

Change agenda

THE CHANGING HR FUNCTION THE KEY QUESTIONS

Introduction

The HR function and its evolution have been identified as key areas within the CIPD's research programme. Despite a wealth of information that exists on the HR function, its role and its structure, and a vast amount of literature on the link between people management practices and organisational performance, there is little definitive evidence, either from the CIPD or from academic researchers, which gives a clear indication of the impact of HR structure and staffing on organisational outcome or performance. In particular, as many organisations embrace and implement the so-called Ulrich model, questions on the extent to which it meets their particular needs and what difference it has made to HR performance, stakeholder satisfaction and HR staff aspirations, have not been answered.

This Change Agenda is based on the scoping stage of a larger piece of work, and it examines what we know about the impact of new structures and roles on the HR function, on the implications for skills and development of HR staff, and on the relationships with line managers. We will also look at how HR has measured its performance against this background. The result of this exercise will be to throw up a number of unanswered questions that will form the basis for the next phases of research.

Phase one

For this segment of the project we have undertaken two main pieces of work: we have explored the literature around the shape, structure and activity of the function, and we have spoken to a number of key practitioners and academics:

- Chris Brewster, Professor of International HR, Henley Management School
- John Purcell, Professor, School of Management, Bath University
- Shaun Tyson, Professor of Human Resource Management, and Director of the Human Resource

The CIPD research

The CIPD has commissioned a major two-year research study, the main objective of which is to explore how HR functions and professionals can best be organised to make the most of high performance within organisations.

The project aims to profile the current state of the HR function and to provide practical guidance to organisations and their HR professionals on how to structure and staff the function to achieve future success. The whole project comprises three phases. This first stage (reported here) aims to review present knowledge and identify research themes for the subsequent phases. The second and third phases will involve original research through case studies and a survey to examine how HR functions across the spectrum of size and sector are meeting the challenges of structure, roles, skills and relationships. The research is being led by Peter Reilly and Penny Tamkin of the Institute of Employment Studies (IES).

Research Centre, Cranfield University, School of Management

- Dave Ulrich, Professor of Business Administration, University of Michigan
- Kevin White, HR Director, Department of Work and Pensions (DWP)
- Angela Williams, HR Director, Land Securities
- Alex Wilson, Group HR Director, BT
- Valerie Scoular, Group HR Director, Aegis Group
- Tim Miller, Director of People, Property and Assurance, Standard Chartered Bank

In addition we held a discussion group convened by Neil Roden, Group HR Director of Royal Bank of Scotland, with a number of HR directors present. (See CIPD event write-up May 2006.)

Our discussions explored:

- the major current and upcoming challenges for the function
- experiences and views of the 'new' HR operating model (shared service, business partner, centres of expertise)
- the pressures towards and experiences of outsourcing
- the move to devolution of HR activity
- the role of e-HR
- measuring the contribution of employees and the function to business success
- meeting the needs of customers and stakeholders and the tensions in doing so
- the skills of HR to deliver.

The changing face of HR

There have been a number of dimensions to the changing face of the HR function over recent years. Some of these interlink. Some are to be seen only in larger, more sophisticated organisations. Simply put, for those in the vanguard of change there has been a move to increase the value HR offers its business customers. This has often centred on the desire for the function to be more strategic and business-focused in its contribution. One of the factors that allegedly has held back the function is that too much time has been devoted to administrative activities and insufficient time to transformational ones. To address this problem, large complex organisations have sought to consolidate activities (through the use of shared service centres), to automate (via e-HR applications) and to standardise policies and procedures. These changes have also been accompanied by HR further withdrawing from activities that could be (or, in some cases, should be) better performed by line managers and by HR seeking to align itself to address the key business problems faced by colleagues.

HR is not alone in seeking to improve its strategic influence. According to some research, marketing faces similar challenges (Cassidy et al 2004) and even the finance function is 'undertaking a dramatic transformation from its historic role as corporate scorekeepers to value-adding business partners' (Optima Media 2005). And HR may not be as far behind other functions as it thinks in participation in business

decisions. Whittington and Molloy (2005) found that while senior managers typically lead reorganisations, HR managers were reported by senior managers as having a major role in about two-thirds of the reorganisations surveyed. HR was second only to finance in having a leading role, albeit still limited.

Despite this more positive evidence, the sharpness of the debate in HR has come about in part because of an unhelpful tradition of navel-gazing and worrying about its place in the firmament, but also from genuine fears about the effects of outsourcing and line devolution. In part, these concerns have been offset by signs that the function is realising that it has a role in new concerns over the profile and wider activities of the organisation, such as employer branding and corporate social responsibility (CSR). The emphasis on offering solutions to business problems, rather than delivering HR best practice, has also helped the repositioning objective.

But the main route to achieve the goal of a strategic, value-adding and business-aligned function has, we believe, been through structural change. The dominant influence on the now, not so new, delivery model has been the work of Dave Ulrich (1995 and 1997). He advocated the adoption of HR shared services and role specialisation. What emerged is the so-called 'three-legged' functional design of shared service centres together with business partners and centres of expertise.

Administrative tasks form the core of shared services activities, often in conjunction with a call centre and intranet. These tasks, previously performed locally by divisions or business units, are re-engineered, streamlined and centralised, so that the various business units pool resources and 'share' in the service delivery solution. This has the advantage of offering cost benefits through the economies of scale such a model provides.

Many organisations have for some time tried to develop relationships with key business units. In the Ulrich model this has been re-emphasised and (to a degree) redesigned. The tendency is to settle on the term business partner to describe the business-facing role. These individuals (or at most small teams) are

expected to work together with other business leaders on strategic development, organisational design and change management.

Centres of expertise with capability in such areas as resourcing, employee relations, reward and training give professional support to business partners, often developing detailed policy for corporate HR and acting as a reference point for shared services agents dealing with complex issues raised by clients.

Corporate HR, often a small team, is usually responsible for the strategic direction and governance of the function, with a broad policy overview.

Where introduced, this model has replaced integrated HR teams that carried out the full range of HR activities from administration to strategic direction. Though this approach has been presented as the norm in HR organisation, in fact there is neither much evidence (in the UK or Ireland at least) on the extent of its adoption or, more worryingly, on its effectiveness. These normative descriptions have also tended to ignore customer requirements of the HR function and the skills/capabilities to successfully deliver against this model.

How this HR architecture sits in relation to the corporate operating model is also unclear. Some companies have introduced a common approach to their 'support services', but whether this is part of a wider centralisation of business decision-making is not known. Similarly, devolution of tasks by HR to line managers may be accompanied by wider decentralisation or completely independent of it.

Common themes

In the above context, HR functions, almost irrespective of size or sector, are grappling with a number of problems. Structural change has brought about role uncertainty; the changing external environment within which HR and organisations operate demands new responses; and internal pressures to demonstrate efficiency and added value have to be dealt with. Some of these issues are driving change in organisations. Others are acting as the background against which change is happening. Either way, most HR directors are faced with various questions.

The questions include:

- How can the function maximise its performance? This operates on three levels. There are questions of how the function can be more efficient. How can costs be further reduced? Alongside efficiency is effectiveness. How does HR add value equally in administration, operational support and strategic contribution? Or, if there is a desire to move higher up the value chain, how is this received by line managers? How can HR 'raise its game' in strategic contribution?
- In considering these debates, the focus quickly moves on to challenges of achieving efficiency and effectiveness. If one of the solutions to effectiveness/efficiency is to improve processes and procedures (for example reduce hand-offs, remove duplication/risk of error), how far can e-HR go? How much responsibility can be passed to line managers and how can HR best support them? How much structured change is occurring in UK HR functions? What sort of structures best deliver the HR contribution?
- Third, there are questions of how the function can best measure its contribution and how it can best satisfy its customers. Is this done by detailed service-level agreements (SLAs) and key performance indicators (KPIs)? And as to customers, who are important – line managers, senior executives, the board, employees, shareholders, other stakeholders and how does it balance their interests? How does HR improve its management information systems, in particular monitoring and reporting people management/HR performance? Does the ability to be able to demonstrate value change stakeholders' perceptions of the function?

- Fourth, there are questions around the remit of HR. What areas should HR be concerned with beyond the traditional? Should learning and development, organisational development, organisational effectiveness and so on be part of HR? Should HR play a role in the wider area of CSR, branding, health and well-being?
- With all these challenges, the function also needs to consider its own resource. How does HR develop its own staff to ensure it can meet its customer requirements and its own ambitions? How much of this challenge is about having the right people in place and how much about developing their skills through training and experience?

Organisational choices

In thinking about the issues listed above, organisations have choices to make. The decisions made may reflect organisational culture/history, current preoccupations and pressures, personal preferences by HR directors, the state of professional opinion (which might simply be fashion or a notion of best practice) or evidence of success. Based on our research – the views of interviewees and the literature – we set out the current state of knowledge of what appears to work and what does not. More often, we will point to gaps in the research or to a range of opinion that our interviewees have illustrated.

Subsequent phases of the research can then examine:

- What is actually happening in HR in terms of structure and delivery models?
- What are the factors involved in organisations making their choices in favour of these models?
- What degree of success has been found?
- What seem to be the key issues in staffing the function?
- What guidance can be given on structures, roles, resourcing, and so on?

How HR delivers

The centrepiece of this research is to ask which are the structures and roles that best deliver the HR contribution. Is the solution to have business partners, centres of expertise and shared services, as seems to be the emerging norm, or is it a more traditional, integrated, model? Are there other main designs that should be considered or are there variations on these two themes? The focus on structure is not merely a matter of detail. It is deeply connected to relationships and the roles HR takes. Structure also affects and is affected by the options for delivery: who executes the service (is it in-house or externally), and the content of HR's work.

In essence there is a debate between 'best practice' design (the 'three-legged stool') that can be applied irrespective of circumstances; and 'best fit' – the design should fit the specific needs and context of the organisation.

Structure

Traditional options

HR has been organised in a variety of ways over the years. Some functions have emphasised delivery by location or by business structure. In these models an integrated HR team has serviced managers and employees at specific locations or within specific business units, with some more strategic or complex tasks reserved for the corporate centre. The degree to which these different arms of HR were centralised or co-located and the question of whether they were managed by the business units varied. Within the HR teams, depending upon their size, there might have been specialisation by work area (especially for industrial relations in the 1960s and 1970s) or by employee grade or group (responsibility, say, divided between those looking after clerical staff from those covering production). In the context of subsequent changes, what is noteworthy is that administration was embedded in the HR team.

Smaller and less complex organisations (single location and a homogeneous population) appear to continue to organise themselves with generalist HR staff covering a range of tasks. Increased size and complexity leads to a greater degree of specialisation. The 'three-legged model', we assume but do not know, becomes an attractive proposition where combining disparate administrative teams and separating them from experts and relationship managers makes economic and business sense. Clearly, you need a sufficiently large and dispersed team to make the business case for change.

A best fit or best practice model

The argument developed above suggests that HR structures ought to follow the broader structure of the organisation. And yet, judging by the debate, this is not always the case. Our panel of practitioners and academics expressed a certain frustration with what they saw as a fixation with one particular model. They argued that HR's structure should reflect the business it is in and what business customers want. Professor Chris Brewster, for example, made the point that HR teams in SMEs have to be all-rounders, dealing with both the operational and strategic.

Their view finds support in the literature: Jacoby (2005) aptly describes the factors that facilitate or hinder HR choices of structure and roles:

'The role of HR – what decisions HR executives make, how the function is organised, how much power it has relative to other units, is affected by factors unique to the company (diversification, culture) as well as by industry factors (technology, labour shortages) and national institutions (modes of corporate governance, government regulation, social norms).'

At a basic level a perennial question for structure is how the function best organises itself between the pulls of centralisation and the pushes of decentralisation.

There are those organisations where HR is seen as a central, corporate function with nothing devolved to business units. Other organisations position themselves in the opposite direction, with a very small corporate centre and all the activity distributed to business units. Reporting lines offer a further complexity. The choice is for all HR staff to report to the HR director, or line/functional directors to manage those HR staff embedded in the business unit.

