MEASURING HR: EFFECTIVENESS AND EFFICIENCY

THE OBJECTIVES OF THIS CHAPTER ARE TO:

1 CLARIFY THE MEANING OF THE TERM 'MEASURING HR'

2 EXPLAIN A RANGE OF MEASURES WHICH ARE FREQUENTLY USED

3 EXPLORE THE USE OF SCORECARDS AND OTHER STRATEGIC FRAMEWORKS IN MEASURING HR

4 EXPLORE CURRENT METHODS TO MAKE THE PROVISION OF HR MORE EFFECTIVE AND EFFICIENT

We have explored in some detail some of the research which indicates that differing HR activities will impact on the bottom-line performance of the firm, and that intangible assets are critical to a firm's value. This focus is growing in importance. In addition there is a recognition that traditional accountancy measures are inadequate, as they are unable to reflect the value of people to the organisation. Measures are needed which can demonstrate how people are an asset which adds value to the business rather than just a cost. This, together with the anticipation of the need to report people measures in a company's annual report, have provided a context where the measurement of HR has become increasingly important. However, there remains resistance by the HR function to measurement and IRS (2003) reports that less than half of respondents to its survey calculate measures of HR value.

WHAT DOES 'MEASURING HR' MEAN?

The research referred to in previous chapters has a very clear focus on measuring or assessing a range of best practices in terms of workforce organisation and management (such as self-managing teams, high training spend, reduced status differentials) and relating these to impact on productivity and profitability. This is a very specific approach to 'proving' that HR practices affect bottom-line performance. In this chapter we include this type of measurement, but we are taking a much wider perspective and will review a broader range of measures which are used to demonstrate how the HR function and HR capital contribute to the organisation.

HR measures are sometimes talked about in the context of measuring the contribution of the HR function. An example of such measures might be the staffing costs of the HR function, recruitment speed, training delivery, management satisfaction with HR advice and services, and so on. Such factors are clearly down to the people in the HR function and are under their control. There are many more measures, however, which may be only partly within the control of members of the HR function, and partly within the control of others in the organisation, and indeed there are some measures over which the HR function may have no control, particularly in an organisation where HR is devolved to line managers. For example absence and employee turnover are typical measures in many organisations. But to what extent are absence levels, for example, the result of the absence policy (and HR may or may not have designed this alone), the way the policy is implemented by line managers, the influence of other policies (such as work-life balance), the influence of the way that work is structured and commitment to peers (as for example in self-managing teams)? The list could go on. It could be argued that the HR function has an ultimate responsibility for all of this, but in reality this is not a tenable view, and there is also a much greater emphasis on partnership in HR requiring many activities to be business

ACTIVITY 33.1

Employee turnover is frequently measured in organisations. Identify which aspects of the organisation have an influence on this and who in the organisation would be seen as having a responsibility for these aspects.

driven and owned rather than HR driven and owned. Thus many HR measures represent aspects of human capital in the organisation on which the HR function has some influence. IRS (2002a) in its survey found that respondents commented on the inherent difficulty in identifying the contribution of the HR function in many measures.

FREQUENTLY USED MEASURES

IRS (2002a) divides measures into hard and soft measures, with training days, for example, being a hard (objective) measure and employee satisfaction, for example, being a soft measure. In its survey IRS found that employers most frequently calculated absence rates (96 per cent), employee turnover (98 per cent) and expenditure on training (88 per cent). However, these figures are based on a small sample, so actual percentages should be treated with caution. Other popular measures were employee relations indicators (such as number of grievances and tribunal cases), training days, cost to fill vacancies, time to fill vacancies, HR costs as a proportion of profit or total costs and time spent communicating with staff. Only 9 per cent of the organisatons surveyed measured productivity.

In terms of soft measures, IRS found that 85 per cent of the sample measured employee satisfaction, 72 per cent measured line manager satisfaction, 68 per cent measured senior manager satisfaction and 60 per cent measured customer satisfaction. Employee satisfaction was considered to be the most effective soft measure.

Such measures are frequently collected in an ad hoc manner, are not integrated or tied in with business strategy and may not result in action being taken. Below we look at some of the more popular measures in more detail.

