IES Perspectives on HR 2014

HR responding to threats & opportunities

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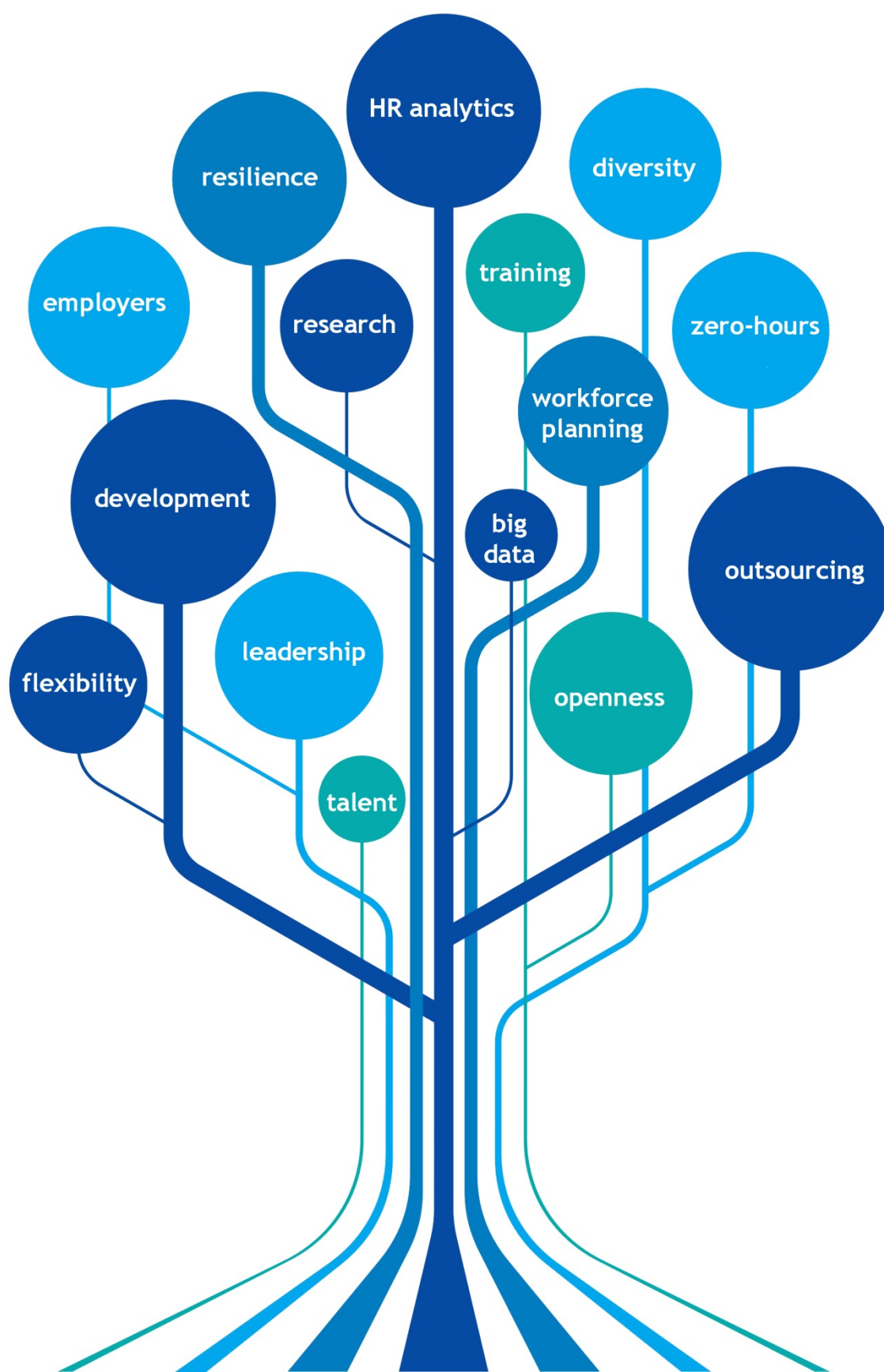
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Introduction

This edition of IES's annual Perspectives report covers a wide range of topics. Rather than a single unifying theme we have a number of types of contribution. Some could be regarded as addressing hardy perennials, like talent or diversity, but positioned in a new context. Others (eg outsourcing and zero-hours contracts) report on current areas of preoccupation for the HR function that have important antecedents. Then there are the new(er) kids on the block, like big data and crowdsourcing: novel concepts that again, it could be argued, have long-standing roots in business management.

A different way of viewing the research presented here is that it looks at the world from a number of angles, as befits a Perspectives report. Thus, we examine the questions considered from:

■ An organisational perspective - how can we get more flexible labour, greater workforce diversity, a more open culture, etc?

■ An employee perspective - developing personal resilience and dealing or engaging with organisational change, etc.

■ The impact of externally driven factors - how technology can help employee involvement (crowdsourcing) or understand interconnections better (big data).

These perspectives overlap. So, for example, developing personal resilience can help individuals but benefit the organisation too; creating an open culture may be good for surfacing internal tensions or reducing hazards, but might be just as important to protect external reputations by highlighting malpractice, given recent business scandals; and the zero-hours contracts debate is generated by the tension between societal definitions of fairness and corporate cost-reduction and flexibility imperatives.

We hope then that reading these articles will stimulate and provoke, yet also offer some more practical ideas. The meta themes in HR of personal development, organisational efficiency, organisational values and culture, leadership, etc remain constant; the environment within which they present themselves varies. Change offers mostly opportunity but some threat. It tests the function's capability to deliver. This is the stuff of business strategy.

HR for some years has indeed aimed to become more strategic. The characteristics of strategic HR include:

- **Integration**: bringing together multifaceted activities

- **Comprehensiveness**: it covers the entire operation (at business unit or corporate level)

- **Offering a high value-added contribution**: it focuses work on business-critical issues

- **Building social capital**: helping knowledge-sharing, networking and relationships

- **Anticipation of change**, through horizon scanning and internal sensing, and then responding to it

This report can help move HR in that direction in two ways.

Firstly, it underlines the importance of the external context in which HR operates. Our report emphasises how looser labour markets have given employers opportunities to hire people on very much their own terms. The government's desire to reduce the bureaucratic burden on business should boost employer freedom still further. Cutting the size of the public sector and transferring activities to others in the voluntary sector or private sector is another encouragement to flexible labour markets.

Yet there are countervailing pressures around social values, with a media spotlight on anything that might seem to be a violation of these values, be it patient care or worker exploitation. Social engineering has not died either, as can be seen in the efforts to increase the numbers of women in senior positions.

A good HR team understands these sorts of issues and helps the organisation manage risk as well as see ways to benefit from socio-economic change.

Secondly, the report should encourage HR to understand their work in a holistic business-centred way rather than pursuing functional interests. Previous HR research (Hirsh et al, 2008) has shown that managers don't want HR tinkering with policies and practices; they want HR's help in driving the business forward. And they want HR to anticipate upcoming problems (which fits with the point above).

The report hopefully demonstrates how what might be regarded as issues that sit outside HR, like outsourcing and Occupational Health, are areas where HR should be involved, not just downstream of the strategic decisions, but in there creating the strategies.

Our multiple stakeholder perspectives point to how critical it is to map who is affected by organisational decision making, in what way and how their views can be

considered. This is not just a management/employee split, or a management/trade union divide – important though these are. It is also an internal versus external distinction. Being customer centric is easy to say and more difficult to do, and HR should be mindful that what might suit internal business requirements may not look so good from a customer or community perspective.

It means too that HR should be breaking down boundaries to connect what might be seen traditionally as separate work areas; knowledge must be diffused across these barriers. Technology, in particular, facilitates this objective. It can be seen in the crowdsourcing article and even more in big data. The latter exemplifies the notion that pulling in material from all areas of the organisation (internal and customer facing) offers the chance of new insight and understanding, especially with respect to customer impact and social context.

As we wrote previously when considering how strategic capability should be developed in HR (Reilly and Williams, 2006), cross-functional working and learning is vital for HR, be it with marketing (on branding and the employee value proposition); with Occupational Health (on resilience); with Operations Management (on work organisation); with Finance, etc. Greater engagement with the boardroom also becomes essential in considering diversity or cultural initiatives.

We would regard these as stimulating challenges for HR that make working in the function always interesting. We hope you enjoy the report and note that strategic HR will be the subject of our autumn members' conference.

Peter Reilly,

IES, January 2014

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Big data and HR analytics

Paul Fairhurst, Principal Consultant

If you have half an eye on the latest hot topics in business it has become hard to miss the phrases 'big data', 'data science' and 'analytics'. Indeed in their 2011 report McKinsey & Co described big data as 'The next frontier for innovation, competition, and productivity.' But does it have anything to do with HR; after all people are unique and unpredictable and so can't be quantified, can they?

What is big data?

Let's start by exploring what is meant by big data. In a 2001 research report, META Group (now Gartner) introduced the three Vs: volume (amount of data), velocity (speed of data in and out), and variety (range of data types and sources). In other words, big data means that there is a lot of it, it can change or increase very rapidly and it can come from different places and be of different types. In 2012, Gartner updated its definition as follows: 'Big data is high volume, high velocity, and/or high variety information assets that require new forms of processing to enable enhanced decision making, insight discovery and process optimization.' ie we need new tools and technology because it is so big, fast changing and potentially unstructured.

So what does big data look like? From sas.com/bigdata here are some examples of what might be described as big data:

Examples of big data

- In just four hours on 'black Friday' 2012, Walmart handled 10 million cash register transactions – almost 5,000 items per second.

- United Parcel Service receives on average 39.5 million tracking requests from customers per day.

- VISA processes more than 172,800,000 card transactions each day.

- 500 million tweets are sent per day. That's more than 5,700 tweets per second.

- Facebook has more than 1.15 billion active users generating social interaction data.

From an HR perspective, in high transaction environments such as a call centre or a complex warehouse then the discrete actions of each individual can be collected and subsequently analysed. In low transaction situations and knowledge based working, it is harder to conceive which HR data might be perceived as 'big' when we consider volume and velocity, as often there is not that much of it nor does it change very rapidly. Variety might be a different issue though as HR or people data can exist in many forms and formats, from simple monitoring data, through to annual performance reviews with both scores and free format data, and from employee survey data to individuals' interactions and connections with others (through email analysis or bespoke data collection). The potential scope for collecting and analysing data is actually quite broad when a creative hat is donned. Also consider what if you link your people data to the front end customer and transaction data and look for patterns in the combined data. Joining HR and customer data can certainly then lead to data sets high in all three Vs.

Interestingly, in a 2011 report from The Data Warehousing Institute looking at the expected benefits of big data for organisations, there was no direct mention of the benefits for the HR function though it is perhaps implicit in some of the categories. Or perhaps the surveyed organisations hadn't yet moved on to addressing the HR opportunities.

The benefits of big data analytics

Big data analytics benefits	Proportion of businesses reporting benefit (per cent)
Better social influencer marketing	61
More accurate business insights	45
Segmentation of customer base	41
Identifying sales & market opportunities	38
Automated decisions for real-time processes	37
Detection of fraud	33
Quantification of risks	30
Better planning & forecasting	29
Identifying cost drivers	29

Source: The Data Warehouse Institute, 2011

Which brings us to one of the most important points in this whole area; it is not just about having lots of data it is what you do with it that counts. Yes, you need to have the hardware, databases and software to store the data and make it accessible and you probably need new technology and tools to cope with all of these when considering big data, as the old technology can't cope. However, it is when you start to do something with the data that it gets interesting from an HR, and business, perspective.

HR analytics

Even if you aren't ready to embrace big data (or don't need to) there is still an important role for data and its analysis in the HR function.

Typically, organisations go through a number of phases in developing their analytic capability. First is standard reporting, eg what is staff turnover, how many people do we employ, where etc. Second is bespoke descriptive or simple analysis such as 'if turnover is high which departments or teams is that in?', using simple query and tabulation tools. The next stage might be to investigate whether this is due to the type of jobs and people being employed in the high turnover parts of the organisation or whether it is down to poor management which may require some form of statistical tool such as regression analysis. The fourth stage starts to look forward and involves predictive analytics where a statistical model could be built showing which people in the organisation were at risk of leaving. The final stage is to embed the prediction and modelling directly into a decision process such as whether to employ someone or not.

