HUMAN RESOURCES: ITS PURPOSE AND REQUIRED OUTCOMES

A Discussion Document

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EXECUTIVE SUMMARY:

There is no standard universally accepted purpose for the Human Resources function, and as a result each instance is a kaleidoscope of activities depending on the organisation that it sets out to serve.

Consequently, there are no standard outcomes for this activity either, which makes it nearly impossible to gauge success or failure.

These uncertainties almost certainly lead to the current high levels of stress in the profession

This discussion document sets out to highlight solutions to these lacunae by 'reverse engineering' the Human Resources (HR) function, using business requirements as a starting point and working back to the points the function can effectively intervene.

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1. INTRODUCTION

We read daily of HR people burning out, leaving the profession, or just hanging on day by day. [1][2][3] There are various causes for this, and an important one must be that there is no standard definition of the outcome/s required of HR, meaning that there is a lot of hard work put into activities that have varied levels of relevance - depending on the organisation - and little congruence with anything but short-term tactical targets.

Add to that, of course, if the purpose is unclear, then the measures of success (or otherwise) are going to be equally intangible, and those trying to make it work have no clearly defined end point.

You can read any number of articles stating that HR is important, and many of those writers go on to say why , but all too often the picture they paint does not translate to events on the ground. An item from Forbes magazine titled " "Why HR Is Key To Executive Success: How The Human Resources Function Impacts Business Growth" is fairly typical[4]

SHRM reported that 'HR Is Simply Too Much Work' [5] but if we analyse the issues, we find:

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[1] https://fortune.com/2024/12/12/hr-leaders-are-burned-out-and-eyeing-the-exit-after-years-of-nonstop-work/

[2] https://hrexecutive.com/why-hr-leaders-are-struggling-to-retain-their-own-team-members/

[3] https://www.raconteur.net/talent-culture/hr-burnout

[4] https://www.forbes.com/councils/forbeshumanresourcescouncil/2023/02/08/why-hr-is-key-to-executive-success-how-the-human-resources-function-impacts-business-growth/

[5] https://www.shrm.org/mena/topics-tools/news/report-hr-simply-much-work

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"A whopping 92 percent of HR leaders said the amount of work they have to undertake, along with limited budgets, a lack of resources and *not having the right skills on the HR team* will be barriers to success in 2024. A large majority—83 percent—of HR leaders cited lacking the right HR technology as a challenge heading into 2024."

Not having the right skills on the HR team? That sounds very much like an own goal from a department partly dedicated to upskilling the workforce.

Further " There is some disconnect among HR leaders and C-suite executives about the top three skills HR teams need. HR leaders cited leadership and management, teamwork, and coaching/mentoring/training facilitation. C-suite leaders agreed HR teams need leadership and management skills but listed financial and analytical skills among the top three skills HR teams need."

Disconnect between C-suite and HR? Let's take a moment to remember who the client is here.

In the UK, at least, there appears to be no shortage of people; a 'New Statesman' article by Pamela Dow calculated that the number of workers engaged in HR activities had risen by around 85% in the period 2012-2023[6] and all this against a background of increasing automation available through HR technology. Meanwhile, business growth in the same period bumped along in single figures or remained static. Which, incidentally, makes the Forbes headline look somewhat optimistic.

Looking to the established institutions for clarity has not proved to be particularly enlightening.

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[6] https://www.newstatesman.com/business/2024/11/hr-britain-how-human-resources-captured-the-nation?utm_source=substack&utm_medium=email

The **Society for Human Resources Management** (SHRM) in their Glossary describe Human Resources Management thus "Human resource management (HRM) is the process of managing an organization's employees. HRM includes all aspects of people management to effectively meet an organization's goals." [7]

The **Academy to Innovate HR** (AIHR):

"According to Storey (1995), HRM is a distinctive approach to employment management that seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce using an integrated array of cultural, structural, and personnel techniques." They go on to describe 12 key functions that help to support that aim.[8]

- Human resource planning
- Recruitment and selection
- Performance management
- Learning and development
- Career planning
- Function evaluation
- Rewards
- Industrial relations
- Employee participation and communication
- Health and safety
- Personal wellbeing
- Administrative responsibilities

The **Chartered Institute of Personnel and Development** (**CIPD):**

"Strategic human resource management (strategic HRM) provides a framework linking people management and development practices to long-term business goals and outcomes. It focuses on longer-term

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[7] https://www.shrm.org/mena/topics-tools/tools/hr-glossary

[8] https://www.aihr.com/blog/human-resources-functions/

resourcing issues and other HR strategies, such as reward or performance, determining how they are integrated into the overall business strategy."[9]

All differ somewhat, but what they have in common is that there is emphasis on what needs to be done, but scant indication of what the expected outcomes might be, apart from broad references to the overall strategy of the organisation.

