BUILDING A 'BUSINESS-DRIVEN' PEOPLE STRATEGY

What is the best form of people management for your business? The answer is one that embeds staff policies within the overall business strategy, as **Andrew Mayo** explains.

'Strategies' often have a bad press. They are too often seen as high level, analytical documents that fulfil an annual activity and are then filed, while organisations carry on adapting to their circumstances as conditions dictate. Yet if we define a strategy as a route to a goal, as a choice of what we will and will not do, then such decisions happen all the time. Even if not written down formally, such a strategy always exists. Strategic planners however would argue the case for a systematic approach, to ensure all the relevant information is considered and that choices are made by weighing up alternatives. This does make some sense. Support functions often devise their own strategies which they impose on their organisations for their own benefit. This causes many problems. Their starting point should be the business strategy and their first question how they will support it. This may then be followed by their own agenda, resources permitting.

Why a 'people' strategy?
This term is chosen to distinguish it from human resources (HR). As a function HR needs its own set of decisions as to how it will deliver value for money – but the organisation needs a people strategy in the same way as it needs one for finance and systems. Just as we argue that nothing can be achieved without money, we can say the same for people. It is merely populist to say that "our people are our most important assets" – some are clearly liabilities – but absolutely true to say that some people are indeed our most critical resource.

Figure 1   CONNECTIVITY

	Business direction	Delivering through organisation	With excellent people managment
Long to medium term	Business strategy and philosophy	Strategy for structure and culture	People strategy
Short-term goals	Operating strategies and targets	Organisation and process changes	Supporting HR initiatives
Remedial	Operating problems and deviations	Organisation and process changes	Supporting HR initiatives
		HR functional strategy	

We might ask whether there are really choices about people. Is it not obvious what we should do with them? Is it not rather pretentious to talk about a strategy? Yet organisations do adopt very different approaches. There is plenty of research that has looked for correlation between HR practices and the bottom line, with greater or lesser credibility. One of the most respected studies is from Professor Jeffrey Pfeffer, who wrote a book called *The Human Equation*. He outlined seven practices of successful organisations as follows:

- employment security as a desirable aim;
- selective and careful hiring of new personnel;
- self-managed teams and decentralisation of decision making as the basic principles of organisational design;
- comparatively high compensation contingent on organisational performance;
- extensive training;
- reduced status distinctions and barriers, including dress, language, office arrangements, and wage differences across levels; and
- extensive sharing of financial and performance information throughout the organisation.

These practices were observed in the US and we may find different results elsewhere. What they illustrate however are deliberate decisions to go for some practices rather than others. The starting point therefore is a set of principles about what we believe is the best form of people management for our business. In fact 'p' words serve us well here. The components of a strategy might be illustrated by this chain:

principles → policies → processes → programmes → parameters of success

We will return to each of these below.

Long term and short term
One tends to think of strategies as medium to long term and only changed when there is a significant external impact. The 'umbrella' people strategy should indeed be that – and it should change less than other support functions, since its starting point is in values and principles. However it only represents a part of the people related activity of both the HR function and line managers, as there are both proactive and reactive

drivers which demand attention on a regular basis. Figure 1 (above) illustrates the connectivity between nine sets of activities, both vertically and horizontally linked.

The top line represents the 'umbrella' under which anything else we do requires alignment. We start with the business vision, values, strategies and philosophies – what kind of company do we want to be and where do we want to get to? This leads us to define the kind of organisational structure and culture that will get us to our goals, and that is consistent with our values and philosophies. A 'cultural template' is essential but is often lacking. This is a statement of the characteristics of our desired culture as seen by different groups of people and it enables us to check progress from time to time. The top right hand box then represents the policies, processes and programmes we want in place to make the principles alive and the culture a reality. There are some other drivers to feed in to this box as well –

Andrew Mayo is associate professor of human capital management at Middlesex Business School, and is president of the HR Society in the UK.
andrew.mayo@mayolearning.com

There are serious choices to be made – about how much to invest in people's futures, how much and in what way to communicate, the nature of rewards, how to manage talent

external factors such as legislation and technology, and the nature of our 'core competences' (the critical skills necessary for being in our business).

Sitting underneath this umbrella are two other sources of HR support. One starting point is the key current objectives of each department. How will they be achieved and what part will people play in them? The second source is problem areas. By this we do not mean obvious people problems only, but also operational problems such as revenue shortfall, quality, customer service, conflicts and so on. Cause and effect analysis on problems quickly comes to some aspects of people – their numbers, capability, motivation, rewards and so on.

It is helpful to divide the activities that arise in the last three columns into five key areas of HR, as sub-strategies:

- learning and development – eg enhancing knowledge and skills, coaching, talent management, promotional rites of passage, qualifications;
- rewards and benefits – eg salary and bonus systems, recognition programmes, both financial and non financial benefits;
- resourcing and deployment – eg workforce planning, recruitment, job design, secondments;
- communications and employee relations – all forms of communication upwards and downwards, use of the intranet, consultation, involvement and engagement; and
- general HR administrative policies.

When we add up the ongoing and additional activities and initiatives for these columns we may have far too many possibilities for our resources. However, since they are all derived from the business, there is a potential penalty for not doing them. Far better that such analysis is to hand when negotiating the HR budget than to just be dictated to as to "how much we can afford for HR". But inevitably there will be a need for prioritisation.

