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Strategic Human Resource Management

Contemporary issues



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- The development of 'ideas labs'. This is an important part of the Halcrow management of innovation programme which is designed to promote innovative thinking and enable commercially valuable ideas to be implemented. It is designed to:
 - add value to the business;
 - encourage cross-fertilisation between disciplines; and
 - give staff ownership of the ideas put forward.

Overall, the key change issue that is driving SHRM is the need for Halcrow to be more responsive in the light of a more competitive industry. Therefore, the principal aim of the new HR initiatives is to generate more competitive employee behaviours which, in turn, is envisaged will generate better all-round employee and business performance.

There are other critical issues facing HR at Halcrow. An important one of these is a consequence of customer feedback. Increasingly this shows that customers are taking technical excellence for granted when making decisions about which consultancy group to employ. In view of Halcrow's reputation for technical excellence among customers, this is bad news for the Group. As the HR director explained the world has moved on. Clients are now more demanding and want more all the time. Among the most demanding clients are the public sector. In the UK, Halcrow management feel that the UK government's Private Finance Initiative (PFI) has contributed to change in the industry. (The PFI is a mechanism developed by the government to raise money to pay for new buildings and services. Under PFI schemes a public authority buys the services of private-sector companies to design, build, finance and operate a public facility, such as a hospital. The private-sector companies borrow the money for the scheme and then the government pays an annual fee to the companies under a long-term operating contract for the services.)

Three examples of the more demanding nature of clients are evident, each of which demands an HR response. The first is clients asking for an assurance that the staff commencing work on a project will stay with the Group for the duration of the project. This is a key issue in an industry where the reputation of the consultancy is such that, in effect, the staff appointed to a project can be a more important factor in the client's decision to engage a particular consultancy than the consultancy group itself. The implications for HR are twofold. First, it must assure both external and internal clients that succession planning is in place. In the past this was not an HR strength at Halcrow or other similar consultancies, but is an issue that is now receiving more attention.

The second implication is the problem of retention. There is a shortage of high-quality consultants throughout the construction and engineering sectors and competition for consultants is high. Like the sector in general, staff turnover is high at Halcrow. This is an issue that senior management know must be addressed. The problem is exacerbated by the declining number of construction-related graduates in the UK, the number of students studying relevant courses in the UK dropping by 10 per cent in the late 1990s.

A second example of the more demanding nature of clients is the requirement that companies state their policy and practice on employee diversity and equal opportunities. Again this presents a problem for companies in this sector, like Halcrow, which has been traditionally male dominated and has, until recently, employed considerable numbers of expatriates in its overseas operations. In the UK construction industry as a whole, the proportion of women employed is less than 9 per cent (Egan, 1998).

The third example of client demands is the requirement that companies offer assurances over corporate governance. In the light of corporate scandals such as Enron and Parmalat, this is understandable. The HR response to this is to ensure that global training of key staff to ensure compliance with industry standards takes place. In addition, organisational structure issues, such as the revision of reporting relationships to ensure greater transparency, are receiving attention.

The level of staff turnover at Halcrow and decline in the number of graduates entering the construction-related industry has shaped another HR priority for the Group. This is to define more clearly a people statement that states more precisely what is meant by 'employer of choice'. In particular, Halcrow is concerned about losing high-quality graduates to the financial sector, both at the time of graduation and after they have worked with the Group for a short period. High-quality graduates can earn more money in financial services. In addition, younger graduates are more concerned with the work-life balance issues and their own staff development than were their predecessors. A measure of the significance of this issue to Halcrow is the large number of graduates employed each year, this being 133 in 2003. There is also worry over an ageing workforce in the construction industry in general.

It is felt by the HR director that employees and employee issues at Halcrow need to be higher on the list of Group priorities. Staff turnover is now a key performance indicator for the HR director. In her view 'it is no good imposing things upon people at Halcrow – the Group need to win hearts

and minds'. This is typical of companies employing a high proportion of professional staff who tend to define, and act upon, their own standards of professional behaviour.

