# Strategic HR Challenges for 2014-15

1   Difficult times still - Economic and Political Context

- Economy in recovery? Maybe? – Consumer led "recovery"? Dangerous
- GDP is rising but GDP per head remains 7% below start of 2008. (same as 2005)
- It won't impact on National and Local Government spending on Vol sector
- Poverty and Social inequality in UK are rising again and more quickly now
- National and Local Government Cuts £30bn 2011-2016
- Vol sector share expected to be -£1.7bn.
- NCVO latest figures show charities lost £1.3bn – 9% to 2010-2011
- Cuts Spread out 10-11; 11-12; 12-13; 13-14; 14-15; 15-16
- Local Government really badly affected and cuts harder now
- Contracts, Payment by Results and new commissioning bodies
- Political alternative narrative not very loud
- Charities facing increasing needs but decreasing resources

Voluntary sector income from government, including forecast to 2017 to 2018 (£bn, 2011/12 prices)
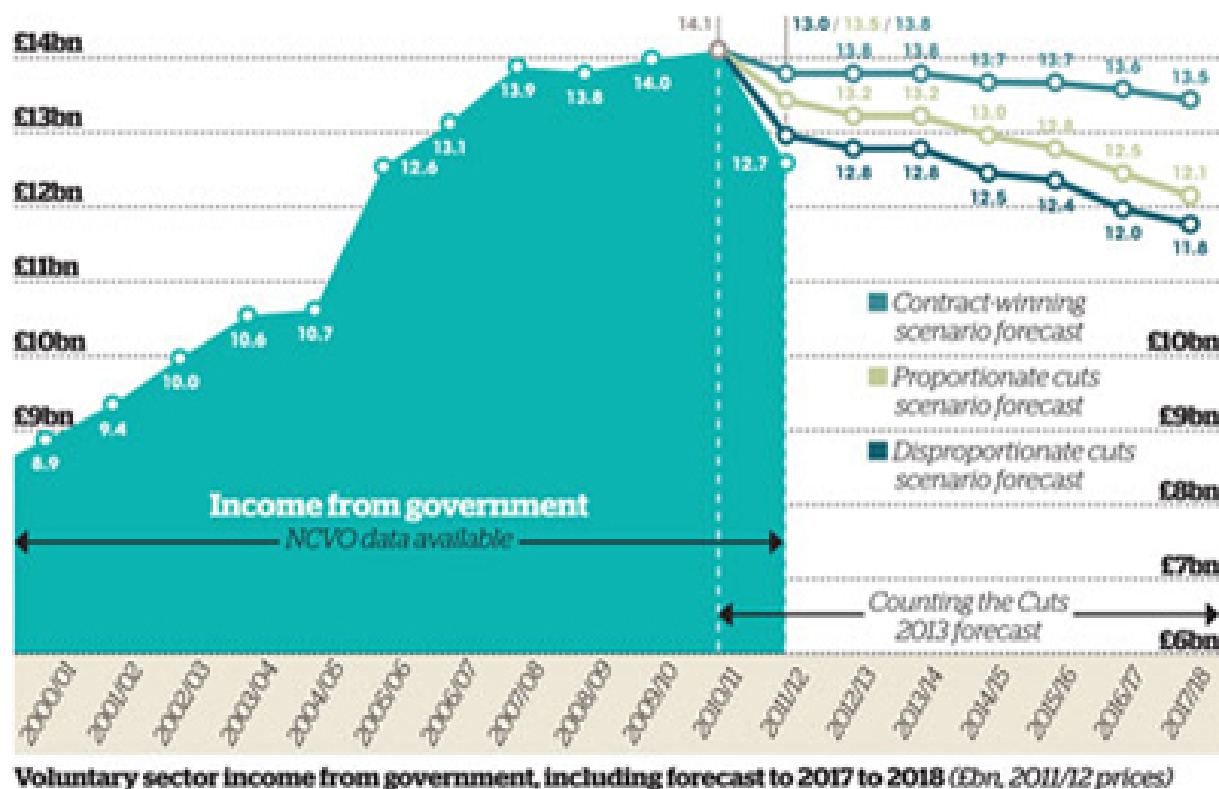
There have been three major influences on the state of the voluntary sector in the last six years –

1   **The banking crash** in 2008 leading to a deep and long lasting recession;

2   The coalition Government's **austerity programme**

3   **The political agenda** including many areas that affect how we work – for example cuts to Local Government funding, reshaping the Localism Act; introducing Police and Crime commissioners and Health reforms.

