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**'The role and influence of human resource management in the capital
markets and investment banking sector'**

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Durham University Business School

2008

The role and influence of human resource management in the capital markets and investment banking sector

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The role and influence of human resource management in the capital markets and investment banking sector

1. Introduction and sector definition

1.1 Introduction

1.1.1 The source of the debate

It will be seen from the literature review which follows that no previous study has attempted to define the 'role and influence' of human resource management in the capital markets and investment banking sector and this thesis has therefore been undertaken to both fill a research gap and inform practitioner action. It presents research targeting 22 leading banks in the capital markets and investment banking sector covering the period 2001 to 2003 and further, exploratory, research focusing on 14 of these banks which was undertaken between March and May 2007.

This thesis commences in Chapter One by broadly discussing the roles and influence of human resource management and locating the research by defining the capital markets and investment banking sector. In Chapter Two, extant literature is reviewed which spans: the impact of human resource strategies, policies, practices and systems; organisational complexity and the human resource environment; the roles and relative influence of those managing human resources; and, the competencies associated with the human resource business partner role and the centrality of credibility to its success. Chapter Three discusses the research design, Chapter Four contains the research analysis and discussion and Chapter Five is the concluding chapter.

For the purposes of this thesis, human resource management is defined as any activity which impacts the management of human resources and as such it is not limited to the work of human resource professionals but includes business line managers and other functional managers. The reification of human resource management (HRM) and narrowly defined or prescriptive terminology with regard to 'HRM' are avoided in this thesis and the 'human resource environment' is defined here as the socially complex organisational environment within which all internal and external stakeholders interact. In addition, for the purposes of this thesis 'talent portfolio' refers to all

those working within any business division and includes full-time employees, part-time employees, contractors and volunteers.

The catalyst for this study was a published debate on the management of 'human capital' in the capital markets and investment banking sector which indicated that significant issues were faced in managing firm human resources. Notable comments were made by a number of participants at a roundtable discussion published by Financial News (2001). The then head of the human resource function at Dresdner Kleinwort Wasserstein, Stephen Sidebottom, said that banks are not particularly good at understanding the value in the people who work for them, that banks focus predominantly on how much they pay people and that, 'Having a human resource function in itself does not mean that you are thinking at a strategic level about the 'people' issues that we all intuitively recognise as important.' (Financial News, 2001:9). At the same roundtable the former Managing Director and Deputy Chairman of Goldman Sachs International, Richard Hayden, said

'There is financial capital, reputational capital and people capital. As bankers we spend a great deal of time protecting the first two, but because of the tyranny of the immediate, we spend the least time on our people, and at the end of the day this should probably be our first priority.' (Financial News, 2001:24)

While this criticism of human resource management may be true across a number of industry sectors, its restatement by a senior banker emphasises its importance to this particular sector.

The issue of people management and leadership was also raised on a number of occasions during the roundtable debate. The then co head of SG's investment banking division and member of the group management committee, Stephen Brisby, is quoted as saying 'There is a paradox at the heart of our industry: on the one hand people claim they do not want to be managed and on the other hand, if they are not well managed, they claim that there is no strategic leadership.' (Financial News, 2001:4)

A number of participants concluded the discussion with comments on management and leadership. Paul Taffinder of Accenture stated that, 'Overall I think my plea would be for a greater emphasis on leadership in organisations, because that would produce the focus on people that is required for success in this industry.' (Financial News, 2001:24). This view was supported by Charles Farquharson of Merrill Lynch Investment Management who noted that while the first part of competitive advantage is the 'war for talent', the management

and deployment of that talent is stage two, making people work as a better, more cohesive and productive team than anybody else. He believes that the execution of the second part is what will differentiate the most successful firms from their competitors.

In summary, the senior representatives of the capital markets and investment banking sector that were present at this roundtable believe that:

- too little priority is given to issues relating to human capital;
- there is a paradox, with some individuals who may not want to be managed but complain if they are not well managed and who also believe that there is no strategic leadership;
- greater emphasis on leadership would produce a focus on people; and
- a focus on people is what is required for success in this sector.

Given the above comments, it can be asked what role human resource professionals are playing in this sector and how human resource professionals are influencing the management of human resources ? Stephen Sidebottom (Financial News, 2001) provided some insight to this by stating that human resource functions in the City, a term used to describe the United Kingdom's London based financial services sector, have changed significantly over the last 20 years, but while the human resource function has moved on from having a largely administrative role, human resource professionals in this sector still lack familiarity with the business impact of people and this makes it difficult for them to debate and influence 'people-issues' at a senior level in the organisation. This in turn means that people-issues are not always thought about strategically. If this is the case, human resource professionals are not providing an effective advisory role to senior business line managers who it appears are themselves giving too little priority to human capital issues and are not exhibiting leadership on matters of human resource management.

Coming as it did in the year when Michael et al (2001) published their book 'The War for Talent', this roundtable was a timely opportunity to discuss talent issues in the capital markets and investment banking sector and this thesis was motivated by the questions raised in this debate.

1.1.2 The role and influence of human resource management

Senior professionals from the capital markets and investment banking sector have called for greater focus on issues surrounding the management of human resources, greater leadership in this area by senior line business managers, a more sophisticated analysis of the value created by an organisation's human resource environment and a higher level of business focused debate from human resource professionals (Financial News, 2001), but what is the position being reported by cross-industry research ? While this thesis focuses on the capital markets and investment banking sector, it is also instructive to consider extant literature that discusses human resource management in other industry sectors.

As the value of a service is said to be defined by those receiving a service in addition to those providing the service, Ulrich and Brockbank (2005) believe that any human resource value proposition must start with the clients of human resource professionals. However, the findings of a number of studies suggest that much work is required here. Mercer designed a study (Colman, 2004) to find out how human resource professionals are responding to the challenge of playing a more strategic role in achieving their organizations' business strategies. Using Ulrich's (1997) human resource roles, which are discussed in detail later in this thesis, the human resource professionals scored themselves above eighty percent in terms of their success as administrative experts, change agents and strategic partners but felt that only forty-three percent of others in their organizations would see them as clear strategic partners. This indicates a discrepancy between the way human resource professionals see themselves and the way they believe the rest of the organization sees them and confirms the previous findings of Wright et al (2001) which also found that human resource professionals tended to rank themselves higher than business line managers for human resource service delivery, effectiveness and business contribution.

A later survey by Accenture (Lieb, 2005) reports a large gap between the human resource capabilities that organisations need and those they already have. In this study, business line management report that key human resource competencies are lacking in terms of leadership and change management skills however, it is not clear from Lieb's (2005) research who is failing. Is it the business line managers, human resource professionals or some combination of the two ?

Finally, in a survey about human resource management challenges by McKinsey (Lawson et al, 2005) it was found that European companies appear to be struggling to find human resource managers with the right mix of

skills to support business unit managers. Sixty percent of the human resource directors interviewed said that senior management devote more than 20% of their time to people management issues but only one-third of the human resource directors felt that their function was well positioned to meet the company's management agenda.

This position appeared to derive from two specific problems. Firstly, several respondents said that they 'simply didn't have enough HR professionals with business savvy to support the efforts of business unit leaders in managing people for high performance.' (Lawson et al, 2005:13-14). Secondly, it was found that human resource services were inefficiently and ineffectively delivered. Lawson et al (2005) state that the shortage of skilled business partners was often compounded because, 'HR personnel were too busy propping up poorly managed service operations and navigating over engineered processes to add strategic value.' (Lawson et al, 2005:13-14) and conclude that

'Companies need to redefine the skills, the intrinsic capabilities, and the range of experiences that are required of HR practitioners. Business partners should be chosen for their credibility in the business, their interpersonal skills and problem solving capabilities, and the breadth of their experience in applying people management principles to business situations. They will need to be supported by a distinct cadre of service providers – those who excel at flawless process execution and possess deep expertise in a particular service area ... To deliver on what the business needs, HR must put its own house in order, starting with the skills and capabilities of its staff.' (Lawson et al, 2005:13-14)

Given the prescriptions of Ulrich and Brockbank (2005) and Lawson et al (2005) regarding the roles and relative influence of human resource professionals it would be useful to determine whether organisations in the capital markets and investment banking sector have human resource business partners (Ulrich, 1997; and, Lawson et al, 2005) and if human resource business partners do exist: whether they have credibility; whether their competencies should include people skills and problem solving capabilities; and, whether they can demonstrate a track record of business impact through their advice on human resource related problems (Ulrich, 1997; Lawson et al, 2005; and, Ulrich and Brockbank, 2005). These questions are addressed in the research undertaken for this thesis.

The capital markets and investment banking sector is now defined as this will reinforce some of the above points and highlight the relevance of undertaking this thesis in terms of its contribution to both academic theory and practitioner action.

1.2 The capital markets and investment banking sector

1.2.1 Introduction

The capital markets and investment banking sector generates revenue by combining expensive human resource with significant financial capital and is a sector that is of fundamental importance to global economic and social health. This has been graphically illustrated by the global financial crises of 2008. However, as there is no government or stock market classification that defines the capital markets and investment banking sector it has been necessary to identify the sector participants by examining the products and services they provide. In the following analysis the 'financial services' sector is identified and 'financial markets' activities explained; the difference between 'commercial' and 'investment banks' is discussed; and, for the purposes of this thesis, the capital markets and investment banking sector is then defined.

1.2.2 The financial services sector

In 2005 the United Kingdom's Department of Trade and Industry's (DTI) website noted that the UK was the world's leading international financial services centre employing over one million people with net overseas earnings of £ 31.2 billion in 2000, accounting for 5.1% of Gross Domestic Product.

The UK is said to enjoy one of the most diverse and dynamic of all global banking centres. In 2005 the DTI website noted that in 2000 the UK was home to the highest concentration of foreign banks in the world; 481 foreign banks were registered in the UK which was significantly more than the 287 foreign banks registered in the US. In 2000, London accounted for 19.1% of global cross-border bank lending, more than any other centre. Total assets of the UK banking system were £ 3,441 billion in August 2001 of which 55% belonged to foreign banks. The assets of UK owned banks, which totalled £ 1,336 billion, were dominated by a dozen or so retail banks, with national branch networks, mostly serving domestic, personal and corporate customers. The DTI also stated that

'the City of London is one of world's three leading financial centres and the largest centre for many international financial markets. The City is characterised by deep, highly liquid markets, a concentration of industry-wide skilled workforce and quality, innovative products.' (DTI, 2005)

It should be noted that since the above statement was published, the liquidity of the credit markets, the wisdom of some innovative products and the skill of the workforce have been called into question by the 2008 financial crises.

While business sectors can be determined by government definitions and/or focusing on products, services, production processes, channels, technology or the end customer, Pescatto (2003) chooses to classify the financial services sector by categorising its participants, Table 1.1, and by identifying its associated products and services, Table 1.2.

<p>Table 1.1 Participants in the Financial Services sector</p> <ul style="list-style-type: none">- Financial intermediation offered by credit institutions- Investment and leasing firms- Insurance providers- Pension fund providers <p><i>Pescatto (2003)</i></p>

The financial services sector acts as the main vehicle for mobilising savings and allocating them to investments as well as offering instruments for managing and/or sharing risk. In addition to the products and services noted in Table 1.2, the financial services sector includes auxiliary services, such as the administration of financial markets, security brokerage and fund management. All the areas of activity defined by Pescatto (2003) in Table 1.2 are included in Fabozzi et al's (2002) definition of 'financial markets' activity, Table 1.3.

Table 1.2 Products and services in the Financial Services sector

- Offering payments and savings products
- Fiduciary services
- Corporate and private lending services
- Underwriting and issuance of equity and debt
- Insurance and risk management products

Pescatto (2003)

1.2.3 The financial markets

Fabozzi et al (2002) note that financial markets activity takes place within the financial services sector and that financial markets can be defined as markets where financial assets are exchanged. In this context assets are broadly defined as possessions that have value in exchange and can be classified as tangible, such as buildings, land or machinery, or intangible, such as legal claims to some future benefit, and include financial assets. The typical value of financial assets is a claim to future cash and they have two principal economic functions: the first is to transfer funds from those who have surplus funds to those who need funds to invest in tangible assets; and, the second is to transfer funds in such a way as to redistribute the unavoidable risk associated with the cash flow generated by tangible assets among those seeking and those providing the funds.

The summary of financial market activity noted by Fabozzi et al (2002) is illustrated in Table 1.3 and a detailed discussion of each area can be found in Appendix One.

Having defined the financial services sector and financial markets activity the sector participants can now be identified.

1.2.4 Sector participants: commercial and investment banks

The participants in the financial services sector that work with issuers to originate and distribute securities are often called 'investment banks'. Investment banks also undertake fee based advisory work for instance in mergers and acquisitions (M&A). Historically, the activity of investment banking has largely been undertaken by two types of firms, securities houses, also know as investment banks, and commercial banks. This continues to

be an important distinction within this sector because regulations that have separated the activities of each type of market participant have shaped the competitive landscape seen today. For example the Glass-Steagall Act (1933), which was in force prior to 2000, restricted the scope of commercial banking in the United States and made the development of 'universal banking' impossible to develop as it had occurred in Europe (Cairns et al, 2002). Universal banking is a term that relates to banks that participate in the financial markets as both commercial and investment banks, often also including asset management activities and insurance. For further guidance, Augar's (2000) bank typology is worth noting and can be found in Appendix Two.

Table 1.3 Summary classification of the Financial Markets

By **nature of claim**: for example

- Debt
- Equity

By **maturity of claim**:

- Money market
- Capital market

By **immediate or future delivery**:

- Spot market
- Forward market

By **organisational structure**:

- Auction market
- OTC market
- Intermediated market

By **underlying market**:

- Cash market
- Derivative market

By **seasoning of claim**:

- Primary market
- Secondary market

Modified from Fabozzi et al (2002) – see definitions in Appendix One, page 221

In September 2008 the investment banking business model of non deposit taking banks was undermined by the global financial crises; Lehman Brothers failed, Merrill Lynch was bought by Bank of America; and, the two remaining investment banks Morgan Stanley and Goldman Sachs become deposit taking institutions (The Economist, 2008e).

1.2.5 Sector activity and trends

It is useful to understand the scale of financial market activity within the United Kingdom and London's market share relative to other major financial centres and Department of Trade and Industry (DTI) data (DTI, 2005) is noted in Appendix Four.

Due to the fact that financial services groups contain some or all of the activities noted by Pescetto (2003), and various institutions within these groups participate in some but not all of the financial market activities defined by Fabozzi et al (2002), it is not possible to break down the size of the financial markets sector by firm, although industry league tables are available for some of the areas shown in Table 1.3 and examples of these can be found in Appendix Three.

If the financial markets sector cannot be divided simplistically by participant institution, how can the institutions that participate in capital markets and investment banking activity be identified for the purposes of this thesis ? In 2006 the International Financing Review (IFR), a respected industry publication, listed 17 institutions that they define as being 'the leaders in the investment banking industry, as well as those that have publicly stated an intention to build out their global platforms.' (Mullin, 2006), Table 1.4. This group includes the

'commercial and investment banking divisions of commercial banks, plus the multinational Wall Street firms. The organisations vary from firms where investment banking is a key driver of revenues, to others where investment banking is just one of several businesses and does not dominate the overall business agenda or revenue profile of the financial group.' (Mullin, 2006:85)

For the purposes of this thesis the IFR 17 banks are accepted as representing the major institutions that compete in the capital markets and investment banking sector.

The IFR also noted that over 45% of the global fee pool in M&A, debt and equity financing are paid to just ten firms and list them among 14 'bulge-bracket' players, Table 1.5. The IFR defined their 'bulge-bracket' listing as including banks that: have a reasonably full product capacity; more than a nominally global distribution; a fair modicum of global issuer representation; a revenue base that is not overwhelmingly dominated by its domestic market; and, ideally a top five position – certainly top ten – in substantially all the areas in which they operate.

Table 1.4 The 'IFR 17' banks*

ABN Amro	HSBC
Barclays Capital	JPMorgan
Bank of America	Lehman Brothers
BNP Paribas	Merrill Lynch
Citigroup	Morgan Stanley
CSFB (now Credit Suisse)	RBS
Deutsche Bank	SG
Dresdner Kleinwort	UBS
Goldman Sachs	

*(Mullin, 2006) * leading firms in the investment banking sector*

For certain areas of business activity rankings are available which are often based on volume market share and where these numbers are not available they are based on both peer and client surveys, which are undertaken by leading professional periodicals that cover the relevant business activity. Examples of these rankings can be found in Appendix Three.

Table 1.5 The 'IFR bulge bracket' banks*

<u>US Based</u>	<u>Non-US based</u>
Citigroup	ABN Amro
Goldman Sachs	Barclays Capital
JP Morgan	BNP Paribas
Lehman Brothers	Credit Suisse
Merrill Lynch	Deutsche Bank
Morgan Stanley	RBS
	SG
	UBS

*(Mullin, 2006) * leading firms holding at least a top 10 position in their chosen markets*

The broad financial service sector (Pescetto, 2003) and definition of financial markets activity (Fabozzi et al, 2002) are combined with the IFR 'bulge bracket' banks in Figure 1.1 as a guide for this thesis.

Competitive behaviour in the capital markets and investment banking sector is illustrated by Augar's (2000) examination of the entry of American firms into, and initial dominance of, European capital markets and investment banking and by his critical examination of the global cartel like behaviour by institutions in this sector (Augar, 2005). In addition, pre 2008 financial crises commentaries on sector strategy include; Oliver, Wyman &

Co and Morgan Stanley (2002); Cairns et al (2002); Hamoir et al (2002); IFR (2003), Farrell et al (2005) The Economist (1999, 2000a, 2000b, 2001, 2002a, 2002b, 2002c, 2002d, 2002e, 2002f); and, the International Financing Review (Mullin, 2006). Opinion on the post 2008 financial crises competitive landscape can be found in a number of articles (The Economist, 2008a, 2008b, 2008c, 2008d, 2008e, 2008f, 2008g, 2008h), and two IFR reports (Mullin, 2008; and, Whitely, 2008). A commentary on the role played by bank CEOs in the crises has also been published (Euromoney 2008a, 200b).

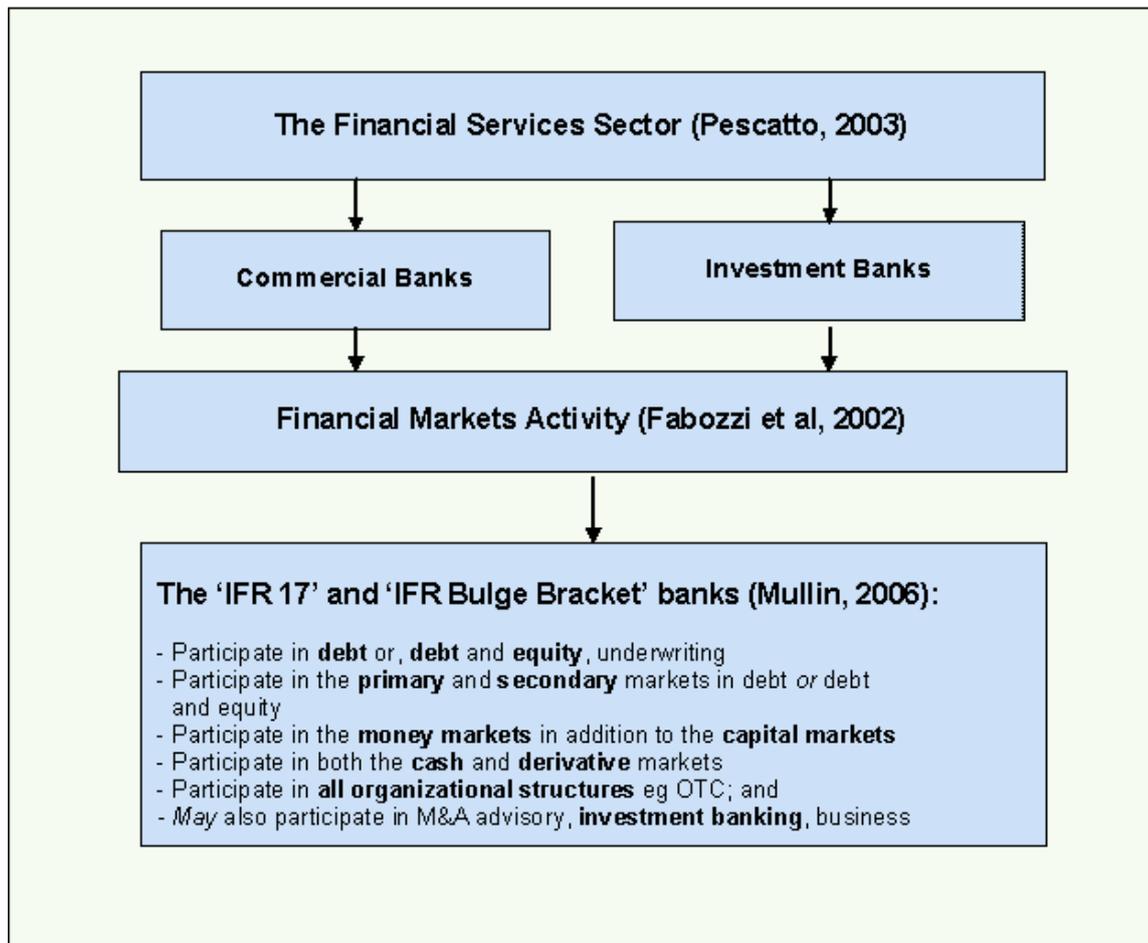


Figure 1.1: Financial Markets activity within the Financial Services sector

The importance of the human resource environment to the financial success of each institution that participates in financial markets activity is noted in the following discussion.

1.2.6 Intangible assets, investors and financial returns

1.2.6a Intangible assets and investors

The value of firms in the capital markets and investment banking sector is partially driven by the reports of stock analysts who are beginning to look more closely at the intangible assets of firms including certain aspects of the human resource environment (Becker et al, 2001; CFO Research Services, 2003; Barber & Strack, 2005; and, Bassi & McMurrer, 2007). For instance, a survey of CFOs (CFO Research Services, 2003) notes that the investment community have paid greater attention to human capital issues in financial services than any other sector apart from computer related firms. This trend will make people related issues a priority for CEOs and may already have impacted the role and responsibilities of human resource professionals with regard to the provision of human capital metrics and programs to increase employee engagement (Aldrich, 2007).

1.2.6b Financial returns

In terms of the financial impact of people in the capital markets and investment banking sector, operating ratios show that significant organizational cost is human resource related and Simon Maughan, a former head of equity research and bank sector specialist at Goldman Sachs and Blue Oak Capital, believes that gross operating profit per capita has become the most significant financial comparator between banks in the capital markets and investment banking sector. His analysis of the per capita financial results of ABN Amro, Barclays Capital, BNP Paribas, Credit Suisse, Deutsche Bank, RBS, Societe Generale and UBS, over the period between 2000 to 2005, can be found in Table 1.6.

Maughan (2006) notes that 'Given the perceived lack of scale in investment banking, if you want more revenue then hire more people, we would expect to see the highest revenue generating banks paying their people the most money.' (Maughan , 2006:10). In other words, where human resource is the differentiator, banks will need to add more of it to increase marginal revenue and will pay more for the best talent.

Table 1.6 Gross operating profit per capita, CIB, selected European banks, 2005

	(€)	5pa*
RBS	395,947	8%
Deutsche Bank	314,254	28%
Societe Generale	256,115	10%
Barclays	238,988	2%
BNP Paribas	210,575	-6%
UBS	188,900	-5%
Credit Suisse	53,320	-22%
ABN Amro	37,928	-6%

CIB = Commercial and Investment Banking

* % change over the five years spanning 2000 to 2005

(Maughan, 2006)

In Maughan's (2006) analysis Deutsche Bank was the highest paying bank on a per capita basis and ABN Amro the lowest. In 2005 Deutsche Bank generated the most revenue per capita, € 1,151,808 compared to € 791,994 at The Royal Bank of Scotland and € 315,531 at ABN Amro. It also had the largest costs per capita, € 837,554 compared to € 396,047 at The Royal Bank of Scotland and € 277,604 at ABN Amro. Maughan (2006) contends that corporate banking models are more profitable than the investment banking models on a per capita basis as corporate banking is more asset and thus capital intensive and therefore the cost of labour is lower. The results of some of the IFR 17 banks can be seen in Table 1.7.

In 2007 ABN Amro lost its battle to remain an independent force in the capital markets and investment banking sector and was acquired by a consortia of banks led by The Royal Bank of Scotland.

Maughan's (2006) commentary on the results of various competitor banks show that particular business models require different strategies in the management of human resources and that the price of failure may well be takeover by a stronger competitor.

Table 1.7 Bank results related to their human resource strategy

- 'Relative to UBS, Credit Suisse pays its staff 10% more to generate 14% less revenue ... For Credit Suisse to catch up with its immediate peer ... requires a major cultural shift within the organization.' (Maughan, 2006:10)
- 'ABN Amro's relative position seems even more difficult to extricate itself from (than Credit Suisse). In order to generate higher revenues, it appears that the bank needs a higher revenue generating staff, and the evidence of the last five years suggests that this will be from new rather than existing staff. However, to pay the right people to develop the business would mean a sustained period of loss making, as ABN Amro's revenue per capita is below the cost per capita of all its peers bar BNP Paribas.' (Maughan, 2006:10)
- 'Deutsche Bank management has successfully transformed the corporate and investment bank through heavy investment in both infrastructure and people ... Given its emphasis on scale as well as intellectual capital in order to generate this result, it is debatable to what extent this strategy can be effectively copied by others. There is also a strong case to be made for assuming that scale is required to make the most from intellectual capital, because several other investment banks are trying niche investment banking strategies without standing out from the crowd.' (Maughan, 2006:10)

Senior business line managers face an increasing 'war-for-talent' (Michael et al, 2001) especially in the 'front office' of the major institutions that participate in the capital markets and investment banking sector and therefore this key segment of the talent pool is therefore examined below.

1.2.7 The 'front office' human resource environment

One form of demarcation in the capital markets and investment banking sector is between those employees that are seen as direct revenue generators, the 'front office', and those that support them, in the 'middle and back offices'. It was decided that this thesis would focus on the front office personnel, as they are directly responsible for generating revenue in this sector (Michael et al, 2001; Financial News, 2001; and, Lorsch & Tierney, 2002).

Having decided to concentrate on this segment of the talent pool, 'managing 'stars' and the development of 'player managers' were identified as examples of human resource management challenges. These are worth examining here as it begins to give some context to the business environment selected for this thesis.

1.2.7a Managing stars

The challenge of managing stars in the capital markets and investment banking sector is underlined by the following quote

"One of the issues was that managing directors, senior folks within the investment bank do not see partnership and teamwork as aspirational. So I asked them if they could explain that to me – how could that be? A young lady raised her hand and said 'Well, you pay us like rock stars so we react like rock stars'." (N)

According to a study of professional services firms by researchers Lorsch and Tierney (2002), 'stars' are the employees in critical jobs whose performance is crucial to their organisation's success. Investment banks are included within their definition of professional service firms and they note that stars can exist at different levels in any organisation and will have a track record of success and the potential for future success. They suggest that to capture the future value of stars, firms must create organizational practices and structures that simultaneously fit the strategic requirements of a business and the needs of its key employees.

The concept of star-employees was also addressed by Rosen (1981) who wrote about 'the phenomenon of superstars'. He notes that relatively small numbers of people earn significant amounts of money and dominate the activities in which they engage and based on this criteria some managers that work in the front-office of the capital markets and investment banking sector are examples of Rosen's (1981) 'superstars'.

Front-office stars are often very visible, well paid and sought after by a firm's competitors, however, one challenge involving the management of front-office stars is illustrated by Groysberg et al (2004) who undertook an in-depth study of 1,052 'star' stock analysts who worked for 78 investment banks in the United States between 1988 and 1996. They found that when a company hires a star, the stars performance plunges; that there is a sharp decline in the functioning of the group or team the person works with; and, that stars do not stay with organisations long. Groysberg et al (2004) concluded that personnel transfers are limited as a means of

obtaining value because value is not simply attached to individual experience and competencies but is linked to firm resources and capabilities; firm processes and systems; institutional knowledge; firm culture; firm leadership; the collective experience and competencies of the team; internal networks; and, institutional knowledge.

These findings support previous research by: Pfeffer (2001) who contends that individual motivation or ability is less important for organisational success than the attributes of the system in which the person works; Hitt et al (2001), who state that some capabilities are based on firm-specific knowledge and others are valuable when integrated with additional individual capabilities and firm-specific resources that may not be mobile; and, Nalbantian et al (2003) who note that human capital has two essential forms: 'generalized', where employees have attributes and qualities that are of value not only to their current employer but to potential employers as well; and, 'firm-specific', which reflects the value of employees that is unique to a single firm.

The implication from the above studies is that an over reliance on hiring staff from competitors and ever-higher bonuses is not the most effective approach to managing star players and that the highest returns are found when there is an organisational commitment to nurturing talent and developing teamwork over the longer term, through the introduction of high-performance/high commitment work systems (Arthur, 1992; Huselid & Becker, 1996; Becker & Gerhart, 1996; Becker & Huselid, 1998; Becker et al, 2001; and, Guthrie et al, 2002).

1.2.7b Player managers

The second example of human resource management challenges in this sector relates to 'player managers'. Player managers are team leaders who as well as having direct revenue responsibility have implicit or explicit responsibility for aspects of human resource management within their institutions (Augar & Palmer, 2002). Their selection and development is a key challenge in managing human resources in the capital markets and investment banking sector, especially in the context of the FSA's N2 regulations that are noted later in this thesis. Auger and Palmer (2002) address the plight of player managers stating that

'while they are accountable for business results delivered through their own production and the performance of their teams ... Empowered Player Managers are being overloaded with production responsibilities and managerial duties. They have received little or no training in how to manage others yet they are accountable for their results. There is no margin for error and little patience for those who do not produce in the short term.' (Auger and Palmer, 2002:63)

Player managers, are significant decision makers in the capital markets and investment banking sector and are often the 'star' heads of business areas and as such have responsibility for managing their teams. According to the comments by senior line business managers and senior human resource professionals participating in the roundtable discussion noted above (Financial News, 2001) it would appear that this management challenge is not being met. Leaders in business line management roles are not being developed to understand the complexity of the human resource environment and human resource professionals are not able to engage with them as advisors because they are unable to demonstrate the business impact of human resource related management decisions.

The most senior player managers in the capital markets and investment banking sector are bank CEOs and their influence on the human resource management environment has been viewed by some as significant. For instance, John Mack, who returned to Morgan Stanley as CEO in 2005, is one example of a senior management figure who, it is reported, can have significant impact on the performance of one bank included in the research for this thesis. A press article by Martinez (2005), noted that

'The possible return of John Mack to the top spot at Morgan Stanley would give the embattled Wall Street investment bank a credibility boost and assuage the company's top clients ... Mack still has a following among Morgan Stanley's institutional bankers and high-profile deal makers that would make him a good candidate for the job, analysts said.' (Martinez, 2005: newswire)

This article added that, although John Mack was renowned as a tough business leader who had earned the nickname 'Mack the Knife', he 'was also known for running a strict meritocracy and rewarding talent' (Martinez, 2005, newswire), and that he possesses stronger people skills than Philip Purcell, whom he replaced.

Martinez (2005) continued, noting the comment of stock analysts that good, strong, relationships are critical in the capital markets and investment banking sector, 'People want that contact with the top, especially with those larger than life figures like a Sandy Weill (former Citigroup chief) or a John Mack. Having that contact makes you feel like you want to be part of the organization, part of the team.' (Martinez, 2005: newswire).

Another article featured Ken Griffin, CEO of Citadel, which in 2005 was a US\$12 billion hedge fund. Burton and Levy (2005) note the powerful influence that leaders in this business can have on the culture of their firms, 'The

CEO is involved in every detail of running the business ... Ken has seeded the place with his DNA, his energy and his drive' (Burton and Levy, 2005:41).

The influence of CEOs has been the subject of academic research where they have been found to affect the dynamics of top management teams (Peterson et al, 2003); to have both direct and indirect effects on employee engagement (Huang et al, 2005); and, to impact firm performance (Daily & Johnson, 1997).

It has been seen above that competitive advantage in the capital markets and investment banking sector is mediated by the complex human resource environments within which people work and therefore it would appear to follow that senior line business managers and human resource professionals need a high level of relevant competencies to provide leadership in the management of firm human resources (Financial News, 2001). This point is supported by the following comment from a senior human resource professional interviewed for this thesis

"It is not as simple as just paying people money ... while they will always want as much money as they can get, they are probably already getting a large amount of money. Often other issues come in, such as the influence that they can exert in the organisation, the culture and maybe how people in their team are treated. Then you have a whole load of issues coming in which from a management point of view we need to get more adept at understanding." (V2)

Senior business managers in the capital markets and investment banking sector are deemed to have significant impact on the culture of the organisations they lead and manage. This derives from the way they communicate, manage relationships and motivate their teams. While strong leadership and management competencies must not be conflated with effective human resource management competencies, it would appear to follow from the opinions noted above that bank CEOs and their senior business management have significant influence on the human resource environment.

Having defined the sector, defined the participant institutions and having discussed the role of star employees, player managers and CEOs, the final part of the sector review focuses on the various risks associated with the capital markets and investment banking sector. This is an area which has become familiar to many as the 2008 global 'credit-crunch' and associated global financial crises followed the 2007 'sub-prime' related market turmoil created by mortgage lending in sections of the US real estate market (The Economist, 2008a).

1.2.8 Sector risks

1.2.8a *Institutional and systemic risk*

Financial activity, particularly banking, is still heavily regulated because of the essential functions that banks perform in a modern market economy and thus the risks involved with the collapse of the system. The insolvency of one bank may create panic in the system and customers of financially sound banks may withdraw their deposits sending these banks into insolvency. In other words, the banking system is prone to runs and the risk of contagion (Pescetto 2003). For instance, the liquidity problems of Northern Rock and Bradford and Bingley building societies in the UK developed because of a global credit squeeze which stemmed from defaults in sub-prime mortgage lending in the US, 'As thousands of Northern Rock customers queued up to withdraw their savings, the largest run on a UK bank for more than 100 years has sparked broader questions about Britain's financial health.' (Larsen et al, 2007: online).

The cost of financial crises are significant, for instance 'the bill for bolstering Finland's banks in the early 1990s came to 8% of GDP and America spent more than 3% of GDP cleaning up the savings-and-loan crisis.' (The Economist, 2008a). The bank and insurance sector costs associated with the 2008 global financial crises were estimated in September 2008 as likely to exceed US\$ 1 trillion (Creditflux, 2008) and in October 2008 as likely to exceed US\$ 1.4 trillion (The Economist, 2008g).

While regulation is therefore necessary to reduce the effects of negative externalities it also influences the evolution of a financial system and this was seen both in the Glass-Steagall Act of 1933 in the US and UK legislation in 1983 which resulted in the City of London's 'Big Bang' in 1986. Indeed, in the wake of the 2008 financial crises government driven solutions to support domestic, and ultimately global, banking systems are predicted to come with new regulation attached (Euromoney, 2008c; and, Whitely, 2008).

1.2.8b *Human resource related risk*

The financial services industry is subject to a number of risks which are divided into three main categories; chosen risks, such as *market and credit risk*; *management risk*, such as strategy risk, reputational risk and business risk; and, *consequential risks*, such as operational risks which are not chosen but occasionally occur (Holmes, 2003). The impact of the human resource environment on these risks is addressed by part of the UK's

Financial Services and Markets Act (2000), otherwise known as N2, and PricewaterhouseCoopers (Pyne and McDonald, 2001) have noted that, the arrival of N2 in 2001 heralded a fundamental shift towards the importance of people management in firms' compliance and risk management strategies. They believe that it is impossible to respond to the new regulatory requirements without fully understanding the implications for a risk-based approach to human resources management and that firms will need to look carefully at the following areas to ensure they remain compliant as well as competitive:

- the positioning of human resource management as part of corporate business planning;
- the relationship between human resource management, risk management and compliance; and,
- the use of measurement in human resource management to show compliance.

PricewaterhouseCoopers (2001) also state that firms will need to look closely at the capability of their human resource professionals and consider whether

'further enhancement in business credibility as well as HR and training expertise is necessary. If changes in this area are necessary, firms will need to act – before the regulator or the market catch up with them.' (PricewaterhouseCoopers, 2001:6)

It would appear that Deutsche Bank had begun to address people risk as a part of operational risk in 2001 (Fischer & Mittorp, 2002) and this thesis will ascertain whether other banks have also started to look more closely at a risk-based approach to human resource management.

People related risk in the capital markets and investment banking sector is significant at an institutional level, but also has national and global implications. The failure of Bear Stearns and Lehman Brothers in the US and Landsbanki and Kaupthing in Iceland; the end of independence for Merrill Lynch; the end of the investment banking business model for remaining major international investment banks such as Morgan Stanley and Goldman Sachs; the risk of major bank collapse in the UK, such as RBS and the Northern Rock and Bradford and Bingley building societies; the massive loss of wealth caused by the financial crises; and, the reduced access to, and increased cost of, credit to companies and individuals is testament to the importance of the global capital markets and investment banking sector and illustrates why an examination of human resource management in this sector was overdue at the commencement of this thesis in 2001.

1.3 Summary

The capital markets and investment banking sector is not unique in giving too little priority to human resource issues such as leadership development and change management and not having enough human resource professionals with appropriate business experience in business partner roles, indeed it shares challenges faced by other sectors which rely on a high degree of people-input. These sectors include accountancy, management and IT consulting, executive search, advertising and law (Lorsch & Tierney, 2002); public relations (Groysberg et al, 2004) and, according to Barber and Strack (2005), traditional people orientated business and major units in capital-orientated businesses, for example, postal and courier services, hospitality, healthcare and oil and engineering.

However, while the capital markets and investment banking sector can create great wealth for a relatively small number of star employees and some investors, financial problems created within this sector can quickly cause significant loss of wealth and undermine the financial stability of global economies. Examining human resource management in this sector is therefore not only useful in terms of possible learning points for other people intensive businesses it is of much wider global significance.

In this chapter, the complex and dynamic financial markets sector described by Schiller (2003) has been examined (Augar, 2000; Fabozzi et al, 2002; and, Pescatto, 2003); the major players have been identified (Mullin, 2006) and the revenues and costs of some of these institutions discussed by a highly ranked stock analyst (Maughan, 2006); CEO's and senior 'star' employees (Groysberg et al, 2004; and, Lorsch & Tierney, 2002) within this sector have been identified as potentially poorly equipped 'player managers' (Augar & Palmer, 2002) who manage teams and produce revenue for their businesses; and, it has been noted that even after the introduction of the FSA's N2 regulations the management of firm human resources in the capital markets and investment banking sector is perceived as not fully meeting the challenges presented by its environment (PricewaterhouseCoopers, 2001; and, Financial News, 2001). This is despite the call for the development of a strategic approach to human resource planning and development in the 'City' by Rajan and Fryatt (1988) who believe that above all else 'there remains a fundamental need to move away from the current ad hoc and unstructured approach (to strategic human resource management) that still seems to prevail in the City community.' (Rajan and Fryatt, 1988:153). However, they also noted that 'it is absolutely clear that no single set of new ideas or techniques can constitute the norm because of the time-honoured inter-institutional differences in culture, product mix, market environment, technology and management styles.' (Rajan and Fryatt, 1988:153).

These comments imply a deeply engrained approach to the management of human resource in the capital markets and investment banking sector and predict the complex, path dependent, human resource environment that will be addressed in Chapter Two of this thesis.

It will be seen in the next chapter that role typologies for human resource functions identified by various authors (Tyson, 1987; Schuler, 1990; Carroll, 1991; Storey, 1992; and, Ulrich, 1997) have included: administrative and process support; asset management and cost control; trade union interface; strategic input and advice; and, being innovators and agents of change. These paradigms have also included discussions on the importance of human resource professionals establishing greater links with business line management, for them to have greater impact on firm decision making and also the importance of their technical human resource competencies, for instance in compensation and benefits.

However, no models for the roles and relative influence in human resource management have previously been developed in the context of the capital markets and investment banking sector and the one paper, Svoboda and Schroder (2001), that has focused on the structure and roles of a human resource function, and by definition the associated human resource professionals, in this sector described the adoption of Ulrich's (1997) model which has itself been subject to criticism by some writers (Caldwell, 2003; and, Brown et al, 2004).

Literature on the role and relative influence of human resource professionals has suggested a number of paradigms to describe, and in some cases prescribe, roles for human resource professionals in any sector but provide no guidance specifically for the capital markets and investment banking sector. This is despite the importance of this sector to global financial health and the particular challenges presented in the sector review relating to: the presence of high performing star talent; the challenges facing player-managers; a focus on employee performance as whole; and, the relative lack of priority given to issues relating to human resource management by business line managers that human resource professionals seek to influence.

This thesis therefore seeks to address this research gap and identify the extent to which banks within the capital markets and investment banking sector have adopted the functional roles within the human resource management framework suggested by Ulrich (1997) and the extent of human resource professionals' influence in key areas of human resource management within these organisations. In doing so, the significance of partnerships; the human resource business partner customer interface role; and, personal credibility are examined.

The first chapter of this thesis has introduced the capital markets and investment banking sector; how it is defined and some of the human resource management challenges that have been specifically associated with this sector in extant literature. The literature review that follows further examines some of the issues raised above and creates a foundation for the research undertaken by this thesis.

2. The human resource environment: roles, influence and credibility

2.1 Introduction

2.1.1 Overview

This literature review is designed to identify extant literature that addresses the roles and relative influence of business line managers and human resource professionals in the management of human resources and specifically whether any of this literature focuses on the capital markets and investment banking sector. For the purposes of this thesis the 'human resource environment' is defined as the socially complex organisation environment within which all internal and external stakeholders interact.

The source material for the literature review includes academic papers published in respected management journals and human resource specific journals; books published for academic study and popular business texts; general management periodicals, human resource specific periodicals; business sector specific periodicals and reports; consultancy papers; and, conference material.

A large and varied body of literature exists which investigates various aspects of the human resource environment within organisations and represents both quantitative and qualitative methodologies (Legge, 2005). However, the different methodologies and their associated methods do not always appear to have informed each other in a critical and progressive way and this is exemplified by Strauss (2001) who states that

'The critical approach never gets into American HRM/industrial psychology journals and HRM people are generally unaware there is a controversy ... few US scholars are likely to be interested in (or even understand) Keenoy's view of HRM (as a hologram) ... US human resource people do not think in terms like this. (Strauss, 2001:890)

However, a paper by Colbert (2004), from the US academy, recognizes the complex nature of human resource management and provides useful methodological guidance for research that might bridge the historical 'Atlantic divide' noted by Strauss (2001). This is consistent with calls for a fresh approach to theory development in the field of human resource management (Legge, 1978; Ferris et al, 1999; Keenoy, 1997, 1999; Guest, 2001; Wright, 2001; Guthrie et al, 2002; Watson, 2003, 2004; and, Ulrich, 2003).

2.1.2 The impact of human resource strategies, policies, practices and systems on organisational performance

The literature review undertaken for this thesis discovered that, apart from papers published by employees of Deutsche Bank (Svoboda & Schroder, 2001; and, Fischer & Mittorp, 2002), it does not appear that any previously published research looks specifically at the management of human resources in the capital markets and investment banking sector, however, two studies of note have been found that focus on US retail banking. Firstly, Delery and Doty (1996) undertook a study of US retail banks examining the links between human resource strategies and organisational performance. Secondly, using the 'resource-based view' of the firm, Richard and Johnson (2001) developed Koch and McGrath's (1996) work on capital intensity by investigating its role in the US retail banking sector and found that human resource effectiveness had direct results on some performance measures. However, the impact of roles and influence in human resource management were not included in either study.

Given that the work of Delery and Doty (1996) and Richard and Johnson (2001), within the broader financial services sector, did not investigate the roles and relative influence of human resource professionals and business line managers, further extant literature was reviewed to see if studies focusing on other industry sectors or cross-sector studies have addressed this area of research.

During the last thirty years of the twentieth century a number of writers focused on the importance of human resource practices, with Walker's (1978) call for a link between strategic planning and human resource planning giving birth to the field of 'strategic human resource management'. Delery and Doty (1996) subsequently summarised strategic human resources management as drawing on three modes of theorizing; universalistic, contingency and configurational. They believe the fundamental premise underlying strategic human resources management is that any organization's human resource practices should be aligned with the business strategy of the firm and that these practices will be different to the ones used by firms pursuing different business strategies (Dyer, 1984a, 1984b, Fombrum et al 1984; Jackson & Schuler, 1995; Jackson et al, 1989; Schuler & Jackson, 1987a, 1987b, 1988; and, Schuler & MacMillan 1984). This premise assumes that the variation in human resource practices between firms can be explained by a variation in strategy and that between those organizations following the same strategy the ones that show greatest congruence between their human resource practices and their business strategies, should show superior performance. Support for this view has

come from a number of studies (Schuler & Jackson, 1988; Arthur, 1992; Gerhart & Milkovich, 1990; Huselid, 1993, 1995; and, Terpstra & Rozell, 1993).

A normative, 'universalistic', 'best-practice' approach has been taken by a number of authors (Delaney et al, 1989; Delaney & Huselid, 1996; Delery & Doty, 1996; Guest, 1997; Huselid 1993, 1995; Ichniowski et al, 1997; Osterman, 1994; Pfeffer 1994; Terpstra & Rozell, 1993; and, Youndt et al, 1996) who believe that all organizations should adopt certain human resource practices all the time. Marchington and Grugulis (2000) cite 'best-practice' studies in the US to include those of Arthur (1994), Huselid and Becker (1996), MacDuffie (1995), and Ichniowski et al, (1996), and in the UK as including studies by Wood (1995), Wood and Albanese, (1995), Patterson et al (1997), Guest and Conway (1998) and, Wood and de Menezes (1998). In addition to discussions regarding 'strategic fit', there has also been research on the concept of 'strategic flexibility' in human resource management (Kerr & Jackofsky, 1989; Lengnick-Hall & Lengnick-Hall, 1988; Milliman et al, 1991; Snell et al, 1996; and, Wright & Snell, 1998) which states that organizations, 'faced with complex and dynamic environments require flexibility to adapt to diverse and changing requirements (Snow & Snell, 1993).' (Wright & Snell, 1998:756). For instance, Millman et al (1991) define human resource flexibility as, 'the capacity of HRM to facilitate the organisation's ability to adapt effectively and in a timely manner to changing or diverse demands from either its environment or from within the firm.' (Millman et al, 1991:325).

A second group of writers have adopted a 'contingency' perspective to human resource management theory (Begin, 1993; Balkin & Gomez-Mejia, 1987; Butler et al, 1991; Dyer, 1985; Dyer & Holder, 1988; Dyer & Reeves, 1995; Fombrun et al, 1984; Golden & Ramanujam, 1985; Gomez-Mejia & Balkan, 1992; Lengnick-Hall & Lengnick-Hall; 1988, Milkovich, 1988; and, Schuler & Jackson, 1987) arguing that to be effective, any organization's human resource policies and practices must be internally consistent with other organizational capabilities. Contingency arguments are more complex than universalistic arguments as they imply interactions rather than linear relationships (Schoonhoven, 1981; Van de Ven & Drazin, 1985; and, Venkatraman, 1989) and the behavioural perspective of strategic human resource management, which focuses on employee behaviour as the mediator between strategy and firm performance (Jackson et al, 1989; and, Schuler & Jackson, 1987), has its roots in contingency theory (Fisher, 1989). For instance, research by Bowen and Ostroff (2004), based on the contingency perspective of strategic human resource management, concludes that human resource management systems influence employee attitudes and behaviour as well as organizational outcomes, through employee interpretations of work climate (Ferris et al, 1998).

A third group of human resource management theorists have developed arguments that are consistent with a 'configurational' approach. These theories are different to traditional contingency approaches as they are based on typologies of ideal types, adopt systems of 'equifinality' (Doty, Glick & Huber, 1993; Doty & Glick, 1994; Meyer et al, 1993; Miller & Friesen, 1984; and, Venkatraman & Prescott, 1990) and have informed studies on strategic human resource management that explore 'high commitment management'.

Legge (2005) believes that Storey's (1987) language of 'hard' vs 'soft' human resource management and the 'utilitarian instrumentalism' and 'developmental humanism' of Hendry and Pettigrew (1990) have been replaced by the US alternatives of 'high commitment management (HCM)' (Arthur, 1992; Huselid and Becker, 1996; Becker & Gerhart, 1996; Becker & Huselid, 1998; Becker et al, 2001; and, Guthrie et al, 2002). HCM utilises high performance work systems (HPWS) where each element of the human resource system is designed to maximize the overall quality and impact of human capital throughout the organization. For Becker et al (2001) a high performance work system is a strategy implementation system, embedded within the firm's larger strategy implementation system; and, the human resource system of an organisation intersects with the larger strategy implementation system at many different points and perhaps with multiple elements of the human resource system at the same point. They believe that understanding how to identify those points of intersection in a firm and how to align the human resource system accordingly is the key to knowing how to measure human resource impact on value creation and to securing a strategic role for human resource professionals.

The configurational view was extended as writers begin to discuss human resources in terms of 'bundles of competencies' (McKelvey, 1982; Teece et al, 1997) and 'pools of human capital' (Wright et al, 1994; and, Wright & Snell, 2001). However, in terms of a configurational approach, Dyer and Reeve's (1995) review concludes that

'while logic supports the notion of bundling human resource practices, theoretical and empirical attempts to define the components and measure the contents and prevalence of bundles, while individually impressive, are collectively deficient and confusing.' (Dyer and Reeves, 1995:661)

Indeed, Ferris et al (1999), Wall and Wood (2005) and Boselie et al (2005) found there to be little coherence among the empirical results of the field and even proponents of 'human resource-firm performance link' research, such as Huselid et al (1997), comment that the measures used cannot differentiate between the presence of operationally appropriate human resource practices and the quality of their implementation. A 'best-practice' human resource policy poorly implemented maybe less effective than other policies that are well implemented.

The 'universalistic', 'contingent' and 'configurational' theories discussed above have sought to link the management of human resources to firm performance and have reached conclusions that, due to their methodology and methods, other researchers in the field have found to be problematic (Ferris et al, 1999; Marchington & Grugulis, 2000; Boselie et al, 2005; and, Wall & Wood, 2005). Criticisms include their quantitative approach, the problem of single-respondent errors and the lack of clear causality in their results (Boselie et al, 2005). Indeed, one critical assessment of significant 'human resource practice-firm performance' academic studies concludes that

'The advice has to be that the evidence is promising but only circumstantial. The unknown reliability of measures of HRM, the paucity of studies with adequate research designs, and the inconsistent results both across and within studies is troublesome. Taken together with the likelihood that positive findings are more likely to be published than negative ones, it is clear that existing evidence for a relationship between HRM and performance should be treated with caution.'

(Wall and Wood, 2005:453)

These issues have been addressed by Colbert (2004) who believes that the basic precepts of strategic human resource management have a natural affinity with the 'resource based view' of competitive advantage (Peteraf, 1983; Wernerfelt, 1984; Barney, 1991; and, van Witteloostuijn & Boone, 2003). This view contends that competitive advantage develops through a process that is impacted by 'path dependency', 'social complexity' and 'causal ambiguity' (Collis & Montgomery, 1995; and, Wright et al, 1998) and therefore explains why it has been difficult to identify causation in this field (Michie & Sheehan, 2005; Boselie et al, 2005; and, Wall & Wood, 2005). Indeed, de Saá-Pérez and García-Falcón (2002) believe that a human resource system deeply embedded in the organization is hard to imitate because it is difficult to identify the precise mechanisms by which human resource practices interact and create value (Ferris et al, 1999; and, Rob & Zemsky, 2002). For instance, a number of studies have found that management philosophy with regard to managing human resources has an important influence on the human resource environment (Fombrun et al, 1984; Hendry & Pettigrew, 1986; and, Bennett et al, 1995).

It would appear that while a number of writers believe more successful organisations align and integrate their business strategy with their human resource strategy extant literature does not address how the roles and influence of human resource management maybe critical to this. Ultimately, Colbert (2004) notes that while the

configurational view comes closest to modelling the complexity of organisations it still reduces complex organisational systems to a few possible configurations for the sake of analytical manageability.

2.1.3 Organisational complexity

As noted above organisational complexity impacts the human resource environment and this is examined further below in terms of the extent to which organisational culture and symbolism is perceived by human resource professionals and business line managers as having an impact on their roles (Wright & MacMahan, 1992; Boxall, 1993; Krackardt & Hanson, 1993; Ferris et al, 1995; Russ et al, 1998; Galang & Ferris, 1997; Ferris et al, 1999; Guest, 1990; Gennard & Kelly, 1994; Kennoy, 1997; de Saá-Pérez & García-Falcón, 2002; Rob & Zemsky, 2002; and, Watson, 2003).

2.1.3a *Complexity in systems*

In an attempt to address organisational complexity Colbert (2004) extends the configurational approach by proposing an integrated framework for strategic human resource management. In his paradigm, levels of abstraction in the human resource system are noted as: principle; policy; practice; and, product. These are set against four modes of theorizing: universal; contingency; configurational; and, complex. With regard to 'levels of abstraction' Colbert (2004) notes that an 'HR Principle' can be exemplified by the thought that 'employee participation is critical to our success'. Following from this, are 'HR Policies', which are alternative methods of enacting the guiding principles. Examples in this case include, 'team-based work systems' and 'comprehensive communication processes'. The firm is then said to choose from appropriate 'HR practices', which are described as the specific tools that are available to execute the 'HR Policies'. Examples here include, 'TQM teams', 'team based reward systems'; and, 'newsletters'. Finally, 'HR Product' is the metric that describes the effect of behaviour, induced by the practices. For instance, team productivity could be measured before and after implementing the practices.

In the same year as Colbert's (2004) paper Bowen and Ostroff (2004) published a study that looked at the 'strength of the HRM system'. They describe the meta-features of a human resource management system that results in a strong organisational climate and believe that the strength of the human resource management system can help explain how individual employee attributes accumulate to affect organisational effectiveness. They propose that a strong human resource management system can enhance organisational performance

owing to shared meanings in the promotion of collective responses that are consistent with organisational strategic goals, assuming the appropriateness of these goals. While their study supports findings that firm performance is related to 'employee engagement' and 'high performance work systems'. Like Colbert (2004), they do not address the roles and relative influence of human resource professionals and business line managers in contributing to a strong human resource environment.

2.1.3b Complexity in decision making

In terms of management influence on the human resource environment, Wright and MacMahan (1992) note that strategic models tend to share a, 'somewhat rational, proactive decision making process as the major influence on the development and alignment of various HRM practices.' (Wright and MacMahan, 1992:310) and argue that to predict and understand the decision making process surrounding the formulation of human resource practices

'it is necessary to understand non-strategic determinants of HRM practices ... the determinants that are not the result of rational strategic decision making processes, but rather derive from institutional and political forces in the firm.' (Wright and MacMahan, 1992:310-311)

This rejection of rational decision making was extended by Boxall (1993) who made a number of propositions. Firstly, there is no single human resource strategy in a firm; secondly, business strategy may be an important influence on human resource strategy but it is only one of several factors and the relationship is not unilinear; thirdly, implicit, if not explicit, in the mix of factors that influence the shape of human resource strategies is a set of historical compromises and trade-offs from stakeholders, that is, management may seek to shift the historical pattern of human resource strategy significantly in response to major contextual change, but not all management will respond in the same way or equally effectively; fourthly, the strategy formation process is complex, and excessively rationalistic models that advocate formalistic linkages between strategic planning and human resource planning are not particularly helpful to our understanding of it; finally, descriptions of the dimensions that underpin human resource strategies are critical to the development of useful typologies but remain controversial as no one set of constructs has established an intellectual superiority over the others.

Institutional theory addresses these issues informing research by considering the impact of complexity within the human resource environment and its mediation of firm performance (Meyer & Rowan, 1977; Scott, 1987; Ferris et al, 1999; and, Watson, 1994, 2002, 2003, 2004). It embraces research positions which contend that

organisational outcomes are not simply the result of rational decision making; that human resource practices are developed in the context of socially constructed reality; and, that this process is constrained by an organisation's history and the internal and external environment within which an organisation exists.