Absence analysis and costing

For aggregate analysis the **absence rate** is the number of days of absence, that is, when attendance would have been expected, of all employees. The **absence percentage rate** is this figure divided by the total number of actual working days for all employees over the year, multiplied by 100. This simple percentage figure is the one most often used and enables the organisation's absence level to be compared with national figures, or those of other organisations in the same sector.

The **absence frequency rate** is the number of spells of absence over the period, usually a year. Comparing this and the absence percentage rate gives critical information about the type of absence problem that the organisation is experiencing.

Absence data, as well as enabling external comparisons, can be analysed by department, work-group, occupation, grade and so on. In this way the analysis will throw up problem areas, and additional analysis can be used to try to identify the causes of differing levels of absence in different parts of the organisation. The data may be supplemented by information from questionnaires or interviews with employees or line managers.

The purpose of producing this information is to understand the causes and extent of absence in order to manage it effectively. So, for example, such analysis may result in a new absence policy, employee communications about the impact of absence, appropriate training for line managers, changes to specific groups of jobs and the introduction of a new type of attendance system such as flexitime. The information

provides a base for future monitoring. Absence data can be analysed further to pro-vide benchmarks of 'high', 'medium' and 'low' absence levels in the organisation, and can be used to set improvement targets. This analysis can also be used to trigger spe-cific management actions when an employee reaches different benchmark levels. For example, a trigger may be the number of days or number of spells per year or, as in the Bradford factor (*see* Figure 15.2 on p. 324 for the formula), a combination of both.

The costing of absence needs to have a wider focus than just the pay of the absent individual. Other costs include:

- line manager costs in finding a temporary replacement or rescheduling work;
- the actual costs of the temporary employee;
- costs of showing a temporary employee what to do;
- costs associated with a slower work rate or more errors from a temporary employee;
- costs of contracts not completed on time.

These costs can be calculated and provide the potential for productivity improvement.

Equal opportunities analysis

Equal opportunities analysis aims to provide an organisational profile of, most fre-quently, ethnic origin, gender, age and disability. The resulting percentages from this can be compared with national and local community figures to give an initial idea of how representative the organisation is. Further analyses break these figures down to compare them by department, job category and grade. It is in this type of analysis that startling differences are likely to be found, for example as shown in Figure 33.1.
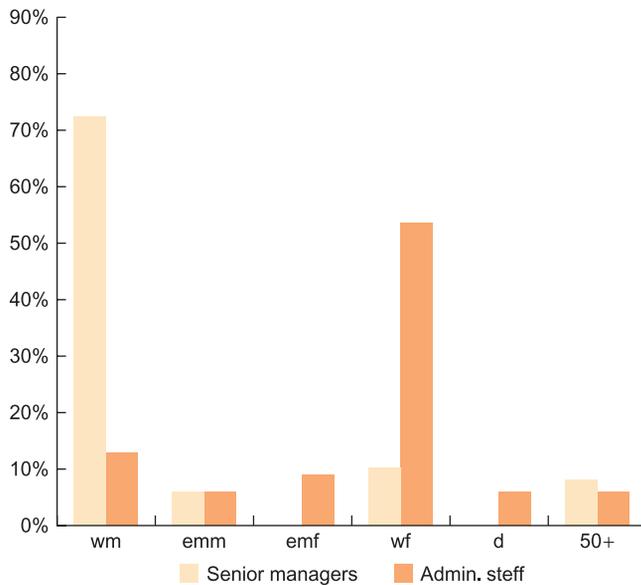
Figure 33.1 Breakdown of senior manager staff group and administrative staff group

The information gleaned can be used to:

- question the extent and spread of disadvantaged groups in the organisation;
- identify specific barriers to a more representative spread;
- formulate appropriate policy and action plans;
- set targets to be achieved and to monitor year on year compared with these base figures.

Other analyses can be carried out to show promotion, internal moves and secondment figures for disadvantaged groups compared with advantaged groups, for example, white males. Further mention is made of these and the recruitment system in the following section.

ACTIVITY 33.2

What metrics does your HR function calculate?

What is the purpose of each one?

How are the results translated into action?

To what extent are these measures related to business strategy?

To what extent are these measures integrated?

Turnover analysis and costing

We cover this aspect in Chapter 8 on Retention.

