

'Human Resources – a Pillar of Corporate Strategy' - *The results from a 2002 survey research project identifying the incidence of the involvement of Human Resources in corporate strategy.*

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ABSTRACT: This paper seeks to explain the place of HR in the modern firm from an involvement in corporate strategy perspective to empower HR to position itself in the volatile business environment; and to respond to the apparent lack of recognition and status accorded to HR. There is a need to explain the situational and circumstantial interactions between HR and pivotal strategic factors in business. The lack of sound quantitative empirical evidence comes to the fore in all disputes on the importance of HR, and especially in its involvement with business drivers and the perception of it by business leaders. This research focuses on the improvement, operational and strategic contributions of HR i.e. the genuine gain to firms resulting from the wide ranging involvement of HR throughout the firm, rather than on the *in-discipline* practitioner aspects of the job. The wide ranging involvement of HR is shown to provide important inputs into the implementation of corporate strategy, and this type of rigorous quantitative evidential posture should characterise the response of HR to the often arbitrary opinions of it which resound around the hierarchy of many companies.

1. INTRODUCTION

Business today is led by a new breed of senior managers who speak a quantitative language of exponential growth and decline, regression, PC analysis, they talk of trends, absolutes, Eigen values, covariance; and they explain their world in histograms, means, and linear models. This is not everyday language for HR yet this is what senior managers understand because they live in a highly numerical world of reversing into companies, cooperative ventures, and they live above and below the line.

In a highly measured world of quantitativists HR still presents itself in largely qualitative terms which are not recognised and do not fit in with the quantitative rigour of modern business.....HR speaks a different language.....it is no less rigorous but it is often not compliant. This leads to the assumption that HR is a bit woolly, more art than science and, therefore, a likely non contributor to the rigorous thrust of modern management which likes to see itself as more science than art.

HR presents itself with such a difference in language despite the fact that the majority of criticisms of it are quantitative measures i.e. 'contribution', 'better', 'wealth', 'improvement', 'efficiencies', 'costs', 'income', 'lack' which are not satisfied by qualitative arguments – they require an equal and opposite but same yardstick response. However HR need not represent itself so as it clearly has a measurable relationship and involvement in business strategy.

2. METHOD

Numerous quantitative studies have been carried out into HR over time; the majority of which have been frequency analyses showing the balance of people, cost, function etc. Few have aimed at looking into the operational interaction of HR with other disciplines in the firm. This research does not lean on any previous work because firstly such studies tend to have a short shelf life in a fast changing business world and the research basis is often narrow and unique.

In studying HR across a wide range of business activity a research design involving a large random sample survey research model was chosen, which was both large in sample numbers and also large and wide-ranging in the subject variables covered.

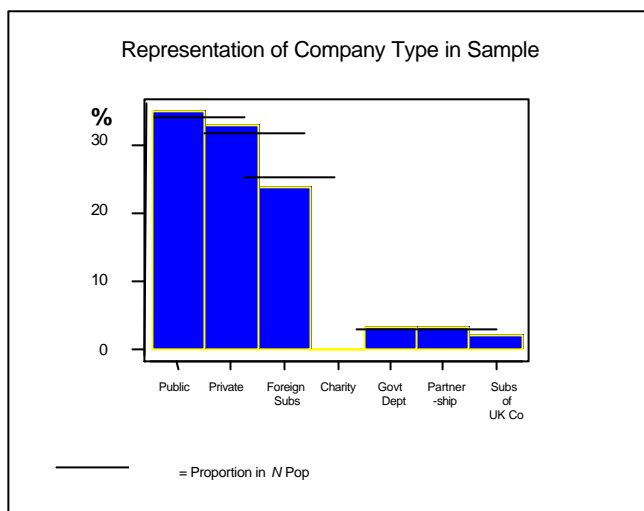
The survey research was carried out between February and August of 2002 initially by way of a questionnaire which was repeatedly addressed to a random population drawn from a compound of freely available databases of UK and European firms. Further responses were acquired by interview, telephone, fax and mail. The majority of respondents were at HR Director level and also others who had been delegated to respond. Some of the follow up activity was aimed at both the same and other disciplines in the sample companies according to the focus of the questioning.

The survey was conducted specifically for the '*Human Resources – a Pillar of Corporate Strategy*'

2002 Conference in London and sought a total of 301 possible responses to 72 separate propositions which in turn produced 159 separate variable entries resulting in over 34,000 individual data entries which were entered into a computer software data matrix. These were variously focused and the design sought to avoid opinion and arbitrary inputs in the interests of clarity. The data was structured such that it enabled analysis in both the time and frequency domains to provide trend and correlational indicators.

The sample companies in this study vary by type, structure, industry, region, size and employee numbers. The following chart shows that the majority of large employers in the sample are major UK public companies which employ more people than in turn do private firms, subsidiaries of foreign firms, partnerships, and UK subsidiaries. Figure 1 illustrates that the sample is representative of the population to within a 95% level of confidence.

Figure 1



A wide variety of complex statistical methods have been used to analyse the data inputs to this work and the results have been converted to simple centiled charts which are used to punctuate the reasoned arguments at the heart of this work.

The analytical parameters focus on (a) the involvement (b) the implementation and (c) the contribution of HR to events within business especially where these relate to factors of strategy. The research design has been based on the recognition that the modern firm is a highly integrated organisational structure in which the management and implementation of strategy is a systemic process. HR's contribution to strategy is defined as being that which goes beyond the normal planned and budgeted work of HR at times of change within the firm or industry e.g. at times which require a deliberate involvement by all functions within the firm; or when change is either imposed by circumstances or decided upon by

the firm. It follows that in either of these circumstances the company would either have adjusted its strategy or it would have decided upon the development or change of strategy. In either case it is the differential level of involvement between normal operations and that at times of change which identifies that something is going on in those areas commonly associated with strategy and we can measure the involvement of HR at times of such change. An example might be where a company has gone through change or unusual events and HR contributes by adapting the staff / manpower, labour costs, work patterns etc to changed circumstances. An analogy might be the difference between the role of HR as in an army in peacetime and the greater level in scale and scope of its involvement and contribution at times of war. Similarly, the current heightened level of volatility in business enables this research to identify the greater incidence of the involvement and to measure the increased contribution of HR to corporate strategy.

