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Tensions in HR

Human resources management appears to have reached something of a professional crossroads. While studies have been published in the past two or three years demonstrating how HR practices are beginning to make a recognisable impact on performance, there seems to have been an erosion of confidence among other management disciplines in the abilities of HR professionals to deliver the goods.

Some of this uncertainty bubbled to the surface last week at the annual conference in Harrogate of the UK's Chartered Institute of Personnel and Development. An element of tub-thumping about HR effectiveness is to be expected at such an event. The difference on this occasion was the frankness of the debate on HR and its lack of status among executives.

Tensions between HR departments and line managers were apparent in research presented to the conference by David Guest, professor of organisational psychology and human resource management at King's College, London, and Zella King, a King's College research fellow.

The first piece of research they quoted was based on data collected by the Future of Work Programme funded by the Economic and Social Research Council. The study, drawn from 297 employers, looked at the association between the number of HR practices adopted by an employer and the amount of profit earned on average by each employee.

The sort of HR practices listed included training and development, guarantees of job security, extensive two-way communication and designing jobs for challenge and interest. The study found that companies using no more than four different practices had profits of less than Pounds 2,000 per employee whereas those using more than 11 practices were earning more than Pounds 3,000 per employee.

Most of the employers, however, were clustered in the middle of the range, using between five and nine HR practices. Another study based on the Department of Trade and Industry's Workplace Employee Relations Survey pointed to a similar clustering. "We can see that research is beginning to produce impressive evidence that better people management improves the bottom line," says Prof Guest, "But if it's so good, why isn't everybody doing it?" In an attempt to answer this question the King's College researchers interviewed 48 senior executives in 16 public and private sector organisations. The interviews uncovered a lack of awareness of the research evidence linking people management to bottom line performance. Most, nevertheless, believed good people management achieved business results. But in executing such measures, they tended to place their faith not on the HR department but on their line managers.

One of the executives interviewed said: "Good (line) managers will find their way through all that mumbo-jumbo in two seconds flat." It was also clear that some HR policies were more popular than others. Selection and performance management were highly rated. Training was prized by some but not by others.

If the support for HR practices could be described as mixed, the comments by managers on the performance of HR departments were largely negative. The

strongest criticisms came from within the profession.

Many of those interviewed believed that HR professionals were not close enough to the business and said that the function had too few high-calibre people. Some of these comments are reflected in a discussion group running on FTCCareerPoint.com under the heading "HR: A Career in Crisis". One contributor suggests the initials stand for "hardly relevant".

The study also highlighted complaints about HR processes and the relationship of HR with the line. One executive, complaining about the lack of training and poor recruitment of HR people, said: "If there is one part of the organisation that doesn't look as if it takes HR seriously, it is HR."

A senior HR director saw the problem this way: "Human resources professionals have, I think, talked themselves into a sort of area, or ghetto, where they are happier talking to each other sometimes than they are actually being involved in the business."

The self-criticism was brutal in its intensity but it did not appear to shock the HR conference. Perhaps such hand-wringing was overdue or perhaps HR professionals have become hardened to the criticism. Another executive interviewed in the research complained that the HR function was "steeped in process mindset to do with grading, competency frameworks, appraisal systems which have the design of a Pushmepullyu-type animal which doesn't achieve anything - glorious in their construct but bloody useless in their implementation."

Prof Guest said that the comments reflected "exasperation rather than hostility" among general managers. "Line managers are saying 'we wish it could be better' but what they (HR managers) seem to do is make our lives more bureaucratic, although with the best of motives, because of the need to comply with various pieces of workplace legislation."

The research indicates that human resources management has some tough hurdles to overcome if it is to enjoy the status of other executive functions. A report in September by Andersen Human Capital Practice counted no more than 17 HR directors on the boards of FTSE-100 companies, only one more than there were two years ago.

Some large companies are slimming down their HR operations and contracting out many functions. BP Amoco has handed over much of its HR administration to the consultant, Exult, but not without some problems. Plans to roll out the programme further have been placed under review after the automation of some functions proved unpopular with some employees.

At least the debate has been joined by some senior figures on both sides of the Atlantic. Some HR specialists are placing their faith in systems such as the balanced scorecard, a measuring system that came out of Harvard Business School. The scorecard has been adapted as a way of measuring HR processes by specialists such as Dave Ulrich at the University of Michigan School of business.

But the best results in people management may well be enjoyed by those companies that choose to keep it simple and integral to their business, emphasising instead their most important values. Charles O'Reilly, professor of HR management and organisational behaviour at Stanford University, told delegates: "You can't benchmark your way to success, because all your competitors are going to do the

same."

The best companies he has studied, he says, are those that achieve "extraordinary results with ordinary people". Creating a great place to work, he argues, is at the heart of effective people management. The HR profession has all the tools at its disposal. But can it finish the job?

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