



## Threats to HR/IR or a productive future role?

Glenn Martin

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The HR role is one that still strives for legitimacy in many organisations. This dilemma is made more intense because the environment is continually changing. The Work Choices legislation, for example, has allowed a harsher employer approach to employees to surface, and at the same time it has made many HR matters (eg leave entitlements) more technical.

In the light of this challenge, HR faces the threat of reducing itself to a safe but narrow technical, administrative role. It can advise on leave entitlements and study assistance, and it can play a merely reactive role in responding to complaints about such things as discrimination or bullying. While these are necessary and important, they will not address any deeper organisational issues such as high turnover and skills shortages.

It is an irony that HR has gained sufficient profile in ordinary parlance for it to be the butt of jokes in movies and television shows. HR is frequently characterised as the "velvet ghetto", a zone within the company that is the refugee camp for the ineffectual, or the kingdom of petty rule-mongers who walk around with clipboards looking for infractions of organisational policy.

The alternative is to take on the project of building a positive organisational culture, which will get at the causes of many organisational problems. The ambition of HR should be to play an active role in building a workplace climate where energy is high, the passion for achievement is high, and ethical standards are strong. As the I Ching (a book of Chinese philosophy) says, "The best way to combat evil is to make energetic progress in the good".

To state the positive goal at the start, the ambition of HR should be to add value. This is the language that Dave Ulrich has brought to dialogue about HR. His message has evolved over the last 15 years, but his recent offering, *The HR Value Proposition*, gives a comprehensive account of how to establish HR processes that will add value to the organisation.

Having defined the wider scope of HR's possibilities, let's look at specific issues where HR is in danger of under-performing. The interesting thing about most of these issues is that they are about what are disparagingly referred to as "soft" issues. They are about the qualities of employees as humans, their interactions with one another, and organisational culture.

What makes the situation harder for HR is that when people are insecure about their role they attempt to look for elements of their jobs that are "hard". They stick to tangible matters like rules, policies, entitlements, and collect lots of data, even if it is meaningless, like number of meetings attended.

### **Threat No. 1: Thinking that the organisation is just a business**

If you watch the TV show, "House", there was an episode where Dr House is (typically) fighting with the hospital administration about resources. He breaks rules and has little interest in abiding by restrictions on medical resources. He would be a very difficult employee to handle. In this episode, the administrator finally loses it and makes a very lucid and animated speech about what the hospital is. He says,

“You think of this place as a team, as some kind of community. You think it’s got a vision and a mission. It’s none of those metaphors. This place is a business. That’s all.”

Has local government arrived at this point? The public sector in Australia has been told for two decades that it has to be more business-like. It has been pushed towards competition, it has been told to set targets and establish performance measures. Has this push been successful? Has it been **too** successful?

Has this focus on business competencies led to improvements – in productivity, morale and organisational sustainability? Or has it led to a heartless, arid environment where there is no commitment to customer service or human values?

The argument between Dr House and the administrator is, of course, a pointless one. There are always limitations on resources. What is important is the values that drive the choices and the decisions about resources. The danger is that the quest to be more business-like over-reaches itself and erodes the human goals that form the purpose of the organisation. This is particularly true in the non-commercial sector. In local government, the reason for a council to exist is to provide basic services to the local community.

A good corrective for leaders in organisations threatened by the demand to be business-like is the Margerison-McCann Team Management Wheel model. It says that for a team or organisation to function and fulfil its goals effectively, a number of different roles all need to be carried out. In its simplest form it talks about four types of roles:

- Explorers, who explore opportunities and like to create and experiment with new ideas
- Organisers, who implement ways of making things work and who focus on producing outputs
- Controllers, who monitor and audit systems
- Advisers, who gather and report information,

plus Linkers, which describes the responsibility everyone in a team has to ensure that relationships are established and developed, and to provide leadership. Therefore there are two conditions that are a requirement for high performance (1) team diversity through a reasonable balance of team role preferences and, (2) effective Linking.