3. ADDRESSING THE CRITICISMS

Two main areas of criticism are levelled at HR and are treated as catchall hypothetical propositions herein. These are founded in two distinctly different areas. The first focuses on the participative contribution aspects and the second on HR as a cost and efficiency burden. These are treated separately to avoid confusion from crossover qualification and to maintain the integrity of the responses to the overall proposition that HR does not contribute to corporate strategy.

It is found that the critical components of these propositions are that: -

- HR does not improve the firm.
- HR produces no genuine wealth.
- HR creates no operational improvement at the heart of business.
- HR is not important in a business structure which is focused on cost and income efficiencies.
- HR is a cost drag on business and lacks structural contribution.

These propositions are all negative statements and are left as directional hypotheses to enable the production of substantive findings. It is a paradox that whilst it is to the disadvantage of HR that the criticisms made of it are so comprehensive; that by so being they advantage this research by involving main response indicators of strategy i.e. *improvement, wealth, operations, structure, cost and income, contribution* etc.

(a) 'HR does not improve the firm.'

The suggestion in this case is that the HR process does not benefit the company by improving any of the processes with which it interacts. Whereas, the overriding assumption must be made that the quality of any HR process is of a standard such that it could provide improvement. Given that qualification then the test must be whether the HR process is involved in the delivery of quality improving interactions, the areas in which those improvements are made, and whether such improvements would be beneficial to the typical firm structure in the sample.

Whether any improvement attaches to the company as a result of a high quality service that HR may deliver in the normal course of its work is not the same issue as that addressed in this proposition; neither would any improvement in such operations compensate. The aim must be to investigate whether HR provides improvement beyond its commonly understood supporting role.

As the prime level of engagement of HR within the firm is with its people then one basic measure of *improvement* lays in the area of training and development. This is an important contribution given that a two-thirds majority of the sample companies report unique and narrow profile skills inherent in their staff and over one-third have a people component at the heart of their product or service. The opportunity, therefore, exists for HR to make a valuable contribution and it does so in the sample by being responsible for and contributing to skills transfer, management development, training and planning in 87% of the sample companies. These improvements are provided by HR to all staff in three-quarters of the sample cases and on scheduled improvement programmes in two-thirds of the sample firms.

It is clear, therefore, from this simple frequency illustration that where planned improvement is concerned then HR designs, manages and delivers improvement in a significant majority of firms. But the acid test must be whether HR provides such improvements at times of need or change in the company, in which case the contribution made by HR must be a response to need or change in the firms' circumstances.

However, proposing that things are *improved* by simple involvement throws up the question of *compared to what?* The best yardstick of which is to investigate the improvement and adaptation efforts of HR at times of change because it is implicit in those circumstances that such engagement must be contributing some improvement or making an adaptive contribution.

The prime consideration must be to determine whether HR is a constant provider of improvement activities and the following analysis illustrates the extent of skills transfer etc activities in the sample businesses:

Figure 2



The indications from figure 2 are that the provision of training and staff management development is provided twice as much as 10 years ago and almost as much again as it was 5 years ago whilst the involvement of HR has increased proportionally indicating a greater dependence on HR.

The following contingency tables reach further into business to illustrate HR's responses to change and in turn afford a comparison with what others in the sample companies are doing.

Table 1

Tabulated Statistics (Centiled)

COLUMNS: Responsibility for skills transfer / training and planning

ROWS: Level of competition in the Company's sector in the past 5 years

	Depts	HR	Board	Jointly (Inc. HR)	ALL
INCREASE	9	38	3	45	95
%?	10	40	3	47	100
% ?	90	95	100	96	
DECREASE	1	2	0	2	5
% ?	20	40	--	40	100
% ?	10	5	--	4	
ALL	10	40	3	47	100
% ?	10	40	3	47	100

It is clear from Table 1 that HR bears the burden of adapting employees to address increased competitiveness. Whilst other departments are also address-

ing the situation it is clear that HR is contributing to improvement at a critical time, and is involved in 87% of all delivery; 83% of which is at times of increased competition and the difference of 83% in cases of increased and 4% in cases of decreased competitiveness illustrates the appropriateness of HR's response and contribution to events in business.

Table 2 similarly relates the improving and developmental activities of HR alone at times of a change in the fortunes of the company in terms of market share change.

Table 2

Tabulated Statistics (Centiled)

COLUMNS: Change in market share

ROWS: Who designs and delivers training and staff Management Development – HR / in-house training department?

	<u>Increase</u>	<u>Decrease</u>	<u>ALL</u>
Yes	42	51	93
% ?	45	55	100
% ?	89	96	
No	5	2	7
% ?	71	29	100
% ?	11	4	
ALL	47	53	100
% ?	47	53	100

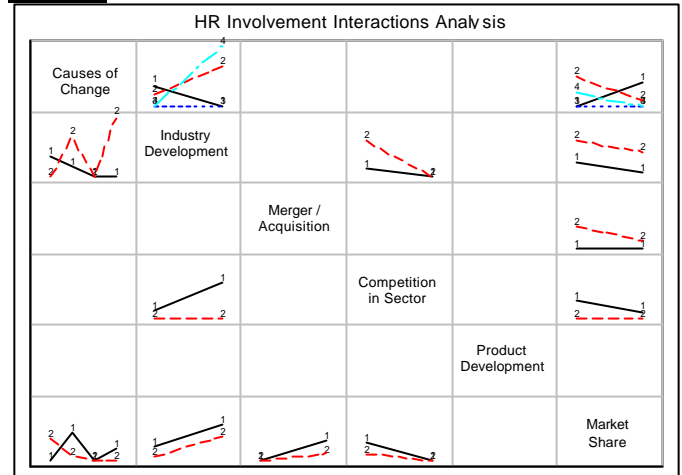
Unsurprisingly this chart shows that HR provides 93% of all involvement in training and MD at times of varying levels of performance, and it is interesting to note that HR increases its activities at times of business pressure by 25% when market share is decreasing. This indicates that not only is HR the prime driver of improvement provision but that it manages this activity prescriptively with a sensitivity to company needs.