2.1.3c The internal environment

The informal organisation is therefore thought to have significant influence on the human resource environment (Krackardt & Hanson, 1993) and Wright and Snell (1999) have emphasised the importance of human resource professionals acknowledging and understanding the impact of social capital.

In addition to the above, the impact of organizational culture and symbolism on the human resource environment is exemplified by a number of studies (Guest, 1990; Gennard & Kelly, 1994; Keenoy, 1997, 1999; Rob & Zemsky, 2002; and, Collins & Smith, 2006). With regard to the migration of terminology in the UK from 'personnel management' to 'human resource management.' Gennard and Kelly (1994) discovered, 'the importance of organizational culture as an influence shaping the direction of change and adoption of human resource management designation and policy within particular organisations.' (Gennard & Kelly, 1994:28). They found that moves towards a 'human resource management' designation were linked to aspects of organization needs, politics and power. Following this, Keenoy (1997) states that, 'HRMism is a 'symbolic label' which functions to encompass a complex of interrelated theories about business behaviour and managerial practices.' (Keenoy, 1997:829-830) and Guest (1990) notes that, 'it is important to bear in mind that a change in title may be no more than a symbolic gesture and a possible statement of intent, in many cases the policies will stay much the same.' (Guest, 1990:384).

With regard to human resource professionals, Ferris et al (1995) examine how human resource functions as a whole gain and maintain power and influence by discussing power acquisition and a study by Galang and Ferris (1997) focuses on integrated power, politics and social construction theory in an empirical investigation of how human resource functions as a whole gain influence. Galang and Ferris (1997) found that symbolic actions such as image and importance-enhancing behaviours were by the strongest predictors of power and influence for human resource functional management. In addition, Russ et al's (1998) study examines how human resource functions as a whole actively engage in the process of self justification and develop a perception of their importance to the organization; and, Ferris et al (1999) discuss symbolic issues in human resource management, how to understand the power and influence of human resource functions as a whole and the implementation of

progressive human resource practices. These studies all acknowledge and address the social complexity of the human resource environment in association with the relative influence of human resource professionals.

Taking an international perspective, the challenge of managing human resources becomes even more complex and Schuler et al (2002) propose an integrative framework of international human resources management in multi-national enterprises. This is based on the framework of Schuler et al (1993) and draws on Sundram and Black's (1992) view of a multinational enterprise, that transactions are subject to influence by factors exogenous to the home country environment of the enterprise. However, while it is acknowledged that an international perspective impacts organisational complexity the extent of this impact is not examined by this thesis.

The limitations of, and discrepancies in, the prescriptions that have emerged from extant studies on strategic human resource management are noted by Ferris et al (1999), who state that the mediating and constraining effects of environmental and contextual factors remain relatively un-investigated. This is despite Jackson and Schuler's (1995) suggestion that variations in contextual factors act as constraints on, or enhancements of, human resource management systems and that organisation structure and culture are noted as two such possible constraints. Informed by institutional theory this thesis investigates the roles and relative influence of human resource management and will argue that, given the level of complexity mediating the human resource environment, credible human resource professionals are of significant value to the senior management team as they seek to influence the human resource environment to support organizational objectives.

With this in mind it is worth noting a quantitative study by Collins and Smith (2006) who believe that to fully understand the role of human resource practices on firm performance researchers must explore factors that mediate firm capabilities. They examined how human resource practices effect organisational and social climate conditions which in turn positively, but indirectly, impact firm performance. They found that commitment-based human resource practices were positively related to organisational social climates of trust, cooperation, shared codes and language and that these measures of a firm's social climate were related to firm performance. This is consistent with the results of research that shows that higher levels of employee engagement positively impact firm performance (Aldrich, 2007). While Collins and Smith's (2006) study addresses firm complexity and speaks to the importance of trust and co operation which is relevant to relationships within the human resource environment, including those between business line managers and human resource professionals, it does not directly address the roles and relative influence of human resource professionals and business line managers and it is this dynamic which is explored in the next section of this chapter.

2.1.4 Summary

It would appear that while a number of writers believe more successful organisations align and integrate their business strategy with their human resource strategy extant literature does not address how the roles and relative influence of human resource management, as enacted through human resource professionals and business line managers, amongst others, maybe critical to this.

The research direction and conclusions of the 'human resource-firm performance' literature suggests a human resource environment which is complex and this should be considered as literature is examined that addresses the roles and relative influence of human resource professionals and business line managers within the human resource environment and the discussion which focuses on Ulrich's (1997) 'human resource business partner' role and the centrality of credibility for its success.

2.2 The roles and relative influence in the management of human resources

2.2.1 Overview

The second part of this chapter examines to the roles and relative influence of senior business line managers and human resource professionals within the human resource environment. Literature is reviewed that determines:

- how the *roles* of CEOs, senior business line managers and human resource professionals are shared within the human resource environment (Donald & Donald, 1929; Legge, 1978; Watson, 1977, 2003, 2004; Tyson & Fell, 1986; Tyson, 1987; Schuler, 1990; Caroll, 1991; Ferris & Judge, 1991; Storey, 1992; Armstrong & Long, 1994; Ferris et al, 1994; Townley, 1994; Ferris et al, 1995; Ulrich, 1997; Ferris et al 1998; Ferris et al, 1999; Kennoy, 1997, 1999; Strauss, 2001; Wright et al, 2001; Caldwell, 2003; Boselie & Pauwee, 2004; and, Guest & King, 2004); and
- the extent to which CEOs and senior business line management *influence* the human resource environment relative to human resource professionals (Ritzer & Trice, 1969; Borucki & Lafley, 1984; Fombrun et al, 1984; Golden & Ramanujam, 1985; Kochan & Barocci, 1985; Burack, 1986; Hendrey & Pettigrew, 1986; Hegarty & Hoffman, 1987; Buller, 1988; Guest, 1990; Bennett et al, 1995; Wright et al, 1998; Fitz-enz, 2002; and, Grundy & Brown, 2003).

2.2.2 Shared roles

2.2.2a *Relative roles*

The developing roles, status and power of personnel managers and subsequently human resource managers (Legge, 1978; Storey, 1992; Townley, 1994; Watson, 1977, 2003, 2004; Ferris & Judge, 1991; Ferris et al, 1994; Ferris et al, 1995; Ferris et al 1998; Ferris et al, 1999; Kenney, 1997, 1999; and, Wright et al, 2001) is a long-standing and recurrent debate with Donald and Donald (1929) summarizing the changing responsibility of the 'personnel man' from taking a very central and dominant role in all areas that impact the management of people in the organization, to a facilitating and advisory role. Management teams, from foreman to president, are seen by Donald and Donald (1929) as regaining the responsibility for managing people and looking to the personnel professionals for support. Seventy-two years later Strauss (2001) wrote that as line management began to take more responsibility for industrial relations and other human resource issues, many new initiatives have been directed from the CEO/senior line and functional management team.

The roles of human resource professionals and senior business line managers are examined by Armstrong and Long (1994) in relation to organisations that are most likely to adopt a strategic approach to human resource management. They conclude that these organisations would have

'a strong, visionary leadership, a closely knit team at the top; a coherent and clearly articulated business strategy, a personnel director on the Board who is actively involved as a 'business partner' and who is supported by personnel specialists who also take the business-partner role; business line managers who 'own' the human resource strategies.' (Armstrong & Long, 1994:189)

In another study, Guest and King (2004) examine the extent to which human resource management has developed and overcome challenges highlighted by Legge (1978), that is how far senior managers accept and act upon the arguments about the central role of human resources; whether the focus on outcomes, and specifically the relationship between human resource management and performance, has entered the consciousness of senior management; and, how far the advent and influence of human resource management has affected the role of personnel departments and personnel specialists. One finding of their study was a wider acceptance that line managers have primary responsibility for managing human resources, although many CEOs and operational managers were critical of business line managers' acceptance of this responsibility.

The roles of senior business line managers and human resource professionals in the management of human resources is an area that has been the subject of a number of paradigms and Boselie and Pauwee (2004) review literature that has developed frameworks to explain the tasks, skills and roles of human resource professionals. They found that research by Tyson and Fell (1986), Tyson (1987), Schuler (1990), Carroll (1991), Storey (1992) and Ulrich (1997) are particularly notable and also reviewed the work of Caldwell (2003) who had re-examined the relevance of Storey (1992) and Ulrich's typologies.

Boselie and Paauwe (2004) state that extant literature has suggested a number of frameworks for considering the evolution and development of human resource management tasks, skills and roles, 'some are merely a listing of things that HR specialists do, while others are more encompassing, considering the HRM pattern from a more ideal type perspective.' Boselie and Paauwe (2004:551).

Three models of human resource management were suggested by Tyson (1987): the clerk-of-works model; contract-manager model; and, architect model. The clerk-of-works model focuses on administrative support and process functions; the contract-manager model focuses on trade union interface responsibilities; and, the architect model focuses on strategic input with the human resource function represented in the senior management of the organisation. Then, at the beginning of the 1990's, Schuler (1990) discerned a shift from human resource professionals being part of a solely staff function. Instead, they were seen as becoming part of the management team with roles that included being a: 'business person' with influence on strategy formulation and implementation; change agent; talent/assets manager; and, cost controller. These changes were also noted by Carroll (1991), who saw a greater requirement for human resource professionals to contribute to organisational effectiveness through more significant links with business management. Three roles were discussed by Carroll (1991) as taking on increased importance: delegator; technical expert; and, innovator. The delegator role sees business line management being the primary implementers of human resource management systems; the technical expert role reflects the need for human resource professionals to be competent across a range of human resource specific skills such as compensation and benefits; and, the innovator role involves human resource professionals finding new solutions to human resource challenges.

In the UK, Storey (1992) developed a model based on action orientation, that contrasted human resource roles as being either interventionary or non-interventionary and strategic or tactical. Four different roles for the human resource function were developed from this: advisors, handmaidens, regulators and change-makers. The advisor role sees human resource professionals acting as internal consultants to business managers and other functional

management. The handmaiden role, later referred to by Caldwell (2003) as 'service-provider', emphasises a more subservient relationship to line management. The regulator role illustrates the development and enforcement of rules, driven by internal decisions or external legislation, and interface with trade unions. Finally, the change-maker role focuses on activity that helps align employee behaviour with business needs. Caldwell (2003) found that in the eleven years since Storey's (1992) study the strategic and change-agent elements of the human resource professionals role had increased, while the regulator role had declined and the service-provider, Storey's (1992) handmaiden, role had become more about the effective delivery of the human resource functions services.

In contrast, Ulrich (1997) has developed an influential, prescriptive, paradigm that can be summarised as follows:

- business line managers are primarily responsible for human resource management in any firm;
- **partnerships** between business line managers and human resource professionals are important for sustaining competitive advantage;
- human resource professionals should seek to define value in terms of how the receivers of their services, such as business line managers, perceive it;
- the delivery structure of the human resource function should contain four mechanisms: service brokers; service centres; centres of expertise; and, integrated solutions;
- value creation should occur through four steps: customer requirements, satisfied through a **customer interface**, delivering shared services through appropriate processes;
- the delivery process should contain at least five delivery channels: business line managers; **business dedicated human resource professionals**; shared service located human resource professionals; information technology; and, outsourcing;
- the **four roles** identified for human resource professionals are developed from 'people versus process and strategic versus operational' dimensions: they are, strategic partner; administrative expert; employee champion; and, change agent; and
- business dedicated human resource partners are said to adopt all four roles;
- in order to undertake the various roles noted above human resource professionals should have four competencies: business mastery; human resource mastery; change and process mastery; and, **personal credibility**. These were later modified by Brockbank and Ulrich (2003) and became: strategic contribution, which includes change management; delivery of human resource practices, which includes processes and information technology; business knowledge; and, credibility.

Ulrich (1997) notes that business partners play multiple roles and therefore may undertake all four roles not just the strategic one and maps corporate human resources, business line managers, external consultants, outsourcing and information technology into each quadrant showing their responsibility for the delivery of each role. He also acknowledges the inherent tension in performing multiple roles and describes deliverables, metaphors and actions as being required for success in each role.

In Ulrich's (1997) model: the *deliverables* are the outcomes from human resource management noted generically as strategy execution, administrative efficiency, employee commitment, transformational and change; *metaphors* are the images that characterize human resource professionals in each of their roles, strategic partner, administrative expert, employee champion and change agent; and, *actions* are examples of 'the personal activities and organizational systems undertaken by HR professionals and line managers to fulfil these roles.' (Ulrich, 1997:47-48) This definition indicates that Ulrich (1997) is not describing the role of human resource professionals but the role of human resource management in organisations encompassing business line managers. The typology describes metaphors for the human resource professionals' part in delivering in each area.

Wright et al (2001) discuss human resource professionals' in terms of their service delivery, roles and contributions. They note that one major aspect of 'HR' is the, 'delivery of HR services (or practices) such as staffing/succession planning systems, compensation systems, and training and development systems.' (Wright et al, 2001:113). Moving beyond these services Wright et al (2001) examined the effectiveness of human resource professionals in performing various roles. These were based on Ulrich's (1997) typology and include: a strategic partner role which is participation in, and influence over, the formulation of strategy rather than just aligning human resource and business strategies; tailoring human resource practices as part of strategy implementation; providing the basic human resource services noted above; supporting business line managers to implement change initiatives; and, identifying and/or developing critical organizational core competencies or capabilities. Finally, the contribution of human resource professionals is an evaluation by business line managers on how the results of the activities noted above contribute to the firm. Wright et al (2001) conclude that the results of their study indicate that human resource professionals and business line managers differ in their perceptions of the effectiveness of the human resource professionals in their roles, with business line managers rating effectiveness lower than human resource professionals for every role.

A review of Storey's (1992) typology and Ulrich's (1997) 'prescriptive vision' was undertaken by Caldwell (2003) with the conclusion that

'Storey's (1992) typology has lost much of its empirical and analytical veracity, while Ulrich's model ends in prescriptive overreach by submerging issues of role conflict within a new rhetoric of professional identity. Neither model can adequately accommodate the emergent tensions between competing role demands, ever-increasing managerial expectations of performance and new challenges to professional expertise, all of which are likely to intensify in the future.' (Caldwell, 2003, 983)

Caldwell (2003) notes significant role changes and role complexity since Storey (1992) and Ulrich (1997) published their role typologies. He sees human resource professionals as a relatively weak occupational group facing challenges relating to inherent role ambiguities that have characterized their functional position. These include

'(1) issues of 'powerlessness' or marginality in management decision-making processes, especially at a strategic level; (2) an inability to maintain or defend the boundaries of their specialist expertise from encroachment or control by managerial intervention; (3) lack of clarity or accountability in specifying the goals, business outcomes, or the contribution of the personnel function; and (4) tensions in sustaining an ethos of mutuality in the face of the opposing interests between management and employees (Legge, 1978; Tyson and Fell, 1986; Watson, 1977).' (Caldwell, 2003:984)

Of the 98 respondents to Caldwell's (2003) survey on Storey's (1992) roles he found that 80 thought of themselves as strategic advisors; 67 as change agents; 48 as service providers; 31 as regulators; and 38 as having no main role. The advisor role is seen as intrinsically weak if human resource professionals are used as internal consultants reacting to short-term problems rather than being involved with longer-term, strategic, matters. There was considerable customer-driven emphasis on human resource professionals acting as service providers and monitoring and controlling the efficient delivery of HR activities, "My credibility depends on running an extremely efficient and cost effective administrative machine ... If I don't get that right, and consistently, then you can forget about any big HR ideas". (Caldwell, 2003:995). The regulator role was still thought to be important although not simply in reference to industrial relations "There are more and more areas of the business where HR has to act as policeman and ethical guardian". (Caldwell, 2003:998). Finally, it was felt that the

change agent role could be undertaken with human resource professionals 'operating as 'reactive pragmatists' positively facilitating change initiatives as they arose from the line, or the interventions of outside consultants. 'It does not matter where the change idea comes from, my role is to make it fit with HR policy and practice'.' (Caldwell, 2003:1001).

Caldwell (2003) draws four tentative inferences from his study

'(1) Personnel roles and the process of role change are much more complex than either existing empirical research or prescriptive models suggest; (2) Greater organizational complexity and flexibility may not only be challenging the conventional occupational self-identity of the personnel function, it may also be undermining, in the long-run, the foundations of the expertise, status and credibility necessary to sustain a new HR professional identity; (3) Old and newly intensified patterns of role ambiguity and conflict may have combined to become an intrinsic feature of personnel or HR roles in a context of constant organizational change; and, (4) Although personnel and HR professionals may have little control over the forces driving role change, they appear to demonstrate a remarkable ability at present to cope with the challenges of intensified role ambiguity and conflict.' (Caldwell, 2003:988).

Caldwell (2003) concludes that Ulrich (1997) depicts the multiple and often conflicting roles of human resource professionals as proactive business partners with the success of all four roles dependent on collaborative partnerships which may remain as rhetoric rather than existing in reality.

One aspect of complexity is the integration of roles and this is discussed below with regards to partnerships between business line managers and human resource business partners.

2.2.2b Integrated roles

With regard to the integration of roles, Gitzendanner et al (1983) found that there were greater 'Strategy-HR' linkages in the above average performing companies in their study and, with regard to decision making, Golden and Ramanujam (1985) examined the link between the human resource function and strategic decision making in ten firms and defined 'integrative linkage' as where a member of the human resource function is part of a firm's strategy team. Glass (1988) also found that higher performing firms in their study made much greater efforts to involve human resource executives in planning and decision making processes. Further support for these conclusions is given by Miller (1989) and Guest (1989) who believe that for human resources strategies to be integrated with business strategies it is necessary for there to be consistency between the human resource strategy, the business strategy and other functional strategies. In addition, Devanna et al (1984) state that a critical management task is to align formal structures and human resource systems so that together they drive the strategic objectives of the organisation. However, Armstrong and Long (1994) note that integration is easier said than done because there is often diversity of strategic processes, levels and styles between businesses and that the strategy formulation process is

'a complex, interactive, process heavily influenced by contextual and historical factors; the emergent nature of strategy in both the business and human resource domains, compounded by its lack of articulation; and the qualitative nature of human resource issues.' (Armstrong and Long, 1994:45)

Thus integrated decision making with regard to human resource management is felt to have a positive impact on firm performance but the socially complex nature of the human resource environment makes this difficult to achieve and observe.

The roles of human resource professionals and senior business line management were addressed by Armstrong and Long (1994) who recommend an integrated, team, approach to the management of firm human resource, where senior human resource management professionals understand the internal and external factors which impact the human resource environment; are cognoscente of the needs of all stakeholders that are impacted by business decisions; and, are therefore fully involved by senior business line managers with relevant business decision making. For this approach to be successful Armstrong and Long (1994) believe that human resource professionals should be

'part of the top management team; involved in corporate/business planning and the integration of human resources plans with corporate/business plans; well placed to exert influence on the way in which the enterprise is organised, managed and staffed ... professionally competent in personnel techniques ... able to convince others of the need for change and act as effective change agents; and to be involved in shaping corporate culture and values.' (Armstrong and Long, 1994:190)

Despite the findings of Gitzendanner et al (1993) and Golden and Ramanujam (1985), the research results of Burack (1986), Guest (1990), Armstrong and Long (1994) and Martell and Carroll (1995) indicate that in many cases strategic business planning and human resource planning is not integrated. Armstrong and Long (1994) found that human resource management and the strategic planning process were linked in only forty-four percent to sixty-nine percent of their various samples and Martell and Carroll's (1995) study, which focuses on which human resource management practices for top management are associated with higher firm performance, found that the human resource function was not valued as highly as other management functions and that human resource management integration into the strategy process was not related to a business unit's short-term performance.

The interaction between business line managers and human resource professionals is also discussed by Ulrich (1997) who believes that if the management of human resources is seen as increasingly important for gaining and sustaining competitive advantage then both human resource professionals and business line managers must become 'human resource champions' and partners. According to Ulrich (1997), strong and productive partnerships between human resource professionals and line managers 'imply mutual respect, with partners working together towards common goals in a process enriched by varied perspectives ... A true partnership exists where observers at a staff meeting cannot readily tell the human resource executive from the line manager, because both clearly focus on business results.' (Ulrich, 1997:236).

For human resource professionals to achieve this position Ulrich (1997) believes that they need both technical business and technical human resource knowledge; the ability to partner with line in a real and effective way; and, to deliver advisory and process related services from the human resource function that supports the short-term and long-term business goals of the organization. Despite the above, he also notes that business line managers

'are primarily responsible for the HR practices within a firm. Line managers have ultimate responsibility for both the outcomes and the processes within a firm. They are accountable to shareholders for delivering economic value, to customers for product or service value, and to employees for work place value.' (Ulrich, 1997:236)

Therefore, Ulrich (1997) calls for an integrated, seamless, partnership between human resource professionals and business line managers; human resource professionals that deliver both process support and tactical and strategic advice to business line managers; and, business line managers that take ultimate responsibility for the management of firm resources to maximise stakeholder value. This view is supported by Guest et al (2003) who conclude that the human resource function has legitimacy in the organisations they studied because the contribution of the human resource function to business effectiveness is perceived to centre on the business imperatives of performance and results; that human resource management strategies are rooted in business necessity; and, that they are integrated with business strategy.

The need for business line managers to embrace their responsibility for the management of firm human resources (Ulrich, 1997) is emphasised by Barber and Strack (2005) who believe that, given the high financial stakes, people management needs to be a core operational process and not solely a support function run by the human resource professionals. They conclude that because even slight changes in employee productivity have a significant impact on shareholder returns human resource management is no longer a support function but a core process for business line managers.

The above review of previous studies identifies prescriptions for integrating business strategy and human resource strategy and notes that, while business line managers should take ultimate responsibility for the management of human resources, this is more likely to occur where human resource professionals and business line management relationships are themselves integrated through partnerships. In other words strategy integration is preceded by partnerships at an individual level.

The complex relationship between business line managers and human resource professionals has often been examined in the context of their relative influence on decision making and this is examined in more detail below.

2.2.3 Relative influence

2.2.3a *Historical influence*

Like shared roles, the relative influence of senior line managers and human resource professionals on the human resource environment is also a long-standing and recurrent debate, with Donald and Donald (1929) noting that the influence of the personnel professional is not only dependent on, 'the personality and promotive qualities of the director of personnel activities, but also ... scientific management in the field of personnel management'. (Donald & Donald, 1929:147). In other words, the ability for the personnel function to facilitate and advise line management is dependent on the personal attributes of individual 'personnel' professionals and their technical knowledge of their field. This can be seen as an early indication of competencies that impact the credibility of human resource professionals.

A historical lack of influence on decision making was noted by Guest and King (2004) citing Ritzer and Trice (1969) who characterised American personnel managers as being, 'reactive, passive, risk-averse, not business orientated, unable to shape management thinking, not involved in business decisions, lacking influence and operating in a vacuum.' (Guest & King, 2004:402). Almost 20 years after the comments of Ritzer and Trice (1969) results of a study by Hegerty and Hoffman (1987) found that the human resource function lacked influence in any type of decision making and exerted almost no influence on strategic decisions. They found that the power bases which provide departments with their influence in the administrative area of decision making are formal position authority; access to resources; and, the scanning of administrative and regulatory trends, and that while 'Personnel' showed some influence in administrative decision making it displayed the least influence of any functional department.

Given this historic lack of influence it is interesting to note Buller's (1988) comments with regard to the type of relationship between human resource professionals and business line managers that supports the influence of human resource professionals in the decision making process

'whatever the structural arrangement, integration was more complete when key line, planning, and human resource executives shared a true appreciation for the strategic importance of people in the organization and, further, when these executives had mutual respect for each others

knowledge and skills. These conditions contributed to a sense of partnership in the strategic management of the business.' (Buller, 1988:40)

The influence of human resource professionals in the strategic management of the business is therefore thought to be derived from partnerships which develop due to an appreciation of the importance of firm human resources by key management and mutual respect between human resource professionals and business line managers based on each other's competencies.

Further studies have investigated the organisational influence of other functional departments, for instance, drawing on contingency and institutional theories of intra organizational power Homburg et al (1999) looked at instances where 'Marketing' had higher levels of influence. The results indicated that influence is determined not only by adaptation to the organisational environment but also to unique historical aspects that become institutionalised within the firm. This finding supports the resource based view of the firm in terms of its focus on complexity, causal ambiguity and path dependency (Peteraf, 1983; Wernerfelt, 1984; Barney, 1991; Wright et al, 2001; and, van Witteloostuijn & Boone, 2003) and indicates that human resource professionals need to build partnerships with consideration to the historical context of the human resource environment.

2.2.3b Future influence

With regard to future influence, Miles and Snow (1984) believe the development of human resource systems has tended to lag behind developments in strategy and structure and they suggest two short-term actions are required to increase the value of human resource functions as a whole to the organizations they serve. Firstly, perceptions of senior business line and functional management need to change. They must believe that human resource functions as a whole and their leaders are competent in all aspects of human resource management and quickly follow this by appropriately funding and staffing the human resource function. Secondly, human resource functions themselves must not only possess human resource professionals with the knowledge and skill required to perform the full range of services commonly expected from human resource functions, they also need to substantially improve their capability to develop and implement management systems that compliment different business strategies. Miles and Snow (1984) predicted that the 'personnel department' would in the future 'continue to perform all of the services traditionally needed to acquire, develop, and allocate human talent. Moreover, it will act as an in-company consultant to top management on issues of organization design and development.' (Miles and Snow, 1984:51).

In the same year that Miles and Snow (1984) published the above article, Borucki and Lafley (1984) discussed the 'proactive' approach to human resource management that is already being adopted by several corporations. They believe that, amongst other things, this proactive approach is due to changing economic times, workforce demographics, high technology and a struggle for market share. Strategic staffing practices, are given as one example of this trend, and are defined as the, 'careful selection and placement of the appropriate, highly qualified individual possessing the experience, skills, and potential required to fulfil the longer-term needs and objectives of the organisation.' (Borucki & Lafley, 1984:69-70). The Chase Manhattan Bank, now JPMorgan Chase and a participant firm in the research for this thesis, is given as an example of one company that was actively employing strategic staffing practices and widely considered a forerunner in strategic human resource management. Extracts from an interview with Alan Lafley, the then Executive Vice President of Human Resources are quoted and when asked 'What impact can the human resource executive have on an organisation?' Lafley replied that both the internal and external environment in the banking and finance sector is difficult to forecast; this in turn means that staffing strategy and planning is also dynamic; and, the ability of the most senior human resource professional to add value in determining the strategic direction of the corporation, with particular focus on the human resource issues, is therefore very important. However their degree of input

'depends mostly on the CEO and President's view of what a human resource function can contribute to the development and achievement of business plans and results, and on the credibility and performance of the person in the human resource executive position.' (Borucki & Lafley, 1984:75-76).

Extant literature on human resource management has rarely used any area of the financial services sector to illustrate the role and relative influence of the CEO in association with human resource professionals, therefore Lafley's quote is worthy of note as it highlights a number of issues which are relevant to this thesis. He believes that the added value of senior human resource professionals in determining the strategic direction of the firm is very important, and that decision making in this sector takes place in a particularly dynamic environment. He also states that the CEO and President's view of what the human resource function can contribute to business planning and decision making is dependent on the credibility of key human resource professionals. These comments support the views of those interviewed in a human capital roundtable debate (Financial News, 2001) and are of possible relevance to the other people-intensive businesses (Barber and Strack, 2005) noted in Chapter One of this thesis.

2.2.3c CEO Influence

The significance of management philosophy in the management of human resources was noted by Hendrey and Pettigrew (1986) who defined strategic human resource management as having four meanings: the use of planning; matching human resource management activities and policies to some explicit business strategy; seeing the people of an organization as a strategic resource for the achievement of competitive advantage; and, a coherent approach to the design and management of personnel systems based on an employment policy and manpower strategy and often underpinned by a 'philosophy'. The importance of the CEO and senior business line managers views regarding the management of firm human resources is also discussed by Devanna et al (1984) who state that, 'Although most managers probably do not consciously articulate their beliefs, these can be deduced from the control systems that they fashion to motivate human resources in their companies.' (Devanna et al, 1984:37).

In terms of the relative influence of the senior business line management team, Kochan and Barocki (1985) examine the links between top management values, philosophies, and business strategies and human resource management. They state that senior management shape the internal culture of organizations by clarifying the values at work within the firm and that not all companies successfully create a culture that facilitates effective human resource management policies. Their work emphasises the role and responsibility of CEOs and senior business line management in determining the nature and resulting effectiveness of the human resource environment. Following this, Lepak et al (2004) note that two variables, human resource philosophy and desired employee contributions, play an instrumental role in the types of human resource policies that are deployed. In addition, subsequent research by Weichun et al (2005) tested a paradigm relating CEO transformational leadership, human capital-enhancing human resource management and organisational outcomes and found that human capital-enhancing human resource management mediates the 'CEO-firm performance' relationship.

Further research found that while the characteristics of both the CEO and top management team influence the strategic decision making process, the influence of the latter was more important and the broader organizational context was of greatest significance (Papadakis & Barwise, 2002). In addition, Haleblian and Finkelstein (1993) found, in a study of top management team size, CEO dominance and firm performance, that firms with larger top management teams were found to perform better in a turbulent environment; and, Watson and Woolridge (2005) concluded in a study of business unit manager influence on corporate-level strategy formulation, that smaller,

faster-growing, pre IPO firms, benefit more significantly than other firms where the human resource executive reports directly to the CEO.

The previous section discussed roles in the management of human resources and concluded that business and human resource strategy integration is more likely to occur where human resource professionals and business line management relationships are based on partnerships. However, even where these partnership based relationships exist it would appear that CEO and top management influence on the human resource environment is deemed to be significant and therefore their relative influence on decision making is discussed further below.

2.2.3d Integrated influence

A study of professional services firms by Boxall and Steeneveld (1999) describes a number of cases where decisions made in conjunction with human resource professionals had significant impact on the survival of organisations. Key findings include the importance of managing a small group of high producers that impact the survival of firms; the importance of internal training for leadership succession planning; and, the importance of a strong CEO/Managing Director and top management team. Boxall and Steeneveld (1999) note that all the surviving firms in their study successfully managed a process of leadership renewal with dominant directors at certain firms introducing significant reforms

‘the primacy that was placed on this ‘human capital restructuring’ at the top by the dominant leaders in each firm lends support to arguments about the strategic significance of critical staffing choices over time ... in professional services firms, at least, it is fair to claim that leadership choices are the most strategic of all business decisions and that the most important work of HRM is that which focuses on building and renewing leadership capability.’ (Boxall & Steeneveld, 1999:459)

While the extent to which the key leadership changes were influenced by human resource professionals is unclear, the human resource challenges relating to managing stars; developing player managers; and, the cultural influence of top management that appear relevant to the capital markets and investment banking sector (Lorsch & Tierney, 2002; and, Barber & Strack, 2005), were all indirectly addressed by their research.

In conclusion, Boxall and Steeneveld (1999) note that

'the fundamental strategic priority of those who are charged with responsibility for HRM in a firm is to ensure that management takes those ongoing HR actions that are vital for securing and maintaining industry membership.' (Boxall & Steeneveld, 1999:459)

However, this assumes that human resource professionals have the ability to influence decision making with regard to significant human resource related issues.

Creating an environment of integration and influence is not straightforward, especially when it involves the devolution of certain human resource management responsibilities to business line managers. Indeed, resistance to the devolution of responsibilities to business line managers has been identified by a number of writers (Cunningham & Hyman, 1995, 1999; McGovern, 1999; Poole & Jenkins, 1997; Renwick, 2000; Currie & Proctor, 2001; and, Guest & King, 2004) and it has been noted that this may be due to a lack of time; a lack of understanding of key technical human resource management skills; and, poor change management. Cunningham and Hyman (1999) found that promoting an integrative culture of human resource management through the devolution of human resource responsibilities to line managers can create a tension between line managers and the 'personnel function', with little evidence to show that there is an increase in influence of the personnel function after devolution has occurred; Guest and King (2004) concluded that some line managers resist formally delegated responsibility for human resource management; and, the results of another study suggest that the success of devolvement varies by country (Larsen & Brewster, 2003).

Apart from Borucki and Lafley's (1984) commentary, extant literature has not provided any studies on influence in human resource management decision making that have focused on the capital markets and investment banking sector, however Grundy and Brown (2003) have undertaken research within a major UK bank and a major UK insurance company to explore the possibilities of linking corporate and human resource strategy. One emergent issue from their study with regard to 'organizational context' is the style through which power is managed in the organization and its positive, or negative, impact on the performance of firm human resources. Another key factor is the extent to which human resource related issues are owned by the human resource function relative to business line management, or jointly by both. In addition, they found that if a corporate strategy department exists but only focuses on formulating strategy without specifically considering human resource implications, then human resource strategic planning may well not occur at all and if it does it will not be approached in an integrated way. Grundy and Brown (2003) conclude that the relative success of any organization's strategy is very likely to be determined by the extent to which the human resource function is well positioned and perceived

as genuinely value-added and relevant by the top levels of management within the organization. In the bank that they studied, the 'personnel' function was not perceived as being particularly influential and therefore human resource strategy was marginalized. In addition, despite its importance, strategic human resource management may not have fulfilled its initial promise due to a number of factors. Firstly, the 'complexity' and diversity of, sometimes 'emergent' and 'intangible', linkages may undermine attempts to operationalise and implement strategy. Secondly, it may not be appropriate to give the human resource strategy its own 'identity' without also ensuring that it is linked back into the firm's core business and functional strategies. Finally, while any organization's politics and turbulence may prevent linkages from developing, they believe that this process can be improved if adequate attention is paid to who should 'own' human resource strategy and where it should sit in an organization's structure.

2.2.3e The structure of human resource management

In terms of organisation structure, Ulrich (1997) develops a framework within which the influence of human resource professionals might be enacted. He advocates shifting to a debate that concerns 'value creation' where, 'HR professionals as administrative experts must learn to create value, not as they perceive it, but as the managers and other clients perceive it.' (Ulrich, 1997:96). This involves adding four mechanisms to the delivery structure of the human resource function, service brokers, service centres, centres of expertise; and, integrated solutions. He defines the value-creation process in terms of four steps; 'customer requirements' that are satisfied through 'customer interface' as the relational part of the 'process' that delivers 'shared services'. In this model the needs of the internal client drive the delivery process, and the delivery process includes at least five delivery channels; 'business dedicated HR professionals', 'shared service located HR professionals', 'line managers', 'information technology' and 'outsourcing'.

The business dedicated human resource professionals of Ulrich (1997) can be thought of as a development of Donald and Donald's (1929) facilitating and advisory role where the management team were seen as regaining the responsibility for managing people while looking to personnel professionals for support; Tyson's (1987) 'architect' model which focused on strategic input; Storey's (1992) 'internal consultants'; and, the 'confidants' of Fitz enz (2002). Like Miles and Snow (1984), Ulrich (1997) acknowledges the necessity for process roles within the human resource function which in his model are provided by 'shared service located HR professionals' utilising information technology and outsourcing.

Research undertaken by Sheehan (2005) produced further evidence supporting the conclusions on roles and influence discussed above. They cite Beer (1997) as stating that human resource professionals need to understand how they must adapt to a more integrated role structure, including working as human resource business partners, and Dyer (1999) believes this includes understanding how the activities undertaken by the human resource function, through human resource professionals, fits with and supports the organisation's mission, strategy and basic business processes. However, researchers Huselid et al (1997), Sparrow and Marchington (1998), Colman (2004), Lawson et al (2005) and, Lieb (2005), have observed that human resource professionals may not be meeting the challenges of this new role.

While it has been argued that integration requires: support from broad constituencies within the organisation with representation on the board and/or on senior management committees (Poole & Jenkins, 1997; and, Shipton & McAuley, 1993); direct access to the CEO through a formal reporting mechanism (Budwhar, 2000; Lawler, 1995; Nininger, 1980; and, Golden & Ramanujam, 1985); and, the success of informal networks that human resource professionals develop with key senior executives (Sparrow & Marchington, 1998; and, Hope-Hailey et al, 1997), the results of Sheehan's (2005) study indicate that

'although HR representation on the senior committee, a direct reporting relationship with the CEO and good informal relationships provide appropriate access for HR to make a contribution, other factors such as the business credibility of the HR manager, the level of CEO HRM commitment and the level of corporate cultural support for HRM, were stronger determinants of strategic integration.'

(Sheehan, 2005:199)

Sheehan (2005) found that if human resource professionals are to become credible, attitudinal changes which demonstrate an acceptance of a business orientated approach and the re branding of the function and specific positions (Fisher and Dowling, 1999) have to be accompanied by changes in competencies (Losey, 1999). In terms of the devolution of human resource management responsibilities it was found that business line managers were, 'often frustrated by HRM initiatives that may interfere with production pressures' (Sheehan, 2005:202) but that this can be mitigated by, 'the business credibility of the HR manager, the actions of the CEO, or the presence of a supportive HRM corporate culture' (Sheehan, 2005:202). The results of Sheehan's study (Sheehan, 2005) indicate that while at a superficial level human resource management integration involves structural changes and the re branding of the human resource function and roles that reflect changes in expectations and responsibilities

within organisations, this must also be supported by 'more substantial underlying adjustments to complex sets of beliefs, values and learned ways of coping.' (Sheehan, 2005:203).

CEO and firm commitment to human resource management were both found by Sheehan (2005) to be important drivers behind the realisation of expected human resource management outcomes. This supported the predictions of Devanna et al (1984), Beer and Spector (1985), Hendry and Petigrew (1986), Dyer and Holder (1988), Kane et al (1999), Budwhar (2000) and Weichun (2005), who cite top management orientation as an important determinant of human resource management success.

In Ulrich's (1997) framework the relationship between senior business line managers and their human resource business partners undertaking a customer interface role, becomes a conduit for dialogue on both tactical and strategic decisions and therefore, given the importance of this exchange to the management of firm human resources (Borocki & Lafley, 1984; and, Boxall & Steeneveld, 1999), the business partner role and its associated competencies are investigated further in the third part of this chapter.

2.3 The competencies associated with the business partner role and the centrality of credibility to its success

2.3.1 Overview

The third and final part of this chapter examines the competencies associated with a business partner role and the centrality of credibility to its success. Literature is reviewed that determines:

- how the human resource business partner role provides an interface between business line managers and the human resource function (Legge, 1978; Ulrich, 1997; Wright & Snell, 1998; Fitz enz, 2002; and, Guest & King, 2004);
- what competencies are required for this role and the centrality of credibility to its success (Miles & Snow, 1984; Carroll, 1991; Kanfer, 1994; Guest, 1997; Ulrich, 1997; Becker et al, 2001; Brockbank & Ulrich, 2002; Brockbank & Ulrich, 2003; Boselie & Pauwee, 2004; and, Ulrich & Brockbank, 2005); and

- the potential for the provision of human resource related metrics to enhance the credibility of human resource professionals (Lengnick-Hall and Lengnick-Hall, 1990; Ulrich, 1997; Wright et al, 1998; Wright et al, 2001; Nalbantien, 2003; Grundy & Brown, 2003; Boudreau et al, 2003; Davison, 2003; Lawler et al, 2003; Lawler & Mohrman, 2003a, 2003b; Phelps, 2004; Toulson & Dewe, 2004; Ulrich & Brockbank, 2005; and, Weiss & Finn, 2005)

Firstly, the business partner role is examined.

2.3.2 The business partner role

According to Ulrich (1997) the 'customer interface' role is, 'perhaps the most challenging role in a shared service organisation.' (Ulrich, 1997:111). It requires skills that support the development and implementation of organizational diagnosis and also requires that

'the primary HR representative within the business unit, and member of the business's management team, must have competence in business issues as well as exceptional knowledge of excellent HR practices to broker HR services within the business. At a personal level, such individuals need credibility with the business team, so that ideas are valued, and with the HR community, so that requests are granted ... This key role in the shared service organization is filled by competent HR professionals who interface with the business. It is not a developmental assignment for a new hire, but a role for a seasoned, credible HR professional.' (Ulrich, 1997:111).

The 'customer interface' role is Ulrich's (1997) enactment of human resource professionals taking responsibility for aligning human resource strategy with business goals and broking 'HR services' to the business. He believes that human resource partners in customer interface roles may report to the business leader; will serve on the business management team; and, are deeply integrated within the business. They act as, 'the primary contact, or linking pin, for excellence in human resource work; they help translate human resource initiatives into business results, becoming the owners of the organisations human resource work and are 'perhaps the most challenging role in a shared service organisation.' (Ulrich, 1997:111). It is not seen as a short-term assignment because the time needed to fully know a business may require many years and the aim is for human resource professionals, and the business line managers they support, to become partners and a source of continuity for the business.

Importantly, Ulrich (1997) states that the term business partner should not be used solely in relation to the human resource professionals working as strategic partners (Ulrich, 1997), instead it encompasses his: administrative expert; employee champion; change agent; and, strategic partner *metaphors*. It will be seen that this thesis focuses on the business dedicated human resource business partner functional role.

The business partner approach of Ulrich (1997) is supported by Fitz-enz (2002) who describes a model where a few trusted, talented, corporate human resource professionals play the role of internal advisor, consultant, and broker of outside services. He calls these the 'confidants', and believes that this is what enlightened managers wish they had. Indeed, while Guest and King (2004) found 'clear evidence of uncertainty about how to play the preferred role of business partner.' (Guest and King, 2004:420), a factor also identified by other research (Browne et al, 2004; and, CIPD, 2007a, 2007b), a number of CEOs described human resource directors who 'through their experience, competencies and personal qualities had become trusted and influential advisors on strategic and other issues in the management of human resources.' (Guest and King, 2004:420).

However, it has been noted by Brown et al (2004) and Caldwell (2003) that many questions are left unanswered by Ulrich's (1997) model of human resource function structure and roles and several areas of differentiation and clarity are suggested for human resource partners. According to Brown et al (2004) the business partner role should be defined in strategic terms with clearly identified involvement and influence in the business strategy process and the competencies for human resource partners should also be defined and performance evaluations carried out.

In addition to the above research, Ulrich and Brockbank (2005) believe that to transform the human resource function into a value-creating department there is still the need for human resource professionals to:

- demonstrate a knowledge and understanding of the internal business environment and the needs of internal stakeholders;
- demonstrate a knowledge and understanding of the external business environment and the needs of external stakeholders;
- find clear ways of demonstrating that the human resource function can support the creation of competitive advantage;
- find clear ways of aligning the requirements of internal and external stakeholders; and,
- acquire the knowledge and skills necessary to link human resource activity to stakeholder value.

Finally, Goodge (2004) recommends that aspiring human resource business partners should learn the business inside out; build great relationships; be at the leading edge of human resource disciplines; and, build credibility because, 'without credibility HR partners are more or less impotent. Credibility is not a competency. There is no training course and it can't be taught. Credibility has to be won and built over time.' (Goodge, 2004:252).

Extant literature notes that the business partner role provides a critical interface between business line managers and the human resource function as a whole; that credibility, though argued by Goodge (2004) not to be a competency in itself, is required for human resource professionals to participate fully in strategic business planning (Buller, 1988; Handy et al, 1989; and, Ulrich, 1997); and, that credibility is central to the success of the business partner role (Ulrich, 1997). Credibility is therefore examined in greater detail below in conjunction with associated competencies.

2.3.3 Competencies and credibility

2.3.3a *Competencies*

It has been argued by Ulrich and Yeung (1989) that four sets of skills are required by human resource executives to effectively perform a strategic partner role: business competence; integration experience; professional/technical knowledge; and, the ability to manage change. As a development to this position, Ulrich (1997) notes that human resource professionals need competencies in the areas of business knowledge, human resource practices and the management of change and cites four major expectations of the human resource function that were tabled by the Chairman of a global petrochemical organization

'HR must have a knowledge of the business; HR must have a knowledge of HR; HR must have an ability to lead any change process; and, HR must have the leadership ability to influence the organization.' (Ulrich, 1997:224)

Like Miles and Snow (1984), Ulrich (1997) concludes that the traditional 'capabilities' of the human resource function, accuracy and administrative efficiency, must continue but must also be supplemented by innovations in human resource management; the integration of business plans and human resource plans; and, the facilitation and delivery of these plans through timely implementation. He also believes that the ability to deliver state-of-the-

art, innovative, human resource practices builds the credibility of, and respect for, human resource professionals and that

‘Knowing the financial, strategic, technological and organizational capabilities of an organization are necessary conditions of entry into any strategic discussion ... Business acumen requires knowledge, if not direct operational experience, in functional areas such as marketing, finance, strategy, technology, and sales, in addition to human resources.’ (Ulrich, 1997:252)

The need for human resource professionals to have expertise in business as well as human resource specific matters was also noted by Wright et al (1998) who found that business line managers want human resource executives to engage more proactively in the identification of potential, human resource related, strategic opportunities and threats, as well as the possible ways of managing them. However, this requires that senior human resource professionals possess expertise in both the focal business as well as the general business world as, ‘It is not simply involvement that makes HR executive business partners, but quality input grounded in business expertise.’ (Wright et al, 1998:26).

In the only published study that analyses the organisation of human resource management roles in the capital markets and investment banking sector, Svoboda and Schroder (2001) describe the 1998 restructuring of the human resource function at Deutsche Bank, a participant institution in the research undertaken for this thesis, which aligned more than 1,200 human resource professionals worldwide with Ulrich’s (1997) paradigm of human resource management. The list of challenges facing the bank included: shorter business cycles in the market; increasing transparency and shorter cycle times for specific businesses and their associated roles; the war for talent becoming global; the implications of the growth in e-business; an increase in the network economy with its associated business alliances; and, the increasing influence of investors. These challenges added to the ‘unavoidable necessity to act fast and flexible – admittedly not really a prominent characteristic of most human resource professionals’ competency profile.’ (Svoboda and Schroder, 2001:263).

Senior human resource professionals at Deutsche Bank wanted the human resource function to be seen and used as a strategic partner helping to create value and the transformation plan included changes to the strategy of the human resource function; a change in the management of the human resource function, to ‘run it like a business’; changes to the structure of the human resource function; an investment in state of the art information technology support; an alignment of the results of the human resource function with the business results of the

bank; the development of a competency model for 1,800 human resource professionals; and, the upgrade of human resource professionals to ensure the new approach to human resource function delivery could be enacted. Svoboda and Schroder (2001) created a framework similar to that of Ulrich's (1997) in, Figure 2.1, with personal credibility located centrally and 'understanding the customer', 'running the business' and 'delivering HR services' located around it. Credibility is discussed in further detail below commencing with Ulrich's (1997) model of future competencies for the human resource professionals.

2.3.3b Credibility

It can be seen that extant literature which has focused on the role and influence of the human resource function has described the relative influence of CEOs, senior business line managers and human resource professionals; suggested that business planning and human resource planning should be integrated; and, stated that the extent to which this is likely to occur will depend on the attitude of the CEO and senior business line management team to the management of human resources and the degree to which they believe their human resource professionals are credible partners. Further to this, Ulrich (1997) has created a framework for an integrated, model of human resource management within which he highlights the 'customer interface' role as key to the success of an integrated approach to influencing the human resource environment. He prescribes what this role should encompass and the necessary attributes and competencies of human resource professionals that occupy this role.

Ulrich's (1997) framework for future competencies locates the 'personal credibility' of human resource professionals in business partner roles, as central to their success, Figure 2.1, and calls it the, 'domain of final necessary competency.' (Ulrich, 1997:253).

This supports previous propositions regarding the importance of human resource professionals establishing credibility with top management (Borocki & Lafley, 1984; Buller, 1988; and, Handy et al, 1989) and for the first time seeks to define the competencies that contribute to the credibility of human resource professionals in the eyes of business line managers. He believes that to become a strategic partner requires both 'fortitude and discipline' and outlines the behaviours that enhance credibility as including accuracy; consistency; meeting commitments; chemistry; confronting appropriately; integrity; thinking outside the box; confidentiality, and, listening to, and focusing on, executive problems.

Further work on human resource competencies in high performing companies (Brockbank and Ulrich, 2003) received detailed attention in a paper by Boselie and Paauwe (2004) who discerned a heightened interest in the kind of competencies that human resource professionals need to display to add value to firm performance. They departed from the historical debate that had evolved around roles and developed a more empirically based study that sought to establish necessary competencies as a reflection of stakeholder demand. Boselie and Paauwe's (2004) study extended the human resource competence survey (HRCS) of Brockbank and Ulrich (2002) that had developed from major US based research projects since 1988. The first two HRCS projects uncovered three competency categories: business knowledge; human resource functional capability; and, change management. In 1997 culture management and personal credibility were added and by 2002 the five domain factors which were perceived by respondents as important to firm performance had become: strategic contribution; human resource delivery; human resource related technology; business knowledge; and, personal credibility.

The five competency domains tested by Brockbank and Ulrich (2003) where human resource management excelled in high-performing firms were

- **Strategic contribution:** which includes culture management, the facilitation of rapid change, participation in decision making, and leveraging customer information;
- **Delivery of human resource practices:** which informs organizational design and the '**ability to use technology**' as a delivery mechanism;
- **Business knowledge:** importantly the ability to apply 'business knowledge' from a human resource planning perspective; and
- **Personal credibility:** which is considered essential.

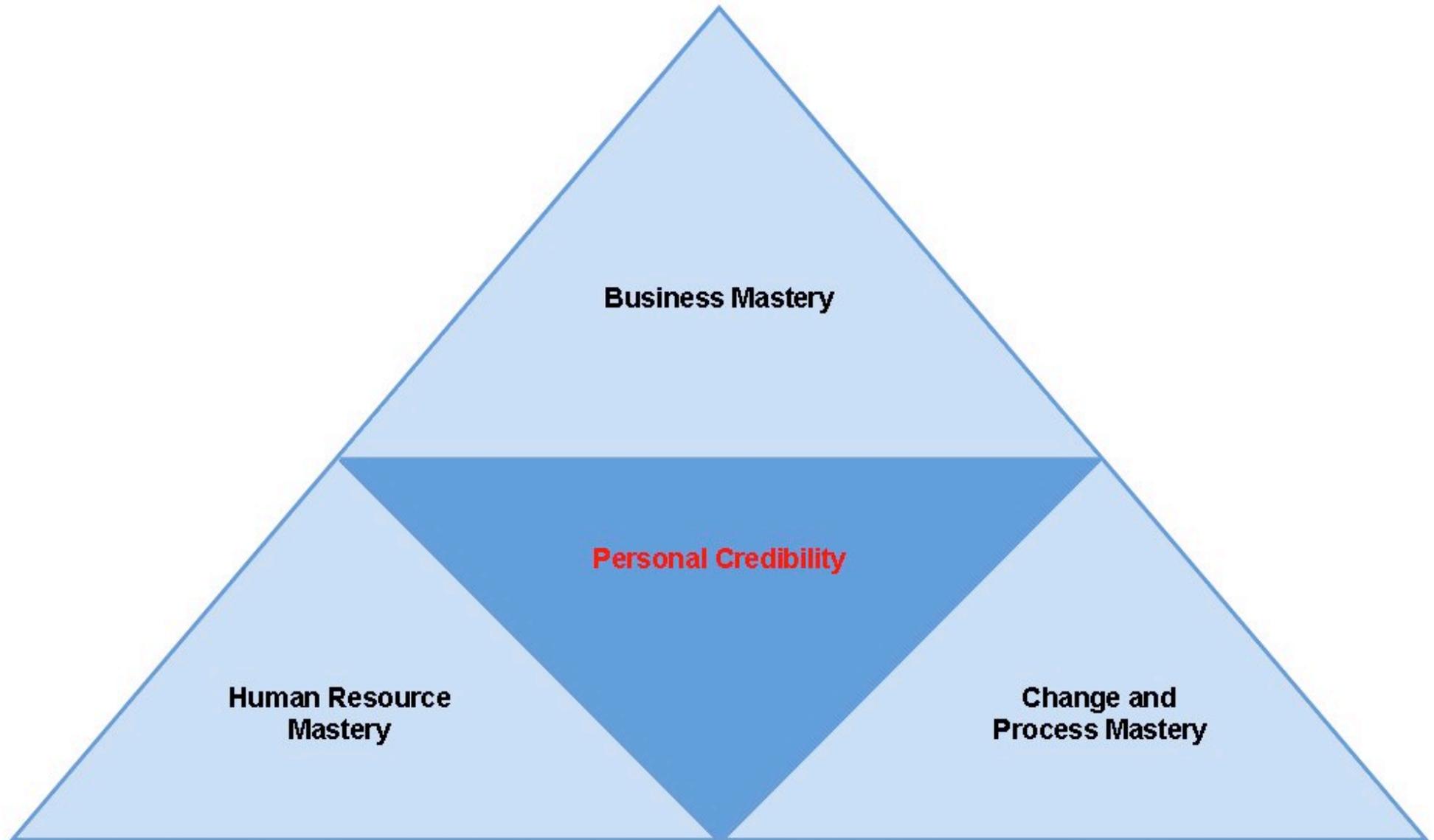


Figure 2.1: Model of future human resource competencies (Ulrich, 1997)

Boselie and Paauwe's (2004) study, in partnership with the Rotterdam School of Management, and utilising the Michigan Business School's HRCS, included the European context for the first time. It consisted of 683 web-based individual responses from human resource professionals and business line managers of 40 multinational companies, operating from a number of different European countries, representing a number of industry sectors. The European respondent total of 683 included 104 from the financial services sector. Their study focused on human resource professionals and business line managers but it was not possible to include other employees. Boselie and Paauwe's (2004) believe that while social desirability bias is possible in their results, as respondents may be overly positive about results because of their own organisational interests, that if present it will at least be systematic and consistent.

One hundred and eleven competency variables from the HRCS dataset were factored and sorted by factor loadings and this produced the five domains noted above. All variables with factor loadings greater than 0.5 were selected for further analysis. An overall score for each of the five domains was computed using all cases where more than 75 per cent of variables had answers. The domain and factor scores of the European survey are presented by Boselie and Paauwe (2004) who note that non-human resource professional respondents consistently give lower rankings than the human resource professionals and that with regard to factors that are important to firm performance, 'respondents rank personal credibility highest, followed by HR delivery and strategic contribution.' (Boselie and Paauwe, 2004), Table 2.1.

At this level of analysis Boselie and Paauwe (2004) are careful to point out that these findings can only show the respondents' mean general satisfaction with each domain rather than the relative importance of one domain against another.

Descriptive factors that contribute to each domain average and that have scores higher than the domain average of 3.58 are selected for further comment below as they show above average levels of importance to respondents, Table 2.2. It was found that the non-human resource managers only rank two of the descriptive factors more highly than the human resource professionals. These are staffing, within 'HR Delivery', and labour, within 'Business Knowledge' and this is maybe an indication that talent management is a key concern for business managers.

Table 2.1 Importance for firm performance - domain average scores

<u>Domain</u>	<u>Non HRM</u>	<u>HRM</u>	<u>Mean</u>
Personal credibility	4.05	4.21	4.11
HR delivery	3.67	3.75	3.70
Strategic contribution	3.63	3.81	3.69
Business knowledge	3.34	3.40	3.36
HR technology	2.90	3.27	3.04
Average			3.58

n = 683 respondents

Scores = 1 low and 5 high

HRM = Human resource management

HRM = HRM professionals; and, non HRM = business line managers

Adapted from Boselie and Paauwe (2004)

Table 2.2 Significant descriptive factors*

<u>Factor</u>	<u>Score</u>	<u>Comparative scores</u>	<u>Domain</u>
Effective relationships	4.14	(non HRM: 4.10 and HRM: 4.20)	Credibility
Gets results	4.10	(non HRM: 4.03 and HRM: 4.23)	Credibility
Staffing	4.05	(non HRM: 4.06 and HRM: 4.03)**	Delivery
Personal communication	4.05	(non HRM: 3.95 and HRM: 4.20)	Credibility
Strategic decision making	3.78	(non HRM: 3.71 and HRM: 3.89)	Strategy
Development	3.75	(non HRM: 3.69 and HRM: 3.87)	Delivery
Culture management	3.72	(non HRM: 3.64 and HRM: 3.86)	Strategy
Fast change	3.71	(non HRM: 3.65 and HRM: 3.81)	Strategy
Labour	3.65	(non HRM: 3.72 and HRM: 3.52)**	Knowledge

* those factors scoring higher than the domain average in Table 2.1

** non HRM rank descriptor more highly than HRM

Adapted from Boselie and Paauwe (2004)

A twenty-point scale was completed by human resource professionals and non-human resource managers to gain an understanding of perceived human resource management functional performance, 'Performance 1'; and, perceived organisational financial performance relative to major competitors, 'Performance 2'. Boselie and Paauwe (2004) then compared correlations by human resource domains, Table 2.3.