The workforce and organisational performance

There is a range of analyses which can relate the contribution of the workforce to organisational performance. These relationships can be used to control headcount, measure organisational effectiveness and compare this with that of similar organisations. The information can also be used to communicate to employees what their contribution is to the business. Turnover per employee and profit per employee can be calculated in order to monitor performance and to demonstrate to each employee the importance of cost consciousness. If an employee of an organisation employing 3,000 employees realises that profit per employee is only £900 this means far more to that individual than expressing profit as £2.7 million. Cost consciousness suddenly becomes important as the fragile and marginal nature of profits is demonstrated. A further calculation expresses the cost of employees in relation to the total costs of production. To work this out, turnover less profit (that is, the cost of production) is compared with employee costs (salary plus on-costs). The percentage of production costs accounted for by employees will vary markedly according to the nature of the business. For example, in some pharmaceutical businesses people costs will account for 70 per cent of all production costs (due to a heavy emphasis on research and development) whereas in a less people-intensive business, as found in other parts of the manufacturing sector, people costs may only account for around 15 per cent. Changes in the percentage of people costs over time would need to be investigated.

People costs are a good way of communicating to employees just how important they are to the success of the business.

WINDOW ON PRACTICE

HR survey: What do managers need from the function?

Cathy Cooper (2001) reports on how Fidelity International redesigned its annual manager survey so that it became a meaningful tool in helping the company to improve people management. The original survey which had been used for five years tended to be a 'popularity contest for HR'. The first stage in redesign was to investigate what the survey should focus on. To this end an external consultant was employed to carry out focus groups with HR staff to establish the strengths and weaknesses of the department. The survey manager then held one-to-one interviews with managers to establish their concerns. The interview data were then used to frame topics for the survey. The focus taken in the survey was on how well we (all managers, including HR) manage our people, and not on how well or badly HR is doing. The survey was designed to take 10 minutes to complete and asked respondents to identify the extent to which they agreed or disagreed with a number of statements. Respondents were invited to make any additional comments they wished. Some questions were retained, however, to get specific information on HR's performance. The survey was delivered by the company intranet to make responding easy. Of the 500 managers they invited to participate they received completed questionnaires from over half.

The results of the survey were used to develop 12 broad goals for the HR function with which individual objectives will be aligned. Senior managers have been involved in how the goals could best be met, and then HR directors and their teams in different locations will develop a project action plan.

Source: Summarised from C. Cooper (2001) 'Win by a canvass', *People Management*, Vol. 7, No. 2, 25 January, pp. 42–4.

Measures can be benchmarked externally against other similar organisations which would allow a meaningful comparison, such as competitors. They can also be benchmarked internally by comparing departments, different locations and so on. IRS (2002a) found that around one-third of the organisations it surveys regularly carried out external benchmarking and the same percentage regularly carried out internal benchmarking.

USING SCORECARDS AND OTHER FRAMEWORKS FOR MEASUREMENT

Considerable attention has been given to the use of scorecards, such as the balanced scorecard (Kaplan and Norton 1992) and, later, the HR scorecard (Becker *et al.*

2001), in linking people, strategy and performance. These are perhaps the best-known scorecards, but many different scorecards have been developed over the last decade or so. Such scorecards utilise a range of measures of HR which are viewed as critical to the success of the business strategy, and which move the process of measurement on from an ad hoc to a strategic and integrated approach. Kaplan and Norton widened the perspective on the measurement of business performance by measuring more than financial performance. Their premise is that other factors which lead to financial performance need to be measured to give a more rounded view of how well the organisation is performing. This means that measures of business performance are based on measures of strategy implementation in a range of areas. Kaplan and Norton identify three other areas for measurement in addition to financial measures: customer measures, internal business process measures and learning and growth measures. In each of these areas critical elements need to be identified and then measures devised to identify current levels and measure progress. Some organisations implementing this scorecard have developed the learning and growth area to include a wider range of HR measures.