It is also found that HR responds with improving contributions at times of change in terms of market share and heightened competition. In considering events elsewhere in a company at a time of change e.g. when a firm has undergone a merger or indeed when market circumstances have changed or a firm is in the developmental stage in a new industry etc the question must be whether HR is similarly involved at times of need as it is in the case of market share and competitiveness?

This research posed these questions to the sample with the results illustrated in Figure 3 the response variable in which analysis is the involvement of HR in a variety of changing circumstances in business. The chart shows the improving interactions which

involve HR at times of change in the firm. The evidence of which is that in many cases HR has a primary role in providing an improving contribution to business. Whereas, in others there is still a contribution being made which can be read from the equal and opposite (transpose) response on the other side of the equation.

Figure 3



It is clear, for example, that when HR engages in addressing planned reduction / expansion / attrition / retention resulting from change caused within a mature / new industry perhaps as a result of decline or growing pains then HR's involvement is significant. Similarly, the involvement of HR at a time when change has resulted from a shift in market share performance is evident in the interaction with the causes of change.

Thus HR is clearly a driver of improvement in the firm but most interesting is the fact that it is almost equally as active in good times as in bad and that it responds to changing circumstances by stepping up its activities to equip the company to address challenges.

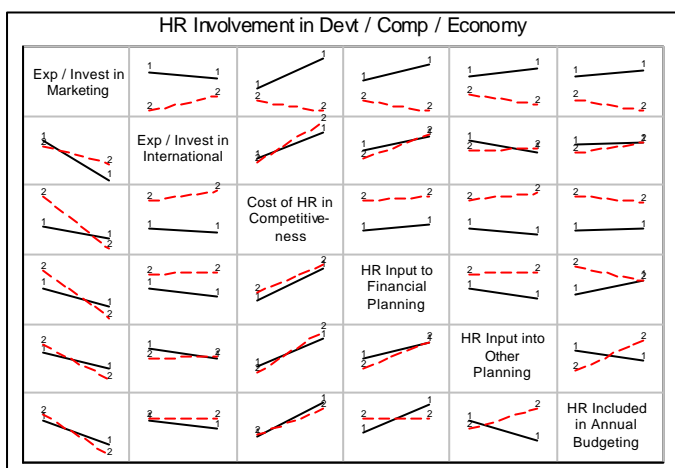
Therefore, contrary to the proposition that HR does not improve the firm, it is clear that HR significantly contributes in a beneficial way to operations and changing business circumstances especially at times of greatest need.

(b) 'HR produces no genuine wealth.'

This is a criticism levelled at HR which probably says more about the critic than his criticism as it is usually made by those from *front line* disciplines who perceive their role as the sole creator of wealth. The reality is that modern business is a highly integrated complex structure in which success is a team effort, so the focus in this analysis must be the proximity of HR to the point of business generation and income maximisation.

Clearly it is not the job of HR to go out and secure business any more than it is for some other functions. However, it has already been shown that HR provides improving contributions to front line activities and especially at times of business volatility and increased competition. It is possible to enlarge somewhat on this by way of the analysis in Figure 4 which charts the incidence of the involvement of HR in its interaction with other events in the business.

Figure 4



The response variable in this analysis is the incidence of contribution made by HR to tactics and strategy which are the foundations to the creation of genuine wealth and it is clear that HR is involved and variously contributes in the majority of cases. The trend in this data indicates that the contribution of HR is, contrary to the proposition, being actually as close to the perceived *front line* of wealth creation and competitiveness as it is to economy and cost improvement.

Overall, this analysis illustrates by the incidence of its involvement that HR is as focused on maximising gain as it is on minimising loss.

The left hand column in Figure 4 shows, for example, the involvement of HR with *marketing* in its interactions with *international*, *competitiveness*, *finance* and *competitiveness*, *operational financial planning*, *strategic planning* and *company budgeting* issues. All possible permutations of relationship between the variables indicate a positive involvement of HR in the mix of these accepted critical contributing factors to wealth creation in the firm.

The limitation of this analysis is that it only identifies the incidence of the involvement of HR and not the degree or extent of its involvement. In this case, therefore, we are looking at the contribution of HR to tactics and strategy with the implication being that if these other interacting functions are contribu-

tors to the production of genuine wealth, then HR must also be doing so to some extent.

(c) 'HR creates no operational improvement at the heart of business.'

This is inevitably an engagement issue rather than a situational and circumstantial one. The acid test must be whether the outputs from HR enter into the operational area of the business beyond the immediate practitioner responsibilities of HR. In continuing with the earlier issue of the production of genuine wealth it is possible to overlay the operational improvement contribution of HR by way of the incidence of actual inputs into business generating activities. The following chart illustrates the contribution made by HR in providing inputs into both tactics and strategy and also costings and price into bids and tenders.