This model is powerful because it immediately suggests that the administrator in “House” is a necessary part of making the whole place work. The big mistake is if people fall into the belief that this is the only perspective. In the Margerison-McCann Team Management Wheel, the administrator is acting as a Controller. Dr House’s hospital, and local government, will not work if the Controller is not balanced by the Explorer, the Organisers, the Advisers and the Linkers. These roles are where the core ideas and values of the organisation come from.

What does this mean for HR? The people in the organisation have to understand that the organisation is a group of humans who work with one another for a particular purpose, and that it needs the input of all the roles described in the Margerison-McCann Team Management Wheel. Hence, the view of the administrator has to be held in balance – not conflict, but creative tension – with the perspectives of the other roles.

HR has to know what views dominate in the organisation, and whether the balance is healthy or unhealthy; and it has to know how to foster movement towards a healthy appreciation of the value of the different types of contributors. HR has to take on responsibility for fostering a positive organisational culture.

The danger is that HR is not up to this task, that it does not have the skills either to assess the status of the culture, or the credibility and skills to influence things for the better.

## **Threat No. 2: Losing the values of respect, fairness and decency in industrial relations**

Of course I don’t believe that most employers have jettisoned these values in the wake of the Work Choices legislation. But a review of recent IR stories shows that some employers certainly have, and they feel that they now have licence to treat employees in any way they want, with impunity.

Here are a few recent news stories.

1. Work Choices means hard labour for pregnant women

A new report claims that Work Choices has weakened the rights of pregnant women at work and calls for the abolition of the unfair dismissal law exemption for workplaces with 100 or fewer workers.

2. Fairness test approves big cuts for meatworkers - ACTU

The Workplace Authority has told an abattoir that a collective agreement which cuts workers' wages by up to \$88 a week and allows them to be stood down at short notice without pay, would pass the fairness test, the ACTU says.

3. Company, director and manager all penalised for duress

- A hotel in Hobart was found to have placed a young female casual employee under duress to sign an Australian Workplace Agreement (AWA)
- The hotel owner and a manager were also held liable for the duress, which continued over more than two months
- The hotel was fined \$24,750 as a deterrent to other instances of duress, as it employed many young employees
- The penalty was also intended to act as a deterrent to other employers who might place young employees under duress to sign AWAs
- The director and manager also attracted a penalty because of their individual roles in the pattern of duress.

4. Fixed term contracts for core business not legitimate

- Worker dismissed after fixed term contract came to end
- Worker claimed unfair because really permanent employee
- Commission upheld claim because worker performed core work for employer.

The Tasmanian Industrial Commission (TIC) has held that a worker who was employed by a government department purportedly on a series of fixed term contracts was unfairly dismissed when the department did not renew his most recent contract. In reaching this decision, the TIC expressed the view that the department's policy of hiring workers on fixed contracts to carry out its core activities was not a legitimate employment practice.

5. AIRC rejects "operational reasons" for dismissal

- Employee dismissed for "operational reasons" after conflict with new manager
- Employee claims real reason for termination was personal
- AIRC rejects employer's claim and allows unfair dismissal claim to proceed.

The Australian Industrial Relations Commission has rejected an employer's claim that an employee was dismissed for genuine operational reasons after finding that it was "blatantly obvious" a manager had a personal antagonism towards the employee.

6. No operational reasons despite end of project

- Worker claimed unfair dismissal after sacked from job
- Employer said it was dismissal for operational reasons as the project the worker was employed on had ended
- AIRC held that the real reason for dismissal was the worker's complaints regarding underpayment.

The Australian Industrial Relations Commission (AIRC) has held that a company which terminated a worker's employment after a project on which he was working came to a close had not done so for operational reasons. Instead, it found that the worker was sacked for complaining about underpayment, and that any changes to the company's operations were merely used as an excuse.

## 7. Work Choices gets top marks from employers

A leading employers' organisation has given Work Choices six straight 'As' on its report card, saying it has benefited the Australian economy.