Given that this is the cast expanse of ambiguity in which HR is meant to function, I decided to 'reverse-engineer' the whole thing, starting with desired business outcomes and following each one back to confirm the scope and authority of HR in its intervention to achieve those results.

Anyone who works in HR and has fundamental doubts about what the function is really all about or what the real role in it should be, should take this journey of discovery; I sure I won't be the first – or the last - to have a go at doing this, but I will try to hack through a very overgrown path!

Let's start at the very beginning to consider **why** the workforce plays such a critical role in the success of a business.

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[9] Strategic human resource management | Factsheets | CIPD

2. THE WORKFORCE

The workforce contributes to a business in the following ways:

- Productivity and efficiency
- Quality
- Innovation
- Customer experience
- Brand reinforcement
- Adaptability
- Skill in task execution

All of the above act in concert to generate revenue for the enterprise.

The degree with which employees and management demonstrate the above will reflect directly on the success or otherwise of the organisation.

The workforce should operate within a series of structures designed to recruit, reward, retain , motivate and develop them, as well as a framework of guidelines, procedures and processes that ensure that work is done compliantly in a workplace that is conducive to good performance, collaboration and affords respect for every individual.

The introduction of these structures and rules should properly be entrusted to the HR department. HR activities can be outsourced or devolved to line managers according to resources or acceptance of risk, but they cannot be avoided if the employer is serious about building a talented workforce.

With all this in mind, therefore, I list the outcomes that organisations would normally require of HR. These may vary from employer to employer, but these are what I see to be the key elements in a progressive order of importance:

a) COMPLIANCE
b) ORGANISATION DESIGN
c) WELL-BEING
d) RECRUITMENT
e) DEVELOPMENT
f) PERFORMANCE
g) RETENTION
h) INFORMATION
i) COSTS

We will now look at these individually from the point of view of the organisation and its aspirations.

3. THE KEY ELEMENTS

Every organisation would aspire to these elements as desirable for the smooth and effective operation of their business, in varying degrees.

- COMPLIANCE

The workforce needs to operate on an ongoing basis within a legally compliant environment, reducing the risk of potentially damaging lawsuits, disputes and possible reputational damage.

Compliance also means meeting the organisation's employment/, policies as well as its published aspirations in terms of transparency, equal opportunities and inclusion, sustainability and so on.

- ORGANISATION DESIGN

Many outfits grow organically from start-up, and founders can look up after a while and wonder 'how does all this work together?' The structure and flow of any organisation must work efficiently and effectively and be under constant review by all departments.

- WELL-BEING

Every employee to feel valued and safe in the working environment, both physically and mentally, to increase their chances of giving their best performance. Managers who have employees in their charge to be fully trained in managing effectively, compliantly, and humanely.

- RECRUITMENT

The employer will expect to source the best candidates available from the widest possible selection, within recognised parameters. The aim is to build a workforce capable of doing the job in hand, but with potential to meet future challenges.

- DEVELOPMENT

The workforce to be developed however necessary to realise its full potential. This skilling programme to include the training of both workforce and management in their rights and responsibilities in making the work environment one that is safe and agreeable to work in.

- PERFORMANCE

Employees to consistently perform their allocated tasks to their fullest potential.

- RETENTION

Key employees to be retained in the face of competition for their services. Tenure to be evaluated at agreed intervals.

- INFORMATION

Workforce information for decision-making to be timely, accurate and complete, with commentary, as required.

- COSTS

All the above to be achieved within a framework that allows the employer to reward its employees fairly, equally, and competitively, at the same time delivering a profit margin that is acceptable and sustainable for its shareholders.

4. HR SCOPE & ACTIVITIES

We now look at how HR can contribute to each of these headings:

- COMPLIANCE

Here is where HR's expertise should come fully to the fore. A set of policies and procedures must be compiled and either consolidated into the contract or produced in handbook form. These policies must be kept current with legislation in force and should also express something of the culture expected in the company.

Clear understanding of the policies is a foundation stone of induction into the organisation.

However, this is not enough. Getting a signature to confirm that the employee 'has read the company handbook and agrees to the terms and conditions expressed within' or some such phrase just won't do. It is important that these are brought to life in a series of live sessions, or if that is not possible, in training videos with Q and A . Otherwise, there is little or no reinforcement of both what the employer expects or, in some cases, what the Law demands. If these sessions can be prefaced by a senior management figure, so much the better; there are certain behaviours that need to be observed, and others that cannot be tolerated, and these messages need to come from the very top.