Table 3

Tabulated Statistics (Centiled)

COLUMNS: HR inputs costings into product price makeup
ROWS: HR involvement in tactics and strategy

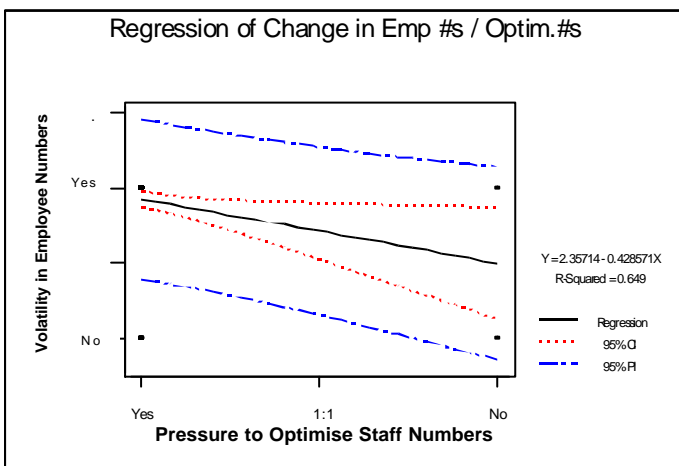
	<u>Yes</u>	<u>No</u>	<u>ALL</u>
<u>Yes</u>	25	27	52
% ?	48	52	100
% ?	86	38	
<u>No</u>	4	44	48
% ?	8	92	100
% ?	14	62	
<u>ALL</u>	29	71	100
% ?	100	100	

The *external* activities operationalised in this part of the analysis are not perceived as being indiscipline responsibilities of HR and so it is surprising to see that HR is involved in tactics and strategy meetings in over half of the sample, and inputs into bids and tenders in almost one-third of cases. This is a significant finding given that one-third of the sample reports that there is a people component in their product or service which indicates a quasi production / marketing support role for HR. A lost opportunity to business is also indicated by this data insofar as the largest incidence in the data occurs where HR is not brought into the tactics and strategy arena and not required to input to bids and tenders. Clearly the 48%:52% balance suggests that not all tactics and strategy participation by HR would lead to inputs in bids and tenders; but the balance suggests that if HR were involved in more than about just half of the cases then its contribution might well be greater. In other words, if so few participate and so many contribute then how many more would contribute if they were able to and how much benefit is

being lost to business as a result. The implication being that here is a situation where HR clearly creates operational improvement at the heart of business when it is allowed to be involved and has the potential to increase its contribution.

The ultimate yardstick of performance at an operational level must surely be when addressing the complexities of structural change whether resulting from a planned expansion or a planned contraction, assets attrition, or optimal retention, and the effect of any input can best be seen at times of change. These circumstances are often found in the sample in an efficiency hungry climate of e.g. pressure to optimise and rationalise staff numbers and labour costs without any loss of competency. Data to support such an analysis was acquired by the survey and is operationalised in Figure 5.

Figure 5

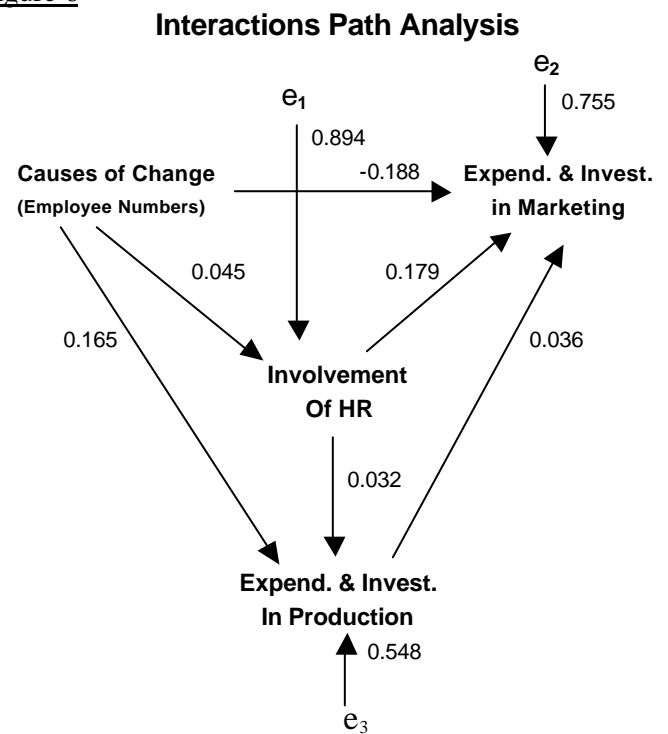


This very revealing analysis shows that when there has been a volatile climate of change in employee numbers in the sample companies as opposed to a stable environment, it has been accompanied by pressure to optimise staff numbers. The regression line starts at the point when there is change in employee numbers and also a need to optimise. As the optimisation process progresses there is a reduction in the incidence of change and a progressive reduction in pressure to optimise further – which indicates that the process has been managed effectively by HR. It is interesting to note that 92% of respondents reported some volatility in employee numbers in the 5 year period and 98% had an increasing pressure to optimise staff / labour numbers through the same period. Therefore, this is not only a very frequent but also an increasingly important improvement function which is an operational improvement is at the heart of a firm's structure and is a process almost exclusively managed by HR in the sample companies.

However, the above analysis only demonstrates that HR does its own job well; it does not explain the comparative of interaction between HR and other

contributors to strategy in the firm. The following is an Interactions Path Analysis in which the arrows indicate the expected causal connections between variables. The model moves from left to right implying causal priority to those variables closer to the left. This complex mathematical structure takes function data from (a) the reported involvement of the causes of change as related to HR (planned reduction, planned expansion, natural attrition and optimal retention) (b) the expenditure and investment (focus) in marketing (c) the involvement of Human resources (d) the expenditure and investment (focus) on production.