Table 2.3 Performance links

	<u>Correlation</u>
Performance 1 and Performance 2	0.13*
<i>Perceived human resource function performance (Performance 1) correlation with firm financial performance (Performance 2).</i>	
<u>Performance 1</u>	
Domain:	
Personal credibility	0.62*
Strategic contribution	0.54*
HR Delivery	0.50*
Business knowledge	0.39*
HR Technology	0.25*
<i>Domain correlations with perceived human resource function performance</i>	
<u>Performance 2</u>	
<i>Domain correlations with firm financial performance.</i>	
'Performance 2' showed a positive but low correlation for 'Strategic Contribution' (0.10*) and a negative and low correlation for 'HR Technology' (-0.10*).	
* all at $p < 0.01$	
<i>Adapted from Boselie and Paauwe (2004)</i>	

A positive but low correlation (0.13*) was found between rankings of perceived human resource function performance and firm financial competitiveness. Personal credibility showed the strongest positive correlation with perceived human resource function performance (0.62*) and this was followed by 'strategic contribution' (0.54*) and 'HR delivery' (0.50*). In the European study only 'strategic contribution' showed a positive correlation with perceived organisational performance relative to competitors. This contrasted with the global study (Brockbank and Ulrich, 2003) that suggest four of the five domains show a positive relationship with financial competitiveness.

In terms of correlations between domain rankings, summary results can be seen in Table 2.4, where correlations greater than 0.5 are noted. This table shows significant overlap between the five domains, but with most overlap being seen in Group One: strategic contribution and personal credibility; strategic contribution and HR delivery; and, HR delivery and business knowledge.

To identify which domains are contributing the most to performance taking other domains into consideration regression analysis was applied. Boselie and Paauwe (2004) displayed the results of their regression analysis in two tables. The first showed domain effects on the human resource function and the second showed domain effects on financial competitiveness.

Table 2.4 Correlations between domains*

Group One

0.78 Strategic contribution and personal credibility
0.76 Strategic contribution and HR delivery
0.66 HR delivery and business knowledge

Group Two

0.65 Personal credibility and HR delivery
0.60 Strategic contribution and business knowledge

Group Three

0.50 Personal credibility and business knowledge
0.50 HR delivery and HR technology

** only correlations between domains of 0.5 or more are noted*

Adapted from Boselie and Paauwe (2004)

The key findings of this analysis displayed in Table 2.5 below, show that 'personal credibility' and 'HR delivery' are crucial for the qualification and added value of the human resource function in an organisation.' (Boselie and Paauwe, 2004:562). In addition, that 'strategic contribution' is determined to be the only domain that is related to financial performance.

It can be seen that while human resource professionals consider human resource competency in business knowledge to impact financial competitiveness non-human resource respondents do not. Lastly, it can be seen that the technology supporting human resource management is felt to have negative contribution to financial performance. This may be due to the significant investment that is required and the long-term and maybe less quantifiable returns from capital investment in this technology.

Table 2.5 Relative domain effects on performance

Domain effects on the HR function - dependent variable (Performance 1)

	<u>Full model</u>	<u>non HRM</u>	<u>HRM</u>
Strategic contribution	0.02	0.07	(0.03)
Personal credibility	0.51***	0.54***	0.42***
HR delivery	0.17**	0.17*	0.16^
Business knowledge	0.02	(0.04)	(0.12)^
HR technology	(0.02)	(0.06)	(0.08)
n	635	393	241

Domain effects on financial competitiveness – dependent variable (Performance 2)

	<u>Full model</u>	<u>non HRM</u>	<u>HRM</u>
Strategic contribution	0.22	0.39***	0.05
Personal credibility	(0.08)	(0.10)	(0.06)
HR delivery	(0.01)	(0.06)	0.03
Business knowledge	0.08	(0.08)	0.22*
HR technology	(0.20)***	(0.09)	(0.29)***
n	614	383	230
Adj. R ²			

- * $p < 0.05$
- ** $p < 0.01$
- *** $p < 0.001$
- ^ $p < 0.10$

(n) denotes a negative relationship

Adapted from Boselie and Paauwe (2004)

Boselie and Paauwe (2004) end their paper by stating that more research should be expected which focuses on how human resource competencies can contribute to firm flexibility and long-term survival. This is because

‘the linkage between HRM and performance is difficult to establish and fraught with measurement errors ... The relationship between HRM interventions and, for example, willingness to change, commitment, and levels of trust is a distal relationship, a bit easier to establish and probably a lot more relevant for both academics and practitioners.’ (Boselie and Paauwe, 2004:565).

Thus Boselie and Paauwe (2004) acknowledge: the social complexity of the human resource environment; the difficulty in identifying causal links between the human resource environment and firm performance; and, the need for research on relationships that impact the management of human resources.

In his model of future human resource professional competencies 'credibility' is given centrality by Ulrich (1997) and the results of Boselie and Paauwe's (2004) study supports its significance. They found that:

- 'personal credibility' has the highest competency domain average for impact on firm performance according to both human resource professionals and non human resource professionals;
- three of the four most significant descriptive factors contributing to the competency domain averages are in the 'personal credibility' domain;
- 'personal credibility' is the competency domain with the highest correlation to perceived human resource function performance;
- 'personal credibility-strategic contribution' are the competency domains with the highest correlation; 'strategic contribution-HR delivery' have the second highest correlation; and, 'HR delivery-business knowledge' are third; and
- 'personal credibility' shows the most significant contribution to human resource function performance.

In their book 'The HR Scorecard' Becker et al (2001) summarise some of the human resource 'competency' studies that had been undertaken which were later referenced by Boselie and Pauwee (2004). Competency is defined by Becker et al (2001) as, 'an individual's knowledge, skills, abilities, or personality characteristics that directly influence his or her job performance.' (Becker et al, 2001:156). They believe that the discovery of competencies based on firm-specific interviews with senior business line managers and human resource professionals may be limiting due to personal bias and limited expectations and therefore favour survey-based competency research. Large-scale competency research had by 1998 identified five competencies that are ranked by Becker et al (2001) and compared with the results of Boselie and Pauwee's (2004) study in Table 2.6.

The 1998 competency ranking is said to hold true, 'across industry level, level of HR professional and speciality area' (Becker et al, 2001:161), and it can be seen that the 'HRM' ranking in Boselie and Pauwee's (2004) study largely follows the same order although 'non HRM' respondents give greater emphasis to 'HR delivery' over 'Strategic contribution'. Ultimately, it is stated that, 'the personal credibility of HR professionals holds the key to the acceptance of their role as business partners.' (Becker et al, 2001:161).

Table 2.6 ‘Human Resource Competencies’ Becker, Huselid and Ulrich (2004) compared with Boselie and Pauwee (2004)

<u>Becker et al (2001)</u>	<u>Boselie & Pauwee (2004)*</u>
1. Personal credibility	non HRM 1, HRM 1
2. Ability to manage change	** within Strategic contribution: non HRM, 3, HRM, 2
3. Ability to manage culture	** within Strategic contribution: non HRM, 3, HRM, 2
4. Delivery of human resource practices	non HRM 2, HRM 3
5. Understanding of the business	non HRM 4, HRM 3

** domains impacting firm performance with the rankings noted by non HRM respondents and HRM respondents*

*** the competency items ranked 2 and 3 by Becker et al (2001) were included in Boselie & Pauwee’s (2004) ‘strategic contribution’ domain.*

The four competency domains noted above which are ranked between two and five are discussed by Becker et al (2001) as ‘the pillars of HR competence’ where ‘personal credibility might be described as the foundation on which those pillars rest.’ (Becker et al, 2001:160) however, when explaining the ‘delivery of HR practices’ they also state that ‘knowing and being able to deliver state-of-the-art, innovative HR practices builds these professionals credibility.’ (Becker et al, 2001:161) and when describing ‘the ability to manage change’ they state that this ‘establishes trust and credibility.’ (Becker et al, 2001:162). These comments would imply that at least two of the four pillars support personal credibility rather than the other way round which is consistent with the findings of this thesis.

Credibility has been examined in other studies, for instance in relation to ‘IT specialists’ (Bashein & Markus, 1997), where two elements of credibility are examined; perceived trustworthiness and perceived expertise, with levels of trust being based on the degree of similarity and likability, prolonged interaction and appropriate and consistent behaviour. Bashein and Markus (1997) conclude that IT specialists should focus on creating a reputation for trustworthiness before enhancing their credibility through demonstrating their expertise.

Additionally, research by Ganesan and Hess (1997) in a marketing context indicates that while past studies have found trust to be related to commitment in buyer-seller relationships, previous research has not distinguished between levels of trust, such as individual versus firm, or motives of trust, such as credibility versus benevolence. Becker et al (2001) also identified trust as a key factor in building credibility, 'Trusting relationships emerge when HR professionals serve as valued partners on management teams ... and exert influence without authority.' (Becker et al, 2001:161). This thesis examines whether trust at an individual level is one factor that impacts credibility and whether trust is established prior to building credibility through the demonstration of expertise in business and human resource technical decision making.

Continuing the discussion regarding credibility, it was noted in Chapter One that external and internal pressure has been building for the provision of metrics that relate to the human resource environment and the final part of this chapter therefore explores the extent to which human resource professionals should be providing this data and whether this may enhance their credibility.

2.3.4 Credibility and metrics

Research by Toulson and Dewe (2004), based the work of Guest et al (2002), concludes that 'measurement reflects the strategic and competitive importance of human resources'; and that 'to earn credibility, HRM must be expressed in financial terms', that is, 'HR credibility means speaking in the language of business.' (Toulson and Dewe, 2004:36). However extant research indicates that this is proving to be difficult for human resource professionals.

While Ulrich (1997) believes that human resource professionals should 'stop talking about being a business partner and do it.' (Ulrich, 2007:247), Fitz-enz (2002) warns that

'the human resource function cannot just declare themselves to be a business partner, rather, they have to earn this partnership by acquiring the necessary skills and demonstrating to the customer-partner that they have something of value. When operating in this way, they build visible links between human resource work and the bottom line of the company.' (Fitz-enz, 2002:19)

The challenge of demonstrating value is noted by Wright et al (1998) who believe that as the human resource function has neither been traditionally viewed, nor empirically demonstrated, as contributing to firm performance it

is not often considered to be important or effective. A vicious circle can therefore develop where strategic decision makers fail to involve human resource professionals in the strategic decision making process and where this happens the human resource professionals are not given a platform to demonstrate their value.

Despite Ulrich's (1997) campaign for human resource functions to provide human resource professionals who should learn to create value, not as they perceive it, but as the managers and other clients perceive it, he has noted that, 'the absence of a value proposition leaves the human resources profession to justify itself through anecdotes, perceptions, goodwill, and the instincts of senior managers.' (Ulrich, 2007:247). Indeed, Phelps (2004) writes that while human resource functions have followed the Ulrich (1997) model, attempting to transform the function into a strategic business partner, many human resource professionals are still struggling to be respected by CEOs and senior line business managers as senior contributors because they cannot talk the language of business. Phelps (2004) warns that, 'finance functions and internal audit functions are increasingly getting involved in HR measurements, sometimes with the HR function and sometimes without it. HR must act now to ensure it's not left behind.' (Phelps, 2004:17)

Due to the importance of firm human resources, human resource professionals can make a strong case for playing an important part in business strategy development and implementation but often fall short of being a strategic partner and Lawler et al (2004) believe that this may be because human resource professionals lack the type of analytic and data-based decision-making capability needed to influence business strategy and that this in turn may be because they lack the right metrics and analytical models. Lawler and Mohrman (2003) also believe that an important contributor to the quality and strength of a strategic human resource business partner relationship with business line and functional management is having the right metrics and data. The correlations between the degree to which human resource professionals act as strategic partners and the current condition of human resource metrics and analytics in their study show that human resource professionals who are considered strategic partners provide measures related to business decisions; and, that having metrics that relate to outsourced human resource transactions and the low cost of human resource services were not related to human resource professionals being considered strategic partners. The above conclusions are supported by Lawler et al (2004) who state that

'HR organisations able to perform strategy analytics are the ones most likely to be positioned as strategic partners. Having analytic data about strategy is a powerful way to gain a seat at the

strategy table while having data about the operation of the HR function is not.' (Lawler et al, 2004:31)

Further research (Weiss and Finn, 2005) concludes that to add credibility to their recommendations, human resource professionals should be showing research to support their anecdotal comments and that, 'Going forward, HR professionals will need to add the additional focus on strategic measures, which drive the business with a top priority focus on leadership team capability: however, the HR professionals will need to retain their current focus on the operational HCM metrics.' (Weiss and Finn, 2005:35). This mirrors the views of Miles and Snow (1984) who believe that while the human resource function as a whole should become more strategic it will also need to demonstrate continued competency in its process-orientated roles.

With regard to efficiency and effectiveness Davison (2003) notes that the human resource function of the future should understand, and be able to calculate, the link between human capital investments and the impact to the bottom line in their organization and believes this is therefore required learning for human resource business partners. This view is supported by Lawler et al (2004) who note that

'In many respects the "Holy Grail" for HR functions is the ability to show the bottom-line impact of their activities. This is a powerful way to increase HR's influence on company business decisions and future business strategies.' (Lawler et al, 2004:29)

The above debate emphasises the need for human resource professionals to create a value proposition with human resource business partners documenting links between specific aspects of the human resource environment and the financial bottom line, not just through the efficient cost effective delivery of human resource support processes, but through top-line business impact. According to Davison (2003) this has started to occur and has increased the status and compensation of human resource professionals, 'HR's effectiveness in helping to manage a company's human capital investment has resulted not only in increased credibility for HR professionals, but also in improvements in HR titles and salaries.' (Davison, 2003:7). The perceived need for change is now matched by the growing use of information technology with eighty-percent of respondent organisations in Lawler et al's (2004) study having an enterprise-wide human resource information system to support the capture, manipulation and reporting of appropriate data.

It has already been noted that market analysts are increasingly providing shareholders with information on organisations' human resource environments and that regulators in the capital markets and investment banking sector are legislating in areas which impact the human resource environment. In addition, it has been seen above that there is a perceived need for human resource professionals to use human resource environment related business-impact metrics to enhance their credibility, build partnerships and thereby increase their influence on decision making.

2.4 Summary

2.4.1 Overview

This review has examined extant literature on the management of human resources as it developed to acknowledge the organisational complexity that impacts the human resource environment. This trend is a significant factor in considering the use of a qualitative research methodology for this thesis.

Research has been reviewed which examines how the roles of CEOs, senior line business managers and human resource professionals are shared within the human resource environment (Donald & Donald, 1929; Legge, 1978; Watson, 1977, 2003, 2004; Tyson & Fell, 1986; Tyson, 1987; Schuler, 1990; Carroll, 1991; Ferris & Judge, 1991; Storey, 1992; Armstrong & Long, 1994; Ferris et al, 1994; Townley, 1994; Ferris, 1995; Ulrich, 1997; Ferris et al 1998; Ferris et al, 1999; Kenney, 1997, 1999; Strauss, 2001; Wright et al, 2001; Caldwell, 2003; Boselie & Pauwee, 2004; and, Guest & King, 2004); the extent to which human resource professionals form part of integrated business strategy teams and influence decision making (Golden & Ramanujam, 1985; Kochan & Barocki, 1985; Hegarty & Hoffman, 1987; Buller, 1988; Wright et al, 1998; Fitz-enz, 2002; and, Grundy & Brown, 2003); and, the extent to which the CEO and top management team are more dominant in driving the management of human resources relative to human resource functional professionals (Golden & Ramanujam, 1985; Kochan & Barocci, 1985; Hegarty & Hoffman, 1987; Buller, 1988; Wright et al, 1998; and, Fitz-enz, 2002).

Finally, a number of prescriptions have been made by various writers in terms of the competencies human resource professionals should exhibit if they aspire to influence firm decision making (Miles & Snow, 1984; Buller, 1988; Ulrich & Yeung, 1989; Ulrich, 1997; Wright et al, 1998; Becker et al, 2001; Fitz-enz, 2002; and, Ulrich & Brockbank, 2005). Human resource business partners have consistently been advised to demonstrate capabilities relating to: their understanding of the organization and its business environment; their professional

working knowledge of human resource practices; their problem solving skills and the ability to help effect timely organizational change; their understanding of the scope of human resource technology; and, their interpersonal skills, leadership ability and personal credibility, Table 2.7.

Donald and Donald (1929) provide an early commentary on the personal attributes that allow human resource professionals to have the credibility they need to influence decision making and Alan Lafley notes that the strategic contribution of the human resource function as a whole 'depends mostly on the CEO and President's view of what a human resource function can contribute to the development and achievement of business plans and results, and on the credibility and performance of the person in the human resource executive position.' (Borucki & Lafley, 1984:75). Credibility is given centrality by Ulrich (1997) in his model of future competencies that human resource professionals must possess to be successful in their business partner roles, being described as 'a domain of final necessary competency'. Fitz enz (2002) concurs with Ulrich (1997) believing that human resource professionals have the opportunity to become 'confidants' to their management teams and therefore influential and trusted advisors and that this type of relationship will give the firm a 'competitive edge' in the marketplace.

The results of Boselie and Paauwe's (2004) research show that, in terms of the factors that are important to firm performance, respondents rank personal credibility highest, followed by HR delivery and strategic contribution, and that personal credibility showed the strongest positive correlation with perceived human resource function performance. Overall Boselie and Paauwe (2004) conclude that, 'personal credibility and HR delivery are crucial for the qualification and added value of the HR function in an organisation.' (Boselie & Paauwe, 2004:562). Finally, the ability for human resource professionals to occupy a business partner role is believed to be dependent on their credibility which is related to their ability to demonstrate how firm human resources contribute to firm performance and the use of metrics to model people related risk (Ulrich, 1997; Becker et al, 2001; Fitz-enz, 2002; Guest et al, 2002; Davison, 2003; Lawler & Mohrman, 2003; Lawson et al, 2004; Toulson & Dewe, 2004; and, Weiss & Finn, 2005).

Table 2.7 The importance of credibility for human resource professionals

1929	Donald and Donald comment on the personal factors that enable human resource professionals to have influence
1984	Alan Lafley of Chase Manhattan Bank notes the strategic contribution that a <i>credible</i> human resource business partner is able to make;
1988	Buller notes that the <i>credibility</i> of the human resource function fosters their inclusion in strategic planning
1989	Handy et al state that human resource specialists must establish <i>credibility</i> with top management
1997	Ulrich postulates that business <i>credibility</i> is key to being an effective business partner;
2001	Becker, Huselid and Ulrich discuss the importance of <i>credibility</i> as a competency
2002	Fitz-Enz asserts that a senior cadre of 'confidants' in the human resource function is necessary for effective talent management;
2003	Davison notes that effectively managing human capital investments increases the <i>credibility</i> of human resource professionals
2004	Boselie and Paauwe's cross-sector research of nearly 700 managers in 40 multinational companies finds that personal <i>credibility</i> , delivery and strategic contribution as crucial for the qualification and added value of the human resource function in any organisation.
2004	Goodge states that aspiring human resource business partners will be impotent if they don't build <i>credibility</i>
2004	Toulson and Dewe believe that to be <i>credible</i> human resource professionals must speak the language of business ie finance
2005	Lawson et al believes that human resource business partners should be chosen for their <i>credibility</i> in the business
2005	Weiss and Finn state that to add <i>credibility</i> to their recommendations, human resource professionals should be showing their research to support anecdotal comments
2005	Sheehan found that business <i>credibility</i> was important in determining the strategic integration of business and human resource planning

Given the perceived importance of the human resource customer interface role, its challenges and the primacy of credibility to its success, this thesis examines: the extent to which Ulrich's (1997) business partner model has been adopted in the capital markets and investment banking sector; the extent to which human resource professionals in organisations within the capital markets and investment banking sector participate in their respective organisations' decision making; and, asks senior line managers and senior human resource business partners to define the competencies that they believe determine the credibility of the human resource professionals in business partner roles.

2.4.2 Research questions

The research questions drawn from the review of extant literature focus on three areas; human resource functional roles and specifically the human resource business partner role; the influence of human resource professionals on decision making; and, the competencies which impact the credibility of human resource professionals in business partner roles.

2.4.2a *The human resource business partner role*

It is recognized that human resource professionals will be employed to perform specific functional roles; will carry out their responsibilities by performing activities that are classified by the various typologies discussed above; and, will require certain competencies to allow them to do this. The literature concludes that all those with functional responsibility for the management of firm human resources will take on multiple roles (Ulrich, 1997; and Caldwell, 2003) or *metaphors* (Ulrich, 1997). Therefore, rather than attempting to test role typologies such as those of Tyson (1987), Schuler (1990), Caroll (1991), Storey (1992) and Ulrich (1997), research for this thesis focuses on the functional roles of human resource professionals within the human resource environment

The focus of this thesis with regard to roles is therefore to determine

- (a) the *extent* to which human resource professionals and senior line business managers working for institutions in the capital markets and investment banking sector have adopted the functional roles set out in Ulrich's (1997) framework for human resource management and how the human resource function is structured to deliver services to their various stakeholder groups;
- (b) the *extent* to which the 'customer interface', business dedicated, human resource business partner, role exists (Ulrich, 1997); and,
- (c) the *extent* to which business line managers accept primary responsibility for managing human resources (Browne et al, 2004; 2007; Guest & King, 2004; and, CIPD, 2007a, 2007b).

2.4.2b Influence in decision making

The focus of this thesis with regard to influence is to determine the *extent* to which human resource professionals in organisations within the capital markets and investment banking sector participate in and influence their respective organisations' decision making (Ritzer & Trice, 1969; Borucki & Lafley, 1984; Fombrun et al, 1984; Golden & Ramanujam, 1985; Kochan & Barocci, 1985; Burack, 1986; Hendrey & Pettigrew, 1986; Hegarty & Hoffman, 1987; Buller, 1988; Guest, 1990; Bennett et al, 1995; Wright et al, 1998; Fitz-enz, 2002; and, Grundy & Brown, 2003).

2.4.2c Competencies and credibility

The focus of this thesis with regard to competencies and credibility is to determine

- (a) the *extent* to which business line managers consider their key human resource contacts to be credible; and,
- (b) the *extent* to which credibility (Borocki & Lafley, 1984; Ulrich & Yeung, 1989; Ulrich, 1997; Becker et al, 2001; Brockbank & Ulrich, 2003; Boselie & Paauwe, 2004) of any human resource business partner is impacted by certain competency factors:
 - the human resource contacts knowledge of the external environment (Ulrich & Yeung, 1989; Ferris et al, 1999; and, Ulrich & Brockbank, 2005);
 - the human resource contacts knowledge of the internal environment (Wright & MacMahan, 1992; Krackardt & Hanson, 1993; Ferris et al, 1999; Becker et al, 2001; and Ulrich & Brockbank, 2005);
 - the track record of the individual human resource contact in delivering on their part of business plan execution (Ulrich & Yeung, 1989);
 - the business line managers trust in, and personal empathy with, the human resource contact (Donald & Donald, 1929; Buller, 1988; Becker et al, 2001; Fitz enz, 2002; and, Guest & King, 2004);

- the track record of the human resource function as a whole in delivering human resource service support to the business line manager (Donald & Donald, 1929; Miles & Snow, 1984; Ulrich, 1997; Boselie & Paauwe, 2004; and, Ulrich & Brockbank, 2005); and
- the availability and effective use of data, systems and methodologies to analyse the effectiveness and impact of human resource management initiatives (Lengnick-Hall & Lengnick-Hall, 1990; Ulrich, 1997; Wright et al, 1998; Wright et al, 2001; Guest et al, 2002; Nalbantien, 2003; Grundy & Brown, 2003; Boudreau et al, 2003; Davison, 2003; Lawler & Mohrman, 2003; Lawler et al, 2004; Phelps, 2004; Toulson & Dewe, 2004; Ulrich and Brockbank, 2005; and, Weiss & Finn, 2005).

Having drawn research questions from the review of extant literature the research design of this thesis is now addressed.

3. Research design

3.1 Introduction

3.1.1 Overview

This chapter will discuss the methodological considerations that are driven by the research objectives of this thesis and why different interview methods were selected for the first study and the exploratory study that followed this. However, firstly, the concept of 'useful' research is discussed as it addresses the major objectives of a Doctorate in Business Administration (DBA), a contribution to theory combined with relevance to, and impact on, business practice.

3.1.2 Research

Buckley et al (1998) discuss the disconnect between academic theory and business practice and note that while practitioners may be relatively familiar with extant research in the human resource management field they do not see many practical implications or prescriptions emerging from this literature. Lawler (1985) addresses this disconnect by suggesting the need for 'useful' research in the field of human resource management. To be 'useful', Lawler (1985) believes research must meet two fundamental criteria; firstly, the outcome must facilitate practitioner understanding of organizations and result in improved practices; and secondly, the outcome must contribute to the theory and body of knowledge generated in the field of human resource management.

The challenge is to undertake a study that fulfils Lawler's (1985) fundamental criteria by achieving both academic contribution and business relevance and therefore the research for this thesis is designed to extend theory around the roles and relative influence in human resource management while also providing practitioners in the capital markets and investment banking sector with a published report that will promote debate and facilitate practical developments in this field within their organisations.

In approaching this thesis it has been assumed that all organisations included in this research seek to maximise their net profits and market share objectives and it is acknowledged that for some commentators a perceived conflict may exist in the employer-employee relationship and the role of human resource professionals in facilitating and/or challenging management objectives. However, while these areas are not addressed directly by

this thesis, the relevance of these questions is revisited in the concluding chapter in relation to potential criticism that could be levelled at senior human resource professionals in banks for not challenging the approach of senior business line managers to certain aspects of business strategy and human resource management practices.

This chapter defines the objectives of this thesis and, flowing from this, its research design in terms of: methodology; research methods; target respondents; data collection; and, data analysis.

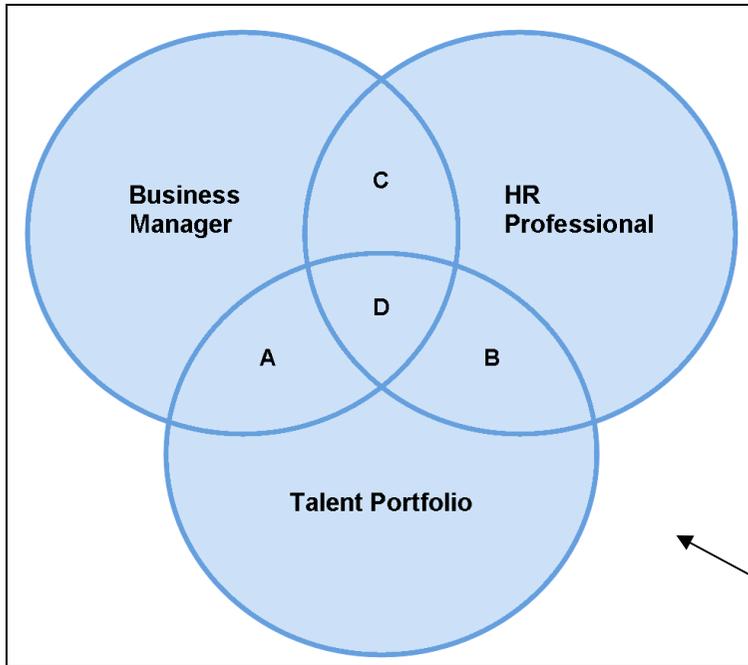
3.1.3 Thesis objectives

The conclusions of the literature review in Chapter Two of this thesis indicate that the impact of human resource management in the financial institutions operating within the capital markets and investment banking sector is partially dependent on 'complex' relationships, Figure 3.1, between:

1. business line and functional managers and the talent portfolio within the human resource environment, A;
2. human resource professionals and the talent portfolio within the human resource environment, B;
3. business managers and their key human resource representatives, C; and
4. the embedded historical context of the human resource environment and its current internal and external environments

The debate may continue as to whether the impact of relationship D on firm performance can be measured (Wall and Wood, 2005), for instance it may be concluded, based on the results of extant literature, that firm performance is, at least partially, impacted by the extent to which business strategy and human resource strategy are integrated however this thesis does not attempt to investigate this further.

Integration is predicted to occur where human resource professionals have some influence on decision making and where partnerships between human resource professionals and business line managers are formed. It is predicted that these partnerships will only occur where human resource business partners are credible and certain competencies are thought to impact the development of credible human resource business partners (Borucki & Lafley, 1984; Handy et al, 1989; Ulrich, 1997; Becker et al, 2001; Fitz-Enz, 2002; Davison, 2003; Goodge, 2004; Boselie & Paauwe, 2004; Toulson & Dewe, 2004; Lawson, 2004; Sheehan, 2005; and, Weiss & Finn, 2005).

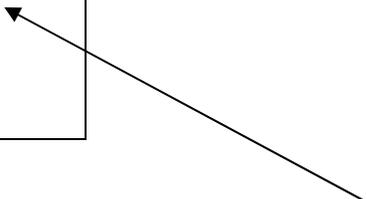


Relationship A: Business line manager and an organisations talent

Relationship B: HR Professional and an organisations talent

Relationship C: Business line manager and HR Professional

Relationship D: represents the cumulative impact of relationships, A, B and C and the embedded historical context of the external and internal environments



Embedded in the historical context of the external and internal environments

In Chapter One: 'Talent portfolio' refers to all those working within the business division under review and includes full-time employees, part-time employees, contractors and volunteers.

Figure 3.1: The relationships that mediate the human resource environment

If the credibility of human resource business partners is such an important factor in defining the relationship between business line managers and human resource professionals, and therefore the decisions which impact the human resource environment, and by extension the performance of the organisation, it would be useful to know which key factors are seen by business line managers and human resource business partners within the capital markets and investment banking sector as helping to build the credibility of human resource professionals.

The research objectives stated at the end of Chapter Two of this thesis are therefore related to: the roles and relative influence of human resource professionals in the management of firm human resources; the business dedicated human resource business partner role; and, business partner competencies and credibility.

3.1.4 Methodological considerations

3.1.4a *Overview*

A review of extant research has shown that theory regarding human resource management has travelled down both qualitative and quantitative paths (Strauss, 2001). Qualitative studies have tended to undertake research that has focused on aspects of the roles of human resource professionals and their participation in strategic decision making, while quantitative studies have sought to link human resource strategies, policies, practices and systems with firm performance. Theorists in the human resource management field have found the results of previous academic studies, and human resource related paradigms in management texts, wanting in their explanatory power (Dyer & Reeves, 1995; Ferris et al, 1999; Huselid, 1997; Marchington & Grugulis, 2000; Guest, 2001; Watson, 2003; Boselie & Paauwe, 2004; Colbert, 2004; Boselie et al, 2005; and, Wall & Wood, 2005) and challenges have been raised against each methodology and it would appear in Keenoy's (1999) case, all methodologies

'the real HRM phenomena' as measured by logical analysis, observation, interviews, questionnaires, surveys or case studies, is constructed out of a comparison between some rhetorical, normative, prescriptive, or descriptive account of HRM with the empirical forms adopted in the name of HRMism by managerial elites in particular organizational locales.' (Keenoy, 1999:8)

Keenoy (1999) criticises research that has sought to test normative accounts of 'HRM' to create management paradigms but in doing so appears to leave little room for the development of theory and practitioner understanding.

3.1.4b Considering a quantitative methodology

A survey-based research method has been used in universalistic, contingency and configurational human resource management studies which have examined the relationship between human resource strategies, policies, practices, systems and firm performance and to allow for statistical analysis, such as multivariate regression, large sets of data have been gathered from a significant population of respondents. These quantitative studies have tended to span diverse industry sectors (Huselid, 1995) however, the results have not been consistent or compelling in terms of emergent correlations and they do not provide clear conclusions with regard to causality (Oppenheim, 2003; Marchington & Grugulis, 2000; Wright et al, 2001; Watson, 2004; Legge, 1978, 2005; Boselie et al, 2005; and, Wall & Wood, 2005). According to Oppenheim (2003) this would be expected as

'we must not forget that human lives and human causality are not composed of layers of regression coefficients. We need a fundamental rethink of the nature of the social influencing processes themselves. This may lead to the development of more appropriate analytic designs and to better models of human causality.' Oppenheim (2003:18)

This observation is supported by Wright et al (1994) who make the important point that, 'in field studies, a researcher is never able to identify and control all of the possible contingencies in order to understand the exact causal connections among variables ... firms are not laboratories.' Wright et al (1994:311). However, Ferris et al (1999) state that the 'black box' of the 'human resource management-firm performance relationship' needs to be examined to refine theory and create more comprehensive theoretical models that include intermediate linkages, mediation, and boundary conditions, moderation. In addition, Byrne (2002) believes that we have to find some way of understanding complex systems without reducing them to simplistic representations and that practically this means linear modelling is, 'at best a possible exploratory device to be used in limited circumstances.' (Byrne, 2002:27). Indeed, as organisational complexity has become recognised by researchers in the human resource management field some have recommended a change in research design (Becker et al, 2001; Guest, 2001; Boselie & Paauwe, 2004; and Colbert, 2004). For instance, individual variables in competency, attitude,

behaviour and outcomes have been examined by various researchers (Legge, 1978, Watson, 1994; Ferris et al, 1999; and Becker et al, 2001) and are depicted in Figure 3.2 as influencing and being influenced by extrinsic relationships and environmental factors.

The various systems-orientated social science traditions that have informed views of the strategy process have been questioned by Watson (2003) who states that

‘too little attention has been paid to the role played by the values, emotions, identities, interests and personal projects of the individuals engaged in the strategy making process and therefore we need to better understand the part played by the personal priorities, identities and values of the strategy-makers themselves.’ (Watson, 2003:1307)

While individual and collective input into firm decision making is impacted by the motivations of individual actors and their relationships with each other, Figure 3.2, extant literature is criticised for not addressing this. For instance, Watson (2004) quotes Legge (1978) who notes that personnel texts tended to succumb to ‘stilted generalisations that neglect both the complexities and dynamism of real organisations.’ (Watson, 2004:448)

With regard to literature that has focused on strategic human resource management Watson (2004) believes that

‘in regressing to a functionalist style of analysis, much of the HRM literature ignores the fact that organizational arrangements generally and HR strategies specifically are outcomes of human interpretations, conflicts, confusions, guesses and rationalizations, albeit with these aspects of human agency operating within a context of societal and political-economic circumstances ... the adoption of particular HR strategies and practices is inevitably the result of decisions made by human actors – typically managers.’ (Watson, 2004:453)

This thesis therefore seeks to identify the roles and relative influence of human resource professionals and business line managers in the capital markets and investment banking sector without linking the results of this enquiry to firm performance using quantitative measures and therefore avoids a research methodology and research methods that imply linear causality and instead considers a research design that will address the social complexity depicted in Figure 3.2.

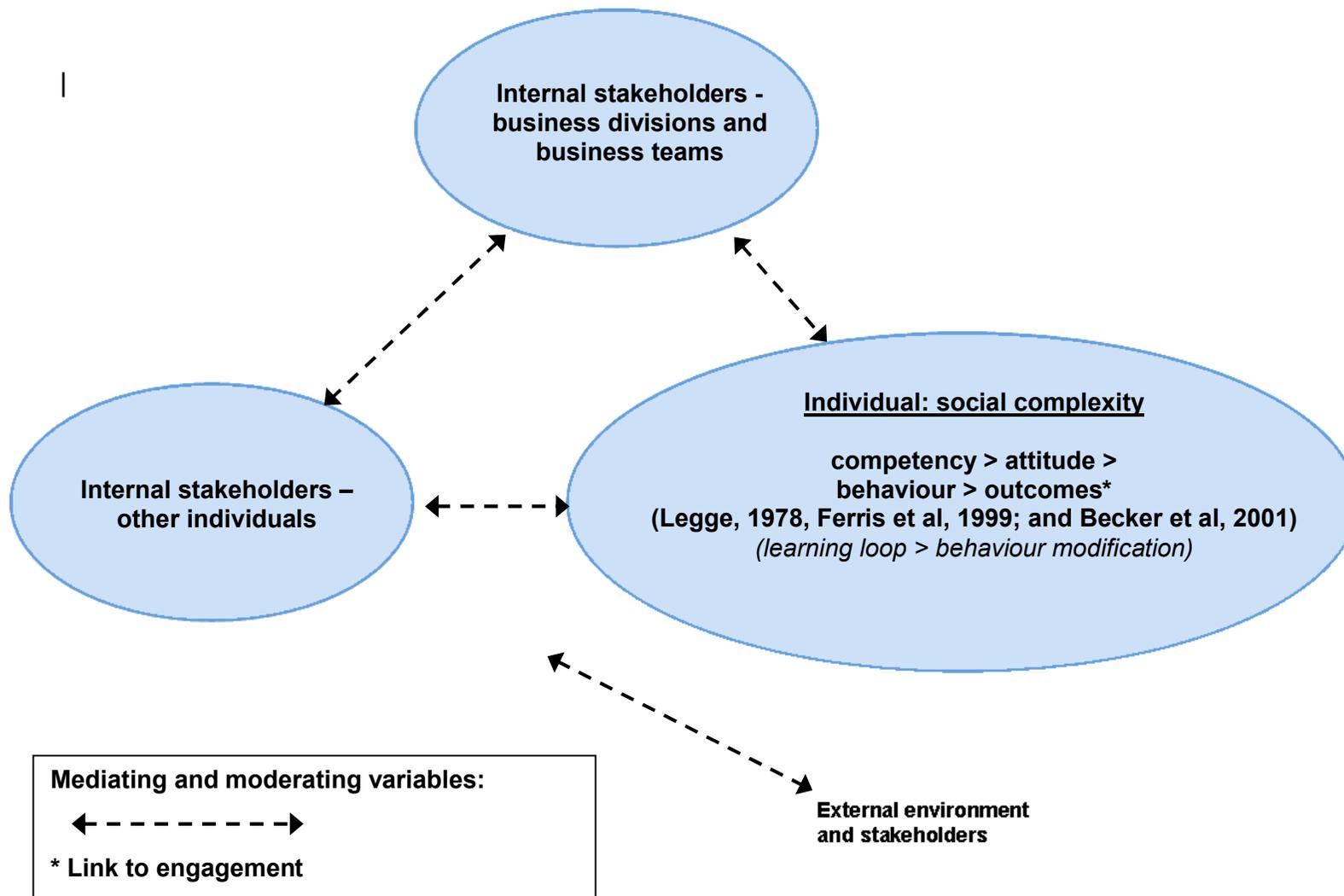


Figure 3.2 The research environment: social complexity, noting mediating and moderating variables (adapted from Watson, 1994)

3.1.4c Colbert's (2004) research approach

Colbert (2004) believes investigations into human resource management processes from a complex, resource based, perspective means focusing qualitatively on human relationships in the system and the processes of dialogue that leads to transformational change (Stacey et al, 2000). He proposes that one method for exploring research questions would be to select comparator companies, who occupy relatively equally strategic positions in the same industry, and collect qualitative data on their respective human resource architectures. Qualitative data from actors inside the firm could also be gathered to gain collective perceptions of strategic resources and their value to firm performance, their rarity and conditions contributing to their inimitability. Colbert (2004) believes all this could be done without trying to analytically deconstruct causal ambiguity. He further believes that high-level exploratory hypothesis could be constructed tying a complexity approach to: the human resource architecture; perceived strategic resources; and, ultimately to organisational outcomes. For instance, quantitative and qualitative comparisons of high and low performing firms in the same industry could be constructed to test general propositions and to aid the construction of more specific propositions.

This thesis finds Colbert's (2004) view that the outcome of qualitative research can be compared to the results of quantitative research to determine correlation and causation problematic. For instance, if research is undertaken at business unit level focusing on a team which combines individuals with the most valued competencies, which is working at its optimal level in terms of co-operation and engagement to achieve shared individual, team and organisational goals, the result of their efforts may still be inferior to that of peer teams on competitor platforms if the business strategy they have been asked to execute is fundamentally flawed (Caldwell, 2003:1000). This thesis therefore does not attempt to establish a quantitative link between social interaction and decision making within the human resource environment and firm performance. However, this thesis does contend that the impact of the human resource environment in the capital markets and investment banking sector can be key to the relative performance of firms in this sector, for instance where firms are competing with each other on the basis of similar and successful business strategies. This thesis therefore investigates the credibility of human resource business partners as a key mediating variable in the relationships they build with business line managers which in turn may influence decisions that impact the human resource environment and ultimately the performance of the organisation.

3.1.4d Practically adequate research

Although the unique insight of the participant and the value-laden nature of the researcher mediate the collection and analysis of data during social science research, Sayer (1992) believes this should not stop researchers from collecting data that seeks to inform stakeholders on the dynamics of their social world and that it is possible to allow data to emerge from lightly structured interviews, documents, personal experience and surveys in order to discover emergent patterns. For instance, Ammeter et al (2004) explored trust and accountability in organisations and found that influence is impacted by political skill and impression management and other writers believe that strategic decisions can be conceptualized as 'realised patterns' that emerge over time rather than managerial plans determined *a priori* (Mintzberg & Waters, 1985; Snell et al, 1996; and, Watson, 2004). If the objective is not the 'truth', but rather a 'practically adequate' guide to interpretation and action based on patterns that emerge from complex social discourse/exchanges, then bi polar methodological positions of quantitative and qualitative research become less useful in guiding research that is designed to inform practitioner action. Sayer (1992) examines the concept of practical adequacy, noting that

'To be practically adequate, knowledge must generate expectations about the world and about the results of our actions which are actually realized ... (Sayer, 1992:69) To acknowledge that a theory 'works' or has some practical adequacy in a particular context is not to suppose that every one of the elements is 'true' or practically adequate ... (Sayer, 1992:78) having a perfectly internally consistent and coherent set of beliefs does not guarantee their practical adequacy ...' (Sayer, 1992:79)

and he concludes that

'despite our entrapment within our own conceptual systems, it is still possible to differentiate between more and less practically-adequate beliefs about the material world. Observation is neither theory-neutral nor theory-determined, but theory-laden. Truth is neither absolute nor purely conventional and relative but a matter of practical adequacy.' (Sayer, 1992:83-84).

The value-laden, provisional and socially constructed nature of research findings are acknowledged as this thesis seeks to deliver practically adequate conclusions with regard to the roles and relative influence of human resource professionals and business line managers that will enhance their working relationships and by doing so

positively impact the human resource environment to better meet firm objectives and the following part of this chapter identifies the research design and methods which support this approach.

3.2 Research design and methods

3.2.1 Overview

This thesis focuses on the functional roles and relative influence of human resource professionals and business line managers in organisations within the capital markets and investment banking sector with regard to the management of human resources. It examines the relationship between business dedicated human resource business partners and the business line managers they support and specifically the importance of credibility to this relationship. The business dedicated human resource business partner role was selected as it represents the customer service interface between the reified human resource function, 'HR', and the 'front-office' business units and is a role that is accorded significance by various writers including Ulrich (1997), Fitz enz (2002), Boselie and Paauwe (2004) and Ulrich and Brockbank (2005). Drawing on the proposal of Colbert (2004) and Collins and Smith (2006) the research for this thesis selected comparator companies who occupy relatively equally strategic positions in the same industry and qualitative data was obtained from actors inside these firms. The research design and methods of this thesis are discussed below in terms of the target respondents, research methodology and research methods.

3.2.2 Target respondents

3.2.2a Participant institutions

The target population of participant institutions for this research comprises 22 financial institutions. These were selected by identifying the commercial banks and investment banks undertaking financial markets activity which, at the time of selection, exhibited a market capitalization of USD 10 billion or more, an asset value of USD 150 billion or more, and a global market positioning of at least one top twenty ranking in the international debt or equity underwriting league tables during the period between 1999 and 2003, Figure 3.3. These criteria were chosen because, at the time of selection, it would include the largest banks in the sector that were running businesses on a global basis who between them held the majority market share in the financial market activities shown in Table 1.3.

The selection of these banks is independently supported by a subsequent industry study published by the International Financing Review (IFR) (Mullin, 2006), a respected industry periodical. While the IFR does not show the numbers behind their selections, their criteria have been discussed in Chapter One. All the IFR's 17 global banks, as defined in the sector review, Table 1.4, are included in the group of 22 institutions that participated in the first study of this thesis, Table 3.1, and the IFR's 14 'bulge bracket' banks, Table 1.5, were targeted for participation in the second study of this thesis, Table 3.2.

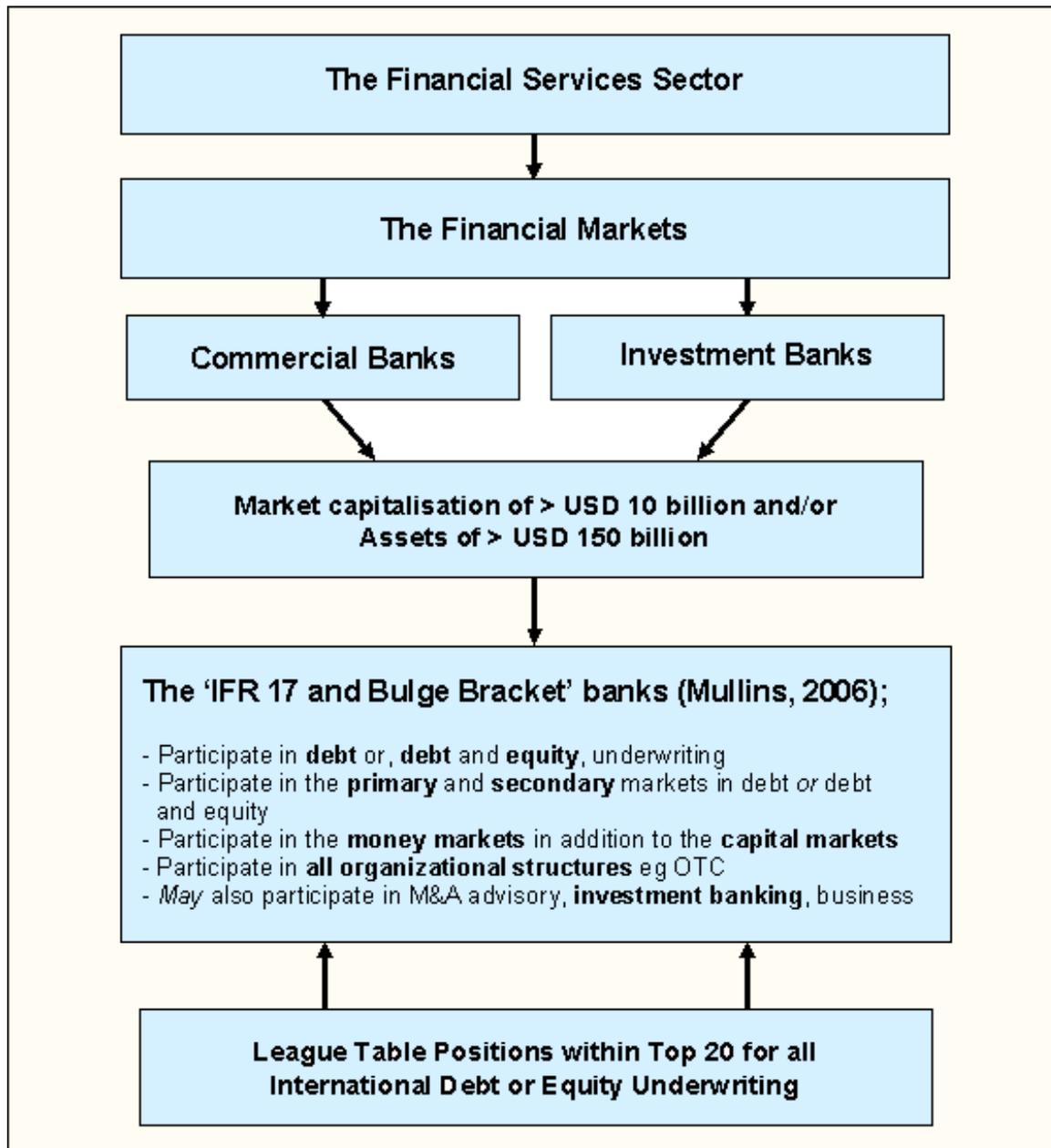


Figure 3.3: A Framework for identifying major international institutions in the capital markets and investment banking sector in terms of their Financial Markets activity within the Financial Services sector

Table 3.1 Comparator banks for the first study

ABN Amro	HSBC
Barclays Capital	ING Bank*
Bank of America	JP Morgan
BNP Paribas	Lehman Brothers
Citigroup	Merrill Lynch
CIBC*	Morgan Stanley
CA Indosuez (now 'Calyon')*	RBC*
CSFB (now Credit Suisse)	RBS
Deutsche Bank	SG
Dresdner KW (Now Dresdner Kleinwort)	Toronto Dominion*
Goldman Sachs	UBS

* banks included in this study that are not included in the 'IFR 17' (Table 1.4). SG did not participate as an interview could not be arranged.

Table 3.2 Comparator banks for the second study (from Table 1.5)

<u>US Based</u>	<u>Non-US based</u>
Citigroup	ABN Amro*
Goldman Sachs	Barclays Capital
JP Morgan	BNP Paribas
Lehman Brothers	Credit Suisse
Merrill Lynch	Deutsche Bank
Morgan Stanley	RBS
	SG
	UBS

* ABN Amro did not participate as at the time of the research it was the target of an acquisition

A major concern in gaining access for this thesis was the employment of its author as an executive search professional, or 'headhunter', focusing on capital markets and investment banking roles. This means that the interviewer is providing a candidate placement service to some institutions and using others as a source of candidates for their clients. In either case the respondents may not have granted the access required for this research, however, this concern proved to be unfounded.

The access obtained for this thesis is of significance in considering the validity and reliability of its findings and therefore its contribution to both academic research and practitioner understanding and action. In the first study 21 in-depth face-to-face interviews were undertaken with senior human resource professionals who were located variously in London, Paris, Frankfurt, New York and Toronto and in the second study 13 senior human resource professionals and 13 senior business line managers participated in face-to-face or telephone based structured-

interviews. Participants in the second study were located variously in London, Paris, Frankfurt, New York, Hong Kong and Singapore. The access to business line managers is of particular note given their seniority, heavy work schedules and potential ambivalence, or even disinterest, in the subject matter of this thesis.

Selecting comparator institutions, which occupy relatively equally strategic positions in the same industry, and collecting qualitative data on their respective human resource structures and systems is not only consistent with the suggested research design of Colbert (2004) but also that of Collins and Smith (2006) who noted that it might

‘be desirable for research to focus on firms facing similar environments rather on firms with diverse environments, because within- rather than cross-industry studies will better allow researchers to identify the firm capabilities necessary for success.’ (Collins and Smith, 2006:554)

3.2.2b Participant individuals

For the first study of this thesis semi-structured interviews were undertaken with either the Global or European Head of the human resource function responsible for the capital markets and investment banking lines of business in the 22 institutions noted in Table 3.1, above, except for SG where an interview could not be arranged. To concentrate on the major international banks, the second study of this thesis selected the IFRs 14 ‘bulge bracket’ investment banks, Table 3.2, however only 13 of the 14 took part in the research as ABN Amro was in the middle of takeover bid by a consortium of banks led by The Royal Bank of Scotland and access to management proved to be difficult.

For the second study, a structured interview outline was sent to business line management heads and human resource business partner professionals in the Fixed Income division of the 14 participant financial institutions. It was decided to select the same business division at each bank so that the analysis of research data would be comparable at this level and the Fixed Income division was selected because all 14 target organisations had a Fixed Income division, but not all of them had Equity and/or Investment Banking divisions. In addition, the Fixed Income divisions were seen as important revenue generators during the period from 2001 to 2006 (Maughan, 2006). However, it should be noted that the Fixed Income divisions of each institution vary in terms of the exact lines of business which are contained within them and also the level of activity within comparable business lines.

The business line managers were selected because they are either Global or European business heads within each bank's Fixed Income division with the following profile:

- Managing Director or equivalent title;
- at least 20 years experience in the financial markets sector;
- responsibility for teams of more than 200 people; and
- responsibility for lines of business that contribute USD 200 million or more in annual revenues.

It should be noted that some of the Global and European Heads of the human resource functions had changed since the first study. In addition, while the Heads of Human Resources work directly with the senior business heads at their respective institutions, this was not true for every pair of human resource professionals and business line managers, Table 3.10 and Appendix Six. Some Global Heads of Human Resources operated more closely with global heads of business rather than the regional heads. However, there appeared to be enough personal familiarity in the way the organisation worked and expert knowledge to ensure that this has no significant impact on the validity and reliability of the research findings presented in this thesis.

Having discussed the selection of target respondents it is necessary to determine the research methodology and methods.

3.2.3 Research methodology, validity and reliability

The objectives of this study were to: ascertain the functional roles and relative influence of human resource professionals in the management of firm human resources; to discover the extent to which the business dedicated human resource business partner role had been adopted by banks included in this research; to discover the extent to which human resource professionals believe credibility to be an important factor with regard to their influence on decision making and whether any specific competencies are associated with building credibility.

Due to the interview method applied in the first study it was not possible to obtain all the data required to conclude on the above objectives. Some results were incomplete, others required further exploration and there was also the possibility of single respondent error (King, 1999; Marchington & Grugulis, 2000; and, Wright et al, 2001). The objectives of the second study were therefore to ensure that data on the functional roles of the human resource function is complete for each institution and to address the problem of single-respondent error by including the

views of senior business line managers in addition to senior human resource professionals from the same institutions. However, the primary objective of the second study, and another reason for using a more structured interview method, was to explore the factors that influence the credibility of individual human resource business partners in the eyes of their business line manager clients.

3.2.3a Research methodology

This thesis examines the relationships between human resource professionals in 'customer interface' roles and CEOs and senior business line managers. Therefore, the discussion regarding methodological considerations concluded that this thesis would follow Colbert (2004) and Boselie and Paauwe's (2004) proposals to use a qualitative research methodology in exploring the complexity of these relationships. This decision was also taken after considering Cassell and Symon's (1999) following comment

'qualitative research can be said to have a number of defining characteristics which include; a focus on interpretation rather than quantification; an emphasis on subjectivity rather than objectivity; flexibility in the process of conducting research; an orientation towards process rather than outcome; a concern with context – regarding behaviour and situation as inextricably linked in forming experience; and finally, an explicit recognition of the impact of the research process on the research situation.' (Cassell and Symon, 1999:7)

Research findings are believed to be both theory laden and provisional and therefore the research for this thesis sought not for truth but for practically adequate conclusions (Sayer, 1992) however while the subjective and interpretive nature of this research (Casell, 1999) is recognised, the research methods, data collection and data analysis of each study are designed to preserve the validity and reliability of the data.

3.2.3b Validity and reliability

In discussing the importance of validity and reliability in qualitative research, Silverman (2000) cites Hammersley (1990, 1992) who defines validity as 'the truth: interpreted as to the extent to which an account accurately represents the social phenomena to which it refers.' (Hammersley, 1990: 57); and, defines reliability as 'The degree of consistency with which instances are assigned to the same category by different observers or by the same observer on different occasions.' (Hammersley: 1992, 67).

According to Seale (1999) validity has two elements, internal and external. Internal validity concerns the extent to which causal propositions are supported in a study of a particular setting. However, as the desirability of causality in qualitative research can be questioned because it represents a deterministic view of human action, qualitative research tends to focus on 'what' is happening in a particular setting and 'how' life is enacted. The appropriateness of trying to ask the 'why' question is debated even though 'what' and 'how' questions could themselves be challenged as value-laden. Ultimately, qualitative research can only infer causality and Seale (1999) believes that the logic of any inference depends on the search for negative, or deviant, cases.