Stages of analytic maturity

- Standard reporting
- Bespoke descriptive
- Simple analysis
- Complex explanatory analysis
- Statistical analysis
- Predictive analysis
- Automated decision making
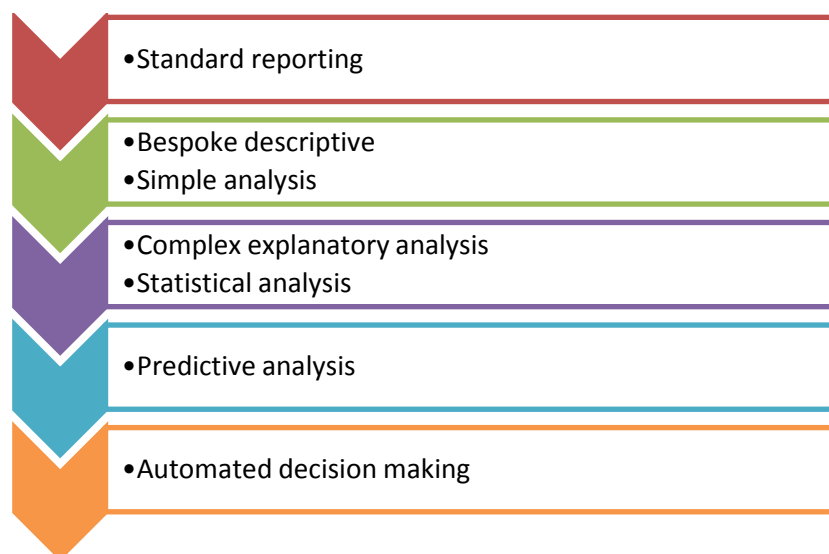
Source: IES, 2013

Organisations can be at different stages for different issues. So, for example, an organisation can be quite sophisticated at estimating future resource needs through well-established workforce planning but they may be less good at predicting who are going to be the best long-term bets from their latest graduate intake.

So if you have lots of data (or just some), what sorts of questions might you ask? How about 'what is it that our best managers do that the rest don't?' In what is now a well-known study, Google asked this question in 2009 and a couple of years later had their answer, which perhaps at face value doesn't have too many surprises in it, but now

they know the facts based on their own data. The one surprise was perhaps that, even in a very technical organisation, technical expertise was last in the eight factors they identified. Unsurprisingly for a data-led organisation, Google does many studies such as this including determining the optimum recruitment process. They stress though that not all organisations are like them so other businesses should find their own way through the analytics world.

In another example of analysis of people-related data, Wichita State University are using data analytics to identify who will thrive at their college, who is likely to fail and who might need some extra help. They are not alone in the US university system in crunching data to find who will be the 'high yield' candidates for their next intake. In the UK a new business, Sparx, is working with schools to provide tools and personalised learning experiences for students to help them learn better. They provide a tailored set of exercises, games and incentives to each student, using tools such as iPads. This is underpinned by the collection of data (one year group in one school generates 10,000 points of data a day). The company employs a mix of content specialists, statisticians and data scientists with an ethos of experimentation and statistical analysis to understand what really works and what does not. The parallels are clear for businesses – how can you more accurately predict who will succeed in your organisation through the use of data and how can you provide the best possible learning experiences or work environment for them?

I am also reminded of the excellent factual book Moneyball in which Michael Lewis describes how baseball scouts used to search for the five 'tools' that they thought made a great player - speed, quickness, arm strength, hitting ability and mental toughness - through visiting schools and colleges and putting players through physical tests. The scouts' role was to spot the stars of the future and sign them up before their competitors did. Scouting was an art that only those steeped in baseball with a good eye could possibly perform. However, they didn't pay any attention to what these players had achieved in the past; they were looking for potential based on their expert knowledge and collective prejudices. Moneyball tells the story of how one Major League Baseball team chose instead to draw on techniques from the stock markets for identifying undervalued shares and used these to identify undervalued players and built a successful team at a fraction of the cost (star players get paid many millions of dollars per season) but not without much resistance from the established scouts who believed that big league potential couldn't be spotted by analysing numbers.

The key when looking to develop your HR analytical capability is to start with what the business is trying to achieve and consider what people-related questions you would really like to know the answer to. For example, what types of employee sell best to which segments of customers, or what training methods work best (improve job performance most) for helping law enforcement employees spot potential threats, or how do we get a higher hit rate at recruitment for high performing staff. The questions will depend on your own organisation but successful HR people will increasingly

answer these by drawing on insights from data rather than individual or collective perceptions (biases).

The challenge

The challenge then for getting the best from data (big or otherwise) and analytics starts with being able to understand the business sufficiently that you can conceptualise and articulate the questions that need to be answered. It then requires that technologies and processes exist for gathering and storing the data and that the tools and skills exist for manipulating and analysing the data. It is also essential that the results are communicated back to the business in a clear, actionable way. These steps are not unique to HR but they are challenging for a function which has, to date, not been heavily data driven and has in many cases yet to develop in some or all of these areas. The skills needed to be successful reflect these steps and are an intriguing mix of technical, commercial and interpersonal. In simple terms they are:

■ translating business issues into data analysis questions

■ gathering, structuring, storing and manipulating data

■ standard analysis of data using simple queries and tabulations

■ analysis using advanced statistics and machine learning (neural networks etc)

■ presenting results back to the business in a clear, compelling way.

Analytics skill set
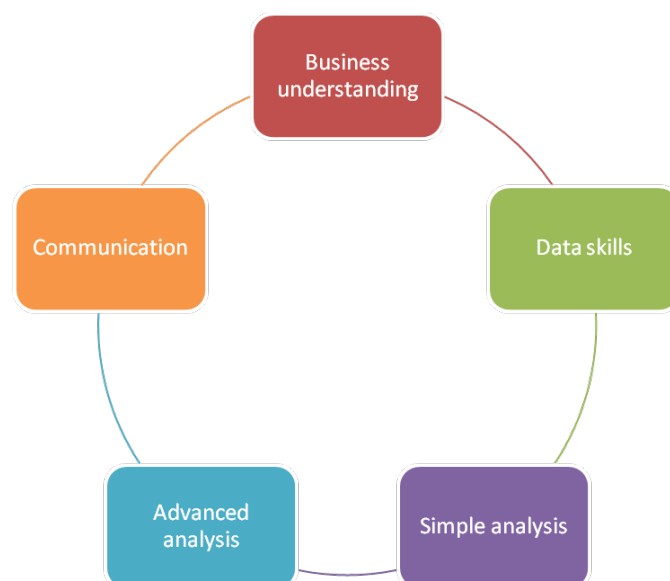
Source: IES, 2013

An interesting facet of the Google approach is the mix of their People team which is made up of roughly one-third HR people, one-third business consultants (problem solvers) and one-third high-powered analysts.

During much of the 1990s and early 2000s I was lucky enough to work in and around organisations that were leading the way in data-driven marketing, first setting up an analytical team in an insurance company and then building a customer insight practice in a niche management consultancy. It is now common practice for organisations to do some of the things we were doing back then and predict behaviour such as who is likely to respond to a marketing campaign, to buy other products and be a long lasting customer as well as many other things. Marketing and risk professionals are now becoming even more sophisticated, embracing the ideas of big data and tools from artificial intelligence.

I see that HR is now on the edge of a similar step change in how it can operate in a data-driven way but it has the advantage that it can learn much from what marketing went through in those early years. Whilst it is not a simple step for some or many HR functions, embracing a data-driven approach to decision making undoubtedly has the potential for HR to add, and be seen to add, more value to the business.

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To find out more about the ideas in this article or how IES can help you use data to make a bigger impact or set up a data insight team, please contact:

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IES Briefing: Big Data
17 July 2014, London
with Dilys Robinson

The 'big data' phrase is in vogue. What does it mean - nothing more than a new label for large data sets, or do we also have to consider speed of collection and rate of change? HR's role is not immediately obvious, yet the market is flooded with consultancies offering solutions on HR analytics and metrics. Come to this briefing to find out more about the nature of big data and its relevance to, and opportunities for, HR.

To find out more and book a place visit www.employment-studies.co.uk/network/events

Outsourcing decision making: Can we make it more considered?

Peter Reilly, Director HR Research and Consultancy

Introduction

There is a constant drip drip of stories in the press announcing the march of outsourcing. The suggestion is that if you are not doing it then you are old fashioned, off the ball. One reason for the publicity is the stream of consultants' reports that describe either new outsourcing deals done or surveys of future intentions. Words, however, do not always live up to deeds. Or at least that is what we always thought. But now, especially in the public sector and in the age of recession, there may be substance to the prognostications of outsourcing growth.

What may not have changed is that organisations frequently do not make decisions in a systematic manner; they are driven by fads, the earning of organisational 'brownie points', a headline reduction in headcount and/or to rid the organisation of the business equivalent of 'the turbulent priest'. Judgements are tactical rather than strategic, with little relationship to a business or resourcing overview. The emphasis is often on immediate cost savings. There is little attempt to consider the longer term implications: a reflex response 'to get the business through a crisis or to secure a transition' (Hunter et al, 1993) and fail to 'accept that outsourcing is not about giving up management but managing in a different way' (Lacity et al, 2010).

Or the decisions are ideological. Free market liberals believe that tasks performed internally are by definition going to be more expensive than those delivered externally because they are not exposed to the rigours of the market. Moreover, these internally-managed tasks divert management attention from more important business issues. These ideologues believe in-house arrangements generate more work, result in over staffing and lead to greater inflexibility. Some have taken this further by arguing the need to create what have variously been described as the *virtual, modular* or *minimalist* organisation. Size is restricted as much as possible and the organisation works through a series of loose and temporary networks assembled to perform specific tasks as required.

So here outsourcing might be chosen not just to reduce expenditure, but also to change the organisational culture, to alter the attitudes to work of the remaining employees, making them more commercial and customer oriented.

There are of course organisations that do choose outsourcing in a more considered case-by-case way. Some organisations are attracted to the shift from fixed to variable costs and the resourcing flexibility implicit in a well-constructed outsourcing deal. Others want access to technology or skills that is obtainable at an acceptable cost only through an external supplier. Their principal aim is to improve service quality rather than save money.

We offer below some mechanisms for making better quality and informed decisions that go beyond the lazy or political motivated choices, incorporating a range of factors, not only cost, and help those that pragmatically want to make the right choices.

Theories and models of outsourcing

We look at a number of conceptual models of decision making with respect to outsourcing. The theories propose distinct methods by which organisations might make strategic outsourcing decisions. They do not seek to provide a prescriptive methodology, or be universally applicable to this type of choice. Indeed, elements of one, or both, theories may be more/less applicable to different organisations.

Core versus peripheral activities

Atkinson and Meager (1986) proposed in the flexible firm model that the decision to outsource will depend on the organisation differentiating between those activities that are considered core to the business operation, and those which are more peripheral in nature. The critical question that then arises is on what basis is the decision made on what constitutes the core and what the periphery.

Some organisations have merely identified those activities that are core and those which are not based on implicit criteria. Other organisations may make a more explicit judgement distinguishing between those activities that are considered the source of its competitive advantage and those that are not. Hamel and Prahalad (1990) emphasised the importance of core competences with the understanding that activities related to other competencies should be outsourced. One argument in favour of such an approach is that it enables the management to focus on key organisational attributes. Yet this too requires further analysis, as it is by no means immediately apparent what provides competitive advantage or which competencies do.

A different method is to look at the processes, to determine what is critical to successful performance: the organisation's 'value chain'. Techniques such as activity analysis and business process redesign may help to identify the key elements, as can customer

analysis. Thus it may be said that strategic or financial management are core processes, as are the management of external relations, including supply contracts, or design rather than production. Another approach is to decide which are the skills that the organisation above all else needs to control or nurture. The table below offers one view of how you might view the distinction.
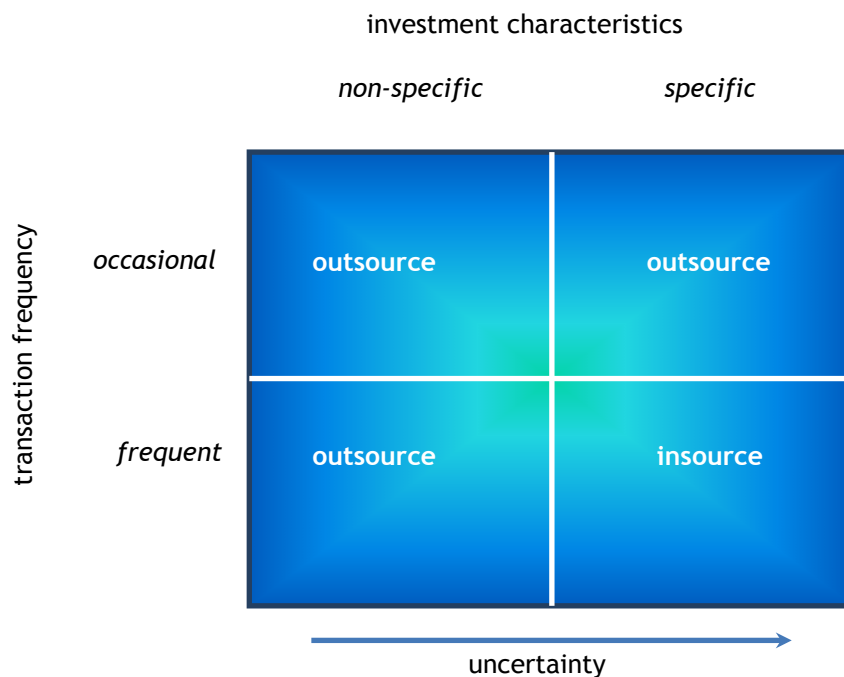
Core versus peripheral activities

Core	Versus	Periphery
Skills specific to the firm	vs.	Generic skill requirements
Limited labour supply	vs.	Minimal supply restrictions
Hard to define tasks	vs.	Well defined or limited tasks
Activities which are well integrated	vs.	Jobs easily separated from other work
Easy to fund work	vs.	Resource intensive (especially in financial terms)
Stable work demands	vs.	Fluctuating work demands
Mature technologies	vs.	Those subject to rapid technological change

Source: IES, 2014

Transaction cost economics

Transaction cost economics provides a theoretical framework for assessing the option to keep an activity within the organisation, or to seek an externally provided alternative. Developed by Williamson, this perspective argues that the organisation will seek to choose 'the most economical governance structure' (Williamson, 1979). The theory argues that in transactions the 'make' versus 'buy' choice is composed of three key elements:

1. degree of uncertainty

2. frequency of transaction

3. specificity of activity/investment:

    a. is the activity bound to a particular location(s)

    b. how specific is the task (equipment/skills needed etc)

    c. how specialised is the human knowledge needed?