The message from these stories is that the Work Choices legislation is being interpreted by many employers as giving them new freedoms to sack employees or reduce their working conditions at will. Some of the main hot spots that suggest an erosion of employers' commitment to the values of fairness and decency are:

- where employers have sought to force employees onto AWAs, generally accompanied by significant reductions in pay and conditions, and using the unequal "bargaining power" that the employer has
- the discouragements to collective representation for employees shown by the restrictions on unions and the push towards individual agreements
- the use of "operational reasons" as a justification for dismissals, that is, sham redundancies, in cases where the employer's real reasons are harsh or unfair
- the blanket extension of probationary periods, or qualifying periods, to six months, and the expansion of the types of employees who are excluded from applying for a remedy for unfair dismissal.

Much of this may not apply to local government employers. The public sector generally has a more established tradition of equitable practices in employment. However, the fact that the wider environment has made room for these kinds of practices to proliferate has an eroding effect on employer practices in general. It makes it all the more important that employers are explicit in their commitment to values of fairness, decency and respect in employment relations.

Many people would accept the view expressed by Colin Walter of BSI Consulting, reported in *Human Resources* magazine in June this year? "What message do employers send their valuable employees if they strip them of penalty rates, sick leave entitlements or overtime pay? If they become expendables and commodities in the eyes of their HR Managers, why should they treat the company differently?"

BSI Consulting conducted a study which found that 46% of employees felt they did not owe their company anything and would leave for a better offer. Walter said that "Trust and commitment must be restored to undo the damage created by Work Choices. It will take time to recreate the trust that a short-sighted focus on profitability at the expense of well-being and fairness has destroyed."

The question for HR practitioners is: How have your attitudes towards employees changed since the introduction of Work Choices? Considering some of the issues cited above, do your organisation's leaders relish the idea of:

- using AWAs to reduce the pay, conditions and job security of workers?
- using AWAs to eliminate the presence of unions and any collective representation of workers?
- using the "operational reasons" argument to get rid of certain employees?

I think we would all agree that there are sometimes individuals in organisations who do their job inadequately or have poor standards of behaviour, and who have been with the organisation for a long time. It is tempting to make use of the new laws to get rid of these people expediently. But is this how HR and line managers should be handling such situations?

It is not difficult to state how these situations **should** be handled if the values of fairness and decency are to be upheld. The principles are to set the standards, provide the training and support that may be needed, and then manage the behaviour and monitor performance. In other words, establish accountability as a workplace value. Then, if termination is going to be the outcome, it will have been done properly, and after exhausting the alternatives.

This is not to say that the values of fairness, respect and decency are like rigid rules that lead to cumbersome, time-consuming procedures for resolving performance and conduct issues. Rather, it is to say that managers and HR practitioners must always be prepared to assess their actions against these values.

Here is an example of how actions may differ. Let us say that consultation with employees is an organisational value. But there is a situation of imminent danger to the organisation, and managers act immediately without a process of consultation. Does this violate the value? No, because there is justification for the immediate action. But moral leaders in that situation know that they will need to subsequently make a conscious effort to demonstrate that they remain committed to consultation as the norm.

To sum up, the danger for HR in the industrial relations area is that employees come to believe that their employer has lost its commitment to fairness, respect and decency. The consequences of that are far-reaching. Employees who do not trust their employer are more likely to leave, less likely to offer their discretionary effort or show initiative, and more likely to adopt an attitude of taking as much as they can get.

HR must be up to the task of establishing the conditions of trust, and getting executives and line managers to see how their actions and their example determine the trust climate.

### **Threat No. 3: Failing to deal with employee engagement**

The problem that is deemed to be the number one issue in organisations today is skills shortages. But when you look at the solutions being offered to address skills shortages, it is apparent that if employee engagement was addressed, organisations would be making substantial progress towards dealing with skills shortages.

Lack of employee engagement leads to two major problems – lowered productivity and higher than necessary staff turnover. Addressing these two problems will not eliminate all the pressures being created by the ageing workforce, but it will significantly alleviate them.

There is a growing number of large-scale studies that are adding to our knowledge about the extent of the problem of employee engagement. The Hay Group, Towers Perrin, the Gallup organisation and Integro are some examples, and their conclusions are consistent and gloomy. Here is one account, from the Hay Group (UK).