2 State of the Sector National and Local Issues

2.1 The losses and the current state of play

The introduction of the market forces into commissioning has made serious inroads into the provision of support to local people with various needs. For example to focus on Domestic violence sector - a study collating information from a variety of research and Freedom of Information requests on services for women and girls found:

- The domestic violence and sexual abuse sector lost 31% of its local authority funding cut between 2010/11 to 2011/12: a reduction from £7.8 million to £5.4 million.
- Organisations with smaller budgets, inevitably specialist services, had more substantial cuts than larger ones: for those with LA funding of less than £20,000 the average cut was 70% as compared with 29% for those receiving over £100,000. This means that services providing support for BMER women are disproportionately threatened and cut.
- Statutory provision, including those police and court services that involve specialised expertise, has also been reduced following funding cuts. This includes cuts in the operating levels of Domestic Abuse Officers.

As outlined above, the economic situation in the UK has resulted in cuts across all sectors but funding cuts have disproportionately affected smaller, locally connected specialist organisations. Consequently, many services are forced to stay open longer and meet the needs of more people, but with less money.
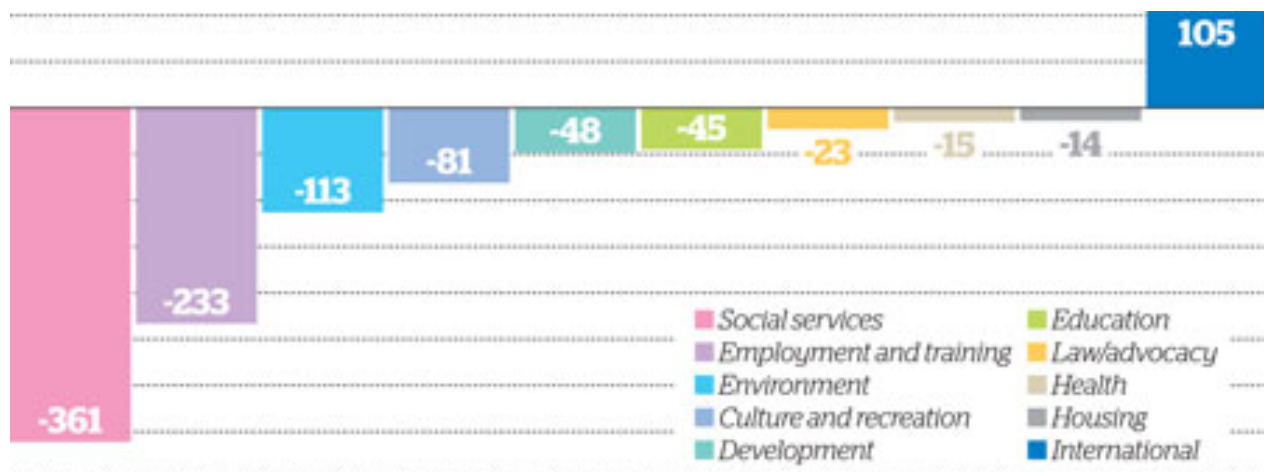
Change in voluntary sector income from government between 2010/11 and 2011/12 (£m)

2.2 Changes to the political landscape

The Localism Agenda

The Localism Act is designed to give more freedom to local authorities and greater power to local communities, granting them more ways to be involved in local decision-making. The Act stipulates services will be provided in accordance with the needs of local communities and based on consultation with them. Furthermore, the localism agenda risks exacerbating the existing postcode lottery of service provision. The provision of services on a geographical basis can overlook the cross borough/boundary nature of social needs.

