

June 2004

HR and reorganisation

I used to be a walking advertisement for Marks and Spencer. I never regarded the clothes as very stylish but they were serviceable and, more importantly, they seemed to be value for money. That was my yardstick.

Occasionally I would drift to some other brand but good old reliable M & S would always be there to welcome me back with its generous-fitting cottons and lambswool jumpers.

Then, a few years ago, something happened. One niggle followed another. They changed the style of jumpers; the new crop of polo shirts did not feel as good as the last; stretch fabrics began to intermingle with the cottons.

Gradually I found myself in the hands of other retailers - such as John Lewis where I bought my last batch of men's wear.

With some bewilderment, until last week I watched the comings and goings at M & S of Luc Vandevelde, its former chairman, Roger Holmes, former chief executive, and Vittorio Radice, general merchandise director.

The Pounds 15m or so paid out to these three executives alone at a time when their stores did not appear to be improving did not look like money well spent. On the recruitment front, who would want to move to a competitor such as M & S when the future ownership of the business is so uncertain? You might go to work for one boss, then, a few months later find yourself out of favour with a different one. Your only comfort would be the generous severance conditions you negotiated at the outset in the knowledge that your term of office might come to an abrupt end.

And this is the problem with corporate volatility. Recruitment and retention costs for the most senior people tend to rise and contracts are loaded with terms and conditions designed to reflect the additional risks that go with the job.

It happens all the time at the top level, particularly when companies are getting desperate. But it happens lower down too. Very few executives appear to have a good grip on the recruitment and retention costs of their staff. Neither do they have much idea about the aims and quality of their recruiting, according to some new research.

More than half of some 108 UK human resources managers surveyed last month by Reed Executive, the recruitment agency, admitted that their expertise was not always sought by other senior managers when making future business plans.

This concurs with findings from a long-running body of research carried out for the Chartered Institute of Personnel and Development (CIPD) looking at the role of HR in change programmes.*

Everyone in the workplace must be aware of some kind of "change initiative" they have experienced in the last few years. Typically it might be the installation of some information technology such as a new computer system. Alternatively it might be a reorganisation of roles and functions. How many times does it go without a hitch? Not

very often, according to a CIPD survey of 800 employers carried out a year ago.

Almost half the number of employers surveyed failed to improve the way they ran things when they introduced reorganisations, and two-thirds of them did not register any improvement in employee performance or morale. Most of the reorganisations were not completed on time and 40 per cent were not completed to budget.

One thing common to nearly all the programmes in the study was that they had implications for the way people worked, yet employees were consulted in only a minority of cases. Perhaps this is because most reorganisations - 85 per cent of those in the study - involved redundancies. Almost as high a proportion of changes expect staff to make job moves.

This means that HR professionals should be involved at the conception of a reorganisation, says Prof Richard Whittington, of Said Business School, Oxford University, who is leading CIPD research into 11 UK case studies of private and public sector reorganisations.

The big problem, he says, is that HR people too often tend to be valued more for their traditional operational and administrative role than they are for a planning or strategy role.

When company bosses are deciding the future direction of the business and how it should be organised, they may well consult their most senior HR people but this does not tend to extend to more junior levels.

Many of these senior HR people, he says, have accumulated some diverse business experience during their careers, suggesting that the best path to a top job in HR may stray occasionally into other business functions. This makes a lot of sense because HR people need to have a good grasp of the business if they are to align recruitment, career development, pay structures and staff training to business needs.

The need to use HR departments more effectively in recruitment is outlined in figures from the CIPD's 2004 recruitment, retention and turnover survey (of about 1,000 professionals in the UK and Ireland), published in the latest issue of People Management Magazine. The average cost of recruiting a member of staff is put at Pounds 2,500. This rises to Pounds 4,800 when staff turnover, vacancy cover, training, induction costs and loss of business are taken into consideration.

The study found, however, that most employers do not measure their direct recruitment costs and very few have any idea of the impact of staff turnover on their businesses. This lack of knowledge extends from the most menial office job to the very top of an organisation.

In the case of Marks and Spencer, was the outlay on the services of Vandevelde, Holmes and Radice money well spent? How did their recruitment and management styles rub off on the rest of the staff? Does M & S have the strength in depth today that it had when I used to shop there?

Investors would like to know the answers to these questions when sizing up the prospective takeover by Philip Green, the Monaco-based retailing billionaire. Sooner or later this kind of information might be reported routinely in operating and financial reviews.

In the meantime, once the dust settles on a takeover bid, whether successful or not, it is vital that managers re-focus their efforts in to helping employees make a difference where they matter most. The HR people should be leading these efforts, looking at the long-term needs of the business. The dealmakers must have their day but they should remember that people make a business.

**HR and reorganisation, Managing the challenge of change, by Richard Donkin , is published by the CIPD, www.cipd.co.uk www.richarddonkin.com*

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