In reality, HR may have little choice if it is subject to wider organisational decisions on outsourcing or shared services determined elsewhere in the business. But there are cases where HR has taken the lead in pursuing the shared services option (Reilly and Williams 2003). In these circumstances, HR often appears to be arguing for the normative benefits of this particular structure rather than the contingent fit, or perhaps more accurately these organisations are driven by a common desire to save costs. Deloitte Consulting (2006), for example, found that 70% of the first-generation adopters of the new model did so to save money as their primary goal.

However, supporters of the 'three-legged stool' model would claim that it is superior to other organisational forms in part because it offers a 'hybrid' solution (Lentz 1996). The stark choices of centralisation or decentralisation are blurred by the opportunity to obtain the benefits of both approaches. It is no longer a case of centralisation versus decentralisation, but a situation where HR can choose to centralise administrative roles in shared services and professional expertise (through centres of excellence) and simultaneously decentralise strategic support through HR business partners.

As Lentz (1996) observed, successful organisations 'managed to integrate the competitive features of customer focus and flexibility with the equally competitive features of economies of scale'. And it is these economies of scale which have been welcomed by many HR directors, including, for example, Kevin White, who sees the consolidation of administrative services as bringing improved efficiencies. For the same reasons it is the approach favoured currently by central government following the Gershon Review.

What is less clear is whether in practice the model meets the ambitions set for it. Note that Lentz

talks of 'successful' organisations managing this integration of design features. In practice, just how many organisations manage Lentz's juggling act of integrating customer focus and economy, especially if the main driver for change is cost-saving? Cost savings and job reductions in HR are widely reported, but are they real and, if so, do they provide a one-off benefit or can they be sustained? Good evidence is in short supply, but doubts are beginning to emerge. Deloitte Consulting (2006) found that projected savings were not fully realised because the model was not completely implemented. PricewaterhouseCoopers (2006) came to the conclusion that 'there is little hard data at this time to suggest that shared service operations produce any mainstream benefits'.

There have also been more qualitative criticisms made (Reilly and Williams 2006), which centre on customer focus and operational integrity. These criticisms particularly relate to the segmentation of the service into discrete operating parts. As a consequence there are a lot of interfaces between service units to manage with the risk of poor communication and learning, and the risk that issues fall between the cracks. Moreover, customers have to negotiate complex and multiple service delivery channels. The model may be less tailored or flexible than customers would wish, as too often HR is offering a 'plain vanilla' approach, with little account taken of differing needs.

It's possible therefore to challenge whether the 'three-legged stool' model is so clearly best practice, and whether the approach is as successful as it's claimed. If it's best practice in some circumstances and when properly executed, then the question is what these circumstances might be and what good design and implementation look like. Professor Michael Porter (1980) produced a typology of corporate strategies (cost, leadership, innovation, quality) in relation to which HR ought to organise its policies and practices. If, as he argued, form follows function, then HR structure should follow the business strategy. A company preoccupied by costs ought perhaps to find shared services beneficial in a way that might not be so true for one where innovation is being encouraged.

There is no empirical evidence we could find that organisations have followed this advice. With that in

mind, it's interesting that in his latest book (Ulrich and Brockbank 2005) Ulrich, who has done so much to influence thinking in the corporate sector, has moved away from describing a single generic model for HR structure. He has, like Porter, argued that structure should follow strategy. He believes that HR will take one of three generic forms to satisfy the needs of different businesses:

- HR functional organisation with specialists providing both theory and practice aligned to a single business
- HR shared services organisation providing both transaction and transformational work aligned to a diversified business
- embedded HR – that is, HR as generalists, business partners and account managers – aligned to a business unit of a holding company as dedicated HR.

This more sophisticated offering may reflect the fact that organisations are adapting theoretical models to fit their own individual circumstances. There is, though, as yet an absence of detail (or research) in what those circumstances might be beyond a classification into single, diversified and business units in holding companies and we might still question if Ulrich's three alternatives are enough to be considered a 'best fit' approach. Valerie Scoular's own experience (in British Airways, Barclays and now Aegis) of different HR structures reflecting different business models leads her to conclude that 'you can't have a one size fits all' model. This is not just because organisations differ, but because they aren't static; they change with changing business pressures.

The research questions that emerge from this discussion are:

- What HR organisational structures are to be found across the UK and Ireland and how do they vary by strategy, size, structure and sector?
- How have they been evolving in recent years – how much change is occurring?
- Why have these structures been adopted? Do they reflect similar patterns in other 'corporate' functions?
- What criteria have been used to evaluate the success of new models?
- What impact have they had both for the function and their customers?
- What learning can be taken from the implementation and operation of these structural forms?

Process improvement

The CIPD is currently carrying out another research project on the impact of technology on HR (see the recent CIPD Change Agenda (2006) *HR and Technology: Beyond delivery* for further details) and so we do not dwell on it here, but neither can we ignore it. The emphasis of our research is on the structure and skills, but technology significantly affects both, for example process improvement has been an integral part of structural change for many organisations (Reilly and Williams 2003). There has been no single methodology chosen. Some companies reformed their processes prior to changing the structure of HR, in order to make change more effective. Others felt they needed the new organisation in place first, so they had the commitment of the individuals who would be in place to drive forward the improved processes.

But what process reform are we talking about? In the first phase it's largely to do with process re-engineering: cutting out duplication of tasks, exiting from those tasks where HR does not add value, streamlining processing by reducing hand-offs, transferring work to others better placed to do it. This in turn facilitates improved standards of performance. This means getting a greater degree of consistency, removing unnecessary variation, encouraging best practice and viewing processes from

a customer standpoint. In other words, HR has sought to create standard models of procedure, against which performance could be tracked and in which it could place a degree of confidence that the quality of service delivery would rise.

The second phase concerns e-HR. This itself has a number of dimensions. First, it can change the customer interface. Some organisations are introducing manager self-service and employee self-service as a way of reducing still further HR's administrative 'burden'. They (and others) have also implemented various e-applications as in e-recruitment, e-learning, e-performance management, and so on. Aside from the impact of technology on relationships with customers, there is also the application of technology to HR's internal processes through such software as work scheduling and caller demand management. Finally, technology has the capacity to transform communication, in particular the use of intranets to convey HR policy and procedures to employees and line users.

The practical benefits of automation would seem to be significant (Weatherly 2005a). It eliminates routine and repetitive paperwork, streamlines organisational processes and can enhance HR reporting by tracking and compiling HR metrics on a variety of tasks in real-time. Although it requires a comprehensive understanding of self-service potential and depends on the functionality of HR processes, it should result in reduced turnaround per transaction, reduced costs per transaction, and reduced number of inquiries to HR.

Mohrman, cited in Weatherley (2005a), describes the contribution of technology to different HR roles:

- a personnel services role: transactional self-service processes
- a business support and execution role: HR systems administration; employee and manager tools, information and advice; data and analysis tools
- a strategic partner role: data analysis, modelling and simulation capabilities.

There's also evidence that e-HR has facilitated reduction in HR numbers and freed up time for the remainder to undertake 'higher value-added' tasks. American

research (www.thecedargroup.com) claims an average of a 37% reduction in HR staffing just through the introduction of self-service. Cycle times in HR processes are cut on average by 62% and cost per HR transaction was down by 43%.

But the spread of e-HR and the extent of process improvement is likely to be variable by sector (faster where technological investment is commonplace), organisation's size and financial resources. A key limiting factor on how far and fast HR moves to automate and use IT is how much is available to spend. Without the proper investment, e-HR may fail to deliver worthwhile savings for HR and quality improvements for customers. Shortage of funds or the inability to successfully argue the business case for them has driven a few organisations towards outsourcing. Third-party service providers may be able to deliver e-HR improvements quicker and more thoroughly.

Alex Wilson considers that estimates of 25% of HR time being spent on administration is evidence enough that HR is not yet making sufficient progress in administrative reform and some of this delay can be attributed to insufficient automation. He thinks that administration can only be successfully delegated to line management if it can be electronically processed.

The CIPD's 2003 survey suggested that HR professionals believed that time spent on administration was limiting their ability to be more strategic. Yet freeing up time through automation does not guarantee that the time saved will be spent in the 'right' areas, as Lawler and Mohrman (2003) concluded in relation to e-HR. The Society for Human Resource Management (SHRM) research came to the same conclusion: HR staff have not been able to spend more time on strategic resource planning and leading the organisation as the result of the use of technology (Weatherley 2005a).

Our interviewees also felt that the benefits of e-HR had not yet fully delivered. Chris Brewster, for example, argued that user needs had been insufficiently recognised as systems were implemented on the providers' terms (it should be added that this is undoubtedly in part because of the costs and dangers of customisation). Angela Williams at Land Securities made the same point regarding

customer requirements, but in the context of process integration. The customer benefits of e-HR may, it seems, be questionable. Professor John Purcell had concerns that e-HR was used more to transfer HR work to others than help ease the workload of customers. Kevin White at DWP commented that in central government they were still trying to reach a reciprocal view of what managers and HR think each should be doing via self-service.

The trend towards e-HR was not, however, questioned, especially because of the expected cost reductions it would deliver and the fit with a self-reliance culture. Whatever the experiences to date, research on broader developments in the US suggests that more is on the way (Weatherly 2005a), in terms of service provision coverage and applications.

Important questions that need to be asked therefore include:

- Is it better to reform process before structure or vice versa?
- Is technology freeing up HR time and, if so, how is this time being used?
- How much of this technological development does HR do itself (and therefore need to place within its organisational structure) or to what extent does it rely on internal or external expertise?
- Is technology assisting the customer relationship and being used to help line managers and individuals?
- What are the skill implications for the HR professional of the pervasive use of IT?

Who delivers HR services? The outsourcing debate

The make or buy debate is also a long-standing one but has gathered recent urgency because shared service centres appear to be a ripe target for externalisation. Consultancies have seen this as potentially an attractive income stream and it's in their interest to present the benefits of outsourcing shared service centres. There have been some high profile deals with large companies. Indeed, the impression left in the minds of some practitioners is that the

introduction of shared services will inevitably lead to outsourcing. It's true that the consolidation of transactional activities and their isolation in a shared service centre does make spin-off easier.

Separating fact from presentation is not easy with respect to actual outsourcing practice. There is little hard evidence to draw upon, other than surveys based on limited samples. The Workplace Employee Relations Survey (WERS 2004) offers the most complete overview (Forth et al 2006). It suggests that outsourcing is specific to certain activities and limited in extent. Training was by far the commonest HR activity reported to be outsourced and this by just over a third of organisations. Payroll and resourcing of temporary positions were outsourced by about a quarter of respondents and recruitment by only 14%. Other surveys confirm the broad picture, though the outsourcing of other work areas, such as counselling or pensions administration, appear on other lists. They also show that the use of external service providers in areas such as payroll is long-standing in HR and that their use is often to provide technical expertise which the organisation doesn't possess internally, as well as to secure cost savings and process efficiencies.

In 2003 a CIPD survey of HR practitioners concluded that the outsourcing market was broadly static (CIPD 2003). Some organisations had increased their use of external providers over the previous three years, while others had cut back. The growth areas of outsourcing were reported to be in the areas of training and development, recruitment and employee counselling, but even here there was a sizeable proportion of organisations that had reduced the outsourcing of training and recruitment. The CIPD's *Learning and Development Survey 2006* reported that only a third of the sample said that they had made greater use of external training provision in the last few years, with nearly half reporting no change.

Analyses of why outsourcing is attractive reveal expected cost saving as heading the reasons (for example CIPD 2003, Reilly and Tamkin 1996). This view is also supported by the 2004 WERS survey. It found that over half of its respondents contracted out to save money. A third of the respondents outsourced in order to improve the quality of service: again a key driver found in other surveys. A similar proportion of organisations outsourced

to concentrate on the core business – a larger number than found in other research.