Williamson's transaction cost analysis (simplified)

investment characteristics

	non-specific	*specific*
occasional	outsource	outsource
frequent	outsource	insource

transaction frequency
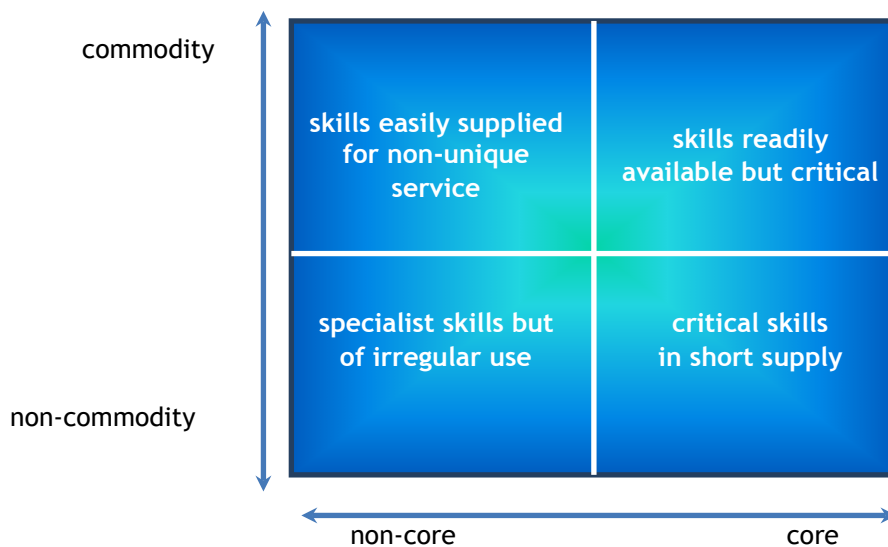
uncertainty

Source: Reilly and Tamkin, IES, 1997

Supporters of this perspective argue that using transaction cost economics can assist an organisation in assessing the relative difference and competitive advantages between 'market costs' and 'production costs'. Outsourcing decisions based on transaction cost economics are likely to focus on the economies of scale and specialist skills available via vendors, although the effect of these benefits are likely to diminish as the level of service becomes more bespoke and frequently produced. Market arrangements, however, need to be closely monitored otherwise the supplier will seek to take advantage of the client because of 'opportunism' (Williamson, 1973). This involves a lack of honesty in behaviour or 'self-interest seeking guile' (Williamson, 1973). This sort of exploitation is particularly evident where there are a small number of vendors. Internal management does not have these governance costs because all those employed should be working for the common purpose of the firm's profit maximisation. There are also advantages in continuity, communication and control that should lead to better efficiency and performance.

Labour market-driven decision making

The following model builds on the core/periphery model and transaction cost economics, but emphasises the labour market context. So to the core/periphery distinction it examines whether skills are a 'commodity' ('a class of goods for which there is demand, but which is supplied without qualitative differentiation across a market' to quote Wikipedia) or not. Organisations thinking of outsourcing should be mindful of whether the skills they need can in the first instance be traded and then

whether they are, or will be, abundant or constrained in the market. The more they are of the latter type, the higher the cost and the greater the risk of outsourcing – suppliers holding vendors over a barrel or simply an inability of the supplier to provide the requisite (in terms of knowledge, skills and experience) people.

Skills based outsourcing assessment

commodity

skills easily supplied for non-unique service	skills readily available but critical
specialist skills but of irregular use	critical skills in short supply

non-commodity

non-core   core

Source: Reilly and Tamkin, IES (1997)

The other angle to consider by this model is the connection with the Resource Based View of the Firm (Barney 1991). This assesses whether the skills or capabilities in question (which can go well beyond people-related capabilities) are specific to the organisation and not easily imitated by competitors. If they are, they form a source of competitive advantage. In some versions of this approach (Argyres, 1996) it is simply necessary to outperform the competition in generic activities – this may be because of, for example, production or logistics execution capabilities rather than through say unique product design.

In comparing the resource-based view (RBV) of the firm with Transaction Cost Economic (TCE) theory, Espino-Rodríguez and Padrón-Robaina (2006) write that the latter 'explains the negative consequences of outsourcing specific assets, while the RBV centres on the positive aspect of not outsourcing those activities comprising specific assets.' This is because in the resource-based view of the firm, competitive advantage is rendered by continuing in-house with 'specific assets' whereas TCE worries about supplier exploitation and ignores core capabilities.

Cost assessment

Since cost management is often a critical feature of the business case to outsource, it would be sensible to review the cost arguments more fully. This is done in the model

by Benaroch et al (2010) which is set out below. This model suggests four possible cost-based decisions by examining fixed and variable costs (both insourced – in house – and outsourced). From a cost perspective, in two of the four scenarios the answer is clear. According to the authors, organisations should always outsource where internal costs (fixed and variable) are higher than would be the case externally. Conversely, where the external market would entail higher expenditure both for fixed and variable costs then you should retain services in house. The authors then point out that 'the question of whether to outsource and when arises only when no sourcing mode offers an absolute cost advantage'.

Cost analysis in outsourcing decision making

Situation A	Situation B
Insource or outsource	**Always Outsource**
Internal Fixed costs > External	Internal Fixed costs > External
Internal Variable Costs < External	Internal Variable Costs > External
Situation C	**Situation D**
Always insource	**Insource or outsource**
Internal Fixed costs < External	Internal Fixed Costs ≤ External
Internal Variable Costs < External	Internal Variable Costs > External

Source: Benaroch et al (2010)

The key issue in this research is the capital-to-labour cost relationship and whether it is high or low. Situation A is indicative of a high capital-to-labour relationship, exemplified by the IT industry where there is relatively low labour costs compared with relatively high investment in capital infrastructure. So the choice for the vendor is whether to exchange these high internal capital expenditures for higher variable costs since the supplier will include capital costs in their contract price. Organisations that outsource to obtain technology are deciding this is a worthwhile trade-off: they avoid large investments in favour of costs spread over time (perhaps only a different form of amortisation except that initial financing comes from outside the organisation).

Situation D is the opposite: a low capital-to-labour relationship, typical of low-cost production activities or, as the authors observe, call centres. The organisation may have a low contractual charge, 'but incurs higher fixed costs (relative to in-house processing) in the form of monitoring and quality assurance expenses'. This research suggests that organisations should not be seduced by apparently cheaper sourcing options without factoring the additional internal costs, especially where there is any element of supply volatility. This has been the reason why some companies have resisted payroll outsourcing because the cost of change has been too great.

From theory to practice

The next question is, 'how can organisations apply these structured decision-making models?'

Espino-Rodríguez and Padrón-Robaina (2006) helpfully suggested that facets of the two theories they examined (TCE and RBV) can usefully be combined: 'outsourcing of services or business processes is going to depend on the strategic value of the resources constituting them. That strategic value is formed by the heterogeneity of the resources (valuable, specific), and the persistence of that heterogeneity (non-substitutable, inimitable and the appropriatability of the rents)'. This approach can be extended further by looking at a broad range of factors.
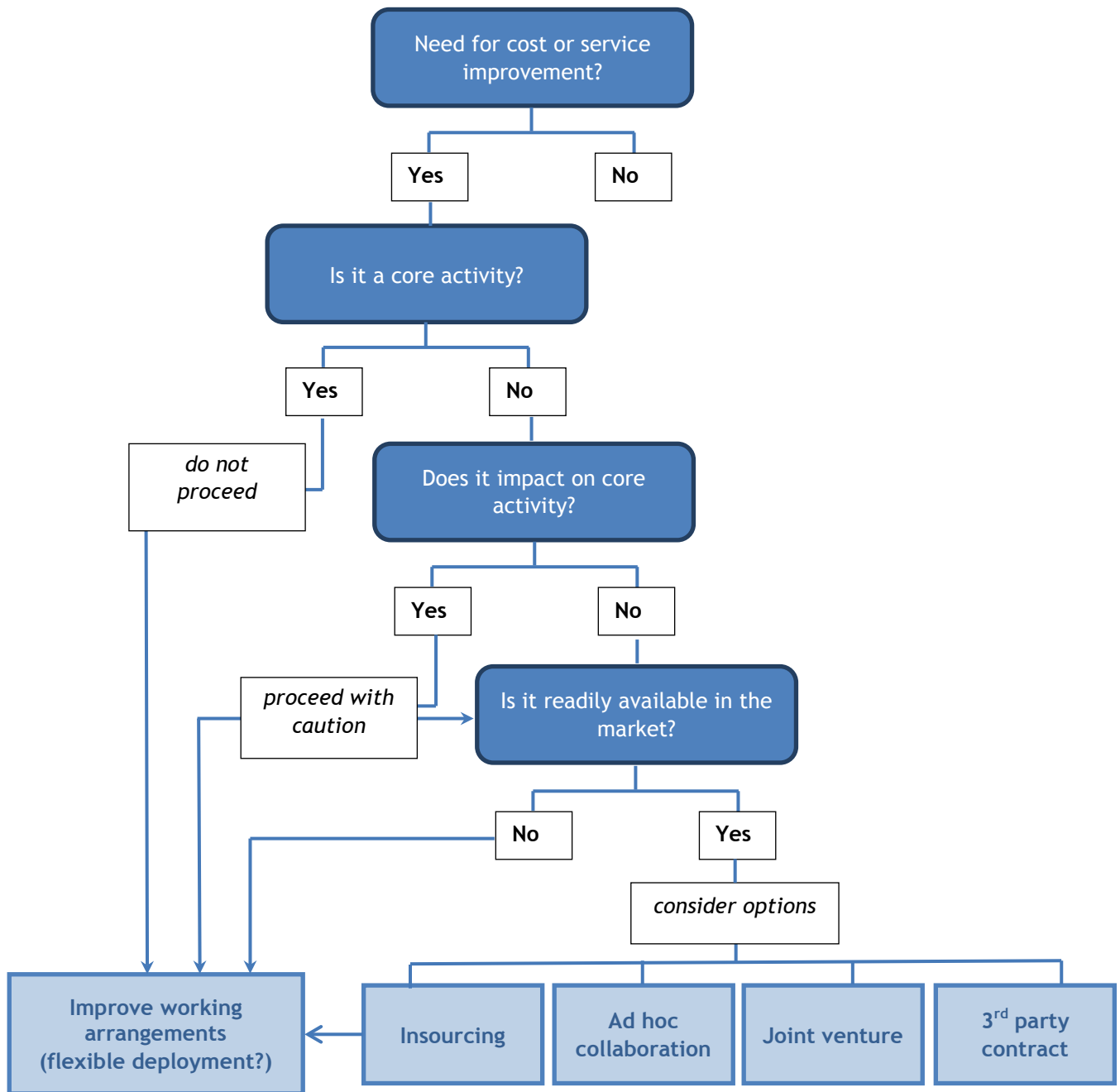
One way is to use a decision tree as shown below. This still requires background work to be completed on the definition of core, awareness of internal processes, knowledge of the market, etc.

Even then if an activity is deemed to be a candidate for outsourcing a proper evaluation is still required which takes account of:

- Clear corporate objectives setting out the requirements of the exercise, be they cost reduction, service improvement, expertise acquisition etc.

- A risk assessment which considers the full range of business implications.

- A full estimation of the cost/benefits, including an assessment of the cost of retaining activities in house (eg human or physical resources) and the non-financial, eg skills' impact, cultural effect of outsourcing. This to be done on a long as well as short term basis.

- Consideration of tax, legal, procedural, security and confidentiality issues which may inhibit or alter the decision to outsource.

- The stability of the work demands: are they subject to significant fluctuation? Is the use of a service frequent or infrequent and does successful performance require any in-company knowledge?

- Developing a complete knowledge of the services under review: 'understanding process idiosyncrasies and internal interdependencies are important considerations when outsourcing complex processes' (McIvor, 2009).

- Testing whether the organisation has the competencies to manage the supplier relationship, both technically and contractually.

- By the same token, judging whether suppliers have the necessary competence, systems and sufficient resources in account management. Do they also have the right attitude to customer service and commitment to joint success through both meeting both current and possible future needs? Are there 'strong complementary capabilities' for both parties necessary 'to make relationships successful' (Lacity et al, 2010)?

- Thinking through the need for change: the quality, customers view and cost of current service provision perhaps compared with peer organisations.

- Whether the same objectives could be met through an internal service provider, perhaps making more flexible use of own employees or agency staff.