External validity concerns the extent to which causal propositions are likely to hold true in other settings, that is whether findings can be applied more generally. Seale (1999) notes that while some would say that research results cannot be generalised across settings (Lyotard, 1993) others, 'acknowledge the difficulties that are inherent in applying the lessons of one setting to another, but maintain there is little point in conducting research studies whose significance cannot extend beyond their local context.' (Seale, 1999:41). Seale (1999) believes explanations may have a broader resonance and that readers can vicariously experience the particular setting and seek to understand the extent to which lessons are transferable. This is a pragmatic approach that looks for plausible explanations that are practically adequate and sufficient to inform action and is the one adopted by this thesis.

Attempts to prove validity attract debate. For instance, Silverman (1993) disallows results of research as referential outside of the research setting. He also believes that it is inappropriate to use triangulation in an attempt to validate the truth-value of previous findings although there is no problem with using different methods in a process of triangulation if the objective is to deepen understanding or to examine how different accounts or patterns of data are produced (Silverman, 2000). In addition, he believes that respondent validation should simply be treated as another source of data and insight rather than a validation of previous research. In his terms, qualitative research should ensure that all the collected data is subject to analysis; that the results of different cases are compared at one time or over time; and, that research analysis should be open to, and actively seek out, deviant cases. In contrast to these views, Reason and Rowan (1981) commend convergent validation through the triangulation of different methods or comparison with similar research and King (1999) believes that the involvement of other people is crucial to considerations of validity, for instance, the coding and review of transcripts by more than one researcher and respondent validation. He also notes that researchers should be open-minded, recognize their pre suppositions and allow themselves to be surprised by their findings.

According to King (1999), methods developed to assess validity and reliability in quantitative research cannot be applied directly to qualitative research, although, the underlying issues involved are of equal importance. For instance researcher bias in qualitative interviews exists and can be minimised by the standard delivery of standard questions where little or no guidance is given to interviewees. However, King (1999) acknowledges that the potential for respondent bias will still exist as answers to questions will be driven by each interviewees interpretation of the question, their perception of the situation and their personal feelings and agenda.

The involvement of other people is said by some to be important in considering the validity of data interpretation from qualitative research interviews and Reason and Rowan (1981) make the point that, 'the only criterion for the 'rightness' of an interpretation is inter-subjective – that is to say, that it is right for a group of people who share a similar world.' (Reason & Rowan, 1981:243). Methods of member validation can include predicting members descriptions; showing that a researcher can pass as a member; judging the adequacy of the account; and, regarding implementation of recommendations as a form of validation. The perceptions and actions of members are first order constructs and validity can be claimed where second order constructs are recognisable to the actors themselves. This may be seen as increasing richness and depth of data but if claims are willing to be revised then it can also be seen as an attempt to confirm mutual value positions between researcher and respondent that enhances the credibility of the research conclusions.

Methodological triangulation involves using more than one research method to increase the amount of data that exists regarding a particular phenomenon and even if the results of more than one study support the same conclusion it can only be accepted as a provisional finding (Denzin, 1978). However, resulting patterns can enhance the credibility of a research account and support a plausible and practically adequate view for decision makers.

The search for negative instances, deviant cases, is a concept of validation that incorporates analytic induction as well as member validation and triangulation. Relying on openness to dissenting data it involves seeking out challenges to an emerging account and modifying it. Evidence is constituted from the standpoint of a particular argument and deviant cases are examined to develop a modified view of a particular phenomenon. Necessary conditions can be documented, albeit provisionally, but it is not possible to conclude on their sufficiency.

With regard to reliability, LeCompte and Goetz (1982) distinguish between internal and external reliability where; internal reliability refers to the identification of themes by multiple researchers and the extent to which different researchers identify similar constructs; and, external reliability, which is more demanding, refers to the replication of research findings in re-studies which gives readers the ability to perceive social settings from different perspectives. However, the expectation of complete replication in qualitative research is recognised as being somewhat unrealistic. Seale (1999) notes that in quantitative research, 'inter-rater' reliability seeks to ensure that different observers make the same interpretations of particular objects and the replication of studies is designed to establish corroborating evidence for truth claims, while in qualitative research those with a constructionist view assume multiple realities and therefore any attempt to establish truth claims and corroborate them is inconsistent with their approach.

To the above point, for some qualitative researchers, such as constructionists, triangulation and convergent and divergent measures are not seen as enhancing validity, however Seale (1999) believes that research should still attempt to demonstrate validity and reliability and in doing so address, 'the credibility and plausibility of claims.' (Seale, 1999: 37). He cites Lincoln and Gubba (1985) who believe that that the 'conventional paradigm', which emerged from a quantitative methodology, demands that research has truth-value; applicability; consistency; and, neutrality, but that establishing the trustworthiness of research is what actually lies at the heart of validity and reliability. Lincoln and Gubba (1985) note that some researchers would ask: how confidence in the truth can be established for a particular enquiry; how the extent of the applicability to other contexts can be established; how it is possible to determine the degree to which findings would be repeated if the enquiry were replicated with the same individuals in the same context or different individuals in a different context; and, how it is possible to establish the degree to which the findings of an inquiry are determined by the subjects and conditions of the enquiry and not by biases, motivations, or perspectives of the enquirer (Lincoln & Gubba, 1985:290). They therefore criticise those sustaining a commitment to 'conventional' criteria, such as truth-value, where there is, 'the assumption of multiple constructed realities' (Lincoln & Gubba, 1985:295). For researchers that adopt the constructionist view Lincoln and Gubba (1985) therefore propose a four-point criterion list as an alternative paradigm and these are noted in Table 3.3 along with a statement of how each one was addressed in this thesis.

Table 3.3 **An alternative criteria for assessing the rigour of research**

(1) Credibility replaces 'truth-value': Credibility is built through the appropriate use of methods which may include triangulation, exposure of the research report to review via member checks, and, a search for emergent data that challenges a priori views.

Appropriate methods used for this thesis involve two complimentary studies that enable a pattern of relationships to be discerned. The data analysis involves a search for, and documentation of, emergent data and a significant review by members that was achieved by the publication of a report (Aldrich, 2007) summarising preliminary research findings and their implications for practioners (see Appendix Seven).

(2) Transferability replaces 'applicability' or 'external validity': Providing a rich description of the research setting allows the reader to judge the applicability of findings to other settings with which they are familiar.

The research setting for this thesis has been defined in enough detail for readers to judge the relevance of its findings and conclusions to their own setting.

(3) Dependability replaces 'consistency', or 'reliability': Dependability can be achieved through auditing the research design and execution, that is, the documentation of methods, decisions made during a project, the data, the analysis and the end product.

The research design for this thesis has been documented to doctoral standard and therefore in enough detail for readers to judge the dependability of the data.

(4) Confirmability replaces 'neutrality' or 'objectivity': It is an exercise in reflexivity involving the provision of a critical account of how the research was undertaken and can involve triangulation. Ultimately it should be accepted that trustworthiness is both provisional and negotiable.

In this thesis the complex nature of the research environment; the value laden nature of the research process; the provisional nature of the research findings; and, the objective of practically adequate findings rather than the search for a truth position, exemplify a reflexivity and critical approach to the research.

Seale (1999) also cites later work by Gubba and Lincoln (1989, 1994) where they try and address the problem of multiple constructed realities by introducing a fifth criterion of 'authenticity' which is demonstrated if researchers can show that they have: represented a range of different realities, *fairness*; helped the reader to develop a more sophisticated understanding of the phenomena being studied, *ontological authenticity*; helped readers appreciate the viewpoints of people other than themselves, *educative authenticity*; stimulated some form of action, *catalytic authenticity*; and, to have empowered members to act, *tactical authenticity*. While these criteria can themselves be criticised as value-laden they are useful if the research agenda is pragmatic and seeks to establish a plausible and practically adequate view of phenomena that is recognisable and useful to research stakeholders.

Following the above guidance, this thesis addresses the validity and reliability of data interpretation by: documenting the research setting; providing a detailed account of the research design; carefully designing each of the two studies to minimise interviewer and respondent bias and to account for the possibility of single-respondent errors; comparing the consistency of responses within the first study, and by comparison between the responses to the first and second studies, to triangulate the findings and to analyse divergent instances; obtaining member validation by the publication and discussion of preliminary research findings; and, by providing a critical account of the research in terms of its assumptions and gaps. These actions follow Lincoln and Gubba (1985) and Gubba and Lincoln's (1989, 1994) guidance for producing research that is credible; transferable; dependable; confirmable; and, authentic.

Having discussed the research methodology and issues of validity and reliability the research methods used in first and second studies of this thesis are discussed below.

3.2.4 Research method

3.2.4a *Overview*

Two studies were undertaken to ascertain details about the functional roles and relative influence of the human resource function from the perspective of senior human resource professionals and both followed a qualitative methodology. In the first study, data was collected from respondents at institutions within the capital markets and investment banking sector using a semi-structured, face-to-face, interview method while the second study used a structured interview method.

The objectives of the second study were four-fold:

1. to collect additional data relating to certain *a priori* questions because due to the semi-structured interview method applied in the first study it was not possible to obtain all the data required to conclude on which functional roles existed within the structure of the human resource function in each participant institution. Specifically, whether the following exist: shared service centres; specialists in centres of excellence; and, business dedicated business partners. It also provided an opportunity to collect data relating to human capital metrics and risk;
2. to undertake a preliminary investigation of *a priori* and emergent themes on functional roles, influence and credibility, such as: who is responsible for human resource management; the presence of senior human resource professionals on management boards; the credibility of human resource professionals to influence decision making during business planning; whether the involvement of human resource business partners is considered essential for a strategic approach to talent management; and, whether the functional roles and influence of human resource professionals changed over time;
3. to address the problem of single-respondent error (King, 1999; Marchington & Grugulis, 2000; and, Wright et al, 2001) by including the views of senior business line managers relating to the functional roles and relative influence of human resource professionals in addition to senior human resource professionals from the same institutions; and finally,
4. as credibility appears to be key to the success of Ulrich's (1997) 'customer interface role', and therefore the integration of human resource and business strategies, the primary objective of the second study was therefore to explore the factors that influence the credibility of individual human resource business partners from the perspective of both human resource professionals and their business line manager clients by using an attitude ranking.

The choice of interview method, data collection and data analysis for both studies are discussed below.

3.2.4b Interview methods

According to King (1999), a qualitative research interview is most appropriate when a study focuses on the meaning of a particular phenomena to the participants; where individual perceptions of processes within a social unit, such as a work group, department or whole organisation, are to be studied prospectively using a series of interviews; where individual historical accounts are required of how a particular phenomenon developed; and, where exploratory work is required before a quantitative study can be carried out.

It is a flexible method used to address focused questions about aspects organisational life such as specific decision making processes as well as broader issues, for instance organisational culture. It is ideally suited for examining topics in which different levels of meaning need to be explored, which is something that is very difficult to do with quantitative methods. Finally, it is a method that most research participants readily accept (King, 1999).

Given that this thesis seeks to examine the roles and influence of human resource management in the capital markets and investment banking sector from the perspective of senior human resource professionals the above comments support the use of a qualitative interview method. Indeed, Useem (1995) suggested that interviewing is the best way to gain insights into the culture, organization and activity of executives and therefore when Guest and King (2004) revisited Legge's (1978) focus on power and the impact of organizational leaders on the cultural, social and ethical perspectives adopted by other members of the organization, they chose to use an interview method to gather data from CEOs and senior directors with operational responsibility for large numbers of staff and the human resource directors of each of their target organisations. In addition to this an interview method is compatible with the views on complexity identified by Watson (2003) and Colbert (2004).

A differentiation between qualitative and quantitative interviews is noted by King (1999) who believes that where structured interviews are used in quantitative research the interviewee is seen as a research 'subject' and the researcher's concern is solely to obtain accurate information from the interviewee untainted by the relationship between interviewer and respondent. In qualitative interviews, Oppenheim (2003) notes that, 'the ideal free-style interview would consist of a continuous monologue by the respondent ... interviewers seeking to reduce their own role to an absolute minimum, to avoid leading the respondent.' (Oppenheim, 2003:67). However, King (1999) believes that while the interview should not lead the respondent in a qualitative research study, 'there can be no such thing as a 'relationship-free' interview ... The interviewee is seen as a 'participant' ... actively shaping

the course of the interview rather than passively responding to the interviewers pre-set questions.' (King, 1999:15). This view is consistent with Watson's (2003) concept of researcher reflexivity.

The first study of this thesis adopted a semi-structured interview format where questions were few, open and the approach non-directive and the collection of interview data is examined below.

The decision to use a structured interview method for the second study was taken because it was necessary: to ensure that every respondent gave a response to every question; to access busy respondents and this format limited the response time to less than 30 minutes; to fit in with tight and ever changing respondent schedules and this format allowed for face-to-face, email or telephone responses; in addition, it was necessary to obtain a high participation rate.

With regard to this interview method, King (1999) describes structured interviews as follows

'the interviewer uses a detailed schedule with questions to ask in a specific order, with every effort made to control for bias. Questions are usually mostly closed, and will use numerical rating scales and/or tick-boxes. A small number of open-ended questions may be used to allow the interviewee to expand upon certain points or make general comments about the research topic.' (King, 1999:15)

Further guidance is given by King (1999) who recommends that structured interviews are most appropriate where testing of a formal hypothesis is desired; where data gathered can be readily, or meaningfully, quantified; where factual information is to be collected and the researcher knows in advance the type of information the participants will be able to provide; where a postal survey would be likely to produce a very poor response rate; and, where the generalizability of previously obtained qualitative findings is to be tested.

Two types of research error are noted by Oppenheim (2003) in the results of standardized interviews: random errors and systematic errors. Random errors will cause outlying data when compared to overall response patterns and can be identified because of this. More dangerous are systematic errors or biases since these may distort the response pattern and may go undetected. To guard against errors he suggests that with classification questions the interviewer should be given the ability to obtain all relevant information; that with factual questions

there should be some latitude to offer explanations and correct misunderstandings; but with regard to attitude and opinion questions, no explanations should be allowed.

While this thesis does not attempt to subject information obtained through structured interviews to any quantitative analysis it is useful to consider the criticisms (Marchington & Grugulis, 2000) that have been levelled at past studies such as Huselid (1995) and to consider the comments of Wright et al (2001) during the design and implementation of the research instrument. Their advice was primarily directed at those undertaking quantitative-based research surveys however the following points also give useful guidance for qualitative research that uses structured interviews and have therefore been incorporated in the research design of this thesis to help ensure the highest possible level of validity and reliability.

To address the impact of single-respondent errors Wright et al (2001) recommend increasing the number of respondents; to focus on the most knowledgeable respondents; and, to ensure instructions are clear and that accuracy checks are undertaken. This may include asking for each respondent's title and/or their confidence in responding to each item. They also recommend that instruments are designed in such a way that they are easy to complete and process. This can partly be achieved by focusing on groups of questions that are aligned with the knowledge base of the respondents. The more specifically worded the item, the better the expected reliability, however even clearly worded questionnaires are still found to be unreliable when based on a single respondent. Finally, it is suggested that there may be optimal times in the business year when more time would be spent on completing a structured interview.

It will be seen below that the above guidance was followed in the design of the research instrument and the execution of each interview in the second study of this thesis.

3.2.4c Data collection

The objective of the first study of this thesis was to obtain interview transcript data from senior functional human resource management professionals to inform a view on the functional roles and relative influence of human resource professionals, and ultimately the human resource function as a whole, in the capital markets and investment banking sector.

Interviews were held with the senior human resource professionals who had either Global or European responsibility for the human resource function of capital markets and investment banking businesses in 21 of the 22 financial institutions that were defined for this research. The interviews were based around a set of five questions that were not reviewed by the interviewees before the interviews took place. All but four interviewees agreed for the interview to be recorded and on the four occasions where permission was denied handwritten notes were taken during the interviews. From an ethical perspective, all respondents were asked for their permission to record the interviews and all interview data was collected on the basis that it is non-attributable to particular individuals or financial institutions. Each interview lasted between 30 minutes and one hour.

The same question was asked for five broad areas of human resource management activity: 'What do you believe the current organisational influence of human resource management is on: strategic planning; recruitment and selection; training and development; performance management; and, compensation and benefits', Table 3.4. This framework was developed from human resource choices defined by Schuler and Jackson (1987) and the work of other authors who have used a similar framework, for instance Torrington and Hall (1991): 'organization (includes planning); resourcing (recruitment); training and development (includes performance assessment); pay (includes compensation and benefits); and, employee relations: de Saá-Pérez and García-Falcón's (2002) 'selection, training, appraisal, promotion and compensation': and, Boselie et al (2005) who found: 'recruitment and selection'; 'performance management (including appraisal)', 'contingent pay and reward schemes'; and, 'training and development' to be the top four human resource management practices, or techniques, noting that they may be seen to reflect the main objectives of most conceptualisations of strategic human resource management programmes.

Table 3.4 Human resource choices*

Planning choices	- strategic planning
Staffing choices	- recruitment and selection
Appraising choices	- performance measurement
Compensating choices	- compensation and benefits
Training and development	- training and development

*Schuler and Jackson (1987) * key areas of human resource function activity*

Each question purposely included the phrase 'human resource management' to ascertain whether interviewees would seek to challenge whether this related only to the 'human resource function' or to the overall 'management

of human resources', Table 3.5 and Appendix Five. Ultimately, clarification of this wording was only requested by a small number of respondents.

Table 3.5 Semi-structured interview questions

Questions for senior human resource professionals in the capital markets and investment banking sector:

- (1) What do you believe the current organisational influence of human resource management is on strategy ?
- (2) What do you believe the current organisational influence of human resource management is on recruitment and selection ?
- (3) What do you believe the current organisational influence of human resource management is on training and development ?
- (4) What do you believe the current organisational influence of human resource management is on compensation and benefits ?
- (5) What do you believe the current organisational influence of human resource management is on performance measurement ?

In the second study, comparator institutions, that occupy relatively equal strategic positions in the same industry, were selected and qualitative data was collected from actors inside each firm (Colbert, 2004; and Collins & Smith, 2006). The research respondents were chosen because of their position of responsibility in their organisation and their degree of expert knowledge (King, 1999; and, Wright et al, 2001). The structured interview was designed to be easy to complete and the questions were aligned to each respondents' knowledge base (King, 1999; and Wright et al, 2001). To ensure a high response rate and also to ensure adequate focus, it was undertaken after the busy annual period of budget planning, bonus discussions and payments (Wright et al, 2001).

The structured interview document was sent in a 'Microsoft Word' format to each respondent after they had already agreed to participate. A date was then set for completion either at a face-to-face meeting or by a phone call. Each interview was undertaken between February 2007 and April 2007, when the respondents had the most time to address the questions, using the same interviewer and at a time of the respondents' choice. The use of an interviewer was preferred for improved response rates but in one case the business manager chose to reply by email.

Telephone interviews were selected by 20 respondents as they were generally conducted at a faster pace, between 20 and 30 minutes, than face-to-face interviews and the time was arranged in advance to ensure the

respondent was available. There is no need to specially adapt questions for telephone interviews and respondents were able to view the questions in hard copy or on their computers during the interview. Telephone and computer ownership is not a problem for the target respondents of this research as interviews were undertaken while each respondent was in their office. All conversations were recorded including the telephone calls.

In structured interviews Oppenheim (2003) describes the interviewers central task as collecting data but notes that interviewers can give guidance where necessary to ensure the interpretation of questions is unified. While there may not be 'stimulus equality' there should be 'stimulus equivalence'. In this study, there was no requirement for personal questions and following the guidance of Oppenheim (2003), to create a balanced and a non-threatening, interesting and satisfying experience, awareness questions and factual questions were used at the beginning of the interview followed by closed questions, open questions and attitude statements. Oppenheim (2003) also notes that it is unwise to rely on single questions when dealing with non-factual questions, as there is no external way of verifying the answers and the questions and responses are generally much more sensitive to bias. Answers to closed questions therefore required justification by the open questions that followed them and this was helped by a layout that also used funnelling and filtering questions. The research instrument can be found in Appendix Five.

Given the limited number of target organisations; significant participation by all 13 human resource respondents; and, the lack of time that business line managers had to participate in this study, only limited pre testing of the research instrument (Oppenheim, 2003) was possible. However, the questions were reviewed by: a senior human resource professional from one of the respondent banks; a business line manager from one of the respondent banks; a professional psychologist who works with business line managers; and, by a researcher and writer on management issues who has focused on aspects of human resource management. The feedback from these pilot reviews enabled changes to be made to question types, question wording and question layout.

The following techniques for increasing the response rate of questionnaires have been suggested by Oppenheim (2003) and were considered as relevant for increasing the response rate of this research: advance warning; explanation of selection and purpose of the questions; sponsorship; incentives, confidentiality; anonymity; reminders; appearance; length; degree of interest in the topic; and, rapport. The design of the structured interviews for study two of this thesis incorporated all the above items except for sponsorship. Banking institutes and human resource professional bodies were approached to lend their names and funding to this project, but all

declined due to lack of financial resources and to avoid the possibility of bias it was felt inappropriate to approach the target institutions. However, the lack of sponsorship did not impact the participation and response rate. All respondents were given advance warning; the research instrument was pre tested to ensure the layout and content was acceptable and that completion would take between 20 and 30 minutes; the responses were confidential and anonymous; the questions were administered by an interviewer who could generate interest and rapport; and, each respondent was promised a summary of the results. All responses were recorded and transcripts created, apart from one instance where the research instrument was completed by the respondent and returned by email. From a practical perspective it was possible to facilitate a high response rate over the period of time available to complete this study.

Having decided on the method of data collection for each of the two studies it is necessary to determine the method of data analysis.

3.2.4d Data analysis – Study One: template/thematic analysis

It was important to select the analytical framework that is most consistent with the methodology and methods of this thesis and therefore grounded theory, content analysis and template/thematic analysis were considered before a template/thematic analysis was finally adopted for the first study. King (1998) believes that template analysis can be seen as

‘occupying a position between content analysis (Weber, 1985), where codes are all predetermined and their distribution is analysed statistically, and grounded theory (Glaser & Strauss, 1967) where there is no *a priori* definition of codes.’ (King, 1998:118)

While grounded theory has not been associated with just one epistemological approach (Charmaz, 2000), King (1998) believes that it is largely associated with a realist methodology and therefore qualitative researchers taking a social constructionist view may feel that template analysis is more applicable to their position. Template analysis may also be used where grounded theory is found to be too prescriptive in terms of data gathering and analysis and where *a priori* codes exist.

Thematic analysis is undertaken when researchers produce a list of codes that represent themes identified in their textual data. Some of these will be defined *a priori* and others will be added as the text is reviewed. This analysis of themes is referred to by King (1998) as 'template analysis', a term borrowed from Crabtree and Miller (1992).

The advantages and disadvantages of template analysis have been documented by King (1998) and were considered during the data collection and analysis undertaken in study one of this thesis. King (1998) states that the greatest advantages of this analytical technique are seen as its structured approach and accompanying flexibility, 'It forces the researcher to take a well-structured approach to handling the data, which can be a great help in producing a clear and organized, final account of a study.' King, (1998:133). However, the researcher needs to ensure that template design is not too simple to allow for a depth of interpretation or too complex to be manageable. In addition, King (1998) warns that while it can be helpful to look for patterns in the instances of codes appearing in transcripts, as they may indicate areas that may warrant further attention, it must be remembered that quantitative patterns in coding can never conclude anything meaningful about textual data.

It is important to demonstrate rigour where emergent themes are important to the description of the phenomenon and this entails the careful reading and re reading of the data. It is a form of pattern recognition within the data, where emerging themes become the categories for analysis. Coding involves recognizing an important moment and encoding it prior to the process of interpretation (Boyatzis, 1998) and a good code is one that captures the qualitative richness of the phenomenon.

One example of thematic analysis reviewed for guidance is the ESRC sponsored research into 'good practice in qualitative management research' (Cassell et al, 2005). The overall analytical approach undertaken in their study largely followed the conventions of template analysis, where the researchers produced a list of codes, the template, representing themes identified in the textual data (King, 1998). Their broad themes were based on the research objectives and interview questions and these were used to create an initial template. Hierarchical coding was designed to give researchers the ability to analyse texts at different levels of specificity with higher-order codes giving a general overview and lower order codes making finer distinctions possible.

Further guidance regarding thematic analysis was obtained from a paper by Fereday and Muir-Cochran (2006), entitled 'Demonstrating rigour through using thematic analysis: A hybrid approach of inductive and deductive coding and theme development'. They drew on Schutz's (1967) descriptive and interpretive theory of social

action that explores subjective individual experience against a taken-for-granted, commonsense, view of daily life and emphasises the spatial and temporal aspects of experience and social relationships. They combined the data-driven, inductive, approach of Boyatzis (1998) and the deductive *a priori* 'template of codes' approach outlined by Crabtree and Miller (1999) to interpret and describe the results of their study and cited Schutz (1973) as suggesting three postulates to be followed during the research process to ensure rigour.

The first postulate of 'logical consistency' involves in-depth planning, careful attention to the phenomenon under study and productive, useful, results (Horsfall et al, 2001). Descriptions of theoretical rigour involve sound reasoning and argument and a choice of methods appropriate to the research problem (Higgs, 2001; and, Rice & Ezzy, 1999). The second postulate of 'subjective interpretation' is 'in line with preserving the participant's subjective point of view and acknowledging the context within which the phenomenon was studied. The researcher must, 'clearly demonstrate how interpretations of the data have been achieved and illustrate findings with quotations ... from raw data.' (Fereday & Muir-Cochran, 2006:3). Finally, the third postulate of 'adequacy' resonates with the process of 'member checks', a method sometimes used to validate participants' responses to researchers' conclusions (Cutcliffe & McKenna, 2002). The postulate of adequacy can be illustrated by Sandelowski's (2002) construct of direct application in which the credibility of research is measured by the way in which practitioners use in practice the knowledge created by the research.

This thesis documents the phenomenon being studied; its practically adequate, useful, objectives; and, the research planning. In addition, to strengthen the validity and credibility of the research (Patton, 2002), illustrations of participant's reflections, conveyed in their own words, have also been documented in the results section of this thesis with further transcript data located in Appendix Six. Finally, the adequacy of this thesis has been demonstrated by the publication of an IFR 'Management Intelligence' report (Aldrich, 2007) based on some of its preliminary findings and the positive response of major banks and a management consultancy firm who found it relevant for thought leadership and training purposes, Appendix Seven.

The use of a qualitative analysis software package such as NUD*IST or Ethnograph to support data analysis was considered for this thesis, but given the: limited number of cases; limited number of higher-order codes; and, small number of template revisions after the manual analysis, it was decided that using a software package would, in this case, be replicating what had already been achieved manually without adding any significant value. In addition, as King (1998) noted, software is only an aid to the organization of data and it is not itself an interpretive device.

Interviews were taped in 17 of the 21 meetings with senior human resource management and notes were taken in the four cases where the respondent did not wish to have the interview recorded. The 17 interview transcripts were analysed using thematic analysis and tables of *a priori* codes and emergent codes were constructed.

In addition to the inductive approach of Boyatzis (1998), Fereday and Muir-Cochran (2006) use a template approach (Crabtree & Miller, 1992, 1999) that involves creating a table of codes as a means of organizing text for subsequent interpretation. Codes are defined before commencing a depth-analysis of the data, sometimes based on a preliminary scanning of the text, and other times *a priori* codes are based on the research question and theoretical framework. Although presented by Fereday and Muir-Cochran (2006) as a linear step-by-step procedure, the research analysis can be iterative and reflexive (Tobin & Begley, 2004). Broad categories are drawn from the literature review, then definitions of what a theme concerns and a description of how to know when it occurs are documented. The *a priori* codes are then supplemented by inductive codes that are assigned to data that describes new themes.

After reviewing extant literature, in Chapter Two of this thesis, the three areas of research focus for this thesis were documented as: functional roles in the management of human resources and specifically the role of the human resource business partner; the relative influence of human resource professionals in decision making; and, the credibility and related competencies of the human resource function and individual human resource professionals. The thematic analysis therefore looked for words or phrases that related to these three *a priori* themes. The analysis was also constructed to identify 'emergent' themes that are relevant to the various objectives of this thesis but which had not been considered *a priori*.

The first study was designed to establish what influence the human resource professionals of each institution perceived the human resource function as a whole exerts over organisational decision making with regard to strategic planning; recruitment and selection; training and development; performance management; and, compensation and benefits, Table 3.4. Is it just low-level and process related or is it higher-level and strategic? (Miles & Snow, 1984; and, Ulrich, 2007). A summary path between research questions and findings can be seen in Table 3.6 and Table 3.7.

Table 3.6 A summary path between research question and findings – a priori themes

Research objectives (page 85)	Research question (Table 3.5, page 113)	Template <i>a priori</i> themes (page 121 and Ch 4)	Template <i>a priori</i> codes (page 121 and Ch 4)
<p>To ascertain:</p> <p>Human resource management roles and specifically the role of the human resource business partner</p> <p>The influence of the human resource function in business planning;</p> <p>The credibility and related competencies of the human resource function and individual human resource professionals</p>	<p>From semi-structured interview questions:</p> <p>What do you believe the current organisational influence of human resource management is on strategy ?</p> <p>What do you believe the current organisational influence of human resource management is on recruitment and selection ?</p> <p>What do you believe the current organisational influence of human resource management is on training and development ?</p> <p>What do you believe the current organisational influence of human resource management is on performance measurement ?</p> <p>What do you believe the current organisational influence of human resource management is on compensation and benefits ?</p>	<p>Roles:</p> <p>Shared services Specialists Business partner</p> <p>Influence:</p> <p>Strategy: process and strategy Recruitment and selection: process and strategy Training and development: process and strategy Performance measurement: process and strategy Compensation and benefits: process and strategy</p> <p>Credibility:</p> <p>Experience Metrics Language Location</p>	<p>Roles:</p> <p>R-SH R-SS R-BP</p> <p>Influence:</p> <p>I-SP and I-SS I-RP and I-RS I-TP and I-TS I-PP and I-PS I-CP and I-CS</p> <p>Credibility:</p> <p>CR-E CR-M CR-LA CR-LO</p>

Table 3.7 A summary path between research question and findings – emergent themes

Research objectives (page 85)	Research question (Table 3.5, page 113)	Template emergent themes (page 122 and Ch 4)	Template emergent codes (page 122 and Ch 4)
To ascertain:	From semi-structured interview questions:	Roles:	Roles:
Human resource management roles and specifically the role of the human resource business partner	What do you believe the current organisational influence of human resource management is on strategy ?	None	None
The influence of the human resource function in business planning;	What do you believe the current organisational influence of human resource management is on recruitment and selection ?	Influence:	Influence:
The credibility and related competencies of the human resource function and individual human resource professionals	What do you believe the current organisational influence of human resource management is on training and development ?	Strategy: - Graduate - Junior - Non front-office - Senior	I-RG I-RJ I-RN I-RS
	What do you believe the current organisational influence of human resource management is on performance measurement ?	Training and development:	
	What do you believe the current organisational influence of human resource management is on compensation and benefits ?	- Regulatory - Technical - Leadership development	I-TR I-TT I-TL
		Performance measurement:	
		- Compensation - Firm values and culture - Diversity	I-PC I-PV I-PD
		Compensation and benefits:	
		- Salaries and benefits - Size of bonus pool - Allocation of bonus pool - Values	I-CS I-CSB I-CAB I-CV
		Ultimate responsibility	I-U
		Credibility:	Credibility:
		None	None
		Business environment/importance of firm human resources	BE/IM

Through answers to these questions it was hoped that it would be possible to understand the functional roles within, and structure of, the human resource function. In addition, it was expected that comments would be identified that describe symbolism in human resource management regarding the language used to discuss human resource management (Guest, 1990; Gennard & Kelly, 1994; Keenoy, 1997; and, Truss et al, 2002); the location of human resource business partners in terms of their day-to-day office positioning and membership of boards and committees (Purcell & Ahlstrand, 1994; and, Sheehan, 2005); and, also aspects of credibility with regard to the roles and relative influence of the human resource function and individual human resource professionals, especially with regard to experience and the use of metrics (Lafley, 1984; Buller, 1988; Handy et al, 1989; Ulrich, 1997; Brockbank & Ulrich, 2003; Davison, 2003; Boselie & Pauwee, 2004; Goodge, 2004; Toulson & Dewe, 2004; Lawson et al, 2005; Weiss & Finn, 2005; and, Sheehan, 2005).

Examples of responses to *a priori* and emergent themes are illustrated in Table 3.8 and Table 3.9 respectively and the analysis of these, and other, findings can be found in Chapter Four of this thesis.

Table 3.8 Applying *a priori* codes to the transcripts

Compensation and benefits	RI-C	
	Process responsibility	RI-CP
	Strategy responsibility	RI-CS

Process responsibility (RI-CP)

“there is no question, this industry leads the way in terms of either the processes we have, the tools we have, the products we have are all pretty good with us measuring long-term incentive or short-term incentive. I think that really is a robust process, it is a long process but it is very elaborate, everyone is engaged and you know it tends to run pretty much like clockwork and then I think the HR people play a fundamental part in that, it is driven by the HR organization” (G)

Strategy responsibility (RI-CS)

“So rather than us just being told or informed you know, this is what the divisions want to pay in terms of basic salary, bonus, etc. We are making recommendations to the line and we are pretty, you know, again because we have a lot of expertise in this area, and an entire team dedicated to this area. Clearly we are in a position where what we say is listened to.” (K)

Table 3.9 Applying emergent codes to the transcripts

Compensation and benefits	RI-C
Salaries and benefits	RI-CS
Allocation of bonus pool	RI-CA
Size of bonus pool	RI-CS
Values	RI-CV

Allocation of bonus pool (RI-CA)

“the wholesale banks bonus pool is X, how much of it should go to fixed income? How much should go into equities? You know all of those sorts of things, I think we play a very significant role. I think we do that at two levels, one is that we sit at the table and discuss it, I certainly have a voice at that table and an ability to influence at that table, no question at all.” (A)

Size of bonus pool (RI-CS)

“It is very high here because we are seen as one of the key parties in determining what the bonus pool should be and actually to some extent we provide a, perhaps a slightly more objective view in a highly subjective environment and a highly emotional environment and again with benefits and salaries.” (J)

The guidance of King (1998), Crabtree and Miller (1999), Cassell et al (2005) and Fereday and Muir-Cochran (2006) was followed for the first study of this thesis and a code, label, was attached to sections of text as it relates to a theme or issue in the data which had been defined as important to this thesis. Some codes relate to objective statements from the interview respondent and others are interpretive and therefore more subjective. As the review of the text progressed the codes were modified and hierarchical coding was utilised to ensure higher-order codes can be broken down into lower-order themes that allow for a more detailed analysis between the texts. To preserve clarity in organising and interpreting data the levels of coding used in this thesis fall between King’s (1998) suggested range of two to four. While the review of transcript data failed to yield any new relevant data or code modifications after the fifth review the transcripts were reviewed ten times. This is significantly more than the three or four times recommended by King (1998). Each quote is identified with respective respondents by using the alphabetical and alphanumeric labels that can be found in Table 3.10 below and Appendix Six.

Table 3.10 Interview respondent codes

<u>HR One</u>	<u>HR Two</u>	<u>Business Two</u>
A , Global Head of CIB HR, LDN	A2 , <i>Not possible</i>	A2 , <i>Not possible</i>
B , Global Head of CIB HR, LDN	B , Asian Head of CIB HR, SNG	B3 , Asian Head of FI Sales, SNG
C , Global Head of CIB HR, PRS	C , Global Head of CIB HR, PRS	C3 , Global Head of DCM, LDN
D , Global Head of Markets HR, NY		
E , Global Head of CIB HR, PRS		
F , Global Head of CIB HR, TO		
G , Euro Head of CIB HR, LDN	G , Euro Head of CIB HR, LDN	G3 , Asian Head of FICC, HKG
H , Global Head of CIB HR, LDN	H , Global Head of CIB HR, LDN	H3 , Euro Head of DCM, LDN
I , Global Head of CIB HR, FFT	I , Global Head of CIB HR, FFT	I3 , Asian Head of FI Sales, SNG
J , Global Head of CIB HR, LDN		
K , Euro Head of IB HR, LDN	K , Euro Head of CIB HR, LDN	K3 , Euro Head of HY Sales, LDN
L , Global Head of CIB HR, LDN		
M , Global Head of CIB HR, LDN		
N , Global Head of CIB HR, NY	N2 , Global Head of CIB HR, NY	N3 , Asian Head of Credit, HKG
O , Euro Head of IB HR, LDN	O2 , Euro Head of IB HR, LDN	O3 , Euro Head of FICC, LDN
P , Euro Head of IB HR, LDN	P2 , Euro Head of IB HR, LDN	P3 , Euro Head of DCM, LDN
Q , Euro Head of IB HR, LDN	Q2 , Euro Head of IB HR, LDN	Q3 , Euro Head of FI, LDN
R , Global Head of CIB HR, TO		
S , Global Head of Markets HR, LDN	S2 , Global Head of Markets HR, LDN	S3 , CEO Asia Markets, HKG
T , <i>Not possible</i>	T2 , Global Head of CIB HR, LDN	T3 , Global Head of FICC, LDN
U , Global Head of CIB HR, TO		
V , Global CIB COO, LDN	V2 , Global Head of CIB HR, LDN	V3 , Global Head of FIG, LDN

Key: See below, page 124

First study: 22 targets

Second study: 14 targets (if the HR respondent was different to the first study they are designated with a suffix '2'. All business line managers have a suffix of '3').

Table 3.10 (cont'd)

Key:

IB =	Investment Bank	LDN =	London	SNG =	Singapore
CIB =	Corporate and Investment Bank	NY =	New York	TO =	Toronto
FI =	Fixed Income	HKG =	Hong Kong	FFT =	Frankfurt
FICC =	Fixed Income, Currency and Commodities	PRS =	Paris		
DCM =	Debt Capital Markets				
FIG =	Financial Institution Group				
Credit =	secondary market credit				
HY =	High Yield				
Markets =	primary and secondary market activity across all asset classes				
COO =	Chief Operating Officer who was also Global Head of HR				

3.2.4e Data analysis – Study Two: attitude statements

In addition to collecting the data required to address the research questions that had not been acquired from the transcripts of the first study and addressing the problem of single-respondent error, the second study used 'attitude statements' to determine how human resource business partners and business line managers rank a list of factors relating to the credibility of human resource business partners and whether other factors which are not included in the list also influence credibility. Given the objectives and design of the second study template analysis of the structured interview data was not considered necessary.

An attitude statement is described by Oppenheim (2003) as a single sentence that may express a point of view; a belief; a preference; a judgement; an emotional feeling; and/or a position for or against something. According to Oppenheim (2003) by using sets of questions, providing they all relate to the same attitude, the more stable components can be maximised while reducing the instability due to particular items, emphasis, mood changes and other factors that impact the responses. However, attitude scales do not show the intensity of feeling

between the items that are ranked and the list of attitude statements may not be exhaustive. In addition, the danger of 'social desirability' or 'acquiescence' being displayed by the respondent is also acknowledged. Oppenheim (2003) notes that attitude scales are

'relatively overt measuring instruments designed to be used in surveys and we must not expect too much of them. They are not designed to yield subtle insights in individual cases ... their chief function is to divide people roughly into a number of broad groups with respect to a particular attitude, and to allow us to study the ways in which such an attitude relates to other variables.'
(Oppenheim, 2003:187)

Further guidance with regard to the interpretation of attitude rankings is given by Oppenheim (2003) who notes that: behaviour cannot necessarily be predicted from attitudes; and, that behaviour is not necessarily a more valid expression of an attitude than a verbal statement.

Taking these comments into consideration, the attitude ranking used in this thesis is designed to require both senior human resource professionals and senior business line managers to rank nine factors in terms of their impact on human resource business partner credibility. The highest score was one and lowest was nine and the mean scores of the human resource professionals and business line managers for each factor were ranked in separate tables. There were 13 complete responses from human resource professionals and 13 from business line managers.

A question following this ranking asked respondents to suggest any other factors which they felt were important but had not been included in the nine items they had just ranked. The results of the attitude rankings were compared to the results of the first study and to *a priori* expectations derived from the literature review.

3.2.4f Summary

A qualitative methodology was selected after a review of extant literature identified the concept of organisational complexity and the recommendation that qualitative research should be undertaken to address the impact of mediating and moderating variables in the management of firm human resources (Ferris et al 1999; Watson, 2003; Colbert, 2004; and, Boselie & Pauwee, 2004).

The objectives of the first study focused on the functional roles and relative influence of the human resource function from the perspective of senior human resource professionals and data was obtained by a semi-structured interview method. This research method was selected because, Useem (1995) suggested that interviewing is the best way to gain insights into the culture, organization and activity of executives; King (1999) believes that interviewing is an appropriate method when the meaning of a particular phenomena to participants and individual perceptions of processes within a social unit are to be studied prospectively; Cassell and Symon (1999) suggest qualitative interviews should be used to address specific questions about aspects of organisational life such as decision making processes; King (1999) believes that interviews are ideally suited for examining topics in which different levels of meaning need to be explored which they believe is very difficult to do with quantitative methods; and, Guest and King (2004) used structured interviews in their study of power and the impact of organizational leaders with regard to the management of firm human resources.

Data was collected using a semi-structured interview format where, to ensure the greatest validity and reliability, questions were open and the approach non-directive. The data was analysed using thematic/template analysis (Crabtree & Miller, 1992, 1999; and, King, 1998; Cassell et al, 2005; and, Fereday & Muir-Cochran, 2006), an approach which was selected because unlike content analysis (Weber, 1985), not all the codes were predetermined and their distribution was not analysed statistically and, unlike grounded theory (Glaser & Strauss, 1967), there was an *a priori* definition of codes. Thematic/template analysis gives structure but also the flexibility to capture emergent themes.

One consideration in utilising qualitative interview methods is the time it takes to carry out interviews and analyse the transcripts, however given the importance of gaining the richest possible data for this thesis it was felt that the advantages of qualitative research interviews outweighed this particular disadvantage. However, it is acknowledged that the resulting data is provisional (Watson, 2004) and that there is the potential for single respondent bias (King, 1999; Marchington & Grugulis, 2000; and, Wright et al, 2001).

The second, exploratory, study of this thesis used a structured interview method to obtain data regarding the structure of, and functional roles within, the human resource function; the attitude of human resource professionals and business line managers towards the management of human resources; the overall influence of the human resource function; and, the use of human resource related metrics and information technology by human resource professionals and business line managers. However, the focal point of the second study was the ranking of factors that influence the credibility of individual human resource business partners.

A structured interview method was used by the second study to collect specific data from all respondents and explore the relevance of previously obtained qualitative findings in an environment where it was possible to know in advance that the respondents would be able to provide answers to the questions and where a postal or web-based instrument would not be likely to produce a high response rate. This followed guidance by Cassell and Symon (1999), King (1999) and Oppenheim (2003). In addition, the second study controls for single-respondent bias as it seeks to confirm whether the business line managers and human resource business partners in customer interface roles are in agreement on key aspects of their respective roles and relationships.

It should be noted that the possibility of social desirability bias is inherent in ranking attitude statements and it is also acknowledged that attribute rankings do not identify the relative importance of each item within each ranking and do not predict behaviour (Oppenheim, 2003).

3.3 Summary

There has been a call for 'useful' research to be undertaken in the field of human resource management (Lawler, 1985). Useful research has been defined as satisfying two criteria; firstly, to facilitate practitioner understanding of organisations which in turn will lead to improved practices; and, secondly, to make a contribution to theory. This thesis has been designed with these two criteria as its guiding principles.

The objective of the first study was to ascertain the roles and relative influence in human resource management from the perspective of senior human resource professionals. A second, exploratory, study was undertaken because due to the interview method applied in the first study it was not possible to obtain all the data required to conclude on the above objectives; some results were incomplete, others required further exploration; and, there was also the possibility of single respondent error. However, the primary purpose of the second study was to explore the factors that influence the credibility of individual human resource business partners in the eyes of their business line manager clients.

Following the recommendations of Legge (1978), Ferris et al (1999) Wright et al (2001), Watson (2003) and Colbert (2004) a qualitative methodology was adopted and both studies used research methods that were compatible with this approach. To ensure validity, reliability and maximum participation the recommendations of LeCompte and Goetz (1982), Lincoln and Gubba (1985), Gubba & Lincoln (1989, 1994); King (1998); Cassell

and Symon (1999), King (1999), Seale (1999); Oppenheim (2003); Cassell et al (2005); and, Fereday and Muir-Cochran (2006), were incorporated in the design and delivery of these instruments.

A semi-structured interview method and thematic/template, analysis (Crabtree & Miller, 1992, 1999; King, 1998; Cassell et al, 2005; and, Fereday and Muir-Cochran, 2006) was found to be the most appropriate method for analysing the data obtained from the interviews in the first study. The second study used a structured interview method that included an attitude ranking (Oppenheim, 2003) by human resource business partners and senior business line business managers relating to the factors that contribute to credibility in human resource business partners.

No other published academic study regarding human resource management has focused on comparator companies (Colbert, 2004; and, Collins & Smith, 2006) involved in capital markets and investment banking activity and therefore this is the first research to examine the functional roles and relative influence of the human resource business partners and senior business line managers in the management of human resources for these businesses. This study has included all major institutions (Mullin, 2006) that compete in this sector and the social network required to obtain the level of access achieved for this thesis is based on the authors twenty years involvement in the financial markets and fourteen year career as a headhunter in this sector. If this network is considered in combination with the time and expense required to complete the two studies undertaken for this thesis it can be seen that the access achieved for this research is significant.

While the quality of access demonstrated by this thesis, is significant the rigour demonstrated during data collection and data analysis determines the validity and reliability of research results and therefore the ultimate relevance of any study. Therefore this chapter has discussed in detail the methodological considerations and research methods adopted for both studies to demonstrate the credibility, transferability, dependability, confirmability and authenticity of this thesis (Lincoln & Gubba, 1985; and, Gubba & Lincoln, 1989, 1994). The following chapter describes the data analysis and discusses the research findings.

4. Research analysis and discussion

4.1 Introduction

The transcripts from the first study were reviewed using thematic analysis to determine the extent to which the senior human resource professionals interviewed indicated that the human resource function as a whole influenced decision making in the areas of: strategy; recruitment and selection; training and development; compensation and benefits; and, performance management. The transcripts were coded to identify references to the functional roles and relative influence of the human resource function, human resource professionals and, business line managers, in each of these areas. Emergent themes were also identified and coded.

It was not possible to obtain all the data that was required to conclude on the research objectives as some results were incomplete, others required further exploration and there was also the possibility of single respondent error. Therefore a second, exploratory, study: addressed respondent bias; enabled the triangulation of findings; provided divergent instances; and, created a platform for member validation. However, the primary focus of the second study was to explore the factors that influence the credibility of individual human resource business partners in the eyes of their business line manager clients.

This analysis and discussion chapter is organised in three parts: firstly, examining '*roles in human resource management*'; secondly, '*influence in human resource management*' with regard to roles; and, finally, '*the centrality of credibility*' with regard to influence.

4.2 Roles in the management of human resources

4.2.1 Overview

The analysis and discussion pertaining to '*roles in human resource management*' examines research results in the following areas:

- the importance of firm human resources;
- the responsibility for the management of human resources;

- the functional roles and structures adopted for the management of human resources; and
- the role of business dedicated human resource business partners.

Prior to examining the roles of CEOs, senior business line managers and human resource professionals in the capital markets and investment banking sector, and the degree of integrated planning and decision making, the importance of firm human resources in this sector is discussed.

4.2.2 The importance of firm human resources

4.2.2a *It's a people business*

The importance of firm human resources is noted by a senior human resource professional interviewed for this report who observes, “investment banking; this is a human capital business ... what I've learned is that our power, our position in the market, our profitability, our ability to generate revenue, is down to the hearts and the minds of the people we're able to attract and retain and get the most out of.” (K) and a senior business manager at another bank comments, “You can be super-smart in terms of strategy, but if you populate it with the wrong people; or you have the right people but you don't motivate them and incentivise them correctly, your strategy will fail.” (T3).

Bank analyst, Simon Maughan (2006) indicates in Chapter One of this thesis that around 65% of firm costs in the capital markets and investment banking sector are associated with firm human resources and Barber and Strack (2005) note the importance of human resources to ‘people intensive firms’ such as investment banks. In addition, respondents to the research undertaken for this thesis made comments suggesting that people are a proxy for organisational success and that therefore discussions about firm human resource are integral to strategic planning, “People management, manpower planning, they (business line managers) just call it strategy and if their business by default is people that is what people mean but don't say.” (L). This comment implies that the importance of human resources is not discussed fully within some organisations and the language used in strategy meetings may leave business line management and human resource professionals confused with regard to their respective roles in the management of firm human resources.

This relates back to the opinions and research findings of writers that have examined the language used to describe the management function which assists business line management in managing human resources

(Guest, 1990; Gennard & Kelly, 1994; Keenoy, 1997, 1999; and Rob & Zemsky, 2002) and writers that have considered the debate about who is responsible for the management of human resources (Donald & Donald, 1929; Legge, 1978; Watson, 1977, 2003, 2004; Tyson & Fell, 1986; Tyson, 1987; Armstrong et al, 1989; Schuler, 1990; Carroll, 1991; Storey, 1992; Armstrong & Long, 1994; Ulrich, 1997; Strauss, 2001; Caldwell, 2003; Boselie & Pauwee, 2004; and, Guest & King, 2004).

The significance of people to the success of institutions in the capital markets and investment banking sector was underlined by a number of respondents in this research, including a senior business line manager who comments that “People management is definitely treated as a strategic matter, because our business is all about people.” (O2). If firm success in the capital markets and investment banking sector is largely derived from people it would be logical that human resource management is treated as a strategic matter with business strategy decision making integrated with human resource strategy, however, it will be seen that this is not always the case.

4.2.2b Is the management of human resources a strategic matter ?

The strategy process for the capital markets and investment banking sector is critically compared by respondents with the automotive, pharmaceutical and fast moving consumer goods sectors which are highlighted as having: a longer strategic horizon; stronger business strategy process; and, greater integration with human resource planning

“we don’t have a robust strategy process like we did in Unilever, you know we had a particular methodology and everybody followed that protocol and HR’s involvement and supply chain was almost institutionalized as part of the process, it is not as well defined here it is much more ad-hoc.”

(G)

In some organisations the CEO drives both a strategic approach to the management of human resources and favours the active involvement of the human resource function. One senior human resource professional notes that

“Our CEO is probably one of the most forward-thinking CEOs. He puts so much pressure on human resources to be at the forefront of telling him what the issues are. He’s way ahead of his executive committee, who are much more traditional. So it’s an interesting tension, almost. He beats me up

three times a week, saying: 'Human resources needs to be more in the DNA'. That's one of his favourite things." (S2)

While this CEO is enlightened with regard to the need for an integrated approach to firm human resource management, a tension occurs due to a conflict between the demands of the CEO for the human resource function to perform a role that influences all aspects of the organisation and the lack of understanding, and acceptance, of this by the rest of the executive committee and possibly other business line management. This illustrates the complex internal environment within which decisions regarding the human resource environment are made and supports the findings of Guest and King (2004), Sheehan (2005) and the CIPD (CIPD, 2007a, 2007b) who discuss the problems encountered in devolving human resource responsibility to line managers. However, another comment from a senior human resource manager indicates that senior business line managers are beginning to understand what can be achieved through superior human resource management

"The buy-in from the senior leadership around what it is that good quality human resource management can offer has grown hugely. I think it's partly an evolution: the great managers of well-run businesses have done much of this quite naturally and haven't necessarily labelled it good human resource practice." (V2)

It would appear that in this bank that managers have implemented a human resource strategy without thinking of it as an exercise in human resource management which again speaks to the debate regarding the language surrounding the management of human resources noted above (Guest, 1990; Gennard & Kelly, 1994; Keenoy, 1997, 1999; and Rob & Zemsky, 2002).

One senior human resource professional stated that the philosophy towards human resource management was very much driven by the senior business line management team

"The divisions, the leadership, drives philosophy on that - it is not us. We are not really driving philosophy. I think we have an incredibly active part in making sure that anything that has been done is fair. I don't know whether you would necessarily call that strategic." (K)

A number of other comments underscore the importance of the CEO and senior line business managers in terms of setting the firms philosophy regarding human resource management with regard to strategy and to the

integration of, and engagement with, the human resource function through human resource professionals. One senior human resource professional states that, “he (the CEO) has begun to get very vocal about leadership, people, talent ... If your top person believes in it, it is going to happen – whether he relies on his human resource function to get it going or another avenue.” (P2). The CEO of this bank has moved from understanding the importance of managing firm human resources to action and suggests that human resource professionals are not considered as the only avenue for implementing human resource policies.

While all staff can be described as talent and seen as integral to the efficient and effective functioning of firms in the capital markets and investment banking sector, for the reasons given in Chapter One, this thesis has focused on direct revenue generators in the front-office and the human resource professionals that support them. One senior human resource professional commented that, “The producers are the rock stars or the sports stars of this business.” (N), however it was also noted that employees in the front office do not always become good managers or leaders, which is a danger highlighted by Augar and Palmer (2002), “I guess people have seen people being promoted, because they have been big producers, into management roles when they haven’t got a management bone in their body.” (N).

If top producers are indeed promoted to management and leadership positions without adequate selection and training this may impact their ability to positively engage in the strategic management of firm human resources and this problem maybe compounded if these ‘star’ player-managers change firms over relatively short time periods. The quality and continuity of management and leadership can therefore be seen as an important issue that should be addressed as an exercise in risk management (PricewaterhouseCoopers, 2001) and this approach seems to be occurring in some institutions. One senior human resource professional notes that, “We have begun to engage in discussions with senior management ... to see them (the firms talent) as a risk management exercise.” (I).

Given the complex and dynamic nature of the internal and external business environments and the importance of firm human resources it is vital to establish who takes responsibility for people risk management in the capital markets and investment banking sector and this is discussed below.

4.2.2c People risk management

Regulation and risk management are as applicable to firm human resources as any other firm assets for example, in March 2007 the UK's Financial Services Authority (FSA) issued a warning that inexperienced commodity traders could skew the market

'Recruiting and retaining staff with the appropriate level of expertise and experience is a challenge for all. As more firms have entered the market or expanded their operations the limited pool of experienced staff in the market has become stretched. Firms themselves acknowledge the problem and it is imperative that they manage this risk.' (Doyle et al, 2007:5)

and on 6 June 2007 the Financial Times reported that, 'Top investment banks are struggling to cope with the record volume of deals and their overworked staff are in danger of making costly mistakes ... The banks have failed to hire aggressively.' (Wighton & White, 2007: online)

It appears from the findings of this thesis that people risk is recognised and that people risk management is being discussed at board level in the capital markets and investment banking sector with one senior business line manager noting, "Essentially, it (human resource) is another form of risk, like operating risk." (B). In addition to losses due to incompetence or fraud, other areas of people risk include reputation risk, litigation risk and risks relating to the direct and indirect, opportunity, costs involved in replacing key producers. One senior human resource professional summarised people risks as follows, "Reputational risk is where people are not aligned to our goals in respect of their responsibilities or behaviours. Other risks could be around employee litigation ... not getting the right people on board on time can also be a risk. Slowing down of processes can be costly." (G).

Some banks have begun to develop people risk reporting and their progress was noted by a number of respondents. One senior human resource professional stated that

"We haven't got to the point where we could put a financial amount against someone and say that if we lost them what would we lose (financially), but we are tracking our key stars so that the business knows who we think is at risk and who is not at risk." (S2)

Additional comments included the following: “We report monthly to the risk committee. This includes different metrics around who we’re hiring and the attrition rate. There are qualitative reports as well; looking at hot spots, risk areas.” (Q2); “There is an operational committee looking at risk across the business; the human resource element is “a big part of the risk committee.” (Q2); and, “People risk is an element in that. I contribute to a report that goes to the board every other week containing any risk that my function might be aware of or be running with.” (P2).

In terms of metrics the financial implications of these risks may not always be monitored but people related risk appears to be discussed as a regular item at both operational and specialist risk committees. One bank has even assigned a human resource specialist to manage people risk and another senior human resource professional states that they have, “launched an innovative training programme which is mandatory for anyone who manages others. It’s called ‘Managing People, Managing Risk’.” (O2).