What do we know about how successful organisations have been? Here there is an incomplete and confused picture. Some surveys (for example Towers Perrin 2005) report a very high success rate in cost reduction, which supports previous commentary. (Accenture and The Conference Board, 2004 reported that 90% of their sample would continue to outsource HR activities despite any difficulties they had faced.) Other surveys (though it should be said these tend to report on general not just HR outsourcing) suggest that there have been more problems, especially with service quality (for example Lonsdale and Cox 1998, Wigham 2005, WERS 2004, and Booz Allen Hamilton 2004). If one ambition was to refocus HR on higher value-added activities, there's little in the research to support the idea that outsourcing achieves this objective. In particular, Lawler and Mohrman (2003) found no association between outsourcing and HR becoming more strategic.

What hasn't emerged from the survey evidence is much sign of the wholesale separation of transformational HR activity from transactional and the externalisation of the latter that has been the subject of much conference speculation. This may be because these deals are too recent to be picked up in the surveys we have examined or that the numbers are too small (if high profile) to show up. And as for offshoring, there is even less evidence of HR activities being undertaken transnationally, despite the press interest (CIPD 2006).

Against this background, there are those who continue to argue the case for outsourcing. Ulrich (Ulrich and Brockbank 2005) believes that large firms will increasingly outsource bundles of HR transactions to increasingly viable vendors, while smaller firms will probably outsource discrete practices. There's also evidence that the practice is firmly embedded in practitioners' consciousness. Already, 94% of large employers in the US, as surveyed by Hewitt Associates in 2005, reported they were outsourcing at least one HR activity and by 2008 will outsource most. The latter claim should be treated cautiously, as surveys of future intentions tend to exaggerate actual future practice, especially with respect to outsourcing.

Within the UK, it should be acknowledged that some blue-chip companies, like Centrica, Unilever, BT and BP, have contracted out significant chunks of HR activity. This – unless one takes the view of one of our academic contributors that outsourcing is foisted on them by their CEOs or that they are part of cross-functional deals over which they have limited control – would suggest that the HR directors of these companies clearly see the benefits of substantial externalisation. Some participants in the RBS-hosted discussion pointed to the benefits of outsourcing in terms of getting a better (more commercial) agreement with customers on what services to provide and at what cost, and in terms of accessing talent in another organisation. One senior HR manager went further: 'HR should be small and should outsource the majority of its function; and keep only those parts that make a difference.'

By contrast a number of our interviewees pointed to the practical difficulties of fundamental (as opposed to tactical) outsourcing that might indeed limit the extent of future outsourcing. Brewster, for example, argued that it's difficult for the strategic part of HR to understand the day-to-day operations if delivery is contractually split: communication and co-ordination become more awkward. Shaun Tyson continues to argue of the dangers of the 'balkanisation' of the HR role (Tyson and York 2000) resulting in the fragmentation of HR. This fragmentation occurs both with the creation of all the HR sub-disciplines (compensation and benefits, learning and development, law, occupational health and so on) and with their separation from one another.

It can be seen that this is a potential side-product of the 'three-legged stool' model and his fear is that this highly specialised work can be as easily done by consultancy firms as by internal HR. Kevin White also identifies the risk that progressive outsourcing of non-core activities can leave the HR function as an empty shell with its heart outsourced. As he put it, an activity may not be core, but it may be key. He believes such activities need to be under an organisation's control so as to give the customer a successful end-to-end process.

Gratton (cited in Ashton and Lambert 2005) echoes Tyson's concern. She claims that HR has become fragmented because of the 'unintended consequences

of outsourcing; adopting Ulrich's model too rigidly or simplistically and introducing different work streams to fit the models; and shifting HR activities to low-cost providers, line managers or consultants'.

Others have expressed concerns that outsourcing takes insufficient account of customer views and removes that which may be particularly valued or simplifies something which is quite complex – this seems especially true of contracting out administrative activities. One of our discussion participants was troubled with the thought that HR might 'get rid of administrative tasks, which is where we could demonstrate excellence. What good is it to have models if we don't pay people on time?' Purcell similarly argued that much of what HR does is bespoke. For example, advisers in call centres should be able to guide managers in making decisions and for this they need to be experienced and able to give tailored, not standard, advice.

Our practitioner research participants and companies would appear to share some of these concerns and were generally reluctant to externalise unless there was a very strong business case. Angela Williams said that she instinctively favours in-house delivery, confirmed for her by the unsuccessful outsourcing of recruitment by her predecessor (this is now being brought back in-house). She felt that if the work is being done properly there should rarely be a cost advantage, given the provider has to take a profit. She fears that in many cases it's problem services that are outsourced and it's the provider that is expected to solve the problem, which comes at a cost. The exceptions to this are those specialist activities (like pensions management) which may have to be done elsewhere because the skills to keep up with a complex world cannot be retained in-house. Valerie Scoular of Aegis Group was concerned about outsourcing problems, and the financial implications of a service provider sorting them out. One of the participants at the RBS-hosted meeting didn't see why HR should be offering profit to the provider for doing things that could be just as well done in-house. In addition, the stereotyping of Transfer of Undertakings (Protection of Employment, (TUPE) Regulations has in some cases complicated the outsourcing process, and maintained a degree of responsibility by the employer for those who are providing the service.

These commentators and practitioners have evidence on their side. Weatherley (2005b) cites a study by Deloitte Consulting of the general outsourcing market, which claims that vendor complacency, employee turnover, unsatisfactory delivery and unbalanced contracts have prompted organisations to increase demand for vendor accountability and/or to bring operations back in-house. A recent survey of the experience of major UK companies bears this out. It shows that nearly two-thirds of outsourcing deals have had to be renegotiated and almost one in four have been brought back, despite the difficulties of doing so (Birchall 2006).

These findings suggest to us a number of follow-up research questions on outsourcing:

- What is the real nature and extent of HR outsourcing?
- What are the drivers that have led to organisations outsourcing?

There is some much-needed exploration of more complex issues:

- the decision-making process behind service-sourcing decisions
- the validity of a distinction between transactional and transformational HR activities
- the relationship between establishing internal shared services and outsourcing (and whether one precedes or accompanies the other)
- the nature of any post-outsourcing evaluation of the plusses and minuses and the results of these exercises.

Roles

Some in the HR community feel the debate on generic 'best practice' structure and sourcing should be left behind, as it should be seen in the context of the specific organisation's needs at a particular time. In parallel, attention in some organisations has moved on to a consideration of the different roles HR needs to play, in order to deliver its contribution. This debate has itself proved to be potentially confusing as an array of roles has been suggested. Some can

clearly be mapped onto jobs, whereas others are a description of activities.

In the UK, Storey and Tyson have been influential in academic circles with their typology of core HR roles, as (for example Storey 1992):

- *advisers* – having a facilitating role, acting like internal consultants offering expertise and advice to line managers
- *handmaidens* – providing specific services at the behest of line management
- *regulators* – involved in the traditional role of formulating, promulgating and monitoring the observance of employment rules and industrial relations policy
- *change-makers* – concerned with the strategic agenda, focusing on both the hard realities of business performance and the softer HR interventions to enhance employee commitment and motivation.

Tyson and Fell (1986) used an analogy drawn from the building profession to identify three styles of personnel management: the ‘clerk of works’, the ‘contracts manager’ and ‘the architect’. In the ‘clerk of works’ model the personnel manager is involved in basic routine administration and welfare provision to employees. The ‘contracts manager’ is focused on industrial relations activity such as the ‘interpretation of existing agreements and contracts’. In the ‘architect’ model, ‘managers at senior level take business decisions in the light of the consequences for the management of people’. Architects are seen as initiating policy changes in partnership with line management.

Despite the research basis to their work, neither of these typologies has driven organisational behaviour.

So far as we know, organisations have neither structured themselves around these role descriptors nor have they entered common vocabulary to identify HR activities.

The same is true of the constructs offered by other academics. The exception might be found in HR’s desire to shift itself towards Tyson and Fell’s architect role and away from the clerk of works model, though in truth this might be a *post hoc* academic observation. The regulator role might also be seen in recent years to have strengthened the influences and resources of the HR function as the volume of employment legislation has multiplied. Nonetheless, the ‘architect’ role fits with a vision of HR as a strategic operator (rather than administrative or welfare officer) in partnership with line management (Reilly and Williams 2003).

More recent conceptualisation of role has been dominated by Ulrich (1997) and he has been much more influential in affecting how HR functions are organised and driving restructuring of them.

In his original conception Ulrich described how HR practitioners engage in a set of roles defined along two axes: strategy versus operations and process versus people. The four key roles that emerge from these two dimensions, as shown in Table 1, are strategic partner, administrative expert, employee champion and change agent.

The strategic partner describes how HR works with line managers to help them achieve their goals through strategy development and delivery, and this role has been widely adopted as a key job in recent HR structures. Change agents are responsible for organisational transformation and culture change. In the UK, this has appeared less frequently as a separate, identifiable role. It more usually features as an activity to

Table 1: Ulrich’s HR roles, 1997

Role	Activities
Strategic partner	Aligning HR and business strategy: organisational diagnosis
Administrative expert	Re-engineering organisation processes: shared services
Employee champion	Listening and responding to employees: providing resources to employees
Change agent	Managing transformation and change: ensuring capacity for change

Source: CIPD factsheet

be found in the job description of the business partner, although in some of the larger organisations it may exist as one of the central areas of technical expertise.

Administrative experts improve organisational efficiency through streamlined processes and new practices. They are found in shared service centres and may define, deliver and liaise with outsourced providers, but Ulrich's point was more to assert the importance of the activity than to suggest a distinct role.

The same is true of the employee champion role. It is focused on ensuring that the employer–employee relationship is one of reciprocal value. Although the title is rarely used in practice and has attracted criticism from the HR directors we interviewed, one can nonetheless see a growth in employee culture, attitude and survey activity, and the continuance of specialists in employee relations roles (see *What is Employee Relations?* (CIPD 2005)).

Since the 1997 model Ulrich has unveiled two sets of revisions. In 2001 he argued that HR professionals must be more active players rather than passive partners, and suggested that new roles as players were: coach, leader, conscience, facilitator, builder and architect.

Finally, Ulrich (Ulrich and Brockbank 2005) proposes a new 'simple' framework based on a synthesis of HR roles:

- employee advocate (ensuring employer–employee relationships are of reciprocal value)
- functional expert (designing and delivering HR practices)
- human capital developer (building future workforce)
- strategic partner (help line managers reach their goals)
- HR leader (credible to own function and others).

In Table 2 overleaf Ulrich spells out how his perspective on HR roles has evolved.

This latest version brings us back to some of the clarity that made his 1997 model so forceful and influential. It also responds to some of the criticisms levelled at his model. He has broadened out some of the key terms (such as administrative expert to functional expert) or fine-tuned them (for example employee advocate instead of employee champion). Leadership is more

in evidence, as is human capital. The result is a more rounded description of the variety of HR activities.

Elements of his original model were indeed criticised, as has the overall thrust of this thinking. Caldwell (2001) challenged that the model offers 'an extraordinary idealised vision' where HR is 'an agency of competitive success, organisational change and human progress'. Both Ashton and Lambert (2005) and Lawler (2005) have commented in particular on the difficulty of HR positioning itself as a business partner. Lawler produced his own typology, seeing HR as a business with three product lines:

- administrative services and transactions with the need to use resources efficiently and provide quality of service
- business partner services developing HR systems and providing solutions needing to know the business and exert influence
- strategic partner role contributing to business strategy, which needs a deep knowledge of the market as well as HR.

Building on this model, Ashton and Lambert (2005) have added the role of organisational development as a growth area. 'Organisational design is where strategy and the human side of the enterprise meet', according to Joyce et al (2005). It is a logical place for HR to contribute when moving from transactional roles to a true strategic partner role.

There have been considerable tensions around the conceptualisations of roles and how the work of Ulrich and others has been interpreted. According to Ashton and Lambert (2005), while Ulrich's original four roles have been influential, whether and how they are put into practice varies. Often these roles have been used as labels without much understanding of what they stand for. They have argued that Ulrich's model 'should arguably never have been taken as a blueprint for the HR functional structure'. In fact, as he told us, Ulrich never intended that they should be. He was not describing a set of roles to mean jobs, but a set of activities to be performed by a number of people.