- Whether the alternative external routes might be appropriate, such as via a partnership with other similar organisations (especially attractive in the public sector) or joint venture (again the public sector/private sector route has been used). Mudambi and Tallman (2010) argue that with knowledge process outsourcing (as opposed to business process outsourcing) it is indeed a 'make-ally-buy' decision because organisations want 'a governance structure that will both protect and leverage their strategic knowledge assets'. This emphasises the point that not all outsourcing should be treated in the same way, however much procurement departments might like a standard process.

Decision tree on who should execute HR activities

```
                    ┌──────────────────────┐
                    │  Need for cost or     │
                    │  service improvement? │
                    └──────────────────────┘
                       │                │
                    ┌──────┐         ┌──────┐
                    │ Yes  │         │  No  │
                    └──────┘         └──────┘
                       │
              ┌──────────────────┐
              │ Is it a core     │
              │ activity?        │
              └──────────────────┘
                 │            │
              ┌──────┐     ┌──────┐
              │ Yes  │     │  No  │
              └──────┘     └──────┘
                 │            │
         ┌──────────┐   ┌──────────────────┐
         │ do not   │   │ Does it impact   │
         │ proceed  │   │ on core activity?│
         └──────────┘   └──────────────────┘
                          │            │
                       ┌──────┐     ┌──────┐
                       │ Yes  │     │  No  │
                       └──────┘     └──────┘
                          │            │
              ┌───────────────┐  ┌──────────────────┐
              │ proceed with  │  │ Is it readily    │
              │ caution       │  │ available in the │
              └───────────────┘  │ market?          │
                                 └──────────────────┘
                                   │            │
                                ┌──────┐     ┌──────┐
                                │  No  │     │ Yes  │
                                └──────┘     └──────┘
                                                │
                                        ┌──────────────┐
                                        │ consider     │
                                        │ options      │
                                        └──────────────┘
```

| Improve working arrangements (flexible deployment?) | Insourcing | Ad hoc collaboration | Joint venture | 3rd party contract |

Source: Reilly and Tamkin (1997) adapted from Lentz (1996)

In summary, outsourcing works best for stable but frequently-used services in a commodity market that keeps costs down, or where the supplier has skills that are too expensive to retain in house. Each organisation has to make its own calculation of when outsourcing delivers real value and for what.

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Crowdsourced leadership

Penny Tamkin, Associate Director & Luke Fletcher, Research Officer

We have stumbled across a few references recently to crowdsourced leadership and were intrigued. Is this something new, a repackaging of old approaches or a quickly forgotten fad? We thought it worth exploring what is being said about the concept and what the implications might be for employers.

Sense making

To understand it means first understanding what we mean by crowdsourcing. Wikipedia gives the example of an integrating definition derived from a range of sources:

> *Crowdsourcing is a type of participative online activity in which an individual, an institution, a non-profit organization, or company proposes to a group of individuals of varying knowledge, heterogeneity, and number, via a flexible open call, the voluntary undertaking of a task.*

Another definition sees crowdsourcing as the act of outsourcing, ie subcontracting, to the crowd.

With these definitions we might wonder what is being 'crowdsourced' when it comes to leadership: leadership itself; expectations of what is wanted from good leaders; or tapping into those in the organisation to generate, develop or comment on ideas. In reality, the literature appears to cover all these aspects.

Crowdsourcing what?

The first approach sees crowdsourcing as an alternative way of delivering what might be considered some of the most central and traditional roles of leaders. Chief amongst these is the leadership mainstay of setting the vision for the organisation or determining strategy. Getting the crowd to address vision or strategy means legitimising that activity and Peck (2013) is clear this means putting people into a

different frame of reference and encouraging them to offer their opinions more freely by asking them:

> *'What would the owner of this business or organization do right here, right now? Why? What's needed? What can I do to make that happen?'*

The second approach suggests that Leaders should more often go to their employees to ask *'What is it that you want from me?'* One example is work by Sneyd (2013) who found three primary clusters each of three sub elements.

1. Employees want to be inspired:

    i.   they want to work with leaders who are highly skilled

    ii. who have articulated a clear vision

    iii. and who are transparent and clear in communication.

2. Employees want to be respected:

    i.   they want leaders to show respect and dignity towards the individual

    ii. they require fair and equal treatment

    iii. as well as consideration and understanding.

3. Employees want to be rewarded:

    iv. they want appropriate and fair compensation

    v.   career growth and opportunity

    vi. job security.

Thirdly, crowdsourcing is about tapping into the wisdom of crowds by asking the right questions:

> *'How can a leader be less the oracle, and more the miner of gold that sits untapped across the organization?'*

<div align="right">Papay, 2013</div>

In this interpretation of crowdsourcing, it enables leaders to access views quickly and for those views to influence each other. It is about re-releasing control, focusing on a few key questions:

'Crowdsourcing mines insights that shape each other - the crowd can surface a trend that the crowd helps to explore and evolve - all the while yielding a leader incredible insights and ideas. There's a place for robust data collection. But there's also a need for a process that's faster, nimbler, and gives you more insight for decisions. In fact, with crowdsourcing, one great question will lead you to figure out what the next great question should be.'

Papay, 2013

There is also literature which suggests what leaders need to consider whilst seeking the views of others in the organisation:

- interfere as little as possible

- let everyone have a say

- don't make the decision yourself; manage the process

- make final decisions by secret ballot.

  'The last…may be the most important piece, because public decision-making, and even brainstorming, suffer hideously from the human need to conform.'

Heffernan, 2010

It is interesting to note that this last point of advice is the opposite of the view of Papay (2013) which suggests creating a public discussion forum and enabling participants to see how support or views are evolving.

Others have advised that crowdsourcing is not an abdication of leadership and that it is best used not by those who are struggling to make a decision but by confident 'bold' leaders. Villasenor (2011) suggests that leaders need to understand that to work well crowdsourcing requires:

- Ensuring you give something back in return for employees' ideas. You cannot just mine a community, you have to create one.

- Cultivating creativity internally as well as externally by searching for ideas within the organisation.

- Making sure ideas support organisational purpose: the process tends to generate so many ideas; you need to have a filter which a purpose can provide.

■ Be prepared to fail: Crowdsourcing means you know very quickly if an idea isn't going to work, in which case leaders can either reverse their actions or 'grow a thick skin'.

So crowdsourcing leadership appears to be a way of engaging others in the direction of the organisation or of finding out what kind of leader the people in the organisation want. It has much in common therefore with more empowering, engaging forms of leadership – transformational leadership, dispersed leadership or servant leadership with a modern twist.

Issues to consider

Although crowdsourced leadership holds much promise, there seems to be four core issues that leaders should consider:

Releasing control

■ **The comfort of power:** Whilst empowerment has considerable academic support in terms of its ability to raise engagement and organisational performance undoubtedly it has its doubters too. Many leaders struggle with empowerment, perhaps because they are comfortable with the power and status they have or because they do not feel they can trust the workforce sufficiently to let go. Some research has found that those in socially dominant positions hold onto their position at the top of the social hierarchy by ensuring the status quo is maintained (Sidanius and Pratto, 2001).

■ **Favoured colleagues:** The status quo does not only favour leaders but may also those close to them through the social networks that leaders hold (Cross et al, 2009). Crowdsourcing activities may inavertedly produce, as well as favour, more ideas and feedback from those closer, hierarchically or socially, to the leader (ie the 'inner circle') than those further away.

■ **Ego-centric leaders:** A further issue that exacerbates this issue is the personality of the leader. It has been said that many successful leaders exhibit dominating and manipulative personality traits (such as extraversion, Machiavellianism and narcissism), which reduces the likelihood that genuine releasing of control will occur (Furnham, 2007).

This suggests that some leaders will need to be willing to push themselves outside of the boundaries they naturally feel comfortable within, and be bold enough to make changes that may alter the dynamics of power within the organisation.

Universal perspectives on the employment relationship

■ **Differing agendas:** An underlying assumption that advocates of crowdsourced leadership hold is that leaders and employees have the same, or at least compatible, interests and agendas. However, this may not be the case, particularly as people are not only self-interested but also favour their own social groups (Turner, 1985 as cited by Hogg and Terry, 2000).

■ **Differing rewards:** Although not necessarily incompatible, the agendas and interests of leaders versus employees are more likely to be at odds when perceived outcomes and benefits are unbalanced. For example, during the current global economic decline many employees have faced freezes or decreases in pay whereas many CEOs and senior managers have received increases in bonuses and remuneration (The High Pay Commission, 2010). This highlights how crowdsourced leadership activities need to be a) managed sensitively, b) viewed as a genuine means for employees to participate and be involved in decision making, and c) be seen to be fair to both employees and leaders. This 'quid pro quo' aspect is important.

The wisdom versus the mindlessness of crowds

Crowdsourcing promises the opportunity for leaders to tap into the views of many and to mine the wisdom and intelligence of everyone in the organisation and thus arrive at much better decisions. However, this is not necessarily the case, and group-based decisions are subject to a range of biases that can affect their reliability.

■ **Group biases**: Decision making which is primarily group based is susceptible to group biases. These biases include social conformity (Asch, 1955), compliance (Milgram, 1963) and loafing (Karau and Williams, 1993). Social conformity and compliance relate to the problems associated with (real or perceived) pressures placed upon individuals to hold attitudes, enact behaviours and make decisions that are perceived to be correct or desired by the rest of the group. Therefore, ideas and feedback from crowdsourced leadership activities may not be true reflections of employees' actual thoughts and feelings.

■ **Groupthink** (Janis, 1982) refers to suboptimal or dysfunctional decisions being made as groups may favour some information/solutions and ignore others due to extreme group cohesion. More specifically it is when private views are in conflict with the public (group) view that groupthink results in particularly dysfunctional decisions being made.

■ **Social loafing** exposes the danger of diffused responsibility. Individuals may not participate or get involved in crowdsourced leadership activities because they

can 'hide' behind others in a group and simply assume the rest of the group will participate regardless.

Leaders need to consider how to reduce group biases when designing crowdsourcing practices, such as using individual and private ballots/voting systems, emphasising that each individual has an important role and responsibility, and building in ways that teams become accountable for certain decisions/actions.

Sustainability

One key question that is particularly important, yet seems to be neglected is how leaders and organisations can sustain crowdsourced leadership activities? It is a common problem for annual employee survey initiatives, and indeed many HRM activities, to suffer from attrition rates and reduced take-up from the workforce over time. Response fatigue when people are just too busy to spare the time is compounded by resentment or cynicism that can build when it appears that nothing has changed or been acted upon or ideas were not valued (Zuckerman, 2013).

Ensuring sustainability is built into crowdsourced leadership practice is paramount. In the short term this can include rewards and recognition of employee participation (eg thank-you notes, monetary vouchers, competitions/prize draws). The longer-term view needs to consider how action plans can be devised, implemented and fed back to employees based on the decisions and feedback gained from crowdsourced leadership activities.

New kid on the block or golden oldie?

Crowdsourcing is an appealing new take on some much older approaches. The opportunities offered by new technology means that tapping into the views of employers can be undertaken more quickly and more widely than before. But it is not without dangers. Balancing that ability to engage others on a host of leadership issues comes consideration of the how and the why and the responsibility owed to those who are consulted to ensure that they feel part of a mutual endeavour not exploited in an ill-considered application of social networking. With care, this current trend may help leaders practice an empowering application of leadership which would be of great value, practiced badly it may simply fuel fatigue and cynicism.

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Zero-hour contracts: the continued debate in 2014

Jenny Holmes, Research Officer & Catherine Rickard, Research Fellow

The year ahead is likely to see continuation of the heated zero-hours debate. In January 2014 the House of Commons will hear the second reading of the Private Member's Bill to prohibit the use of zero-hours employment contracts. Later in the year the findings from the government consultation, launched by Business Secretary Vince Cable, on zero-hours contracts should also be made available. Mr Cable has suggested that one possible outcome from this consultation is a code of conduct for employers, which would mean the developments in this area should be on the watch list for all HR practitioners and employers in 2014.

During 2013, the issue of zero-hours contracts was hotly debated with widely differing views on the issue and a considerable lack of understanding of the scale of their usage or their impact. Zero-hours contracts are where a person does not have a contract to work a set number of hours and is only paid for the number of hours actually worked (IDS, 2013). As a result, opinions on zero-hours contracts range from considering that they are a necessary response by employers to cope with fluctuations in demand or workload; that they serve to exploit vulnerable workers; or that they represent a shift in the power balance between employers and employees where a skilled employee can pick and choose work and achieve greater flexibility and work-life balance.

In this paper, we attempt to tease out the key issues and signpost developments expected in this field in 2014.

How big is the zero-hours issue?

The size of the zero-hours contract issue is debatable. Evidence suggests that the number of people on zero-hours contracts has risen in recent years, with the latest Workplace Employment Relations Study (2011, published in January 2013) showing the proportion of workplaces with employees on zero-hours contracts has risen from 11 per cent in 2004 to 23 per cent in 2011 (House of Commons, 2013a). However, actual

estimates of numbers of people engaged on these contracts range significantly from 250,000 (0.8 per cent of the working population) based on Labour Force Survey (LFS) figures for Q4 2012 (ONS, 2013a), to a CIPD estimate of around one million individuals (three to four per cent of the working population) (CIPD, 2013), based on a 2013 survey of employers. The lower government estimate is based on self-declaration and the ONS has outlined the limitations of this method, including the concern that individuals may themselves not select 'zero-hours contract' as their employment status when other response options in the LFS such as part-time or shift-working may be more meaningful to them (ONS, 2013a). In August 2013, the ONS announced that they would consult on a better means of collecting this information from September 2013 with the first figures, using the new statistics for measuring this employment category, available from early 2014 (ONS, 2013b). This timetable has since been revised and the consultation document was released on 23 October 2013 (ONS, 2013c) with the results of the methodology consultation expected on 10 January 2014 and initial data in March 2014.