Police reform: Police and Crime Commissioners

In 2012 Police and Crime Commissioners (PCCs) were publicly elected in all England and Wales police force areas outside London. PCCs replaced existing police authorities and are expected to work

closely with the newly empowered Health and Well Being Boards to address the area's joint health and wider crime and prevention needs through joint commissioning.

Health reform
Similarly part of the localism agenda, the Health and Social Care Act 2012 places responsibility for local health issues in the hands of local people. Clinical commissioning groups, which will be partly run by GPs will hold a £60 to £80 billion health budget. An independent national NHS Commissioning Board and new local authority health and well-being boards will be established. These are tasked with improving the local population's health and well-being and reducing health inequalities. They will have strategic influence over commissioning decisions across health, public health and social care.

New health social care & public health system [1]
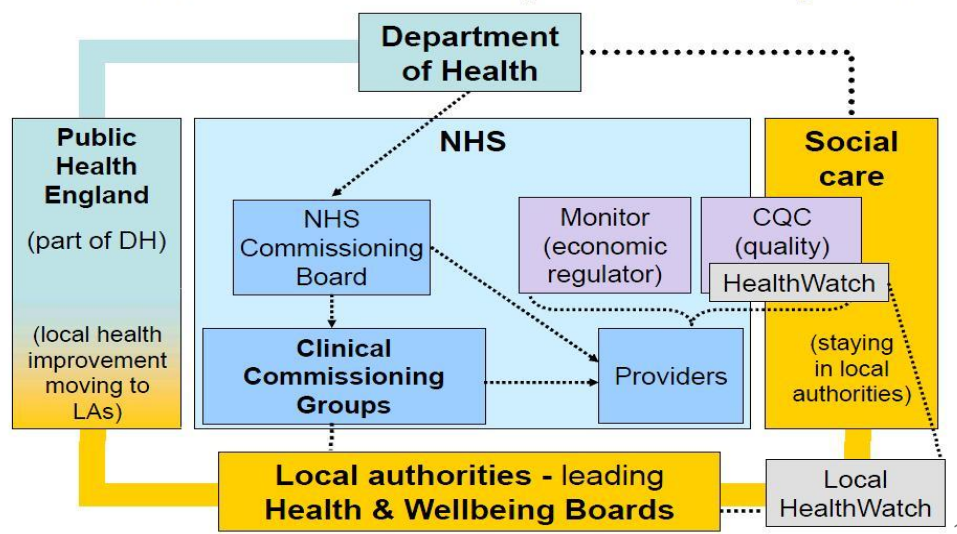
2.3   Localism and commissioning models

Supporting People
At a local level, there has been a cut in the Supporting People monies of 11.5% in real terms over the course of the spending review period (2011-2015). Additionally, this money is no longer ring fenced and so local authorities can merge it with other budgets, according to their priorities.

Payment by results
PbR is a model of commissioning whereby an organisation receives payment on the basis of their having delivered an agreed result. PbR programmes of investment are being trialled in various projects around the country, most notably by the Criminal Justice Departments and the Department for Work and Pensions, who have agree to pay certain organisations on the basis of their reducing short term prisoners' recidivism rates or getting long term unemployed people into work. It is closely tied to new outcomes commissioning frameworks, and is the basis for funding the Troubled Families work detailed below.
PrB is potentially a very dangerous way of commissioning services because it incentivises picking people with the 'easiest' cases to support in order that output targets can be met. Additionally, work with our kind of clients is not work that produces tangible results quickly. There is also concern around who defines results, and how 'soft' outcomes are measured.

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[1] Department of Health diagram, used by WHEC and also printed here: http://www.linkthurrock.org.uk/Core/Health-Watch/Pages/Default-1349.aspx

Social return on investment
The Public Services (Social Value) Act 2012 means that since January 2013 all public commissioning bodies in England and Wales have to consider how the services they commission and procure might improve the social, environmental and economic wellbeing of the local area. Commissioners will look to fund services that demonstrate social value, defined as: "the additional benefit to the community from a commissioning/procurement process over and above the direct purchasing of goods, services and outcomes". This is measured by calculating social return on investment (SROI). SROI is a form of cost-benefit analysis that seeks to measure and value the key changes, or outcomes, created by a programme or activity for stakeholders.