An HR strategy can be seen to be emerging at Halcrow, one that will demand vision and skill from the HR function. According to the HR director these are not qualities which the function has always displayed. She feels that HR has a major job to do because it has been perceived by Halcrow managers as ineffective in the past. Halcrow managers are critical and demanding and expect to receive effective assistance from the service functions. However, the importance accorded to technical excellence within Halcrow had created a culture where service functions, such as HR, were under-valued. Halcrow has traditionally called its staff 'professional and technical' and 'non-professional and technical' – the language reinforcing the message of P&T staff as fee-earners being the most important people in the Group. In addition, the HR function has been largely administrative rather than strategic, a situation that is now changing because of the HR challenges that Halcrow faces. The HR director is very conscious of developing professionalism in the HR team by developing team members' confidence and helping them acquire professional qualifications through the Chartered Institute of Personnel and Development (CIPD). The HR director argues that it is essential to develop a more customer-focused HR team. The lead provided by the HR director is important. Both she and the training manager have experience in leading change programmes in their previous companies. It is also a help that the HR director has a close link with the chief executive officer. This enables her to ask for the support necessary to drive through the HR initiatives. The HR director has also started giving increasing amounts of 'professional' work to her team members. An example of this was a case where redundancies flowed from business restructuring in one part of the Group. One member of the HR team handled all aspects of this. The HR director is also paying attention to mentoring and coaching her team.

International SHRM at Halcrow

Halcrow has a clear strategic aim in relation to its international business. It wishes to be a genuinely international business rather than a UK business with international operations. It is part of Halcrow's corporate business strategy that the Group wants to develop the scale of its international business. The plan is to pursue this growth through acquisitions in countries overseas. Business groups

(e.g. Water) have to prepare business plans which include plans for acquisitions. These plans are reviewed by senior management. Plans with regard to acquisitions have to be coherent with the overall business strategy, particularly in relation to the business sectors in which the companies to be acquired reside.

The scale of Halcrow's international business can be seen from the fact that approximately 40 per cent of the Group's workforce are engaged overseas. In the past, the Group's international staffing policy was to send expatriates from the UK to work on overseas projects. However, in recent years this has altered. The level of expertise of the available workforce in developing countries such as China and Pakistan, and the relative cost of labour in the developing countries compared with the UK, means that this option is now far less attractive. At the time of writing, only 3 per cent of the international Halcrow workforce was UK expatriates.

The Halcrow overseas offices operate as separate companies within the Group, albeit that the UK-based Corporate Support Services provide support to these offices. There has been no HR function in any of these offices until recently. The first overseas HR manager has been appointed in Dubai, UAE, where there are approximately 750 employees in the region. In addition to the small number of expatriate employees and the staff employed in the overseas companies there is a group of transnational employees who come from Halcrow's eastern European, Chinese and Asian operations. The Group has also established a computer-aided design bureau in Dubai.

The fact that there has been no HR function in any of the offices until recently suggests that HR has experienced a very low profile in Halcrow's international operations. In fact, the function in all but the most basic administrative sense has been non-existent. However, the HR director is keen for that to change and is pursuing a vigorous programme of visits to the regional offices within the Group to promote the advantages of HR. A catalyst for this drive is the Group's recently published codes of behaviour. These stress the need for honesty, transparency and integrity in all Halcrow's business operations and state that all employees will:

- Treat everyone with respect, trust and dignity
- Help each other – share experiences and lessons learned
- Be polite
- Never undermine anyone directly or indirectly
- Work together to resolve disagreements
- Be professional and ethical at all times

- Listen to others' points of view
- Be honest and open (Halcrow, 2003: 3).

Two aspects of the code of behaviours are important here: the need to help each other and learn from experiences and to be professional and ethical at all times. It is felt that HR has an important part to play in affecting the values of all employees. The HR director's predecessor did not see promoting the HR role in generating the appropriate code of behaviours as an important activity, but this is now being pursued through the writing of HR policies and disseminating them in the overseas operations. The HR director is also keen to act as a sounding board for international managers and is generally keen to promote the visibility of HR. Gradually, good relations are being built between HR and the international management teams to the extent that they now see the point of taking HR seriously. They can appreciate that having a local HR presence would provide them with useful support. Hitherto there have been no policies as there has been no HR presence. It is felt that it is important to support the regional offices in achieving the Group's strategy of making Halcrow a first choice employer for the best people and the place where its employees want to work.

Evaluation of SHRM at Halcrow

Although Halcrow has had a staff council for nearly 30 years, and through this has involved employees in the formulation of group policy and direction, there has until recently been only limited formal evaluation of HR initiatives including strategic HRM. Training courses were and continue to be evaluated by traditional end of course questionnaires but, prior to 2000, only limited attempts had been made to link evaluation of HR initiatives to the strategic direction of the Group.

In 2000, Halcrow introduced the Group-wide 'employee survey' to measure staff satisfaction, and provide information to help the organisation improve its leadership, management and skills base. This questionnaire is administered biennially to employees worldwide by an independent company, Kaisen Consulting Ltd, who undertake the data analysis, provide Halcrow with a report and, in conjunction with Halcrow, run follow-up workshops. The aims of the survey are outlined clearly in an accompanying letter with a clear focus upon identifying strengths as well as areas that require improvement.