Where are zero-hours contracts used?

What was once seen as a characteristic of the low-paid sectors such as care work and retail, zero-hours contracts have spread to the skilled professions such as university lecturers and hospital consultants (IDS, 2013) (covering 11 per cent of professionals, CIPDa, 2013). According to the CIPD, the voluntary (34 per cent) and public sectors (24 per cent) now have the highest proportions of employers using zero-hours contracts (compared to a private sector figure of 17 per cent), with the industries most commonly using zero-hours contracts being the higher education sector (35 per cent); healthcare sector (27 per cent); and hotels, catering and leisure (48 per cent), to cope with seasonal demands.

Are people on zero-hours contracts 'employees'?

A critical question for both employers and those engaged on zero-hours contracts is whether these individuals are classed as 'employees'. As HR practitioners and employment lawyers will be well aware, employee status does not come with a clear definition but is determined by a series of tests which on balance may create the picture of an employment relationship.

The most cited 'employment test' in relation to a zero-hours contract is that of mutuality of obligation. This is the concept that states that in an employer-employee relationship there must be a reciprocal obligation on the employer to provide work and pay for it and on the employee to carry out that work. In a standard contract, this would typically be seen as a set number of hours work for which the employer will pay and for which the employee has agreed to perform. The crux of the zero-

hours contract is that whilst it is a contract with many of the standard clauses that would exist in a typical employment contract, there is no set number of hours which must be worked. Depending on the contract, there can be specific phrasing explaining that there is neither an obligation on the employer to provide hours nor an obligation on the worker to accept them; in other contracts, the wording may be looser stating simply that hours will be confirmed 'as and when available', and will 'vary from week to week'.

Viewing the relationship in this way, without mutuality of obligation, would mean that the individual on the contract would not be an employee but a worker with the consequent diminished employment rights. These workers would have rights to the National Minimum Wage for the hours worked; to paid holiday; to benefit from protection and the duty of care under Health and Safety legislation; and the employer should also not be able to restrict the individual's engagement in any other employment activities. However, the worker would not be eligible for sick pay, maternity pay, redundancy and many of the other benefits that accrue to those who are considered to be employees. As such, this reduces the employment costs to the employer to a greater extent than other forms of contract such as annualised hours or part-time working, which may help deliver the working time flexibility but without such reduction in employer costs. However, the lack of employment rights is precisely the reason these contracts have become so vilified by the media and a focus of interest for the government.

Also, employers should be aware that if, in practice, the individual on a zero-hours contract does have to accept all the work offered to them or that, in reality, they are offered the same hours week-in, week-out, an employment tribunal might well find that an employer-employee relationship does, in fact, exist, with all the liabilities that this would entail.

On the other hand, IES knows of at least one large employer that uses zero-hours contracts but grants full employment rights in terms of benefits such as maternity pay and sick pay to those employed in this way. These contracts therefore can be considered as genuinely being used to increase resourcing flexibility. The significant variability in the treatment of individuals on zero-hours contracts is critical in determining their impact and adds to the problem of definition, and assessing the size of the zero-hours population.

As mentioned in the introduction, a private member's bill that aims to prohibit zero-hours contracts has been sponsored through parliament by Labour MP Andy Sawford. Little information is currently available on the definitions that will be used, the way the proposed prohibition would work and any exemptions that may be granted, but the sponsorship of the bill stems from concerns around the individual

consequences of zero-hours contracts on the lowest paid and most vulnerable workers, particularly in areas where there are very limited employment choices.

Have you used zero-hours contracts to meet flexibility needs?

Zero-hours contracts can be a legitimate tool for HR practitioners to generate greater flexibility for their organisations. Aside from zero-hours contracts, the variety of types of flexibility that organisations can use include 'temporal flexibility' adjusting the time worked through means such as annualised hours, part-time working and term-time-only working; 'numerical flexibility' varying the size of the workforce through calling on temporary staff, fixed-term workers or agency workers and 'functionality flexibility' which entails multi-skilling and task flexibility (Mercer and Reilly, 2012). Data shows that responsiveness to reducing market demands during the recent recessionary period was achieved more through flexibility in numbers of hours per worker than in headcount adjustments, compared with the previous two recessionary periods (under the leaderships of Thatcher and Major). It may be that the increase in usage of zero-hours contracts has contributed to this change.

Source of labour input reductions in successive recessions
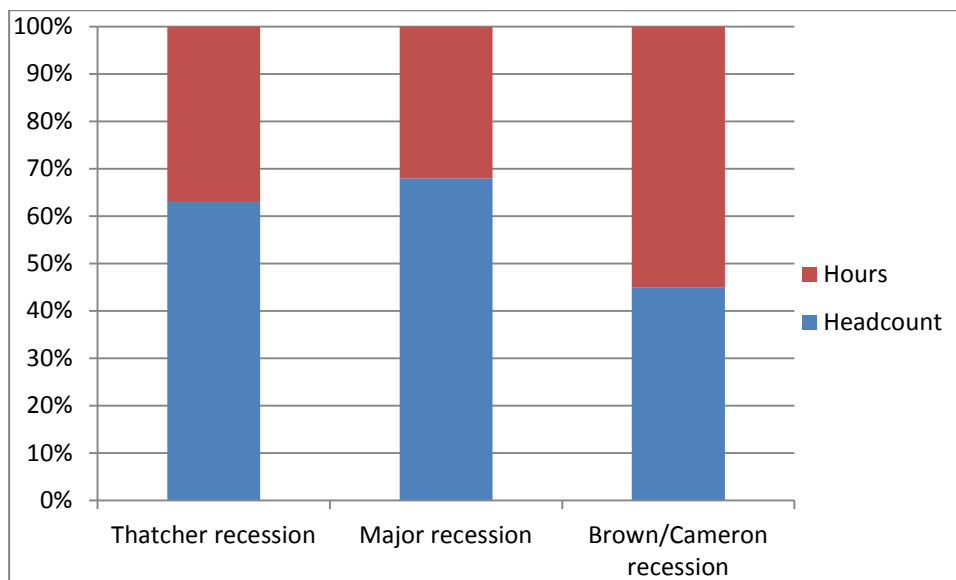
Source: ONS

Flexibility vs. Uncertainty

Skilled workers with portfolio careers or those who simply want to balance their work and their non-work lives may appreciate being able to choose when to accept hours from a particular employer. Those with particular specialisms in their field

understand that they need to be 'on the books' of organisations, particularly in those sectors where background checking can be a long and involved process such as education, finance or health and that this will not necessarily immediately bring in paid work. This view of the situation appears to be confirmed by the CIPD finding that only 14 per cent of those on zero-hours contracts state that their employer often fails to give them sufficient hours (CIPD, 2013). A CIPD employer survey in 2013 found that the average hours worked by someone engaged on a zero-hours contract was 19.5 hours (Beatson 2013). However, the literature on flexible working also questions the impact on the individual of imposed flexibility rather than being the preference of the worker.

A Westminster Hall debate in July 2013 raised a number of concerns around zero-hours contracts, including the lower earnings of zero-hours workers; the difficulty zero-hours workers have in planning their finances due to the variability of their earnings; their lack of employment rights; and that the choice to turn down work is often considered 'illusory' (House of Commons, 2013a). The uncertainty and lack of control that employees can experience as a result of zero-hours contracts can also be a cause of stress at work, which can impact their productivity and reduce employee engagement (BPS, 2013). However, it could be suggested that some of the sectors in which zero-hours contracts are more common, are less concerned with achieving high levels of employee engagement. Yet, despite the type of job performed, the flexibility which employers seek through the use of zero-hours contracts could be considered as coming at the cost of employees' security.

IES's Peter Reilly observed in his August 2013 blog post on the subject of zero-hours contracts that they are: '*suited to unpredictable staff needs, like short-term absence or a sudden peak in orders*'…(but) '*using zero-hours contracts for predictable or recurring work patterns appears to be a misuse of its purpose and rightly makes one suspicious of the motives for its adoption*'. The Westminster Hall debate also suggested that for the employer zero-hours contracts can be damaging as they can lead to 'inadequate staffing levels, the loss of training and skills development and an inability to attract and hold on to the highest quality staff' (House of Commons, 2013a).

The future of zero-hours

In summary, we will expect to see 2014 bring an improved method of measuring the extent of zero-hours contracts use in the UK and the findings from the government consultation on the issue. It is hoped that it will also shed light on how mutuality of obligation can function in the context of zero-hours contracts and the consequent employment status of those individuals contracted under them. The year will also bring more details on the private member's bill and its progress through parliament, although many commentators think it is unlikely to result in a complete ban on the

use of such contracts. Outside of regulation, many alternative solutions exist, for example, the Recruitment and Employment Confederation has called for a voluntary code of good practice for zero-hours contracts and measures that will mitigate the worst practices (BBC News, 2013). Most importantly, the government review of the use of such contracts is expected to bring some greater clarity on how the flexibility achieved through such contracts can be combined with protection and greater certainty for the most vulnerable workers.

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IES Briefing: Zero hours contracts: the only route to workforce flexibility?
13 November 2014, London
with Peter Reilly

Zero hours contracts have been in the news and become a political football whilst the rationale for their proper use has been consigned to the margins of the debate. So when are zero hours contracts a good idea and when not, and what alternative options are there to flex work inputs to meet variable business demands? Our discussion will feature legal and practitioner contributions as well as IES.

To find out more and book a place visit www.employment-studies.co.uk/network/events

Understanding resilience

Sally Wilson, Research Fellow, Catherine Rickard, Research Fellow & Penny Tamkin, Associate Director

Introduction

Resilience helps people bounce back from adversity and stress and is generally seen as an asset that benefits the individual as well as the organisation they work for. Despite this, few employers know how to help their staff become more resilient. There are a number of resilience-building training and development products available but it can be difficult to know what to look for and how individual staff and the wider workplace could benefit. A basic understanding of what is meant by resilience and related terminology can help when navigating relevant advertising literature and other HR information sources.

Why is resilience needed?

Some degree of resilience is necessary in any workplace environment regardless of the type of job challenges encountered. Stressors such as deadlines, work volume or organisational change all trigger coping mechanisms of some kind. Situations at home may add further pressure. Particular roles bring their own set of specific demands, for example, managerial roles which require decision making under pressure or those in call-centre offices dealing with customers who may be hostile. Resilience is also essential for those in jobs that require dealing with critical and potentially distressing situations, such as military personnel or members of an ambulance crew.

Without the necessary skills and support to cope successfully when under stress, employees may perform poorly or, in a worst-case scenario, become unwell. For staff who 'struggle on' while failing to cope well, engagement with their employer may be compromised and they may decide to leave the organisation.

What is resilience?

Many people assume resilience is just about coping but research evidence suggests a more complicated picture; there are many ways of coping with stress, with some more healthy than others. Other factors that contribute to resilience include self-confidence, optimism and a having a strong sense of purpose. Having good judgement about when to seek support from managers and colleagues (and when not to) is also important.

Different factors may come into play depending on the person or the situation. In order to illustrate this fully, the following key components of resilience, as identified in relevant IES research, are described below:

- problem-focused coping

- emotion-focused coping

- self-confidence

- optimism

- sense of purpose

- support seeking.

Problem-focused and emotion-focused coping

Resilience is more than just the ability to cope under pressure; many definitions emphasise the importance of 'positive coping' in resilience, since there are good and bad ways of coping. For example negative coping styles which consist of avoiding or 'burying' a problem, or having excessive dependence on others to solve problems for them are not helpful.

When discussing positive coping, some researchers make a distinction between problem-focused coping and emotion-focused coping. The first refers to dealing with characteristics of the situation, while the second involves dealing with the feelings provoked by the situation, ie the emotional effects of stress. Dealing with emotions may be the only realistic option when the situation is outside the person's control (for example when an emergency response worker is unable to save a patient). Problem-focused coping is helped by having a good job-related knowledge base: for example when high workload is an issue, knowing what is urgent and which tasks can wait can help a worker prioritise effectively and feel less overwhelmed.

Self-confidence

Self-confidence comes from a sense of being in control and a person's belief in their own ability to meet the demands of a situation. It is linked to feelings of competence, effectiveness in coping with stressful situations and strong self-esteem.

Self-confidence is supported at work by equipping people with the skills they need to do their job and ensuring they are prepared for whatever challenges they may encounter. Providing positive and constructive feedback also supports self-confidence. Experience can build self-confidence and when employees have faced past challenges successfully their sense of being in control is increased. It is particularly important to nurture self-confidence in less experienced or younger staff who have had fewer opportunities to become confident through experience.

Optimism

Optimism or positive thinking often underpins a resilient response. Research has shown that optimists tend to attribute the causes of negative events to temporary, changeable, and specific factors and this is said to offer a buffer against feelings of helplessness. The importance of humour (where appropriate) in supporting a positive outlook has also been highlighted, particularly when working under tough conditions.

