

Strategic workforce management: a vital business tool

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For most of my 30-year career I have worked in Human Resources, beginning as a secretary/PA and, at one time, managing a Workplace Services team, so I can speak from first-hand experience about the implementation of HR programmes within a business context.

Like many of us, I got into HR via the specialist route — in my case training and development — and became a generalist, before moving on to leadership development, internal consulting and finally HR management.

Latterly, as a European HR director for a global IT company, I was heavily involved in the large-scale company reorganisation business, re-engineering, organisational effectiveness, remote team management and dealing with the staffing implications of substantial business mergers. This last included significant company downsizing and redundancy programmes. More recently, as an independent consultant, I have become aware just how closely the HR strategies and issues that affect “big players” translate down to even the smallest of companies.

All of this experience has led me to the same conclusions about the role of HR in helping business succeed.

- First, HR strategy must be developed through a clear understanding of the needs of an individual business. This includes how a company operates, how it is structured, how it makes money and interacts with its customers and, finally, how it works internally. This does not change whether the company is small, with just a few employees, or much larger, operating across Europe or indeed a global company working in several time zones.
- Second, HR strategy that is not developed in this way is in danger of simply becoming a “pick and mix” of the current HR fads and fashions — “talent management”, “job re-evaluation”, “transactional or transformational HR” and so on. This kind of fragmented approach, with conflicting goals and programmes, often no longer appropriate for the business it is serving, can easily lead to the middle management cynicism we have all encountered: “here comes another bright idea from HR” you hear them thinking, just before you step in to make the latest presentation on rewards or staffing. This wastes a company’s valuable resources in HR and management time and in budget spent.

The obvious question is, *how can a business check if its HR practices really are helping, and if they are aligned with the businesses needs?* And in an effort to answer this question, I have developed an audit approach that does just that — a tool that can be used to see if the HR strategies a company adopts are genuinely in line with the requirements of the business. And what is more important if they are really adding value.

The Strategic Workforce Management Audit Tool (SWMAT)

The audit seeks to answer the following questions:

- Does your HR department/group understand what is happening in the business?
- Has your HR department/group fully evaluated the people implications?
- Are your HR department’s or group’s practices, structures, programmes and policies accurately aligned to the needs of your business?

The tool collects evidence through a series of questionnaires and interviews that focus on three distinct but interconnected areas of business activity. They are areas that I have come to believe are crucial to effective HR in any business:

- workforce planning
- leadership and management
- strategic development of people.

Strategic workforce management

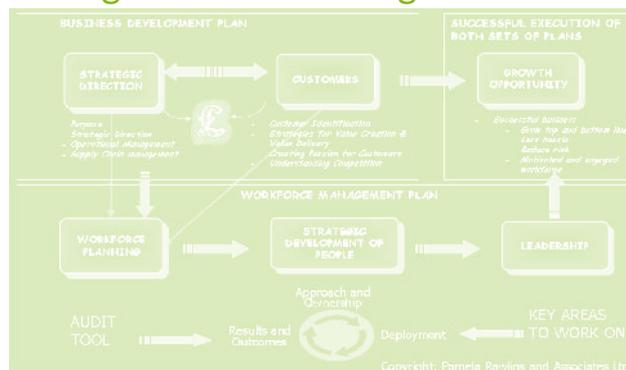


Diagram 1: Strategic workforce management

And each area is explored through three further perspectives:

- approach and ownership
- deployment strategies
- measurement and outcomes.

Audit tool



Diagram 2: Audit tool

The audit then “benchmarks” the results against best practices in comparable business sectors, scoring them as below:

Somewhat LIMited (LIM) — the organisation has not really thought about this issue.

Pretty AVeraGe (AVG) — the organisation has put some thought into its approach.

Best In Class (BIC) — the organisation has a well thought through approach that is reviewed regularly and is broad enough.

(See Diagram 3, right)

Some SWMAT definitions

The audit tool uses the term **workforce planning** to denote the baseline for any workforce management activities. Historically, this may have been called manpower or labour pool planning, time and motion study or resource management. Some organisations refer to people plans, and nowadays the term often used is human capital management. But whatever you call it, labour is likely to be the largest line item in any organisation’s operating budget. And yet most companies still neglect this fundamental area.

