Health care organizations are labour-intensive, with people costs representing typically 70-80 per cent of total cost. This point has been reflected in many trust application documents and business plans, often in the form of a statement to the effect that “people are our most important asset”. This statement recognizes that not only are people a critical cost issue in a health care organization, but also that quality, efficiency, and productivity are people issues as well.

However, in practice, many trust boards find it difficult to translate this statement of intent into operational reality. In this article, we explore some of the reasons why strategic human resource management is a critical issue facing trust boards, and why many trusts are finding this a difficult approach to implement. We also identify some of the key risks of not taking a strategic approach to human resource management, and finally give some advice to both the chief executive and the human resources director.

What Is a “Strategic” Approach to Human Resource Management?

The word “strategic” is used frequently and loosely, and is often no more than management jargon. Consequently, in the context of this article, it is important for us to start by defining what we mean by “strategic human resource management”.

We present here a definition based on the distinct levels of contribution that can be delivered by the human resources (HR) function in any organization:

- **Strategy**: establishing the overall direction and objectives of key areas of human resource management in order to ensure that they not only are consistent with but also support the achievement of business goals.
- **Policy**: the development and implementation of detailed procedures, and systems which reflect the strategic framework.
- **Administration**: day-to-day personnel administration, for example personnel records, payroll, and administration of benefit programmes.

It is clear that the human resource function does not necessarily deliver a contribution at all these levels in every case. For example, in many organizations the contribution made does not extend beyond the policy level. This is a point to which we will return later, along with an examination of some of the reasons why this may be the case.

In this article, we are primarily concerned with the contribution that should be made at the strategic level, and consequently will steer our discussion away from policy and administration issues. In order to explore the nature and extent of a strategic contribution in more detail, we show in Figure 1 a simple model which identifies five key areas of strategic human resource management.

In the context of this model, an organization adopting a strategic approach to human resource management would display the following characteristics:
The human resources agenda would be driven clearly by the strategic objectives and priorities of the organization. The approach taken to human resource management would recognize that there are critical interrelationships and interdependences between the distinct areas of human resource management shown in Figure 1. For example, if the organization structure was changed and individual roles were redefined, then this would have implications for the way in which individual performance was managed, and the way in which pay structures needed to be designed in order to reflect and support new ways of working.

Specific human resource management initiatives would recognize the need to understand “where you are now” in relation to each of the distinct areas shown in Figure 1, and consequently ensure that the sequence of change took place in the right order. For example, it would be pointless to embark on a job evaluation exercise or to implement a new pay structure, if the organization was considering a fundamental rethink of work practices and processes.

What Are the Risks of Not Taking a Strategic Approach?

Many organizations question whether or not human resource management adds value to the organization. There are many reasons why this perception may have arisen in some health care organizations, and we will examine them in more detail below. However, before doing so, we will identify some of the risks facing organizations which choose not to adopt a strategic approach to human resource management:

- Organizations that do not adopt a strategic approach are easily recognized by a fragmented and ad hoc approach to the development and implementation of human resource initiatives. As a consequence, the organization may get the timing of these initiatives wrong, and will probably also fail to recognize the interdependence and interrelationships between them. For example, we have come across examples in health care organizations where new approaches to performance management are being considered, while at the same time a new pay scheme is being designed in relative isolation.

- In those organizations that do not adopt a strategic approach, existing approaches often act as barriers to the implementation of strategy, rather than as levers to support or facilitate it. For example, we have come across cases where the design of individual roles and work processes obviously conflict with the needs of the organization for cost reduction and quality improvement. Similarly, pay and reward systems often encourage individual jobholders to behave in a way which is completely at odds with the goals of the organization.

- Organizations which fail to adopt a strategic approach are clearly at risk of reacting to somebody else’s agenda. For example, they may react to the external agendas of Government bodies, or professional associations. Equally, the human resource function may be drawn into reacting to the trade union agenda, because it has no strategic direction of its own to pursue.

- Failure to take a strategic approach to human resource management will directly impact on the performance of the organization, however this is measured. Critically, failure to take a strategic approach will have implications for costs, efficiency, productivity and quality.

Why Isn’t It Happening in Practice?

There are many reasons why organizations fail to take a strategic approach to human resource management. In the context of this article, we will examine here the most significant reasons which, in our experience, cause this to happen in NHS trusts:

- History. As directly managed units, health care organizations were not required to think strategically about their people. It is only as a consequence of the NHS reforms that these
issues have surfaced on the agenda of the individual provider organization. Consequently, they are new issues for most NHS trusts.

- **Capability.** Largely as a consequence of the above point, it is clear that many HR directors of NHS trusts have not made the leap from contributing at the policy level to making a contribution at a strategic level. The reasons for this are varied, but may be to do with the capability of the individual human resource director, in that he/she has not been able to climb the steep learning curve involved.