Figure 6

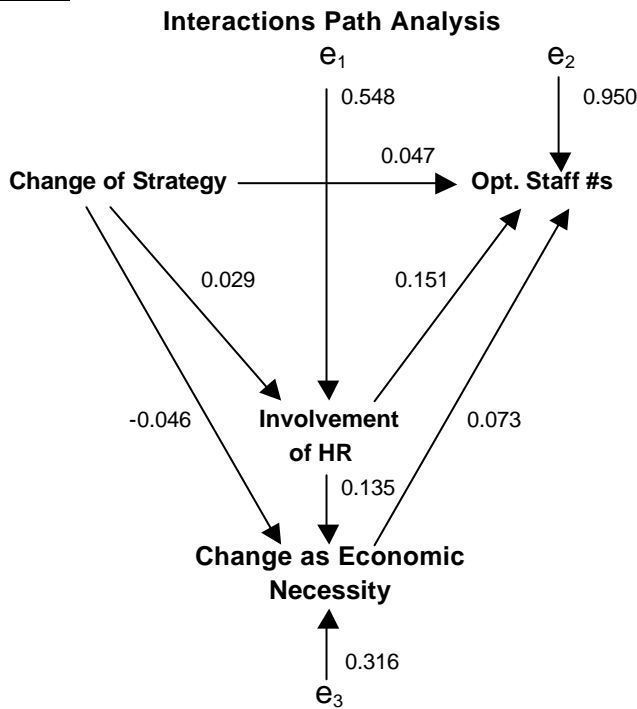


The indications from this analysis are that the causes of change have a small direct effect on marketing over time although they have a larger indirect effect through HR indicating that HR is an implementer of change in this area. The causes of change are also found to be highly correlated with corporate strategy whether that results in expansion or contraction and it is clear that the implementation is carried out by HR, which demonstrates that it is both involved in strategy and also provides operational improvement. It is notable that the involvement of HR in marketing at times of focus in that area is greater than the direct effect on HR, which in turn indicates that HR is proactive in supporting functions within the business affected both by change and other external factors. The same causes of change more directly affect production although HR also makes a positive contribution in this area. The fact that HR's coefficient output relationships within this analysis are greater than its inputs indicates that HR both has an integrating effect throughout the business and also that it has similar highly complex *improvement*

relationships with other parts of the business as is evidenced by the high value 0.894 of influence upon it from factors outside the nexus of this analysis.

Figure 7 focuses on the causal effects of the change of strategy as it influences the interaction of HR with change as an economic necessity resulting in pressure to optimise employee numbers.

Figure 7



This chart shows that the coefficient of external influences on HR is reduced which indicates that we are closer to the prime areas of interaction of HR within this analysis. Once again it is clear that the direct involvement of the causes of change and the optimisation of employee numbers, the involvement of HR, and the factors driven by economic necessity are quite small. Whereas the implementation of such change is largely driven by HR with the two largest interactions being between the involvement of HR and the optimisation challenge and the relationship with economic driven issues. It is notable that the relationship between economic necessity and the optimisation of employee numbers is relatively small with a large external influence on optimisation. Further analysis identifies other factors as being responsible for this i.e. market forces, industry change, technological change, and other issues and further investigative work reveals a similar indirect relationship with the implementation burden being taken on by HR over time. The largest most significant relationships in this analysis are those between HR and the pressure to optimise numbers and the changes implemented as a result of economic necessity. The fact that there is a greater relationship between HR and these factors than there is between HR and the forces of strategy change over time indicates that

HR is responding to factors outside of this analysis which further indicates the far reaching involvement of HR within the firm.

These analyses compound to leave little doubt that HR provides operational improvement at the heart of business.

(d) *'HR is not important in a business structure which is focused on costs and income efficiencies.'*

This argument becomes increasingly less tenable as this analysis progresses given that it has been shown that modern business is a highly integrated structure and that HR significantly frequently interacts with other functions within it. It has also been shown that HR is very often proactive in promoting improvement in response to change brought about by outside influences and the sample data indicates that 92% of change involving HR in business has been in response to the external influence of market forces.

Over half of the causes of such change are found to have an industry perspective; over one-third are driven by technological factors; and over 70% also have another cause (e.g. business environmental factors, structural change in the company, and regulation etc) and HR has been shown to respond to change and to contribute wide-ranging improvement in all these areas.

So from a structural and business operational perspective the proposition that HR is not focused on cost and income efficiencies is easily refuted.

Furthermore, more than half the sample companies report that HR inputs into tactics and strategy with almost 60% of companies reporting that costs in HR's sphere of influence impact on financial planning and competitiveness. HR is found to be very active in the area of cost efficiency inputs given that it inputs into bids and tenders in almost 30%; into product price in 25%; and inputs costings into other planning in 70% of cases. The cost and income efficiency contribution of HR is probably best viewed from the fact that the optimisation of staff numbers, which is an efficiency measure and the minimisation of staff costs which is a costs factor, are both managed by HR; and engage HR in 50% and 48% respectively of the sample companies.

So from a costs and income efficiency balance perspective it is clear that HR is sensitive to cost and income efficiency in the sample companies.

A more detailed view of the interaction of factors of HR's economic inputs into the costs and efficiency balance is illustrated in Table 4 which correlate the reports on the importance of the cost of a-

bour on financial planning and competitiveness, and HR's input of costings into operational financial planning.

Table 4

Tabulated Statistics (Centiled)

COLUMNS: HR inputs costings etc into operational financial planning

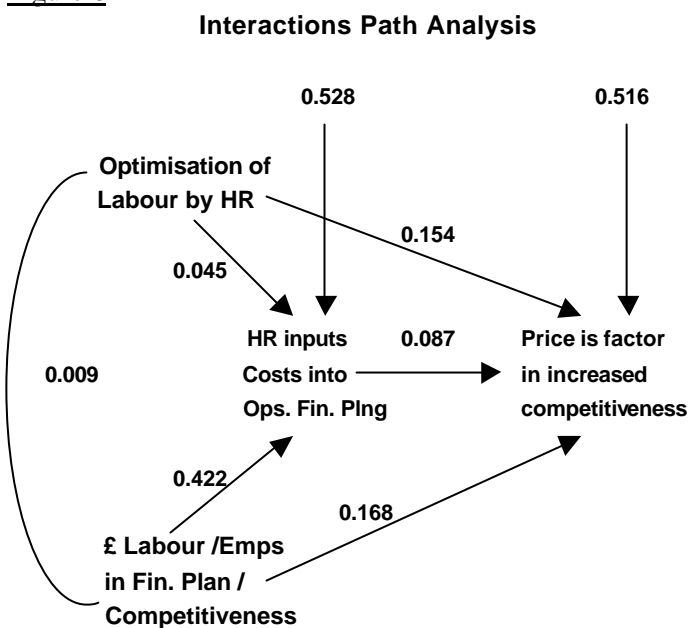
ROWS: The cost of labour / employees is a major consideration in financial planning / competitiveness

