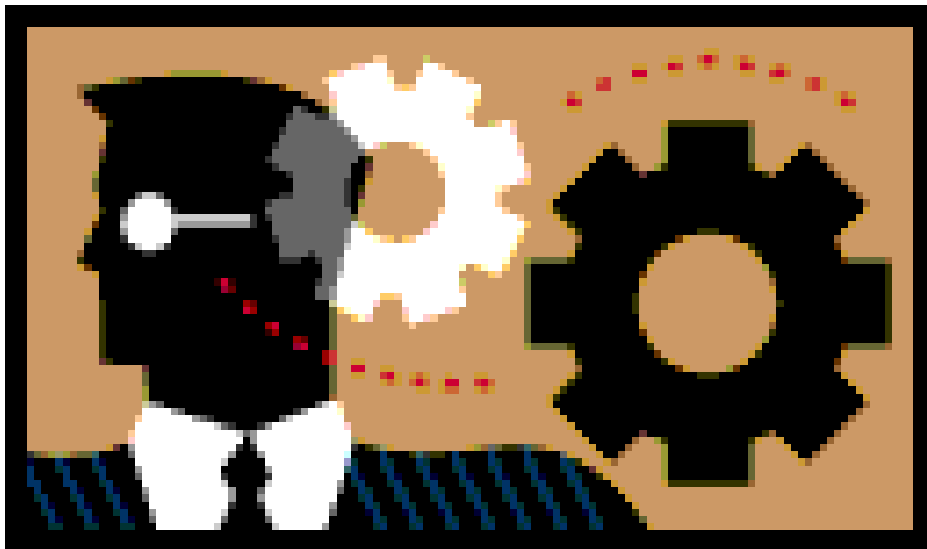


THE SME HUMAN RESOURCE MATURITY MODEL

Taking HR Seriously



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Synopsis

People are the most important asset of any organisation. Research has shown that effective management of employees can lead to increased bottom line performance and a growth in shareholder value. All small companies and many medium sized organisations tend to work without HR professionals but they still engage, train, promote, pay and generally manage their staff. This means that whilst perhaps not achieving all of the benefits to be had from excellence in HR, they are succeeding to some extent to have HR contribute to profits or results.

Research shows however that there is more to be had for such organisations. This paper is targeted at principals of these firms and organisations. It provides a tool for measuring where an organisation sits on the HR Maturity Ladder and suggests improvements for people management which will facilitate growth and improve intrinsic value.



Developing the model

Research indicates that there is a strong link between employee performance and the presence of a positive employee-employer relationship. This comes directly from sound human resource strategy which supports, and indeed forms an integral part of the business strategy. Watson-Wyatt (2000)¹ in particular shows that by embracing and excelling in human resources, companies can add significantly to the bottom line. Based on this research the author devised an “HR Maturity Ladder” against which companies can measure themselves, and consequently set targets for improvement. The model is shown in Figure 1.

This model shows five steps with movement proposed between the lowest and eventually the highest level. The higher up the Ladder the firm works its HR, the more it adds to profit.