HR departments must have an integrated process for identifying, securing and developing the people their business needs. And the audit investigates whether the appropriate data and measures are being used to achieve the desired outcomes. For example, is an organisation looking at the cost of its workforce? What are the absentee rates of employees? How much does it cost to hire new people? How much does it cost to run the HR department? What is the employee turnover rate of the company? What is the “return on investment” on the people employed? You probably know the old maxim “what gets measured gets done” but all too often, in my experience, HR departments seem to spend time gathering data for the wrong reasons. As Professor David Lepak puts it in a recent paper: “it is important to have a firm understanding of what the appropriate HR metrics are for different scenarios ... initiatives may not reflect how firms manage their diverse pool of human capital as well as their relative performance of meeting the needs of different stakeholder groups”. (Colakoglu, Lepak, Hong — *Measuring HRM Effectiveness* — HRM Review 16 2006: 210).

In fact there are no hard and fast rules around what data should be collected and what should be measured, apart from its relevance to the organisation. In an ideal world managers would have appropriate data available at their fingertips, in an up to date “real time” way, instead of which HR data is often hidden, fragmented or, at best, only available on an annual basis.

Leadership and management are the most written about subjects in business. Yet how many times does the latest leadership skill set or management practice really make a difference? The audit tool investigates whether a company has the appropriate leadership and management philosophy, strategy and training to meet its changing needs. We can all agree that excellence in leadership is the key to business success, that leaders and managers can make or break organisations and that they can create the vision, influence people to achieve outstanding results and improve the capacity of a group by its structure, culture and

Diagram 3:

Audit results — Leonard Cheshire Trust Strategic development

	Somewhat LIMited	Pretty AVeraGe	Best In Class
1.0 Approach and ownership			
1.1 Who and how for development		X	
1.2 Links to WFP and Bus Plan and Lead			X
1.3 Focus and questions		X	
1.4 CSF for development		X	
1.5 Key players and involvement		X	
1.6 Scope and ownership		X	
1.7 Flexibility of development		X	
1.8 Who makes decisions on development		X	
2.0 Deployment			
2.1 What and how often			
2.1.1 How plans link to performance		X	
2.1.2 Forms of development	X		
2.1.3 Accreditation			X
2.1.4 Train and educate managers		X	
2.1.5 Competency framework used		X	
2.1.6 Employee behaviours		X	
2.1.7 Current V's future focus		X	
2.1.8 Link to WLB		X	
2.1.9 Incentives and rewards		X	
2.1.10 Diversity			X
2. Indicators / data			
2.2.1 Data check		X	
2.2.2 Whole person	X		
2.2.3 Threats and opportunities		X	
2.3 Tools and policies			
2.3.1 Tools and policies linkages		X	
2.3.2 Ownership and updating		X	
2.3.3 Training and guidelines		X	
2.4 Process			
2.4.1 Steps and process		X	
2.4.2 Repeatable		X	
3.0 Results and outcomes			
3.1 Benefits and outcomes		X	
3.2 ROI		X	
3.3 Ideal Optimal method		X	

communication. Yet how often do we ask questions such as: *How would you recognise, manage and provide feedback in your company for poor leaders? And how are new ideas generated and received?* The tool does not just look at the leadership and management initiatives the organisation has taken, but also its cultural and value system fit. From this I can base recommendations on where the leadership and management budget might best be applied.

In the context of the audit tool, **strategic development of people** refers to initiatives in an organisation such as Investors in People, training programmes and, of course, talent management. Again the issue isn't simply about whether all these things are in place but, much more importantly, whether they are being employed in a unified and strategic way. The tool asks whether a business's individual people training plans link appropriately to the needs of the department and the needs of the company as a whole. Are training £s being spent wisely? Is a company's investment genuinely improving the performance of its people? Are people valued and recognised for the work they do? Is the workforce fully engaged in the business?

The SWMAT in action — a case study

Leonard Cheshire is one of the country's best-known and most respected charities. Having struggled like many voluntary sector organisations in recent years, it has now managed to put itself on a sound financial footing and employs strong management controls within a viable business model. Its Trust clearly faces challenges owing to the nature of its work, which is very people intensive and involves providing care and support to a varied constituency of disabled people across a geographically dispersed structure. In this risk-laden environment, its business practices need to run like clockwork. There is great reliance on standard processes, checks and procedures, often in a regulated framework. For example, staff development is dominated by statutory skill training needs, such as health and safety, where risks cannot afford to be taken. The culture in the company can best be described as a social community, heavily reliant upon professionally trained, dedicated and skilled front line staff.

The **Strategic Workforce Management Audit** looked at the Trust's performance in the key areas of *workforce planning*, *strategic development of people* and *leadership and management* and its findings enabled me to make the following observations:

1. Approach and ownership

It is clear that what Leonard Cheshire has done historically has worked. Under **workforce planning** the annual staffing and finance budgeting process is well managed and appears to be "fit for purpose". Similarly, in **strategic development of people**, the annual appraisal system, including the use of development plans, seems to meet employee needs with norms of agreed requirements being set for each job/role then being deployed in each geographical area. The charity works effectively in terms of **leadership and management** and staff are encouraged to achieve results based on agreed objectives and targets. This results in happy, motivated employees and satisfied clients.