Becker *et al.* (2001) argue that it is important to have a 'measurement system [that] convincingly showcases HR's impact on business performance' (p. 4), otherwise, they argue, the HR function cannot show how it adds value and risks being outsourced. The system they suggest focuses on 'HR architecture', and by this they mean the 'sum of the HR function, the broader HR system, and the resulting employee behaviours' (p. 1). This is therefore a broad view of HR measurement, as we discussed in the first section of this chapter. Becker and his colleagues have designed a seven-step process to clarify and measure HR's strategic influence:

Step 1. Clearly define business strategy in a way that involves discussing how the strategy can be implemented and communicated.

Step 2. Develop a business case for HR as a strategic asset explaining how and why HR can facilitate business strategy – Becker and his colleagues suggest how current research relating HR to firm performance can be useful here.

Step 3. Create a strategy map – which should involve managers across the organisation, and needs to address the critical strategic goals, identify the performance drivers for each goal, identify how progress towards goals can be measured, identify barriers to goal achievement, identify required employee behaviour for goal achievement, question whether the HR function is developing employee competencies and behaviours needed to meet the goals, and if this is not happening, what needs to change.

Step 4. Identify HR deliverables from the strategy map – which may include performance drivers and enablers; for example low turnover, high levels of specific competencies and so on may be needed to reduce product development time.

Step 5. Align HR architecture with the deliverables in step 4. Policies can be developed to result in these deliverables – for example policies encouraging low turnover may be supported by family-friendly and work-life balance policies, diversity policies, career development opportunities and so on.

Step 6. Design a strategic HR measurement system. This requires that valid measures of HR deliverables are developed. For example in specifying low turnover it

would be important to identify which particular staff groups this applies to, whether voluntary turnover only is to be calculated, whether internal job moves are included and so on.
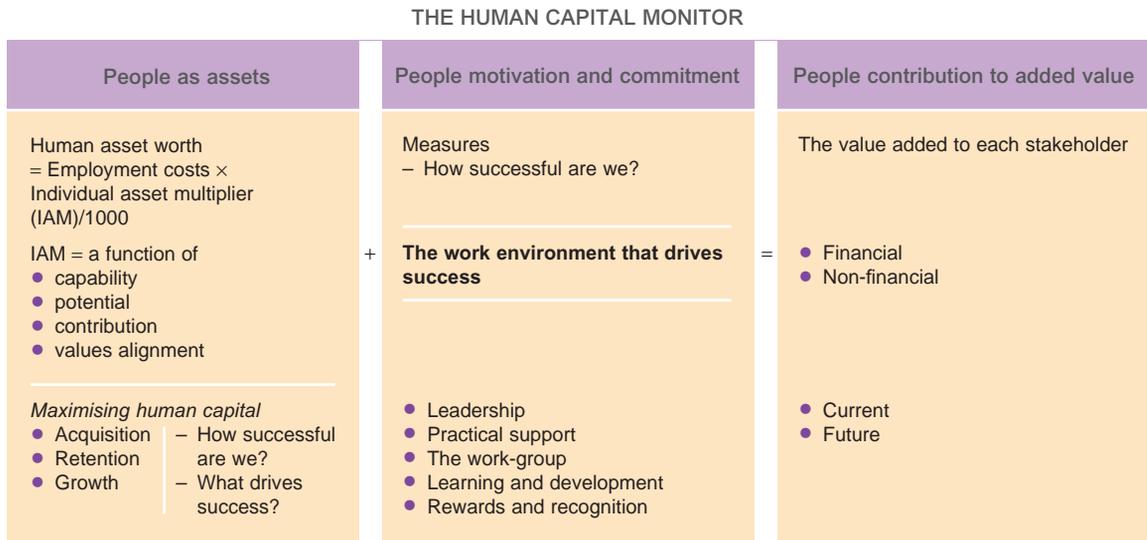
Step 7. Implement management by measurement – Becker and his colleagues suggest that once the measurement system has been developed this can then become a powerful management tool.

In designing measures Becker and his colleagues suggest that HR efficiency as well as deliverables need to be measured. Efficiency measures tend to be cost measures, for example cost per new hire, or HR cost per employee. They suggest that these are both lagging indicators. Leading indicators can also be measured. These are defined as measures of 'high performance work system' and HR system alignment. The high-performance work system appears to be defined in terms of best-practice-type measures, for example hours training received each year by each employee, or percentage of the workforce regularly undergoing annual appraisal. HR system alignment indicates the extent to which the high-performance work system is tailored to business strategy via supporting each HR deliverable. Useful lists of HR deliverables and efficiency measures can be found in Ulrich (1997).