3   How Are We Coping?

No one source of information or statistics. 2012-2013
LVSC Big Squeeze Survey 51% reported a reduction in funding in 2012-13
27% closed services; 23 % expect to close services
Oxford CVA membership survey 2012-13 shows that nearly 60% of members have income of £5,000 to £250,000. 10% have income larger than this. 30% made staff redundant last year: 67% are using more volunteers than last year.
Decreasing income but increase in services and expenditure
London: 82% increase in demand. (only 30% confident they would meet them). In Manchester 47 % reported increasing expenditure, but only 34% increased income
40% decreased income but only 25% reduced expenditure. 33% reduced reserves. In Oxford 37% have less funding but 32% have more than last year: 20% closed services last year
State of reserves
In London 53% had used free reserves to cover running costs. 72% had less than 3 months running costs
In Manchester 15% had reserves of less than 1 month's expenditure. 40% had reserves of less than 3 month's expenditure. In Oxford 40% are spending reserves.

4   Voluntary Sector Future Gazing – Trends

Percentage change in voluntary sector's cash and real terms income by source, from 2010/11 to 2011/12 (%)
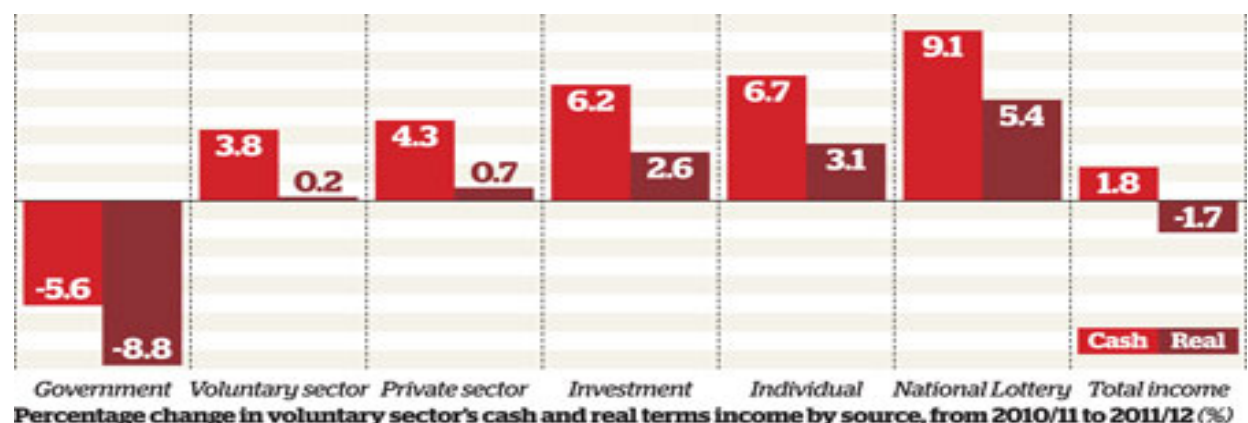
If you are a small local charity dependent on funds from Local Government in the advice or social services world you are really hard hit.

If you are large or National or never had funds from local or National Government you are in better shape but still facing challenges in the political and commissioning landscape and facing increasing need.

Standards of Commissioning vary widely

Commissioners are not always sensible; up to speed on latest research on the most effective way to deliver services. Payment by results will only get more prevalent.
Larger organisations likely to do better
Another phase of mergers and closures likely

Increased Reliance on volunteers

Commissioners seem to be expecting charities to subsidise the services we deliver either through reserves or using volunteers to deliver services.

Other challenges

Technology: Monitoring for demonstrating social value
Communicating in new ways; social media
Lobbying commissioners: Gaining support from local people.

