

New ways of working: what is the real impact on the HR profession?

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Abstract

Purpose – This paper aims to introduce the concept of shared-value and propose how it could be applied in the field of human resource management (HRM).

Design/methodology/approach – Conceptual paper presenting key ideas.

Findings – The ability to connect the interests of people and the business is seemingly within the remit of human resource (HR), yet the people management function has been slow to implement the shared-value creation idea. A principles-based approach to HRM, underpinned by a body of knowledge, is proposed as the way forward.

Originality/value – While many other professions have adopted a principles-based approach to setting standards of good practice, the development of principles of human capital management is nascent. This paper discusses the feasibility of this approach for the HR profession.

Keywords Human resource management, Ethics, Capabilities

Paper type Conceptual paper

The world of work is changing at an unprecedented pace, taking previously unfamiliar shapes. In the UK, the proportion of people employed in manufacturing was nine times smaller in 2011 (8 per cent) than in 1961 (36 per cent) (Beatson, 2013), with the sector seeing similar declines all over the world. On the other end of the scale, one of the most popular online freelancer platforms (Upwork) – which did not even exist until 2003 – today hosts nearly ten million registered freelancers available to complete jobs anywhere in the world, with no additional costs of office space or overheads (Cunningham, 2015). Meister and Willyerd (2010) pointed out that today's 18-year-olds are joining four other generations in the workplace, the most in history, and so are having to negotiate vast differences in their outlooks on working life and career.

On the face of it, the drivers of change in the world of work present some immediate practical challenges for human resource (HR) and other people management and development practitioners. What are the ways to grasp the opportunities offered by technological advances? How are we to prepare global leaders to identify and respond to the fast changing business needs? Which organisational structures provide the best working environment for the multi-generational workforce? Resolving these questions requires an understanding of the external and internal factors impacting the business and an ability to respond to the challenges quickly and effectively to support organisational performance.

However, underneath the surface, these megatrends pose some far more profound dilemmas. For example, job automation depreciates the value of certain skills, contributing to societal divides, as certain workforce groups lose access to quality jobs. There is also growing recognition of the mismatch between graduate skills and those employers are looking for, coupled with the reduced availability of government support to close that gap.

As organisations begin to tackle important questions about their accountability to their employees and society at large, HR practitioners will have to review the ways in which people management systems are designed and implemented.

Ultimately, changes in the world of work raise fundamental questions about the impact of business on society and the sustainability of current organisational models, which can sometimes have detrimental effects for the people and local communities who support the businesses' very existence.

At first glance these somewhat existential issues appear to be removed from the day-to-day responsibilities of HR practitioners. However, as organisations begin to tackle important questions about their accountability to their employees and society at large, HR practitioners will have to review the ways in which people management systems are designed and implemented. This will require professional capability beyond responding to changes in the world of work but also leading decisions on how people fit into organisational strategy and business models. Eventually, HR will need to recognise and account for a much wider range of stakeholders that they serve in addition to the business itself and develop new ways of working that create win-win outcomes for all parties. So how can HR prepare for this challenge?

Shared-value creation for businesses, people and society

Defined as "the policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions of the community in which it operates", shared-value is built around the three key areas of products, productivity and enabling localised development (Porter and Kramer, 2011). Although the term itself has only recently become part of the business language, the idea that the interests of organisational stakeholders are interdependent is not new. The shared-value agenda has been primarily led by environmental concerns, and a recognition that replenishing the precious resources, which companies were tapping, was essential to the future of business operation. For example, Unilever's sustainable living plan reflects a commitment to supporting local communities (such as small farmers) and reducing the footprint of sourcing and production on the environment, as exhausting those resources without reinvestment would mean that the success of the business would be short-lived.

There is also a growing recognition that the relationship that the business has with its people is another area where the principles of shared-value creation should be applied. Historically, organisations treated people primarily as a source of value, as "resources" or "assets", and so HR processes were similarly modelled as one-way value chains: utilising employees' knowledge and effort to maximise commercial value. The shared-value model instead recognises the need to invest in the development of human capital and aims to create mutually beneficial relationships between individuals and organisations (Beer *et al.*, 2015). For example, many organisations now provide individuals with autonomy and flexibility in the ways they work so as to increase employee job satisfaction and achieve workspace efficiencies, leading to increased productivity and talent retention.

Crucially, the imperative to design people management systems in ways that create shared-value for a range of stakeholders is driven by the external stakeholders themselves. On the one hand, investors are beginning to pay growing attention to human capital accounting, taking into consideration the degree of value that is derived through HR processes. An international standard for valuing human capital has been proposed and is

currently in development. On the other hand, people are increasingly showing the desire to take control over how they work and where they take their talent. Developing people systems in a way that means these stakeholders choose to invest their respective capitals in a particular organisation will be the core priority for organisations – and their HR departments – in the years to come.

The role of HR in shared-value creation

The ability to connect the interests of people and the business is seemingly within the remit of HR, yet the people management function has been slow to implement the shared-value creation idea. This is particularly surprising given the large body of evidence supporting the link between employee performance and job satisfaction, confirming the interdependency of interests between people and the business (see Wong *et al.*, 2009 for a review). Critically, business leaders rarely see HR as part of the solution, with only three in ten saying that HR is integral in setting the strategy of their organisation (CIPD, 2013). To own and effectively apply that evidence to create shared-value through people management systems, practitioners will have to overcome two challenges.