If this all sounds rather intimidatory, **bear in mind the penalties that can accrue if a company does not take every step to protect its employees**. These will vary according to jurisdiction, but the underlying responsibility remains the same.

- ORGANISATION DESIGN

Organisational design is the process of structuring the organisation to align its operations, processes, and people with its strategic goals. It involves

creating systems, roles, workflows, and structures that enable the organization to perform effectively and adapt to changes.

This – as with virtually all HR activity – involves collaboration with other departments within the enterprise.

The likely starting point will be to analyse the organisation chart as it stands currently to sense check the hierarchy and reporting lines and from there to work in collaboration with the other departments to validate or re-draw, if necessary, the flow of information or authority to and from those groups.

Although time-consuming, this should be viewed as a work in progress to avoid current practices getting left downstream while everything else changes and from there creating anomalies and inefficiencies.

- RECRUITMENT

Recruitment is the first step in building an effective workforce, so it is here that all necessary skills must be focused. In some companies, Recruitment is a specialist activity, in others it is either subsumed in the HR department or outsourced.

Whatever the method employed, the following are necessary:

-The right channels should be used to attract the widest range of available candidates.

-All hiring managers to be trained in interviewing skills, and the regulations governing the conduct of interviews, particularly in the areas of bias and discrimination.

-Aptitude tests for applicants where relevant; some more senior positions could additionally require a psychometric assessment, depending on the employer's wishes. If such assessment is used, ensure that it is a valid one, and that the feedback is handled correctly.

-For any company that hires regularly, a Recruitment or Applicant Tracking module should be included in the HR tech suite to ensure that the candidate experience is seamless, and to assist all parties in keeping tabs on candidate progress, scheduling interviews and communicating with applicants at the various stages of recruitment.

All of this should be enabled by HR as part of their defined activity.

- DEVELOPMENT

Every employee and manager must be given the means to develop any potential which will augment their contribution to the employer.

The development needs will be identified by:

I.   Onboarding in the first instance

II.   External professional track.

III. Internal technical needs for increased job competency.

IV.   Internal 'soft skill' needs, e.g. time management, team management and negotiation.

The latter two will usually be identified as skills gaps during performance discussions, to be plugged by recognised training and development programmes or mentorship. The subsequent expected change in performance to be measured to prove the investment.

HR must source a learning and development resources framework to meet anticipated needs.

- PERFORMANCE

Employee and manager performance must be monitored at required intervals, depending on the type of work to be carried out. This can be made up of stages or milestones, or on desired outputs.

A performance module in the HR tech suite should be configured to meet the various employer requirements.

- RETENTION

Retention is the result of various factors in varying degrees:

i. An agreeable work culture and environment
ii. Interesting work content
iii. Supportive management
iv. Appropriate rewards
v. Recognition
vi. In some cases, a definable career path.

Certainly, HR cannot influence all of these but the development of good managers and the enabling of reward and recognition schemes are well within the scope of HR activity.

- WELL-BEING

Health and Safety should not normally come under the HR remit, and Board members ultimately carry responsibility for workforce safety.

However, there are elements of workforce well-being that HR should be addressing.

Strict policies and procedures must be in place to protect 'whistleblowing' by any employee or manager in cases of harassment, illegal activity, or other egregious behaviour.

Similar structures must be in place to stop overworking and burnout.

It is not enough to hand off workplace employee welfare to an Employee Assistance Provider (EAP) and hope to forget about it.
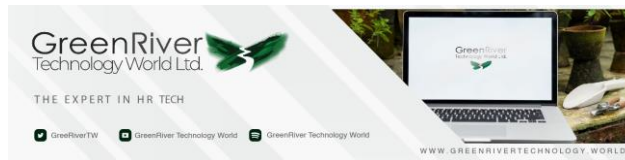
- INFORMATION

Workforce information held in HR systems belongs to those who need it to make informed decisions. Maintaining that information is the responsibility of HR, keeping data timely, accurate and complete.

There should be alerts built in to ensure that Company or legislative rules such as Minimum Wage and Pay Gaps are not broken.

HR must not be an information 'gatekeeper' ; the information must be available and accessible at all times in required formats.

HR should be prepared to offer commentary on the available information.

- COSTS

HR will have its own headcount and operating budget. However, it should have mechanisms in place to maintain a watch over the overall headcount and compensation budgets, to ensure that operational management do not overstep their limits without authorisation.