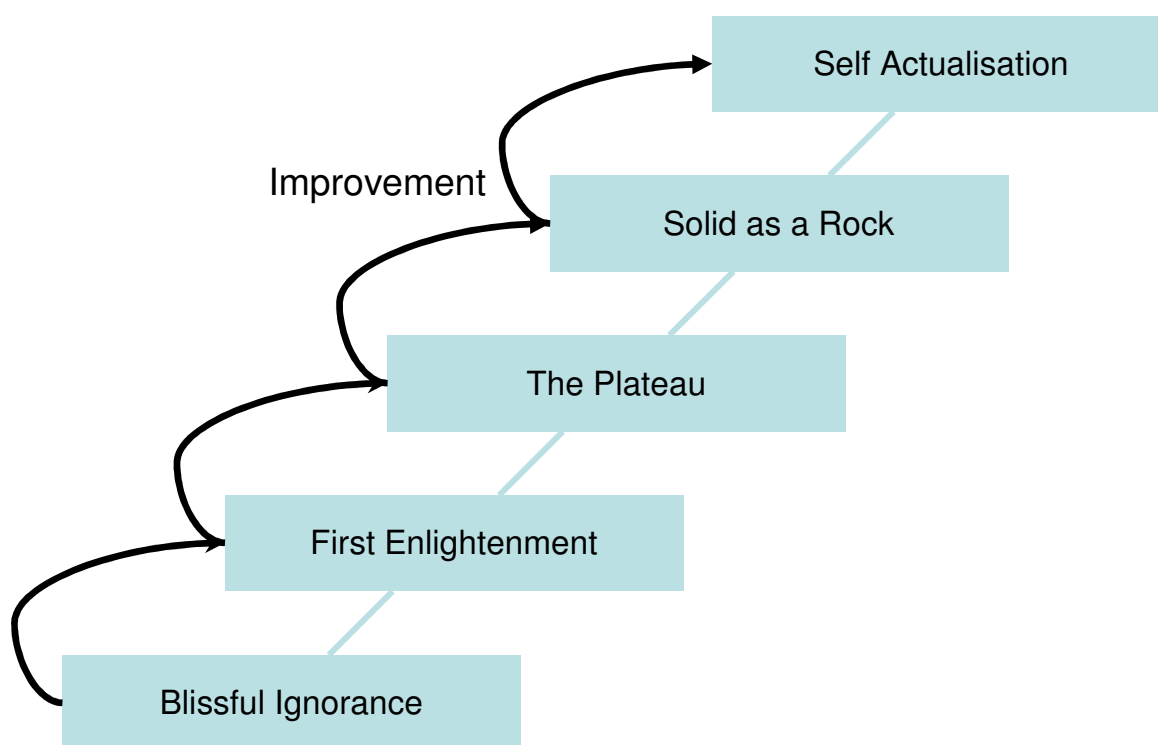


Figure 1 – The HR Maturity Ladder

The following paragraphs describe each of the levels of the model. They explain the facets of the firm or organisation, describing to what extent it uses good HR practice.

¹ Watson Wyatt (2000) *The human capital index: European survey report 2000*, Watson Wyatt, Reigate



Blissful Ignorance

At this level human resource management is not at the forefront of the principal's thoughts. Someone in the organisation, perhaps a secretary or office assistant, keeps some basic personnel records. There is very little training or staff development; no job descriptions; no process of staff appraisal and in some cases no contracts of employment. The organisation has no knowledge of the benefits of human resource practices. Where problems occur they may well be resolved by using the services of a lawyer.

First Enlightenment

This occurs when the principal realises that there is some benefit to be had. The business strategy begins to include elements of HR strategy such as statements about training and style of staff and their competences. Consideration is given to matching employee benefits to the local environment. Staff do have basic of terms and conditions of employment.

Plateau

The principal now realises that the recruitment, retention and training of good staff is beneficial to the organisation. Policies and procedures begin to be developed and performance appraisals occur in an attempt to review training needs. Training becomes important and staff begin to feel valued and needed.

Solid as a Rock

The company strives for ISO9000 and Investors in People because these are seen as beneficial to the organisation. A wide selection of HR tools are in place. The company is offering competitive packages to attract and retain staff and recruitment poses no problem. Staff have personal development plans, annual appraisals and are encouraged to undertake training. There is consistent positive feedback from customers and the profits increase as a direct result of effective HR policies.

Self-Actualisation

Reaching this level is not commonplace. It reflects good practice where HR strategy and business strategy are developed as one. Employees and managers share a common vision with staff truly believing they work for the best organisation possible. Customers view the organisation as truly excellent. The growth of turnover, profits and people occur together.



Using the model

This model can be used independently by firms as a basic tool to identify to the extent to which management embraces good HR practices. To use the Ladder, simply read the descriptions and see which best fits the way your firm works its HR. It's a self assessment and you need to be honest. Then decide the level on the HR Maturity Ladder you want to reach and over what time. You now have two of the parts of your future plan. You just need to develop a set of actions for how to promote yourself between the levels. Figure 2 below shows the levels as a pyramid. The areas of each block or step represent relative numbers of UK firms that are at each of the levels. More firms are at the lowest level. The highest level has the fewest firms.