	<u>Yes</u>	<u>No</u>	<u>ALL</u>
<u>Yes</u>	46	11	57
% ?	81	19	100
% ?	73	30	
<u>No</u>	17	26	43
% ?	40	60	100
% ?	27	70	
<u>ALL</u>	63	37	100
% ?	100	100	

It is clear from this analysis that when costs impact on competitiveness then HR inputs costings into planning in almost half and overall inputs into almost two-thirds of all cases. HR inputs costings in more cases than those whose competitiveness is impacted by issues of costs in labour. This demonstrates that HR provides important costs and income efficiency inputs more frequently than the level of need in business.

An analysis of the relationship of factors and the balance of inputs over time illustrates both the involvement of HR and the importance of its contribution.

Figure 8



There are two important engagements of HR in this analysis in Figure 8 i.e. the optimisation of labour and the cost / competitiveness relationship operationalised with HR's contribution to financial planning to test the relationship of these factors with 84% of responses in the survey indicating that price has been a major factor in competitiveness. This analysis does not seek to make a direct causal link from HR to price but rather to illustrate what is happening in companies in the area of costs when they are pressed to compete on price i.e. they are sensitive to economic considerations.

This chart is structured differently to the earlier interactions analyses because there is no dominant causal effect as between the cost / competitiveness and optimisation variables and also little direct relationship between them. It is interesting that both these variables which significantly involve HR have an almost equal and high relationship with the price factor / competitiveness effect. It is also notable that the cost of labour / competitiveness variable has a higher relationship with the HR activity of inputting costs into the price effect on competitiveness than the optimisation variable. The underlying reason for this is that optimisation can also be achieved at other levels in the company whereas the cost of labour as an input into financial efficiency leading to competitiveness is a more focused HR reporting activity. These findings are reinforced by the fact that whilst these two causal variables have an almost equal effect on the price / competitiveness effect, the cost / competitiveness variable has a higher relationship with the involvement of HR than does the optimisation variable.

Thus it follows that HR significantly contributes to cost and income efficiencies in companies and the value of this contribution can be seen from the fact that the factors in this analysis, all of which involve HR, have a causal effect on price / competitiveness i.e. in the first instance on costs and naturally also on operational efficiency and income efficiency in business.

(e) 'HR is a cost drag on business and lacks structural contribution.'

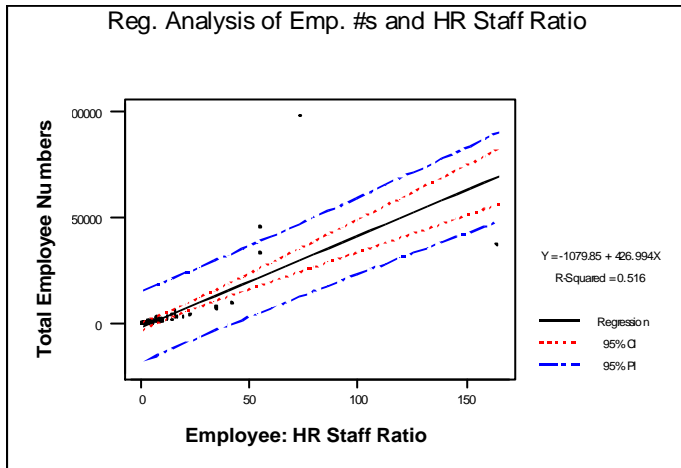
The issue of the contribution of HR to business has been more than adequately addressed in the foregoing analyses such that the proposition that HR does not make a valuable operational contribution within the structure of business is easily refuted.

The cost and value of HR, however, is a different issue especially when addressing the assertion that HR is a drag on business. In responding to this it is necessary to review the dedication of HR assets to explain the value of HR, and to investigate change

over time and size to identify any evidence to support the proposition.

The regression chart in Figure 9 is derived from interacting the data for employee numbers and HR staff ratios. It illustrates the proportion of HR staff changes in relation to change in employee numbers, with the acid test being whether there is any scale economic advantage.

Figure 9

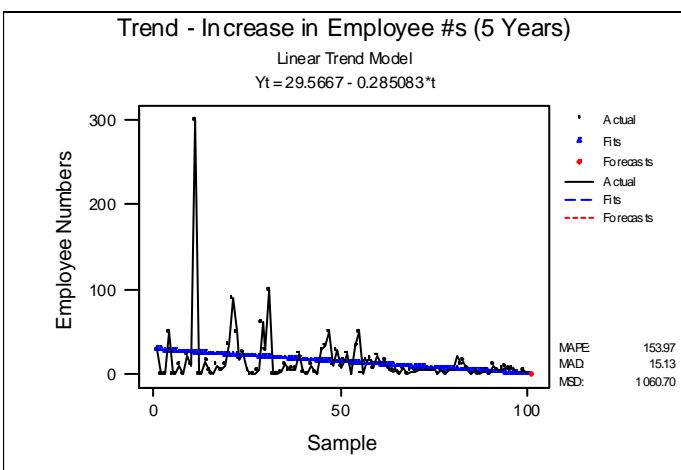


Outlier data has been excluded in the interest of clarity and this chart leaves no doubt that as employee numbers increase then the proportional dedication of HR staff decreases. This effect is made clear by the fact that at very low employee numbers the proportion of HR staff is high with one sample case being at a ratio of 1:12, but as employee numbers increase the proportion decreases to e.g. 1:170 on this chart which only contains part of the whole study.