An alternative framework for monitoring, measuring and managing human capital is the 'human capital monitor' and this has been developed in the UK by Andrew Mayo (2001). The human capital monitor is designed to connect the intrinsic value of the human capital in the organisation with the working environment. It includes processes and systems which impact on employees' behaviour together with the value that is created by people. As with the previous models discussed this is not specifically designed for the HR function to monitor itself. The model adds together the value of people as assets (box 1) and the motivation and commitment (box 2) to produce the people contribution to added value (box 3). The model is shown in Figure 33.2.

The first box in the model, people as assets, provides a method of balancing people costs with a measure of the value that they contribute. Mayo argues that calculating the value of people is important for four reasons. First, resourcing decisions should be about more than just cost; second, it important to understand relative values of individuals and teams; third, it helps make informed investment decisions showing the relative benefits of investing in people as opposed to other assets; and finally, it enables the company to monitor whether its talent is increasing or decreasing. To demonstrate the types of measures that Mayo suggests, we use the example of capability, where the following measures are provided: personal behaviour; business and professional know-how; network of contacts; qualifications and experience; attitudes and values. In terms of maximising human capital we will look at potential. Here Mayo suggests that success in acquisition could be measured by total human asset worth, average IAM (individual asset multiplier) of new recruits and the increase in strategically important core capabilities. The drivers for acquisition of potential include employer brand and acceptance rates, among others.

We turn now to the second box concerning motivation and commitment. Here Mayo suggests such measures as absence levels, satisfaction surveys, attrition rates and reasons for leaving, among others. He suggests five influencing factors as listed in the model, and for the work-group, for example, he proposes two measures: team assessments of working practices and a team stability index.

THE HUMAN CAPITAL MONITOR

People as assets	People motivation and commitment	People contribution to added value
Human asset worth = Employment costs × Individual asset multiplier (IAM)/1000 IAM = a function of ● capability ● potential ● contribution ● values alignment	Measures – How successful are we? **The work environment that drives success**	The value added to each stakeholder ● Financial ● Non-financial
Maximising human capital ● Acquisition – How successful ● Retention are we? ● Growth – What drives success?	● Leadership ● Practical support ● The work-group ● Learning and development ● Rewards and recognition	● Current ● Future

Between the first and second columns is a "+" sign, and between the second and third columns is an "=" sign.

Figure 33.2 Mayo's human capital monitor (Source: Adapted from A. Mayo (2001) *The human value of the enterprise: Valuing people as assets – monitoring, measuring and managing*. London: Nicholas Brealey, p. 65.)

In the final box, people contribution to added value, Mayo suggest that the focus should be on wealth creation, which is a much broader concept than profit, as some of the wealth created can be reinvested in the business. To this end he compares a conventional income statement with a value-added financial statement, which goes beyond seeing people as just costs. In assessing current value Mayo suggests that work needs to be analysed into work which creates value and non-value added work (such as re-doing work, duplication, computer downtime, cross-charging and so on), and that the percentage of each type of work needs to be a focus. He argues that building future value is dependent on innovation and that measures of this need to be derived.

Case 33.1 on the website focuses on human capital.

EFFECTIVE AND EFFICIENT HR PROVISION

The literature has for some time been replete with articles about the decentralisation and devolution of HR management as methods of integrating HR activities with day-to-day line management. The thrust has been for the line to take ownership of HR activities, with HR specialists acting as a consultant, coach, facilitator and strategic partner. The advantages of this approach to restructuring HR activities and the issues in implementation have been dealt with in detail and we do not intend to rehearse these issues here. For further details *see*, for example, Hall and Torrington (1998). Emerging approaches to improve the efficiency and effectiveness of the HR function are outsourcing, HR service centres and e-HR.

Outsourcing

HR administration has typically been outsourced, for example pensions, payroll and recruitment. But more specialist aspects have been subject to outsourcing too,

such as training and legal work. IDS (2003) argues that the delivery channels for outsourcing HR administration involve e-HR and HR service centres. We will deal with these separately, while recognising that there may be some overlap in approach.