This misunderstanding has coloured the debate on the relative standing of the four key roles, with the

Table 2: Evolution of HR roles

Employee champion	Employee advocate (EA) Human capital (HC) developer	Employees are increasingly critical to the success of organisation. EA focuses on today's employee; HC developer focuses on how employees prepare for the future.
Administrative expert	Functional expert	HR practices are central to HR value. Some HR practices are delivered through administrative efficiency (for example technology), and others through policies, menus, and interventions, expanding the 'functional expert' role.
Change agent	Strategic partner	Being a strategic partner has multiple roles: business expert, change agent, knowledge manager, and consultant. Being a change agent represents only part of the strategic partner role.
Strategic partner	Strategic partner Leader	See above The sum of the above four roles equals leadership, but being an HR leader also has implications for leading the HR function, integrating work of other functions, ensuring corporate governance, and monitoring the HR community.

Source: Ulrich (Ulrich and Brockbank 2005)

tendency to perceive the strategic and change roles as being of higher value than the transactional, producing strong counterarguments by others. As to the employee champion role, there is little evidence that it has been much adopted (Ashton and Lambert 2005, CIPD 2003).

So, there's a lack of clarity on the extent to which organisations have understood Ulrich's role structure, adopted it, at least in part, and on what their experience has been. We turn now to focus the discussion on the three most debated roles.

Business partners

There's evidence that the demand for business partners has grown enormously – an increase by 30% in 2004 alone accompanied by substantial increases in salaries (Beckett 2005). CIPD research has also shown that business partner has become the most attractive role for HR practitioners (CIPD 2003). Of the 1,200 heads of HR surveyed, a third see themselves as primarily strategic business partners, around a quarter (24%) see themselves as change agents, 4% as being administrative experts, and even fewer as primarily employee champions.

Previous work by IES (Tamkin et al 2005) suggested that many organisations found it difficult to resource business partner roles with the calibre of people they desired, and there was evidence that career development into these roles was also not well developed.

Our experts' views varied, but were generally cautious. Some acknowledge that business partner is a popular model but also comment that the term can elicit strong emotions. Tim Miller, for example, publicly loathes the term: would any other function feel the need to assert that it's in partnership with their colleagues, he asks. It's clear that some don't like the concept, seeing it as suggesting that the function is somehow separate from the business and leaving the impression that other roles such as administrative expert don't add value. For others the concerns are more around the possibility that the role is misconceived, because it suggests a divide between strategic contribution and the transactional work. Given the need to be good at both, it's not clear how the two can be treated so separately.

Some researchers support this contention. Ashton and Lambert (2005), for example, say that there

seems to be much confusion about the use of the term 'strategic'. This is being used as a prefix to business partner and yet, in their view, a business partner is not necessarily always playing a strategic role. As Csoka and Hackett (1998) have said: 'One way to describe the role of partner in a business initiative is to identify whether their actions are leading, participatory or advisory.'

In contrast, others hold the view that HR ought to become more strategic, but question whether it can meet its goal. Tyson, for example, believes HR, in the right hands, may be influential – but as internal consultants or advisers, not business partners. HR may have strategic responsibilities, but is concerned with the 'how,' not with the 'what' or the 'why'. It's at least a 'second order activity'. Others, like Brewster, agreed that HR lacks credibility as strategic partners. Their concerns result from a mix of issues: issues of skill, the credibility of the function and, in Tyson's case; belief over the rightful place of HR.

Survey evidence also points to difficulties in achieving HR's ambitions to be more strategic. In the global Mercer survey, cited previously, HR rated themselves good as strategic partners while the line rated them as below average (Csoka and Hackett 1998). In the 2003 Mercer survey the time currently spent on strategic partnering was 15%; compared with 30% desired time (Weatherley 2005a). In a *Personnel Today* survey, two-thirds of HR departments questioned describe themselves as primarily administrative and only a third as strategic (*Personnel Today* 2006). Directors devote more time to strategy than other HR practitioners (37% compared with 25%), but they still spend the majority of their time on day-to-day concerns. This seems to be a common finding since Lawler (cited in Hammonds 2005) reported that HR professionals only spent 23% of their time being a strategic business partner, no more than they reported in 1995. Individual case examples also show that those operating in business partner roles often spend large amounts of time on reactive activity and case work.

What might be the cause of these results? Brewster in the interview for this research suggested there were three problems with the business partner role:

- The role was insufficiently defined.
- It didn't take enough account of customer wishes (managers may be more likely to want more operational rather than strategic support).
- There weren't enough HR people with the skills and credibility to perform the role.

Goodge's work for the CIPD (2005) echoed a number of these points, especially the staffing of the role – there were too few individuals with the skills or experience to succeed as business partners. He made important points, though, about the context within which business partners operate. They are frequently handicapped by line management reluctance to perform their people management role, by a poor technology infrastructure that diverted precious time and compromised administrative efficiency, and by 'the absence of a consistent business strategy with which HR can work'. The history of relations between HR and the line in each organisation may also colour how the role is perceived and can operate.

Further questions to ask regarding the business partner role are:

- How many organisations have defined business partner roles and how effectively do they feel they are being performed?
- How difficult are organisations finding it to get this role performed?
- How do business partner roles interact with other HR roles in the delivery of high-quality HR services?
- If there are difficulties, is this a problem of not having the right resources to perform the role?
- How much of any problem is that the role is overambitious or poorly defined? How much has it moved on from previous models of relationship management?
- How are organisations resourcing these roles? To what extent are they finding or growing the right skills in-house or looking elsewhere? What differentiates the more successful from the less successful applications?

Administrative expert

The treatment of the administrative expert role has been quite different to the business partner. As we have already seen, in some organisations it has tended to be seen as the poor relation in the HR functional family, despite the critical nature of this activity in the eyes of others. The diminution of the importance of this activity is dangerous, as there is evidence that this is an area that line managers value highly (Buyens and De Voss 2001). The positive view of the administrative role in the eyes of line managers was illustrated in the global survey conducted by Mercer. The administrative expert role was the only area where the line rated HR better than HR rated itself (Csoka and Hackett 1998). HR is seen as expert in administrative systems, legal compliance and design of policies and practices. And we know that failure to perform these tasks well can limit access to the 'higher' value work, as well as creating difficulties in its own right (Eisenstat 1996). Ulrich agrees, seeing HR administrative transaction-based work as a given: it must be done, and faultlessly (Ulrich and Brockbank 2005).

According to Ashton and Lambert (2005), administrative expert is a misleading title and suggests no added value. However, the problem may be less to do with the title than with HR's desire to move up the value chain. In this context, reducing the amount of transactional activity is seen as a good thing in itself. Organisations pride themselves on the extent to which they change the ratio of administrative to strategic work (Reilly and Williams 2003).

Process re-engineering and e-HR, where implemented, have simplified, improved and reduced administrative activities. Ulrich has claimed that as a result of these changes, HR has moved from dedicating 70–80% of its resources to administrative work to 15–20%, without a loss of quality (Ulrich and Brockbank 2005). Whether organisations have been as successful as he claims must be in doubt. A study of US organisations by Mercer in 2003 (cited in Weatherley 2005a) reported that 25% of time is spent currently on transactions and record-keeping, compared with 11% of desired time.

It's likely to be hard for organisations to simultaneously cut administrative roles and argue the importance of these same roles. This debate is complicated by outsourcing (as it makes counting more complex)

and by the difficulty of defining where administration begins and ends. Ulrich's 1997 model was silent on operational and advisory support. (He has since rectified this in his later conceptions.)

Purcell, in an interview for this research, highlighted this gap. An issue with the model for him is the lack of front-end advice. He believed this was vital, as managers need a source of proper 'how to' advice – especially about 'the difficult conversation'. Further, there needs to be more to this advice than a rote answer from a script that employees could look up online themselves. Brewster similarly voiced this concern and felt the great problem with the overly strategic conceptualisation of the business partner role is that line managers actually want help with selection, dealing with difficult people and handling trade unions – and therefore there's a gap between the aspirations of HR and the needs of the line. Others noted the vital supply of legal advice. Line management wants to avoid litigation in a whole range of people management activities, from recruitment through reward to performance management.

The questions this debate poses include:

- What comprises administrative work and how much resource should be devoted to it?
- In practice, how distinct is the administrative role and work from the technical and strategic? To what extent does a successful HR function depend on performing the administrative role successfully, compared to integrating success in this area with HR's other roles? To what extent does HR establish the customer view of service preferences and respond to them?
- Organisations should clearly be making its delivery as effective as possible, but how is the work valued?
- How does outsourcing affect the perceived and actual value of administrative work?
- How and where does operational HR support get delivered, including both individual advisory casework and help with people management tasks like recruitment, performance appraisal, reward, and so on?

Employee champion/advocate

There has perhaps been even more debate about the employee champion role than the administrative expert. As originally conceived by Ulrich, the employee champion role was seen as the employees' 'voice' in management discussions and, more proactively, would initiate actions that addressed employee needs and concerns. More recently in the reconceptualisation to employee advocate, Ulrich has described the role as requiring HR professionals to 'see the world through employees' eyes – to listen to them, understand their concerns, and empathize with them – while at the same time looking through managers' eyes and communicating to employees what is required for them to be successful.' Employee advocacy involves being available while also being able to communicate the management point of view.

Not everybody has been comfortable with Ulrich's conceptualisation of the role. According to CIPD research (2003), only 6% of survey respondents wanted to primarily play the role of employee champion. It has been criticised as placing HR in an impossibly difficult position. 'HR cannot champion, advocate, represent or sponsor employees whilst it is a part of the management team' (Reilly and Williams 2006). Partly this is a question of terminology, but there is a matter of substance. HR has been trying to throw off its previous welfarist image and doesn't want to undermine the move to being business-aligned. Some of our experts agreed.

Professor John Purcell at Bath was emphatic. 'No. This employee champion idea should never be part of the role. Employees need their own representatives to argue their case.' This wasn't to say that there aren't ethical standards that have to be upheld, but the emphasis should be the business effects in terms of an organisation's reputation and costs in terms of turnover and recruitment.

Angela Williams believed it should be line managers who act as the employee champions. HR's role was as the experts on people. Agreeing with Purcell, she said that the performance of this role has to be from a business perspective, as HR is clearly a business function. HR has to identify which people issues have to be tackled in the business context.

One of the discussion group participants concluded that the 'employee champion is damaging HR'.

Ulrich himself has been conscious of these objections. He has commented on the tendency in the UK to view the business partner role as especially attractive and has called for practitioners not to lose sight of the importance of the employee champion role, arguing that it 'is not just window dressing'. 'Caring for, listening to, and responding to employees remains a centrepiece of HR work' (Ulrich and Brockbank 2005). In more indignant terms he has said that 'employees are people not chattels to be discarded'. Employee advocacy adds value for employees and other stakeholder groups.

Ulrich has had his supporters precisely on this last point. Some in the academic community have worried that the human resource management (HRM) conception relegated employees to being mere 'resources' to be utilised along with plant and machinery. The same fears are manifesting themselves in the direction HR is taking in terms of role and structure. It's believed that there are inherent dangers in what has been termed the 'strategic amplification of HR work' (Francis and Keegan 2005). The concern is that the focus on business outcomes has been at the expense of employee well-being and that this may lead to alienation of the workforce and long-term consequences. Some authors take issue with the assumption that employee and organisational interests can be aligned through high-performance working practices and believe that the worker perspective needs to be given more attention (Legge 1999, Guest 2001, Francis and Keegan 2005).

What is less in dispute among commentators is that there remains a need for the employee perspective to be understood and for this understanding to be put to others. Moreover, the recent interest in employee engagement and well-being indicates that at the level at least of the individual employee, improved work relationships are required if the workforce is to be fully productive. As Reilly and Williams (2006) point out, a key aspect of HR's unique selling point must be that it understands employees – what causes them to join the organisation, to stay with it, to come to work and be productive. It should understand what makes people tick, what motivates them and what irritates them. Attention to branding, commitment, occupational health and so on are manifestations of this concern.

In another context, where there are claims of bullying, discrimination or harassment, it might be that HR is indeed playing more of an employee champion role. It may be seen as legitimate for HR to intervene to protect employee interests. And it could be argued that the overall interests of the organisation are thereby protected. This may on occasion be a matter of avoiding the courts; it may be to ensure that organisational policies (and values) are applied with a reasonable degree of consistency. In the public sector in particular, with continuing high levels of trade union membership, this may be an important component of the HR role. But it may also be important in employee engagement terms: you aren't going to get your best from a fearful or disillusioned workforce.