People risk management is emerging as an important role for the human resource function and is of significant potential influence. It is a natural area for human resource professionals to monitor and deliver metrics to both business line and other functional areas, such as Finance, and human resource professionals at some banks are clearly focusing on this aided by a gradually improving information technology infrastructure. The impact of this is discussed in relation to credibility later in this chapter.

To summarise the above findings it would appear that the business environment is dynamic and the capital markets and investment banking sector has a reputation for strategic planning that is less robust than other industry sectors; people are considered central to success but human resource management roles and responsibilities may not be clear in some organisations; business and human resource strategies may not be integrated; CEOs have significant impact on the human resource environment; even where CEOs are enlightened in terms of their recognition of what creates a high performance work environment and want to integrate credible human resource business partners into the decision making process, their management team may not share their commitment; senior managers that are also producers may be promoted into management positions without appropriate selection and training; and, while historically there has been limited attention paid to people related risk, which may have been due to a lack of demand by senior business line managers combined with lack of provision by human resource professionals, some banks are trying to address this.

Having examined the business environment and the importance of firm human resources, the research results of this thesis which relate to the responsibility for managing human resources and the roles adopted by CEOs, business line managers and human resource professionals are examined below.

4.2.3 The responsibility for the management of firm human resources

4.2.3a The role of CEOs in human resource management

In the capital markets and investment banking sector the CEO and senior business line management teams appear to be more dominant in driving the approach to managing human resources than human resource functional professionals. For instance, results show that the CEO and senior line managers take significant decisions in areas such as: diversity; talent management; leadership and development; recruitment and selection; performance management; and, compensation and benefits. All this is consistent with the work of authors who emphasise the importance of CEO direction on human resource management (Donald & Donald, 1929; Borocki & Lafley, 1984; Devanna et al, 1984; Fombrun et al, 1984; Beer & Spector, 1985; Hendry & Pettigrew, 1986; Dyer & Holder, 1988; Bennet et al, 1995; Budwhar, 2000; Sheehan, 2005; and, Weichun et al, 2005).

In most banks there has been an increased management focus on the regulatory issues that impact human resource management and it would appear that this has largely been driven by CEOs, for instance, “if <name of CEO> says he wants to concentrate on diversity this year then we will basically all turn in that direction and we will come up with something which strategically looks pretty good but I am not sure whether we (the human resource function) brought it to the table in the first place.” (P). A number of other respondents who discussed diversity indicated that a focus on diversity was more a response to increased litigation in the capital markets and investment banking sector rather than a fundamental belief that it is good to have a more diverse workforce.

Some banks believe it is of limited value developing future leaders because the turnover is high and others produce talent and succession plans annually but don't use them throughout the year. However, in one bank, “The CEO ... every year sets out a programme for the top talent, who might sit one day on a top team, and they debate strategic issues with him.” (I). This program was initiated from the CEOs office rather than from the human resource function. The importance of the CEOs support in driving major human resource related initiatives was also illustrated with respect to learning and development. One human resource professional stated

that, “I think the L&D strategy really comes from the top of the organisation in terms of commitment to learning and the commitment to peoples personal development and I think in <name of CEO> we have got someone who certainly talks the story and walks the walk in terms of commitment to that.” (P).

The significant role played by CEOs in the capital markets and investment banking sector supports the findings of previous studies which note that CEOs determine the approach to human resource management in their organisations (Daily & Johnson, 1997; Strauss, 2001; Peterson et al, 2003; Huang et al, 2005; Martinez, 2005; Weichen et al, 2005; Watson & Woolridge, 2005; and Sheehan, 2005) including the firms’ ability to attract and retain key staff (Martinez, 2005). Given the significant role played by CEOs, the relative involvement of business line managers and human resource professionals is discussed below.

4.2.3b The role of business line managers and human resource professionals in the management of firm human resources

In terms of the roles played by business line managers and human resource professionals in the management of firm human resources a senior human resource professional notes that, “business managers manage (their business) – it’s not the job of human resources to do that – certainly they’re a partner in helping getting it done. There’s a long way to go to establishing a close business partnership and it doesn’t just happen because you snap your fingers.” (K).

At this bank the CEO expects business line managers to manage their business with human resource professionals supporting them as partners. However, it appears that there is a long way to go before a close partnership is realised and that this is a gradual process. This finding is consistent with other research results of this thesis that suggest that the success of human resource partners is dependent on partnerships that develop over time.

Some senior human resource managers note that certain aspects of the human resource professionals’ roles could be performed by business line managers and other functional specialists, for instance, one global head of a bank’s human resource function stated, “I think the human resource structure and position have competition. COOs can do many aspects of human resources (management). However, a very good, very savvy, human resource business partner, or generalist, should have something useful to say.” (P2), and another senior human resource professional noted

“This individual (business line manager) can take a strategic approach to talent and human capital management. You don’t need to help him ... human resource business partners talk as if they are sole guardians of the ability to reach this so-called strategic approach. I don’t think so, and actually, if you have smart line managers they could do it.” (B)

However, while discussing recruitment and selection one senior human resource professional stated that although senior business line managers could take full responsibility for the management of firm human resources their approach would be more short-term and tactical, “if HCM were to disappear tomorrow I think the business would fill the gap but it wouldn't be so strategically and thoughtfully run for the long-term.” (K).

Human resource professionals and business line managers are unanimous that it is business line managers who are responsible for managing firm human resources. One senior business line manager said, “Well the line should be. ... it should be the management of the firm.” (Q3); another respondent stated that, “The CEO’s view would be that managers (business line managers) are responsible for managing people.” (S2), however one business line manager notes that, “all of us are responsible, managers, senior management, human resources.” (G3). This business line manager did not discuss the relative levels of responsibility that they accord to each role and it is possible that business line managers are not as clear with regard to their responsibilities for firm human resource management as their CEOs. If this is the case it would support the findings of Guest and King (2004), Sheehan (2005) and the CIPD (2007a, 2007b).

The varying views noted above were supplemented by additional comments specifically relating to the relationship between human resource business partners and business line managers, for example one senior human resource professional observed

“I think there are a lot of HR groups that say managing the troops is the job of the line manager and there is a lot of truth in that. I can’t disagree with that other than to say most of them there are there because they are good in some form of revenue production or client relationship, they aren’t always necessarily the best HR practitioners so we will tend to intercede or get involved perhaps more frequently than other groups because we take the philosophy that if we can help them to get faster resolution and a better resolution then there is a chance that we will get better revenue generation because of that. So we try and put on the business hat and try to have the conversations that keep

us ahead of the curve in terms of ideas rather than being at the back end of the circus after it has gone through town and being an afterthought and to be honest with you our success really depends on the leader, there are some leaders that want to engage, who want a dialogue who are good at being up front and seeking opinion, there are others than simply put themselves into their box and try to operate independently.” (R)

This senior human resource professional states that business line managers are responsible for the management of human resources. However they observe that strong producers may not be the best human resource managers and therefore human resource professionals should be proactive, business focused, advisors interceding in decision making to derive more successful outcomes for the organisation. It is also noted that their ability to do this may well be dependent on the attitude of each business line manager. These observations are consistent with the views of a number of researchers (Donald & Donald, 1929; Armstrong et al, 1994; Ulrich, 1997; and, Strauss, 2001).

With regard to attitudes of business line managers, writers have noted that the opportunity for human resource function professionals to add value is partially dependent on the philosophy of senior business line managers, including the CEO (Donald & Donald, 1929; Borocki and Lafley, 1984; Beer & Spector, 1985; Dyer & Holder, 1988; Budwhar, 2000; and, Sheehan, 2005) and also the competencies of individual human resource professionals (Miles & Snow, 1984; Carroll, 1991; Kanfer, 1994; Guest, 1997; Ulrich, 1997; Becker et al, 2001; Brockbank & Ulrich, 2002; Brockbank & Ulrich, 2003; Boselie & Pauwee, 2004; and, Ulrich & Brockbank, 2005).

One senior human resource professional stated that part of their role is related to changing their interaction with business line managers, “it is about building partnerships and trying to move away from those transactional type relationships.” (K). This leads to the question of whether partnerships between human resource professionals and business line managers exist in the institutions that took part in this study and it will be seen below that this is related to the overall structures and roles adopted for the management of firm human resources, in addition to the competencies of human resource professionals.

4.2.4 The roles and structures adopted for the management of human resources

The questions in the first study of this thesis asked respondents to discuss what they believe the current organisational influence of human resource management is in a number of policy areas (Colbert, 2004) relating to

the management of firm human resources. In addition to establishing the relative influence of human resource professionals and business line managers on decision making in each area, it was expected that the functional roles played by human resource professionals would emerge.

This information did indeed emerge from some of the interviews where it was clear that human resource professionals variously perform: shared service roles, transcript code SS, specialist human resource roles, transcript code SH, and business partner roles, transcript code BP. However, this information was not present for all banks because answers to the questions on influence did not always provide the data that was expected on functional roles, and due to the semi-structured nature of the interviews, follow up questions were not asked to obtain this data on a consistent basis. However, the second study provided an opportunity to address any gaps through structured interviews.

Asking questions in a semi-structured format allowed opinions to emerge relating to: the importance of firm human resources, transcript code IM; and, who had the ultimate responsibility for the management of firm human resources, transcript code, RI-U. This data indicated that business line managers were responsible for the management of human resources and that human resource business partners gave them support and had some influence on decision making. The second study provided an opportunity to ask questions in structured interviews and obtain opinions from paired human resource professionals and business line managers at each bank.

The results of this thesis indicate that Ulrich's (1997) functional roles have been adopted by all the banks included in this research although their application varies from institution to institution. For instance, in one bank human resource specialists support a number of business divisions but not the operations and technology functions who have their own dedicated training and development support. At another institution, one respondent describes an internal partnership where human resource business partners interact with human resource specialists

“We’re probably two and a half years into really evolving the framework. It’s very much a partnership between the generalist, the business partner function, and talent management – what used to be leadership and learning.” (B)

All respondents, both senior human resource professionals and senior line business managers, state that the structure of their respective human resource functions include human resource business partner roles aligned by business division. The human resource professionals undertaking these roles represent the services of the overall human resource function which include human resource specialists in, amongst other areas, recruitment and selection; training and development; compensation and benefits; diversity; and, in one case, people risk. In all banks that participated in the research for this thesis human resource specialists are shared between more than one business division.

The functional human resource roles of Ulrich (1997) appear to have been adopted, in some form, by all the firms which participated in this research, with a number of respondents noting the importance of the human resource business partner role and in some cases how it had evolved. For instance, one senior business line manager stated that

“Until 2001 human resources was just back office. It was somewhere you shouted at someone if your benefits hadn’t come through. Since then the bank has been very proactive about developing a business partner role. There’s a long, long, way to go, but it’s almost a night and day transformation from being in a backwater to being at the table. You think of the human resource executive at the bank. He spends a lot of time with senior business executives, developing business strategy. That has permeated through into the businesses.” (N3)

In this bank the human resource function was historically seen as an administrative function that was not integrated into the business planning of the firm. However, the business partner role has developed significantly becoming very visible to this senior business manager who believes that the active participation of the global head of human resources in the strategic business planning of the organisation has now permeated through the various business divisions of the bank. The senior human resource business partner at this bank appears to have helped transform the level of dialogue that human resource professionals in this institution are able to have with senior business line managers and the business partner role appears to have had the influence predicted by Ulrich (1997). The research results of this thesis regarding the business partner role are discussed below.

4.2.5 The role of human resource business partners

4.2.5a *Overview*

The business dedicated human resource business partner role is seen by Ulrich (1997) as a necessary link between business line managers and the overall human resource function to achieve excellence in human resource management. For him it is a key role and the most challenging in his paradigm. The research for this thesis therefore examines how important the business dedicated human resource business partner role appears to be in the capital markets and investment banking sector.

4.2.5b *Are human resource partners essential to the management of firm human resources ?*

One senior human resource professional had a significant amount to say regarding business dedicated human resource business partners

“The shock troops if you like of the HR effect on strategy come in the form of ... business partners, that is to say the relationship managers with each of the businesses. They are a different bunch of people by personality, experience and orientation, they have begun very clearly to influence the direction of their business by getting involved, and intimately involved, in them and becoming part of the management team and setting expectations, setting assumptions and setting plans with the heads of those businesses for what people should be doing ... but it is not institutionalized ... yet. It's more a question of a force of personalities getting that message across or getting inputs in ... and so these small number of people ... have quite a degree of influence, not uniform, because they are at differing standings but ... they are quite admired and welcomed as members of the business team ... yet they still retain their degree of critical comment and sharpness which would be dulled if they became wholly owned members of the team ... and it is a good influence on the business to have someone in there.” (B)

These comments raise a number of considerations for the business dedicated human resource business partner role. The idea of 'shock troops' implies that they are a special force representing the human resource function in their engagement with business line managers. They are set a side by their personality and experience and in a number of cases this has enabled them to work intimately with their clients. The best exhibit sharp and critical

thinking, sit on management teams and are able to set the agenda around planning. However, this is not yet institutionalised and therefore the ability to influence is related to the personality of each human resource business partner. It is also noted that they are probably more effective as part of the human resource function rather than being fully part of the business line structure.

The above comments are consistent with the enactment of the human resource partner role outlined by Ulrich (1997), Fitz-enz (2002), Caldwell et al (2003) and the CIPD (2007a, 2007b) and are a reminder that the impact of the human resource function as a whole is dependent upon individual human resource professionals who satisfy their roles through their force of personality and competencies (Donald & Donald, 1929; Borocci & Lafley, 1984; Buller, 1988; Handy et al, 1989; Ulrich, 1997; Boselie & Paauwe, 2003; Goodge, 2004; Lawson et al, 2005; and, Sheehan, 2005).

With regard to the relationship between business dedicated human resource business partners and business line managers one senior human resource professional notes that “We wouldn’t embark on anything unless we’ve got a key stakeholder from the business. It’s probably then the business partner who is driving it on most things.” (H). However, opinion was divided on whether the contribution of human resource business partners was ‘essential’ for a strategic approach to the management of firm human resources. One senior human resource professional said

“No (the contribution of human resources is not essential), because if you’ve got line managers who are thoughtful about human resources things, they are perfectly capable of coming up with strategic initiatives around human resources. HR is not rocket science. I mean, we’d like to think it is, but it’s not. If however you have line managers who are not very people-orientated, then yes you do need to have the involvement of human resources business partner for strategic talent management.” (K)

another senior human resource professional said that “I see managers who have ‘got it’ and who wouldn’t necessarily need a human resources officer to tell them what to do.” (P2) and a further senior human resource professional stated that

“It is not essential. Personally I dislike most HR business partners. There’s a bag of wind created by HR business partners who talk as if they are sole guardians of the ability to reach this so-called strategic approach. I don’t think so.” (B)

The view that business line managers could undertake all aspects of human resource management has been challenged by those who feel that even if business line managers could, in theory, work without a business partner it is unlikely that they would have the time to fully adopt the role without loss of value. For instance, a senior human resource professional commented, “I think so (the contribution of human resource business partners is essential) You could probably come up with a theoretical organisation where it was totally owned and delivered by the line itself, but realistically there are probably not enough hours in the day.” (V2).

One senior business line manager stated that “Yes (human resource partners are essential for strategic human resource management) because they are the professionals and we don’t think correctly without them.” (B3), another senior business line manager observes, “If you were to say no, then I would really wonder, what’s the use of human resources ?” (H3) and, finally, a senior business line manager from a US investment bank states

“I think a good business manager is going to have 85% of what is required. Can a good human resource person add the other 15%? Sure. So should you deal them in? Sure. But 85 is a pretty good score. A poor business manager would need a little more help, but you’d hope you’d have good business managers. They are far closer to the field of play. If the word was useful not essential, I would say yes.” (O3)

These varied opinions echo the preceding comments that indicate differing views with regard to the roles of human resource professionals and business line managers. It also contains a contradiction by one senior human resource professional who had promoted the human resource business partner role in the first study, describing them as the ‘shock troops’ but in the second study criticises them, “personally I dislike most business partners ... talking as if they are sole guardians of the ability to reach the so-called strategic approach.” (B).

This variation in responses maybe due to the personality traits of the respondents; their experience of individual human resource professionals and of the human resource function as a whole; and, the opinions of colleagues and others with influence inside and outside the firm. This supports the complex view of the human resource

environment noted by Legge (1978), Watson (1994), Ferris et al (1999) and Becker et al (2001), Figure 3.2, page 94.

Factors that impact the ability for human resource professionals to build partnerships emerged from the research and these are discussed below.

4.2.5c Factors impacting the success of the human resource partner role

The business dedicated human resource business partner role appears to have developed at a number of banks since the start of this thesis, for instance, one senior human resource professional noted above that, “Until 2001 human resources was just back office ... since then the bank has been very proactive about developing a business partner role.” (N) and from an interview in 2007 a senior human resource partner notes that “We are two-and-a-half years into an evolution here, as regards human resource business partners being involved in business planning.” (O2).

Senior human resource professionals and senior business line managers both emphasised that partnerships with business line managers can quickly be lost by failures in the basic administrative functions that are performed by the human resource function. One senior business line manager stated that, “If it takes them seven days to get an offer letter out, I really don’t care about their partnership with me on the strategy.” (O3). Another gave a similar illustration

“You don’t want the phone call saying someone hasn’t got a visa and they’re standing at Heathrow – because you can forget talking about organisational design ... You have to focus on getting the nuts and bolts right and, assuming you’ve got that working, then you can start to do the added-value stuff.” (S2)

This problem is recognised by senior human resource managers with one acknowledging that

“If my shared services colleagues mess up on payroll, mess up someone’s bonuses, or processing a leaver or a joiner; I might be doing a fantastic job at board level, that can get forgotten immediately if there’s the sentiment that you guys can’t even pay people.” (B)

The above comments support the view of Miles and Snow (1984) and Ulrich (1997) who predicted that despite a move to participate in strategic business decisions the human resource function will need to continue delivering on its more administrative and process orientated responsibilities. These comments also hint at the fragility of partnerships. The loss of human resource business partners may lead to a fundamental breakdown in decision making influence and the integration between the human resource function and business line management, while the failing of any part of the human resource function may negatively impact the hard won confidence of business line managers in their human resource business partners.

Other comments highlight a trend for the increased use of metrics based analysis to support the management of human resources which has been called for by a number of researchers (Lengnick-Hall & Lengnick-Hall, 1990; Jones & Wright, 1992; Mayo, 2001; Grundy & Brown, 2003; Lawson et al, 2003; Lawler et al, 2003; Lawler & Mohrman, 2003a, 2003b; Nalbantian, 2003; Toulson & Dewe, 2004; Phelps, 2004; Barber & Strack, 2005; Gary, 2003; and Weiss & Finn, 2005). One senior human resource professional mentions the development of more sophisticated metrics relating to the human resource environment through the hire of a specialist in economic modelling “We have hired a McKinsey consultant to work on people-related economic models” (O2) and a further senior human resource professional emphasises the importance of human resource business partners’ familiarisation with business related metrics stating that

“I expect the HR business partners to get the same daily P/Ls that the line managers get and to know what part of the organisation is making money, where there are pressure points, what the implications are from a people standpoint.” (O3)

The use of metrics to support the credibility of human resource business partners is discussed in more detail later in this chapter.

In addition to the use of business-impact metrics, and an investment in people risk management, the success of the human resource business partner role is impacted by more symbolic factors, for instance, one senior human resource professional notes that they have located business dedicated human resource business partners next to business line managers and this has had a positive effect on their relationship

“Another thing that we’ve recently done is move the business partners out to sit with the business – so the head of human resources for equity sits on the equity trading floor, and it’s had a really positive effect. I know it’s optics, a lot of it, but it has helped to push my agenda.” (O2)

While greater proximity to business line managers leads to increased contact, the symbolic value is also acknowledged as it makes them appear to be more business relevant and this in turn helps the senior human resource manager ‘push their agenda’. The impact of symbolism on influence has been noted by a number of writers (Ferris et al, 1995; Galang & Ferris, 1997; Kennoy, 1997; Russ et al, 1998; Ferris et al, 1999) and is discussed later in this chapter as it relates to credibility.

4.2.6 Summary

Institutions engaged in capital markets and investment banking activity do so in a complex and dynamic business environment where firm human resources appear to be critical to their success. The internal and external environments make strategic decision making challenging and human resource professionals need to source information with speed and make quick judgement calls when advising business line managers. It would therefore be expected that these factors would have some impact on the structure and functional roles of the human resource function, the strategies, policies, practices and systems employed; the competencies of human resource professionals; and, the infrastructure that supports them. However, it would appear that the development of human resource business partner roles; closer attention to people risk management; and, the delivery of metrics to both business line managers and other functional areas by the human resource functions of the banks in this sector has only become more prevalent since the research for this thesis started in 2001.

Responses indicate that CEO’s and senior business line managers are actively involved in determining initiatives that impact the management of firm human resources and that while human resource professionals and senior line business managers state that managing firm human resources should be the role of business line managers, it was observed that strong producers may not be the best human resource managers. Human resource professionals therefore intercede in decision making to derive more successful outcomes for organisations, however their ability to do this may be largely dependent on the attitude of CEOs and individual business line managers.

It appears that some CEO's and business line managers take responsibility for managing firm human resources and the ability of human resource professionals to be effective in an advisory role is not based on any 'position power' associated with their roles but rather the quality of the relationship they have with senior business line management. One comment from a senior human resource professional noted that the only power they have in terms of recruitment decisions is the power to influence and that human resource professionals with credibility are able to give advice to business line managers

"we don't actually have the power to override a business person's decision. The only power that we have got is the power to influence, so we don't have position power, so the function itself doesn't come with the power to do that, but individuals throughout the organisations gain credibility and gain influence and provide advice to hiring managers." (U)

This is consistent with the views of a number of writers who have focused on power and provided prescriptions for how the human resource function can increase its influence (Ritzer & Trice, 1969; Borocci and Lafley, 1984; Fombrun et al, 1984; Golden & Ramanujam, 1985; Kochan & Barocci, 1985; Burack, 1986; Hendrey & Pettigrew, 1986; Hegarty & Hoffman, 1987; Buller, 1988; Guest, 1990; Bennett et al, 1995; Ferris et al, 1995, 1999; Wright et al, 1998; Fitz-enz, 2002; and, Grundy & Brown, 2003) and extant literature which suggests that the influence of the human resource function is dependent on the ability of individual human resource professionals to build credibility with business line managers (Borocci & Lafley, 1984; Buller, 1988; Handy et al, 1989; Ulrich, 1997; Becker et al, 2001; Boselie & Paauwe, 2003; Goodge, 2004; Lawson, 2005; and, Sheehan, 2005). The research results of this thesis found that credibility is an important factor with regard to building partnerships that allow for influence and therefore credibility will be discussed further later in this chapter.

The proximity of human resource professionals to business line managers, and in some cases the use of metrics, is seen as helping to build partnership based relationships between them. However, business line managers and human resource professionals both state that hard earned partnerships can be negatively impacted by failures in the basic administrative functions that are performed by colleagues in the human resource function. This indicates that credibility, and therefore partnerships, are fragile and maybe transient. In addition, as CEOs and senior business line managers are the key drivers for human resource management initiatives a lack of continuity in CEO and senior business line management is likely to negatively impact the management of firm human resources.

The close involvement of human resource business partners is seen as advisable but not always essential for a strategic approach to managing human resources. Some respondents believe that business line managers could assume full responsibility for all aspects of human resource management or that COOs could take on responsibility for aspects of human resource management instead of human resource business partners, while others argue that this is an 'ideal' situation and that in reality human resource professionals are essential to support business line managers. In addition, it was noted that business dedicated human resource business partners are more effective if they are part of the human resource function rather than being fully part of the business line team.

While there is no single effective structure for integrating the human resource function with senior business management it would appear from the results of this thesis that Ulrich's (1997) model, which sees business dedicated human resource business partners serving as a conduit between human resource processes and human resource specialists, has been universally adopted by the IFR's (Mullin, 2006) 'bulge bracket' banks. However, as the resource based view (Peteraf, 1983; Wernerfelt, 1984; Barney, 1991; Wright et al, 2001; and, van Witteloostuijn and Boone, 2003) of firms would suggest every organisation will demonstrate a uniquely different interplay between CEO, business line managers, and human resource professionals. This is because of the historical development of roles impacting the management of human resources (Ulrich, 1997); the impact of the current CEO and senior business line managers (Donald & Donald, 1929; Borocci and Lafley, 1984; Beer & Spector, 1985; Dyer & Holder, 1988; Budwhar, 2000; and, Sheehan, 2005); and, the impact of current human resource professionals (Donald & Donald, 1929; Borocci & Lafley, 1984; Buller, 1988; Handy et al, 1989; Ulrich, 1997; Boselie & Paauwe, 2003; Goodge, 2004; Lawson, 2005; and, Sheehan, 2005).

The research results of this thesis indicate that the 'customer interface' and human resource business partner roles exist (Ulrich, 1997) in all banks; and, in all cases, business line managers accept primary responsibility for managing human resources (Caldwell et al, 2003; Browne et al, 2004; 2007; Guest & King, 2004; and, CIPD, 2007b).

The above findings suggest that the roles played by the CEO and senior business line managers are the most important variables that mediate the human resource management environment and that if human resource professionals are to have significant influence on decision making they will need to be capable of building partnerships with business line managers. The next section of this chapter therefore looks at the research results of this thesis that relate to the relative influence of business line managers and human resource professionals.

4.3 Influence in the management of human resources

4.3.1 Overview

The previous section focused on the roles played by CEOs, business line managers and human resource professionals in the management of human resources, especially business dedicated human resource business partners, and concluded that for business and human resource strategies to be integrated human resource professionals should develop partnerships with business line managers. This section builds on these findings by exploring the relative '*influence in human resource management*' that human resource professionals have achieved in the capital markets and investment banking sector.

While some senior human resource professionals mentioned that they are part of the management team, others said that they perform an advisory or consultative role and one described their relationship with business line managers as a true partnership. These general statements are examined in more detail with regard to decision making in the following areas of human resource management (Schuler & Jackson, 1987; Torrington & Hall, 1991; and, de Saá-Pérez and García-Falcón, 2002):

- business strategy;
- recruitment and selection;
- training and development;
- performance measurement; and,
- compensation and benefits.

Following this, the impact of symbolism on influence is explored and the growth of human resource professionals' influence in the capital markets and investment banking sector is discussed.

4.3.2 Influence in decision making

Given the above analysis with regard to roles it would be expected that human resource function professionals would have less influence than CEOs and business line managers on decision making regarding significant human resource management issues and the results of the research on influence which are summarised in Table 4.1 and discussed in detail below, appear to support that the extent of their influence is indeed limited.

4.3.2a Business strategy

In terms of firm *'business strategy'*, Table 4.1, page 152, all senior human resource professionals interviewed for this thesis felt that business line managers controlled the strategy process; that the decision to adopt a particular business strategy was not a joint activity; and, that the extent of their influence is low. Some respondents believed that human resource professionals are asked for their views on business strategy decisions before they are made, although none described how much weight they felt was given to their input. However, all believe that human resource professionals have influence in the execution of business strategy from a process perspective. For instance

“The function (HR) has tried to ... show it can add value by informing and advising our managers on the implications of that strategy ... how that would be implemented and the effect that it will have on people.” (M)

In this bank the business line management decide on a particular business strategy and then discuss the implications with human resource professionals, however, the perceived degree of human resource function influence appears to vary significantly from bank to bank from absolutely being 'at the table' when decisions are being discussed to having very little influence. This can be illustrated by comparing the following two comments from senior human resource professionals, “I think when you look at the HR function ... I think it is a very different model from some of our counterparts and I would say first of all from a strategic point of view, we are clearly strategic partners, we are at the table in every sense of the word.” (N) and

“I think as an organisation (name of bank) HR has very little input into the strategic planning of the organisation and by that I mean where I think HR could add value is on the human resource strategic planning side and at the moment I don't believe we have any link to the business planning side.” (C)

Table 4.1 Human resource influence

Characteristic	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V
Business strategy																						
HR is a joint decision maker	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		x	x
HR influences business strategy	x	✓	x	x	x	x	✓	x	x	x	✓	✓	x	✓	✓	x	✓	x	✓		✓	✓
Recruitment and selection																						
HR is a joint decision maker	x	✓	✓	x	x	x	✓	✓	✓	✓	✓	✓	x	✓	✓	x	✓	x	✓		✓	✓
HR influences senior hires	x	✓	✓	x	x	x	✓	✓	x	✓	✓	✓	•	✓	✓	x	✓	x	✓		✓	✓
HR influences junior/non front-office hires	✓	✓	✓	•	✓	•	✓	✓	✓	✓	✓	✓	•	✓	✓	✓	✓	✓	•		✓	✓
HR influences graduate hires	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	•	✓	✓	✓	✓	✓	•		✓	✓

- ✓ Yes
- x No
- Did not emerge

high-level and/or long-term influence

In one bank there is no question that the human resource function would be represented when significant strategy decisions are being discussed and therefore human resource professionals are at least positioned to try and influence the outcome of strategic debates. This is the ideal situation described by a number of writers (Tyson, 1987; Schuler, 1990; Carroll, 1991; Storey, 1992; Armstrong & Long, 1994; and, Borocci & Lafley, 1984). However, at another bank, a senior human resource professional states that there is no link to business planning and human resourcing decisions are therefore made in isolation without reference to human resource professionals. Ulrich (1997) and others (Gitzendanner et al, 1983; Golden & Ramanujam, 1985; Glass, 1988; Guest, 1989; Fombrun et al, 1994; and, Armstrong & Long, 1994) note that this would appear to be sub-optimal for any sector and therefore this should be seen as a particular problem for a sector that is so reliant on firm human resources for achieving sustained competitive advantage.

It appears that the degree of influence is at least partially dependent on relationships between business line managers and individual human resource professionals, as one senior human resource professional noted

“I still think that if the individual can establish a good relationship then HR can influence. But if the relationship isn't there then HR as a function is not seen as a critical part of influencing strategy.”

(T3)

This comment is consistent with what would be expected from the conclusions of the literature review, in Chapter Two of this thesis, and the research results on roles discussed in the first section of this chapter. While the opportunity for human resource professionals to influence maybe more or less institutionalised the ability to actively influence the formulation of business strategy is largely determined by partnerships formed between individual human resource professionals and business line managers.

4.3.2b Recruitment and selection

With regard to *'recruitment and selection'*, Table 4.1, page 152, senior human resource professionals interviewed for this thesis feel that human resource professionals manage the process and many believe that decisions are made jointly with business managers, with one stating that

“I would say about a third of our European strategy is people related in terms of what we will be doing ... yes, there is a lot of admin and process associated with recruiting but there is also clearly

an advisory and consultative service that we can offer to our hiring managers and divisions and that is where we are trying to get to.” (K)

Four emergent themes were noted in relation to recruitment and selection, whether human resource professionals influence decisions on: senior hires; junior hires; non front-office hires; and, graduate hires. While respondents felt that the human resource function exerted influence over graduate hires, junior hires and non front-office hires, many believe that human resource professionals have more limited influence on decisions regarding senior hires.

The responsibility for senior hires in most cases appears to lie with the senior business line managers. This maybe due to the historic lack of confidence business line managers have in the competencies of human resource professionals. Therefore, while the human resource function may support the recruitment process, decisions regarding the hire of key players remains with the business line managers. For instance one senior human resource professional commented that

“I think on the whole, the business will tend to drive that (the hire of ‘heavy hitter’) and they will tend to bring HR in at the end, if we are lucky, as a kind of sanity check or to do the actual processing. But particularly if they are dealing with big hires, what they view to be important hires, they tend to keep the cards pretty close to their chest, not because they don’t value HRs involvement, but because they have a fear I think of someone outside of the magic circle saying the wrong thing to a key hire and perhaps putting them off, or whatever it happens to be.” (A)

This may be a problem if business line managers hire candidates from outside the organisation without firstly identifying potential internal options. In addition, if human resource professionals are not involved in the recruitment process, hiring managers may simply recruit people in their own image and people that they have worked with before. This may result in appropriate hires however it may reduce the organisation’s ability to address employee diversity and can result in recruitment decisions being made with little due diligence on the total pool of potential candidates.

While the above scenario appears to be the case for a number of banks the degree of involvement from resourcing specialists and other human resource professionals may depend on the philosophy of the CEO and the relationship between human resource recruitment specialists, human resource generalists and the business

line managers. As one senior human resource professional comments, “it depends on the specific case and the relationship of the specific HR advisor with the line manager and how much he or she influences the selection of that person.” (I). For instance, the global head of human resources at another bank states that

“we are definitely a voice in an advisory or consulting sort of a capacity to the hiring manager and depending on what level of person you are talking about, you know, you would have a different level of influence on that decision, interestingly enough the more senior the individual the more influence probably we have on that decision and partly because the fit becomes increasingly more important as you go up the organizational chart in terms of level of person.” (U)

In this bank the consultation process for senior hires appears to be institutionalised, however it is possible that this may be different if the relationship between the senior human resource professional and senior business line managers were to change in some way due to reduced credibility or a change in personnel.

The extent of influence in this area is therefore high for graduate and back-office hires but more limited for front-office recruitment, especially when it involves senior positions.

Once someone has been recruited, training will usually be required for regulatory reasons and some technical courses and development programs may be offered. Decision making influence surrounding this area is discussed below.

4.3.2c Training and development

With regard to *‘training and development’*, Table 4.1, page 157, senior human resource professionals interviewed for this thesis generally feel that they manage the process and decisions are made jointly with business line managers. However, three emergent themes were noted: whether human resource professionals influence decisions on leadership development; technical training; and, regulatory training.

Senior human resource professionals believe that the human resource function as a whole has greater influence over regulatory training than technical training and leadership development, “we are doing a fair amount of training because of the new legislation that is going through but I don’t think what we are doing has enough proactive thought about it (all training).” (P). At this bank the human resource function supports systematic

regulatory training but does not appear to have a strategy for individual development. This may impact the quality of internal competencies that are available to the institution over time and therefore the organisation's competitive positioning. However, just because the human resource function is not involved does not mean that developmental training is not happening, for instance one human resource professional noted technical training may be organised directly by business line managers who are better positioned to assess the requirements of their team

“There is then a certain amount of technical training the business does themselves. We are aware of it, and we can sometimes help them structure it, but in reality if you wanted to run a training course on selling structured derivatives it is typically what a desk head would do for his team.” (A)

It appears that the influence of human resource professionals differs between banks with one global head of a human resource function describing joint but significant influence

“I run the development board with one person from the business line, I am responsible for the education and development of the staff ... So HR is responsible for ensuring that the right people are getting trained at the right time.” (I)

This variation maybe due to the philosophy of the CEO and senior business line managers towards training and development; the quality of the human resource professionals; and, the partnerships formed between CEOs, business line managers and human resource professionals.

The extent of influence in this area is therefore high for regulatory training but more limited for technical training and management development programs. Given the importance placed on people in this sector it is maybe surprising that not all human resource functions appear to have more extensive influence in training and development. However, it was also found that human resource professionals have encountered problems in driving performance measurement and this is discussed below.

Table 4.1 Human resource influence (cont'd)

Characteristic	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V
Training and development																						
HR is a joint decision maker	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
HR influences leadership development	✓	•	✓	x	x	✓	✓	✓	✓	x	✓	✓	x	✓	✓	•	•	•	✓		•	✓
HR influences technical training	x	✓	•	✓	✓	✓	✓	✓	✓	✓	✓	•	✓	✓	✓	•	✓	✓	•		x	✓
HR influences regulatory training	✓	✓	•	✓	✓	✓	x	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	•		✓	✓
Performance measurement																						
HR is a joint decision maker	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	•	•	✓		•	✓
HR influences the selection and implementation of the system	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓

- ✓ Yes
- x No
- Did not emerge

high-level and/or long-term influence

4.3.2d Performance measurement

With regard to '*performance measurement*', Table 4.1, page 157, senior human resource professionals interviewed for this thesis feel that human resource professionals manage the process and that decisions are made jointly with business line managers. However, the level of attention given to performance measurement appears to be driven by business line managers

"It is similar (to training and development) ... having said that I think the performance management has been more of a challenge in order to get the business attention than in other industries or other types of business and I guess I think part of it is because of the type A personality that you tend to deal with in the capital markets business." (F)

The personality type of business line managers is noted by this senior human resource professional as impacting attitudes to performance measurement and this factor may dictate their philosophy to other aspects of human resource management. This is important to note as the success of human resource business partners in developing partnerships and participating in decision making appears to be partially dependent on them building empathetic relationships with the business line managers they are advising.

Three emergent themes were noted in relation to performance measurement: whether human resource professionals believe that performance management is linked to employee compensation; whether it is linked to firm values and culture; and, how it relates to diversity. One senior human resource professional stated that

"There is integrated performance piece in some divisions and in others it is not happening. HR in my opinion is still focusing too much on performance management on an individual level and still has some work to do in linking it with the corporate performance management." (I)

Therefore, while a link between individual performance and compensation may exist, there may be no link made between individual performance and overall corporate performance management. This is despite growing advice from the research community that external and internal stakeholders are interested in being presented with a more detailed analysis of the intangible value of organisations (Becker et al, 2001; CFO Research Services, 2003; Barber & Strack, 2005; and, Bassi & McMurrer, 2007). At one bank a senior human resource professional noted that there were substantial shortcomings in their process

“personally, I think that is a weakness. I think we have got a long way to go in this organization and I suspect in other investment banks. We tend to do performance management business by business, there is no common methodology which pervades in the entire organization, there are no common skills and there are no common metrics.” (G)

This senior human resource professional believes that there has been little focus on common metrics with regard to corporate culture, leadership standards across divisions and roles, and that human resource professionals have so far not been able to address this.

The extent of influence in this area appears to be relatively low. Like training and development the focus on performance measurement in the capital markets and investment banking sector appears to be driven by the philosophy of the CEO and senior business line managers; the quality of the human resource professionals; and, the partnerships formed between human resource professionals and business line managers.

It would seem from the above analysis that human resource professionals may not have extensive influence in significant decisions regarding business strategy, recruitment and selection and performance measurement and therefore it might be expected that this would be the same for compensation and benefits. However, it can be seen below that this is not the case.

4.3.2e Compensation and benefits

With regard to ‘*compensation and benefits*’, Table 4.1, page 161, senior human resource professionals interviewed for this thesis feel that they manage the process and that decisions are made jointly with business line managers. However, three emergent themes were noted: whether human resource professionals influence decisions on the size of the bonus pool; the allocation of the bonus pool; and, the level of base salaries and benefits.

From an advisory perspective, the human resource function is seen to add significant value with regard to compensation and benefits. This is exemplified by comments from one senior human resource professional

“I would say that we ... have a lot of influence and our advice particularly in that area is listened to and taken on board because compensation is obviously such a massive part of our cost base, you know, it is something where we have a huge amount of expertise from a tax perspective, cost base perspective, benchmarking perspective.” (K)

It was noted in Chapter One of this thesis that employee compensation and benefits form a large part of the cost base for banks in the capital markets and investment banking sector and the results of this research indicate that there appears to be extensive influence by human resource professionals on decisions that occur at board level in this area. The compensation and benefit process also seems to be managed closely by the human resource function in all institutions, “there is no question this industry leads the way in terms of either the processes we have, the tools we have, the products ... I think HR people play a fundamental part in that, it is driven by the HR organization.” (G)

It is clear from comments by a number of senior human resource professionals that recommendations on base salaries and benefits, divisional bonus pools and in some banks the level of the overall bonus pool, are all discussed with senior business line managers

“So rather than us just being told or informed you know, this is what the divisions want to pay in terms of basic salary, bonus, etc. We are making recommendations to the line because we have a lot of expertise in this area, and an entire team dedicated to this area, clearly we are in a position where what we say is listened to.” (K)

“I would say this is probably the one area that we have and exert a huge amount of influence actually. We don’t determine the pools at year end but we certainly have a very active part in how those pools are divided and managed and how people are rewarded at the end of the year.” (P)

“It is very high here because we are seen as one of the key parties in determining what the bonus pool should be and actually to some extent we provide perhaps a slightly more objective view in a highly subjective environment and a highly emotional environment and again with benefits and salaries.” (J)

Table 4.1 Human resource influence (cont'd)

Characteristic	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V
Compensation and benefits																						
HR is a joint decision maker	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
HR influences the amount of the bonus pool	•	•	•	•	•	•	•	x	•	✓	•	•	•	•	✓	x	x	•	✓		✓	✓
HR influences the allocation of the bonus pool	✓	•	✓	✓	•	•	✓	✓	✓	✓	✓	•	✓	✓	✓	✓	x	•	✓		✓	✓
HR influences levels of base salary and benefits	✓	✓	•	✓	✓	✓	x	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	•		✓	✓

- ✓ Yes
- x No
- Did not emerge

high-level and/or long-term influence

Human resource professionals within the capital markets and investment banking sector seem to have extensive influence in the area of compensation and benefits. It appears that they influence decision making in one of the most important decisions of the year, the amount of bonuses that will be paid to reward and retain key producers. This compares favourably against the lower levels of decision making influence accorded to human resource professionals in areas such as the recruitment and selection of key producers and senior management and the difficulty that human resource professionals sometime encounter when attempting to implement performance measurement and training and development programs. This apparent contradiction may be explained by the historical involvement of human resources in this area due to regulations relating to employee relations, discrimination and taxation. Business line managers may perceive these areas as requiring technical knowledge which is beyond their ability to monitor and therefore rely on human resource specialists to develop 'expert knowledge' by undertaking significant 'boundary-spanning' (Hegerty & Hoffman, 1987), obtaining data from competitor organisations to ensure that their compensation and benefit packages do not lead or lag other banks.

The findings of this thesis with regard to the above areas suggest that the extent of influence varies from bank to bank across: business strategy; recruitment and selection; training and development; performance measurement; and, compensation and benefits. In addition, that influence may be more or less institutionalised and therefore more or less transient. Compensation and benefits appears to be the one area where human resource professionals consistently show extensive influence on significant decisions.

Various types of symbolism have also been associated with the ability of human resource professionals to build credibility and influence decision making and findings regarding this are discussed below.

4.3.3 Symbolism and influence

Three themes were noted in the research results of this thesis with regard to symbolism and influence: the terminology used around human resource management; the physical location of human resource professionals; and, the presence of human resource professionals on management boards and committees.

The reification of the term human resource management, or 'HRM', was picked up by more than one senior human resource manager who felt it was not useful to use these terms when discussing responsibility for various aspects of managing the human resource environment, "when does a people issue become an HR issue ? Some people believe that people issues are HR issues - not necessarily so." (L). Language was seen as potentially

confusing the expectations of those in roles that involve the management of firm human resources, “there is a lot of influence but we need to be careful to distinguish the principle of human resource management becoming more relevant from the human resources function doing it.” (L). This is consistent with research that has considered the impact of language on debates surrounding roles in the human resource management (Guest, 1990; Gennard & Kelly, 1994; Keenoy, 1997, 1999; and Rob & Zemsky, 2002).

In addition to language, it was noted that some respondents were located in close proximity to their business manager colleagues, for instance on the same floor, and a number mentioned their presence on a management board or operating committee in the context of this defining their relationship with business management through their presence at a decision making forum. This is exemplified by the following comments

“I am reasonably involved in strategic planning so number one, is that I report to the CEO and number two, is that I sit on the executive committee which is the strategy group for (name of bank) and when it comes to actually establishing plans for the future we form a fairly big part of that planning process because any business initiative has a corresponding cost which is the compensation side of the equation and I am the advisor and the internal consultant and the kind of expert. So I tend to be very involved with the front end.” (U)

Here the senior human resource professional reports directly to the CEO and sits on the executive committee, where strategic discussions occur, and is able to ensure that human resource planning is integrated into the business strategy process. In another case proximity to the senior business line managers is seen as symbolic of the influence that is accorded to the senior human resource professional, “as a symptom (of influence), I sit on the ninth floor here and I am actually moving up there because they (regional business executives) want me to sit closer to them.” (K)

A final comment refers to the ability of the human resource function to have a ‘seat at the table’ during business planning discussions through the presence of the global head of the human resource function

“Our Global head of HRM has a seat at the table on the management committee and helping to shape where we decide to go for the next couple of years so, actually as it happens our head of Global HRM is quite an advisor to the chief executive <name of CEO> and so, actually we have a lot of influence there.” (K)

These comments indicate that the proximity of human resource business partners to senior business line managers helps them build partnerships. In addition, it is noted that the presence of a human resource business professional on management boards and committees is symptomatic that partnerships have been achieved. The presence of human resource business partners at decision making forums and a growth in influence appears to have developed since the start of this thesis and this is examined in more detail below.

4.3.4 Growth of influence in human resource management

There appears to have been significant growth in the influence of the human resource function as a whole since the commencement of this thesis which is illustrated by the observation of a business line manager who was earlier quoted as stating that, "Until 2001 human resources was just back office ... Since then the bank has been very proactive about developing a business partner role ... it's almost a night and day transformation from being in a backwater to being at the table." (N). A senior human resource professional also notes progress

"I think because we have transformed ourselves to be offering something worthwhile, and have developed our relationships with the business, they understand what we are offering and buy into that. It needs to continue becoming more integrated into the way business gets done. In order for that to occur, we need to continue to have strong relationships with our businesses and in-depth understanding of their business and what they are trying to achieve." (P2)

This comment focuses on the need for human resource professionals to have a clear value proposition so that business line managers understand that the integration of human resource professionals should continue. For this to occur human resource professionals need to have strong relationships with business line managers and an in-depth understanding of their business objectives.

In support of extant literature (Ulrich & Yeung, 1989; Ulrich, 1997; Wright et al, 1998; Guest & King, 2004; Goodge, 2004; and, Lawson; 2005) and other findings of this thesis, a senior human resource professional commented on the necessity for human resource partners to be familiar with the business, "You have to understand the business. If you're talking to someone in equity you have to understand what a share is and what a convertible bond is and what a derivative is. You have to understand what they do every day." (K). However, it appears that there is a limit to the level of understanding that is expected from human resource professionals, as

one business line manager noted, “They (human resources professionals) don’t have to be completely 100% conversant in the business they support, but they need to be commercial.” (S)

Some of the respondents indicated that human resource professionals are now involved as advisors for significant corporate decisions with one senior human resource professional stating, “I know I have influence, even when we are dealing with acquisitions and divestments where it’s not strictly HR related and absolutely when there are people adjuncts.” (L). This indicates, at least for this bank, that influence occurs in areas that are not directly human resource related.

A significant number of banks included in the research for this thesis now have human resource function representation at the most senior management committee and/or board level but this varies from bank to bank. One senior human resource professional noted that he now sits on the credit committee, “It is the first time a human resources director has done that. We are an integrated part of the business, as opposed to a stand-alone function. (S2). There is also the desire to continue this progress by building further track record, “It’s a continual case of winning credibility with the management group. What you’ve got to do is deliver consistently. Rather than talk it, do it.” (B) and one senior human resource professional had a vision for how this will develop

“The next phase is almost, how can you be like a think tank in the human resource function: to stimulate the business, to get managers thinking in different ways of how to manage people in their businesses. How do you add much more value to human capital, driving productivity through innovation?” (V2)

The above comments note an integrated approach to human resource management; a desire to build influence by the continual development of track record; and, that building credibility is a constant task. These factors point to the fragility of credibility and therefore a possible transience in the ability of human resource professionals to influence that suggests the need for them to constantly invest in their credibility. The importance of credibility is discussed further in the last section of this chapter.

4.3.5 Paired responses on the influence of human resource professionals

The second study provided an opportunity to compare the responses of paired human resource professionals and business line managers to the following question regarding decision making in business planning; ‘On a

scale of 1 to 10, with 10 having significant influence and 1 having little influence, how would you rate your influence' ? When asking business managers the question 'your' was replaced by 'human resource professionals'. The responses are summarised in Table 4.2 below.

A variation in influence was expected given the results of the first study and the experience of the author who has witnessed the consistent differences in attitude of business line managers in trading and sales environments and those in primary market environments. The former tend to be more short-term and transactional by nature and often have less time for advisory discussions, especially when they relate to medium- and long-term goals. However the ratings of both human resource professionals were remarkably consistent both within and between institutions. The grades are between 6 and 8; are the same from both respondents in just over half of the banks; and, only vary by 1 where there is a difference in the other banks. In the instances where there was a difference between two respondents from a bank, the human resource professionals graded higher in all but one case.

These results would appear to indicate that human resource professionals rate themselves at the same level or higher than business line managers. This is consistent with the findings of previous studies (Wright et al, 2001; Boselie and Paauwe, 2004; and, Colman, 2004). A number of respondents stated that the grades represented their general feeling with regard to decision making and that grades would vary depending on the type of decision. For instance, in terms of formulating and approving business strategies there would be zero influence. This is consistent with the findings of the first study of this thesis. In addition, a number of respondents felt that the grade would vary based on other factors, with one noting that "In [one division] the influence rating would be 8/10; in another it would be only 3/10 and in another it would be 10/10. It depends on the human resource partner and the business area." (H3). Influence is therefore dependent on the nature of the decision, the business area involved and the quality of the relationship between business line managers and human resource professionals.

Table 4.2 Paired responses on the influence of human resource professionals

Respondent	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V
B		8																				
B3		8																				
C			6																			
C3			7																			
G							8															
G3							7															
H								8														
H3								8														
I									8													
I3									8													
K											8											
K3											7											
N2														8								
N3														8								
O															8							
O3															7							
P2																7						
P3																7						
Q2																	8					
Q3																	7					
S2																			8			
S3																			8			
T2																				7		
T3																				7		
V2																						8
V3																						7

‘On a scale of 1 to 10, with 10 having significant influence and 1 having little influence, how would you rate your influence’ ? When asking business managers the question ‘your’ was replaced by ‘human resource professionals’. The banks are noted across the top and respondents in the left column. Interview respondent codes can be found in Table 3.10, page 123 and Appendix Six.

4.3.6 Summary

In the second analysis and discussion section of this chapter influence in human resource management has been examined. It would appear that CEO's and senior business line managers control the business strategy process and the decision to adopt a particular business strategy, however some human resource professionals note that they are asked for their input on business strategy decisions before they are made, although none described how much weight is given to their views. The extent of perceived influence by human resource professionals seems to vary significantly from contributing 'at the table' when decisions are being discussed to having very little input. For instance, in one bank there was no link to business planning and human resource decisions were made in isolation. It was also noted that if human resource related professionals can establish partnerships with CEOs and senior business line managers then they can influence strategy.

With regard to recruitment and selection, training and development, performance measurement and compensation and benefits, it appears that human resource professionals manage the process and they believe that decisions are made jointly with business line managers. However, emergent themes were noted which showed a variation in the extent of the contribution made by human resource professionals to decision making.

In terms of business strategy, recruitment and selection, training and development and performance measurement, the extent of human resource professionals ability to influence decision making appears to be dependent on whether they can establish partnerships with senior business line managers and compensation and benefits appears to be the only area where the influence of the human resource function has, at least in one bank, become institutionalised. The significant influence of human resource professionals in compensation and benefits is possibly due to the human resource function's historic responsibilities in this area with regard to boundary spanning and the development of expert-knowledge. Influence in this area is extensive.

The strength of influence by the human resource function appears to be related to the philosophy of the CEO to the management of firm human resources; the adoption of this philosophy by senior line business managers; the competencies of individual human resource professionals; the success of their colleagues in delivering human resource services; and, to the nature of the decision, including the need for boundary spanning. The structure of human resource functions and their interface with the rest of their organisations change over time and the degree of institutionalised influence is likely to depend on the nature of decisions and partnerships between individual human resource professionals and business line managers.

Influence is likely to be extensive where the human resource function has been able to institutionalise its influence in decision making, such as in the area of compensation and benefits. Where this has occurred the significance of individual partnerships between business line managers and human resource professionals maybe less important, at least in the short-term, however where influence in decision making is not institutionalised, for instance recruitment into senior roles, then the ability of individual human resource professionals to build partnerships becomes more critical. If partnerships can be built between business line managers and human resource professionals then influence is possible and the quality of the partnership appears to be a significant factor in whether influence is likely.

Given the research results of this thesis and the opinions found in extant literature it would be expected that the ability for human resource professionals to influence decision making with regard to the management of firm human resources is related to their ability to build partnerships with CEOs and senior business line managers therefore the final section of this chapter focuses on the '*centrality of credibility*' to the formation of these partnerships.

4.4 The centrality of credibility

4.4.1 Overview

From the analysis undertaken above it seems that within the capital markets and investment banking sector human resource professionals in any institution will only participate in, and therefore influence, their respective organisations' decision making on significant issues where they are working in partnership with business line managers. It appears from extant literature, and comments noted in the research for this thesis, that the ability for partnerships to develop is significantly related to the credibility of individual human resource professionals and the credibility of the human resource function as a whole (Borocci & Lafley, 1984; Buller, 1988; Handy et al, 1989; Ulrich, 1997, 2008; Boselie & Paauwe, 2003; Goodge, 2004; Lawson, 2005; and, Sheehan, 2005). For instance, one senior human resource professional comments, "some progress has been made with added value initiatives – HR's ability to influence more strategic issues is determined by credibility" and another noted that

“I would like human resources to gain more influence on the governance side, but that comes not by the authority of the function but by credibility, which you have to earn by doing a great job. You have to earn the credibility. It’s not given.” (V2)

The final section of this chapter therefore looks in more detail at the ‘*the centrality of credibility*’ and examines the research results of this thesis in the following areas

- credibility and influence;
- credibility and metrics; and,
- the factors that impact credibility

4.4.2 Credibility and influence

A number of respondents made comments regarding the attributes which should, in their view, be exhibited by human resource professionals to support their ability to build partnerships with business line managers, these included their force of personality; quality; experience; business understanding; product knowledge; the ability to empower management; and, credibility. However, credibility is the most frequently mentioned attribute, both in terms of the human resource function as a whole and in terms of individual human resource professionals.

One senior human resource professional noted that their Head of Resourcing had made significant progress in building their credibility

“My experience from a previous bulge bracket firm was that HR was used as a letter writing service ... But you have to earn your credibility before you are able to make decisions ... My head of resourcing ... has done a huge amount to make all that work, so because of that credibility, which comes first of all from your ability to deliver, and because she and they have proved that they can deliver, they get permission to contribute more.” (S)

Their comments support the findings with regard to the influence of human resource professionals in recruitment and selection noted in the previous section. The human resource function is described as traditionally playing an administrative role but because of the impact of an individual human resource professional the function has

'earned the right' to participate in and influence the decision making process. While the CEO of this particular bank encourages an integrated and forward thinking approach to human resource management it is the individual human resource professional that must build credibility. If the human resource professional is not credible then a partnership and therefore influence is unlikely.

Respondent comments indicate a scarcity of human resource professionals with the necessary degree of personal credibility to build partnerships that allow for influence; that human resource professionals have historically exhibited a lack of business expertise; and, that a weakness in delivery from the human resource function as a whole, makes it difficult for individuals within the function to establish partnerships through personal credibility

"A lot of it comes from personal credibility and as I said my fear, if that is the right word, or concern, is that we don't have a significant number of people within the HR function at that level where they could fulfil those two criteria (a) because we don't necessarily have the right business expertise and (b) because HR's history within the bank in terms of doing the basic things right and delivering a quality product has not always been the greatest, so I think that automatically puts you on the back foot." (A)

This is consistent with previous research findings regarding the lack of human resource professionals with the competencies required to successfully adopt business partner roles (Coleman, 2004; Lawson, 2005; and Lieb, 2005) as well the importance of business expertise (Ulrich, 1997; Ulrich & Yeung, 1989; Wright et al, 1998; Guest & King, 2004; Goodge, 2004; and, Lawson; 2005) and the performance of the human resource function as a whole (Miles & Snow, 1984; Ulrich, 1997; Brown et al, 2004 and, CIPD, 2007a. 2007b).

Business expertise has been noted as fundamental if human resource business partners are to build strong partnerships with senior business line management and this relates to both the internal and external business environment. It would appear from previous sections that compensation and benefits specialists within the human resource function have been able to develop significant expert knowledge and therefore have significant influence. In addition, this area of the human resource function uses the hard language of numbers that may help discussions with business line managers.

Extant literature has increasingly suggested that the use of metrics will support attempts by human resource professionals to gain credibility and influence decision making and therefore the potential impact of metrics on credibility is examined further below.