- **Issues of power and personality.** The capability of the HR director to contribute at a strategic level will critically be determined by the quality of his/her relationships with the chief executive and/or chairman of the organization. If these personal relationships are not positive and productive, then it is almost impossible for the human resources director to make a strategic contribution in such an environment. The likelihood of difficulties arising in this area is relatively high, first because of the combination of the factors identified above and, second, because human resources is often seen as a discretionary, non-value-adding function, in comparison with the finance function, for instance.

- **Culture and expectations.** The expectations of key people in the organization about what the human resources function will deliver are a critical determinant of its ability to contribute. If key individuals like the chief executive and chairman value the human resources function, then they will have high expectations about what it is to deliver and will integrate human resource management into key planning and decision-making processes in the organization. Conversely, if they regard it as an exclusively administrative function, then it is highly unlikely that human resources will be able to make a strategic contribution in this context.

**Some Advice for the Chief Executive**

If you feel slightly uncomfortable in reading this article, and recognize that your organization is not taking a strategic approach to human resource management, what can you do about it?:

- **Clarify your expectations.** Our extensive research, in both private and public sectors, has come to similar conclusions. Key among these is that chief executives and human resource directors often have different perceptions and expectations about what it is that the human resource function will deliver (see Table I). In shaping your expectations of the human resource function, you need to identify exactly how the function will add value to your organization, for example by avoiding some of the risks referred to above.

- **Does your HR director have the necessary capabilities?** It is no good asking a personnel administrator to make a strategic contribution at board level. Clarifying your expectations of the HR function will provide you with a basis for addressing the question of whether existing individuals are capable of delivering.

- **Are the necessary organizational arrangements in place?** It is no good clarifying your expectations and appointing a capable HR director, if key planning and decision-making processes are designed in such a way that this individual is unable to influence and shape their outcome. Consequently, you need to review these processes in order to ensure that the human resources director is playing a key part in them and is not merely expected to react to their outputs. Similarly, while the HR director

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**What chief executives do not want from HR**

- An emphasis on specialist skills
- Over-concern with rules/procedures – inappropriate policing and blocking action
- Introduction of “best practices” which:
  - do not fit with the business
  - are not owned by line management
- An indiscriminate approach to being a good employer

**What chief executives really require**

- Someone to “read” the organization
- Feedback – confrontation
- Process skills to gain commitment
- Ability to influence

**Source:** Hay UK Survey

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<thead>
<tr>
<th>Table I. Chief Executives’ Expectations of the Human Resource Function</th>
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is not a mandatory board appointment, you do
need to ensure that the position of the HR
director in the organization structure reflects
the seniority and contribution expected of the
role, and supports the ability of this individual
to do his/her job. Having an HR director
reporting to the finance director is probably
not a good start.

Some Advice for the HR Director
If you are an HR director, lucky enough to work
for a chairman and chief executive who value
your contribution, how do you make sure that you
continue to be a success? As part of our research
into the characteristics of successful HR directors
in both private and public sectors, we have
identified a number of critical success factors that
you need to meet:

- **Develop your powerbase.** The most
  successful HR directors in large organizations
  seem to derive their power not from their
  functional specialism or the resources under
  their control, but from their personal ability to
  read the organization and key individuals in
  it, and act as a consultant or change agent for
  the chief executive. This is obviously not an
  easy role to develop and sustain, but it is very
  powerful (see Table 1).

  Equally, in our experience it is clear that, if
  this role is not being played by the HR
director, but by somebody else, then the
  powerbase of the HR director will be
  seriously undermined.

- **Stay close to your customers.** Many HR
  functions run the risk of becoming isolated
  from their customers, i.e. line managers. The
  function is there to provide a service for the
  rest of the organization, and you cannot be
  doing this if you are not taking into account
  the expectations and views of your customers
  about the level of service you are providing
  and the value you are adding. One
  characteristic of successful HR functions is
  that they are not staffed exclusively by HR
  professionals, but include individuals from
  outside the HR function who can often
  provide a better understanding of the needs
  and expectations of the rest of the
  organization.

- **Get the basics right.** Again, the research
evidence is very clear. While you may be
making a very successful contribution at the
strategic level, many line managers in the
organization will choose to evaluate the
efficiency and effectiveness of the HR
function in relation to some very basic
administrative services. For example, if you
are unfortunate enough to control the canteen
as part of your responsibilities, then the
quality of the food may well be the most
common measure used to evaluate the
effectiveness of the HR function.

Roy Massey is Director of UK Health Care
Consulting, Hay Management Consultants,
Manchester, UK.