- Just 15% of UK workers consider themselves 'highly motivated', while 24% admit to 'coasting' and a further 8% say they are 'completely demotivated'.
- Well under half (39%) of employees love their job, and even fewer – just 17% – are doing their 'dream job'. Less than half (48%) of British employees consider themselves ambitious.
- But the most worrying finding is that poor staff motivation is harming productivity. Just 21% of British workers consider themselves 'very effective' in their current job role. Employees believe that they would be as much as 45% more productive if they were doing a job they loved, and 28% more productive with better training.
- Poor management is also part of the problem, the study shows, with employees feeling they could be 28% more productive with a better boss.

We can always argue that this report is from a different country, or that "things are different in our sector", but the problem is the consistency of these findings across countries around the world, and across all sectors and industries.

The Gallup research was conducted with over one million employees globally. It identified three groups of employees – those who are engaged, those who are actively disengaged, and those who are not engaged ("just doing time"). On average, only 18% of employees were engaged, and around 20% were actively disengaged.

The Integro study analysed employees into three groups as well, those who are:

- compliant – they do what they are told but no more
- rebellious – they do the opposite of what management wants
- self-directed – they take responsibility for what they do and the results they achieve.

It found that in most organisations, most employees are compliant, while small a proportion is rebellious, and a further small proportion is self-directed.

Keith Ayres, from Integro, says there are four managerial obsessions that disenchant employees:

- **an obsession with financial performance** – managers are so focused on immediate financial outcomes that they ignore human dynamics in the workplace
- **an obsession with logic** – managers create logical plans with no regard to the importance of employees understanding them and committing to them
- **an obsession with avoiding responsibility** – blaming others is a chronic organisational disease, with disastrous consequences for engagement, commitment and morale
- **an obsession with control** – managers commonly lack trust in their employees, and tend to micro-manage them.

Managers, says Ayers, are frequently oblivious to these faults and have no conception of the damage they cause. Their obsessions with numbers, plans and control mean that they simply do not notice how poor employee morale is. Nor are they aware of the strong links that apply between morale and corporate performance.

There are other managerial qualities that are important as well. Engagement is generally absent when managers are perceived as:

- not being consistent towards their team members,
- not respecting them,
- not giving feedback on performance,
- not giving recognition of effort and achievement, and
- being overly critical.

Broader organisational factors also play a role in disengagement – absence of clear career paths or progression, and absence of recognition or rewards.

Creating engagement is neither difficult nor expensive. What it requires is the engagement of managers. If employees are to be expected to be emotionally engaged in their work, then managers need to be emotionally engaged in supporting employees, rather than staying distant and trying to “press the right buttons”.

HR managers have a responsibility to create the right conditions for employee engagement. Most of the challenge is about educating and supporting line managers about their responsibility for cultivating productive relationships with their team members.

HR managers also need to be open and accessible to both line managers and employees. With the emphasis that is currently being placed on their role as strategic partners in the business, the danger is that HR becomes remote from employees. The impact of that remoteness may be that HR fails to foster employee engagement, and thereby fails to assist the organisation to achieve the strategic goals it seeks.

## A productive future role for HR

When Dave Ulrich talks about HR adding value, he explains that HR needs to look at the exchange of value between employees and the organisation. Employees give their skills and efforts to the firm. In return they receive rewards, such as remuneration, recognition, status, a sense of community, and career opportunity. The task for HR is to ensure that the firm offers them an equitable exchange of value. If employees perceive that the rewards are commensurate with their contribution, they will be committed and they will stay.

HR also needs to add value with line managers. HR can offer line managers support to build productive relationships with their staff, and to build skills and capability. There is a shift required in HR’s focus. Instead of focusing on organisational structure (eg filling positions) they should focus on capabilities, both individual and organisational.

The research on engagement indicates that values and the quality of human relationships are central to organisational performance, alongside capability. In fact, when you look at what Ulrich suggests for building capability in organisations, the very first stage is about values. To embark on the project of building capability, Ulrich says HR should carry out an audit. The audit should investigate the links between all of the organisation’s stakeholders. There are four stages:

- Keep your promises – do employees, and does the organisation, keep commitments to others (eg employee commitments to customers)?