There's also evidence to suggest that boardrooms are having to pay attention to a broader business agenda, addressing the requirements of a wider range of stakeholders beyond just shareholders, including customers, the wider community and employees. The CIPD research (2003) found that HR functions are increasingly involved in CSR activities. And in an environment of tight labour markets and skills shortages, there's evidence that both recruits and existing employees are seeking alignment between their own values and beliefs and those of their employer.

Questions that might arise from this discussion are:

- In practical terms, what comprises the employee champion role and how important is it to the work and success of HR functions?
- People might not (or might) like the term, but do HR managers represent employees' views and, if so, how? If and when are they ever advocates for employee opinions?
- When do HR managers think it's appropriate to intervene in the manager/employee relationship? How is this done and justified?
- What is the balance in HR activities between business and employee interests? How and with what success are HR functions attempting to align these interests?
- What approaches does HR use to build a culture where employee engagement and well-being can develop?

Conclusion

This debate on roles has revealed that the combination of roles HR has to play is more complex than an initial impression might suggest. There's no doubt that HR wants to be a change agent and to build relationships with business management, but this is a difficult and complex task. The drive to meet these objectives shouldn't, though, be at the expense of its other activities. HR still has to play roles in the areas of administrative expert and employee champion. Despite the objections to the terms, there are occasions when HR may well be an advocate of employee interests in a direct manner and indirectly will be creating a climate where line–employee relationships flourish. Good administration is vital to the success of HR, but it's uncertain how it's best organised and where operational guidance and support is best located.

So HR might have on occasion to be a 'prop and cop' (Eisenstat 1996) after all!

The next stage of the research is to find out how HR professionals are addressing these challenges.

Content

An examination of the roles HR performs relates to thinking about the content of HR's work. Ulrich's role descriptions capture some of the variety of HR's contribution – in change management, strategic thinking, administration and employee representation. The ways in which they have been undertaken and the relative weight attached to each has evolved in HR's history. As personnel management the function was associated initially with welfare and then recruitment activity, though efficiency and performance were also important concerns in the era of scientific management and Taylorism. Industrial relations dominated the function in the 1960s and 1970s. Dealing with employment legislation developed in parallel. Managing aspects of organisational change and making a strategic business contribution became a key feature in the 1980s and 1990s. More recently, there has been a growing interest in organisational effectiveness and employee engagement – how to grow workforce productivity. Throughout its history personnel administration has been a continuing feature.

The HR function of today illustrates the growing specialisation of the work it does in fields like resourcing, reward and employee relations. There's also a growing breadth to its work. Training and development and HR management have tended to come together over the years as the interface between them blurs – much of the interest in organisational effectiveness sits at the junction between these two 'disciplines'. Organisational design or development might also be seen as spanning these boundaries and is growing in its importance in organisations concerned with ways of driving both structural and cultural improvement. In these organisations there may be a debate, as with learning and development (Carter et al 2002), as to whether organisational design (OD) should be separate from or integrated into HR.

In many ways the interest in OD illustrates the aspiration of HR to become more sophisticated in those areas of activity which have secured a track record of success in a number of organisations. Take recruitment, for example. It has grown from a largely process-driven activity with a high administration workload to a situation where expertise is offered in attraction, selection and 'on-boarding', with the possibility of online mechanisms and automated processing. HR may have to have skills and knowledge in such things as psychometric testing, database management and contract management (even if some activities are executed by third parties). The recent focus on branding adds another area where the skill-set may have to be acquired from marketing. The contrary pressures to simultaneously specialise, broaden and integrate activities are evident in the growing interest in talent management, combining expertise in recruitment, assessment, development and performance, and career management (although some assert that the work of the HR functions in the majority of organisations in reality has stayed largely constant, with only the terminology and aspirations changing).

CSR is another growing area of interest. Organisations are more concerned than ever with community and environmental issues. HR may get involved directly in the practical expression of this concern – for example in charitable activities. There may be a link to product marketing and employee branding, as well as using these activities to develop employees' and managers' skills.

Our panel of practitioners strongly agreed that issues such as branding, ethics and CSR were absolutely key to the function of the future, not peripheral. They thought that 'being an employer of choice' and selling the customer brand were important roles for HR. Tim Miller felt that the CIPD should encourage HR practitioners to be aware of these issues and organisations should encourage their line management to be aware. It's easy to see why this might be felt to be an important aspect of the HR role. An increasing number of applicants check the social and environmental performance of companies before selecting an employer. A KPMG survey (cited in World Business Council for Sustainable Development 2006) found only 20% of those who feel their bosses lack integrity would recommend their company to new recruits, compared with 80% who believe their company has strong ethics.

However, there's evidence that the involvement of the function is still limited to a support role. In a *Personnel Today* survey (2005), only 25% of recruitment managers had responsibility for branding, and in a CIPD survey (2003) only 19% of organisations have HR lead responsibility for CSR. In a sense this isn't surprising. Organisational branding and corporate profile are likely to in be in the marketing, corporate communications or public relations domains. What is critical is the degree of influence HR has in these matters. Can it shape the corporate brand so that it attracts new recruits? Can it steer the social responsibility agenda so that it enthruses employees? These are harder questions to answer, but at least as pertinent as the proportion of HR managers that take charge of these areas.

The new welfare agenda, as it might be called, looks at staff health and well-being as a good thing in itself, but also as instrumental. If sickness absence can be lowered and a sense of positive well-being grown, then staff will be more productive. Work on early occupational health interventions and programmes promoting a healthy lifestyle shows that an active approach can bring organisational benefits.

In all these cases HR has to work with functions often with more expertise but certainly more experience in these areas. A challenge is to find ways of the function

getting up to speed with the content and also finding its place in how it can best contribute. Too often this is presented as a 'battle' between functions to 'control' these activities, when in reality it may be more about how HR professionals work with and influence colleagues in successfully pursuing these agendas. A question for this research therefore is: does the move of HR into new areas suggest that organisational structures ought to be more porous, allowing learning to cross existing functional boundaries, and how can HR professionals best work with colleagues to successfully pursue these agendas?

Finally, there's a question of the organisation and development of the traditional areas of HR. Those that have adopted the 'three-legged stool' model can locate their specialist expertise in centres of expertise/excellence/competence. Here the key issues are around the number and nature of the expertise hubs and how they relate to the corporate centre in policy-making and to the shared service centre/call centre on problem-solving. The tendency to standardise processes and policies for efficiency and consistency reasons may offer the experts more power, if they are controlling the content, but conversely less room for manoeuvre in daily operational work. For multinational companies, there may be tensions between global and local perspectives. How these tensions are balanced goes back to the centralisation/decentralisation debate we referred to earlier.

Questions that might be asked in future research include:

- What areas of work is HR responsible for and how well are these contained within its traditional functional boundaries? How much shift in reality has there been in HR's work in recent years?
- If HR diversifies its areas of interest, what is the impact on HR's structure? For example, does it mean more centres of expertise?
- What skills are needed to meet this changing HR content? How are these needs addressed?
- How does HR influence and work with other functions in the work that it does, especially in areas such as employer branding, CSR, and health and well-being?

HR's relationship with line managers: business partnering

HR's relationship with line management is affected by all the issues we have presented so far:

- How HR organises itself affects the nature of interaction.
- What role HR plays needs to dovetail with managers' responsibilities.
- The content of HR's activities (especially the level at which they are done) influences what managers do.
- The results of process re-engineering and e-HR have been that some tasks have been transferred to the line and altered the line–HR relationship.

The boundary between what line management does and what HR does is never a settled one, but nonetheless in broad terms the shift of activities from HR to managers has been a primary goal of HR for over 20 years. The term 'devolution' is one used in academic circles to describe this process and can be quite independent of wider organisational decentralisation, but it's not without its critics. Many practitioners are likely to agree with Brewster that 'devolution' is a misnomer, as HR doesn't have anything to devolve. People management responsibility rightly belongs to the line. He would prefer the 'assignment' of tasks.

Whether called devolution or assignment, the people management contribution of line managers has varied greatly by work area, as well as organisation. Research by Torrington (1998) suggested that in the vast majority of work areas and in a majority of organisations, there was a clear line–HR partnership at work. More recent CIPD research (2003) came to the same conclusion. Half of organisations reported that recruitment and selection is shared, whereas in nearly a third the line was reported to be in control. By contrast, though employee relations is shared in 40% of companies, in half HR takes the lead. Reward is even more HR-biased, training and development more shared.

At director level, the HR function's desire for line managers to assume greater people management responsibility is clear, but the general view is that line managers have not accepted full responsibility for making decisions and taking actions about their own staff. Three in five of the 1,180 HR professionals surveyed by the CIPD in 2003 gave this answer (CIPD 2003).

Whether HR's push towards devolution is accepted by managers themselves is a moot point. John Purcell referred to CIPD research undertaken with his team at Bath on the HR service and support front-line managers want. They were frequently uncertain about their skills in dealing with people, particularly in terms of managing employee behaviour or having 'the difficult conversation'. The quality of the support available was also important. He believed that line managers seek 'proper' advice from experienced HR colleagues, not simply a course on interpersonal skills or 'help' from a script read by a graduate over the phone. For some line managers there is the anxiety that they don't have the skills to perform people management tasks. Managers are sometimes concerned about accepting responsibility for people management issues if they feel exposed through inexperience or lack of knowledge or capability. Work with a number of local government organisations shows that lack of confidence is a major factor in the poor management of diversity issues (Rick et al 1997).

Tyson also commented that it's not always clear where HR should position itself along the devolution continuum, as the customer view of what line managers want from HR is not that well articulated and may differ from group to group, individual to individual. He believed there were clear limits to devolution driven by both competence (expertise in say pensions' management and compensation, as well as in tricky case work) and efficiency.

There's plenty of evidence (such as Bevan and Hayday 1994, Thornhill and Saunders 1998, and Cunningham and Hyman 1999) that many managers still don't accept that people management is an important component of their job. Such managers would rather concentrate on the technical aspects of their work, feeling that there was more than enough to do with these aspects. The research suggests that where neither senior management nor HR give managers contrary direction, managers would rarely engage with the messy 'stuff' of people management.

Similarly the lack of incentives for managers to demonstrate their interest in employee issues has inhibited devolution. Research (McGovern et al 1997) indicates that managers were more likely to be rewarded for meeting business objectives than for motivating staff. Indeed, some senior management instruction has inhibited the way managers manage through 'the dominance of "harder" priorities' (Cunningham and Hyman 1999). Other research into managers' involvement in people development has concluded that those who are 'good developers of others' were often so because of personal motivation, rather than institutional recognition (Hirsch et al 2005).

Another major barrier seems to be the lack of time to focus on people management responsibilities. These feelings have been exacerbated by the effects of downsizing, delaying and even globalisation of business activities, leaving managers with large spans of control.

It would be misleading to assume that it's only line managers who have resisted the devolution of HR work. As Reilly and Williams point out, research suggests that some in the HR function have also been reluctant to encourage the devolution process because of:

- 'a sense of the function losing power and control
- giving up activities that staff felt confident to perform, were good at and were appreciated by the line
- fears over job security if line managers are proficient in operational HR
- concerns that managers were ill-equipped to deal with people management issues.'

Others have also found the function expressing concern over line capability. For example, the CIPD's *Reward*

Management Survey 2006 finds most of the respondents do not rate highly the reward decision-making or communication skills of their front-line managers. IES consultancy experience also suggests that managers may be able to operate where rules are clear-cut and situations simple, but inconsistency arises where judgement has to be exercised. Employees have also expressed dissatisfaction with the process (Strebler et al 2001).

Reward and performance issues may pose particular challenges for the line. Being a motivator and a judge is difficult to operate in practice and there is evidence of inconsistent evaluations (Jawahar and Williams 1997, Armstrong and Ward 2005). A key skill gap is the ability to deliver feedback in a constructive way. Other aspects of people management don't suffer from these difficulties and indeed there's evidence that the line's involvement in learning and development has been a greater success (for example Hirsch et al 2005). Sustained growth in areas such as coaching and mentoring, and on-the-job training, points to increased 'hands-on' involvement by line managers in learning and development.