First is the ability to influence the business in the context of HR's professional legacy. The function emerged in the early 1900s to protect the welfare of factory workers and for a long time focused on the interests of the employee as its primary stakeholder, developing competence in people-centric processes, such as improvement of working conditions and benefits, as well as streamlining personnel management in large companies of the post-WWII era. However, in the second half of the twentieth century, HR was criticised for its lack of focus on the business and was reminded to look after the commercial interests of the employer. Rather than adding to its list of stakeholders, the new "strategic" HR discipline appeared to shift the focus completely towards the needs of business.

Recent surveys of HR practitioners, conducted by the Chartered Institute of Personnel and Development (CIPD), confirm that commercial focus remains the primary concern of HR practitioners. More so, practices aimed at satisfying the needs of employees are sometimes seen as a threat both to maximising the interests of the business and to upholding the very status of HR as a "business-savvy" function. For example, career development for employees can be associated with a risk of skills turnover, undermining the investment in the relevant support programmes. Where the idea of shared-value is similarly confused with a trade-off between the interests of people and the business, practitioners might find it difficult to treat employees as legitimate stakeholders in workplace decisions. To support shared-value creation – and convince business leaders of the contribution it can make – HR needs to strike a balance between a people focus and commerciality, finding a sweet spot where the interests of people and the business overlap for mutual benefit.

This is where tackling the second challenge – development of the relevant professional expertise – can help tackle some of the perception barriers. The HR profession has already established a body of distinct specialist knowledge concerned with designing, implementing and managing personnel processes – an area where the role of the function is undoubtedly recognised. Yet, to contribute at the strategic level and shape (rather than

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respond to) organisational systems, HR needs to expand that expertise into issues of talent, leadership and organisational culture, drawing on a wide range of subjects, including psychology, neuroscience and more.

At the same time, much of the HR practice at that level continues to rely on adopting example of large, mostly Western, firms. Such "best practice" often lacks robust evidence of effectiveness and/or fails to produce similarly positive outcomes in different organisational contexts (Hirsh and Briner, 2011). For example, some SMEs find that complex performance appraisal processes do not fit the culture of their business, and develop alternative ways of giving feedback to their people, so as to ensure that employees get adequate development in their jobs, while improving organisational performance (CIPD, 2014). Slavish replication of best practice without consideration given to the business context is likely to be ineffective but also undermines the credibility of HR's expertise.

Instead HR practitioners must develop capabilities to understand the value needs of the organisational stakeholders and draw on their professional knowledge to set up people management systems in ways that meet the needs of people, businesses, economies and societies. This will require improved analytical skills, as well as a capacity for situational judgment, to identify the different types of values that an HR practice has the potential to produce for all of the stakeholders in the shared-value creation process.

A principles-based approach to building HR capability

As the professional body for HR and people development, the CIPD aims to champion better work and working lives by improving practices in people and organisation development for the benefit of individuals, businesses, economies and society. In other words, we believe that good people management and development is vital to creating shared-value for a range of stakeholders. To support good practice, we set a standard that our members must demonstrate in the organisations they work in.

Given the diversity of organisational models today, it is unlikely that a single "best practice" or a combination of practices will ever provide a measure of shared-value creation applicable to all organisational contexts. This is why we are starting to define HR in terms of broader principles, aimed at enabling practitioners to create shared-value for people, businesses, economies and societies. In contrast with a "rules-based" approach to professional standards, which focuses on specific practices, the principles-based approach guides professional judgement, describing the fundamental professional obligations one should take into account when deciding how to act in practice. For example, one of the professional principles of nursing is patient-centred care, ensuring that people make informed choices about the course of their treatment and care (Royal College of Nursing, 2010). Similarly, global management accounting principles highlight the need for professional stewardship with the purpose of protecting organisations' financial and non-financial assets, reputation and value (CIMA, 2014).

By outlining such fundamental professional responsibilities, principles provide guidance on decision-making even in situations where legal guidance is absent or weak. This becomes particularly important in the context of the fast changes in the world of work, where regulation cannot always keep up with the practical challenges of technological advances and societal inequality. Today, HR practitioners have to be able to analyse and respond to the debates on the use of smart drugs in the workplace and hiring people on zero-hour contracts. The financial case for those practices cannot be the only criterion used to make decisions about their implementation.

We therefore believe that a principles-based approach to professional standards is key to ensuring HR balances competing stakeholder interests to find win-win solutions for everyone; ultimately this will shape the evolution of the HR profession in two ways. First, it will highlight HR's unique role in creating shared value through the sustainable treatment of

people. Second, the principles will provide a guiding framework for making professional judgements in the context of high uncertainty, thus fostering the development of a professional body of knowledge and a standard of "good" practice that transcends time, cultures, geographies and legal boundaries. Ultimately, this will expand the body of HR knowledge, while building trust in the ability of HR practitioners to unpick the links between people practices and organisational outcomes and tailor evidence-based solutions relevant to the business they operate in.

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