2. Deployment

Here again the procedures and systems in places are found to



meet the needs of the charity appropriately. **Workforce planning** is effective, as staff are recruited against an agreed headcount budget plan and trained according to set job requirements.

Looking at the **strategic development of people**, it is clear that the charity takes both the employees' continued professional development needs and strong external regulatory requirements, such as government legislation and matches each of them to the overall geographical department and organisational needs.

Leadership and management is very operationally focused, with an emphasis on personal interaction and people skills. Both good and bad management performance can be identified and dealt with accordingly within the monthly geographical management review structure.

3. Results and outcomes

While there is some measurement of outcomes taking place in each of the three key areas, **workforce planning**, **leadership and management** and **strategic development of people**, it is clear that the Trust has to operate as creatively as it can within its financial resources and the constraints of charities legislation.

Key recommendations

- The appointment of a new Chief Executive gives Leonard Cheshire an opportunity for change.
- Measures and data will become important for each department, but they need to ensure they are measuring the right things for their “return on investment” including HR.
- Although the Trust already collects statistics on employee turnover, it needs to focus on the reasons why people leave. This will enable it to make sure that its limited resources for people investment are used wisely and not wasted.
- The regulatory environment in which the Trust operates can make it difficult to introduce innovative practices for front line staff, which are very operational and restricted to day-to-day work. However, encouraging a learning environment will confer significant benefits.

The benefits of strategic workforce management

If an organisation can manage its workforce in a strategic way, it can maximise the return it achieves on the resources it invests.

If a workforce is planned appropriately, has the skills it needs and is led in a way that complements the strategic direction of the company, then the HR department is making a genuine contribution to the success of the organisation. There will be very tangible benefits: reduced costs through less attrition, increased productivity, reduced sickness absence, fewer performance issues, reduced distractions and a more highly engaged workforce with higher levels of performance.

It is my firm conviction, based on auditing companies in a variety of business sectors, that all three of the key areas — **workforce planning, strategic development of people, leadership and management** — are vital to business success and that any company’s HR approach must be closely aligned to its overall business objectives. If any one of them is neglected, there will be a serious negative impact on a company’s performance — and sooner or later on the bottom line.

Without adequate **workforce planning** an organisation may have a solid leadership team and a good dedicated workforce, but still not have all the resources it needs to be successful. Its workforce costs will be high because it is being reactive and is unable to respond quickly to its business challenges. The result is likely to be not only inefficiency but also lost opportunities.

A company with poor **strategic development of people** faces a different issue. It may have good management and a reasonable idea of its workforce costs and where resources are needed, but its workforce is likely to be underperforming and disengaged. This will be because the company has not invested enough in re-skilling its people to be flexible in the ever-changing business climate. Again, wasted opportunities.

On the other hand, a business may have invested in its workforce planning, and developed its people, but still struggle because its **leadership and management** approach is weak, ineffective and not respected. Each individual manager will probably be acting independently and making decisions in the interests of his or her department rather than those of the company. Here again, opportunities are being missed.

Today’s HR leaders are being asked to deliver more and more with less resources. They have to learn to cope with an ever-changing world of business; increasing numbers of mergers and acquisitions in volatile markets mean that they have to deal with the ebb and flow of growth and downsizing ever more quickly and efficiently. It doesn’t seem to matter whether they are in retail, manufacturing, public health, local government, or even the financial sector — which once seemed so staid and stable.

HR departments have a valuable and exciting contribution to make to the success of the businesses they serve. HR leaders and HR professionals really must get to grips with the uniqueness of their business and align their people strategies to it, in a planned and organised way.

The **Strategic Workforce Management Audit Tool** is, I hope, a small contribution towards helping organisations achieve a clear and productive synergy between their HR strategy and their overall business objectives.

Six points to remember:

- Train your HR staff in understanding how the business really works.
- Take stock by asking the right questions around workforce planning, leadership and management and strategic development of people.
- Allocate your resources to where the need is.
- Keep plans alive and linked to business challenges.
- Think of HR as a system and avoid the “silo” mentality of deployment.
- Ensure you have a seat at the senior management table.

Points to Ponder

- How accessible is HR data in your organisation?
- What data do you collect to help identify future workforce needs?
- How would you recognise, manage and provide feedback for poor leaders?

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