Research in developmental psychology has shown that experiencing positive emotions helps to broaden people's thinking about the range of possible responses to a situation, because the situation then lacks the threat and urgency to escape: in other words, negative emotions can cloud thinking. Some people have a naturally optimistic personality but those with a less sunny outlook on life can be helped to view situations more positively and more creatively.

Ideally, a balanced approach is needed. While positive thinking is usually an asset, some researchers have urged caution against relying solely on optimism and have argued that having too much can get in the way of realistic thinking and pragmatism.

Sense of purpose

Having no strong sense of why they are doing something may affect someone's ability to confront and carry out difficult task. All staff should have a good understanding of organisational objectives and the 'big picture' relevance of their role. This can be particularly important for managers when making decisions under

pressure or implementing a plan that isn't popular (for example, making redundancies to support wider organisational change).

A belief that their role makes a positive difference to others' lives (either within the organisation or to the wider public) can also contribute to an employee's sense of purpose and shore up their resilience. When people lose a sense of connection between their own values and those of their employer, it can be difficult to see a challenging task through to the end without feelings of resentment or conflict.

Some people draw a sense of purpose in tough times from religion. Spiritual beliefs that help people stay strong clearly need to be respected, whether these are derived from an organised religion or not.

Support-seeking

Good judgement about when to seek support from managers and colleagues (and when not to) is a key factor in individual resilience. Employees need to know who can help them and in which circumstances to approach them. When a task becomes too big or too difficult for an individual to handle, too much pride in being self-sufficient can be a potential weakness and potentially impact negatively on the individual and the organisation.

Support-seeking represents an aspect of resilience where there is a two-way relationship between the person and their work environment. While it is the responsibility of an individual to alert managers or colleagues to situations they cannot cope with independently it is also the responsibility of the employer to make sure that support is available and accessible. A culture where problems are shared should be encouraged; employers need to show that while they value resilience, they do not expect employees to manage distress arising from a difficult work and/or home situation without support.

Can anyone become resilient?

While people vary hugely in their responses to stress, the good news is that virtually anyone can become resilient. It is a myth that the population can be divided into those who are 'resilient types' and those who are not. People are more psychologically complex than that, as demonstrated by the components of resilience described above.

A manager who may appear confident may be poor at seeking support when this is the appropriate thing to do. Conversely a junior worker who appears to lack confidence might deal with a heavy workload well because they are good at coping with their emotions and have a strong sense of purpose. Resilience can also be

situation-specific. Someone who can cope with a lot of pressure at work may be less good at dealing with domestic crises. Or an employee may find some aspects of their jobs more stressful than others (eg paperwork) because they feel that certain tasks are pointless and lack meaning.

Resilience is complex in the sense that some experiences in life (such as a difficult childhood) can make one person stronger but leave another very vulnerable. For this reason, it would be false to assume that someone who has experienced adversity in the past is less resilient than their colleagues; the experience of coming through a bad situation may have had the opposite effect and they may have found ways of dealing with life that others can learn from.

How can resilience be developed in staff?

Provision of resilience training can complement existing components of an organisations' approach to stress management. Commercial resilience trainers vary in their approach and focus, and some may focus on particular sectors where they have specific expertise. Ideally, training should be bespoke in nature to ensure the content is relevant to work issues that the participants commonly experience.

Most resilience training packages draw on Positive Psychology and the related therapeutic approach of Cognitive Behavioural Therapy (CBT), and include principles such as maintaining a positive attitude in adversity and challenging negative thought patterns. This is based on the assumption that correcting maladaptive thinking leads to positive changes in moods and behaviour.

Some resilience-building interventions aim to help participants to recognise signs of stress within themselves and pay greater attention to their emotions. 'Mindfulness' is typically applied to achieve this, an approach which involves focusing of attention and awareness on the present moment, based on concepts from Buddhist meditation.

Strengths-focused approaches are also beneficial since, as stated above, resilience is multifaceted and employees are typically stronger on some aspects that others. Programmes with this approach tend to cover the effectiveness of different coping styles in a lot of depth. This is particularly useful for showing employees that there is no single formula for being resilient and that weakness can be addressed by learning from others' strengths.

Organisations whose staff is routinely exposed to potentially distressing scenes usually provide 'trauma response' interventions on a reactive basis. The aim of this type of training is to minimise the likelihood of post-traumatic stress disorder (PTSD) occurring in the aftermath of a critical event. These should not be confused

with low-intensity training interventions referred to above, although similar approaches such as CBT are typically employed.

How can you tell if resilience training has worked?

Enhanced resilience has the potential to improve job performance, and may impact positively on absence and retention. Improved capacity for resilience in individuals is likely to benefit the organisation as a whole and have a knock-on effect on productivity. However, the evidence base as a whole, with respect to effectiveness of specific training programmes, is weak in terms of volume and quality. Practitioners do not generally conduct or publish impact studies of their training interventions: cost and client confidentially are a hindrance to this. Also, since resilience can only be demonstrated in adversity it is a difficult quality to observe or measure.

Anecdotal reports suggest that strengths-based resilience training can be particularly effective in helping employees to appreciate the personal coping styles adopted by others within the workforce, and to value the different personality types among their team. This can be morale boosting, particularly for staff who may not have considered themselves as a 'resilient type'. Some training providers have developed instruments which allow participants to evaluate their own resilience-related strengths and identify areas for personal development: this offers the advantage of a personalised approach, which can help ensure that all participants feel they have received an intervention relevant to their own needs.

Claims that resilience-building programmes can prevent serious stress-related disorders occurring are controversial. An intensive resilience-building programme is currently being administered to all US army soldiers with the aim of reducing the prevalence of combat-related mental health conditions. At present the effectiveness of this training with respect to long-term health outcomes is unknown. However, if future research proves its effectiveness this may have implications for training and development methods in other armed forces and within relevant civilian sectors.

Finally

In developing an approach to resilience-building it is important to apply common sense and have realistic expectations of staff. Resilience training is not appropriate for people who are in acute distress or who may be unwell. There is also a need to consider what can be reasonably expected from hard-working employees balancing home and workplace pressures.

Resilience-building interventions can sit comfortably alongside other policies and training interventions to promote healthy working practices and styles of

management. Also, employers can do a lot to support resilience without involving external parties, such as ensuring that employees are prepared for scenarios routinely encountered in their job and know who to approach when a situation merits either team, manager or specialist intervention. Employees should be made aware that while resilience is valued, there is no stigma or shame in admitting when they can no longer cope. Even resilient people can suffer from the effects of stress and trauma, and no one should strive to be invincible.

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IES Seminar: Understanding resilience: ensuring employee and organisational health in tough times
5 February 2014, London
with Sally Wilson

Resilience helps people bounce back from adversity and stress and is generally seen as a positive characteristic. But it can be difficult to define, as the way an individual responds to pressure will depend on their strengths and personal style. Also, it may not be clear to what degree employers can create resilient organisations.

We will explain what is meant by individual and organisational resilience and explore how employers can support staff to cope when times are tough. We will also discuss the findings of research on resilience-building and discuss how resilience training sits alongside the responsibility of employers to promote healthy working practices and styles of management.

To find out more and book a place visit www.employment-studies.co.uk/network/events

Diversity at senior team and board level

Mary Mercer, Principal Consultant

This paper explores some of the literature about achieving a diverse top team, and some of the organisational benefits that diversity brings. The literature demonstrates that the benefits flowing from a diverse top team are only achieved if they are not tokenism and the culture of the organisation supports diverse working throughout its processes. IES has been carrying out research into organisational top team diversity in the UK and our case study findings will be published in 2014.

Interest in diversity at board level grew significantly following the Higgs Report (Higgs, 2003) which reviewed the role and effectiveness of non-executive directors (NEDs) in the UK, finding that only one per cent of NEDs interviewed as part of the study were from ethnic minority groups and only six per cent of NEDs in FTSE 350 companies were female. Higgs argued that in order to be a successful governing body, boards should have an appropriate mix of skills and experiences, which are more likely to exist if board members are from different backgrounds, rather than boards comprised solely by the typical white-male nearing retirement with previous PLC director experience.

A further government report conducted by Lord Davies in 2011 focused specifically on female representation on UK boards, finding that the growth of numbers of females on boards was very slow and recommending that FTSE 100 companies should aim for a minimum of 25 per cent female representation by 2015 (Davies, 2011). Sealy and Vinnicombe (2013) analysed the number of female directors of FTSE companies and found the overall per centage of female-held board directorships in FTSE 100 companies to be 17.3 per cent, with only seven all-males boards and two-thirds of boards having more than one female director. This is still far from Lord Davies' target of 25 per cent female representation on boards by 2015, which only 25 of the FTSE 100 companies have met so far (Sealy and Vinnicombe, 2013). Furthermore, females only hold 5.8 per cent of executive directorships in comparison to 21.8 per cent of non-executive directorships, showing that women are still extremely underrepresented in executive director roles.

In his report, Davies (2011) refers to the growing literature developing a business case for diversity, through demonstrating links between board-level diversity and organisational performance. This business case can serve as motivation for organisations to take consideration of the diversity of their board and senior management team, and introduce initiatives to increase diversity at senior levels.

The business case for diversity

External relations

The Department for Business, Innovation and Skills (BIS) (2013) categorize the benefits of diversity into external business benefits, eg a diverse workforce has access and increased appeal to a broader range of markets, and internal business benefits, ie changes to internal operations such as a wider range of perspectives increasing creativity.

Having a diverse board is expected to provide organisations with access to a wider range of markets (Carter et al, 2003) as directors from diverse backgrounds are likely to operate within different networks and engage with a wider pool of stakeholders (Roberson and Park, 2006) and have understandings of different markets. These combine to form a much wider range of markets than those where board members have similar experiences and thus operate within similar networks and markets. Barkema and Shvyrkov (2007) tested the relationship between tenure (length of service) and educational diversity in top management teams and business expansion into new countries or regions. It was found that tenure diversity correlated with likelihood to expand into new geographic areas, but there was no correlation with educational diversity. The correlation with tenure diversity could relate to internal decision-making processes, but equally it could relate to broader access to markets enabling geographic expansion.

Internal relations

Carter et al (2003) suggest that internally, increased diversity can enhance innovation and creativity due to broader experience providing a variety of ideas, and that diversity can improve problem-solving, due to increased conflict and challenge. This relies on diverse boards having a wider range of perspectives on issues that those from similar backgrounds. Evidence to support this comes from Hillman et al (2002), who studied the background of directors of different genders and ethnicities from Fortune 1000 organisations and found that female and African-American directors were more likely to come from non-business backgrounds, have advanced degrees, and join multiple boards at faster rates than white male directors,

giving support to the argument that female and ethnic minority directors are likely to have had different experiences developing different perspectives. In terms of gender, Huse and Solberg (2006) found that women were also able to create a 'good atmosphere' in the boardroom, referring to the atmosphere being relaxed and open. They represented diversity, soft values, women's issues, and they were asking questions a lot more than men.

Diversity and performance

There have been a number of studies that have compared organisational performance indicators against diversity indicators over a number of organisations, attempting to correlate diversity and performance. Siciliano (1996) studied 240 YMCA organisations comparing multiple measures of board member diversity with performance indicators and found that when there was greater occupational diversity amongst board members, there were higher levels of social performance (success in achieving their social mission) and fundraising. Furthermore, age diversity correlated with donation levels and higher gender diversity appeared to increase organisation's level of social performance.

Similarly, Erhardt et al (2003) found support for their hypothesis stating that executive board of director diversity (ethnicity and gender) positively correlated with return on investment and return on assets, suggesting board level diversity impacted positively on organisational performance. Herring (2009) found that both gender and race diversity was associated with increased sales revenue, more customers, greater market share, and greater relative profits in a sample of for-profit businesses. Carter et al (2003) found by comparing organisations with two or more females on their boards to those with none, that organisations with female board members tended to have a higher financial performance, as well as having larger boards, more annual meetings and more minority directors. Organisations with two or more minority board members performed better than those who had none, however this difference was less pronounced for ethnicity in comparison to gender.

Adams and Ferreira (2009) have criticised many studies for being short in scope, as this questions the causal interpretation of these studies, ie it may be that the apparent positive relationship between increased numbers of females on boards and performance exists as more successful organisations choose to recruit females to their boards rather than females enhancing performance. Interestingly, when Adams and Ferreira (2009) addressed this in their own study, they found that whilst female presence on board increases attendance and monitoring, it actually had a negative impact on performance. Yet Smith et al (2005) assessed the relationships between CEOs or board directors who are women and performance across 2,500 Danish firms from 1992 to 2001 and found there was a positive relationship between firms with

female CEOs (including vice directors) and performance, whereas for female board directors, the results were more mixed. Smith et al were also able to reject the hypothesis of reduced causality, ie that high performing organisations are more likely to hire female directors/CEOs.