The drivers for outsourcing HR are frequently quoted as reducing costs and improving service delivery. Outsourcing appears to encourage the measurement of the value of HR, and IDS (2003) suggests that this comes about through the need for service-level agreements and key performance indicators with a greater focus on customer satisfaction. Outsourcing has also been introduced as a vehicle for effecting changes that would be hard to implement internally. For example in large organisations outsourcing has been used to bring different parts of the organisation together to reduce costs, apply common standards and share best practice (*see*, for example, Pickard 2002), and provide access to innovative IT solutions. A further advantage that is claimed is that the internal HR function can now concentrate on driving the direction of HR rather than carry out more mundane tasks.

WINDOW ON PRACTICE

Prudential outsources HR in USA

Higginbottom (2002) reports on Prudential's move to outsource HR to Exault in the USA. Core administrative services, including payroll and benefits administration, have been transferred to Exault. Exault also manages an HR call centre, provides HR information services, and looks after employee data and records. In addition Exault will take responsibility for training. Exault argues that this will improve Prudential's HR processes, enhance services to employees and reduce costs. Michele Darling, executive vice-president for HR, suggests that as the deal provides efficiencies and a better costs structure this will enable the internal HR function to intensify its focus on strategic issues. The group has not said whether the same approach will be taken in the UK.

Source: Summarised from K. Higginbottom (2002) 'Prudential outsources HR in US', *People Management*, Vol. 8, No. 2, 24 January, p. 10.

However, time is needed to select and develop a relationship and trust with a service provider. Also Rippin and Dawson (2001) identify the importance of fit with the service provider and warn that organisations choosing to outsource in order to save costs should not expect immediate returns. Outsourcing the whole of HR is also a very different proposition from outsourcing differentiated activities, which has been happening in an ad hoc manner for a much longer time. Blackburn and Darwen Borough Council, for example, has outsourced all its HR to Capita, including strategic HR (IDS 2003), which is the one part that most organisations retain in-house.

ACTIVITY 33.3

We noted that outsourcing the whole of the HR function is a different proposition from outsourcing some specific aspects. In the context of your own organisation, or one that you are familiar with:

1 If you were to outsource some specific aspects of HR, what would they be and why have you chosen those aspects?

Or

What aspects of HR are already outsourced and how effective has this proved to be and why?

2 If you were to outsource the whole function what reactions would you anticipate from employees and line managers, why do you think they would react like this and what could be done to support them through this change?

Or

If your organisation has already outsourced the totality of HR how effective has this proved to be and why?

Some organisations have clearly experienced advantages from outsourcing, although many of these are based in the USA and there is a question as to the extent to which such an approach should be applied in the same way in the UK. Hammond (2002), on the basis of a recent survey, reports that firms in the UK are resisting outsourcing. He argues that BP experienced only limited success when it outsourced to Exault, and that outsourcing for such big companies is a different proposition from what it is for smaller organisations. This same survey found that managers have a number of fears concerned with outsourcing HR such as loss of control, loss of the personal touch and doubts about the quality and commitment of external staff. However, the research reported was commissioned by Northgate Information Solutions and this fact needs to be taken into account when interpreting the results, as this company has a product to sell. John Hofmeister, director of HR at the Royal Dutch/Shell group, attacks outsourcing as leading to the corrosion of HR departments, and he argues that only high levels of internal HR staffing can lead to and maintain high levels of HR practices (People Management 2002). In a slightly different vein Gratton (2003) argues that outsourcing combined with other trends such as devolution fragments the HR function, and she identifies a growing alienation between different providers (ousourcing agencies, line managers and remaining specialists in the HR function). She argues that HR would provide greater added value as a totality rather than the sum of the different fragments. Gratton proposed four mechanisms through which the function can be integrated to provide greater added value. IRS (2003) also suggests that such outsourcing has been dogged with many problems, to the extent that some organisations have brought HR back in-house.

In spite of any concerns, outsourcing is predicted to continue to increase, and in particular outsourcing overseas – sometimes referred to as 'offshoring', although in some cases the outsourcing may be to wholly owned subsidiaries or may be the

movement of an internal service centre (Crabb 2003). India is a favoured destination but Eastern Europe is also popular. However, cultural and legal differences will inevitably restrict the range of activities that can be successfully outsourced in this way. The popularity of the outsourcing idea is underlined by the fact that the CIPD now runs a course entitled 'Outsourcing HR' to help specialists understand the procurement process.