Practitioners have responded in different ways to these sorts of concerns. Our interviewees favoured HR adopting a coaching role to upskill managers. Kevin White, for example, felt that HR needed to coach line managers to develop the skills that they need. Angela Williams at Land Securities agreed. She believed that line managers in her company are largely self-sufficient, allowing HR to withdraw from the day-to-day activities because managers in her organisation have been coached to pick up operational people management responsibilities. We know from other research that the transfer of activities has, however, sometimes been more sudden and less facilitated (Reilly 2006). And there are those organisations (or perhaps parts of organisations) where a supportive HR approach means that the function should be prepared to tackle disciplinary cases, organise and execute recruitment, manage sickness absence, and so on. HR directors in these organisations would see this as providing good customer service or responding to the culture and practice within their organisation. Advocates of this position might argue the point on skills or efficiency grounds – it's cheaper for a capable HR manager to undertake tasks, rather than an expensive ill-equipped and reluctant manager.

Whatever the status of line management responsibility, there may be occasions when HR feels the need to intervene in their relationship with their employees and the choice of when and how to do so needs to be carefully made. Angela Williams, for example, said that she tries to avoid intervention as much as possible, but will do if circumstances justify it – for example a manager isn't dealing with a harassment case. She'll act to avoid law-breaking or where ethics and organisational values have been or are in danger of being broken. She recognises that these situations are not always clear-cut – transgressions may be in the eye of the beholder. In making these kinds of interventions, she felt that HR should not just be a whistleblower but should offer solutions. At a deeper level, HR should help influence the organisational culture towards a situation where problems of this sort are unlikely to arise. She felt that it was important to bear in mind shareholder expectations of a FTSE-100 company. Managers should, like HR, take cognisance of that fact.

At a structural level, the 'three-legged stool' model may help and hinder the HR–line interface. On the one hand, the segmentation of activities clearly signposts to managers where they should contact HR and for what, and it can help professionalise the assistance offered. On the other hand, it introduces multiple channels rather than a one-stop shop. The call centre, where offered, with its escalation system, may try to screen out certain types of queries and refer enquirers to an intranet. Circumstantial evidence suggests these attempts to create new structures can be frustrated by line managers continuing to use their 'old' generalist HR contacts on a personal basis.

The impact of technology may also be a mixed blessing for the line. Improved communication can come from well-designed intranets and manager self-service may be a welcome replacement for cumbersome paper-based systems. But the potential downside is that e-HR allows the function to move away from involvement in day-to-day administrative work with the result that managers are likely to resent having ill-designed processes 'dumped' upon them.

The combined effect of structural and process change is often to reduce the number, or at least quality, of line interactions with HR staff, and especially reducing

the number of occasions where face-to-face contact may take place. Changing the HR-to-manager ratio is seen by some HR directors as beneficial precisely because it forces line managers to take up their people management duties.

The Torrington (1998) and CIPD (2003) research suggests that at the macro level not much has changed in the relationship between HR and the line. Nonetheless, one might expect to see e-HR and HR restructuring (where it happens) having some effect – so too should the human capital and knowledge-based economy arguments that people will increasingly be seen to deliver competitive advantage to the firm, and the war for talent should reinforce the need to attract and retain and effectively manage them. Bidwell et al (2006) make an interesting additional point. Line managers are now faced with a proliferation of different kinds of employment relationships (outsourced, contractors, consultants) so their people management activity becomes more complex, important and difficult to assign elsewhere.

The research questions arising out of this discussion include:

- How has structural change and e-HR affected the line–HR relationship?
- Is there evidence that line managers understand and accept the competitive advantage through people argument and, if so, what impact has it had on their behaviour and relations with HR?
- Is senior management supportive of line managers' attempts to better manage and engage staff?
- Are there instances of territorial dispute and misunderstanding in what managers do and what HR does?
- What are the occasions, if any, where HR intervenes in the manager–employee relationship?
- What makes an effective line–HR relationship? What are the major problems being experienced and how are they being successfully addressed?

Measurement

The importance of measurement

The reform of the HR function, where it has occurred, has been accompanied by greater attention to measuring its performance. This has been driven both by the structural and process changes themselves (how can we measure improvement otherwise?) and by the increased awareness of defining and meeting customer and stakeholder requirements. Even where modernisation has not been a feature, the pressure to measure has been driven by the necessity of containing costs. It has led organisations to examine the contribution of all support functions with more vigour and hence HR has been under increasing pressure to demonstrate value.

For probably only relatively few organisations to date, the interest in human capital measurement has also caused some to seek to develop indicators of their people management performance. Those that genuinely believe that the latter makes a contribution to business performance are developing the metrics (for example in employee engagement) that will demonstrate this connection. More commonly, interest in benchmarking performance between organisations and indeed between parts of the same organisation has put a premium on quality data collection. Recent improvements in management information systems, on the back of new technology, as well as greater use of performance scorecards, have facilitated much better reporting, as has legislation that has demanded more or better record-keeping, and greater external reporting.

The impact of measurement

Measurement affects the relationship HR has with the rest of the organisation. There appears to have been a move to more contractual relationships between HR and its customers. There has been a shift from *soft contracting* (where controls are informal and relational) to *hard contracting* (a more explicit expression of expected performance expressed via the definition

of KPIs and their inclusion in SLAs). The latter usually specify the services offered, their frequency and the quality standards to be expected.

The extent of the use of KPIs and SLAs is not known. Nor is it certain how many organisations apply a charging regime where users pay for the services they consume, although it's certainly few. The advantage of hard contracting is that it can bring commercial thinking to providing HR services. The disadvantage is that bureaucracy grows so that complex rules start to apply to the purchaser-provider relationship and ongoing flexibility in the relationship can be compromised.

The type of SLAs will profoundly influence what HR is measuring and these have tended to emphasise process metrics that look at how well HR has performed a number of transactional tasks. What is less clear is the degree to which they focus on added value, especially the demonstration of the contribution employees make to business success through human capital-type measures.

An IRS survey (2006) found that while the majority of organisations (68%) are attempting to evaluate at least the effectiveness of the HR function, most evaluation is confined to measuring operational efficiency. *Personnel Today's* (2006) survey of senior HR professionals similarly discovered little measurement of strategic contribution. In this survey, as many as around 40% of those questioned didn't see measuring human capital as an organisational priority. Similar results have been seen on other facets of people management (like absence), leading Lawler et al (2004) to conclude that HR needs to develop better metrics and analytics if it's to become a true strategic partner.

The concentration on inputs rather than outputs, on processes instead of outcomes, hard rather than soft measures and on lag rather than lead metrics, has

limited HR's ability to demonstrate its value. Like all the other areas we have debated, measurement is intertwined with the context within which it operates. The sort of management information provided is heavily affected by the technological investment. Outsourcing has encouraged monitoring, but mostly of processes contained in contractual SLAs. The range of people management tasks performed by line managers will also have an impact on the choice of measurement regime.

What are we trying to measure?

There are myriad different approaches distinguished perhaps by the extent to which they cover simple reporting (such as process efficiency), customer satisfaction or the attempt to demonstrate a causal link between HR and business performance. According to Boudreau and Ramstead (2003), the focus of measurement should be on efficiency, effectiveness, or impact. Reilly and Williams (2006) similarly propose a balanced approach to assess performance which combines both efficiency and effectiveness, both from the people management and from HR's functional perspective. Key for them is measuring both what is within the domain of line management (such as retention and engagement) and what is within the domain of HR (such as policy formulation and execution).

But this still leaves open quite a choice of measurement systems. Hartley and Robey (2005) estimate that there are currently over 1,000 human capital indices that can be used as benchmarks in terms of the effectiveness and efficiency of human capital management practices. Against this background, some have suggested that generic measures are very difficult to justify. Scarborough and Elias (2002) found that there was no one single measure that could adequately encompass and detail the contribution that people management and employees make to an organisation's financial performance. They concluded that the process of defining, measuring and redefining in this area helps organisations to better understand how such an important and elusive asset has an impact on profit. The CIPD (2005) believes that any human capital management 'reporting has to be tailored to the goals, needs and character of each organisation'.

Nonetheless, there are numerous descriptive formats that may find their way into scorecards or reporting systems. Of those that try to do more, some want to assess HR policies and practices in terms of demonstrating that it adds value (Cabrera and Cabrera 2003). Becker and Huselid (1999) based their model on value-added on a notion of best practice. They examined how five leading US companies with reputations for strategic HRM demonstrate value. These companies focused on outcomes: operational excellence, client service and delivery at lowest cost; and HR managers understanding the human capital implications of business problems.

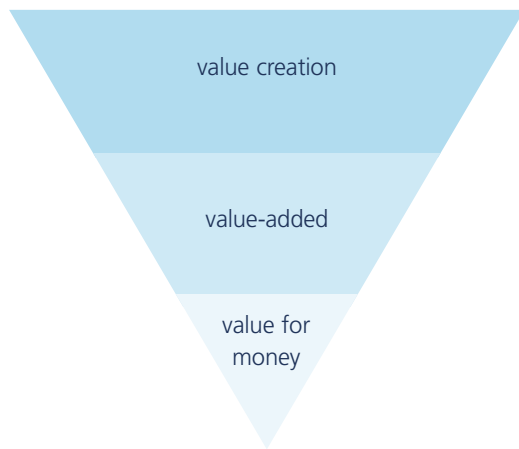
There are understandable tensions between deriving measures that uniquely assess what is important to each organisation and exploring a common set which most organisations could and should measure, which are found to link to organisational performance and which provide the opportunity to benchmark and (potentially) support financial reporting. IES has explored the literature linking people management to organisational performance and has suggested a range of generic measures that have been demonstrated to link to performance (Tamkin et al 2006).

Outside these broad approaches to measurement, practice on the ground varies.

Some of our practitioner interviewees believed that the impact of the HR function can be best measured through harder metrics which enable a much clearer view of performance to emerge. Alex Wilson, for example, relates how his HR people have SMART scorecards with the role they have to play and responsibilities to deliver. He sees HR's role moving up an inverted pyramid from value for money through value-added to value creation (see Figure 1 overleaf). He believes that if HR objectives cannot be linked back to the organisation's business plan, then the objectives are wrong.

Professor John Purcell for one sees HR metrics as vital to the future for HR, because they are the means by which the function can demonstrate the people management performance in the workplace. It's a powerful role for HR to interpret these metrics and initiate action on the basis of them. Several

Figure 1



Source: Alex Wilson, BT, interview

commentators have also stressed the importance of a stakeholder perspective. Belcourt's (2001) model includes judgements made by different stakeholders which are regrouped under compliance, client satisfaction, culture management, cost control and contribution. Ulrich and Brockbank (2005) similarly stressed that the criteria for assessing which activity adds value should be seen from a stakeholder perspective: those which increase intangible value for investors; those which help build customer share with target customers; and those which enhance the capabilities needed by line managers or improve skills and abilities or the employee population.

At a practical level, Angela Williams gives emphasis to shareholder opinion. It's important in a listed company for investors to have confidence in the management team and management processes (for example the work of the remuneration committee). She thought that the extent to which shareholders recognise the people contribution varies, but the company can influence their views through the publicity materials it uses – it can promote what employees have done to achieve business success. She tries to ensure the annual report talks about communication, employee engagement and employee involvement, and the links to business improvement. The sort of measures presented are a mix of qualitative and quantitative – are the right resources in place, is the right senior manager hired in time, are staff sufficiently trained? The

performance of the function is judged both by these achievements and also by customer feedback – how the managers regard the function's interventions is key. Employee satisfaction with regard to job, career, prospects and so on is also used.