4.4.3 Credibility and metrics

The use of metrics to demonstrate human resource function impact has been suggested as a tool that human resource professionals can use to build credibility, thereby increasing their ability to influence decision making, and that the availability of metrics is closely linked with the availability of systems to support the storage and manipulation of data (Lengnick-Hall & Lengnick-Hall, 1990; Jones & Wright, 1992; Mayo, 2001; Grundy & Brown, 2003; Lawson et al, 2003; Lawler et al, 2003; Lawler and Mohrman, 2003a, 2003b; Nalbantian, 2003; Toulson & Dewe, 2004; Phelps, 2004; Barber & Strack, 2005; Gary, 2005; and Weiss & Finn, 2005).

4.4.3a Credibility and the language of business

The importance of metrics as a tool to deliver a better service to senior business line management, thereby enhancing credibility, was noted by a number of senior human resource professionals. One global head of human resources states that

“The business gets violently put off by human resources jargon. So it’s the ability to talk the way they do that makes a big difference. You get credibility by being able to reference the world inside and the world outside and that includes using metrics, because this is the financial sector. Otherwise you are just using your intuition and if you can’t validate it, particularly at the early stages of the relationship, when the other side doesn’t know you, you’re not convincing. You absolutely need metrics. And also using metrics, and the right metrics, shows a level of sophistication.” (V2)

It would appear from this quote that business line managers get put-off by human resource terminology; that human resource professionals acquire credibility by referencing the internal and external environments using metrics; that the use of metrics at an early stage in relationships with business line managers shows sophistication; and, that the use of metrics may be even more powerful, or even a necessity, in the capital markets and investment banking sector which is very driven by numbers. This goes back to the perceived need for human resource professionals to ‘talk the language of business’. Other human resource professionals made

comments that are consistent with extant literature in terms of their need to understand, and communicate their understanding of, the business environment. For instance, “Metrics are fundamental part of their (business line managers) setup. The human resource function has to deliver and if you don’t have a way of proving this you aren’t being fair to the business.” (G). It was also noted by one senior human resource professional that, ‘If you talk to them (senior business line managers) on numbers, you have a far more interesting discussion. As I started talking about numbers I thought, well, actually if you can measure something you can actually improve it more effectively, otherwise it is about belief.’ (B). Finally, another senior human resource professional believes that a greater focus on human resource related metrics is also being driven by business line managers themselves, “Business managers are demanding more people-related data – they want more information and easier access.” (O2).

While the provision of metrics is felt to be important to the credibility of human resource business professionals, how important is this relative to other competencies ? This is discussed later in this section where the results of an attitude ranking are analysed.

4.4.3b Metrics and systems

A number of respondent comments reflect the importance of metrics based conversations with senior business line managers but indicate a lack of data to support these. At one bank a historic lack of investment in systems that support human resource management requires a gradual approach to their introduction and the lack of data is a weakness, “we have always got the Achilles heel which is the lack of data and you lose credibility very quickly” (P). In this case it is felt that value needs to be proved if continued investment is to be achieved. Another senior human resource professional notes that

“I think we have got, as a firm, a long way to go in terms of our management reporting tools, how you extract that data and then extrapolate it in a form that makes it usable and you can take to the table to have a proper discussion with your management team around you ... one piece of technology doesn’t talk to another and we have lots of stand alone systems which means that if I wanted to go out and find everything I wanted to about someone, I couldn’t. I would have to go to about four different systems within that and I think some of those issues make it very hard for us to drive the management team to use some of the tools that are available to them because it is just too difficult and therefore some of that knowledge and some of that information is being lost as well.” (P)

The above comment indicates that this particular bank still has significant work to do in building their management reporting tools before they can use metrics to discuss key performance indicators. There is a desire from human resource professionals for this to change but progress is constrained by the presence of legacy systems and the need for them to compete internally for funding.

For institutions that operate in a dynamic and complex environment, where people are seen as being critical to success, it is maybe surprising to find that human resource professionals have not been provided with information technology systems that can capture, manipulate, and deliver appropriate data to support the analysis they wish to provide to business line managers, especially as the literature reviewed earlier in this thesis indicates that this may not be the case across other sectors (Lawler et al, 2004).

4.4.4 The factors that impact credibility

It has already been seen that Ulrich (1997) believes the credibility of senior human resource business partners is a key factor in the successful management of firm human resources and his position is supported by the results of Boselie and Paauwe's (2004) study. In addition, he states that human resource business partners should provide: intellectual leadership on the employee dimension; a competence in business; exceptional knowledge of excellent personnel practices; and, credibility with the business team so that ideas are valued and requests granted. These factors suggest that this is not a role for inexperienced human resource professionals but for 'seasoned professionals' and Ulrich (1997) also believes that certain attributes are important if human resource professionals are to be credible in the eyes of business line managers

- accuracy;
- consistency;
- meeting commitments;
- chemistry;
- confronting appropriately;
- integrity;
- thinking outside the box;
- confidentiality, and
- listening and focusing on executive problems.

However, when these attributes were discussed with senior human resource professionals and senior business line managers there was no uniformity of view regarding their relative significance. Some emphasised the importance of 'harder' or sharper qualities such as accuracy and consistency; others highlighted chemistry and thinking outside the box, and many said they were all non-negotiable, essential, components of operating at the highest level in the organisation. One senior human resource professional said simply that they are all important, and another, even more bluntly, commented that "If you get any one of these things wrong you're out of the door anyway." (C)

To gain a deeper insight into what key factors may lead to the perceived credibility of human resource professionals in business dedicated human resource business partner roles, in the second study of this thesis both senior business line managers and senior human resource professionals were asked to rank factors that may contribute to the credibility of human resource business partners. These factors are derived from extant literature, supported by other research for this thesis and are listed in Table 4.3.

Membership of a professional human resources body and academic qualifications were added to the above list as it was felt that qualifications maybe perceived as symbolic of professional knowledge and therefore potential competency.

Respondents were asked 'Which of the following factors do you feel contribute to the credibility of human resources managers as business partners?' They were asked to rank the above factors in order of importance with 1st place being the most important and 9th the least important. Senior human resource professionals gave 13 complete responses, Table 4.4, and there were 13 complete responses from senior business line managers, Table 4.5. These tables show the mean score for all responses in each respondent group.

4.4.4a Business managers' trust and empathy

Business managers trust in, and personal empathy with, human resource professionals has been noted as important by a number of writers (Becker et al, 2001; Fitz-enz, 2002; and, Collins & Smith, 2006) and the results of this research support this as business line managers and human resource professionals both rank this factor second in importance. If this is considered with the other two items that business line managers rank in the top three, knowledge of the external environment and track record of delivery, it would suggest that human resource

business partners must have: significant knowledge of competitor operations; a strong record of delivering support for business plans; and, a relationship of trust with the business managers they support.

Table 4.3 **Factors that may impact credibility**

- the human resource contact's knowledge of the external competitive environment (Hegerty & Hoffman, 1987; and, Armstrong & Long, 1994; Ulrich & Brockbank, 2005);
- the human resource contact's knowledge of the internal competitive environment (Armstrong & Long, 1994; Galang & Ferris, 1997; Russ et al, 1998; and, Ferris et al, 1999; Ulrich & Brockbank, 2005);
- the track record of the individual human resource contact in delivering on their part of business plan execution (Miles & Snow, 1984);
- the business managers trust in, and personal empathy with, the human resource contact (Becker et al, 2001; Fitz-enz, 2002; and, Collins & Smith, 2006);
- the track record of the human resource function as a whole in delivering human resource service support to the business manager (Miles & Snow, 1984; Ulrich, 1997; and, Barber & Strack, 2005);
- the availability and effective use of data, systems and methodologies to analyse the effectiveness and impact of human resource management initiatives' (Lengnick-Hall & Lengnick-Hall, 1990; Jones & Wright, 1992; Mayo, 2001; Grundy & Brown, 2003; Lawson et al, 2003; Lawler et al, 2003; Lawler & Mohrman, 2003a, 2003b; Nalbantian, 2003; Toulson & Dewe, 2004; Phelps, 2004; Barber & Strack, 2005; Gary, 2005; Ulrich & Brockbank, 2005; and Weiss & Finn, 2005); and
- knowledge of human resource practices and procedures; (Tyson, 1987; Ulrich & Yeung, 1989; Ulrich, 1997; and, Caldwell, 2003)

4.4.4b Knowledge of internal and external environments

The human resource business partners' knowledge of the external environment is ranked more highly by senior business line managers than senior human resource professionals and this indicates that senior business line managers value the boundary spanning (Hegerty and Hoffman, 1987; and, Armstrong & Long, 1994) undertaken by the human resource function.

Table 4.4 **Credibility factors: the human resource professionals' view**

	Mean
Track record on business plan delivery	2.8
Business manager's trust	2.8
<u>Track record on human resource delivery</u>	<u>3.7</u>
Knowledge of external environment	3.8
Knowledge of internal environment	4.1
<u>Availability and use of data</u>	<u>4.8</u>
Knowledge of human resource practices	5.9
Academic qualifications	8.3
Membership of a professional body	8.7

Rank: 1 most important to 9 least important
n = 13

Table 4.5 **Credibility factors: the business line managers' view**

	Mean
Knowledge of external environment	2.8
Business manager's trust	2.8
<u>Track record on business plan delivery</u>	<u>3.1</u>
Track record on human resource delivery	4.0
Knowledge of human resource practices	4.3
<u>Knowledge of internal environment</u>	<u>5.2</u>
Availability and use of data	5.4
Membership of a professional body	8.3
Academic qualifications	8.5

Rank: 1 most important to 9 least important
n = 13

This is consistent with the previous findings relating to the ability of human resource professionals to institutionalise their influence in the area of compensation and benefits. In contrast, the human resource business partners' knowledge of the internal environment is less highly ranked by senior business line managers than senior human resource professionals. This would indicate that knowledge of the internal political environment is relatively less important to them than knowledge of the external competitive environment. The emphasis is therefore on boundary spanning, which provides data on competitor operations, however, extant literature (Armstrong & Long, 1994; Ferris et al, 1995, 1999; Galang & Ferris, 1997; and, Russ et al, 1998) notes that a sound understanding of internal politics is likely to be important to human resource professionals as they

seek to influence up the organisation and build their careers. This might therefore provide an area for further research.

4.4.4c Track record of individual human resource professionals and the human resource function as a whole

The track record of delivery by individual human resource professionals and the human resource function as a whole were ranked within the top four factors that impact credibility. Individual track record was ranked at the top by human resource professionals, but only third by business line managers who put greater emphasis on boundary spanning through knowledge of the external environment. However, individual delivery by human resource professionals is still ranked more highly than the delivery by the human resource function as a whole. This difference is marginal and the overall importance of delivery is consistent with extant literature (Miles & Snow, 1984; Ulrich, 1997; and, Barber & Strack, 2005).

4.4.4d Availability and use of data

The availability and use of data to analyse the business impact of human resource initiatives ranks relatively low for both senior human resource professionals and senior business line managers. This result was surprising given that extant literature (Lengnick-Hall & Lengnick-Hall, 1990; Jones & Wright, 1992; Mayo, 2001; Grundy & Brown, 2003; Lawson et al, 2003; Lawler, 2003; Lawler and Mohrman, 2003a, 2003b; Nalbantian, 2003; Toulson & Dewe, 2004; Phelps, 2004; Barber & Strack, 2005; Gary, 2005; and Weiss & Finn, 2005) and the other research results of this thesis suggest that the use of metrics adds to the credibility of human resource professionals. However, it may simply be that the other items are more important rather than this factor being unimportant. In addition, if data historically produced by the human resource function has been of little added value to business line managers they may not perceive metrics generated by human resource professionals as particularly beneficial.

4.4.4e Knowledge of human resource practices

The human resource business partners' knowledge of human resource practices and procedures is more highly ranked by senior business line managers than senior human resource professionals which indicates that senior business line managers value the human resource specific knowledge (Caroll. 1991; Ulrich, 1997; and, Goodge, 2004) of their human resource business partners more highly than human resource professionals. However it

still ranks lower than trust and track record in the responses of both business line managers and human resource professionals.

4.4.4f Academic qualifications and membership of a professional body

Qualifications are least highly rated, and one senior human resource professional commented, “Last on the list is having a professional HR qualification. If someone tells me they need CIPD I just die. And it is so not global” (I). However, it is important to note that none of the respondents are critical of the important work undertaken by professional bodies, or the value of academic qualifications per se. The ranking may therefore reflect the fact that this training will deliver the base level competencies that all human resource professionals should have. For instance, one senior business line manager comments “That (professional body membership) is not going to cause you to have credibility, but it might be another facet of your credibility.” (V3). Therefore, this result does not mean that academic and professional qualifications have low relevance, simply that they help equip individuals to achieve the business-critical abilities needed to be effective.

Apart from the nine items which respondents were asked to rank, the research instrument was designed to capture other factors which business line managers and human resource professionals felt were important for human resource professionals to build credibility and these are discussed below.

4.4.4g Other factors

A number of responses to the question ‘What other attributes may be important to the development of credibility’ pointed to business partners needing to be proactive and to have unfaltering courage in their convictions (Aldrich, 2007:109). One senior business line manager states that human resource professionals need to display political savvy

“and to some extent I would say they need to show courage. I was speaking to a coach and we were saying that in human resources what you can’t be frightened of is making enemies. Where you think something is not right you have to have the courage to confront. If you get to a point of conviction you do have to take a position.” (S3)

Another senior business manager expresses the personal qualities that senior human resource professionals need to display: honesty, integrity; and, a disassociation from internal factions. They believe that such individuals should have:

“an understanding of the key protagonists around the table, a credibility in the eyes of those around the table, a desire to take risks, and good old-fashioned persistence. What I believe is critical is that someone is at ease in their own skin. They are confident, balanced. They’re not political; not a reed in the wind. You’ve got to be solid.” (S3)

This finding supports the importance of being politically aware internally which was discussed above in relation to knowledge of the internal environment.

4.4.5 Summary

The above analysis illustrates the socially complex environment within which credibility is built and partnerships established, and suggests that ensuring excellence in the higher-ranked factors noted in Tables 4.4 and Table 4.5 would be a good start for human resource business partners that wish to build credibility. However, the ability for individual human resource professionals to earn the credibility that will allow them to build partnerships with business line managers, and have business impact through influence in decision making, is unique to each individual relationship, business unit and institution.

Credibility is defined by Becker et al (2001) as having three dimensions; ‘living the firms values’, ‘trust’ and ‘acting with attitude’ and these three dimensions are examined below in relation to the research findings of this thesis. Firstly, ‘living the firms values’ is explained (Becker et al, 2001) as: behaving with openness and respect, having a concern for due process; insisting on high standards; and, candour. These attributes are consistent with the additional factors relating to personal values that respondents to the second study of this thesis felt impacted the credibility of human resource professionals, having the ‘courage of personal convictions’ and ‘not being a reed in the wind’.

Secondly, ‘trust’ was included in the second study of this thesis as one of the factors, ‘trust and personal empathy’, to be ranked in terms of its importance to credibility. Trust is said by Becker et al (2001): to exist when there is ‘chemistry’ between people; to emerge from relationships that are built when human resource

professionals become valued members of management teams; and, when human resource professionals skilfully support business objectives. Becker et al (2001) believe that human resource professionals with trust can exert influence without formal authority. The findings of this thesis indicate: that credibility precedes the ability to influence; that credibility in turn is preceded by the various factors which contribute to credibility; and, that for both business line managers and human resource professionals 'trust and personal empathy' are ranked second for their contribution to the credibility of human resource professionals.

Finally, 'acting with attitude' is demonstrated where human resource professionals can be innovative and produce evidence based contributions to business strategies (Becker et al, 2001). This speaks to the need to understand the business environment and the ability to use business relevant metrics. These factors were also ranked in the second study of his thesis.

The extent to which business line managers consider their key human resource contacts to be credible has been established and through paired research it has been possible to compare their opinions to the self-rating of the human resource professionals and the extent to which various factors impact an individual human resource professionals credibility have been also been tested.

This thesis confirms the research position that credibility is an important mediating factor in the development of the relationship between business line managers and the human resource professionals that support them. It also confirms the primacy given to credibility by Ulrich (1997, 2008), Becker et al (2001) and Boselie and Pauwee (2004). However, in contrast to Becker et al (2001:156) this thesis finds that credibility is defined by an individual's knowledge, skills, abilities, *and* personality characteristics, and in addition, that a number of factors, including the ones examined by Becker et al (2001) and Boselie and Pauwee's (2004), are the ingredients that contribute to credibility rather than credibility being the foundation upon which these domain competencies are built.

4.5 Summary

4.5.1 Overview

It can be seen from the above analysis that the research undertaken for this thesis has established: the *extent* to which human resource professionals and senior line business managers working for institutions in the capital

markets and investment banking sector have adopted the functional roles set out in Ulrich's (1997) framework for human resource management and how the human resource functions are structured to deliver services to their various stakeholder groups; the *extent* to which the 'customer interface', business dedicated human resource business partner, role exists (Ulrich, 1997); and, the *extent* to which business line managers accept primary responsibility for managing human resources (Caldwell et al, 2003; Browne et al, 2004; 2007; Guest & King, 2004; and, CIPD, 2007b). In addition, the research undertaken for this thesis has established the *extent* to which human resource professionals in organisations within the capital markets and investment banking sector participate in and influence their respective organisations' decision making; the *extent* to which business line managers consider their key human resource contacts to be credible; and, the key competencies that impact the credibility of human resource professionals. The major findings are summarised below.

The capital markets and investment banking sector is described as complex and dynamic, where decision making requires fast access to expert knowledge with regard to both the internal and external environments. Firm human resources are noted as being the most important competitive differentiator for every institution in this sector and therefore the roles and relative influences in the management of firm human resources are of significance, specifically, the roles played by the CEO; senior business line managers; and, human resource professionals, and the competency of the human resource function as a whole.

It would appear that in the capital markets and investment banking sector, CEOs and senior business line managers take ultimate responsibility for the management of firm human resources and they are more dominant in driving the organisations' philosophy towards human resource management than human resource professionals who perform an advisory role. Respondents have noted that the human resource function as a whole is not essential for human resource management, as business line managers or their COOs could deliver on aspects of the human resource functions role, but the close involvement of human resource professionals is seen as advisable.

The organisation of human resource functions in the capital markets and investment banking sector broadly follows Ulrich's (1997) model, with business dedicated human resource business partners, human resource specialists and shared service processing. If human resource business partners are to build credibility, and therefore partnerships, with the business line managers the support they are deemed to need significant business experience; a sound technical knowledge of human resource management; and, various personality traits.

Human resource professionals appear to manage the processes for: recruitment and selection; training and development; compensation and benefits; and, performance management, and decisions in these areas are made jointly with business line managers. At some banks human resource professionals have limited influence over senior hiring decisions and leadership development and it has sometimes proved difficult to implement performance measurement programmes. Human resource professionals at the majority of banks are actively involved in decisions regarding the amount of bonuses that will be paid to reward and retain key producers but are less likely to influence the business strategy process and may not be part of the final decision on whether to adopt a particular business strategy. Membership of management committees and being located in close proximity to senior business line managers are seen as helpful in building credible relationships with business line managers.

Business line managers emphasise the importance of human resource professionals managing processes as well as delivering specialist advice in, for instance, compensation and benefits related issues and for handling disputes and disciplinary cases. However, while human resource professionals have not been widely involved in the development of business strategies, or as advisers on people-related risk, there are signs that some leading human resource professionals are starting to obtain greater influence in these areas. Working in partnership with senior business managers they are beginning to establish a 'virtuous circle', with commercially aware human resource professionals partnering with business line managers to jointly measure and manage the human resource environment, placing human resources at the heart of their business strategy. At one bank, a senior human resource professional says that the influence of the human resource function, as a whole, has increased considerably between 2002 and 2007. In this organisation, human resource business partners sit with the business unit that they serve rather than in the human resource function's offices.

The research for this thesis has found that partnerships between human resource professionals and business line managers appear to be both individual and institutionalised and this also seems to be the case for credibility. Credibility, and therefore decision making influence, is likely to be fragile and transient with one senior human resource professional stating that the influence rating of human resource business partners in their institution varied between 3/10 and 10/10, with 10 being the highest score, depending on the business unit concerned. Individual human resource professionals and business managers may leave firms or change roles and the actions of colleagues may erode hard earned credibility.

The most significant factors competencies that are seen as contributing to the credibility of human resource professionals are: personal and human resource function track record on business plan delivery; the trust of, and empathy with, the business line manager; and, knowledge of the external environment.

In the Conclusion these findings are discussed in terms of the links between: the structure of the human resource function and the main functional roles; the links between roles and influence; the links between influence and credibility; and, the links between credibility and factor competencies. Following this the major areas of contribution and relevance to the academic and practitioner debates are developed.

5. Conclusion

5.1 Research findings

5.1.1 Structure and roles

The overall objective of this thesis is to ascertain the roles and relative influence of human resource management in the capital markets and investment banking sector. After a review of extant literature this was broken down into three separate objectives. The first, relating to roles was to determine

- (a) the *extent* to which human resource professionals and senior line business managers working for institutions in the capital markets and investment banking sector have adopted the functional roles set out in Ulrich's (1997) framework for human resource management and how the human resource function is structured to deliver services to their various stakeholder groups;
- (d) the *extent* to which the 'customer interface', business dedicated, human resource business partner, role exists (Ulrich, 1997); and,
- (e) the *extent* to which business line managers accept primary responsibility for managing human resources (Browne et al, 2004; 2007; Guest & King, 2004; and, CIPD, 2007a, 2007b).

It was found that all senior human resource professionals and senior line business managers recognised the presence of human resource generalist business partners, human resource specialists and a shared service processing function within the human resource function and therefore the adoption of Ulrich's (1997) functional roles is extensive.

A new role of 'people risk' specialist was identified and a trend to report on people related risk as a distinct part of operational risk was also highlighted. Discovering the reason for the development of these structures was not an objective of this thesis however one paper was reviewed that was written by senior human resource professionals at Deutsche Bank (Svoboda & Schroder, 2001), a participant organisation in this study, and their reasons for adopting the Ulrich (1997) paradigm were noted in Section 2.3.3a.

Senior human resource professionals and senior business line managers state that business line managers are responsible for the management of firm human resources and while most feel that the human resource function is not essential for the strategic management of human resources a close, partnership based relationship is seen as advisable, and in reality necessary, in most medium and large organisations. The responsibility of business line managers for the management of firm human resources is clearly significant.

Related to the responsibility for human resource management noted above, Caldwell (2001) believes that human resource professionals with experience in business line management roles may find the route to a place in the boardroom easier and therefore from a career development perspective it maybe advisable for human resource professionals to have experience in business line management roles and also other functional areas such as Finance. In fact their presence on a board or committee may be devalued if they are not adequately business aware (Sheehan, 2005).

It would appear that the roles played by CEOs and senior business line managers are the most important variables that mediate the management of firm human resources and therefore if human resource professionals wish to influence decision making they need to be capable of building partnerships with the business line managers they work with. This is examined further below.

5.1.2 Roles and influence

It was found that the capital markets and investment banking industry is complex, dynamic and people focused with decision making impacted by the need for fast solutions to unexpected changes in the internal and external environment. In this sector, CEOs and senior business line managers are significant drivers behind major corporate strategies and the management of firm human resources.

Some human resource professionals influence business strategy decisions but most simply wish to be advised of decisions as soon as they are made so that the human resource implications can be discussed at the earliest opportunity. Decision making influence varies from extensive in graduate recruitment and regulatory training to low in the recruitment of senior business line managers and the learning and development initiatives aimed at management. Influence in decision making is most extensive in the area of compensation and benefits and in some cases it appears to be institutionalised. Influence here is therefore more independent of relationships between individual business managers and human resource professionals and this maybe due to the historic

accumulation of expert knowledge caused by the need for significant boundary spanning (Hegarty & Hoffman, 1987).

Decision making influence in areas that have weak institutional influence is possible where individual human resource professionals have built partnerships with business line managers. Influence in these cases is therefore fragile and transient.

Partnerships, and therefore influence, appear to be possible where business line managers find human resource professionals to be credible and this competency is discussed in detail below.

5.1.3 Influence and credibility

The second objective of this thesis is to discover the *extent* to which human resource professionals in organisations within the capital markets and investment banking sector participate in, and influence, their respective organisations' decision making.

The results of this research, Table 4.1, indicate that human resource professionals influence the business strategy process to a limited extent and may not be part of the final decision on whether to adopt a particular business strategy. This finding is consistent with the literature (Donald & Donald, 1929; Schuler & Jackson, 1987; Strauss, 2001; Golden & Ramanujam, 1985; Buller, 1988; Kochan & Barocki, 1985; Hegarty & Hoffman, 1987; Wright et al, 1998; and, Fitz-enz, 2002).

It was also found that the structure of human resource functions and their interface with the human resource environment will change over time and the degree of institutionalised influence is likely to depend on the

1. historic and current environmental context;
2. philosophy of the CEO to the management of firm human resources;
3. adoption of this philosophy by senior line business managers;
4. nature of the business decision and the need for boundary spanning;
5. personality and competencies of individual human resource professionals – ultimately their credibility; and
6. success of their human resource function colleagues in delivering human resource services.

The findings of this thesis show there is less influence if there is no partnership between the CEO, business line managers and human resource professionals and no partnership without credibility. This idea is developed in Section 5.3 and a model of human resource management influence proposed where: CEO and senior business line management competence in strategic human resource management, and their influence on the human resource environment, is observed in operation with human resource business partner influence, which in turn is contingent on the extent of human resource business partner credibility.

5.1.4 Credibility and competencies

It can be seen from the above conclusions that the degree of influence in decision making exhibited by human resource business partners appears to be dependent on their partnerships with business line managers which in turn are dependent on their credibility with business line managers and also the credibility of the human resource function as a whole. The final objective of this thesis was therefore focused on discovering:

- (c) the *extent* to which business line managers consider their key human resource contacts to be credible; and,
- (d) the *extent* to which credibility (Borocki & Lafley, 1984; Ulrich & Yeung, 1989; Ulrich, 1997; Becker et al, 2001; Brockbank & Ulrich, 2003; Boselie & Paauwe, 2004) of any human resource business partner is impacted by certain competencies.

The findings of this thesis confirm the importance accorded to credibility by a number of writers, Table 2.7, and the factors required for human resource business partners to gain credibility in the eyes of senior business line managers have been analysed and discussed. The results of this research are summarised below, Table 5.1, providing important guidance to human resource professionals in the capital markets and investment banking sector with regard to the factors which are required for human resource business partners to build credibility, and therefore partnerships, with senior business line managers and in doing so influence significant decision making.

Credibility appears to be attached to individual human resource professionals but can be institutionalised over time, however it is hard won and easily lost, or at least easily undermined, either by the poor performance of a human resource professional colleague; the individual human resource professional or business line manager leaving the team; or, poor performance by the human resource function as a whole. A human resource function largely containing human resource professionals undertaking administrative and process roles may not possess

the credibility to provide business line managers with advice on strategic issues, and continued exclusion from the most senior business line management team restricts the ability of human resource professionals to build the commercial awareness and skills needed to adopt a more consultative role.

Table 5.1 The ‘credibility’ of human resource business partners

The credibility of human resource business partners is influenced by the following factors, although their relative influence is yet to be ascertained;

- the human resource representative’s knowledge of the external competitive environment;
- the human resource representative’s knowledge of the internal competitive environment;
- the track record of the human resource representative in delivering on their part of business plan execution;
- the business manager’s trust in, and personal empathy with, the human resource representative;
- the track record of the human resource function as a whole in delivering human resource service support to the business manager;
- the availability and use of data to analyse the business impact effectiveness of human resource initiatives (note: business impact with regards to net revenue and market share, not data that measures the efficiency of the human resource department);
- the proactivity of the human resource representative; and
- the courage of the human resource representative to stand by their convictions.

The results of this thesis support the position of Ulrich (1997, 2008), Becker et al (2004) and the results of Boselie and Pauwee’s (2004) study, that credibility is a key competence for human resource professionals. Ulrich (2008) maintains the centrality of credibility as he develops the competencies of human resource professionals and groups them within: organisational capabilities; systems and processes; and, relationships. Organisational capabilities include competencies in talent management and organisational design; culture and change stewardship; and strategy architecture. Systems and processes include competencies in organisational execution and working as business allies. Finally, with regard to relationships, human resource professionals are seen as ‘credible activists’, delivering results with integrity; sharing information; building relationships of trust; and, executing their roles with attitude.

The findings of this thesis support the above views, concluding that without credibility partnerships will not be formed with business management and decision making influence may not occur. However, the results of this thesis show that instead of credibility being the foundation upon which other competencies are secured (Becker et al, 2001), credibility actually develops from the factors noted in Table 5.1 above. This is important for human resource professionals to understand as they seek to build partnerships that allow for influence in decision making and for business line managers to be aware of as they consider the competencies they require from their human resource business partners.

Having shown how the results of this thesis have addressed its objectives it is useful to explore research gaps and potential areas for future academic studies.

5.2 Considerations regarding the research findings

5.2.1 Research gaps and potential areas for future study

This thesis did not search for some fundamental *truth* about the world or about managerial activity within the world (Watson, 1994), instead, its intention was to extend academic research and provide practically adequate results to inform practitioner action.

Due to the objectives of this thesis, and therefore the research design, it was not possible to examine the social interaction between the senior human resource respondents and senior business line managers in detail. It was therefore not possible to conclude on: micro patterns of communication; the specific decisions that human resource business partners are, and are not, involved with; and, the financial and non-financial outcomes of those decisions. An ethnographic research project similar to that of Watson (1994) would be required to achieve this and could also explore the potential transient nature of credibility and the relative importance of understanding the internal political environment.

It should be noted that the relative strength of each factor that helps give senior human resource professionals credibility was not examined and there is the possibility of social desirability bias in the ranking of these factors although the inclusion of business line managers, to give paired data, and the relative agreement on factor rankings suggests that this is not a significant issue. Also, while human resource specialists, for instance in

recruitment and selection or compensation and benefits, were not included in this thesis, the factors required for them to build credibility are predicted to be similar.

It is possible that different results would be achieved if business line managers and human resource partner relationships were examined one organisational level down. This may lead to further information regarding business line managers' acceptance of devolved human resource management responsibility (Guest & King, 2004; and, Sheehan et al, 2007). Indeed, a study by Graham and Tarbell (2006) on the influence of professional development on human resource professionals noted that extant competency work reflects the perspective of top management clients of the human resource function as a whole and neglects the employee perspective. They found that credibility dimensions vary across stakeholders with employees emphasising trust; management emphasising expertise and effective relationships; and, top management emphasizing the achievement of results.

One comment noted during the research suggested that human resource business partners are more effective if they remain part of the human resource function rather than being fully part of the business line structure and therefore it would be interesting to examine the extent to which human resource business partners have become part of business line management teams and whether this has had any impact on their role and influence.

Other areas of research could include: 'trust in operation with credibility' (Bashein & Markus, 1997; Ganesan & Hess, 1997; and, Becker et al, 2001) and the process of human resource partner legitimisation in relation to the factors responsible for the success or failure of knowledge claims (Ashforth & Gibbs, 1990; Rescher, 1993; Suchman, 1995; and, Dryzek & Niemeyer, 2006) in boundary-spanning and non boundary-spanning activity; and, the formation of trust based on the model outlined by Dietz and Hartog (2006) who found a dominance of trust judgements based on the trustee's integrity and benevolence while the trustee's competence and predictability was relatively marginalised.

It is also recommended that research is undertaken among comparator organisations that identifies the attributes of 'virtuous circle' relationships between human resource business partners and senior business line managers. This should include an analysis of the specific decisions that do and do not include human resource business partners and the human resource related financial targets that senior business line managers and human resource business managers are held accountable for. In relation to this it would be useful to explore the extent to which human resource business partners critically, but appropriately, challenge their CEOs and business line

managers on areas or business strategy and human resource policy or whether they conform with management agendas to preserve their position in the firm.

Finally, one human resource professional observed that, “human resources must be the only function that spends so much time worrying about whether it’s credible.” (L) and suggests that the human resource function may lag other functional areas such as Finance and IT in terms of their perceived status within organisations in this sector, however, further research could be undertaken to establish if this is the case. Indeed, research could be undertaken to examine the relative success of training for human resource professionals in equipping them with the competencies they require to succeed in their roles and how individual human resource professionals establish a ‘virtuous circle’ of credibility, partnership and influence.

5.2.2 Additional literature

Since concluding the research for this thesis additional literature has been published which supports its major findings.

5.2.2a The roles and relative influence of human resource professionals

A study by Sheehan et al (2007) explores the relationship between the human resource function’s access to avenues of political influence and perceived organisational performance through individual human resource professionals. They found that while access to political influence does not moderate firm performance, CEO support and organisational support for the human resource function predicts perceived organisational performance and representation on the board of directors only appears to have symbolic value.

CEO support is noted by a number of commentators as important in terms of influencing management responses to their human resource management responsibilities (Kelly, 2001; Kelly & Gennard, 2007; and, Antila & Kakkonen, 2008) and a triangle of ‘best practice’ is proposed by Antila and Kakkonen (2008), with CEO recognition at the apex and integrated human resource and business strategies leading to business effectiveness.

In Maxwell and Farquharson's (2008) study of senior managers' perceptions of the practice of human resource management they cite Kelly and Gennard (2007) who found that: strategic decision making can take place at CEO and board of director level so board membership is not necessary to influence decision making; both informal and formal routes of influence are important; and, business focus is more important than advocacy of a specialist function in strategy formulation. This supports both the findings of Sheehan (2005) and the results of this thesis. They also found a separation between strategy formulation and the implementation of policies and practices due to differences in the understanding of, and commitment to, human resource policies and practices by human resource professionals and business line managers (Harris, 2005; Cunningham & Hyman, 1997; and, Watson et al, 2007). This supports the position of this thesis, that social complexity mediates not only the strategy making process but the implementation of its results and also the findings of Guest and King (2004) and Sheehan et al (2007) relating to the less than universal acceptance of devolved responsibility for human resource management by business line managers.

Consistent with the recommendations of Boxall and Purcell (2000), the research study undertaken by Maxwell and Farquharson (2008) used semi-structured and broad questions, and avoided the possibility of single-respondent error by including Managing Directors; the most senior operational directors; and, the most senior human resource specialist. However, while they tried to link business effectiveness and human resource management their research relies on opinions 'which imply a connection between business performance and proximity of perceptions on HRM between HR specialists and line managers.' (Maxwell & Farquharson, 2008:313). It therefore does not address whether effective human resource management is just one symptom of well-managed companies.

Further evidence has been found regarding the extent of CEO and senior business line management influence. For instance, Antila and Kakkonen (2008) undertook a multiple case-based study to research the factors affecting the role of human resource managers in international mergers and acquisitions and examined six factors that were cited as affecting the roles of human resource professionals:

- the orientation of top management to people management skills (Kane & Palmer, 1995 and Truss, 2003);
- the skills, abilities and competencies of human resource professionals in the following areas: professional and technical; business orientation and ability to make business focused decisions; and, interpersonal and

political skills (Hall & Torrington, 1998; Kelly & Gennard, 1996, 2001; Kane et al, 1999; and Brewster et al, 2000);

- the interpersonal skills of human resource professionals: as they help to create networks and increase their credibility, power and influence in organisations: This is especially significant with regard to their personnel relationship with the CEO as this is an important channel to raise issues relating the management of human resources (Purcell & Ahlstrand, 1994);
- the human resource function and its characteristics: Truss et al (2002) found that the following issues impacted the roles of human resource professionals: expectations by others in the organisation; the nature of human resource function leadership; resources possessed by the human resource function and the way they are used; the level of human resource professionalism; the business knowledge of human resource professionals; the power of human resource professionals and willingness to act in strategic role; and, communication, visibility, structure, and effective administrative support;
- the expectations that line managers have of human resource professionals (Truss et al, 2002; Buyens & De Vos, 2001) in terms of: external factors, such as the economic environment; technology changes, culture, line of business, internationalisation and competitors (Kane & Palmer, 1995): and,
- the expectations that line managers have of human resource professionals (Truss et al, 2002; Buyens & De Vos, 2001) in terms of: internal factors, such as size structure, history, power and politics (Kane & Palmer, 1995).

They conclude that a place on the management team does not automatically mean a strategic role or comprehensive involvement. Instead, the presence of trusting relationships between human resource professionals and business line managers are emphasised alongside the human resource business partner's ability to show the importance of human resource related issues in mergers and acquisitions.

Technical and professional human resource knowledge combined with knowledge and experience of the business are seen by Antila and Kakkonen (2008) as most important for the involvement of human resource professionals in decision making along with the need for human resource professionals to be active and use initiative and for business line managers to be trained to see the importance of human resource related issues.

They believe that the capabilities and activities of human resource professionals are connected to their interpersonal skills with their ability to establish relationships based on trust appearing to be of significant importance to business line management. Trust is established by combining functional specialist knowledge with business savvy and has been associated closely with the concept of credibility (Pfeffer, 2002). Finally, Antila and Kakkonen (2008) found that the role of human resource professionals is partly determined by status of the human resource function as a whole (Truss et al, 2002) and that day-to-day human resource management has to work well before involvement in more strategic activities is granted.

The above findings support the research results of this thesis, specifically that the roles and relative influence of human resource professionals are impacted by: the path dependence and complexity of the human resource environment; their business awareness and boundary spanning capabilities; their human resource technical skills; their interpersonal skills including political awareness; their visibility; the creation of partnerships between human resource professionals and business line managers to provide a platform for influence; and, the importance of credibility in building partnerships in the first instance. The resources and performance of the human resource function as a whole also impact the influence of individual human resource professionals. In addition, other results of this thesis are also supported by their research findings: the orientation of the CEO and senior business line to managing firm human resources is deemed to be high; CEO influence regarding the management of human resources is significant; and, personal relationships with CEOs appear to have greater importance than membership of committees which have more symbolic value.

5.2.2b Human resource business partners

In the results of a survey commissioned by the UK's Chartered Institute of Personnel and Development (CIPD) (CIPD, 2007a) on the changing human resource function it was noted that one-third of respondents whose human resource function has been restructured between 2002 and 2007 say that it now reflects the Ulrich (1997) model and 28% say that this is partially true. Human resource partners are present in 38% of organisations and the most commonly stated benefits of this role include: the human resource function becoming a strategic contributor; the human resource function being more business-focused; people management issues being given more importance; and, that the human resource function has improved its credibility. These results are predicted by the findings of this thesis.

The most common difficulties encountered in restructuring the human resource function are noted as the definition of new roles; insufficient resources; skill gaps; ineffective technology; and, resistance to change within the human resource function (CIPD, 2007a). The biggest challenges to the competencies of human resource professionals are noted as developing: influencing skills; leadership skills; strategic thinking; and, business knowledge. In terms of devolving human resource responsibilities to business line management obstacles stated included: management priorities; management skills; the availability of management time; and, poor manager self-service. The results of this survey therefore provide insight into the reasons why Guest and King (2004) and Sheehan et al (2007) found that some business managers do not embrace devolved responsibility for managing human resources.

The impact of partnerships between business line managers and human resource partners is illustrated in the same CIPD study. It identifies human resource professionals who describe themselves as strategic partners and found that one third had a seat on the board compared to less than a fifth of those who didn't describe themselves as strategic partners. The CIPD survey (CIPD, 2007a) asked all respondents to describe how much involvement and influence they had at various stages in the development and implementation of business strategy. This was felt to be important as involvement in the early stages of planning is thought to make a big difference to how much influence the human resource function exercises. It was found that respondents that described themselves as strategic partners had greater involvement at all stages of strategic planning than those who didn't describe themselves as strategic partners.

The report concludes that three competencies differentiate strategic business partners from other human resource professionals: strategic thinking; business knowledge; and, leadership abilities. In addition, that successful implementation of this role requires: an understanding of the existing roles and credibility of the human resource function; clarity and communication of new structures and roles; full staffing with appropriate talent from the outset; high quality relationships between human resource business managers and business line managers; efficient and effective delivery of process orientated roles; and, the measurement and publication of impact.

An earlier CIPD report focused on human resource business partnering (Brown et al, 2004) and found the term business partner was a label used to cover a diversity of roles that include strategic; administrative; and, consultancy responsibilities. It noted that the development of the business partner role has been driven by the need for efficiency and effectiveness, which is associated with shared services; the need for expertise to keep

ahead of competitors, which is associated with centres of excellence; and, the demand by organisations for more business-focused human resource professionals, which is associated with human resource business partners. Common obstacles to the achievement of successful partnering are noted by the CIPD (CIPD, 2007b) as:

- line managers without the skills or desire to take on more or do things differently;
- poor, expensive or slow transactional human resource services and intranets;
- human resource professionals with little skills or experience to succeed as business partners;
- the absence of a consistent business strategy with which the human resource function can work; and
- a human resource agenda that is set independently of the business.

It would appear from the CIPD's conclusions (CIPD, 2007a, 2007b) that credible human resource professionals are necessary but not sufficient for successfully establishing partnerships with business line managers. In addition, line managers need to have the ability and motivation to adopt their role in the management of firm human resources; the human resource infrastructure requires investment; the impact of human resource initiatives should be measured and published; process responsibilities must meet or exceed expectations; and, business strategy must be integrated with human resource strategy although human resources professionals must set an agenda which gives independence of thought and action.

Consistent with the findings of this thesis, it would appear that the above criteria will only be satisfied where: CEO philosophy supports an investment in human resource infrastructure; the education and accountability of business line management; and, where credible human resource professionals build partnerships with CEOs and senior business line managers.

This CIPD report (CIPD, 2007b) notes that the search for human resource business partners is proving difficult (Mohrman et al, 1996) and that the compensation offered to business partners is rising significantly. It makes recommendations for the appointment and development of human resource business partners, the main items being an agreement by all stakeholders on: the objectives of the role; what it entails; how it differs with previous roles; and, a specification regarding which competencies are important for the role.

5.2.2c People risk management

The area of people related risk was the subject of research by Markel and Lizbeth (2007) who note that while firm risk management and human resource functions have traditionally worked in isolation, both areas have begun to adopt more strategic and holistic approaches to minimise firm risk. The conclusions of their study support the findings of this thesis, which found some banks considering people risk as part of their overall operational risk reporting.

In summary, the findings and conclusions of this thesis in the areas of roles, influence and credibility in human resource management are supported by studies that have subsequently been published by Markel and Lizbeth (2007), Sheehan et al (2007), the CIPD (CIPD, 2007a, 2007b), Maxwell and Farqharon (2008) and Antila and Kakkonen (2008).

Having established some key considerations regarding the research contained in this thesis and the impact of additional literature on it's findings, the following two sections examine this thesis in terms of its contribution and relevance to academic and practitioner debates.

5.3 A model of human resource management influence

5.3.1 Overview

A model of human resource management influence has been developed from the findings of this thesis that extends theory relating to: functional roles; the roles of Storey (1992) and role *metaphors* of Ulrich (1997); and, credibility and influence, Table 2.7.

5.3.2 Extension of theory: A model of human resource management influence

5.3.2a *Extant theory*

In an attempt to address organisational complexity Colbert (2004) extended the configurational approach to firm performance by proposing an integrated framework for strategic human resource management. In his paradigm, levels of abstraction in the human resource system are noted as principle, policy, practice and product. These

are set against the following modes of theorizing, universal, contingency, configurational and complex. He notes that an 'HR Principle' can be exemplified by the thought that 'employee participation is critical to our success' and that 'HR Policies', are alternative methods of enacting the guiding principles. The firm is then said to choose from appropriate 'HR practices', which are described as the specific tools that are available to execute the 'HR Policies'. Finally, the 'HR Product' is the metric that describes the effect of implementing the practices.

In the same year as Colbert's (2004) paper was published Bowen and Ostroff (2004) proposed that a strong human resource management system can enhance organisational performance owing to shared meanings in the promotion of collective responses that are consistent with organisational strategic goals, assuming the appropriateness of these goals. While their study supports findings that firm performance is related to 'employee engagement' and 'high performance work systems', like Colbert (2004), they do not address the functional roles and relative influence of human resource professionals and business line managers in contributing to a high performance human resource environment.

5.3.2b Theory development

The above research took human resource management theory to the point where organisational complexity was acknowledged but did not address how the enactment of theory may occur. Theory meets practice where organisations in the capital markets sector seek to have the right people, in the right place, at the right time, at the right cost and fully engaged and where management understand what human resource principles, policies, practices will create a sustainable high performance work environment. The human resource strategy that emerges from the choices available to management should be aligned with the firm's business strategy, which itself should be aligned with the needs of its stakeholders.

The first management challenge is understanding what stakeholders expect from the firm, how they define value, and the second is balancing these by creating a business strategy that satisfies their combined and possibly competing expectations. It is proposed by extant literature that strategic human resource planning and strategic business planning should be integrated and it appears from the literature, and the results of the research undertaken for this thesis, that CEOs and senior business line management will have greater influence on whether this occurs relative to human resource professionals. This is illustrated in Figure 5.1, which shows CEO and senior business line manager competency in strategic human resource management, and influence over the human resource environment, in operation with the credibility of human resource professionals:

- where there is high CEO competency in strategic human resource management and influence on the human resource environment; high senior business line manager understanding of what contributes to a high performance human resource environment; high human resource credibility with high influence - **resonance**; then, the relative competitive advantage of the organisation gained through people will be maximised;

- where there is high CEO competency in strategic human resource management and influence on the human resource environment; high senior business line manager understanding of what contributes to a high performance human resource environment; low human resource credibility with low influence - **dissonance**; then, the relative competitive advantage of the organisation gained through people will be high;

- where there is low CEO competency in strategic human resource management and influence on the human resource environment; low senior business line manager understanding of what contributes to a high performance human resource environment; high human resource credibility with high influence - **presence**; then, the relative competitive advantage of the organisation gained through people will be low; and

- where there is low CEO competency in strategic human resource management and influence on the human resource environment; low senior business line manager understanding of what contributes to a high performance human resource environment; low human resource credibility with low influence - **absence**; then, the relative competitive advantage of the organisation gained through people will be minimised.

This paradigm extends human resource management theory through its findings relating to the credibility of human resource professionals and their decision making influence and is discussed in more detail below.

While CEOs are expected to exert greater influence over the human resource environment than human resource professionals, this will only be beneficial to the competitive advantage of the firm where they are competent in human resource management and where they are directing a successful business strategy. If the CEO does not think strategically about talent issues or is not aware of how to capture the maximum discretionary effort from their employees in the short term then at best their ability to influence will not be fully utilised and in the worse case their influence may have a negative impact on the human resource environment.

	LOW CEO COMPETENCE IN AND INFLUENCE ON SHRM AND THE HRE	HIGH CEO COMPETENCE IN AND INFLUENCE ON SHRM AND THE HRE
HIGH HUMAN RESOURCE FUNCTION CREDIBILITY	<p>Presence</p> <p>CEO: Human resource management is not given appropriate weight/direction Senior line: Excellence in human resource management is not an objective HR directors: Highly credible HR advisors: Highly credible HR specialists: Highly credible HR process: Highly credible</p>	<p>Resonance</p> <p>CEO: Human resource management is given appropriate weight/direction Senior line: Excellence in human resource management is an objective HR directors: Highly credible HR advisors: Highly credible HR specialists: Highly credible HR process: Highly credible</p>
LOW HUMAN RESOURCE FUNCTION CREDIBILITY	<p>Absence</p> <p>CEO: Human resource management is not given appropriate weight/direction Senior line: Excellence in human resource management is not an objective HR directors: Low credibility HR advisors: Low credibility HR specialists: Low credibility HR process: Low credibility</p>	<p>Dissonance</p> <p>CEO: Human resource management is given appropriate weight/direction Senior line: Excellence in human resource management is an objective HR directors: Low credibility HR advisors: Low credibility HR specialists: Low credibility HR process: Low credibility</p>

SHRM = Strategic Human Resource Management
HRE = Human Resource Environment

Figure 5.1 CEO competence and influence with regard to strategic human resource management in operation with human resource function credibility

In addition, a positive influence on the human resource environment will not help the performance of the firm if the wrong business strategy is being pursued, in fact it may have negative effects on firm results. One interviewee from Caldwell's (2003) study supports this view stating that, 'I have spent eight years in the Boardroom and personnel listens ... If the business strategy is wrong, HR cannot make it right.' (Caldwell, 2003:1000).

Influence is substituted by credibility for human resource professionals as the findings of this thesis indicate that the degree of human resource business partner influence is contingent on the degree of human resource business partner credibility. It is argued by this thesis that if human resource professionals have no credibility CEOs and senior business line managers are unlikely to include them in significant decision making. It is also argued that credibility can be both individual and institutional. These conclusions confirm and extend extant literature regarding credibility (Ulrich, 1997, 2008; Becker et al, 2001; and, Boselie & Pauwee, 2004).

For the sake of clarity extreme positions are described in Figure 5.1, however, as noted by Boselie and Paauwe, (2004) and Colbert (2004) with regard to management paradigms, in reality the picture is much more complex. Organisations will display multiple positions on the grid, for instance the credibility of human resource professionals, and therefore influence, will vary by individual relationship, by business unit, by division and therefore, in combination, for an organisation as a whole. In addition, credibility, and therefore influence, may be institutionalised, for example in decision making relating to compensation and benefits, or contingent on individual partnerships between human resource professionals and business line managers.

This model is supported by both extant literature and the findings of this thesis as follows:

- the findings of previous literature (Golden & Ramanujam, 1985; Kochan & Barocci, 1985; Hegarty & Hoffman, 1987; Buller, 1988; Wright et al, 1998; Kelly, 2001; Fitz-enz, 2002; Kelly & Gennard, 2007; Antila & Kakkonen, 2008; and, Maxwell & Farquharson, 2008) and this thesis indicate that CEOs have greater influence over the human resource environment than human resource professionals and that where they are competent in human resource management then they can positively impact the human resource environment and following this, firm competitive advantage;

- the findings of previous literature (Guest & King, 2004; Harris, 2005; Cunningham & Hyman, 1997; Sheehan et al; Watson et al, 2007; and, CIPD, 2007a, 2007b) indicate that senior business line managers must clearly understand and embrace their human resource management responsibilities for an integrated approach to human resource management to be successful;
- the findings of this thesis indicate that for human resource professionals to have influence they must first form partnerships with their business line manager clients and that the potential for partnerships to be formed rests on their credibility. Credibility therefore substitutes influence on the vertical axis of this model;

It was stated earlier that this thesis would not try and quantitatively link human resource management to firm performance, however, it does contend that 'the impact of the human resource environment in the capital markets and investment banking sector can be key to the relative performance of firms in this sector, for instance where firms are competing with each other on the basis of similar and successful business strategies.' This thesis was therefore designed to, amongst other objectives, 'investigate the credibility of human resource business partners as a key mediating variable in the relationship they build with business line managers, which in turn may influence decision's that impact the human resource environment and ultimately the performance of the organisation'. This model emerges from the research that was subsequently undertaken to address this point and has implications for both CEOs and human resource professionals.

5.3.2c Implications for CEOs

This model indicates that the competitive advantage obtained by any firm from their human resource environment will be greater under certain conditions. Where *resonance* exists the CEO has high competency in strategic human resource management and has high influence over the human resource environment. They are likely to proactively use their human resource professionals for advice and champion human resource initiatives that they drive down through the organisation for successful implementation by senior business line managers and functional management. The human resource function is seen as highly credible and is involved in the management of the business on an integrated basis. This situation will maximise the competitive advantage gained through people, however, even in situations of *resonance*, the competitive advantage that is gained through people will not make up for a poor business strategy (Caldwell, 2003).

Where *absence* exists the CEO has low competency in strategic human resource management and low influence over the human resource environment. They are not likely to proactively use their human resource professionals for advice or champion human resource initiatives for implementation by senior business line managers and functional management. The human resource function is not seen as at all credible and is not involved in the management of the business on an integrated basis. This situation will minimise the competitive advantage gained through people.

Of course CEOs maybe highly competent in human resource management but may not have the influence to drive initiatives down through the organisation for successful implementation. Similarly, CEOs with a low competency in human resource management may have high influence and be able to drive poor human resource initiatives down through their organisation which then have a negative impact on the human resource environment and the competitive advantage gained through people.

It would appear from the findings of this thesis that where highly credible human resource professionals do not exist but highly competent CEOs have influence over their senior business line management team then a situation of *dissonance* will occur. The CEOs will proactively use their business line managers for advice and champion human resource initiatives that they drive down through the organisation for successful implementation by senior business line managers and functional management. This situation is unlikely to maximise the competitive advantage gained through people as the CEO and their management team do not have access to tactical and strategic advice from credible human resource professionals, however the competitive advantage gained through people will still be high.

Finally, it would appear from the findings of this thesis that where highly credible human resource professionals do exist but CEOs have low competency in strategic human resource management and low influence over their senior business line management team then a situation of *presence* will occur. The CEOs will not proactively use their human resource professionals for advice and will not champion human resource initiatives to be driven down through the organisation for successful implementation by senior business line managers and functional management. This situation is unlikely to maximise the competitive advantage gained through people as the CEO and their management team do not utilise the tactical and strategic advice available from credible human resource professionals. While highly credible human resource professionals will have some influence and positive impact the competitive advantage gained through people will be low.

From a practical perspective the banks included in this study can be subjectively aligned with each quadrant with the ones that have performed well during the 2008 financial crises highlighted in bold:

- **Resonance:** **B, D, F, G, I, K, N, O, P, Q, R, S, U, V**

The banks that did not perform well in this category had a more significant exposure to mortgage-backed and other structured credit products than the others and therefore suffered greater financial loss and subsequently a longer period of instability. A superior approach to human resource management did not make up for poor business strategy and poor risk management.

- **Dissonance:** **A, H, L**

The bank that did not perform well in this category had a more significant exposure to mortgage-backed and other structured credit products than the others and therefore suffered greater financial loss and subsequently a longer period of instability. The lack of highly credible human resource professionals appears unlikely to make a significant difference as banks with highly credible human resource business partners in the *resonance* quadrant still lost significant amounts due to poor business strategies and poor risk management.

- **Presence:** **C, M, T**

One bank had significant exposure to mortgage-backed and other structured products and therefore suffered significant financial loss and subsequently a longer period of instability. While human resource professionals at both banks are credible it is not possible to ascertain the impact of their limited use in the context of the financial crises. The presence of highly credible human resource professionals does not appear to make a significant difference as banks with highly credible human resource business partners in the *resonance* quadrant still lost significant amounts due to poor business strategies and poor risk management.

- **Absence:** **E, J**

One bank had a significant exposure to mortgage and structured products and therefore suffered significant financial loss and subsequently a longer period of instability. While human resource professionals at both banks are not credible and the CEOs are deemed to have less competency with regard to human resource

management it is not possible to ascertain the impact of their limitations in the context of the financial crises. The lack of highly credible human resource professionals appears unlikely to make a significant difference as banks with highly credible human resource business partners in the *resonance* quadrant still lost significant amounts due to poor business strategies and poor risk management.

While above examples from the capital markets and investment banking sector are subjective and lack independent data to support the categorisations, they clearly show the importance of pursuing a sound business strategy (Caldwell, 2003); and, performing adequate risk management. However, this subjective analysis does not address the question of whether the banks that pursued more successful business and human resource policy strategies had senior human resource professionals who were able to influence business strategy and risk management, for instance by challenging business plans and reward structures. From the experience of this author, it is unlikely that this is the case. It is more likely banks that loss less were better managed by their CEOs and senior business management teams or were too slow in getting involved with the businesses that ended up hurting their competitors. Given the findings of the UBS shareholders report (UBS, 2008) and the CIPD (CIPD, 2007a, 2007b), regarding issues of governance, it has been suggested that this area is the subject of future research.

Having considered the implications of this model from a CEOs perspective the credibility dimension is discussed in terms of its implications for human resource professionals.

5.3.2d Institutional vs Individual credibility and the implications for human resource professionals

One of the findings from this thesis is that credibility can be more or less institutionalised as well as being individual. For instance, the area of compensation and benefits appears to be one where the human resource specialist function is institutionally held to have credibility and is therefore able to influence significant decisions. The erosion of perceived credibility is less likely to be associated with the performance or departure of particular individuals, although this may occur if the reputation of the function is based around the long-term success of one person. However, the credibility of business partners in generalist roles is more likely to be linked with their individual performance or a change in business line manager or human resource professional.