Legal costs should be kept under control, and to this end, routine claims and enquiries that should be within the HR skill set must not automatically be referred to third-party legal entities.
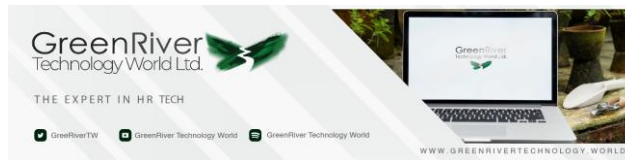
5. TECHNOLOGY

When we consider all the above, it becomes clear that the right technology is a necessity for the enabling of the required structures and processes.

Here are the modules and features that should be integrated within the HR tech stack, as they relate to our elements.

Note that Payroll is not included in this paper, as it is a profession in its own right and has reporting lines to either Finance or HR.

i.   RECRUITMENT - a recruitment / applicant tracking module to be available to not only lighten the administrative load of recruiters and hiring managers, but also to provide an easy experience for candidates.

ii. ORGANISATION DESIGN – Organisational charting and modelling capability is essential in any HR tech suite.

iii. DEVELOPMENT – a Learning & development module to deliver the necessary solutions to gaps identified by performance evaluations.

iv. PERFORMANCE – A performance feature to be configured to monitor steps, milestones or outcomes for employee or departmental tasks.

v.   RETENTION – beginning with onboarding and following through with development, reward and recognition, the right software will automate the processes and ensure nothing 'falls down the cracks'

vi. WELL-BEING – there are now various providers using AI-driven bots to triage employee problems and refer them to designated people either inside or outside the organisation for action.

Overwork and burnout can be partly prevented by configuring systems to restrict entry outside of business hours, and any extra hours logged and reviewed by operational mangers and HR jointly.

A key aspect is the simplification of systems and procedures to avoid unnecessary blockages that in turn can cause frustration and stress.

vii.   INFORMATION – as we have already shown, data is the life blood of informed decision-making. Presentation of data extracts from an HR system can vary from report formats, dashboards or even alerts.

viii.   COMPLIANCE – I mention this last because AI now presents HR with a range of possibilities.

If for instance, the company and employment law rules, rights and responsibilities were embedded in a general AI assistant, employee and manager queries could be quickly resolved in a consistent manner.

AI would also act as a 'sentinel' for the data, alerting when a pay gap is widening, a diversity balance is failing or when employees are working too many hours for their own good.

6. MEASURES

The most effective way of evaluating HR activity is by looking at the outcomes as compared against the desired objectives.

This could broadly be framed as a series of statements or questions requiring responses. In italics, I have included some suggested evidential measures that could be used to substantiate those responses.

- COMPLIANCE

Is there a complete suite of legal policies in place that is fully understood by management and employees alike?

Are these policies current and are they regularly updated in anticipation of signalled of legislative changes?

Are any tribunal cases brought against the employer won or lost on procedural matters?

MEASURES

- o *Grievances raised analysed by cause / origin*
- o *Regular audit of policies for compliance with legislation.*

- ORGANISATION DESIGN

Do the hierarchy and lines of responsibility enable the flow of information and communications to work smoothly without delay, obstacle, or gatekeeping?

Is there an absence of silos, either real or perceived?

Is everyone clear on their roles and responsibilities and to whom they respond?

Are agreed actions expedited without undue procedural delay?

Are suggested process improvements flowing upwards, and are they acted upon?

MEASURES

- o *Number of suggested process improvements from workforce*
- o *Collaborative projects success rates*
- o *Operational efficiency rates, e.g.*

   -Quality control
   -Service level agreement targets met
   -Error / rework rates

- o *Time between action agreed and action taken*

- WELL-BEING

Can you identify better management, better working arrangements and working conditions are leading to lower levels of sickness absence or even resignation?

Are your employees working in a safe and conducive environment with mechanisms in place to ensure that their voice is heard and action always taken?

Are flexible working arrangements in place to enable inclusion of valued employees who would face problems fulfilling the specified workplace attendance and working hours?

MEASURES

- o *Absence analysis by location / department.*
- o *Complaints identified by cause.*
- o *Exit interview data*
- o *Employee Assistance Program (EAP) -or equivalent - reporting*
- o *Properly framed employee surveys.*

- RECRUITMENT

Is the organisation sourcing candidates from the widest-ranging possible sources to ensure plenty of choice?

Are there few problems in recruiting the calibre of candidate that we require within our salary ranges?

Is there a minimum of time elapsed between initiating a requirement and filling the vacancy?

Are all applicants dealt with respectfully and expeditiously?