Key issues of implementation involve a careful choice of partner so that there is sufficient fit, clear performance specifications, IT system compatibility, reassurance regarding the impact on HR staff, line managers and employees, promotion of new arrangements, good contract management and monitoring of performance.

Case 33.2 on the website focuses on HR outsourcing.

HR service centres

Some organisations argue that a better alternative to outsourcing is to use an HR service centre or shared service centre (*see*, for example, Pickard 2002). Shared service centres are sometimes referred to as partnership service centres or insourcing, depending on the circumstances. For example the Window on practice shows how Rotherham Borough Council has entered into a strategic partnership with BT.

WINDOW ON PRACTICE

Rotherham Brought Together (RBT)

IDS (2003) reports how Rotherham Borough Council and BT created RBT. RBT is responsible for HR administration and payroll, the management of IT functions, procurement, customer contact and revenues and budgets.

Five hundred council staff have been seconded to RBT on their existing terms and conditions, and new appointees will be on the same conditions. For their part BT has invested heavily in RBT, and will take the profit from the operation. However, after a certain level of profit has been achieved the profit will be shared with Rotherham BC.

RBT includes an integrated HR/payroll system, self-service HR through an intranet, and an HR service centre to deal with transactional and operational HR issues. The first port of call is intended to be the intranet and then the service centre, but for some issues such as discipline and grievance a specialist adviser will be made available.

Alongside the creation of RBT line managers have been given more responsibility for HR, and HR staff have been centralised, although some senior HR staff remain in Rotherham BC with a remit which includes strategy, policy, OD, and culture change, among other issues.

There is a plan to take on work from other clients in the future.

Source: Summarised from IDS (2003) *Outsourcing HR administration*, IDS Study Plus, Spring.

IDS (2003) suggests that developing an HR service centre is often the linchpin in a company's drive to achieve a more efficient form of HR delivery. IDS suggests that this is primarily achieved by streamlining and centralising routine HR processes and transactions. In addition such a service centre is usually the primary point of

reference for line managers with HR queries. The benefits they identify are savings from lower transaction costs, the removal of unneeded duplication, a more consistent HR approach across the whole of a company and an HR service which is more customer focused and more responsive to business needs.

Service centres may be HR centres or may be a shared centre with other functions, such as IT or finance. Other terms used are HR call centre or client centre. In terms of operation many centres will have staff based in the 'back office' dealing with administration and transactions, and different staffing for the 'front office' where enquiries from line managers are handled. Alternatively staff may be organised in terms by specialist function or client group (IDS 2003). Staff at the service centre would have electronic access to personal employee details and HR policies and so on.

One of the advantages of such centres is the metrics that can be derived to assess their performance. Examples are call waiting time, call count, call length, time taken to resolve queries, accuracy and satisfaction measures from users. There is usually a system of escalation where queries can be fed up to the next level if the original call centre operator cannot resolve them.

WINDOW ON PRACTICE

HR service centres: task limits

Recruitment administration is a task that a service centre would be likely to take on, and IDS (2001b) provides an example of how this would work in practice. IDS suggests that:

Service centre staff would:

  Place advertisements
  Issue application forms
  Receive application forms
  Deal with candidate management
  Provide information for shortlisting and interviewing
  Arrange interviews and assessment dates
  Prepare and send offer and reject letters
  Draw up and send out contracts
  Request references
  Send out starter packs
  Enter new starters on records system
  Monitor equal opportunities

Line managers, perhaps supported by a local HR adviser, would:

  Determine the need for the vacancy
  Confirm/draw up job and person specifications
  Define selection and assessment processes
  Shortlist
  Carry out interviews
  Make the final selection decision
  Co-determine salary package

Source: Summarised from IDS (2001b) *HR Service Centres*, IDS Study, No. 707, April.

The problems with the service centre structure are that local knowledge and business solutions may be lost in the changeover, many low-level administrative roles are created with little potential for career development and there may be an obsession with measurement at the expense of service delivery.

e-HR

One of the difficulties with e-HR is that it can be defined in a wide range of ways. It can incorporate HR and corporate intranets with static information, interactive HR and corporate intranets, email-based initiatives and the internet. The emphasis here is on intranets.