The variation between findings of different studies, ranging from diversity having a positive impact to a negative impact, demonstrates that the relationship between gender and ethnic diversity and organisational performance is not as straight-forward as many of these studies attempt to show. Some of the discrepancies may be explained to some extent by influences such as 'tokenism', this being the effect of increased pressure on minority groups due to higher visibility resulting in them not fulfilling their potential (Reskin et al, 1999). Research by McKinsey and Company (2007) found that organisational performance in nine criteria (leadership, direction, accountability, coordination and control, innovation, external orientation, capability, motivation, work environment and values) improved significantly when there were three women on management committees (with an average of ten members) compared to when there were no women. Similarly, Joy et al (2007) found from research on Fortune 500 companies that those with more female board members outperformed those with less in return on equity, return on sales and return on invested capital. Again they found that this relationship was most significant when there were three or more female board members (Joy et al, 2007). These findings could relate to tokenism, as when there are three female board members they are less likely to feel exposed therefore pressure on them reduces allowing them to perform.

Interestingly, Roberson and Park (2006) found that diversity within top-management positions and performance were related in a U-shaped curve, in which productivity fell with increased racial diversity to a point of 20 to 25 per cent racial diversity, after which it then increased. This research ties together many of the theories around the diversity-productivity link, as it suggests that an initial increase in diversity reduces the performance through increased conflict, poorer communication and tokenism, but as diversity becomes more accepted and incorporated into top-level management, the benefits of more diverse perspectives, greater access to networks and stakeholder engagement result in superior performance. Similarly, Nathan (2013) found a non-linear relationship between gender and ethnic diversity and productivity and innovation, with a positive impact on innovation and turnover when teams reach an 'optimum' level of diversity. He calls this an inverse U. Teams at either end (too homogenous ie all men or all women or all white or all BME) lose these advantages.

Kochan et al (2003) suggest that variations into the findings of studies investigating the impact of diversity on performance could be related to the organisational

context. They suggest that when group leaders and members build on creativity and innovation, or when group members have been trained in dealing with issues such as communication and problem solving within diverse teams, then they can reap the benefits. In organisations that have little understanding of working in diverse groups, the increased conflict associated with diversity can have a negative impact on performance. Based upon this model, it is therefore imperative that HR policies, processes and training encourage and educate employees in diverse team working to ensure diversity has a positive impact on performance.

HR practices were also the focus of Armstrong et al (2010), who found that organisations with high-performance work systems (generous HR practices and policies) and equality and diversity management systems benefited from higher labour productivity, lower voluntary turnover and increased innovation. The benefits were greater when there were equality and diversity management systems in place in conjunction with high-performance work systems, which again supports the argument for embedding equality and diversity into organisations in order to benefit from it.

Barriers to diversity

It is clear from the underrepresentation of women and ethnic minorities at board level that despite the growing evidence supporting the business case for diversity, there are still barriers both for those from minority groups in reaching director level and for organisations in achieving diversity at senior levels. Singh and Vinnicombe (2004) suggest that many barriers preventing women from reaching top positions are subtle, unintentional forms of discrimination. Consultation responses in the Davies Report expressed various reasons for low numbers of women on boards: women felt they missed out on numerous development opportunities, were mentored in a different way to men, few women role models and gender-related behavioural traits, namely that women were more likely to undervalue their achievements (Davies, 2011). A lack of mentoring or networking opportunities is commonly cited as a blockage to women reaching senior positions (Fairfax, 2006).

Sealy and Vinnicombe (2013) analysed the career paths of women to the executive to see whether they had been hired directly into their Executive Committee role from a different organisation, or whether they had progressed through the organisation to that role. It was found that 75 women (48 per cent) had been internally promoted to that role and 82 (52 per cent) had been hired in to their role; therefore there was not a clear path. Analysis of a matched random sample of 157 men on executive committees and found that 62 per cent of men were internally promoted versus 38 per cent externally hired, suggesting that women are less likely to be promoted internally, thus needing to move organisation to reach executive committee positions (Sealy and Vinnicombe, 2013).

At an organisational level, Smith et al (2005) study found that across 2,500 Danish firms, organisations from the primary sector, energy or water companies were more likely to have no females in their management teams in comparison to service and retail organisations. This is likely to be due to these sectors not typically attracting female employees, therefore the pool of female talent within the organisation would be much smaller, making it more difficult to find individuals capable of filling director positions. Similarly, Higgs (2003) suggests that part of the reason for there being few female directors may be that women tend to be more strongly represented in roles such as human resources, change management and customer care which are not regarded as traditional routes to the board. Singh and Vinnicombe (2004) highlight that 60 per cent of chairmen wanted to select their non-executive directors from those who were CEOs or chairmen of similar sized companies and given that there are very few women in these positions, gender inequality at board level is perhaps unsurprising.

Such issues are only likely to be overcome by organisations thinking much more broadly about who may be able to sit on the board, or by societal change in which there is more even representation across sectors and roles, both of which are likely to take a long time to change. However, Jayne and Dipboye (2004) argue that even now diversity is a business reality, so there is a need for organisations to put in place long-term, sustainable diversity strategies to mitigate the issues diversity can cause and enhance the benefits.

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IES Briefing: Composition of the Board
5 February 2014, London
with Mary Mercer

Recent academic research suggests that organisations are more productive and make more creative decisions when their Boards and Senior Management Teams are made up of a diverse group of people, particularly different ethnicities and both men and women. IES has been carrying out research amongst organisations with diverse senior teams to find out why diversity matters, the impact diversity has had at senior levels and the impacts on the organisation. This event presents our findings.

To find out more and book a place visit www.employment-studies.co.uk/network/events

Talent for what? Reconnecting talent management with business needs

Wendy Hirsh, Principal Associate

Talent management continues to be high on employers' agendas and over the past year IES has been both researching and advising in this area with organisations at varying stages of their talent management journey.

Trends

Some of the key trends in talent management include:

■ Retaining a strong focus on identifying and developing future senior leaders (often now as global players) but with additional attention to some other parts of the workforce. These include those who can become, or already are:

  ● experienced professionals (such as senior social workers in councils and experienced engineers in aerospace);

  ● one of the very small number of top experts pivotal to realising business strategy (eg the leading scientists, world players in their field, in pharmaceutical R&D);

  ● able to perform well in a role which is not necessarily senior but absolutely critical to operational performance and very scarce in the external labour market (eg shift managers in power stations).

  Talent management often needs to address business risks in several of these groups, not just one. Companies like Rolls-Royce and Infineum are addressing issues of specialist talent head on (Hirsh, 2012; Campbell and Hirsh, 2013).

■ The risks for all these key groups can be on several time frames:

  ● right now;

- replacement over the next year or two;

- longer-term succession over a three to five year period and building the early career pipelines which will feed succession for a range of roles later on.

■ Some sectors and occupations face particular long-term resourcing threats from trends in demography and educational choices, especially the reduced outputs from education in the West of people with strong backgrounds in science, mathematics and technology. For example, construction companies are concerned about the future supply of civil engineering graduates.

■ A couple of strong trends in talent management process include the adoption of talent reviews as a collective management process and much closer integration of talent management and succession planning.

■ Still a trend, but now one under question, is the rather slavish use of the performance-potential grid, often called the 9-box grid. This displays employees (sometimes all, sometimes just some groups) in one of nine boxes on the basis of their performance (high, medium, low) and their potential (likewise). Although this approach can be a useful start point for managers trying to start a debate around talent, it does not help managers think about the different kinds of 'talent' they require. In particular, by equating 'high potential' only with increasing management responsibility, the 9-box approach fails to identify technical/ professional potential which could turn into the development of leading experts, advisers and innovators for the future. We are already seeing companies adapting their ideas of potential to highlight several types of 'talent'. If talent management seeks to segment the workforce, we need to consider approaches to segmentation which are really useful in terms of action (Uren et al, 2012).

■ Leading companies (such as GSK and Marks and Spencer) have been re-strengthening their core management and leadership development for all managers at several main levels in the organisation. Talent management interventions then become additional ways of preparing people for more challenging roles, not picking up deficits in management understanding and leadership behaviours.

Challenges

Talent management is certainly a challenging area. The CIPD (2011) survey showed that only half of organisations with talent management activities rated them as effective and only a very small minority (three per cent) rated them as very effective.

So talent management may be an easy thing to advocate but it is certainly not easy to implement well.

Some of the key talent management challenges IES is seeing at present include:

■ Significant push back from managers that talent management is 'just another HR process', that it is too complicated and that it focuses too much on procedure, especially assessing talent, and not enough on acting to develop those people identified. Practice does not always address the choices organisations can make about how to implement talent management which responds to different business needs, organisational structures and labour market contexts (Lubitch et al, 2007).

■ The need to support managers better in their talent management responsibilities, especially further down in the organisation and away from the corporate centre's talent management team, which often focuses just on the top layer or two of executives.

■ A lack of clarity about how big talent pools should be and on what time frames individuals need to be developed. So sometimes talent programmes have too many people on them, leading to frustration when promotion opportunities are scarce. Some talent interventions take too long (eg talent pools lasting many years with little action) and some may be too short (eg quick skills programmes with little experiential content).

■ Clearer diagnosis is required of what skills, knowledge and experience high potential individuals of differing kinds should be developing at various career stages.

■ The difficulty of identifying potential for top management too far in advance. There is pressure, often from senior leaders, to spot this type of potential early but it is not clear that this can be achieved reliably – people change a lot with regard to their leadership skills over time and also their aspirations, especially those individuals juggling work and family responsibilities.

■ Effective career conversations with employees. 'Career conversations' are now in vogue again – and rightly so. If you are going to develop 'talent' you do need to talk to individuals about their interests, aspirations and career directions. These conversations, in the context of the wider business needs and the results of talent reviews and succession plans, then need to shape individual development. A box on a 9-box grid is a fairly hopeless basis on which to have a serious career conversation. But too few organisations have broad but relevant information for

individuals about various career paths and likely levels of opportunity in different types of work.

■ The next few years seem likely to highlight talent deployment as a big issue. Individuals need to find their way into work that will stretch them but also yield business value from their skills and abilities. Organisations need to flex quickly in response to business changes. The open job market, where individuals see posts or projects advertised and apply for them, is proving too slow and inefficient. People for whom a particular job would be just right may not see it or may not realise that their skills are just what is needed. Women often fail to put themselves forward and play too safe. Business silos and managers who hoard good people can block the internal labour market from working. We are already seeing a shifting balance between managed job moves and open internal job markets in favour of more actively managed talent deployment, especially for those in talent pools.

■ Progress on diversity is patchy and often slower than organisations would like to see. Talent management needs to support increasing diversity and stay well clear of the tendency it always has to reinforce rather tired backward-looking models of leadership and clone current populations of top leaders and professionals.

Talent management and strategic workforce planning

Several of the challenges described here are aggravated by a lack of connection between strategic workforce planning and talent management. This may be because broad brush workforce intelligence is simply a weakness in some organisations. In others good workforce planning is done but not connected with the centre of expertise in talent management, which often sits in Learning and Development or Leadership Development.

An IES members' Action Learning Set this year on strategic workforce planning found rather low levels of confidence in this activity. This tended to block or delay strategic workforce messages for managers. The group felt that simply getting on and doing better planning work could usefully inform organisational change. Improvement of the process and the quality of information and analysis could then evolve over time.

Strategic workforce planning can help us address:

■ Where does talent management need to focus in the workforce?

■ Roughly how many people are we talking about?

> ■ When do we need to identify people and over what timeframes do we need to develop them?
>
> ■ What skills, knowledge and experience are we looking for and needing to develop?

Some of the more specific ways in which strategic workforce planning can inform talent management include:

■ Very broad brush analysis of the **numbers** of people likely to be flowing into and out of key workforce groups, including promotions between broad levels in the organisation.

■ Understanding of the **timing** of changing needs and workforce flows, including how this is affected by likely retirements, normal wastage (which will start to pick up again if the economy really moves forward) and voluntary redundancies (a major feature of public sector employment at a time of budget cuts).

■ This analysis may well have to reflect differing business **scenarios** but can still help to roughly right-size numbers of people in talent pools and the scale of development programmes.

■ Qualitative analysis of **changing skill needs** and where **skill, knowledge or experience gaps** are already evident is vital both to talent identification and its development. It also highlights where specific interventions may be necessary.

> **Royal Mail**, for example, found that it had weak succession for safety directors. There was a good pipeline of people three years out but few ready in a one-to-two year time frame. The organisation put in place an approach to accelerate the development of those successors. This included making the function more attractive through improved communication around the business and a Safety Development Programme, including a professional qualification, to act as a stepping stone to a leadership position in this function (Hirsh, 2012).
>
> **Plan**, a major children's development charity, has used internal research, including interviews with those recently appointed into more senior roles, to identify the skills, knowledge and experience which talent programmes need to focus on to prepare successors. Top-down analysis of changing business needs has also led to adjustments of the behavioural leadership framework against which potential is identified. Succession planning showed that addressing skill and experience gaps in short-term talent pools (those one to two years away from possible promotion) was a higher priority at present than programmes for longer-term successors. This priority may change as current development activities bear fruit and demographic changes work their way through.

If seen in terms of managing business risk, workforce planning and succession planning highlight where the risks are in terms of workforce capability and help to set priorities for risk management (Cappelli, 2008). Scenario-based approaches help us see which actions make sense under most scenarios and which will have to adjust as external or internal factors shift over time. The direction of workforce change in terms of skills is often fairly clear. The numbers and timing often need to flex, but for talent management ballpark estimates still help.