The core content of the questionnaire has remained substantially the same between years to enable benchmark comparisons, although some

new questions have been added. In 2004 approximately 30 questions were used to ascertain employees' views on ten key areas. These included the direction (of the Group), clarity about their job, client focus, their competence, resources to do their job, empowerment, involvement, cooperation from others, feedback to them and recognition. Supplementary questions to assess employee commitment were also included. Virtually all questions employ five-point Likert-type scales to record answers. In addition there are spaces for comments and a few open questions to provide further opportunity for respondents to highlight key issues. Locational information such as regional office, business group and skill group, is included to enable comparisons although, to preserve confidentiality, results for a sub-group are not provided if less than three people in that group completed the survey. Response rates for the survey are high, with over 67 per cent of employees worldwide returning their questionnaire in 2002 and 72 per cent in 2004.

Through the 2000 employee survey, Halcrow was able to identify those areas of strategic human resource management highlighted by employees as being most in need of attention. These were: feedback, recognition and involvement of employees. Benchmarking the surveys in 2002 and 2004 against the 2000 employee survey, has allowed Halcrow to establish the extent to which these issues are being addressed through HR initiatives. Results from the surveys suggest that there have been improvements in all three areas. However, data from the survey and other sources suggest that there is still more to be done to improve these and other aspects of human resource management such as employee engagement. Halcrow's senior managers are currently working with Kaisen Consulting Ltd to explore the precise meaning behind these results and develop clear action plans to improve the managerial environment. As part of this they are creating a process through which employees are involved in developing the actions.

Using data from Halcrow's employee survey the consulting company calculates an HR Enablement Index for the Group. This is an average score of responses to all the questions in each of the ten key areas. This index provides an overall indication of the extent to which employees are engaged with their work within the Group. Average scores for each of the ten key areas are then used to highlight those aspects where satisfaction is relatively low and where action may need to be taken. Comparison of the 2004 HR Enablement Index score with that for 2002 revealed that there had been no significant change in employees' engagement. Retention rate data for the same period revealed

that this was within a context of declining labour turnover and led the HR director to ask why employee engagement had only remained constant in a labour market characterised by a shortage of suitably qualified people? The answer to this question is currently being sought from a range of data including employee exit interviews, staff workshops around the world to discuss issues associated with employee engagement and further analysis of the employee survey data.

Data from other surveys are also used to evaluate SHRM within Halcrow. These include the use of the Business Excellence Model (BEM) self-assessment process (British Quality Foundation, 2001) to help illuminate issues raised in employee surveys, staff workshops focusing upon issues of particular importance, and internal customer satisfaction surveys. In addition they argue that an employee 'feel-good factor' is also important.

A range of secondary data provides further information from which to monitor, evaluate, learn and improve SHRM initiatives. For example, Non Compliance Reports from external auditing by the British Standards Institute (BSI) in relation to quality standards and by clients had highlighted a range of issues. These related to a number of employee inductions not having been undertaken properly and in some cases records of training being incomplete. These have now been addressed. Similarly, the new 360-degree feedback and client satisfaction surveys, such as those discussed earlier, have emphasised the importance of initiatives to ensure employees engage with the company and also understand and empathise with the client's needs.

Increasingly, Halcrow compares itself with other companies in the sector using a variety of approaches. In some instances this benchmarking is undertaken for prospective clients as part of the tendering for new contracts process. For example, the UK Highways Agency uses 'Capability Assessment Testing' to benchmark potential suppliers and assess their alignment to what they require. Informal benchmarking is conducted through contacts in joint-venture companies or other industry contacts to share best practice, discuss issues that are pertinent to the sector such as skills shortages and, through surveys, to establish benchmarking data relating to salaries, benefits and the like.

Halcrow sees monitoring and evaluation as essential to knowing whether or not SHRM initiatives within the 'Act now' programme are effective. Within these means of evaluation, the HR director recognises that the nature of the measures is still