5   Analysis of My Organisation

Summary of pressures on My Organisation – Overall strategic Goals

Challenges for Organisations – Overall Themes

Both	Larger	Smaller Community
Diversifying Income Streams	Contracts and Payment by results	Restructuring
No `fat`	Take overs	Merger
Cost cutting		Reliance on volunteers
Demonstrate value for money	Reconfiguring services	Desperate measures
Change		
Insecurity		
Absorbing frontline distress of clients		

6   Challenges for Strategic HR – Predictable themes

General Themes	Larger	Smaller Community	OTHER?
Change	Contracts and Payment by results	Restructuring	
Insecurity – staff resilience	Take overs – Mergers TUPE	Merger ? Closure	
Psychological culture	Redundancies	Reliance on volunteers	
Contracts	Reconfiguring services	No Fat in employment offer	
Working with Volunteers		Precariat	
Mergers			
Stress Absorbing frontline distress of clients **EAP**	**ANY INTERNAL PROJECTS**		
JE: Salary Survery			
Learning and Development			

6.1   Change and Staff Resilience

In these times neither organisations nor individuals are in or feel in control! Mergers, Redundancies, Cuts and Change are destabilising even in the best run organisations – we cant remove all the external sources of stress. However we can take planned and corporate action to try and offset stress. Individuals can be encouraged to do personal stress reducing activities – even if it seems a drop in the ocean!

What staff value in times of insecurity and change is

- Perceived Fairness of the Process
- Genuine involvement in consultation
- Being listened to   Feeling looked after even if they cant keep a job
- Having their feelings acknowledged

The enemies of Change and Trust and Resilience

- Inconsistent messages
- Inconsistent standards
- Misplaced kindness – not giving honest feedback to staff
- Failure to trust others yourself – clinging to control
- Not tackling the elephant in the room
- Not walking the talk
- Not taking a share in the hard times
- Not acknowledging feelings
- Having only easy conversations – not difficult ones!
- Making decisions and then going back on them or not applying them

7   Investing in Strategic HR

For those of us left what can we do in Leadership and HR to ensure the maximum effectiveness of the organisations in which we work and the engagement of the committed but bruised staff we still employ?

Investing in strategic HR is essential to assist in translating the complex vision (which inevitable means difficult change) into on-the-ground risk managed reality.

7.1   In Partnership at the top table

For a successful strategic approach there must be a workable partnership between the Chief Executive and Head of HR and the other senior managers. Build trust, loyalty and demonstrate that HR has value.

7.2   HR worth its weight in gold

Value ourselves. Act as partners. Demonstrate our value. If you think HR is expensive try operating without it! Work out who your stakeholders are then how to prove your value.

Chief Executive	Managers	Employees
Loyalty + Ensuring Top HR Decision making is Legal and Professional. Reduce risk	Coaching and Handholding Model Emotional Intelligence Professionalism	Training and Development
Costs and efficiency: Budget effectively; unit cost per rec; Absenteeism; turnover: low ETs	HR Advice: Correct and timely	Ensuring they are dealt with fairly. Sort out team issues
Reputation: Brand; quality marks	Recruitment: timely and right people	Contract deal delivered
Leadership Development	Informal conflict resolution	Benefits and remuneration
Culture and Values: Surveys; 360; Model Behaviours	Admin efficient not bureaucratic or pointless	Admin and Data Protection
Strategy – Prioritise the right HR actions		Engagement and communication. Champion

My key Stakeholders and How I can demonstrate my value?

HR – is more than recruiting staff, issuing contracts and telling you how many sick days people have had.

Role	Outcome	Image	Activity	What if we don't?
Management of Strategic HR	Executing strategy	*Strategic Partner*	Aligning HR and Organisational Strategy HR policies in place to meet strategy	No plan no direction More costly
Management of Risk	Less risk	*Necessary legal and ?H/S baseline*	Legal baseline met Scanning horizon Issuing contracts and ensuring managers stick to policy	More risky H/S Legal challenges ETs
Management of Resources	Building and efficient services to staff and managers	*Administrative and systems expert*	Organisation process, systems, files, Data collection, Data Protection Benchmarking	Inefficiency Incorrect data No benchmarks possible
Management of Employee Performance	Increasing Employee skills, Enhancing Manager's skills Improving service	*Performance champion*	Working with SMT to get and get quality performance Learning and development strategy and programme	Piecemeal performance Lowest common denominator
Management of Employee contribution	Increasing employee commitment and motivation	*Employee Champion*	Listening and responding to employees	Less consultation No channel to SMT
Management of Change	Creating a better, renewed organisation	*Change Agent*	Managing transformation and change Ensuring capacity for success	Hit and miss approach to change.