Asking managers about these issues is not difficult. Useful questions can include:

■   Where is succession or talent an issue in the business?

■   Where do we fail to deliver business goals because we lack the skills?

■   Where do we struggle to appoint and if so what do candidates lack?

■   Are there things we don't attempt because we know we can't obtain the people?

■   Where are the needs of the business changing and how is this affecting what we need from different groups of staff?

■   Where are we unsure of how we will resource these future needs?

■   Roughly what numbers of people will need to flow through the system?

■   How do we need to change the skills, knowledge, experiences and qualities of people we have available?

■   Where in the pipeline do we need to act?

■   Is action about recruitment, development or both?

■   Is development about improving skills or giving different career experiences?

■   Over what time period do we need to be developing people to fill our jobs more confidently?

Finally, it is worth highlighting the communication challenge of talent management. This is about making talent management real and relevant in a business context. Moving away from abstract notions of potential, by always explaining for what kinds of work we are looking at potential, really helps. Jargon-free explanations of what people will need to have under their belts to be credible candidates for certain kinds of jobs is a great reality check. Being able to highlight areas of work where there are plenty of good people coming through and where the business is short of talent is really helpful in individual career and development planning.

If talent management is to be worth the effort we ask managers to spend on it, it needs to reconnect with business needs. Some widely copied 'best practices' need to be viewed with a more critical eye and re-shaped into more context-specific 'best fit' responses.

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IES Seminar: Talent and succession management: Where next?
11 December 2014, London
with Wendy Hirsh

Talent and succession management is already seen as a high priority area for both HRDs and CEOs. But the last few years have seen many organisations implementing a rather process-driven and formulaic approach, much criticised by writers such as Clutterbuck and Cappelli. Building on recent IES research, this event will look at where talent management might be going. It will help you to identify how to make talent and succession management more flexible and agile; to address the increasing focus on key professionals and mid-level leaders; to tackle the gap in 'effective career conversations' and to increase line managers' confidence and capability.

To find out more and book a place visit www.employment-studies.co.uk/network/events

Top employers for flexible working

Mary Mercer, Principal Consultant

For the last four years, IES has collaborated with work-life balance charity, Working Families, on the 'Top Employers for Working Families' benchmarking and awards. The brainchild of Sarah Jackson, Chief Executive of Working Families, the charity elicited our help to develop the idea and to create the first survey, which forms the basis of the survey today. The plan was to develop a benchmark which showed employers the 'platinum standard' in being a family-friendly, flexible employer. The idea has developed over the years to demonstrate to employers that flexibility is also about business excellence and that being flexible and wanting your employees to be flexible creates the right conditions for productivity and competitive advantage.

Demonstrating the 'platinum standard' through the questions asked in the survey was a deliberate step to help guide employers to know what best practice looks like. For example, we asked about:

■ How adoptive parents were treated.

■ Carers and how flexible their leave was and was it paid.

■ How fathers were informed about and supported through flexible working and leave around childbirth in comparison to mothers.

■ Whether flexibility was available from day one of employment.

■ Whether all jobs were advertised as available to be worked flexibly.

■ What happened to the careers and performance of flexible workers.

■ The impact of flexible working on organisational performance and whether this was monitored.

The Top Employers benchmarking recognises the employers who score best against these standards and we also make special awards to organisations who tell us about something innovative they have done: something unique to their sector or industry,

both overall and in relation to specific categories, such as 'best for mothers' or 'best for career progression'. These awards are bestowed by a panel of judges including IES and, over the years, have uncovered some really fascinating and creative approaches to flexible working which can be seen at: www.topemployersforworking families.co.uk

Examples include: an employer, with mostly male employees, who has developed a variety of support mechanisms for fathers, including support groups, advice and guidance for single fathers and a variety of flexible working practices to support their male employees; a small IT company which has opened up flexible working for all, basically saying, 'We trust you, employees. Here are the tools you need to work how you like, now get on and deliver and you will be assessed on output'. An obvious step perhaps but one that hardly any organisations have really been brave enough to take.

The judges also look out for clear evidence that an organisation is looking at the impact of their flexible working. What is the impact on employees, their engagement and satisfaction? What is the impact on costs, on productivity and on turnover? Quantifiable measurement that backs up an organisation's claims is important to the judging panel.

Over the years, organisations have got to grips with the benchmarking and the idea of what good practice looks like. However, even in some organisations that do well in the benchmarking there are some steps that seem difficult to take. Chief among these is the idea that a request for flexible working should be judged on its "fit" with the organisation: whether the organisation can accommodate it and the impact on colleagues and customers. Over a quarter of organisations are still looking at the reason for the request when making a decision on that request. This is the case even in organisations that have opened up their flexible working to all and not just to those covered by the Right to Request legislation.

Why are organisations asking the employee why they are making the request? Are these organisations asking their managers to make value judgements about the validity of a request to work flexibly to enable a person to study versus a request to play golf or to look after children? If they are, then the request to look after children will always win and flexible working will continue to be seen as a benefit for the working mother and not a business tool to be accommodated where it fits operational requirements. Flexible working will never become embedded in culture if this continues to be the case.

Another improvement that it would be good to see organisations making is to support their managers more with training and development focused on managing a flexible workforce. It is clear from the benchmarking that when it comes to making

decisions about flexible working and leave to care for dependants the decisions are often left to the discretion of the line manager. This is not wrong. Decisions should be made by the people who know the work pattern and requirements best: the individual concerned and their manager. The difficulty comes when organisations that leave these decisions to their managers, do not provide any training, or even any guidance on how to look at requests and come to a decision. In these circumstances, there is a risk that managers behave inconsistently from decision to decision and from manager to manager, leading to feelings of unfairness amongst their staff and not the engagement and satisfaction from properly implemented flexibility.

Year on year we find that organisations report fewer flexible workers receiving the top performance grades than traditionally working staff. While Working Families have found managers anecdotally reported valuing their flexible workers, IES have found, through our consultancy, that managers frequently give lower performance scores to their flexible workers. To really embed flexible working in an organisation, employers must ensure their flexible workers are not missing out on: top performance grades; opportunities for career development; and opportunities for training. We urge organisations to measure the impact that working flexibly has on outcomes for their staff. Supporting line managers to treat everyone fairly and to recognise unconscious bias is also key to ironing out this unfairness.

The 'Top Employers for Working Families' benchmarking and awards have inspired employers to think creatively about flexible working and how to achieve the nirvana of work practices which are 'best for employer, best for staff'. We hope to see even more organisations participating in 2014 and, to facilitate this, the Top Employers for Working Families benchmarking 2014 will be open to IES HR Network members free of charge.

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Establishing a culture of openness

Dilys Robinson, Principal Research Fellow

The problem

> *'I don't understand why it's so difficult in the NHS – why there seems to be a lot of bullying and harassment, why people are afraid to speak out. In the nuclear industry, safety was drummed into us from Day 1. We had an absolute duty to challenge bad practice, no matter who was doing it. If you went downstairs without holding the handrail, even if you were the CEO, you'd be challenged by everyone you met.'*

These words, spoken at a recent NHS conference, were spoken with genuine bewilderment by an HR manager who had recently transferred to an NHS trust from an energy company in the private sector. In this company, safety was so paramount that it was built into the values and from there into every training event, policy, framework, process and system.

It seems so obvious that a culture of openness and transparency is a 'good thing'. If people are encouraged to speak out, they will prevent harm; make suggestions for improvement leading to a better quality product or service; come up with creative ideas – and this will lead to better organisational performance.

Openness: The perceived benefits

Source: IES, 2013

And yet…scandals keep happening, in every sector, and it often seems to be the people we should be able to trust most who let us down hardest. Even organisations that have so far escaped public scrutiny know they are not immune; there could be a hidden ticking time-bomb about to explode. A commonly-expressed lament is that no matter how many systems and processes are put into place, the desired open culture is not there. Employees are reluctant to use whistle-blowing policies, suggestion schemes, confidential telephone lines, staff forums etc. They acknowledge the behavioural competences, quality standards and codes of conduct, and may indeed do their best to abide by them – but they stop short of reporting those who do not. Employee survey responses show that they do not believe that their good ideas will be listened to, or that there will not be adverse consequences if they speak out.

'This must never happen again'

Cynics could be forgiven for thinking, 'but it will'. A quick glance at the evidence shows that similar arguments have been repeated by academics and politicians over the years. It also reveals very similar proposed solutions every time an investigation reports after a scandal.

■ Back in 1997, Larry Hirschhorn argued that it had become necessary *'to create a new culture of authority – one in which superiors acknowledge their dependence on subordinates, subordinates can challenge superiors, and both are able to show vulnerability'*.

■ This excerpt, from a government White Paper, sounds as if it could refer to the recent scandals around Mid Staffs and the resulting enquiries and Francis Report, yet it was written in 1998, shortly after the Labour government came to power, *'…achieving meaningful and sustainable quality improvements in the NHS requires a fundamental shift in culture, to focus effort where it is needed and to enable and empower those who work in the NHS to improve quality locally…'* (paragraph 5.6).

■ The much more recent Mid Staffs public enquiry (2013) is more specific about the required culture, *'For a common culture to be shared throughout the system, these three characteristics are required'*:

   ● *'Openness: enabling concerns to be raised and disclosed freely without fear, and for questions to be answered.'*

   ● *'Transparency: allowing true information about performance and outcomes to be shared with staff, patients and the public.'*

- *'Candour: ensuring that patients harmed by a healthcare service are informed of the fact and that an appropriate remedy is offered, whether or not a complaint has been made or a question asked about it.'* (paragraph 1.176).

What are the drivers for openness?

Published research (notably Davies et al, 2000, which draws heavily on earlier work: Robbins, 1996, Newman, 1996 and Martin, 1992) suggests that the openness (or otherwise) of an organisation's culture is driven by the extent to which:

- the organisation *encourages* and *rewards* innovation, risk-taking, and new ways of doing things, rather than taking a traditional approach

- decision-making is *devolved* rather than centralised

- communication is *informal* rather than hierarchical

- there is a focus on *outcomes* rather than processes

- the focus is *external* (on customers and the wider community) rather than internal

- the organisation values *diversity* rather than uniformity

- people feel *valued* and *supported*

- the organisation fosters *teamwork* rather than *individualism*

- the organisation is *competitive* rather than *collaborative* in relation to other organisations

- there is *consensus* throughout the organisation about values and appropriate behaviours

- the organisation is not excessively *differentiated* or *fragmented* in terms of employee groups and their norms and beliefs.

Can social media help?

Many organisations have now adopted internal social media, enabling employees to talk to each other across the whole business. In some, this is working well: the CEO is delighted at being able to pose a problem, and getting a flood of suggestions. Employees in different departments and locations are getting to know each other and starting to find common problems and solutions. However, organisations that

do not already have a fairly open culture are finding that their social media conversations are limited to fairly trivial issues and/or are dominated by a few individuals; many are still reluctant to voice their views. There is also anxiety about what to do to if inaccurate, misguided or malicious information starts to be circulated. The debate around managing the flow of ideas, without stifling them, is likely to continue for the foreseeable future.

What does this mean in practice?

The reality, for many organisations, is that it is very difficult to reconcile competing priorities and persuade very different groups of people to collaborate in an open, consensual way. The bigger and more complicated an organisation is, the harder it gets to see the big picture – and the addition of widespread mistrust of senior leaders' motives makes it impossible. There is also an understandable fear that a more open culture may lead to a flood of employee demands that cannot be met or – worse – false accusations that might damage reputations.

Changing culture is very hard, and requires concerted effort. Areas for attention are relatively easy to identify, not so easy to tackle:

- Although systems, processes and policies are not enough on their own, they do need to be there, and they need to be firstly visible, accessible and clear to all, and secondly implemented appropriately (for example, when an issue has been raised by a whistleblower).

- There should be a much greater emphasis on values and behaviour, with regard to recruitment and financial reward (promotion, bonuses, performance-related pay etc).

- The importance of openness should be emphasised at induction, and repeated at every opportunity.

- Individual employees should be acknowledged and recognised for their suggestions, and responded to regardless of whether or not their ideas are to be implemented.

- Organisation-wide consultations should be honest and genuine listening events.

Individual initiatives are unlikely to succeed on their own, so a high degree of 'joined-upness' is needed. Finally, as with just about every people-related issue, it will not work unless it is modelled by the people at the top.

- Are they genuinely interested in people and their ideas?

- Do they listen and respond?

- Do they receive criticism openly?

- Do they acknowledge and celebrate the contribution others have made?

- Are they willing to admit that their cherished projects might be the wrong ones?

If not, even the very best efforts of HR are unlikely to succeed.

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IES Seminar: Establishing a culture of openness
29 May 2014, London
with Dilys Robinson

Many organisations struggle with fostering an environment in which employees feel they can speak out openly: to make suggestions for improvement, point out potential risks, and blow the whistle on malpractice. Often, the processes and policies are in place, yet employees are uncomfortable about using them in case of repercussions. If people avoid speaking out, recent scandals show that the consequences can be disastrous. How can organisations establish and foster a more open culture, to capitalise on employees' ideas and manage risk more effectively?

To find out more and book a place visit www.employment-studies.co.uk/network/events