan

Second, all of our case studies have a medium- to long-term workforce plan, covering the numbers and skills and competencies of future staffing. IES was founded 50 years ago partly to address the lamentable lack of then manpower, now workforce, plans in UK industry. This research suggests that, with widespread labour shortages and impending loss of EU migrant workers, these plans are becoming more common and important components of the people management strategy across a range of sectors. Focusing in on an 'elite' minority of talented people and paying them highly, while forcibly removing your low performers, as originally argued by Mckinsey, simply won't work now as a proxy for a resourcing and people strategy[9].

[9] Michaels E et al (2001), *The War for Talent*. HBR Press, Boston, MA.

## Measuring the progress

But there is no let-up, thirdly, in the focus on performance and results by HR functions today, rather a shift in the orientation. Equally critically, the case study employers all use selected metrics to track and demonstrate the progress and impact of their people plans and priorities, built on investments in HR information and communications systems and platforms. HR appears to have learned from the business results spotlight which boards and the strategic HRM focus placed on it. Yet now it has broadened these measures of success out well beyond the traditional confines of shareholder value. We found comprehensive performance scorecards in place in the Ministry of Housing, Communities and Local Government (MHCLG) and the London School of Economics (LSE); monthly reporting and an annual people review at Anchor; business KPIs at Revolution Bars; and equally importantly values/culture measures underpinning culture change initiatives in all four cases.

Following her success in bringing down ruinous levels of staff turnover, the workforce planning and talent development plans of Fiona Regan and her HR team at Revolution Bars now not only involve significant investment in the development of Area Managers, the critical link between strategy and implementation in that business, but now extend right the way down to individual bars and their staff.

## A diverse and healthy workplace

Fourth, diversity and inclusion and employee health and wellbeing have become critical components of the people management plan and increasingly, the business strategy and operations. More recent academic research studies (see Peccei, 2013, for example), but also their experiences – of increased absenteeism and stress levels at work, of being 'named and shamed' for their lack of diversity and gender pay gaps – mean that employers increasingly recognise the contribution of these vital dimensions of workforce and culture to the performance of their organisation and to that of the national economy and society.

They are being forced to recognise too the importance of a multi-stakeholder-driven agenda, and HR policies are seen to play a vital role in delivering on this and regarded as key to avoiding the dreaded 'say:do' gap in actually 'practising what we preach' on the organisation's culture and values (again, reported on internally and externally in all cases). As the CIPD explained with the launch of its new professional standards, 'the new profession map focuses on the knowledge and behaviours you need to create value and make an impact at work, shifting the focus from generic best practice to values-based decision-making'[10].

[10] CIPD (2018) *Profession for the Future*. [Online]. Available at: https://peopleprofession.cipd.org/profession-map

### A capable HR function

The CIPD's map and our research report highlight that this shift means that the key capabilities required by HR leaders and professionals in delivering on their people management ambitions need to extend well beyond business understanding and strategic planning skills. As Indi Seehra, the HR Director at LSE told us, the people strategy can't be just a 'grand plan' but is an evolving process. Christine Hewitt the former Director of People at MHCLG elaborated to us that 'the real value is in the discussion and process developing it and then the programme of actions to deliver it', rather than just the written people plan itself.

These capabilities according to our case studies need to include: clear prioritisation of goals and effective HR metrics to track their delivery; managing the interplay between short-term operational activities and longer-term policy goals in a flexible way; an effective HR function operating model; a focus on line managers and developing their people management skills; and exceptional communications and political skills. The full research report elaborates on each of these important areas.

## The future: from strategic HRM to people management

> *'The world of work has moved on…the role of the people profession has changed forever. Today we are creating meaningful value for people, organisations, society and our profession'. CIPD, (2018) Profession for the Future*

The 'heart and the soul' of people management, which IES Visiting Fellow Professor Mick Marchington questioned in his much cited article a decade ago, seems very much alive and well in our case study employers today, with the organisation's purpose, values and culture being an integral part of their business and people management strategies. This also explains the focus that we found in all of our case studies on developing appropriate leaders and leadership behaviours. But with the move (back in some senses and forward in others) from strategic HRM to people management we seem to be witnessing a reaction against the narrow-shareholder-and-boardroom, profit-focused agenda that strategic HRM had come to be associated with.

The successful HR leaders of today and increasingly in the future of course have to fully understand their business and their organisation and how their people contribute to the delivery of its mission and strategy. But they also have to be broad-minded and need to address the differing needs of a wide variety of influential stakeholders. To evolve and put their ambitions and values into practical reality they need to be highly politically savvy, flexible and tactical in how they pursue and deliver on their longer-term vision of building an engaged, high performance, values- and value-driven organisation.

In the figure below we highlight somewhat tentatively this emerging shift in emphasis we are seeing in the people management strategies of the four employers we have studied. We will be following up with further case studies and would encourage other researchers to help us test and generalise these hypotheses; and more HR directors to feed in their own thoughts and experiences in practice.

**Table 1: The Shift in Emphasis towards Strategic People Management**

| Feature | HRM | People Management |
|---|---|---|
| Ownership and priority | Shareholder/ senior management-driven | Multi-stakeholder, with employees as key |
| Performance emphasis | Financial | Balanced scorecard |
| | Individual | Collective |
| | Shareholder value | Value-added and values |
| Recruitment/resourcing | Secure the best talent externally/buy-in the best/win the talent war | Grow everyone's talents |
| | Elitist meritocracy | Develop internally, 'grow your own' |
| Employment Relationships focus | Legal employment contracts, compliance | Psychological contracts, voluntarism, engagement |
| Incentives | Individual bonuses | Profit sharing and non-financial |
| Rewards | Financial emphasis | Total rewards |
| | Highly differentiated | More widely shared |
| | Incentivise | Reward and recognise |
| Performance management | MBO, ratings, past results and pay-focused | Strengths-based, future-development focus |
| Underpinning concept/philosophy | Calvinism | Quakerism |
| | Darwin- survival of the fittest | Aristotle - balance |

As one of our interviewees at the Ministry of Housing Communities and Local Government put it to us, both 'stakeholder management and having a clear vision for the future, whilst being tactical about how to get there, have been vital in ensuring that our People Plan has continued to have impact'.

So maybe there was a plan for Brexit after all…..

## About IES

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- delivering practical, sustainable business benefits
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