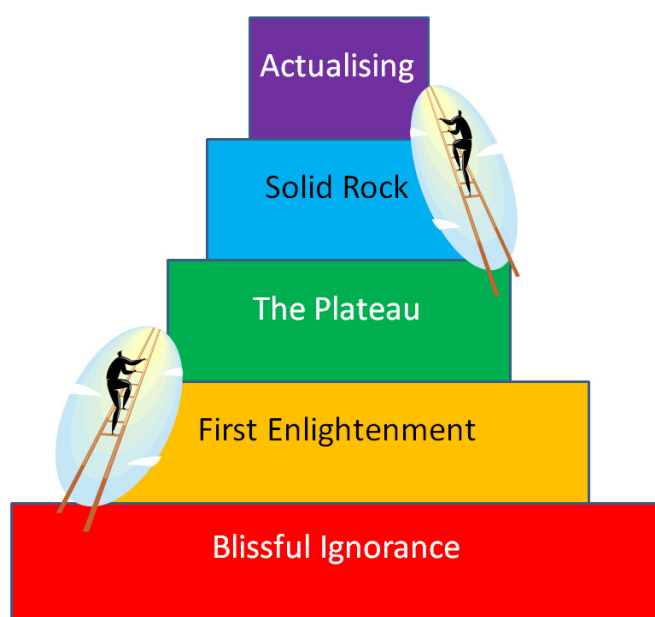


Figure 2: Relative Numbers of Firms (or Organisations) at Each Level

Reaching the self-actualising level is not commonplace. It reflects the best of good management where development of HR practice and the overall strategy are one. Employees and management share a common vision and staff readily agree that they work for the best organisation ever. Customers view the company as truly excellent and growth of turnover, profits and people occur in harmony.

Reaching the Plateau should really be every firms aim. It represents the most basic of HR levels. Unfortunately, as the name suggests, this is where most organisations remain. Firms that have ISO9001 and embrace quality principles (as opposed to following that standard for some marketing reason) will find it straightforward to get to the Solid-as-a-Rock level.



Where next?

Excellence in HR requires:

- the right human resource strategy in support of the business strategy
- bringing the right people on board
- entering clear, fair and legally binding terms and conditions of employment
- retaining key staff
- empowering staff, enabling them to work with minimum supervision
- training staff and managers to ensure both develop competencies and knowledge
- communicating effectively
- handling sensitive issues such as redundancy compassionately and equitably

This paper provides a model which firms (and indeed all organisations) can use to facilitate the development of an integrated business and HR strategy.

Note that this paper gives no quantitative measures of the benefits available following promotion up the HR Maturity Ladder. See other TimelessTime publications for details of the relationship between excellence in HR and bottom line performance increases.



The Author



Sue Berry is a Director with TimelessTime, and has over 25 years of HR experience across many industry sectors in large multinationals and smaller enterprises, with the last six years being spent as the head HR practitioner in each establishment. With a BEd(Hons) in sociology and environmental science she is a qualified teacher, holds a Masters degree in Human Resource Management and is Chartered Fellow of the Chartered Institute of Personnel and Development.

Prior to founding TimelessTime she gained operational HR experience in a wide variety of niche markets including aerospace, electronics, chemicals, service industries, the Health Service, academia, nor-for-profit NGO's and the charity sector. She has published two books and written several papers related to various aspects of HR.

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TimelessTime

TimelessTime is a limited company, based in Sussex and was founded by Sue Berry. With over 25 personal experience she has teamed with other like-minded professionals who can support the work of TimelessTime offering an extended portfolio of support for organisations of all sizes.

Unlike large organisations TimelessTime can be extremely versatile and nimble with the support service offered to all out clients. We understand that managers don't work in a 9-5 manner anymore. TimelessTime is a fact of life as is flexible working for senior business professionals. TimelessTime Ltd can help you redress your work-life balance by providing the support you need when you need it.

For more details about the concept of TimelessTime please visit www.timelesstime.co.uk