In addition to recognising the above, human resource professionals should be aware of the key factors which impact their credibility with business line managers, Table 5.1, and the most significant of these are discussed below.

The knowledge of the external competitive environment is important to business line managers who rely on human resource professionals for their 'boundary spanning' capabilities to gather competitor data on: business structures; headcount; performance; and, advice on regulatory activity. This is more important than knowledge of the internal competitive environment, maybe because business line managers feel that they understand this already or at least would not want to seek the counsel of someone within the firm.

The track record of delivering on their part of business plan execution is important and like other client service focused roles there is a sense that credibility is only as strong as the last successful delivery. The track record of the human resource function as a whole in delivering human resource service support to the business manager is less significant but also important. The individual human resource professional's hard work at establishing credibility can be undermined when basic human resource administrative tasks go wrong and irritate business line managers.

The business line manager's trust in, and personal empathy with, the individual human resource professional is important. A technically sound and highly experienced human resource business partner may find it hard to build credibility where the levels of empathy and trust are low. Related to this point, a number of business line managers commented on the importance of proactivity and the courage of the human resource professionals to stand by their convictions.

While the competencies relating to the availability and use of data to analyse business impact ranked relatively low against the other factors, the use of extensive financial data, computer modelling and portfolio management techniques is significant in the capital markets and investment banking sector. This sector is therefore well placed to attend to the calls for greater access to quantitative data regarding the human resource environment and the segmentation of firm human resources that are documented earlier in this thesis. This point leads to the second major contribution of this thesis, a model for Talent Portfolio Management, which is examined in detail in the following section.

5.4 Talent portfolio management

5.4.1 Overview

In terms of practitioner relevance and impact, this thesis predicts the widespread development of additional functional roles within the human resource functions of institutions in the capital markets and investment banking sector, for instance, the increase of people-related risk specialists and an increase in human resource professionals that are employed to produce business-impact related metrics that allow for a more granular analysis of the human resource environment. To engage both senior business line managers and senior human resource professionals within the capital markets and investment banking sector in this discussion, the management of human resources has been conceptualised as a form of portfolio management (Aldrich, 2007), Appendix Seven.

A number of studies support the approach of conceiving the talent pool of organisations as an investment portfolio. For instance, Wright et al (1994) define the human resources of organisations as a 'pool of human capital under the firm's control in a direct employment relationship' and Agrawal et al (2003) state that

'In most businesses, not all employees are created equal. A sub-set ... always plays a disproportionate role in creating value. Our experience suggests that workforces fall into six segments: top executives, knowledge workers, middle management, skilled workers, less-skilled workers and bureaucrats ... any of these can emerge as the most pivotal.' (Agrawal et al, online)

Developing the theme of segmentation, Boudreau and Ramstad (2005) wrote that

'The human resource function should begin its transformation by applying tools of segmentation ... Just as marketing systematically segments customers to target investments strategically, human resources function needs to segment talent to deploy human capital strategically.' (Boudreau & Ramsted, 2005:23-24)

Further to this, management consultants McKinsey (Guthridge et al, 2008) also state that talent management should not be limited to 'top talent' but instead should follow a more inclusive approach by thinking of employees as 'a collection of talent segments.' (Guthridge et al, 2008:56).

Therefore, just as certain capital markets activity involves the management of asset portfolios, such as: foreign exchange; equity; loans; bonds; and, commodities, 'talent portfolio management' involves taking an investment-based, strategic approach to the management of human resources. For organisations in the capital markets and investment banking sector their talent portfolio can be segmented into different human asset groups, for example, front-office stars, their teams and those in key support roles. The ultimate goal is to ensure that the organisation can consistently deploy the right people, in the right place, at the right time, for the right cost and for them to be fully engaged.

McKinsey (Putzer et al, 2008) published a report entitled 'A talent shortage for European Banks' which discussed the results of a study which was undertaken in 2008 and concluded that a shortage of strong internal candidates for critical positions will force European banks to overhaul their talent management efforts in order to stay competitive and ensure strong growth. Thirteen banks were represented in their study and they found a common theme, 'That the CEOs and top executives of banks must personally endorse and live talent management, so that an understanding of its importance percolates throughout the organisation.' (Putzer et al, 2008:1). They are encouraged to do this by having more rigorous talent management processes and by using objective indicators to measure effectiveness.

This conclusion is consistent with the findings of this thesis with regard to the importance of CEO and senior business line managers driving their organisation's philosophy towards management of firm human resources, Figure 5.1, and although the provision of metrics was not ranked highly in research results for this thesis relative to other factors impacting the credibility of human resource professionals, Table 4.4 and Table 4.5, it again emphasises the importance of data to measure success.

5.4.2 Extension of theory: Talent Portfolio Management

The implication from the findings of this thesis is that a Talent Portfolio Management approach, Table 5.2, requires the following:

Table 5.2 Talent portfolio management

Management position		Talent portfolio management role*
CEO		Chief Talent Officer/ Chief Investment Officer
Divisional business managers: e.g. Fixed Income, Equity, IB		Divisional portfolio managers
Heads of business eg DCM, ECM, FIG		Business portfolio managers
Human resource business partner		Portfolio analyst and advisor
Human resource specialist		Portfolio risk manager

** conceptual roles in the Talent Portfolio Management paradigm*

Aldrich (2007)

- a clear focus on talent as a strategic investment by the CEO as chief talent officer/chief investment officer who segments the talent portfolio and the most senior business line managers;
- business line managers who portfolio-manage segments of the talent portfolio;
- commercially aware, credible, business partners in the human resource function who analyse the talent portfolio from a financial perspective; and
- human resource specialists who provide risk management support.

The CEO could be described as the chief investment officer: senior line business managers as the portfolio managers of talent for each segment of the talent pool; human resource business partners as portfolio analysts and advisors; and, other human resource specialists acting as portfolio risk managers.

The Talent Portfolio Management paradigm (Aldrich, 2007) introduced above draws on the results of previous cross-sector studies and the results of this thesis to promote practitioner debate and at the time of thesis submission this conceptualisation had already found support from senior human resource managers in the capital

markets and investment banking sector; at BNP Paribas, JPMorgan, and The Royal Bank of Scotland; and, the human resource consulting division of management consultants Mercer, Appendix Seven. It is hoped that the adoption of this approach may be tested by future research in the capital markets and investment banking sector and other sectors.

5.4.3 Changing functional roles and competencies in human resource management

5.4.3a New roles and competencies

A Talent Portfolio Management approach to managing human resources requires advanced skills, for example in organisational analysis and statistical modelling, which may not currently be part of the core competencies of professionals in the human resource function and therefore this approach, though straightforward to conceive, may require a radical change in thinking by business line managers and the human resource professionals that support them. The implications include:

- a strategic approach to management of the talent portfolio, led by the CEO. This involves an understanding of the fundamental links between leadership and management competency as it relates to the human resource environment; talent portfolio management; and, better firm performance;
- an integrated and strategic working relationship between the human resource function and business managers;
- stronger numerical, analytical and commercial skills in the human resource function;
- greater measurement around talent, building up to sophisticated human capital metrics; and
- the identification and active management of people related risk.

These implications of the above: imply the creation of functional human resource roles that focus on human capital metrics, human resource portfolio modelling and people risk management; that people risk management is of significant enough importance to be added to the areas of human resource management activity noted by: Schuler and Jackson (1987); Torrington and Hall (1991); de Saá-Pérez and García-Falcón (2002); and, Boselie

et al (2005); and, that the new functional roles for human resource professionals should be added to those suggested by Ulrich (1997) and should be seen in Storey's (1992) terms as 'interventionist' related and both tactical and strategic and in Ulrich's (1997) terms as 'process' related and both operational and strategic. In addition, this sees human resource professionals as 'shareholder' or, more inclusively, 'stakeholder' champions'.

5.4.3b Making talent a strategic priority

Continued progress is needed to address the findings of management consultancy McKinsey (Guthridge et al, 2008) that

'Companies like to promote the idea that employees are their biggest source of competitive advantage. Yet the astonishing reality is that most of them are as unprepared for the challenge of finding, motivating and retaining capable workers as they were a decade ago.' (Guthridge et al, 2008:49)

It was also noted by Guthridge et al (2008) that when companies do make talent a priority that they often fall into the trap of focusing narrowly on human resource systems and processes which diverts attention away from the 'habits of the mind' which one financial services executive in their study stated was the real barrier to talent management.

They conclude that the human resource 'department' is experiencing declining impact with less than two-thirds of all human resource directors reporting to the CEO and other functional executives in the UK earning up to 50% more than human resource professionals. There were five areas of particular concern where human resource professionals and business line managers have divergent views: 58% of business line managers agreed that 'HR lacks capabilities to develop talent strategies aligned with business objectives' compared to 25% of human resource professionals; 60% of business line managers agreed that 'HR is an administrative department, not a strategic business partner' compared to 51% of human resource professionals; 64% of business line managers agreed that 'HR is not held accountable for success or failure of talent management initiatives' compared to 36% of human resource professionals; 58% of business line managers agreed that 'Talent management is viewed as the responsibility of HR' compared to 36% of human resource professionals; and, 58% of business line managers agreed that 'HR doesn't provide enough support to line managers' compared to 43% of human resource professionals (Guthridge et al, 2008:54).

The above findings raise three major concerns: firstly, that in each case a high percentage of human resource professionals agree with the statements; secondly, that there are significant gaps between line managers' perceptions and those of the human resource professionals, with the business line managers' perception always being a great deal more negative; and, lastly, that 51% of human resource professionals and 60% of business line managers feel that the human resource function is administrative rather than a strategic partner.

In the conclusion to their study, McKinsey recommend that the human resource function

'should assert its influence over business strategy and provide credible and proactive counsel and support for the chiefs and line managers of individual business units ... HR leaders need to widen their focus beyond senior management and better address the needs of the front line.' (Guthridge et al, 2008:57)

They also recommend that human resource departments should get a better feel for talent segmentation and internal marketing as well as acquiring deeper business knowledge. These recommendations are consistent with the findings of this thesis and the solution provided by the model for 'Talent Portfolio Management' noted above.

5.5 Summary

5.5.1 Major contributions

The research for this thesis contributes to and extends theory (Storey, 1992; Ulrich, 1997; Becker et al, 2001; Colbert, 2004; Boselie & Pauwee, 2004; Bowen & Ostroff, 2004; and Guest & King, 2004) related to the functional roles and relative influence of human resource management and informs practitioner action in a number of ways:

1. This thesis focuses on the functional roles undertaken by human resource professionals and

- confirmed that banks within the capital markets and investment banking sector had adopted the functional roles suggested by Ulrich (1997);

- discovered that these functional roles were enacted by banks in different ways to fit their business structures; and
- that a new functional specialist role of 'people risk manager' had also been adopted by one bank and that another bank had hired a specialist to model the risks of the human resource environment.

The people risk manager role can be thought of: in functional terms; as related to an additional area of human resource management activity; as a dimension of the role paradigms of Storey (1992) and Ulrich (1997); and, in terms of human resource professionals becoming 'stakeholder champions'.

2. This thesis focuses on the relationship between human resource professionals and business line managers to ascertain the factors that impact influence in decision making and demonstrated

- that influence by human resource professionals and therefore the human resource function as a whole is dependent on a number of factors: the historical and current environmental context, the philosophy of the CEO; adoption of this philosophy by senior business line managers; the nature of the business decision and the need for boundary spanning; the personality and competencies of individual human resource professionals – ultimately their credibility; and, the success of an individual human resource professional's colleagues in delivering human resource services;
- that influence can be both institutionalized and individual; and
- that influence is fragile and transient.

These factors may also be applicable to other areas of functional management such as Finance and Information Technology and this point may form the basis for future research to establish its validity in different environments.

3. This thesis focuses on the factors that give human resource partners credibility, Table 5.1, and finds that

- the credibility of individual human resource professionals is influenced by: their knowledge of the external competitive environment; their knowledge of the internal competitive environment; the track record of the individual in delivering on their part of business plan execution; the business managers trust in, and personal empathy, with the individual; the track record of the human resource function as a whole in delivering human resource service support to the business manager; the availability and use of data to analyse the business impact effectiveness of human resource related initiatives; the proactivity of the individual; and, the courage of the individual to stand by their convictions.

These findings can be used for learning and development purposes and could form the basis for future research to establish its validity in different environments.

4. This thesis creates a model of ‘human resource professional-business line management’ influence, Figure 5.1, which

- depicts the relative importance of CEO influence on the human resource environment;
- substitutes credibility for influence as it is proposed that the influence of human resource business partners in significant business decisions is dependent on credibility; and
- illustrates that the most credible team of human resource professionals may not have significant impact if the CEO is not competent in strategic human resource management; does not influence the human resource environment to create sustainable competitive advantage; and, is employing a poor business strategy.

These findings can be used for learning and development purposes and could form the basis for future research to establish its validity in different environments.

5. This thesis creates a conceptual model of future ‘human resource professional-business line management’ roles for the capital markets and investment banking sector. The Talent Portfolio Management model, Table 5.2, is based on

- the importance of risk management in the capital markets and investment banking sector and the trend towards considering people risk management and staffing the human resource function with roles that support this;
- literature that calls for considering the segmentation of talent for management purposes;
- the use of portfolio management by banks as they seek to maximize the returns from financial assets such as bonds and equities; and
- the use of treasury management concepts by banks to ensure they have the right assets, in the right place, at the right time, at the right price and maximising yields.

This model can be used for learning and development purposes and as a basis for debate and structural changes in the approach to human resource management in this sector.

6. This thesis is the first academic study to focus on the structural roles and relative influence of human resource professionals in the capital markets and investment banking sector and demonstrates practitioner impact as follows:

- the preliminary results formed the basis of a ‘management intelligence’ report which was commissioned by the International Financing Review (IFR), a leading publishing house in the financial sector, and targeted at business line managers, human resource professionals, other functional professionals and other stakeholders in the capital markets and investment banking sector (Aldrich, 2007), Appendix Seven; and
- the responses to this report from banks, consulting firms and the press, Appendix Seven, indicate that it provides timely and insightful thought leadership and may, at a time of great change, facilitate practical

developments in this field and represents an opportunity for institutions that participate in the capital markets and investment banking sector to change their approach to human resource management.

7. This this has also enhanced the professional credentials of its author and increased the level of critical thought that can be applied to the business challenges that they face.

The value-laden, provisional and socially constructed nature of these research findings are acknowledged, however, it is believed that its conclusions are based on valid and reliable research results; are practically adequate; and, will enable those managing the human resource environment to identify and understand some of the challenges and management choices they face in terms of structural roles and decision making influence within the human resource environment. This addresses Buckley et al's (1998) 'disconnect' between academic theory and business practice and fulfils Lawler's (1985) demand for 'useful' research in the field of human resource management, by contributing to the theory and body of knowledge generated in the science of human resource management and by facilitating practitioner understanding of organizations resulting in improved practices.

5.5.2 Relevance

This thesis commenced by observing that financial markets activity is undertaken in a complex and dynamic environment; that front-office 'stars' in banks within the capital markets and investment banking sector contribute significantly to firm revenues and that the influence of CEOs and senior business line managers on business strategy is significant. The research contained within this thesis has found CEOs and senior business line managers are the major decision makers with regard to business strategy and their philosophy has significant impact on the overall human resource environment. Human resource professionals are not deemed to be essential to the strategic management of firm human resources however it is seen as advisable for them to play a consultative role. The degree to which human resource professionals, and therefore the human resource function as a whole, have influence appears to be significantly dependent on: the nature of the decision; credibility of individual human resource professionals; and, the performance of the human resource function as a whole.

That the human resource function needs to have a credible, and critical, voice is demonstrated by the losses incurred by UBS in the wake of the 2007 sub-prime crises. In the bank's report to shareholders (UBS, 2008)

UBS states that by 31 December 2007 losses of USD 18.7 billion were attributed to US residential mortgage exposures. The overarching reasons for this are included in extracts from the report that are documented in Appendix Eight, and can be summarised below as follows

- people risk not considered adequately in business strategy;
- people risk not considered by senior business line management;
- people risk due to a lack of succession planning;
- people risk due to over-utilised management bandwidth; and
- people risk due under-resourced infrastructure support.

It would appear that business decisions taken without integrating a human resource strategy may have contributed to the failures that followed and therefore if the management of human resources was considered as an exercise in Talent Portfolio Management where credible human resource professionals included specialists in people risk management then losses may have been reduced.

The UBS experience can be seen as beginning to narrow the divide between quantitative and qualitative enquiries into strategic human resource management as the link between human resource management and firm performance is graphically stated in the management report to shareholders (UBS, 2008). Failings in human resource management emerged from the socially complex environment that has been noted by various authors (Legge, 1978; Ferris et al, 1999; Becker et al, 2001; Watson, 2003; and, Colbert, 2004) and discussed throughout this thesis. Correlation and causation are identified by management in the shareholder's report although the dollar amount of the loss that is directly due to poor human resource management cannot be quantified.

Losses of the magnitude suffered by UBS should be seen as a wake up call for the management of firm human resources to be considered as a core business discipline for business line managers who should in turn demand greater support from credible human resource professionals. This thesis has shown that the roles and relative influence of human resource management in the capital markets and investment banking sector are changing but, given the case of UBS and others, maybe not changing fast enough.

From 2008 onwards CEOs and the boards of investment banks will face greater scrutiny from shareholders and governments as they manage their way of the financial crises. Indeed, a Financial News report on the 'Future of Capital Markets'; in December 2008, states that governments will 'want assurances about executives'

competence' and 'a culture whereby chief executives are challenged' (Rothnie, 2008:2). An emphasis on competency and governance is predicted which offers human resource professionals a platform: to establish their credibility; form partnerships; and, influence decision making, while acquiring greater resource to support the management of firm human resources. It is therefore hoped that while the results and recommendations of this thesis have extended academic debate in the field of human resource management they will also facilitate this process of change for both business line managers and the human resource business partners that support them.

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Appendix One

Classification of Financial Market activity: An explanation of Fabozzi et al's (2002) summary classification of the Financial Markets.

The first two classifications are the 'nature' and 'maturity' of financial claims. That is the underlying financial asset class ie foreign exchange, commodity, interest rate, credit/debt or equity, and whether it is a transaction that has a short or long term application ie the maturity of money market transactions are often defined as being within one year of their execution while capital markets transactions are for periods of greater than one year from their date of execution.

In terms of the second two classifications, 'delivery' and 'organisational structure'; the underlying traded markets for foreign exchange, commodities, interest rates, credit/debt and equity allow market participants to trade for immediate exchange in the 'spot' markets, or to fix prices for future delivery in the 'forward' markets; and, trading may take place by auction, directly with another party or through an intermediary such as an exchange or broker.

The 'underlying' markets classification differentiates between trading activity in 'cash markets' and 'derivative' product markets. Cash markets refer to transactions which involve the delivery of the asset being traded, while derivative product markets use independently determined prices or indexes to allow the trading and hedging of risk that does not require delivery of the underlying asset.

Fabozzi et al's (2002) final classification of the financial markets is between the 'primary' and 'secondary' markets. Primary market activity involves the distribution to investors of newly issued debt or equity securities by supranational, government, quasi government, financial institution and corporate participants in the financial markets. Secondary market activity involves the trading of assets that no longer fall within a market's 'new issue' categorisation.

Appendix Two

Investment banks and commercial banks

Augar's bank typology (2002) is noted below as this was relevant during the course of the research undertaken for this thesis although the 2008 Financial Crises has rewritten the competitive landscape (Mullin, 2008. The Economist, 2008e).

- **merchant banking**, traditionally describes the activities of institutions in the UK market that carry out a variety of financial services, including the: acceptance of bills of exchange, the issue and placing of loans and securities, portfolio and unit trust management, foreign exchange dealing and some banking services. Merchant banks advise companies on mergers and other financial matters. The term 'merchant banks' is now giving way to 'investment banks' as their activities are absorbed into large global concerns;
- **investment banks**, are financial intermediaries that advise corporates, governments and investors on financial transactions including the issue and trading of securities. 'Corporate finance' is another term given to the provision of advice regarding strategic matters and the associated impact on financing requirements; finally
- **commercial banks**, are privately owned banks otherwise known as clearing banks in the UK, national and state banks as well as joint-stock banks in the US and credit banks in Western Europe. They are defined by Fabozzi et al (2002) as financial institutions that accept deposits and then may use the proceeds of those deposits to make loans.

Appendix Three

Institution rankings

- League tables that show the debt and equity underwriting market positions of all major market participants and league tables that show the market rankings for merger and acquisition activity, League Table 1.1 to League Table 1.8;
- Tables that show asset size, market capitalisation and credit ratings for major financial institutions, League Table 2.1 and League Table 2.2; and
- Tables that show underwriting, trading and advisory rankings, League Table 3.1 to League Table 3.3

League Table 1.1: International Bond Underwriting
(source: Bloomberg 17 April 2003)

	2003*	2002	2001	2000	1999
1 Citigroup	1	1	1	3	4
2 Deutsche Bank	2	2	2	2	3
3 Morgan Stanley	3	4	5	4	2
4 JP Morgan	4	3	3	6	9**
5 CSFB	5	5	6	8	7
6 Merrill Lynch	6	7	4	1	1
7 Barclays Capital	7	10	10	11	13
8 UBS Warburg	8	8	7	5	5
9 Goldman Sachs	9	9	8	7	6
10 Lehman Brothers	10	6	9	10	11
11 ABN Amro	11	12	11	9	10
12 HSBC	12	11	14	13	17
13 BNP Paribas	13	14	13	14	12
14 Dresdner KW	14	13	12	90	123
15 Nomura Securities	15	16	18	17	19
16 RBS	16	25	27	30	29
17 CA Indosuez	17	20	24	24	32
18 Bear Stearns	18	19	17	19	16
SG	19	18	20	22	22
Hypovereinsbank	20	15	15	16	15
Bank of America	-	17	16	21	-
CDC IXIS	-	21	23	18	18
Landesbank Baden-W	21	22	22	-	-
West LB	22	23	21	-	-
Norddeutsche LB GZ	23	-	-	-	-
DG Bank	-	-	-	20	21
ING Group	-	-	-	23	-
RBC Dominion	-	-	-	-	23

* Year to 17 April 2003

** JP Morgan = 9, Chase Manhattan Bank = 20. Merged in 2000

League Table 1.2: Global Equity & Equity Linked Underwriting
(source: Bloomberg 17 April 2003)

	2003*	2002	2001	2000	1999	
1	Morgan Stanley	1	4	4	2	2
2	Goldman Sachs	2	1	1	1	1
3	Merrill Lynch	3	3	2	3	2
4	Citigroup	4	2	3	5	5
5	JP Morgan	5	9	9	7	10**
6	Nomura Securities	6	10	12	13	12
7	UBS Warburg	7	7	6	9	8
8	CSFB	8	5	5	4	4
9	Daiwa Securities	9	18	15	16	19
10	Lehman Brothers	10	8	7	10	14
11	CIBC	11	13	16	21	17
12	Deutsche Bank	12	6	8	6	6
13	ABN Amro	13	11	11	8	7
14	BNP Paribas	14	25	26	24	22
15	Bank of America	15	14	13	14	20
16	Scotia Capital	16	16	32	61	37
17	Bear Stearns	17	17	20	18	13
18	RBC Capital Markets	18	15	19	-	-
	Bank of China	19	-	-	-	-
	HSBC	20	22	-	-	-
	Cazenove & Co	21	12	21	-	23
	Sinopac Securities Corp	22	-	-	-	-
	Friedman Billings Ramsey	23	21	23	-	-
	Macquarie Bank	-	19	-	-	-
	Credit Lyonnais	-	23	-	-	-
	SG	-	20	10	17	-
	Dresdner KW	-	17	17	11	18
	Banca IMI	-	-	18	-	-
	JB Were	-	-	22	-	-
	Fleet Boston	-	-	-	12	15
	China International Corp	-	-	-	15	-
	ING Group	-	-	-	19	21
	Carnegie	-	-	-	20	-
	Skandinaviska Enskilda Banken	-	-	-	22	-
	Banco Santander Central Hispano	-	-	-	23	-
	DLJ	-	-	-	-	9***
	Mediobanca	-	-	-	-	11

* Year to 17 April 2003

** JP Morgan = 10, Chase Manhattan Bank = 16. Merged since 2000

*** Merged with CSFB since 1999

League Table 1.3: Financial Deal Advisors, M&A Deals, Europe
(source: Bloomberg 25 April 2003)

		2003*	2002	2001	2000	1999
1	Goldman Sachs & Co	1	2	1	1	1
2	Morgan Stanley	2	1	3	2	2
3	Lazard LLC	3	9	11	4	9
4	Invercaina Valores SVB	4	-	-	-	-
5	Fortis Bank	5	52	29	38	23
6	Merrill Lynch	6	3	4	7	3
7	JP Morgan	7	4	6	6	4
8	Deutsche Bank	8	8	7	14	7
9	Citigroup**	9	6	10	37	33
10	Rothschild	10	5	9	6	11
11	Lehman Brothers	11	11	12	13	12
12	CSFB	12	7	6	3	6
13	UBS Warburg	13	10	2	5	5
14	Greenhill & Co	14	31	18	20	16
15	Drueker & Co	15	116	48	-	-
16	Carnegie	16	21	35	36	35
17	ABN Amro	17	15	16	11	20
18	Mediobanca	18	19	34	24	15
19	HSBC	19	13	25	15	17
20	BNP Paribas	20	12	14	31	13
21	Gresham Partners	21	174	22	-	-
22	Capitalitalia	22	86	-	-	-
23	ABG Sundal Collier Assoc	23	208	77	74	-
24	Den Norske Bank	24	48	115	83	123
25	Fox Pitt Kelton	25	45	71	33	53
26	Price WaterhouseCoopers	26	27	31	-	34
27	Skandinaviska Enskilda	27	40	24	30	31
28	Communications Equity	28	-	82	58	-
29	Dresdner KW	29	14	5	9	10
30	CB Richard Ellis	30	-	189	121	106

* Year to 25th April 2003

** Merged with Salomon Smith Barney from 2001

2003 YTD	Ave. Deal Vol. 2,929.22*	Ave. Deal No. 4.47	Ave. Rank**	25/26
2002	Ave. Deal Vol. 5,158.38	Ave. Deal No. 9.93	Ave. Rank	29/30
2001	Ave. Deal Vol. 5,070.62	Ave. Deal No. 9.53	Ave. Rank	39/40
2000	Ave. Deal Vol. 13,029.55	Ave. Deal No. 12.42	Ave. Rank	23/24
1999	Ave. Deal Vol. 22,951.47	Ave. Deal No. 13.14	Ave. Rank	7/8

* (in USD million)

** Rankings with deal volumes that fall either side of the Ave. Deal Vol.

League Table 1.4: Financial Deal Advisors, M&A Deals, Europe
 (source: Bloomberg 25 April 2003)

M&A firms in the years deal 'Top 30' for 1999 to 2003 YTD

	2003*	2002	2001	2000	1999
Credit Agricole Indosuez	-	16	50	-	14
Cazenove & Co	33	17	17	12	51
Keefe Bruyette & Woods	-	18	-	69	-
Rhotayn Assoc	-	20	-	-	-
Bank of America	-	22	54	50	71
ING Group	32	23	26	17	21
Societe Generale	-	24	13	18	22
Mandatum Bank	-	25	94	155	60
KPMG	35	26	32	19	-
IBI Corporate Finance	-	28	194	-	75
Deloitte Touch Thomatsu	-	29	20	46	64
Rhone Group	-	30	-	-	-
Sal Openheim	-	39	15	48	52
Gleacher	-	131	18	-	96
Aurthur Anderson	-	-	19	25	81
Mizuho Financial	-	100	23	-	-
Nordea	62	38	27	28	105
Ernst & Young	-	63	28	82	84
Nomura Securities	52	34	30	51	93
Bear Stearns	40	53	33	16	24
West LB	68	65	39	32	40
Salomon Smith Barney**	-	-	10	8	-
Dresdner KB***	-	-	-	61	67
Noble Grossart	41	125	100	-	18
Banca IMI	-	37	75	167	19

* Year to 25th April 2003

** Merged with Citigroup from 2001

*** Merged with Wasserstein from 2001

**League Table 1.5: Financial Deal Advisors, M&A Deals, Europe
(source: Bloomberg 25 April 2003)**

Institutions ranked for Debt and/or Equity Underwriting but NOT ranked for European M&A 1999 to 2003 YTD

	2003*	2002	2001	2000	1999
Banco Santander Central	39	42	42	27	17
RBC Capital Markets	48	41	79	-	25
Hypovereinsbank	66	-	68	-	-
CIBC	-	32	-	-	46
BMO Nesbitt Burns	-	-	70	-	-
US Bancorp	-	-	84	23	72
Scotia Capital	-	-	90	66	63
Wachovia	-	-	181	206	-
TD Securities	-	-	-	29	-
FleetBoston	-	-	-	136	57
Caboto**	-	-	-	-	43
Morgan Keegan & Co	-	-	-	-	119
Barclays Capital	-	-	-	-	-
RBS	-	-	-	-	-

* Year to 25th April 2003

** Merged with Bank Intesa from 2000

League Table 1.6: Financial Deal Advisors, M&A Deals, US
(source: Bloomberg 25 April 2003)

		2003*	2002	2001	2000	1999
1	Merrill Lynch	1	7	3	5	2
2	Goldman Sachs	2	1	1	2	1
3	JP Morgan	3	8	5	6	5
4	Morgan Stanley	4	5	2	1	3
5	Deutsche Bank	5	11	7	14	11
6	CSFB	6	2	4	3	4
7	Citigroup**	7	3	6	56	24
8	Lehman Brothers	8	9	8	7	7
9	Lazard	9	4	11	10	9
10	Bear Stearns	10	6	12	12	6
11	Rothschild	11	17	17	17	19
12	Greenhill & Co	12	34	16	25	14
13	Drueker & Co	13	-	-	-	-
14	UBS Warburg	14	10	10	8	12
15	William Blair & Co	15	73	33	73	39
16	Keefe Bruyette & Woods	16	15	-	38	29
17	Bank of America	17	12	14	11	21
18	Dresdner KW	18	18	13	9	10
19	ABN Amro	19	19	-	19	22
20	Morgan Keegan & Co	20	84	73	46	116
21	Macquarie Bank	21	60	-	61	73
22	Nomura Securities	22	36	99	45	-
23	Societe Generale	23	46	-	28	27
24	TD Securities	24	54	31	71	40
25	Sandler O'Neill	25	32	22	41	44
26	RBC Capital Markets	26	38	-	36	23
27	BMO Nesbitt Burns	27	25	18	48	42
28	Stephens Inc	28	14	-	33	70
29	CIBC	29	20	15	15	17
30	HSBC	30	13	39	37	51

* Year to 25th April 2003

** Merged with Salomon Smith Barney from 2001

2003 YTD	Ave. Deal Vol. 2,223.44*	Ave. Deal No. 4.97	Ave. Rank**	17/18
2002	Ave. Deal Vol. 4,481.07	Ave. Deal No. 8.62	Ave. Rank	26/27
2001	Ave. Deal Vol. 8,004.74	Ave. Deal No. 9.20	Ave. Rank	18/19
2000	Ave. Deal Vol. 12,615.11	Ave. Deal No. 12.39	Ave. Rank	9/10
1999	Ave. Deal Vol. 15,274.04	Ave. Deal No. 14.02	Ave. Rank	9/10

* (in USD million)

** Rankings with deal volumes that fall either side of the Ave. Deal Vol.

League Table 1.7: Financial Deal Advisors, M&A Deals, US
 (source: Bloomberg 25 April 2003)

M&A firms in the years deal 'Top 30' for 1999 to 2003 YTD

	2003*	2002	2001	2000	1999
Rohatyn Assoc	-	16	-	-	-
BNP Paribas	49	21	-	53	46
Deloitte Touche	64	22	32	138	149
ING Group	31	23	118	26	28
Houlihan Lokey Howard and Zukin	37	24	-	54	47
Rhone Capital Group	-	26	47	-	87
IBI Corporate Finance	-	27	-	-	-
Merrion Stockbrokers	-	28	-	-	-
Allen & Co	110	29	-	39	13
KPMG	54	30	29	31	26
Quadrangle Group	-	-	9	-	-
Robertson Stephens	-	-	19	20	32
National Bank Financial	81	-	20	-	186
Broadview International	39	-	21	16	25
Scotia Capital	-	64	23	87	66
Aurthur Anderson	-	107	24	89	146
Pricewaterhouse Coopers	-	42	25	40	34
Wachovai	52	-	26	50	58
Waller Capital	42	-	27	83	41
Sonnenschein Nath & Posenthal	-	-	28	-	-
RBC Dain Rauscher	46	-	30	55	48
Salomon Smith Barney*	-	-	-	4	6
Thomas Weisal & Ptrs	44	-	-	13	35
Blackstone Group	-	59	-	18	33
US Bankcorp	38	56	-	21	37
Simmons First National	-	128	134	22	74
Cazenove	-	94	159	23	77
Evercore Ptrs	-	-	116	24	16
Gleacher Ptrs	-	49	38	27	91
Putnam Lovell Secs	-	69	54	29	55
Prudential Secs	-	-	155	30	30
FleetBoston	-	186	-	146	15
Skandineviska Enskilda	41	67	52	137	19
Daniels & Assoc	96	68	-	32	20

* Year to 25th April 2003

** Merged with Citigroup from 2001

League Table 1.8: Financial Deal Advisors, M&A Deals, US
 (source: Bloomberg 25 April 2003)

Institutions ranked for Debt and/or Equity Underwriting and also those ranked for European M&A but NOT ranked in the 'Top 30' for US M&A 1999 to 2003 YTD

	2003*	2002	2001	2000	1999
Mediobanca	38	-	-	-	-
CA Indosuez	77	43	-	-	-
Nordea	-	50	-	-	-
Daiwa Securities	-	66	-	-	-
La Salle Bank	-	-	-	-	110
Countrywide Securities	-	-	-	-	-
Banco Santander Central	-	-	-	-	163
Carnegie	-	35	45	116	69
Gresham Partners	-	-	-	-	-
Fox Pitt Kelton	-	-	114	100	53
Barclays Capital	-	-	-	-	-
Bank One	-	-	-	-	-
CDC IXIS	-	-	-	-	-
Hypovereinsbank	-	-	-	-	-
RBS	-	-	-	-	-

* Year to 25th April 2003

**League Table 2.1: Banks Ranked by Total Assets over USD 150 billion
(source: Euromoney June 2002)**

(USD millions)

	Bank	Country	Total Assets	Market Cap*	Moody's Rating
1	Mizuho	Japan	1,286,529	6,151	A3
2	Citigroup	US	1,051,450	200,772	Aa1
3	SMBC	Japan	957,695	472	A3
4	Deutsche Bank	Germany	813,361	24,244	Aa3
5	UBS	Swiss	749,045	55,114	Aa3
6	BNP Paribas	France	731,047	32,976	Aa2
7	BoTM	Japan	721,577	21,410	A2
8	UFJ	Japan	720,984	4,315	A3
9	JP Morgan Chase	US	693,575	59,438	Aa2
10	HSBC	UK	695,877	118,483	Aa2
11	Hypovereinsbank	German	645,013	5,678	Aa3
12	Bank of America	US	621,764	111,910	Aa1
13	CSFB	Swiss	611,115	28,465	Aa2
14	Morgan Stanley	US	553,924	48,721	N/A
15	RBS	UK	535,287	74,683	Aa1
16	ABN Amro	Netherlands	529,144	20,479	Aa2
17	ICBC	China	524,194	N/A	Baa
18	Barclays	UK	517,676	44,470	Aa1
19	Credit Agricole	France	498,961	14,253	Aa1
20	Norinchukin	Japan	483,309	N/A	A1
21	Societe Generale	France	453,972	21,393	Aa3
22	HBoS	UK	453,267	44,154	Aa2
23	Dresdner	Germany	448,820	21,507	Aa2
24	Commerzbank	Germany	444,062	4,156	A1
25	Bank of China	China	406,118	1,355	Baaa
26	ING Group	Netherlands	392,725	25,199	Aa2
27	West LB	Germany	376,678	N/A	Aa1
28	Lloyds TSB	UK	343,336	36,903	Aaa
29	Merrill Lynch	US	439,426	38,312	N/A
30	Fortis	Belgium	334,827	17,087	Aa3
31	Wachovia	US	330,452	52,001	Aa3
32	Goldman Sachs	US	327,238	37,199	N/A
33	DZ Bank	Germany	322,963	N/A	A2
34	Rabobank	Netherlands	322,094	N/A	Aaaa
35	Santander Central	Spain	317,239	30,004	Aa3
36	Abbey National	UK	311,936	10,113	Aa2
37	Dexia	Belgium	311,230	10,816	Aa1
38	Wells Fargo	US	307,569	80,965	Aa1
39	China Construction	China	305,871	N/A	Baa
40	Groupe Caisses d'Epargne	France	305,651	N/A	Aa2

N/A – Not available

* as at 4th May 2003

Ranked banks from Appendix One noted in 'bold'

**League Table 2.1 cont'd: Banks Ranked by Total Assets over USD 150 billion
(source: Euromoney June 2002)**

(USD millions)

Bank	Country	Total Assets	Market Cap*	Moody's Rating
41 Bayrische Landesbank	Germany	288,616	N/A	Aaa
42 Intesa BCI	Italy	278,936	13,739	A1
43 Landesbank Baden-W	Germany	275,535	N/A	Aaa
44 Group Credit Mutual	France	274,092	N/A	A1
45 Banco Bilbao	Spain	273,935	24,780	Aa2
46 Bank One	US	268,954	41,603	Aa2
47 Lehman Brothers	US	265,213	15,713	N/A
48 Agricultural Bank	China	263,971	N/A	Baa
49 Washington Mutual	US	242,506	37,380	A2
50 RBC	Canada	227,618	29,975	Aa2
51 Nordea Group	Sweden	213,964	15,588	Aa3
52 CDC IXIS	France	204,824	N/A	Aaa
53 FleetBoston	US	203,638	28,374	Aa3
54 KBC	Belgium	202,030	N/A	Aa3
55 Shinkin Central Bank	Japan	193,102	1,219	A1
56 Bangesellschaft Berlin	Germany	192,847	1,334	A2
57 National Australia Bank	Australia	184,591	3,028	Aa3
58 UniCredito Italiano	Italy	184,590	21,938	AA3
59 Danske Bank	Denmark	182,506	13,606	Aa2
60 Toronto Dominion	Canada	182,367	15,635	Aa3
61 CIBC	Canada	181,136	11,861	Aa3
62 Bank of Nova Scotia	Canada	180,205	19,716	Aa3
63 Credit Lyonnais	France	179,255	2,577	A1
64 Nordesdeustche LB	Germany	177,032	N/A	Aa1
65 Groupe Banques Populaires	France	171,498	N/A	Aa3
66 US Bankcorp	US	171,390	N/A	Aa3
67 Bank of Montreal	Canada	151,684	13,954	Aa3
68 San Paolo IMI	Italy	151,016	12,171	Aa3
69 Mitsubishi Trust	Japan	150,046	1,575	A3
70 DePfa	Germany	147,310	1,575	Aa3

N/A – Not available
* as at 4th May 2003

Ranked banks from Appendix One noted in 'bold'

League Table 2.2: Institutions Ranked in Underwriting Tables with Total Assets /less than USD 150 billion or market caps less than USD 10 billion (source: Euromoney June 2002)**

Bank	Country	Total Assets	Market Cap*	Moody's Rating
AG Edwards & Sons	US	N/A	N/A	N/A
Bear Stearns	US	185,627	9,958	N/A
Cazenove & Co	UK	N/A	N/A	N/A
DG Bank	Germany	72,078	N/A	Aaa
FTN Financial	US	N/A	N/A	N/A
Jeffries & Co	US	N/A	N/A	N/A
Landesbank NRW	Germany	N/A	N/A	N/A
La Salle Bank	US	N/A	N/A	N/A
Morgan Keegan	US	N/A	N/A	N/A
Needham & Co	US	N/A	N/A	N/A
Nomura Securities	Japan	135,727	20,229	N/A
Thomas Weisel & Ptrs	US	N/A	N/A	N/A
William Blair & Co	US	N/A	N/A	N/A

N/A – Not available

* as at 4th May 2003

** top 20 performer

League Table 3.1: Institutions Ranked for Underwriting
(source: Euromoney January 2003)

Institution	'02	Country	Overall	Bonds	MTN's	ECP	Equity
<i>Weighting</i>			<i>100.00</i>	<i>100.00</i>	<i>25.00</i>	<i>25.00</i>	<i>100.00</i>
1 Citigroup	2	US	100.0	74.41	3.47	10.42	57.93
2 Deutsche Bank	1	Germany	77.42	55.63	9.56	11.25	76.84
3 UBS	7	Switzerland	81.72	47.46	3.38	5.83	66.54
4 Goldman Sachs	4	US	65.59	25.06	2.99	12.50	76.16
5 Merrill Lynch	3	US	52.69	50.37	8.79	2.08	55.00
6 JP Morgan Chase	6	US	49.46	45.17	2.31	5.00	26.97
7 MSDW	5	US	37.63	36.88	6.15	0.00	43.58
8 CSFB	8	Switzerland	29.03	35.55	0.77	1.67	39.92
9 Barclays Capital	9	UK	32.26	26.03	1.32	11.25	13.37
10 ABN Amro	10	Netherlands	26.88	16.95	1.78	4.17	28.17
11 HSBC	15	UK	33.33	18.69	1.57	0.00	12.83
12 Lehman Brothers	11	US	22.58	15.27	7.15	0.00	13.96
13 BNP Paribas	12	France	24.73	17.66	1.78	0.00	6.56
14 Societe Generale	17	France	15.05	11.26	0.00	0.00	22.28
15 Nomura Securities	13	Japan	9.68	19.48	0.11	2.50	12.47
16 Mizuho	16	Japan	7.53	14.98	0.07	0.00	1.74
17 CA Indosuez	-	France	7.53	2.12	0.08	0.00	9.12
18 Nordea	19	Finland	7.53	2.21	0.00	0.42	7.44
19 San Paulo IMI	-	Italy	6.45	3.36	0.33	0.00	6.67
20 Dresdner KW	14	Germany	5.38	7.54	0.30	0.00	1.72
21 RBS	18	UK	2.15	4.85	0.23	2.50	5.08
22 Daiwa	-	Japan	4.30	7.85	0.08	0.00	2.42
23 UniCredito Italiano	-	Italy	6.45	4.38	0.08	0.00	2.07
24 Cazenove & Co	-	UK	0.00	0.00	0.00	0.00	12.40

From Euromoney's Dealogic databases

League Table 3.2: Institutions Ranked for Trading
(source: Euromoney January 2003)

Institution	'02	Country	MTN's	ECP	FX
Weighting			25.00	25.00	50.00
1 Citigroup	1	US	21.28	16.70	50.00
2 UBS	6	Switzerland	12.21	7.71	49.06
3 Deutsche Bank	2	Germany	12.50	12.50	43.82
4 Goldman Sachs	4	US	7.79	17.02	29.95
5 JP Morgan Chase	3	US	9.73	14.24	26.23
6 CSFB	5	Switzerland	5.80	6.99	20.68
7 MSDW	8	US	11.27	3.13	16.56
8 Barclays Capital	7	UK	6.67	12.46	11.68
9 ABN Amro	15	Netherlands	4.20	1.86	15.22
10 Merrill Lynch	12	US	8.25	7.18	4.92
11 Lehman Brothers	16	US	6.10	5.79	5.15
12 HSBC	11	UK	4.57	0.00	10.61
13 BNP Paribas	14	France	5.09	0.00	9.00
14 Bank of America	9	US	1.11	1.79	10.97
15 RBS	13	UK	0.78	1.60	10.30
16 Dresdner KW	-	Germany	1.62	0.80	10.03
16 S-E Banken	-	Sweden	0.09	0.00	12.35
18 RBC	-	Canada	0.55	0.00	9.36
19 Nordea	-	Finland	0.00	0.00	7.34
20 Nomura Securities	-	Japan	6.54	0.76	0.00
21 Bank One	-	US	0.66	0.00	6.54
22 Svenska Handelsbanken	-	Sweden	0.00	0.00	6.40
23 State Street	10	US	0.00	0.00	5.86
24 TD Bank	20	Canada	0.23	0.00	5.51
25 ING Bank	-	Netherlands	0.21	2.13	3.09

From Euromoney's Dealogic databases and market surveys

League Table 3.3: Institutions Ranked for Advisory
 (source: Euromoney January 2003)

Institution	'02	Country	FX	Risk	Credit	M&A
Weighting			90.00	90.00	90.00	90.00
1 Citigroup	2	US	74.58	55.74	53.98	55.18
2 JP Morgan Chase	4	US	39.72	69.83	3.73	54.78
3 Goldman Sachs	3	US	37.45	32.47	75.77	74.61
4 UBS	8	Switzerland	62.93	71.25	52.78	30.68
5 Deutsche Bank	1	Germany	48.68	33.72	75.83	25.32
6 Merrill Lynch	6	US	5.38	17.13	78.85	49.55
7 MSDW	5	US	15.42	11.44	67.52	53.15
8 CSFB	7	Switzerland	21.11	14.76	67.79	38.27
9 Lehman Brothers	9	US	4.92	2.94	46.02	27.48
10 BNP Paribas	11	France	9.57	13.77	49.66	5.87
11 Barclays Capital	12	UK	6.36	22.82	34.93	0.00
12 Dresdner KW	10	German	16.50	3.09	36.03	7.34
13 HSBC	13	UK	24.12	19.16	14.50	3.75
14 ABN Amro	14	Netherlands	18.24	15.92	19.00	6.44
15 Bear Stearns	15	US	0.29	0.00	28.40	24.72
16 Bank of America	19	US	16.89	6.35	9.30	6.50
17 Lazard	16	UK	0.00	0.00	0.00	36.12
18 Societe Generale	16	France	5.75	10.98	13.99	3.07
19 ING Bank	-	Netherlands	1.44	0.92	19.76	4.18
20 RBS	-	UK	7.05	7.28	10.25	0.00
21 Rothschild	18	UK	0.00	0.00	0.00	20.45
22 Commerzbank	-	Germany	8.50	0.00	9.61	0.30
23 CA Indosuez	-	France	2.64	8.05	0.00	1.59
24 CIBC	-	Canada	2.74	0.00	3.09	5.96
25 Standard Chartered	-	UK	5.13	5.09	0.00	0.00

From Euromoney's market surveys

Appendix Four

Financial markets sector activity

In the UK the importance of financial markets activity is documented by the Department of Trade and Industry (2005) who stated that the UK has the world's largest share in the

- metals market, 95%;
- Eurobond market, 70%;
- foreign equity market, 58%; and,
- derivative product market, 36%.

The Department and Trade and Industry's website also noted that apart from a substantial domestic market in equities and bonds the UK is a major international centre for trading in the Euromarket. More foreign companies are traded on the London Stock Exchange than on any other exchange, with 475 companies listed at the end of 2000, and turnover in these companies in London represented 48% of global turnover in foreign equities in the same year. Finally, they stated that, at 36%, London had the world's largest share of the OTC, over-the-counter ie non exchange traded, derivatives market with a turnover of US\$ 275 billion in 2000 and that the UK captured 31.1% of the global foreign exchange market with a daily turnover of US\$ 504 billion.

America's wider financial-services industry is equally significant accounting for 40% of the country's corporate profits in 2007, up from a mere 10% in the early 1980s, and according to McKinsey the profits posted by all American banks in 2006 were larger than the profits of the global retailing, pharmaceutical and automotive sectors combined (The Economist, 2008a).

Appendix Five

Research instruments

- Study One: Semi structured interviews

- Study Two: Structured interviews

Study One: Semi-structured interviews

Questions for senior human resource professionals in the capital markets and investment banking sector.

- (1) What do you believe the current organisational influence of human resource management is on strategy ?

- (2) What do you believe the current organisational influence of human resource management is on recruitment and selection ?

- (3) What do you believe the current organisational influence of human resource management is on training and development ?

- (4) What do you believe the current organisational influence of human resource management is on compensation and benefits ?

- (5) What do you believe the current organisational influence of human resource management is on performance measurement ?

Study Two: Structured interviews

Questions for senior human resource professionals and senior business line managers in the capital markets and investment banking sector.

The structure, role and influence of the human resource function

A1 What structure for the human resources function does your organisation have ? (tick boxes as relevant)

(a) A shared service centre for admin., with central advisers and business partners

If so, do you have specialist advisers on:

Recruitment & selection
Learning & development
Performance measurement
Compensation & benefits
Employment law

Other (please specify)

(b) Integrated human resources department, comprising generalists and business partners (please describe)

(c) Other arrangement (please describe)

A2 Is your most senior human resources manager on any management board ? **Yes/No**

If **Yes**, which board(s) ?

If **No**, why do you think this is and to what extent do you think it matters ?

If **No**, what is the most senior level at which human resources is represented within the organisation ?

A3 Do you consider that you have the credibility to influence the business at a business planning level ? Yes/No

If **Yes**, in what areas, and how ?

If **Yes**, on a scale of 1-10, how would you rate your influence?
(with 10 having significant influence and 1 having little influence)

Please describe what drives your rating.

If **No**, why do you think this is and to what extent do you think it matters ?

A4 Which of the following factors do you feel contribute to the credibility of human resources managers as business partners ?

Please rank in order, with 1 as the most important.

- Knowledge within the human resources function of the external competitive environment
- Knowledge within the human resources function of the internal competitive environment
- Track record of the senior human resources executive(s) in delivering on their part of business plan execution
- Business managers' trust in, and personal empathy with, the senior human resources executive(s)
- Track record of human resources function in delivering human resources services to line managers
- Availability and use of data to analyse the business impact effectiveness of human resources initiatives, (note: business impact with regards to net revenue and market share, not data that measures the efficiency of the human resources department)
- Knowledge of human resources practices and procedures
- Membership of a professional human resources body
- Academic qualifications

Would you say the following are important and if so rank in order of importance; accuracy, consistency, meeting commitments, chemistry, confronting appropriately, integrity, thinking outside the box, confidentiality, and listening to, and focusing on, executive problems.

Are there any other factors which are not on the above lists which you believe contribute to the credibility of human resource business partners ?

A5 Is the close involvement of human resource business partners essential for a strategic approach to talent/human capital management ? Yes/No

If **Yes**, why do you think this is true ?

If **No**, why do you think this is not the case ?

A6 Has the role and influence of the human resources function on the business changed over time ? Yes/No

If **Yes**, in what way has this changed ?

If **No**, why do you think this is and to what extent does it matter ?

How would you like to see its role and influence evolve ?

What, in your opinion, needs to happen for this to occur ?

A7 Who is responsible for human resource management ?

Human capital metrics

We define 'human capital metrics' broadly, as the range of measures used by employers to gauge the impact of people-management related interventions. Examples include:

- Checking that bonuses go to upper-quartile performers,
- Measuring the direct and indirect cost of an unfilled post,
- Comparing employee survey findings with business results,
- Assessment of individual asset values of key employees,
- Revenue-compensation ratio,
- Modelling of the internal labour market,
- Calculation of return-on-investment for defined human resources interventions, such as a development programme.

The term human capital metrics covers both qualitative and quantitative measures, and may be applied either discretely to a particular human resources intervention, or broadly across the division or company.

Human capital measures are no longer purely theoretical; they are used by some employers as a core part of business planning. Such measures may also be incorporated into a Balanced Scorecard approach, in which business performance is measured under four perspectives: financial, business process, customer, and learning & development.

B1 Which human capital metrics do you use? (tick boxes as relevant)

- Direct cost to replace senior staff member (eg management time, agency fees)
 - Indirect cost of replacing senior staff member (eg loss in performance during transition)
 - Comparison of bonus payments against individual performance
 - Comparison of bonus payments against team performance
 - Return on investment for defined human resources intervention
 - Employee work climate satisfaction surveys
 - Assessment of individual asset values of key employees
 - Revenue-compensation ratio
 - Modelling of internal labour market
 - Other (please specify)
-
-

B2 Do you use external consultancy's 'human capital measures' ? Yes/No

If **Yes**, please tick the relevant box:

- Saratoga
- Mercer
- Watson Wyatt
- PricewaterhouseCoopers

Other (please specify) _____

Who is accountable for a human resource interventions ?:

- the human resources function
- the human resource business partner
- the business manager(s)

Other (please specify) _____

B3 What happens if a recruitment or development policy does not deliver the expected objectives ?

B4 Does the company produce a formal human capital report, reporting on measures such as those in question B1, above, either for internal or external purposes ? Yes/No

If **Yes**, what does it cover ?

If **Yes**, how is it received/used ?

If **No**, do you plan to introduce one ? **Yes/No**

If **Yes**, why is this being done and what will it cover ?

If **No**, why do you think this is and to what extent does it matter ?

B5 If formal 'human capital metrics' are not used, how is the effectiveness of human resources policies and other people-related investments gauged ?

B6 Does the organisation treat talent management/people management as a strategic/investment matter ? Yes/No

If **Yes**, how is this exemplified ?

If **Yes**, do you differentiate on performance measures, depending on role/function eg, different measures of performance for front office staff; operations staff, and functional managers ?

If **Yes**, are some measures universal, and if so which ones ?

If **No**, why do you think this is and to what extent does it matter ?

B7 Do you trust 'human capital metrics' as valuable business indicators ? **Yes/No**

If **Yes**, which are key measures and how do you use them ?

If **No**, why do you think this is and to what extent does it matter ?

B8 Do you see your reliance on 'human capital metrics' increasing over time ?

If **Yes**, which will be the key measures and how will you use them ?

If **No**, why do you think this is and to what extent does it matter ?

B9 How have you traditionally gauged risk related to people in capital markets and investment banking ?

B10 How do you see the management of people related risk changing over time and what human capital metrics would be useful to you in managing this risk ?

B11 Do you use computer based systems to store and access information about your organisation's human resources ?
Yes/No

If **Yes**, which areas ?

- | | |
|-------------------------|--------------------------|
| Recruitment & selection | <input type="checkbox"/> |
| Learning & development | <input type="checkbox"/> |
| Performance measurement | <input type="checkbox"/> |
| Compensation & benefits | <input type="checkbox"/> |

Are they part of one integrated relational database system or different systems ? Please describe them ?

If **No**, why do you think this is and to what extent does it matter ?

B12 What data do you feel is critical to managing the return on investment and business risk associated with managing your organisation's talent portfolio ?

B13 Do you believe that the management information available to you to manage the talent in your organisation is adequate ? Yes/No

If **Yes**, which areas ?

- | | |
|-------------------------|--------------------------|
| Recruitment & selection | <input type="checkbox"/> |
| Learning & development | <input type="checkbox"/> |
| Performance measurement | <input type="checkbox"/> |
| Compensation & benefits | <input type="checkbox"/> |

Please describe why it is adequate in each case ?

If **No**, why do you think this is and to what extent does it matter ?