The regression line sits well within the 95% Confidence Interval and the 95% Predictive Interval, with the Confidence Interval range enlarging progressively which indicates that HR delivers scale economies which in turn indicates that HR is a cost efficient function.

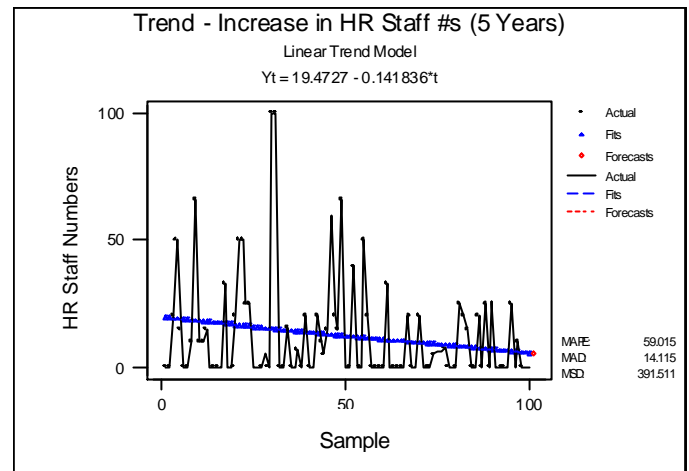
The trends behind this can be seen more clearly in the following two charts:

Figure 10



which illustrates firstly the trend in employee numbers in cases where there has been an increase and secondly the corresponding increase in HR staff numbers in the same cases:

Figure 11



It is found that where there has been an increase in employee numbers there has been a corresponding increase in HR staff numbers. However, it is also clear that where the trend through the sample is towards a reduction in the frequency and extent of increase in employee numbers, there is greater corresponding trend in a reduction in the frequency and extent of increase in HR staff numbers. This indicates that HR is sensitive to events in the firm and optimises its response to change – and this is a further expression of the scale economies discussed earlier.

The indication from this analysis is that HR is responsible in its attitude to costs and economies which refers back to the earlier discussion on the role of HR in optimising staff / employee numbers and its sensitivity to costs and income efficiencies.

77% of the sample companies apportion a planned budget to HR and 75% of these have the budget broken down into component functions. However, this budget only covers a mean of less than 60% of the activities of such a breakdown, which partly explains why HR is often pressed to cope with planned workload whilst being burdened with unplanned unbudgeted work. The implication being that if HR were a cost negligent function within the firm then the situation would not be so.

It is also notable that whilst 48% of the respondents indicated that increased regulatory demands on HR required additional staff; the numbers of HR staff actually increased by only 12% in response to an increase in employees of 15% and this quite aside from the increased regulatory pressures. So on the one hand HR continues to make scale economies by growing at a proportionally lesser rate than its work-

load whilst very frequently in the sample having unplanned, unbudgeted work heaped upon it.

This indicates that HR is both good value and sensitive to its relative size and cost burden and contributes beyond its costed brief such that it overall adds value.

Neither can it be said that HR is expensive by being over generously rewarded as only 15% of the sample reported that HR salaries were higher than those of others in similar positions. Even this 15% is diluted by the mix of white collar / blue collar and other variability in firms. The balance 85% of the reports indicate that HR salaries are at a similar level or lower than others in similar positions.

The HR / employee relationship is a stable one; it's not a volatile component in the firm and the fact that the balance remains more or less constant in terms of scale indicates that the HR component in business survives a test of repeatability and predictability. The lack of extremes in costs and contribution indicates an accepted cost and value commonality across the sample which in turn simplifies management, budgeting, planning etc.

4. IN CONCLUSION.....'HR does not contribute to corporate strategy'.

On balance it has been shown that HR makes a substantial and valuable contribution to business. It reaches into the far corners of every company in a way that few other disciplines do. This is evident in the multivariate relationships identified in this study and also in the high degree of dependency that other events and functions in the business have on it e.g. in the path analyses where the dominant inputs have been incoming to HR from wide ranging sectors in the sample businesses.

All functions in the modern business tend to be highly specialised and HR is no exception in that whilst its prime focus is with the people element within highly integrated structures, it is to its credit that it steps outside of those tight constraints and adds value to business as a whole. It improves business prospects by improving its prime assets whether they have a narrow skills profile or whether they are the firm's own product as is so often the case nowadays with a growing service sector in the economy. HR provides critical support at the very heart of a significant majority of the sample firms in the areas of management and efficiency.

HR also demonstrates how flexible and conscientious it is in the frequency and area of its inputs at times of change, and it has been shown how valuable and significant this contribution is at times of

heightened competitiveness and when businesses are under pressure especially in the case of declining market share and under-performance.

HR even responds to external influences when, for example, change in industry impacts on the firm, or when firm specific change such as when a merger or an acquisition takes place.

It is often not the job of HR to go out and seek business and yet the evidence is that HR inputs into tactics and strategy, which are perceived as being the drivers of wealth creation, to a significant extent. It is notable that HR appears to be ever present, somewhere in the complex structure and relationship of the implementation of strategy. Even its disciplinarily *distanced* inputs into tactics and strategy occurred in a significant majority of the sample cases.

It has been suggested that HR makes no operational improvement and yet it is clear that HR makes a significant contribution in a wide variety of areas when it is allowed to do so. HR inputs into marketing, production and other critical areas of business and HR carries this engagement successfully even in times of economic necessity. So HR critically contributes 'on the way up' and also 'on the way down', and it is important that it can be shown that it does both.

The suggestion that HR is not important in a business structure focused on costs and income efficiencies has been refuted, by showing that HR inputs more often in cases of competitive pressures than when the impact is just an issue of labour. So, overall HR inputs cost and income efficiency inputs more frequently than the level of need and this alone establishes the credentials of HR as a costs and efficiency sensitive discipline.