Attributes and Behaviours that provoke Commitment, trust, engagement and resilience
(Derek Mowbray: Guide to Corporate Resilience www.mas.org.uk)

| People
Leaders
Managers | → | **ATTRIBUTES**

Attentiveness
Trustworthiness
Wisdom
Assertiveness
Intelligence with
humour
Passion
Direction with
committed ambition
Address individual
needs
Nurture | → | **BEHAVIOURS**

Focus on people
Politeness
Courtesy
Personal
communication
Body Language
Addressing needs
Empathetic
Intellectual flexibility
Emotional Intelligence
Negotiation Skills
Sharing
Reliability
Honesty
Clarity
Fairness
Humility
Conflict Resolution
Encourage Contribution | → | **Engagement**

Commitment

Trust

Resilience

Tolerance |

8   Getting strategic HR - Ideas and Tools

8.1   Where am i starting from?

What's my task in getting an HR strategy – How big a mountain do I have to climb?
We don't need to sell HR here in this room – but you might have to back at the ranch.
Here's a few lines to test yourself on – where would you put your Organisation Currently?

Risky --Non risky

Reactive--Proactive

Panicky   Planning
Crisis Management--Ahead

HR badly   HR well
resourced--resourced

Cant spell   Psychological Contract
Syck contract-- ------------------------Explicit

Managers   Managers are
Ignore HR---Partners in HR

8.2 Where would you place your organisation in relation to valuing HR?

1   **Baseline –** selling the value of HR. Arguing for resources for HR. We recruit and keep the files.
2   **Setting up basic minimum HR systems and policies**
3   **Auditing and benchmarking –** beginning to identify problem areas
4   **Clarity on what sort of employer are we – identified** Culture, Philosophy, management culture, psychological contract?
5   **Resourcing and developing best practice.**
     Systems development,
     Learning and Development more of a priority
6   **Targeting Skills and systems improvements.** Learning loops. Action learning at work. Improving manager's practice
7   **Employer of the year**

STRATEGY IS A ?

STRATEGY IS A PLAN

A set of logical steps towards an end target. But what end target? And What steps

Audit, Gap analysis, Benchmarks, critical path analysis.

STRATEGY IS A PATTERN

Analysing complex patterns and moving them to a more pleasing, or consistent shape, or recognising gaps and deciding how to fill them.

Gap analysis, benchmarks, patterns, culture fit?

STRATEGY AS PROBLEM SOLVING

A problem or crisis has arisen and now we are going to solve it

Ask questions til you get to the bottom of the problem.

STRATEGY AS VISIONING

Strategy as metaphor or image. Seeing – omnivisual, 3D

Backward planning. Visioning: What sort of animal are we?

STRATEGY IS A PROCESS

Strategy is how leaders set a direction for an organisation, and then work towards getting there. This recognises that it cant be done alone.