The importance of people management principles

It is a common failing of vision statements, values and business principles that they are written at a high and general level, are difficult to disagree with, and give little help on direction. It is the second level of

granularity that provides real guidance. Thus it is not a very helpful thing to say that "we believe in maximising the performance of our people" or "we believe in developing competitive skills". Who does not? The 'second level' would say things like "we believe that all our people should see a relationship between their performance and their reward," and/or, "we believe everyone should have clear objectives and a regular opportunity to discuss their performance." Then we can go on to say "this means we will do x and will not do y".

It would be quite wrong for the HR people to define these principles. They are by nature idealists, and although they facilitate the reality they do not control it. It is a task for the senior management team which must own the final set, and the implications of each statement personally, ie what it is signing up to. Many senior managers have never thought through what they believe about people management and development. There are serious choices to be made – about how much to invest in people's futures, how much and in what way to communicate, the nature of rewards, how to manage talent…and so on. A sound set of principles provides the essential foundation for the 'umbrella' strategy referred to above.

They lead naturally to policy statements – though well-written principles may act as policies in their own right. This then leads to the other 'p's. We need to ask what processes are needed to make the principle into a reality, and who will be involved in implementing them. Roles and responsibilities within each process need to be made clear. For example, suppose we have a statement of principle that "we will identify specific talent pools that are critical to business success and will focus attention on attracting, retaining and developing people in those pools." The kinds of processes that might support this would include succession planning, potential assessment, career management, engagement surveys, employer branding, alumni groups of talent that has left…and so on. 'Programmes' would include initiating new processes, changing existing ones, and training initiatives which back up the principle. The final 'p' would be parameters of success, measures which tell us whether the principle is alive and flourishing, or not.

REFERENCES AND FURTHER READING

Boxall P and Purcell J, *Strategy and Human Resource Management*, Palgrave McMillan, 2007

Linda Holbeche, *Aligning Business and HR Strategy*, Butterworth Heinemann, 1999

Paul Kearns, *HR Strategy – Business focused, individually centred*, Butterworth Heinemann, 2003

Andrew Mayo, *The Human Value of the Enterprise – Valuing People as Assets*, Nicholas Brealey, 2001

Andrew Mayo, *Creating a Learning and Development Strategy*, CIPD, 2004

Jeffrey Pfeffer, *The Human Equation*, HBS Press, 1998

Working from business goals and problems systematically

A rigorous consultancy process will assist the move from left to right in Figure 1. This can be seen as five steps as follows:

● for the chosen objective (or problem) try to quantify the gap we want to close. Objectives will more commonly be measurable, but problems are not always so. The benefit of doing this is to help us with assessing the success of any initiative we might take;
● ask what factors are working in favour of the issue and what against. Rate the different contributors in terms of their relative strength;
● ask then who is behind the major factors – individuals or groups;
● for these people, ask whether there are any implications for the five areas of HR outlined above? and
● ask how we will measure success of any resulting initiatives?

Such a consultant methodology should be a well honed skill of the HR 'business partner', as they are often called today. It would be unreasonable to suggest that it is done with every manager, every objective and every problem. But the business orientated HR professional should be able to judge which are the most critical, and do it at least twice a year. What kind of initiatives will result from these dialogues? They will include special recruitment projects, motivation and engagement projects, training programmes, interventions aimed at organisation effectiveness, enhancing engagement, reducing absenteeism, analysing sources of stress... the list is long.

The HR function needs a strategy too

What we have discussed above is what the HR function should do. It then has to decide how it will deliver. To do this it has to make decisions about how to provide both its operational and administrative services as efficiently as possible, and at the same time deliver as many as possible of the business-led activities. So it needs to decide what it will do itself and what will be outsourced, what skills and knowledge it must develop, how it will be organised and will interface with operational management, what tools it will deploy, how it will get involved in the business, how it will communicate and market its services, and how it will measure its success and progress.

Conclusion

Building a people strategy is far from an indulgence of the HR function. It is an essential adjunct to sensible business and strategic planning. Without it there are risks of failure in our business objectives – both in the medium and short term. By following a methodology such as that outlined, we avoid the HR function pursuing their own agenda regardless of the priorities for the business. Just as the finance function creates plans (called 'budgets') within an overall strategy of how we should spend money, it is equally important that we plan what we will do with our human resource for the needs of the business, and monitor against that plan. Having the right people in the right place at the right time with the right skills makes all the difference in achieving business goals. CEOs and CFOs should demand no less of an HR function. If it can deliver a truly business-led people strategy, it will be much more than a cost consuming overhead and will bring real value to the organisation. ■

IN FUTURE ISSUES

Finance & Management

Today's FD – the challenges

Developing reward packages

Weekly accounts – a new approach

KPMG tax update

Meet the committee

Mentoring

New equality bill

Will a scorecard help you in a recession?

Saying 'no'

Sticking to what you do best

Humanism in business

FACULTY EVENTS

For information about forthcoming faculty events, please see the flyer in this mailing – or www.icaew.com/fmevents. For all enquiries, please call Caroline Wigham on +44 (0)20 7920 8508

F&M ADVERTISING

TECPLMxxxx