Whilst any function will inevitably have a cost implication on a company by its very existence and could variously be described as lacking a structural contribution, it has been shown that this is clearly not the case with HR within the sample. In fact the opposite is very much the case in that HR has been shown to be significantly cost efficient and sensitive both in its operations and in terms of economies of scale and scope. So HR is widely responsive, responsible and economical and significantly inputs into interdepartmental relationships, management, budgeting, planning and is a significant contributor to the management of change and an important contributor to the implementation of strategy.

So how can it be then, if the incidence of the involvement and contributions of HR are so many and widespread and valuable, that the earlier criticisms made of HR could be made? How could it be that

such a valuable contributor to efficiency in so many areas of business could be so maligned? Surely the benefits of HR would have been noticed and appreciated in all firms over time. However, this paper started by claiming that there is a clear communication problem with HR and other functions in the firm. It has gone on to show that this lack of communication results in a series of lost opportunities; lost opportunities for HR and lost opportunities for business. Apparent in the evidence hereto is a dominant quantitative case in support of HR which is clearly not being communicated to business by HR because it cannot be explained in the overwhelmingly qualitative language of HR, and herein lay means to illustrate the value of Human Resources in the modern business.

An example of the current misunderstanding of HR is shown by the fact that this research deliberately did not ask how HR sees itself because there would have been too few opinions. But it did go back to the sample base and question people outside the HR field as to how they perceived the role and contribution of HR in the firm. "Can you tell me what does HR do in your firm?" "What contribution does HR make to the firm?" It was surprising to discover how few could explain HR beyond a 'hire 'em and fire 'em' role and occasionally with a bit of Comps and Bens and company cars. Less than 15% of those questioned enlarged beyond these recruitment etc issues.

HR must overcome by improving its message the:

- 93% of companies who view HR as a service only.
- only two-thirds of cases who see HR as an equal to other functions.
- two-thirds of colleagues who see HR only as the employer.
- 90% who see HR as the paymaster.
- only 18% who see HR as a centre of excellence.
- 40% who see HR as non-productive.
- only 61% who see HR as having a similar status
- only 52% of companies who have an HR Director.
- less than 5% of companies who have an HR Director on their main Board.

Communicating the right message with the right language can build upon:

- the only 14% who see HR as a necessary evil.
- the only 4% who see HR as unnecessary.

- and turn the tide in the 17% of companies who report a higher rate of HR staff turnover than in other departments.

The alternative is for HR to expect to be appreciated for its important contribution and that will likely not happen any more than it has in the past, in the absence of something new. That something new must be to stake a claim to the important ground which belongs to HR as mapped out in this paper. The strategy for which must be based upon appropriately communicating the wide ranging involvement that HR has at the heart of business both in the area of operational management and in the implementation of strategy as discussed herein.

A wide range of areas of positive involvement and contributions of HR to corporate strategy are identified in this research and include the following:-

- Management development in improving and equipping employees
-at times of heightened competitiveness
-at times of decline in market share when a business is under pressure
-at times of change in employee numbers resulting from strategy change or external factors
- Irrespective of industry stage of development
- At times of structural change e.g. merger / acquisition
- At times of change in competitiveness in its sector
- At times of new product development when new skills and messages must be conveyed to staff
- Even when it is not the job of HR to go out and secure business it still contributes to the company's efforts in marketing and competitiveness
- HR is shown to be as close to the perceived front line of wealth creation and competitiveness as it is to economy and cost improvement
- HR is as focused on maximising gain as it is on minimising loss
- HR is frequently involved with marketing and in the international perspective
- Competitiveness and especially in the cost and efficiency areas of competitiveness
- In operational financial planning
- Strategic planning and company budgeting issues and in all interacting permutations in these areas of business

- The contribution of HR to tactics and strategy and especially in competitive situations with bids and tenders is such that it contributes valuably in half the cases to which it is allowed to contribute and it is only allowed to contribute in half the cases – and herein lays a lost opportunity for firms
- HR provides operational improvement at the heart of the firms' structure when rationalising labour for efficiency or economy
- HR is an implementer of change in its relationship with e.g. marketing which is found to be highly correlated with corporate strategy
- HR is proactive in supporting functions within the business affected both by change and other external factors
- HR makes a valuable contribution to production management at times of change
- HR has an integrating and highly complex *improvement* relationship throughout business
- HR is an important contributor to the costs and income efficiency balance in business
- HR is an important contributor to the structural and operational balance in business
- HR provides important costs and income efficiency inputs more frequently than the level of need in business
- HR's significant contribution to cost and income efficiencies in companies has a causal effect on price / competitiveness.
- HR delivers scale economies which in turn indicates that HR is a cost efficient function
- HR is sensitive to events in the firm and optimises its response to change
- HR is responsible in its attitude to HR costs and economies
- HR is good value and sensitive to its relative size and cost burden.

The prime consideration into the future must be to deal with the modern business method language / communication problem discussed above. If that were overcome then the fortunes of HR in business would radically change, and they could not fail to - given the great claim to recognition that HR has to make as outlined in this research. This paper has dealt mainly with the incidence of the involvement of HR in corporate strategy and management and has demonstrated the value of quantitative research and highlighted areas for future research. One such must be the proximity and relationship between HR's contribution to business and the strategy development process. This must be the ultimate test of HR's place in the scheme of things for future research, which could only be satisfactorily addressed quantitatively.

The overall added value contribution of HR is found to be irrefutable and holistic in value terms insofar as its overall effect is found to be greater than the sum of the parts. In this respect HR plays a role of the mortar between the bricks of the structure in many of the cases discussed herein, and to continue with the structures analogy it might be said, therefore, that HR truly is a pillar of corporate strategy. It would be recognised as such if it provides undeniable quantitative evidence of its contribution and value as presented in this paper.

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