Here's another school that tries to examine value in economic terms. For example, Cascio (1992) has argued that the utility of HR programmes must be assessed to ascertain their value. Marginal utility analysis seeks to quantify the financial gain to a firm of an HR intervention, such as adding a new selection test. Given that validity analysis of a test based on line managers' judgement of individual performance, these are as liable to the same biases as other HR measures. Rate of return on investment (ROI) similarly mimics business assessment. But it too has been criticised. Burke and Hsieh (2005) say that ROI doesn't provide a firm guide to what level of return would be sufficient to pursue an HR intervention. They propose using the concept of net present value (NPV) – the difference between the value of cash inflows and outflows.

Though there are often technical difficulties with this sort of reporting, Kevin White, for one, suggested there's a need to appreciate outcome value – say the evaluation of the investment in a change initiative. However, he thinks trying to demonstrate whether HR overall makes a direct contribution to the bottom line is likely to be too difficult to achieve.

Measuring the contribution of the function

Effectively measuring the impact of the HR function and its contribution to business performance is hugely difficult. Although causal models have been developed to assess the impact of progressive people management practices on strategic results or the bottom line (for example the customer profit chain, high-performance workplaces, and engagement), these are complex models that are data hungry. It has also proved hard to establish cause and effect. Trying to separate out the contribution of the HR function is even more difficult in part because of the complexity and variance in HR inputs. Softer qualitative measures, such as a survey of line managers' assessment of HR's performance, don't tend to attract the same respect from other functions as hard financial data. The

ratio of HR staff to the overall number of employees is a measure that attracts much attention among organisations, but isn't meaningful by itself and only addresses efficiency, not effectiveness.

There are perhaps two key difficulties in discerning the HR function's contribution.

First, can the performance/contribution of the HR function be measured independently from the services it provides or the quality of people management in the organisation? Some of our experts were sceptical – Brewster thinks not: 'Human capital has been talked about for a long time and yet it is very hard and probably impossible to measure value, so this is a major stumbling block – lots of things can be reported but ultimately the value of people cannot be measured.' Tyson too had reservations and, while recognising that the resource-based view of the firm (Barney 1991) gives an economic theory that has a benefit in providing a language, he also felt that human capital is not like other forms of capital in that you cannot control it. Unlike a financial asset, it can resign, be disengaged, and so on, and for reasons quite separate from employment.

Second, there's also a problem in segregating out the different contributions of HR and determining what activities actually add the most value. There's no evidence that suggests which detailed practices (as opposed to bundles of practices) are more or less likely to be associated with an efficient or effective HR

function or with business success. For example, at the two extremes, does the HR function that focuses mainly on administration add as much value as one that is wholly concerned with strategy? According to Buyens and De Voss (2001), both can be equally valuable if their contribution to the organisation is crucial, albeit for different reasons. Quick and efficient screening of job applications so a line manager can interview to fill a vacancy is just as important to performance, at least in the short term, as the development of a competency management system.

Further questions to ask include:

- How are HR functions attempting to demonstrate their efficiency, effectiveness and added value? What methodologies and methods are most commonly being used?
- To what degree is the function measuring its strategic contribution? How is this contributing to improving its performance?
- What is the balance in use between specific and universal HR measures?
- How is HR measuring the relationship with its customers, for example through detailed SLAs and KPIs?
- What characterises the approaches to measurement of the most successful HR functions?

Development of HR staff: skills and careers

Questions of staffing HR are starting to come to the fore as the implications of changes to the functional operating model are becoming apparent, and not before time. Where new roles have been introduced or existing jobs altered, there are clearly consequences in terms of ensuring that incumbents have the necessary knowledge, skills and experience to undertake their responsibilities. Adding new content to HR's work, operating within a new technological environment, revising customer relationships and externalising service delivery decisions all have an impact on building HR's capability.

Previous research by IES for the CIPD has explored perceptions of skills and skill gaps within the HR function (Tamkin et al 2006). This research concluded that changes in the environment for HR had led to a recognition that HR demanded a new range of skills and the ability to operate in a sensitive, political and highly competitive business market while demonstrating added value. Correspondingly it found that HR function reorganisations had often been carried out without adequate thought as to the sourcing of the specific skills they would require and the career paths of staff within the function to grow such skills.

Against that background, there are a number of key issues to be considered:

- **Buy in or bring on** – what is the balance between growing your own timber and buying in from outside? Has there been an emphasis on one rather than the other for specific roles?
- **HR only** – some organisations favour an 'HR professionals only' policy. Others prefer to take in from the line or general management, especially to business partner or OD roles. Most prefer a mix. What are the advantages/disadvantages of these two approaches? Views vary too on whether

experience in a non-HR job is essential for HR director aspirants.

- **Specialists versus generalists** – as far as career development is concerned, to what extent is there a clear divide emerging between specialists and generalists, each with their own career path? And how is the introduction of outsourcing and shared service centres affecting the design of junior roles and career paths in the function?
- **Skills or disposition** – how much of the challenge faced by HR in meeting its aspiration to add more value is due to being handicapped by the disposition and attitudes of HR staff, or is it simply a matter of knowledge, skills and experience that can be tackled through career development and training?

Buying in or bringing on

Tamkin et al's research for the CIPD (2006) reported that many organisations were finding it difficult to identify the right kinds of people for key roles in their HR function because of the changing operating model. It was then also hard to successfully reward, develop and progress them. Short-term shortages of those with the requisite knowledge, skills and experience had driven some organisations more towards inward recruitment than normal.

In particular, some had chosen to fill call centre, business partner and some specialist roles with outside candidates because of lack of internal capability, especially when the jobs have been redefined or freshly introduced. For back-office jobs there has been more emphasis on customer-facing skills rather than content knowledge (especially for call centres). In the case of business partners, there has been concern that too few internal candidates have the ability to operate at strategic levels (Lawler et al 2005). And, as to the expert roles, it seems that in particular topic areas (for example reward and OD) there is insufficient supply. Correspondingly, some organisations felt that existing

staff had been placed in new roles with new titles, with insufficient attention paid to making the changes required in skills and behaviour to successfully perform a different role.

Our interviewed HR practitioners had some doubts about whether the right skills were available within their own HR communities. Skill shortages were seen regarding the ability to operate at the highest level. Kevin White commented that it was difficult to find people who 'really understand the business. They need high level skills analysis, change management and internal consultancy skills. Also they need leadership skills and the ability to develop leadership in others.'

These resourcing challenges in new structures may pass, but only if the right development routes are put in place. HR functions operating the 'three-legged stool' model are still left with career development questions that are the direct consequence of the role segmentation that is a characteristic of this particular structure. Traditional development routes from the administrative side of HR are less obvious or non-existent – at least in the eyes of some of the HR staff concerned (Tamkin et al 2006). As we will discuss below, the barrier between specialists in centres of expertise and generalist business partners is more marked than in the past.

If a substantial proportion of HR activity is outsourced then the development challenge is amplified. Outsourced contractors may not be willing to train or develop staff if the benefits cannot be realised within the life of the contract. There are obvious limits to career paths straddling in-house and external provision, making good career and development opportunities all the more difficult (Tamkin et al 2006).

Even graduates were not finding either entry or development within HR to be straightforward (Tamkin et al 2006). Getting into the function for graduates was proving difficult because there are relatively few explicit functional programmes on offer. As to meeting their aspirations for career progression, the reality for many graduates was several years undertaking routine administrative roles with little responsibility or only obtaining limited advisory roles. The interesting and strategic roles that they may aspire to require high levels

of experience and customer credibility. This makes HR directors reluctant to risk unproven staff and to turn to the external labour market for a solution. The catch-22 that graduates and their employers are faced with is: how do you get that experience in the first place?

These challenges need to be set against the labour market context of the function. Recent work by IES for the CIPD (Williams 2005) found that the HR population was growing at a faster pace than the labour market as a whole and was younger than average. Only 28% of HR/training workers are aged 45 or older, compared with 36% of all workers, and 33% of HR/training workers are aged 25–34, compared with 24% of all workers. The HR population is also substantially more highly qualified than the workforce overall. Forty-three per cent of HR/training workers are qualified to degree level or above, compared with 24% of all workers. And over two-thirds of the HR population have worked outside the HR function, suggesting that it's something of a myth to assume that HR staff have traditionally been introverted and unaware of other business activities. Another myth exploded by the survey is that large numbers of non-HR professionals are being moved into HR director positions. Most continue to have substantial levels of experience in the function.

The likelihood too is that the HR population is set to continue its recent expansion. Between 2004 and 2014, the total HR/training market in the UK is likely to grow by at least 18%, and may grow by up to 25%.

These figures suggest that the development and progression of young, well-qualified entrants will become increasingly important.

Solutions that some organisations are examining include creating developmental posts (though this was sometimes because of a failure to recruit successfully), using job rotation or temporary assignments to build experience and moving graduates from service centre to specialist and business partner roles. Other organisations were providing distinct career streams for their HR population underpinned by career maps and competency frameworks. These organisations were trying hard to ensure people were given the right experience to develop in a considered manner.

The other side of the demand–supply equation is the aspirations and career behaviours of individuals. The HR careers research cited above (Tamkin et al 2005) indicated that HR practitioners were seeking to maximise their own career potential by regular job moves. Individuals were attracted by organisations which were believed to offer interesting career opportunities, for example blue-chip international organisations. There were some concerns expressed about taking jobs in the public sector or in staying in that sector for too long. Weekes (cited in Tamkin et al 2006) also suggests considerable ‘job and sector hopping’ by HR executives as a means of securing career progression.

However, HR has a strong brand with individuals attracted by the range of work and the growing influence the function has on the organisation. This is evidenced in labour market statistics by the 12% growth in the numbers of people employed in training/HR between 2001 and 2004 (Williams 2005) and by the fact that 83% of those currently working in the function would choose HR if they had their time again (CIPD 2005). HR is seen positively as a key organisational hub, working with a range of business functions and internal customers and having an unrivalled overview of, and contribution to, the organisation.

HR only

Research into HR careers (Tamkin et al 2006) has indicated that entry from line management is not uncommon. Line managers enter the function to widen their experience and in anticipation that their contribution can be beneficial to the function itself. HR managers might also be positive about moves into and out of HR, to and from the line. This HR careers research exploded a number of common myths about the HR function, including that HR practitioners tend to have little experience outside the function. Only a quarter (26%) of respondents started out in HR, and a high proportion (83% of respondents) has worked outside HR. However, one of the difficulties with the new operating model is that potentially it won’t be so easy to join HR in mid-career. The flows into the function have become more difficult as HR roles become more challenging to those who don’t have the full skill-set, and as greater levels of technical expertise are demanded in the specialist roles.

Our practitioner experts suggested that this may be the case. Angela Williams commented that at a more detailed skill level, HR has to be able to balance technical, HR expertise with business knowledge and understanding. This means that the HR knowledge for a business partner has to be broad and they need to be competent in all facets of the discipline. She felt that this tends to rule out non-HR people in these jobs.

Kevin White at DWP commented that HR business partners now need a deep understanding of the business. They need high-level skills analysis, change management and internal consultancy skills. In the civil service, as a result, they have moved from bringing people in from outside HR, to focus on bringing in HR experts from outside the civil service.

Kevin White also felt that there has been an increasing focus on developing expertise in the function. This particularly applies to the specialist posts. These are becoming increasingly demanding as the canon of people management knowledge increases in volume and becomes ever-more sophisticated in nature.

By contrast, some administrative jobs are moving in the opposite direction. The complaint has been made that the more junior, entry-level and administrative jobs are being de-skilled. The growing emphasis on customer-facing skills and IT facility has been that there’s less requirement for an HR background. In simple terms, if knowledge is loaded onto an intranet and processes are automated or driven by work flow systems linked to data warehouses, then the ability to manage this environment may be more important than content knowledge.

Specialists versus generalists

Predictably, in the CIPD survey on careers (2005), generalists and specialists were divided as to which was the better career path to follow, each favouring their own. There was also evidence of continuing movement between the two. But what did emerge was that specialists saw that their opportunities were greater in larger organisations. This must be true. In small firms, HR staff have to be generalists. It’s only with size that complexity of provision becomes an option and potentially a requirement if the environment demands it. It’s important that in this

research we consider the needs of medium and small organisations as well as the largest.