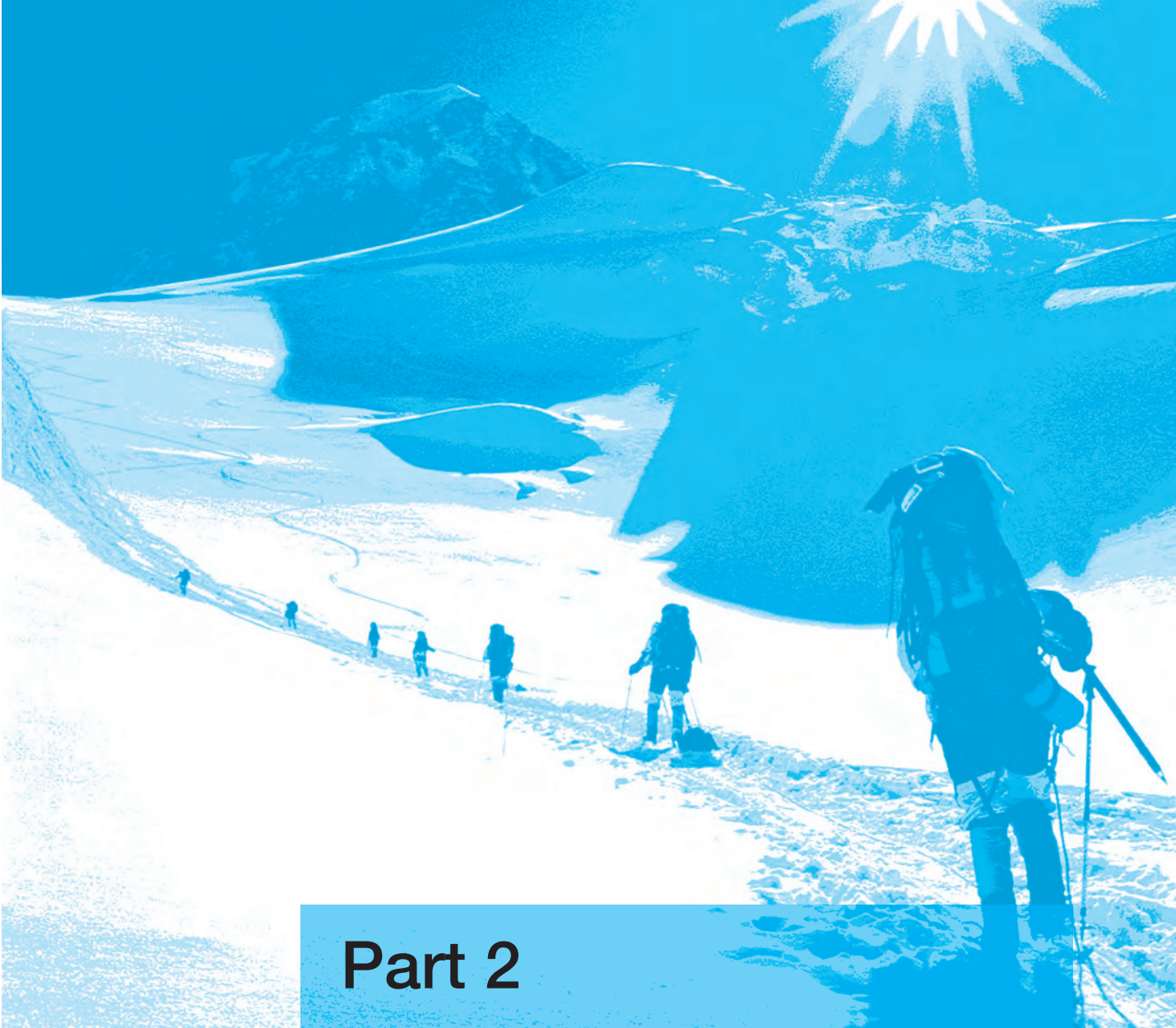
evolving and needs to be more closely aligned to the future direction of the Group and the centrality of the human resources to this.

Case study questions

1. Provide a brief overview of Halcrow Group's strategy.
2. Outline the linkages between Halcrow Group's strategy and its strategic human resource management.
3. What obstacles do you think that Halcrow management will face as it works to change the Group's culture from one dominated by technical excellence to one that also embraces commercial awareness?
4. What measures might Halcrow take to increase its retention of young professional graduates?
5. (a) What hurdles do you think that Halcrow will have to overcome in its attempt to ensure international employees adopt the Group's codes of behaviour?
(b) Now visit the Halcrow Group web site (<http://www.halcrow.com>) and read Halcrow's *Statement of Business Principles*, paying particular attention to the Code of Business Practice. Expand your answer in the light of what this tells you about the Group's views regarding business integrity, and what is expected of Halcrow staff.
6. To what extent do the data collected by the employee survey allow the HR director to evaluate the extent to which HR initiatives are supporting the Group's strategic direction?
7. (a) How does Halcrow currently make use of primary and secondary data to evaluate the extent to which initiatives to engage employees within the Group are working?
(b) What other measures do you think they might adopt?

Acknowledgements

The considerable assistance and support of Mandy Clarke, Director of Human Resources at Halcrow Group Limited, in the preparation of this case is gratefully acknowledged.



Part 2

Strategic Interventions