- Create a compelling strategy – what is a convincing approach to creating value and extending that ability into the future?
- Build core competencies – can employees bring the firm's value creation potential to fruition, and continue a track record of keeping promises?
- Build organisational capability – can the organisation keep developing its internal ability to make things happen efficiently and effectively, now and into the future?

The aspect I would like to emphasise in this capability-building process is values and human relationships. I suggest that it is not sufficient to assume everyone has the same understanding of the organisation's values. Values have to be explicitly articulated, because only then can they be translated into standards of behaviour and performance.

The process of clarifying values and translating them into guidelines for behaviour is ongoing, because people assign different meanings to actions, and because people resolve tensions between values in different ways. Ongoing conversation between workers, managers and HR is needed in order to get to a common understanding of what values are relevant to particular actions, and what given values mean in practice.

We also have to recognise that people operate at different levels when it comes to ethics and values. It is helpful to distinguish between three broad levels:

- compliance with the law
- the quality of relationships (fairness, decency, respect)
- development of a deep sense of identity and purpose.

This is to say that at the first level, organisations focus on the effects of laws and regulations on their operations, and they are resistant or resentful about legal constraints on their actions. Evolving through this phase, their attitude shifts from rejection of laws to acceptance and dutiful compliance.

At the second level, the attention of organisations moves to their relationships – internal (employees) and external (customers, suppliers etc). They discover that it is actually more productive and profitable to foster ethics and goodwill among employees than to confine their attention to policing rules. Similar changes take place in their relationships with external stakeholders.

The third level evolves out of the second. As organisations generate good relationships, attention turns to the question of their deeper identity, values, purpose and potential.

Every organisation has its own pattern of values, but each has a "centre of gravity" within one of these world views. It is possible for organisations to make dramatic shifts in their values. A concerted effort to bring to the surface and articulate them is the first step. Clarity about the current situation is the prelude to exploring what the organisation *could* be – in fact, delving into identity and purpose can be the driver for an expanded view of the organisation's possibilities. New values are subscribed to as the organisation's aspirational (but achievable) goals.

What is the process for leading an organisation towards a values-based culture which fosters high engagement and commitment? The first step is always to find out what the current situation is, and employees' perceptions. What an organisation does depends on the circumstances. For example, a council in Sydney was recently in the spotlight because of claims of bullying of staff by a senior manager. If there is a specific ethical issue like this afoot, then that has to be the starting point for action.

However, as a general process, the following steps are recommended.

### **Steps towards positive ethics and values**

1. Articulate the values that are important in the organisation, which includes a statement of vision (the end-state towards which the organisation is working) and a statement of the values the organisation and its members will live by in pursuing that vision.
2. Communicate the values around the organisation.
3. Translate the values into guidelines for behaviour and performance so that people understand what they mean in practice.

4. Leaders must lead by demonstrating the values in their own behaviour, especially in situations where it is tempting to take short-cuts.
5. Leaders need to encourage employees to participate in building a culture based on the values, and deal with violations of the values where they occur.
6. Leaders must be openly accountable for their own behaviour.
7. Leaders must be aware that some situations are ethically complex, and know when to forgive and how to learn from bad decisions.

Although it is true that people tend to operate primarily at one of the three levels, it is also true that there is an underlying human drive towards what we might call higher human values. Stephen Covey talks about this as the force of the strange attractor and others have called it the attraction of the omega point.

What is the implication for HR? There is a job to do in furthering the life of values in the organisation. Again, this is about the culture-building role of HR. If HR practitioners work at equipping themselves to build a positive, ethical culture in their organisation, the evidence is that the organisation will prosper, and the role of HR itself will be welcomed, not questioned or lampooned.

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## Contacts

Ethics and Values in Business is operated by Glenn Martin and based in Sydney, Australia. Glenn is available to write, speak, train or consult on ethical issues in organisations.

Ethics and Values in Business: [www.ethicsandvalues.com.au](http://www.ethicsandvalues.com.au)

Glenn Martin (writing, authoring): [www.glennmartin.com.au](http://www.glennmartin.com.au)

Email: [glennpmartin@optusnet.com.au](mailto:glennpmartin@optusnet.com.au)

Telephone: +61 2 9945 3345