The issue for larger organisations is how the two groups are to be developed. The response may reflect size and complexity, but the operating model has also had a major influence. New HR structures have had a tendency to separate out administrative specialists into shared service centres or outsource them. This has meant, as we have said, that career routes out of administration are more difficult. Centres of expertise demand high levels of knowledge and skills, yet how do individuals build their experience and where do they come from?

Business partners are expected to be strategic change agents. What prepares them for this role, which is quite different in nature from the specialist posts? As Shaun Tyson remarked, one of the challenges for the function is having individuals (especially in the business partner role) who can operate at short-term tactical or long-term strategic timescales. These people need to be generalists with a lot of specialist knowledge. If they cannot ally technical people management capability with business understanding they risk ending up as postboxes forwarding questions from the line to the experts. Career development of such individuals is critical in getting a mix of experience in content and business knowledge. The CIPD's research on business partnering suggested that the relationships between these roles and the specialists and administrative experts was critical both to their success and the overall success of the function.

As Tamkin et al (2006) noted, distinct HR communities can sometimes develop, becoming quite separated in location, leadership, philosophy, aims and stakeholder interactions, and these divisions may mean that ideas, approaches, views and talent are not shared. The fact that skill requirements are also different from each other makes the task of developing people into these roles all the harder, especially since within the specialist community, areas like reward, employee relations, and learning and development may be growing away from each other with the deepening of expertise.

Our HR experts agreed that structural change was having a developmental and career impact. Chris

Brewster, for example, compared the careers of UK HR specialists with those in other countries. He saw a distinction between a tendency towards functional specialisation in the UK and towards business generalists elsewhere. He says UK HR directors usually manage one or two functions and move from one company to the next to progress. HR directors in other countries might have moved from marketing and finance and can manage any function.

The question of how to develop potential HR directors is a subset of the broader debate on specialisation. Tyson noted that the fragmentation of structure and role put HR under more pressure. This required even more capable individuals, especially, but not only, at HR director level. The CIPD research on careers indicates that at some stage, those who aspire to senior positions need to have had experience in some specific senior specialist roles – for example learning and development, pay and reward. However, the move to these roles is not always easy: organisations can't always find the people they need, and individuals are wary of ending up in a specialist cul-de-sac away from the career mainstream. But there was no evidence yet of any significant move by non-HR staff into HR director roles.

Is the challenge for HR one of skills or disposition?

Underpinning debates around resourcing decisions, career enhancement and development are questions around the capability of HR professionals. Putting it bluntly, is the principle challenge to HR meeting its aspiration to be the organisational 'architect' not 'clerk of the works' the quality of the people in the function? If that is so, there are questions as to whether the HR community is able or willing to make the transition either over time or through experiential/ formal learning. If not, does it need to bring in new talent to the function that has the skills and disposition to meet its objectives?

In the build-up to organisational transformation some HR functions do indeed carry out such a stock-take, and this has influenced their resourcing decisions (Reilly and Williams 2006). Not surprisingly, what emerged was a mixed picture of some high-quality individuals diluted by others who were unable to adjust to the new ways of working.

Our experts were also quite cautious over the ability of HR to rise to these challenges:

Alex Wilson felt that the HR community was currently insufficiently commercial, without a good enough understanding of what makes the business tick and of business results. Nor were they sufficiently performance-driven (or indeed rewarded or punished according to results). He felt that the function has not, to date, attracted good enough people – although this was beginning to change with MBA graduates now applying.

John Purcell similarly saw some skill deficiencies. He felt that HR lacked the ability to create principles rather than deal in rules. This betrayed a lack of self-confidence and self-efficacy. He thought to be effective, HR has to be ‘expert in ambiguity’, but you needed to have the confidence to operate in this manner.

Kevin White supported this concern. He felt that HR people can be somewhat risk-averse and that HR needed policy experts who were not merely applying the rules, but demonstrating best practice in delivery too. He argued, too, that HR should be more adept at marketing itself in the broadest sense, communicating the importance of excellent people management to line managers.

Valerie Scoular, too, thought HR should be ‘braver’ in what it does: less an observer, more of an energetic actor to enable organisations to deliver performance. Like Purcell, as we described earlier, she emphasises the need for insight in what she called ‘human dynamics’. HR’s expertise in and knowledge of this subject should drive organisational performance. As for HR leaders, she too pinpointed the ability to deal with ambiguity, but also they should be able to flex and manage, as well as raise the intellectual profile of the function and influence other managers.

Clearly there is evidence of organisations and sectors making real progress in addressing these capability and attitudinal issues. In local government and the NHS, there are a variety of development initiatives under way, particularly at HR director level. And in central government we have seen more recruitment of HR expertise from other sectors, most notably with the

move of Clare Chapman from Tesco to be workforce director of the NHS. In the private sector we are seeing large organisations overhauling their HR development programmes. And in the education sector, there’s growth in the number of specialist short courses in areas such as reward and OD (the CIPD has recently introduced new postgraduate certificates in both of these.)

Questions for future research include:

- How do HR functions best develop their staff in the short and longer term to ensure they can meet customer requirements and their own ambitions?
- To what degree have new operating models and functional designs altered career patterns? What has been the response of the function to skilling up staff into and through these roles?
- How much of this challenge is about having the right people in place, how much about developing their skills through training and experience, and how much about developing the right attitudes and approach?
- How do HR professionals develop their careers? How can administrative, specialist and generalist roles best be focused and developed and how can the optimum balance of generalist and specialist skills and HR/non-HR backgrounds be achieved?

Conclusions and next steps

The HR function, in large organisations at least, appears to be in the midst of significant changes to its structure, its philosophy, the way it delivers its services, the relationships it has within the organisation, its aspirations and not surprisingly, what this means for the skills and capabilities of its people and their development. As a consequence there has been considerable interest and speculation around the function, with debate from practitioners and academics.

What we have tried to do in this initial research publication is to comment on this shift, with the wisdom of, if not quite hindsight, at least considered reflection. The difficulty is that 'modernisation' projects were completed in some organisations some time ago, but are only now beginning in others and there is relatively little evidence of the impact of the changes the function has made.

What we have been able to do in this report is follow the debate and the trends that have emerged over time. What is much less clear is the degree to which these trends have become mainstream adoption as opposed to high-profile, but less widespread, interest. There's a tendency with trends for those who buck them to stay relatively quiet and it may be that we are picking up rather more noise than substance. It's also likely that whatever this overall picture, there will be considerable variance by size and sector. We have seen that in the bigger organisations much of the focus has been on structures, but this may be of little interest to SMEs. Similarly, there is a lot of press coverage on outsourcing that might be overstating its importance to the bulk of organisations. Technological change is a major feature for many organisations, but, again, not all.

A recent report by PricewaterhouseCoopers (2006) highlights the danger of assuming that change is widespread just because everyone writes about it. Using data from Saratoga, they report size, cost and

proportions of managers and professionals in HR for the four years from 2001 to 2004. Their data show that remarkably little has changed over this period. The size of UK HR departments in terms of full-time equivalents (FTEs) per HR department hovers around the mid-90s. The cost of running HR departments has gone up and down but returned to its starting point. The percentage of managers and professionals as a percentage of the total HR department FTEs is one measure that does appear to have altered. The proportion of managers/professionals has increased from 57.3% in 2001 to 63.1% in 2004. These figures may indicate that shared services, outsourcing and e-HR have had relatively little impact on costs or staff numbers, but the shift to higher-level support is showing up in the greater proportion of professionals and managers. Of course within these figures there's likely to be much variation.

It seems to us that there are plenty of questions to be addressed that would help to unpick the evidence from amidst the rhetoric. We have raised these questions throughout this report as scene-setting for the rest of our research work. This research will be looking at the HR function not only as it is now, but also as it will develop. Part of the purpose of the research is to be descriptive – what are the new organisational models that are being adopted, how common they are and so on. So we need to ascertain in the next phases how much change there has been and of what nature.

But part of the purpose is also evaluative – with what degree of success are these models being introduced? The point of this work is to allow the CIPD to better advise practitioners on structural change and its implications. A central part of the project is to establish whether there really are best or better practice models of structure, service delivery, e-HR, measurement and skill development, or does success

entirely depend on context. And if it's contextual, how do you best determine the size, shape and sourcing of the function in your own given situation?

Some of the press coverage, conference output and even academic writing suggest that there are best practice norms that, if implemented, will always result in superior performance, whatever the context. Huselid and Becker (1997), for example, described a set of HR practices which, if purposefully adopted, would have a greater effect on performance than organisational fit. Others have suggested that any practice needs to reflect the organisation and its environment and therefore the search is for best fit solutions.

The initial conclusion from this project thus far, based on a review of research and interviews with academic experts and practitioners, is that the best practice model is flawed. As a cross-national study of European managers (Tamkin et al 2006) discovered, it's not people management practices *per se* that confer advantage; it's the way in which they fit with the organisation and how they are delivered that is important. This has also been a consistent finding on the CIPD's long-running stream of research into the links between people management and performance. In this piece of research, looking at the relationship between management development and perceived organisational performance, the study emphasised the importance of:

- strategic fit (the degree to which a strategic stance is taken by HR)
- organisational fit (the extent to which the organisation takes responsibility, sets criteria and takes a long-term view)
- perceived congruence (the fit between what organisations promise in terms of management development and managers' first-hand experience of such policies and activities).

Context does appear to be king, not least in the way in which change is implemented. The same conclusion was reached by Brewster. He commented that companies involved in the HR Centre of Excellence at Henley don't want to discuss HR policies and strategies – they matter less and they're all different in any case. What matters is making these policies and strategies work in practice.

This suggests that organisations should be 'cautious about benchmarking or imitating certain policies and practices of other firms. The best HRM practice for Nordstrom may not be the best for McDonald's; it may actually be dysfunctional' (Levinthal and Siggelkow 2006). One of our practitioner experts also made another point about the dangers of best practice adoption, which is that their blind adoption may ignore the fact that they are not fit for purpose. They may not suit customer needs. As Angela Williams put it: 'too often HR policies are too "clunky" – they are painful to use. They are not designed with the customer in mind, more out of professional best practice.' This search for best practice may be because HR has a uniquely flexible professional knowledge base, with a contribution from many disciplines.

We have also seen throughout this report that adoption of new structures and roles, changes in devolution and use of technology each have a downside as well as benefits. The function needs to tread carefully in changing and to keep its eye on costs, effectiveness, customer reactions and its strategic contribution. The skill is to manage so as to maximise the upside benefit and minimise the downside effects.

The next stage of this research therefore has a strong rationale in continuing this exploration of the realities of HR functional change and to explore further the circumstances of best fit in HR function design and staffing. Our ultimate aim is to describe where success has been found and the conditions that applied.

The main areas that will be examined include the following.

Structure of the function

- If the structure of the HR function should be contingent on the environment, what factors should organisations take into account in its design?
- How are HR functions in the UK/Ireland changing in terms of size, shape, roles, structure and so on?
- Are they fundamental or cosmetic changes? For example, to what extent are jobs really changing in terms of content or are they more a matter of change in title?
- What is driving these changes? What degree of success is being experienced? What problems are occurring?

HR people issues

- How are organisations ensuring they have an appropriate balance of specialist and generalist, HR and strategic business knowledge and competence?
- How are the skills and competencies of staff developed as their roles and functions change and they face up to new challenges and demands?
- Do staff have the skills and capabilities to perform the new roles?
- In particular, what makes for success in HR business partner roles, what skills are required, how are future business partners being developed?
- What does the line think of contemporary developments in the HR function? How well does the relationship work and what makes for success?
- Has the HR function succeeded in transferring appropriate levels of responsibility for people management issues to the line?
- What makes a successful HR leader? How are they being developed for these roles?

Systems and processes

- What is the true extent of HR service centralisation and outsourcing?
- How can potential service-level and efficiency gains from HR technology best be realised?
- How are functions measuring and demonstrating their performance? Does this emphasise efficiency, effectiveness and impact?

We will be reviewing these questions through a mix of in-depth case studies enabling us to explore the detail of decisions made and their implications; and through a comprehensive survey of HR practitioners to enable us to test the spread of change throughout the function and our initial conclusions.

For more information or to take part in this research, please contact Vanessa Robinson at v.robinson@cipd.co.uk

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