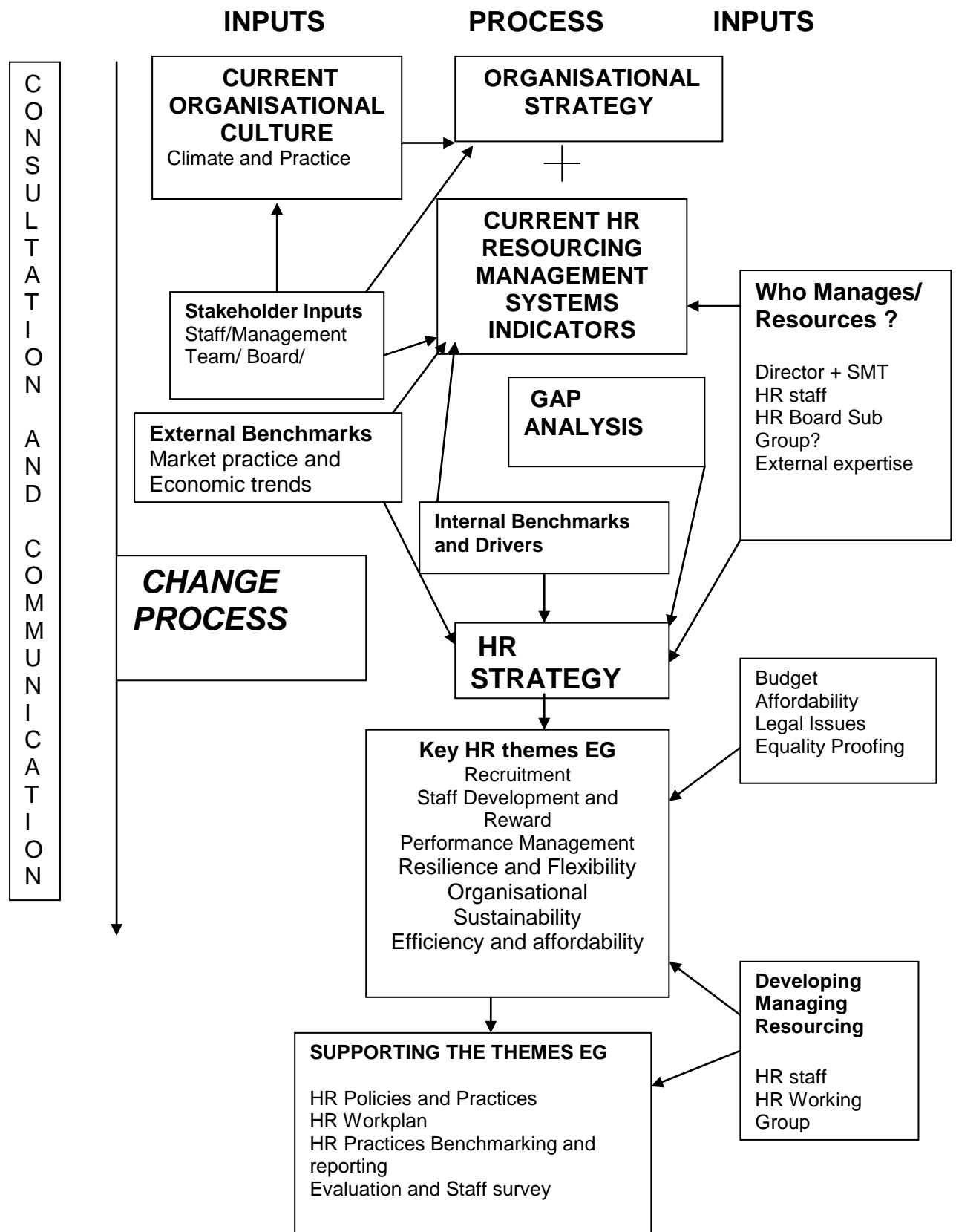*Change management, critical mass, consultation, recognising patterns of change resistance and planning for them, gaining validity for the vision.*

STRATEGY IS POLITICS

How to change things without recognising where power lies in an organisation is an exercise in folly or beating your head against a brick wall.

Getting support, Board backing, Drivers, Resources, Change agents, stakeholders, persuasion.

HR STRATEGY DEVELOPMENT MAP

INPUTS　　　**PROCESS**　　　**INPUTS**

CONSULTATION AND COMMUNICATION

CURRENT ORGANISATIONAL CULTURE
Climate and Practice

ORGANISATIONAL STRATEGY

CURRENT HR RESOURCING MANAGEMENT SYSTEMS INDICATORS

Stakeholder Inputs
Staff/Management Team/ Board/

Who Manages/ Resources ?