Is onboarding comprehensive so that all new employees are easily able to fit into the workplace as quickly as possible?

MEASURES

- *Regular revision of media for reaching candidates*
- *Success percentage in filling vacancies within budget*
- *Number of probation period passes / fails*
- *Longer term progress monitoring*
- *Number of dropouts within first six months*
- *Overall cost of hires*

- DEVELOPMENT

Are proactive pathways in place to ensure that all employees can develop identified skill sets that lead to optimising their potential contribution to the organisation?

Does the employer encourage the professional development of employees where appropriate to the work activity in which they are engaged?

MEASURES

- o *Quality of output over time after the training / development event, measured against cost of event to arrive at a true ROI.*
- o *Links between development and advancement.*
- o *Percentage of skills gaps identified and closed within required time*
- o *Monitoring of progress on professional path.*

- **PERFORMANCE**

Are the output targets realistic?

Are employee outputs regularly assessed for progress against agreed outcomes ?

Are processes, equipment and software regularly monitored to ensure that employees can perform effectively and efficiently?

MEASURES

- o *Agreed milestones on the way to required outputs*
- o *Time and resources needed to achieve the outputs*

- **RETENTION**

Have the key employees in the organisation been identified and is the organisation retaining these key employees?

Are reward and recognition structures in in place to incentivise or motivate employees to perform to the optimum?

Where key employees have been lost, do we have exit data to ascertain the reasons why?

MEASURES

There are formulae that give figures for retention and attrition, e.g:
-Overall retention rate(%) = (Total employees - Departures) / Total employees × 100
-Attrition Rate (%) = (Number of Departures / Average Number of Employees) × 100

Plus metrics to show average employee tenure, and demographic data. All data to be sliced to pick up grade, department, location, and other relevant factors such as gender.

However, these are nothing more than indicators, and retrospective ones at that. Ground intelligence from line managers is essential to understand what is happening.

Every employee should have an estimated 'replacement value' to include a notional value for knowledge / skills leaving the organisation.

- INFORMATION

Is accurate, complete, and updated workforce information required by management always available in real time to those authorised to access it?

Is the information presented in an appropriate format?

Is the HR department able to provide informed commentary on aspects of the workforce information if required?

MEASURES

o *Number of error corrections to data monthly / quarterly*

o *Number of Errors found in validation of individual employee data and organisation chart at regular intervals.*

- *All fields necessary for reporting and analysis present and complete*

- COSTS

Are overall headcount and salaries within agreed budgets with explanation and authorisation for any variables?

Do we have sufficient people and resources to meet the production needs of the organisation?

Are legal costs referring to employment matters being controlled?

Is HR's departmental budget being observed and met?

MEASURES

- *Costs of production including overtime & temporary staff*

- *Year-on-year legal and other costs*

- *Assessment of perceived Risks versus Cost of Risk mitigation*

- *Number of budget adjustments due to changing conditions*

- TECHNOLOGY

Is HR equipped with the correct technology to provide complete information needed to assist management in making decisions relating to the workforce?

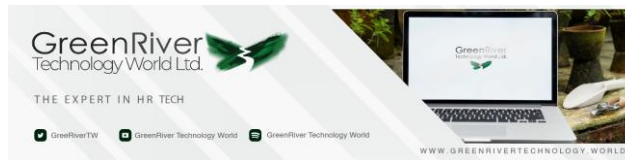Is the technology sustainable for at least the next three years?

Is the technology in scale with the organisation's requirements, size, and budget?

Does the HR system interact efficiently with other enterprise software?

MEASURES

- o *Approval rating from users*

- o *The technology should be less than 5 years old (for faster operation and modern features)*

- o *Regular validation of the return on investment for the HR technology, in terms of time saved and more activity performed.*

- o *Identify and quantify resources needed to link other programs with the HR system if required.*

7. CONCLUSION

Whichever way we look at it, HR has plenty to do – but then so do other departments, and we don't see burnout headlining those.

The stress and burnout reported throughout the profession attests to plenty of activity, but it's not altogether clear if that input is leading to any positive outcome; certainly, there is little direct line of sight between input and output.

If HR as activity is to fulfil its role in organisation, there must be key objectives set that are directly influenced by the HR function or their part in them is clearly defined. Otherwise, HR will be displaced or subsumed by artificial intelligence and managers with people skills, leaving only the compliance for the employment lawyers. A growing number of contracted skilled workers will possibly reduce the need for career development.

As I have said on other occasions, "HR is a big convoy travelling at the speed of the slowest ship." Its defined path towards successful operation is long overdue, if extinction of the function as we know it is to be averted.

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