As with other initiatives, much of the drive for such systems has come from the need to liberate the personnel function from its administrative tasks to allow it to focus on more strategic matters (Trapp 2001). Such systems are often introduced alongside the introduction of HR service centres, with the intention that the system should be the first port of call, before the service centre. In this way the pressure on service centres should be reduced in the long run. Different surveys have produced very different results concerning the extent of use (*see*, for example, Trapp 2001 compared with IRS 2002b), and we will not dwell on the figures. However, it is generally agreed that more sophisticated applications are still not very common and are most likely to be found in IT or related companies. IRS (2003) found that improvement in communications (73 per cent) was most frequently cited as the specific reason for introducing e-HR, followed by reduction of routine administration (60 per cent), compared with only 37 per cent looking specifically for cost savings. Tyler (2001) also suggests empowering employees as another reason for introduction.

In terms of static information intranets are likely to contain HR policies, rules and regulations, details of training courses, standard forms, staff handbooks, induction information and information on benefits.

ACTIVITY 33.4

We have referred to the 'loss of the personal touch' in the introduction to this discussion of these alternative means of providing HR services.

How important is 'the personal touch' to employees of today, and why do you think this is so?

More sophisticated systems include such features as the ability to update one's personal details (password access), reviewing and changing the flexible benefits that one has chosen, checking one's remaining leave entitlement and requesting leave, submitting expense claim forms, asking questions (such as pension projection figures), performance management and salary review tools. IRS (2002b) identifies three user groups of such systems: HR service centres or HR function, line managers and employees. In terms of employees such systems are often referred to as self-service or self-management systems.

Some of these applications will clearly require changes in the organisational culture. In addition there are concerns about the loss of the personal touch and security of

information (Trapp 2001). There are also issues about the access to computers and the computer literacy of some staff. Some companies have introduced kiosks where computers can be used by a range of staff, but there are issues about the extent to which staff will prefer to use their coffee breaks booking holidays on the computer.

SUMMARY PROPOSITIONS

33.1 Measuring HR may involve direct measurements of the HR function's contribution, but there may also be wider measures of aspects of HR capital in the organisation which are influenced by all managers.

33.2 Ad hoc measures are likely to include absence and turnover analysis and equal opportunities monitoring, but these measures are frequently not strategically integrated and do not necessarily lead to action.

33.3 The balanced scorecard (Kaplan and Norton 1992), the HR scorecard (Becker *et al.* 2002) and the human capital monitor (Mayo 2001) have all been used as a framework for measuring the effectiveness and efficiency of HR. Such frameworks integrate measures and relate them to organisational strategy.

33.4 Outsourcing, service centres and e-HR are all present-day approaches to improving the added value of HR.

GENERAL DISCUSSION TOPICS

1 'Quantitative measures mean nothing. The way that questions are asked, the subjective understanding of what the question means, biased response patterns, and the way that data is analysed and presented, all mean that statistics can be made to say whatever the author of them wishes.' To what extent do you agree or disagree with this statement, and why?

2 To what extent do you agree with Linda Gratton's view that a fragmented HR function contributes less value than a fully integrated function? What evidence have you used to support this view?

FURTHER READING

Crabb, S. (2003) 'East India Companies', *People Management*, Vol. 9, No. 4, 20 February, pp. 28–32
Crabb describes the increasing number of organisations moving operations to the Indian subcontinent, and in this context reviews the extent to which HR will be swept along with this tide. Crabb also reviews the *compound growth rate* in all offshoring for HR activities, which appears to be greater than for other functional areas. Crabb notes that organisations report this issue as being politically sensitive.

IDS (2001a) *HR Intranets*, IDS Study, No. 713
This is a very useful guide to a wide range of HR intranet usage. The study explores the challenges of intranets, design, promotion required, content and application, and includes seven case studies: Shell, Argos, Cisco systems, Prudential, Ford, ICL and Cable and Wireless.

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An extensive range of additional materials, including multiple choice questions, answers to questions and links to useful websites can be found on the Human Resource Management Companion Website at **www.pearsoned.co.uk/torrington**.