Director + SMT
HR staff
HR Board Sub Group?
External expertise

External Benchmarks
Market practice and Economic trends

GAP ANALYSIS

CHANGE PROCESS

Internal Benchmarks and Drivers

HR STRATEGY

Budget
Affordability
Legal Issues
Equality Proofing

Key HR themes EG
Recruitment
Staff Development and Reward
Performance Management
Resilience and Flexibility
Organisational Sustainability
Efficiency and affordability

Developing Managing Resourcing

HR staff
HR Working Group

SUPPORTING THE THEMES EG

HR Policies and Practices
HR Workplan
HR Practices Benchmarking and reporting
Evaluation and Staff survey

8.3   Key strategic Goals   What am I aiming for?

Overall Strategic Goal	HR Theme	Objectives	Detailed Actions
Sustainable	Leadership		
	Changing services – Restructuring		
	Contracts – costing jobs TUPE		
	Increased flexibility and right people in right jobs		
	Performance Management work with Line managers		
	Training and Development		
Resilient	Change management		
	Staff Engagement Value staff Build trust		
	Stress Management		
Affordable	Contract terms and condits - review		
	Reward		
	HR policy review		
	Efficient HR Process for Employee Lifecycle	Set Benchmark Aims	

Change works better when it is a managed programme rather than piecemeal and scattergun. The golden rule of good change is communicate often and be honest about the environment and context of the changes; the need and the risk. Redundancy programmes have to be done well and quickly. Staff will co-operate more willingly if they see the need for change; see pain is distributed fairly and understand the future vision.

The Second really important phase of strategic HR is then to engage staff in culture change for the future organisation. Sustainability will mean changing how things are done, which is not easy for some staff to accept. The heart of this is building better

relationships between managers and staff at all levels. This means building trust, communicating well and problem solving effectively. This time HR's key partnership is working with line managers to deliver this change. The lead on HR will keep taking the temperature of the change through staff focus groups or surveys and keep fine-tuning their programme. Great HR never sleeps and is worth it's weight in gold.

8.4 Strategy: HR Benchmarks

Turnover	12.7% (4.5 Voluntary) 13% (7.6 Voluntary) 16.4% (Charity Reward)	National Vol sector	
Absence	3.3% 3.6% 4.2%	7.8 All employees days Up again 8.5 (Vol Sector) 9.9 Care Services	£600 per employee
Training Budget Spend	£276	24 hours pa median 75% report deficit in management and leadership skills	
Pay intentions	2% 1-2% 1%	National Vol sector Public sector	
Recruitment	67% recruiting	Vacancies Hard to fill	FR and Income generation impossible
Redundancies	23%	Intending to make redundancies	
Zero Hours	42%	Vol orgs use them (small sample) 22% private sector	**Most common in care/cleaning**
HR Staffing ratio	1:85	1 trained HR professional to 85 headcount	**Expert HR 2013**
HR budget	2%	Operating costs	**IRS report**

	What boosts resilience? How can HR Help	Managers	MY Organisation?
Self Awareness	Great performance management system Coach managers Help with honest feedback up and down Stress management	Be honest in Supervisions Give staff challenges Praise and stretch Emphasise transferable skills	
Determination	Jobs that have a variety of challenges and learning opps	Encourage a sense of planning and movement in a job	
Vision	Career planning CV writing training	Career development in Appraisals	
Being Organised	Stress time management Project management skills	Coach in time and organisational skills	
Interpersonal relationships	Ensure no job is isolated Help manager their importance Team building and problem solving	Have good conversations with staff Keep all on radar	
Interaction	Give an overarching value and emphasis to positive interactions with managers and staff Train managers Keep up the positive staff events	Develop persuasion skills Be persistent Don't take easy path Improve connection and interaction with others	
Problem solving	Ensure all staff get training and development Stress areas risk assessed and targetted	Train and develop staff Acknowledge stress and get training or coaching	
Confidence	Encourage emotional intelligence Stress importance of feedback Train staff provide opps for stretch and growth	Train and develop staff Give them quality feedback	