Appendix Six

Representative transcript quotes

- Study One: *a priori* and emergent

- Study Two

- Respondent codes

Appendix Six: Study One: Roles in human resource management

Themes – <i>a priori</i>	Code	Representative quotations
Shared services/Specialist human resource role exists	SH/SS	<p data-bbox="770 392 1501 528">“We’re probably two and a half years into really evolving the framework. It’s very much a partnership between the generalist, the business partner function, and talent management – what used to be leadership and learning ... we want to tie the talent agenda at a corporate level to the business planning process.” (B)</p> <p data-bbox="770 562 1501 698">“we work very closely with divisionally seated HCM professionals and hiring managers because whilst we have an overall firm wide strategy, the divisions then clearly want to have that clearly defined for their own specific needs so we work very closely with the divisions on all aspects of recruiting” (K)</p> <p data-bbox="770 732 1501 920">“human resources is part of Strategic planning as a division so it would be placed in a division that is called strategic planning so I think that probably gives you an indication that we do touch on significantly. Also it is also informally part of firm management which again gives you a sense of the fact that you know, our sort of, involvement in certain ways is quite critical in the process of both strategic planning and sort of basic operational management.” (Q)</p> <p data-bbox="770 954 1501 1198">“We have people in this department, HR, who are sort of learning and development or training and development and they support the revenue areas, the infrastructure, i.e. operations, technology etc have their own in-house learning and development people so human resources here effectively are only concerned with the revenue earners so the securities business, private wealth management and investment management and we are aligned by client which is a relatively small group that they work with a number of clients that they work with” (Q)</p>

Appendix Six: Study One: Roles in human resource management (cont'd)

Themes – <i>a priori</i>	Code	Representative quotations
Human resource business partner role exists	BP	<p>“The shock troops if you like of the HR effect on strategy come in the form of people who have business partners, that is to say the relationship managers with each of the business. They are a different bunch of people by personality, experience and orientation but, they have begun very clearly to influence the direction of their business by getting involved and intimately involved in them, and becoming part of the management team and setting expectations, setting assumptions and setting plans with the heads of those businesses for what people should be doing ... But it is not institutionalized ... yet. It's more a question of a force of personalities getting that message across or getting inputs in ... and so these small number of people ... have quite a degree of influence, not uniform, because they are a differing standings but it is getting to the point of being improved and they are quite admired and welcomed as members of the business team buy yet they still retain their degree of critical comment and sharpness which would be dulled if they became wholly owned members of the team ... and it is a good influence on the business to have someone in there” (B)</p> <p>“I mean, we’re no GE, let’s be honest, but I think in general we have a very good reputation and we are included in all the things that I would expect to be, if not more. Another thing that we’ve recently done, is move the business partners out to sit with the business – so the head of human resources for equity sits on the equity trading floor, and it’s had a really positive effect. I know it’s optics, a lot of it, but it has helped to push my agenda.” (K)</p> <p>“not all but many, HR would have a seat around the table in the discussion of the rewards and bonuses and compensation for that population that the relationship manager was looking after and have some influence over that as well” (P)</p>

Appendix Six: Study One: Roles in human resource management (cont'd)

Themes – emergent	Code	Representative quotations
Ultimate responsibility for managing human resources	RI-U	<p>“it becomes a question of what is your definition of HR management? Because I do think that I participate in a strategic agenda setting, but I do that partly or more because I am one of a management team of three that is managing the support services function .. If you mean HR management and you mean me, I think I have a certain degree of inputif you say HR management means my boss, the head of HR for the bank as a whole. He clearly participates in discussions at the managing board level about people strategy and organizational development and leadership development and all of those things. Again that tends to be in the somewhat rarified atmosphere of the managing boards strategy decisions.” (A)</p> <p>“a lot, ie there is a lot of influence but need to be careful to distinguish the principle of human resource management becoming more relevant from the human resources function, doing it.” (L)</p> <p>“So, you know, that is kind of the way we go about doing things and we actually operate where we don't actually have the power to override a business person's decision. The only power that we have got is the power to influence, so we don't have position power so the function itself doesn't come with the power to do that but individuals throughout the organisations gain the credibility and gained influence and provide advice to a hiring manager.” (U)</p> <p>“I don't think we play the part that we should both in terms of identifying managers of the future or leaders of the future and in terms of developing leaders of the future. It just doesn't happen and I think a lot of what happens, happens by luck rather than good management ... I would like to see a situation where the head of HR, the HR director was very much part of that strategic team deciding what was going on ... HR is not a respected function, within the company, whether you are retail or investment and that is the challenge I think that has to be faced.” (C)</p> <p>“it is about building partnerships and trying to move away from those transactional type relationships” (K)</p> <p>“I think there are a lot of HR groups that say managing the troops is the job of the line manager and there is a lot of truth in that. I can't disagree with that other than to say most of them there are there because they are good in some form of revenue production or client relationship, they aren't always necessarily the best HR practitioners so we will tend to intercede or get involved perhaps more frequently than other groups because we take the philosophy that if we can help them to get faster resolution and a better resolution then there is a chance that we will get better revenue generation because of that. So we try and put the business hat to that and try to have the conversations that keep us ahead of the curve in terms of ideas rather than being at the back end of the circus after it has gone through town and being an afterthought. And to be honest with you our success really depends on the leader, there are some leaders that want to engage, who want a dialogue who are good at being up front and seeking opinion, there are others than simply put themselves into their box and try to operate independently.” (R)</p>

Appendix Six: Study One: Roles in human resource management (cont'd)

Themes - emergent	Code	Representative quotations
Business Environment	BE	<p>“I don't think we are training and developing people to the overall strategy of the firm ... I think it is reactive to issues that are happening.” (C)</p> <p>“I think financial institutions are very much behind what goes on in other sectors. And certainly if you could talk to the pharmaceutical industry and things like that I think HR plays a much more strategic part than it does in the finance industry” (K)</p> <p>“we don't have a robust strategy process like we did in <global FMCG multinational company>, you know we had a particular methodology and everybody followed that protocol and HR's involvement and supply chain was almost institutionalized as part of the process, it is not as well defined here it is much more ad-hoc so I think if we talk about the strategic planning process I think HR is as involved as it possibly can be in view of the business process we have around strategy and planning ... I think in terms of our industry we are probably no better or worse than anybody else relative to other industry sectors I think we are some way behind, in that the business does not have a robust strategy planning process where the involvement of the various constituent parts of the business are kind of well established” (G)</p> <p>“I can say that having the experience in other industry, it is tactical, it is opportunistic and from what I have been told this is the way this industry works, you know things move quickly, the environment changes quickly we need to be flexible, adaptable so it is about flexibility and adaptability that is the key to successes and therefore you cannot embed yourself in long-term strategies which may in some ways limit your ability to move quickly as and when required. Now whether that is kind of fact or fallacy I am not completely sure, my view is that we could do more in the area of strategic planning and sometimes it is probably just an excuse” (G)</p> <p>“traditionally investment banks do not do a lot of strategic planning because one of our watch words is to be very nimble and you know strategic planning like long-term horizons is actually something that you will find a lot of Investment banks almost don't do because they have to be so nimble they have to actually change direction very quickly. So, When we talk about strategic planning what we are normally talking about is a general sense of direction for the next two or three years rather than an automotive company who will be looking five or ten years out.” (K)</p>

Appendix Six: Study One: Roles in human resource management (cont'd)

Themes - emergent	Code	Representative quotations
Importance of firm human resources	IM	<p>“People management, manpower planning, they (business line managers) just call it strategy. And if their business by default is people, that is, what people mean but don't say. As opposed to a manufacturing industry where their default product is not people but they are the means along the product chain. But in financial services your product is your person so if they are talking strategy that is what they mean but they (business line managers) don't have the language to articulate it.” (L)</p> <p>“The producers are the rock stars or the sports stars of this business ... I guess people have seen people being promoted because they have been big producers into management roles when they haven't got a management bone in their body, and other people who have been promoted into that position where they just happen to be great leaders.”(N)</p> <p>“The reason why I think it is increasingly more relevant is because it is a truism that people are the only differentiator left and I think there is increasing realization of that. Everything else by and large if you have the money you can copy, capital you can lend, you know, I can't think of anything that isn't capable of cloning, except people.”(L)</p>

Appendix Six: Study Two: Roles in human resource management

Question	Representative quotations
Attitude of the organisation to managing human resources	
Is the management of human resources treated as a strategic matter ?	<p data-bbox="679 427 1497 591">“In the last 18 months/two years he – the CEO – has begun to get very vocal about leadership, people, talent. He was a pretty hard-nosed businessperson before but always knew it was important, but now he’s being open and confronting about it. If your top person believes in it, it is going to happen – whether he relies on his human resource function to get it going or another avenue.”. (P2)</p> <p data-bbox="679 620 1497 784">“Our CEO [is] ... probably one of the most forward-thinking CEOs. He puts so much pressure on human resources to be at the forefront of telling him what the issues are. He’s way ahead of his executive committee, who are much more traditional. So it’s an interesting tension, almost. He beats me up three times a week, saying: ‘Human resources needs to be more in the DNA’. That’s one of his favourite things.” (S2)</p> <p data-bbox="679 813 1497 1003">“People management is definitely treated as a strategic matter, because our business is all about people. We’ve started a few programmes on broad talent management: identifying people; moving them around; providing them training and career opportunities. That’s just started over the last couple of years in a formal way. We also historically have put a lot of value on leadership and cultural values: being a good citizen. Someone who doesn’t have those attributes doesn’t get very far in our firm.” (O2)</p> <p data-bbox="679 1032 1497 1169">“The buy-in from the senior leadership around what it is that good quality human resource management can offer has grown hugely. I think it’s partly an evolution: the great managers and well-run businesses have done much of this quite naturally and haven’t necessarily labelled it good human resource practice.” (V2)</p>

Appendix Six: Study Two: Roles in human resource management (cont'd)

Question	Representative quotations
What structure for the human resource function does your organisation have	
Human resource business partner role exists	<p>“Until 2001 human resources was just back office. It was somewhere you shouted at someone if your benefits hadn’t come through. Since then the bank has been very proactive about developing a business partner role. There’s a long long way to go. But it’s almost a night and day transformation from being in a backwater to being at the table. You think of the human resource executive at the bank. He spends a lot of time with senior business executives, developing business strategy. That has permeated through into the businesses.” (N3)</p> <p>“We wouldn’t embark on anything unless we’ve got a key stakeholder from the business. It’s probably then the business partner who is driving it on most things.” (H)</p> <p>“We are two-and-a-half years into an evolution here, as regards human resource business partners being involved in business planning. We have hired a McKinsey consultant to work on people-related economic models.” (O2)</p> <p>“I expect the HR business partners to get the same daily P/Ls that the line managers get and to know what part of the organisation is making money, where there are pressure points, what the implications are from a people standpoint.” (O3)</p>
Shared services/Specialist human resource role exists	<p>“You don’t want the phone call saying someone hasn’t got a visa and they’re standing at Heathrow – because you can forget talking about organisational design ... You have to focus on getting the nuts and bolts right and, assuming you’ve got that working, then you can start to do the added-value stuff.” (S2)</p> <p>“If my shared services colleagues mess up on payroll, mess up someone’s bonuses, or processing a leaver or a joiner; I might be doing a fantastic job at board level, that can get forgotten immediately if there’s the sentiment that you guys can’t even pay people.” (B)</p> <p>“If it takes them seven days to get an offer letter out, I really don’t care about their partnership with me on the strategy.” (O3)</p>

Appendix Six: Study Two: Roles in human resource management (cont'd)

Question	Representative quotations
What structure for the human resource function does your organisation have (cont'd)	
Board representation	<p>“It is the first time a human resources director has done that (sit on the credit committee). We are an integrated part of the business, as opposed to a stand-alone function.” (S2)</p> <p>“I would like human resources to gain more influence on the governance side, but that comes not by the authority of the function but by credibility, which you have to earn by doing a great job. You have to earn the credibility. It's not given.” (V2)</p> <p>“Having someone so senior on the board responsible for this area has helped us.” (K)</p>

Appendix Six: Study Two: Roles in human resource management (cont'd)

Question	Representative quotations
Representation and influence of the human resource function	
Who is responsible for human resource management ?	<p>“One of the things I most welcome about the CEO here is that, business managers manage – it’s not the job of human resources to do that – certainly they’re a partner in helping getting it done. There’s a long way to go to establishing a close business partnership and it doesn’t just happen because you snap your fingers” (K)</p>
	<p>“I think the human resource structure and position have competition. COOs can do many aspects of human resources [management]. However a very good, very savvy human resource business partner or generalist should have something useful to say, and should be able to know who is the talent and proffer what to do with talent.” (P2)</p>
	<p>“Well the line should be. ... it should be management of the firm.” (Q3)</p>
	<p>“The CEO’s view would be that managers are responsible for managing people.” (S2)</p>
	<p>“All of us are responsible. Managers. Senior management. Human resources.” (G3)</p>
	<p>‘It varies. In some cases, it doesn’t matter at all; in some cases it matters a huge amount. Clearly when you’re engaged in a very large, strategic move like a merger, then human resources actually is involved, but when you’re involved in setting up a new trading desk to trade weather derivatives, human resources isn’t involved at all – other than in the peripheral matters such as contracts – and maybe it should be’ (L3)</p>
	<p>“So I still think that if the individual can establish a good relationship then HR can influence. But if the relationship isn’t there then HR as a function is not seen as a critical part of influencing strategy.” (T3)</p>

Appendix Six: Study Two: Roles in human resource management (cont'd)

Question	Representative quotations
Representation and influence of the human resource function (cont'd)	
Is the close involvement of human resource partners essential for a strategic approach to talent/human capital ? (cont'd)	<p>“This individual (business line manager) can take a strategic approach to talent and human capital management. You don't need to help him ... human resource business partners talk as if they are sole guardians of the ability to reach this so-called strategic approach. I don't think so. And actually, if you have smart line managers they could do it.” (B)</p> <p>“The head of human resources would take ownership, but both business partners and human resources would be accountable. No-one really says 'it's human resources' responsibility'; I'd like to think that business managers see human resources as their partners.” (V2)</p> <p>“No [the contribution of human resources is not essential], because if you've got line managers who are thoughtful about human resources things, they are perfectly capable of coming up with strategic initiatives around human resources. HR is not rocket science. I mean, we'd like to think it is, but it's not. If however you have line managers who are not very people-orientated, then yes you do need to have the involvement of human resources business partner for strategic talent management.” (K)</p> <p>“If there is the line team and the head of that business is enlightened, then your human resource function could focused on processes, IT solutions and so on. I see managers who have 'got it' and who wouldn't necessarily need a human resources officer to tell them what to do.” (P2)</p> <p>“It is not essential. Personally I dislike most HR business partners. There's a bag of wind created by HR business partners who talk as if they are sole guardians of the ability to reach this so-called strategic approach. I don't think so.” (B)</p> <p>“I think so [it is essential]. You could probably come up with a theoretical organisation where it was totally owned and delivered by the line itself, but realistically there are probably not hours in the day, so I think 'yes' has to be the answer to that.” (V2)</p> <p>“Yes [human resource function is essential for strategic human resource management]. Because they are the professionals and we don't think correctly without them” (B3)</p> <p>‘If you were to say no, then I would really wonder, what's the use of human resources ?’ (H3)</p>

Appendix Six: Study Two: Roles in human resource management (cont'd)

Question	Representative quotations
<p>Representation and influence of the human resource function (cont;d) Is the close involvement of human resource partners essential for a strategic approach to talent/human capital ? (cont'd)</p>	<p>"I think a good business manager is going to have 85% of what is required. Can a good human resource person add the other 15%? Sure. So should you deal them in? Sure. But 85 is a pretty good score. A poor business manager would need a little more help, but you'd hope you'd have good business managers. They are far closer to the field of play. If the word was useful not essential, I would say yes." (O3)</p> <p>"It's a good question – would line managers be doing this – treating talent as strategic – anyway, without help from human resources? Because of the lead from the CEO, then in terms of human resources being essential; I would have to say no." (K3)</p> <p>"If you're sitting in support services the answer is absolutely, yes. If you sit in the investment banking division the answer is probably no. And if you sit in the capital markets division you would probably be half way in between." (K)</p> <p>"No. The chairman can take a strategic approach to talent and human capital management, you don't need to help him. And actually, if you have smart line managers they could do it." (B)</p> <p>"Yes. In a perfect world, which we are very far away from, you wouldn't need any support, because business managers were doing this all the time and they thought, instinctively and intuitively about it. But while we're getting to Nirvana, you need someone in the business partner role who can do some thinking and prompting around resource planning; execution of that plan; ensuring that it meets the business objectives." (N2)</p> <p>"Yes. Until you get human capital understood, really understood, and you've got the processes in place and embedded. Then human resources can stand back and in a sense facilitate it.' In some parts of this business they've already 'got it'." (S2)</p> <p>"How else would you do it [strategic talent management]? Quality of decisions and execution and process needs close involvement of the human resource team. They help managers understand talent issues." (G)</p>

Appendix Six: Study Two: Roles in human resource management (cont'd)

Question	Representative quotations
People related risk	
How do you see the management of people risk changing over time ?	<p data-bbox="678 396 1501 506">“The whole issue of operational risk has reached board level. People risk is an element in that. I contribute to a report that goes to the board every other week containing any risk that my function might be aware of or be running with.” (P2)</p> <p data-bbox="678 539 1501 701">“You’ve already seen that in the last few years. Essentially, (human resource) is another form of risk, like operating risk; whether it’s incompetence in employees who are not skilled in what they are doing, and cause damage through inability, or a fraudulent employee whom we should have spotted, or people simply working outside their authorised competencies.” (B)</p> <p data-bbox="678 734 1501 844">“We haven’t got to the point where we could put a financial amount against someone and say that if we lost them what would we lose [financially], but we are tracking our key stars so that the business knows who we think is at risk and who is not at risk.” (S2)</p> <p data-bbox="678 878 1501 1039">“Reputational risk is where people are not aligned our goals in respect of their responsibilities or behaviours. Other risks could be around employee litigation – a discrimination case for instance could cost the company its reputation and money. Then again not getting the right people on board on time can also be a risk. Slowing down of processes can be costly, there is always a risk.” (G)</p> <p data-bbox="678 1072 1501 1234">“We’ve launched an innovative training programme which is mandatory for anyone who manages others. It’s called ‘Managing People, Managing Risk’, and focuses on improving our line managers’ skill and confidence in tackling difficult issues. It is not intended to take risk out of the system, but to ensure managers understand their role and the impact that good management practice can have.” (O2)</p> <p data-bbox="678 1267 1501 1341">“We report monthly to the risk committee. This includes different metrics around who we’re hiring; and the attrition rate. There are qualitative reports as well; looking at hot spots, risk areas.” (Q2)</p> <p data-bbox="678 1375 1501 1420">“This is an operational committee looking at risk across the business; the human resource element is “a big part of the risk committee”. (Q2)</p>

Appendix Six: Study One: Influence in human resource management

Themes – <i>a priori</i>	Code	Representative quotations
Roles and influence in the management of human resources	RI	
Strategy:	RI-S	
Process responsibility	RI-SP	<p>“I don’t think we play as big a part as we should and certainly not as big a part as they do in other organizations. I think it is because the actual position is not seen as a strategic player I think we are more seen as an administrative department that in many ways clears up the messes as reactive rather than proactive and I think that comes through in everything we do” (C)</p> <p>“The function (HR) has tried to be more transparent about what it does, about what it costs and also try to show it can add value by informing and advising our managers on the implications of that strategy. Therefore I still believe, more advising, having learnt what strategy is on how that would be implemented and the effect that it will have on people; less on the way the strategy itself is being performed. I don’t think that, in itself, has changed that much in the last five years but still HRs influence is the same industry-wide, and all that I feel has really changed is that line-managers are aware more for regulatory reasons than anything else, in the end, to listen to HR about the sort of things that need to be achieved but not necessarily tied back into strategy.” (M)</p> <p>“Mergers and acquisitions have been a fundamental part of the business strategy ... [the] human resources function is there to help understand the structure and nature of the talent portfolio; what is being bought, and so on. And from a cultural, integration side, human resources are always involved” (S)</p> <p>“I know I have influence, even when we are dealing with acquisitions and divestments where it’s not strictly HR related; and absolutely when there are people adjuncts.” (L)</p>

Appendix Six: Study One: Influence in human resource management (cont'd)

Themes – <i>a priori</i>	Code	Representative quotations
Strategy (cont'd):	RI-S	
Strategy responsibility	RI-SS	<p data-bbox="743 383 1501 443">“So, I don’t think that we can have an overall strong influence on what is going on at the senior level as far as strategy is concerned.” (C)</p> <p data-bbox="743 468 1501 663">“I don’t think that we influence it, I think what we do is participate in it and tend to be, if you like, in the second iteration. I think a lot of the initial strategic planning takes place in sort of relative specialist areas which are looking at big picture business issues and trends or whatever. And then you will get a blue print, road map, outline which is probably the frame work and I think that is when HR gets involved.” (A)</p> <p data-bbox="743 687 1501 797">“We clearly have a seat at the table in terms of discussions because there are implications, inevitably, of an HR nature. But I don’t think we are a part, necessarily, of the initial brainstorming unless of course we are the people with the initial idea.” (A)</p> <p data-bbox="743 822 1501 987">“when it comes to actually establishing plans for the future we form a fairly big part of that planning process because any business initiative has a corresponding cost which is the compensation side of the equation and I am the advisor and the internal consultant and the kind of expert, apparently on that function. So I tend to be very involved with the front end.” (P)</p> <p data-bbox="743 1012 1501 1122">“The divisions, the leadership drives philosophy ... - it is not us. We are not really driving philosophy. I think we have an incredibly active part in making sure that anything that has been done is fair. I don’t know whether you would necessarily call that strategic.” (K)</p> <p data-bbox="743 1146 1501 1290">“... I think you know if <name of CEO> says he wants to concentrate on diversity this year then we will basically all turn in that direction and we will come up with something which strategically looks pretty good but I am not sure whether we bought it to the table in the first place.” (P)</p> <p data-bbox="743 1314 1501 1458">“I think when you look at the HR function, here and I am going to talk about it at the corporate level and then at the investment bank’s. I think it is a very different model from some of our counterparts and I would say first of all from a strategic point of view, we are clearly strategic partners, we are at the table in every sense of the word.” (N)</p> <p data-bbox="743 1482 1501 1731">“I think as an organisation <name of bank> HR has very little into the strategic planning of the organisation and by that I mean where I think HR could add value is on the Human Resource strategic planning side and at the moment I don’t believe we have any link to the business planning side, the business plans that come through and obviously the effect on the resourcing or any influence directly in terms of how we move the talent around the organisation to fit some of those key strategic roles or key strategic gaps that we have in the organisation at the moment.” (C)</p>

Appendix Six: Study One: Influence in human resource management (cont'd)

Themes – <i>a priori</i>	Code	Representative quotations
Strategy (cont'd):	RI-S	
Strategy responsibility (cont'd)	RI-SS	<p>“<Global Head of Human Resources> who heads up the corporate investment bank from an HR point of view globally is a member of the global operating committee which is effectively the board for our business and is involved and party to all discussions around direction and strategy of the organization” (G)</p> <p>“if there was discussions around future direction, mergers and acquisitions etc you know HR clearly is at the table in the early faze.” (G)</p> <p>“I would say first of all from a strategic point of view, we are clearly strategic partners, we are at the table in every sense of that word” (N)</p>

Appendix Six: Study One: Influence in human resource management (cont'd)

Themes – <i>a priori</i>	Code	Representative quotations
Recruitment and selection:	RI-R	
Process responsibility	RI-RP	<p>“When it comes to the mechanics of the recruitment process we have taken a very structured view.” (B)</p> <p>“I would say about a third of our European strategy is people related in terms of what we will be doing ... yes, there is a lot of admin and process associated with recruiting but there is also clearly an advisory and consultative service that we can offer to our hiring managers and divisions and that is where we are trying to get to.” (K)</p> <p>“I think one of the reasons why we haven’t done (be involved in the recruitment of senior candidates) it is we frankly haven’t had the calibre of people in depth in HR who could engage the business in a way that the business would respect because if you are going to sit down and have a discussion with the business as to why you think this senior Government Bond trader is not the person they need you have to have a pretty good understanding of the business” (A)</p> <p>“I think from a recruiting perspective HCM clearly has an influence and has an input into the process” (K)</p> <p>“there is a lot of admin and process associated with recruiting but there is also clearly and advisory and consultative service that we can offer to our hiring managers and divisions and that is where we are trying to get to.” (K)</p>
Strategy responsibility	RI-RS	<p>“if you were to have a look at the balance, it has probably become more of a 70:30 drive from HCM) ... but all of that said again, if HCM were to disappear tomorrow I think the business would fill the gap but it wouldn't be so strategically and thoughtfully run for the long-term.” (K)</p> <p>“I think it is very much where HR should be leading the charge (recruitment and selection) but they are not currently. We have a talent review process in house that we run so we can identify the talent, once it has been identified it kind of stops there in terms of we know who the good ones are and we can reward them in terms of pay and rations if you like but it is more difficult in terms of finding that next great opportunity for them within the strategic direction of the bank and we are still at kind of a position where if someone were to leave or someone is promoted you are kind of scrabbling around saying 'right, who will fit what job' and whatever and it is usually the first most available person or perhaps the easiest solution rather than the person with the greatest potential to move into that role.” (P)</p> <p>“I think HR is seen as being party to the selection decision in this organization not just simply the administration of it.” (J)</p> <p>“basically a strategy for next year will be driven, mostly, by HCM and they, and what I mean by strategy is: what is our philosophy in terms of where are we going to go and how are we going to do this ?” (K)</p>

Appendix Six: Study One: Influence in human resource management (cont'd)

Themes – <i>a priori</i>	Code	Representative quotations
Training and development:	RI-T	
Process responsibility	RI-TP	<p>“we are doing a fair amount of training because of the new legislation that is going through but I don’t think what we are doing has enough proactive thought about, you know, what is the manager? What do we need to give the manager in three to five years time? What do we need to give to a graduate trainee to get him up that career ladder? What influences from outside are going to sort of mean that we should be giving some sort of development to managers going through?” (P)</p> <p>“training and development haven’t really been focused on by us. So our influence has been our own fault but just recently we have set up a training unit which is a lot more focused and you know, is now providing a lot of input” (J)</p>
Strategy responsibility	RI-TS	<p>“I think if it wasn’t for human resources there would be very little training and development.” (A)</p> <p>“I think the L&D strategy really comes from the top of the organisation in terms of commitment to learning and the commitment to peoples personal development and I think in <name of CEO> we have got someone who certainly talks the story and walks the walk in terms of commitment to that” (P)</p> <p>“We have begun to engage in discussions with senior management around having a more long-term perspective to see talent as assets, and that you have to grow them into further roles, to see them as a risk management exercise – everyone on your management team will have two or three replacements if the person were ... no longer around” (I)</p> <p>“I run the development board with one person from the business line, I am responsible for the education and development of the staff ... So HR is responsible for ensuring that the right people are getting trained at the right time, that it is not managing by allowing people to apply to go to a course, it is managing, HR coordinating the management of putting the right people in the right seats over time so that again they have the right tool kit and they can aspire to the right position within the firm over time, that is the key and that is where HR comes in and it is for me one of the most important things to get right for any firm” (I)</p>

Appendix Six: Study One: Influence in human resource management (cont'd)

Themes – <i>a priori</i>	Code	Representative quotations
Performance measurement:	RI-P	
Process responsibility	RI-PP	<p>“I think it is something where you know certainly the expectations of him (CEO), and probably to some extent even the board, that HR has got the governance around performance management and measurement and although we can't enforce we can certainly encourage it and report back.” (F)</p> <p>“It is similar (to training and development) in the sense that if you don't have a performance management or measurement system in place it is hard to track development and individual needs. Having said that I think the performance management has been more of a challenge in order to get the business attention to that than in other industries or other types of business and I guess I think part of it is because of the type A personality that you tend to deal with in the capital markets business.” (F)</p> <p>“yes we have this appraisal form that we use globally but in fact it really doesn't help us very much, it doesn't really help us get down to managing performance. So, how do we manage performance? – not very well at all” (N)</p>
Strategy responsibility	RI-PS	<p>“I would say that we have single handedly shaped that, actually over the last few where before we struggled dramatically to try and justify any exiting action we were taking because of a lack of process, to the point where somebody goes. We now have an annual cycle of review” (B)</p> <p>“There is integrated performance piece in some divisions happening and in others it is not. HR in my opinion is still focusing too much on performance management on an individual level and still has some work to do in linking it with the corporate performance management. We see that even in our employee service, people ask for more clarity on how that links into the bigger picture.” (I)</p> <p>“personally I think that is a weakness. I think we have got a long way to go in this organization and I suspect in other investment banks we tend to do performance management business by business, there is no common methodology which purveys in our the entire organization, there are no common skills and there are no common metrics. And you could argue well that is appropriate because each business measures itself in a very different way, you know the way you measure investment bankers and their performance is different to the way you measure corporate bankers is different from the way you measure people in sales and trading operations is different to people in the treasury and support areas so therefore how could you possibly have a common performance process? I think there is an element of truth to that but I do believe that if we try to achieve a common set of leadership standards, of standards of behaviour that you need to embed that in your performance management system to enable you to develop a common culture and a common way of doing things.” (G)</p> <p>“I mean we do influence things like, we are changing everyone over to a common platform this year but I don't know if that's what you are after that is not really strategic.” (K)</p>

Appendix Six: Study One: Influence in human resource management (cont'd)

Themes – <i>a priori</i>	Code	Representative quotations
Compensation and benefits:	RI-C	
Process responsibility	RI-CP	<p>“I think we do a lot actually. I think we do a lot! I think we are very much involved in formulating the plans, I think we are very much involved in, clearly the process, but also, I guess, in providing an objective view on some of the discussion that are taking place at the executive committee level.” (A)</p> <p>“We have the tools to in which pay the discretionary bonus in the most effective way. We back that up with the number of benefits which we feel would give significant support to individuals but where I think we need to do much more is that overall strategic thinking ... to understand what the market is saying to us and to be in partnership with the business” (C)</p> <p>“there is no question, this industry leads the way in terms of either the processes we have, the tools we have, the products we have are all pretty good with us measuring long-term incentive or short-term incentive. I think that really is a robust process, it is a long process but it is very elaborate, everyone is engaged and you know it tends to run pretty much like clockwork and then I think the HR people play a fundamental part in that, it is driven by the HR organization” (G)</p>
Strategy responsibility	RI-CS	<p>“we have a lot of smart people at the top of the firm who have some very clear ideas about what should be offered in way of structures” (B)</p> <p>“There are various other deferral mechanisms that we have got which were designed by HR, where they promulgated entirely by HR alone – no, they are encouraged by the business who had seen it where they had come from and thought why aren't we offering it? So we have had a mixture of following the leadership on some of these things and on others of actually providing original thought.” (B)</p> <p>“I would say that we, as an HCM organisation have a lot of influence and our advice particularly in that area is listened to and taken on board because compensation is obviously such a massive part of our cost base, you know, it is something where we have a huge amount of expertise from a tax perspective, cost base perspective, benchmarking perspective.” (K)</p> <p>“So rather than us just being told or informed you know, this is what the divisions want to pay in terms of basic salary, bonus, etc. We are making recommendations to the line and we are pretty, you know, again because we have a lot of expertise in this area, and an entire team dedicated to this area. Clearly we are in a position where what we say is listened to.” (K)</p>

Appendix Six: Study One: Influence in human resource management (cont'd)

Themes - emergent	Code	Representative quotations
Roles and influence in the management of human resources	RI	
Recruitment and selection:	RI-R	
Graduate	RI-RG	<p>“we have a number of interventions each year, continuously in, for example, the area of campus recruiting, you know, how many people we hire, what type of people we hire. Is depends on what we think the forward plan for the business is going to be” (B)</p> <p>“we always separate filling the talent pipeline part of the process in terms of campus recruitment for graduates, post-graduates etcetera. And I think that is pretty well planned, you know, HR plays a fundamental role along with the business and are very close to the business it is sort of planning our requirements for graduates each year and the business is fully engaged in the whole campus and I think we do, quite frankly I think we do quite frankly, we do as well as anyone we do as well as Unilever in this regard” (G)</p> <p>“On the graduate side I think there has always been, I mean if you went back 8 years ago or 6 years ago it was very driven by divisions which was a function of our size and the fact that only a few divisions were actually recruiting grads. I would say from about 5 years ago HCM started to have a big strategic input” (K)</p> <p>“So to put it in a nutshell when it comes to hiring first-time buyers of a job then HR has all the influence it wants and in lateral hiring it could be much more.” (I)</p>
Junior	RI-RJ	<p>“I think the answer is not enough, I think we are involved in some of the mechanics of recruitment. Clearly we are involved in the recruitment of juniors because we do it.” (A)</p> <p>“So areas like analysts for example, at certain levels of the analysts, we basically do it” (F)</p>
Non front office	RI-RN	<p>“When it comes to the selection process itself HRs involvement does vary, in some cases it may be less evident than others, typically in the smaller areas, you know, for an office position” (B)</p>

Appendix Six: Study One: Influence in human resource management (cont'd)

Themes - emergent	Code	Representative quotations
Recruitment and selection (cont'd):		
Senior	RI-RS	<p>“But when it comes to senior management, you know, the head of this function or that function I would get involved or one of my senior colleagues would get involved. We do play a part in it then, but that is really reacting once the process is underway. I think the main things that we do are certainly, set the standards of assessment to ensure that people have done the thing properly” (B)</p> <p>“I suspect your question here is aimed at the heavy hitters ... And I think on the whole, the business will tend to drive that and they will tend to bring HR in at the end, if we are lucky, as a kind of sanity check or to do the actual processing. But particularly if they are dealing with big hirers, what they view to be important hires they tend to keep the cards pretty close to their chest, not because they don't value HRs involvement, but because they have a fear I think of someone outside of the magic circle saying the wrong thing to a key hire and perhaps putting them off, or whatever it happens to be” (A)</p> <p>“So now what we are working on is a plan that HR have largely developed which says - look at your staffing needs as we have just described in terms of external recruitment and look at your staffing needs in terms of succession issues right to the very top.” (B)</p> <p>“The other point of recruitment is more the tactical recruitment to either bring in strategic hires or to replenish our people as they leave and you know that tends to be more tactical and that is done business by business and invariably with the involvement of the HR generalist in that business.” (G)</p> <p>“When it comes to lateral hires, experienced hires it gets much more a fuzzy picture, it is the line people who know talent outside in the markets themselves and they go with head hunters in the market themselves and HR is more or less managing the process of engaging a head hunter or they only get to know that in the middle of the process when they say we need a contract here.” (I)</p> <p>“The profiling I would say it is fuzzy but it depends on the specific case and the relationship of the specific HR advisor with the line manager and how much he or she influences the selection of that person.” (I)</p> <p>“we are definitely a voice in an advisory or consulting sort of a capacity to the hiring manager and depending on what level of person you are talking about, you know, you would have a different level of influence on that decision, interestingly enough the more senior the individual the more influence probably we have on that decision and partly because the fit becomes increasingly more important as you go up the organizational chart in terms of level of person” (U)</p>
Diversity		<p>“To get diversity in. What sort of diversity programmes will we have running ?” (K)</p>

Appendix Six: Study One: Influence in human resource management (cont'd)

Themes - emergent	Code	Representative quotations
Training and development:	RI-T	
Regulatory	RI-TR	<p>“compliance requirements ... the regime they have for us is one that means that we have to have an up-to-date and compliant population, so like it or not, we have to do that.” (B)</p> <p>“We have a big role to play in the education of people about how we expect people to behave around here, not just legal behaviour but the treatment of each other and diversity” (K)</p> <p>“I think the training end is, other than your regulatory training and the compliance that you need to do and keep track of, tends to be not an area of focus or not one that the business looks to us to focus on.” (F)</p>
Technical and soft-skills	RI-TT	<p>“Managing producers is not about just managing the softer issues ... you ought to be able to add value to their technical ability, even though they are very sophisticated producers. So if you are the world’s best bond salesman, if I gave you a manager who could actually from time to time give input into how you ‘do’ bond sales, then that would be good thing.” (L)</p> <p>“There is a certain amount of that in terms of people going off on higher level courses that just never touches HR. There is then a certain amount of technical training that the business does themselves. We are aware of and we can sometimes help them structure it, but in reality if you wanted to run a training course on selling structured derivatives it is typically what a desk head would do for his team or for whatever. So, it may have an HR input or framework but it is not, I don’t think we influence it as such” (A)</p> <p>“I think up until fairly recently training and development was done business by business. It tended to be more aligned to the technology needs, if you wish, to the businesses. Very skills specific about developing the skills set of people within the business.” (G)</p> <p>“the technical side, we do very little work on the technical side and we are not very involved at all apart from a little bit of coordination. On the more soft side we actually tend to drive the training programmes through the organization because you are actually taking enterprise wide programmes at that stage and pushing them through the organization so those are developed, management, coordinated and typically run by the human resource profession within the organization and the selection of people that go on them is very highly influenced from within human resources and I intentionally said influence rather and again not mandated other than the occasional programme where 100% is mandatory” (U)</p>

Appendix Six: Study One: Influence in human resource management (cont'd)

Themes - emergent	Code	Representative quotations
Training and development (cont'd):	RI-T	
Leadership development	RI-TL	<p>“The CEO ... every year sets out a programme for the top talent, who might sit one day on a top team, and they debate strategic issues with him.” (I)</p> <p>“Where you have the phenomenon of someone being a great producer but a terrible manager, you know we talk in terms of getting coaches, executive coaches and stuff, the reality is that they don't know how to change; they are not going to change so I think that that is one issue ... I remember asking the head of the business in a region on any deal: ‘Do you want this guy on your team?’ They would gingerly say that he was a great challenge when it comes to relationships and partnering and all that stuff, but he is just great at what he does.” (N)</p> <p>“In terms of leadership development, I think we are becoming much more active there, I think we are very much leading the charge there.” (A)</p> <p>“I think more latterly we have moved into what I regard as a more strategic area where we have moved very much more into uplifting leadership standards. We have introduced a range of leadership programmes from the very top” (G)</p>

Appendix Six: Study One: Influence in human resource management (cont'd)

Themes - emergent	Code	Representative quotations
Performance measurement:	RI-P	
Compensation	RI-PC	“this is where the training is coming in around justifying how you award the end of year bonus and obviously the performance review grade at the end of each year as well” (P)
Firm values and culture	RI-PV	“personally I think that is a weakness. I think we have got a long way to go in this organization and I suspect in other investment banks we tend to do performance management business by business, there is no common methodology which pervades in our the entire organization, there are no common skills and there are no common metrics. And you could argue well that is appropriate because each business measures itself in a very different way, you know the way you measure investment bankers and their performance is different to the way you measure corporate bankers is different from the way you measure people in sales and trading operations is different to people in the treasury and support areas so therefore how could you possibly have a common performance process? I think there is an element of truth to that but I do believe that if we try to achieve a common set of leadership standards, of standards of behaviour that you need to embed that in your performance management system to enable you to develop a common culture and a common way of doing things.” (G)
Diversity	RI-PD	“Yeah, and also we have a number of different new legislations coming in around equal pay, some of the diversity and discrimination issues that are coming in as well which I think is moving performance appraisal perhaps more away from how the individual has performed to more justifying why you put that comment in there” (ML)

Appendix Six: Study One: Influence in human resource management (cont'd)

Themes - emergent	Code	Representative quotations
Compensation and benefits:	RI-C	
Salaries and benefits	RI-CS	<p>“there is a very clear link and a very structured relationship between the comp and ben process and the HR department. I think that is one of the areas where our influence or our impact or involvement is the strongest. You know, I would say the macro kind of level but also at the individual level, not for what do you pay a settlement clerk in Indonesia but when you get into the bigger packages” (A)</p> <p>“We are the only function that is ever going to propose enhance a benefit, or reduce a benefit or introduce a new one. And we feel that is an area where there is recognition of expertise and knowledge in the HR function that we can bring to that.” (M)</p>
Allocation of bonus pool	RI-CA	<p>“the wholesale banks bonus pool is X, how much of it should go to fixed income? How much should go into equities? You know all of those sorts of things, I think we play a very significant role. I think we do that at two levels, one is that we sit at the table and discuss it, I certainly have a voice at that table and an ability to influence at that table, no question at all.” (A)</p> <p>“From my standpoint I would say this is probably the one area that we have and exert a huge amount of influence actually. We don’t determine the pools at year end but we certainly have a very active part in how those pools are divided and managed and how people are rewarded at the end of the year and I think that is in a number of ways, one is from a pure process perspective that we manage that process” (P)</p> <p>“HR has got to be able through its network to get some indication of what is happening and validate what you are going to read in the papers, validate what you are going to hear in the street, to say that people from the bonus side, our people, relative of performance are getting paid fairly. Our HR team, or HR committee, my HR team knows exactly what the performance of every business is; revenue line, cost line, risk line, why is that important? Because they can help me help <name of CEO> decide where we may be at risk from the standpoint of how we do our bonus pools, how we decide who gets what.” (V)</p>

Appendix Six: Study One: Influence in human resource management (cont'd)

Themes - emergent	Code	Representative quotations
Compensation and benefits (cont'd):		
Size of bonus pool	RI-CB	<p>“Our influence on strategic planning is limited as far as I can see to a few issues, one issue is compensation planning ... variable pay being the dominant part of compensation, bonus approvals, managing expectations, compensation in line with how markets develop is much more important than in the past so top management takes in a senior executive compensation committee and management bonus pool is a number one cost item in the firm several billions, that is relatively technical and functional but it is an influence on the firms’ planning process ... when it comes to structuring contracts, in structuring equity schemes and bonus pools, how bonuses are distributed and accrued, HR is very much defining these processes” (I)</p> <p>“It is very high here because we are seen as one of the key parties in determining what the bonus pool should be and actually to some extent we provide a, perhaps a slightly more objective view in a highly subjective environment and a highly emotional environment and again with benefits and salaries.” (J)</p> <p>“the bonus pools are all calculated in different ways and that is all agreed between finance, HR and the business and any new plans going in” (S)</p> <p>“we are accountable for determining what level of total compensation for the organization to pay. So we do that on the basis of, what I call, for the first half of the year we look at it from a top down perspective, how much money we are planning to make and therefore if we make that amount of money how much would we pay out in compensation and the second half of the year and we continue that on for the whole year, in the second half of the year we start to put, what I call, a bottoms up discipline against it” (U)</p>
Values	RI-CV	<p>“I actually think values are starting to play a much bigger role in comp and ben” (L)</p> <p>“if we are buying something in from another firm we think about, from HR stand point, about whether or not those people will fit the culture, whether or not they are going to want to stay or whether they are just mercenaries who come in for two or three years who will get their money, get their guarantees and walk out the door” (V)</p>
Unions	UN	
Engagement with unions	UN-N	<p>“I think in many ways HR, certainly in <head office country> is seen as the area which deals with the unions and that in many ways is seen as their strategic sort of play” (C)</p> <p>“there is a matrix which our employee relations people will negotiate with the union or not negotiate with the union as the case may be.” (K)</p>

Appendix Six: Study One: The centrality of credibility

Themes – <i>a priori</i>	Code	Representative quotations
Credibility	CR	
Credibility and relationships	CR-E	<p data-bbox="743 383 1501 607">“A lot of it comes from personal credibility and as I said my fear, if that is the right word, or concern, is that we don't have a significant number of people within the HR function at that level where they could fulfill those two criteria (a) because we don't necessarily have the right business expertise and (b) because HR's history within the bank in terms of doing the basic things right and delivering a quality product has not always been the greatest, so I think that automatically puts you on the back foot.” (A)</p> <p data-bbox="743 633 1501 801">“My experience from a previous bulge bracket firm was that HR was used as a letter writing service - so this is the person we want to hire - write a letter, so I have never been very big on that. But you have to earn your credibility before you are able to make decisions, so there are still parts of the organisation that will hire people and HR will not have interviewed them. But they are fewer than there were.” (S)</p> <p data-bbox="743 828 1501 936">“My head of resourcing ... has done a huge amount to make all that work, so because of that credibility, which comes first of all from your ability to deliver, and because she and they have proved that they can deliver, they get permission to contribute more.” (S)</p> <p data-bbox="743 963 1501 1153">“So it is fairly active involvement, again through influence not power, so I don't have the power to override anybody in that decision. The only thing that I can do is provide advice but my, what I tell people is that you are the most powerful human resource person, most involved when you provide good advice, when you are knowledgeable and provide good advice and not because you actually have the power to make decisions.” (U)</p> <p data-bbox="743 1180 1501 1270">“I still think that if the individual can establish a good relationship then HR can influence. But if the relationship isn't there then HR as a function is not seen as a critical part of influencing strategy.” (T3)</p> <p data-bbox="743 1296 1501 1487">“I don't know whether that helps, but I think the <name> who is in HCM and his charisma means that HCM has gained in credibility and is driving quite a lot of training. And being to drive the soft skilled training lower down through the organization is quite enough. They can do more of that than we used to be able to do. So, I think actually, probably our influence has grown which surprises me to hear me say it because it feels like quite an up hill struggle.” (K)</p> <p data-bbox="743 1514 1501 1686">“The only power that we have got is the power of influence, so we don't have position power so the function itself doesn't come with the power to do that but individuals throughout the organizations gain that credibility and gained the influence and provide advice to a hiring manager. And business people don't always follow the advice for the most part they do but they don't always follow the advice” (U)</p>

Appendix Six: Study One: The centrality of credibility (cont'd)

Themes – <i>a priori</i>	Code	Representative quotations
Credibility (cont'd)	CR	
Influence and metrics	CR-M	<p>“They [human resources managers] don’t have to be completely 100% conversant in the business they support, but they need to be commercial.” (S)</p> <p>“I think it (human resource influence) is increasing, probably around looking initially at the costing of things and getting more involved in metrics and monitoring and that kind of area.” (J)</p> <p>“But I think that probably within <name of bank> again there is probably a very cautious approach to HR now in terms of investment and I think we are going to make a few large investments ... to try to fix some of the historical issues and problems that we have had in the past around basic data and trying to go back to the basics to try and get that right before we try to build and build something a lot more sophisticated because we have always got the Achilles heel which is the lack of data or more aggressively lack of because you lose credibility very quickly.” (P)</p> <p>“I think within performance management human resources has always, in my view, had an undisputed role around the form but performance management not about the form, performance management is actually about trying to improve performance within the organization.” (J)</p> <p>“I think we have got, as a firm, a long way to go in terms of sort of our management reporting tools, how you extract that data and then extrapolate it in a form that you want to make it usable and therefore you can take it to the table to have a proper discussion with your management team around you know your key performance is difficult and that comes down to some of <bank name> failing in terms of some of the technology, one piece of technology doesn’t talk to another and we have lots of stand alone systems which means that if I wanted to go out and find everything I wanted to about someone, I couldn’t. I would have to go to about four different systems within that and I think some of those issues make it very hard for us to drive the management team to using some of the tools that are available to them because it is just too difficult and therefore some of that knowledge and some of that information is being lost as well.” (P)</p>

Appendix Six: Study One: The centrality of credibility (cont'd)

Themes – <i>a priori</i>	Code	Representative quotations
Symbolism	SY	<p data-bbox="743 331 1501 387">“- when does a people issue become an HR issue ? Some people believe that people issues are HR issues - not necessarily so” (L)</p> <p data-bbox="743 416 1501 521">“there is a lot of influence but we need to be careful to distinguish the principle of human resource management becoming more relevant from the human resources function doing it.. Some people use the term synonymously and you get different results” (L)</p> <p data-bbox="743 551 1501 633">“I think that business leaders do place more importance on HRM but they might call it different things, so there could be language differences.” (L)</p> <p data-bbox="743 663 1501 768">“.. I would say that I am reasonably involved in strategic planning so number one is that I report to the CEO and number two is that I sit on the executive committee which is the strategy group for <name of bank>” (U)</p> <p data-bbox="743 797 1501 1077">“As a symptom, I sit on the ninth floor here and I am actually moving up there because they (regional business executives) want me to sit closer to them. That is just a symptom of what is going on here, and I think also because we are part of a maturing organisation ... as organisations mature and they grow and they no longer rely on the paternalistic mentoring you do what I do, you sit next to me and I'll show you what to do ... and they start to feel the need for something more systematic and I think some of it may have to do with that ... just to do with maturing organisation. If you look at the place of HCM in an organization, as it matures it changes.” (K)</p> <p data-bbox="743 1106 1501 1189">“ – so the head of human resources for equity sits on the equity trading floor, and it's had a really positive effect. I know it's optics, a lot of it, but it has helped to push my agenda.” (O)</p> <p data-bbox="743 1218 1501 1413">“The impact that HCM would have on that organization planning would be in terms of having a seat at the table. Our Global head of HCM has a seat at the table on the management committee and helping to shape where we decide to go for the next couple of years so, actually as it happens our head of Global HCM is quite an advisor to the chief executive <name of CEO> and so, actually we have a lot of influence there.” (K)</p> <p data-bbox="743 1442 1501 1664">“it is a truism that people are the only differentiator left and I think there is increasing realization of that. Everything else by and large if you have money you can copy, capital you can lend, you know, I can't think of anything that isn't capable of cloning, except people in some sense. So, because of that I think that business leaders do place more importance on HRM but they might call it different things, so there could be language differences. So there could be language differences.” (L)</p>

Appendix Six: Study One: The centrality of credibility (cont'd)

Themes – <i>a priori</i>	Code	Representative quotations
Symbolism (cont'd)		<p data-bbox="740 392 1501 638">“I am on the <name of division> board, so I am involved in the things that come to the board that need strategic planning, what we are going to do, what we are not going to do so I will hear all about it then. But I would say that I haven’t been able to move HR where I would want it to be yet. The good thing is that I am at the table and there hasn’t been an HR person at the table before, so that is good. But I still have to work, you know when the businesses are go and acquire something or divest themselves of a business, not so much now, but even six months ago” (S)</p> <p data-bbox="740 667 1501 857">“One of the most important things is the people that I have hired in the last year because they are also now being regarded as those kinds of people that add value on the various boards that they sit in, so I would say that, <name of Group Head of Human Resources> in the past has been very involved and I know that he is on the group executive management committee. So he will hear and be part of all the discussions there so that he doesn’t have to get it second hand.” (S)</p> <p data-bbox="740 887 1501 1133">“I would say that I am reasonably involved in strategic planning so number one is that I report to the CEO and number two is that I sit on the executive committee which is the strategy group for <name of bank> and when it comes to actually establishing plans for the future we form a fairly big part of that planning process because any business initiative has a corresponding cost which is the compensation side of the equation and I am the advisor and the internal consultant and the kind of expert, apparently on that function. So I tend to be very involved with the front end.” (U)</p>

Appendix Six: Study Two: The centrality of credibility

Question	Representative quotations
Use of metrics and information technology	
What human capital measures are used ?	<p data-bbox="676 427 1501 533">“What drives it is working with the board and with the CEO. Understanding the business and the business drivers; understanding that everything we need to do in human resources needs to have revenue or costs attached to it” (S2)</p> <p data-bbox="676 566 1501 645">“Metrics are fundamental part of their setup. The human resource function has to deliver and if you don’t have a way of proving this you aren’t being fair to the business.” (G3)</p> <p data-bbox="676 678 1501 891">“The business gets violently put off by human resources jargon. So it’s the ability to talk the way they do that makes a big difference. You get credibility by being able to reference the world inside and the world outside and that includes using metrics, because this is the financial sector. Otherwise you are just using your intuition and if you can’t validate it, particularly at the early stages of the relationship, when the other side doesn’t know you, you’re not convincing. You absolutely need metrics. And also using metrics, and the right metrics, shows a level of sophistication.” (V2)</p> <p data-bbox="676 925 1501 1193">“What’s not covered is a true understanding of the cost to the business of losing people – of having people out of a seat; the drop in continuity. That’s not being modelled today. That’s the key. That’s what needs to be modelled. Banks are full of smart people but they haven’t developed this into a science. It’s not just a case of ‘That person has gone; this is the revenue they brought in and we’ve lost that revenue’. We went into growth mode a year ago. In that time I’ve done 180 interviews. One hour, at my rate, is not cheap, and there is the cost of search firms. In addition, if someone resigns; the person sitting next to that person thinks: Should I be thinking of resigning? When you finish this model it is really scary how big this number is.” (N3)</p> <p data-bbox="676 1227 1501 1552">“Reliance is a little bit like the truth, or commitment: it’s either zero or 100%. These are absolutes. When you rely on something you don’t sort-of rely on them. If you’re driving a car at 180mph you either rely on the brakes or you don’t. They have to work. We have a great set of metrics, that are pretty simple, straightforward, and then we work them, rather than creating lots of different versions. How many people are we hiring? What’s the cost? When are they going to be hired? Which search firms are we using? When do we expect to see them sat on the seat? Which firms are we going to hire from? What are the value systems and the behaviours, the technical competence, the longevity in the market? For given revenue what comp do we expect to pay; if it’s a start-up business we’d have a higher payout percentage, if it’s a very mature business then it’s price per seat.” (S3)</p> <p data-bbox="676 1585 1501 1718">“We are trying to marry some of the outputs from climate surveys, and match them with competency data, coming out of our annual review. For example, we’re trying to look at different levels of engagement of employees who are managed by those with greater and lesser degrees of management capability.” (V2)</p>

Appendix Six: Study Two: The centrality of credibility (cont'd)

Question	Representative quotations
Use of metrics and information technology (cont'd)	
What human capital measures are used ? (cont'd)	<p data-bbox="676 427 1500 488">“I review performance, including budget performance, on a monthly basis and on a quarterly basis with the CEO.” (S2)</p> <p data-bbox="676 510 1500 701">“What strikes me as staggering in other companies I’ve worked for is: that I’ve challenged the human resource managers to recognise that their stock in trade, their balance sheet, their currency, is the people; and to not know everything about the people and be able to manipulate that data leaves me thinking that I just can’t understand how human resource managers can do strategic human resource management if they get stuck on handling admin.” (S3)</p> <p data-bbox="676 728 1500 891">“There are relatively few people ... who understand the depth of investment, in time and effort, that’s required to get the right people. I always use metrics like: it takes an average 16 weeks to get the right person. At a senior level you probably have to see five to seven people to get one; and there will be multiple interviews. If you actually work out the costs, from search fees, through management time, etc, it’s just immense.” (S3)</p> <p data-bbox="676 920 1500 1084">“Measures are real indicators of engagement levels and how people are feeling towards the company. They are increasing in use all the time. Measures are taken more and more as systems improve. We get a better feel on key issues around the company. Access to data up to three years ago wasn’t easy. Now a common data warehouse holds all the information we need. Metrics are a fundamental part of the set-up.” (G)</p> <p data-bbox="676 1113 1500 1276">“We look at leave rates; we spend a lot of time looking at turnover and understanding why people leave. We also look at non-regretted leavers. We know the percentage of people in a given business unit who left who we didn’t try to keep. We operate a meritocracy and believe it is good practice to be continuously refreshing our population to ensure the best performers are retained and challenged.” (O3)</p> <p data-bbox="676 1305 1500 1361">“Business managers are demanding more people-related data – they want more information and easier access.” (O2)</p> <p data-bbox="676 1391 1500 1496">“All the ones [human capital measures] we use are useful numbers to know; but they are just numbers. If a business has substantially higher turnover than another it could be that we’re trying to manage people out or a run of bad luck. You have to have some numbers otherwise it’s just feel.” (O3)</p>

Appendix Six: Study Two: The centrality of credibility (cont'd)

Question	Representative quotations
Use of metrics and information technology (cont'd)	
Is there a formal human capital report ?	<p data-bbox="676 427 1497 535">‘If you talk to them [other senior executives] on numbers, you have a far more interesting discussion. As I started talking about numbers I thought, well, actually if you can measure something you can actually improve it more effectively, otherwise it is about belief.’ (B)</p> <p data-bbox="676 568 1497 703">“In some of the revenue-generating areas, we have a pipeline report that looks at the bonus spend, as we go through the year. So as we’re hiring new people bringing them on board ... We look at that, sometimes on a weekly basis. That would definitely drive behaviours in terms of ‘Stop; no more hiring’. Or accelerated hiring.” (P2)</p> <p data-bbox="676 736 1497 898">“There are a couple of brochures that go in the annual report, but there’s not a human resources section with metrics in it. But the management committee one is pretty comprehensive. For example, under ‘Engagement’ we would have turnover; turnover by diversity; people survey results; we do measures on recruiting, training, reward, employee relations – how many cases per employee, and then cost. Those are the broad categories.” (K)</p> <p data-bbox="676 931 1497 1039">“When the CEO talks to analysts at the time of half-year and full-year review he will go in with charts showing what our feedback survey says. How many people responded; what were the engagement scores; what were the key areas, and so on.” (S2)</p> <p data-bbox="676 1072 1497 1180">“Within the performance plans of myself and my executive committee we commit ourselves to three specific actions coming out of the human capital report. So, I get that for the region and each region or country head gets three specific actions to follow through.” (S3)</p> <p data-bbox="676 1214 1497 1348">“It is seen as giving us competitive advantage. How we manage our people to a good standard; and that what we’re trying to do with them in terms of development, diversity – that there’s a good story to tell. It helps to be transparent on that. You think you’re good, but this [the report] creates internal pressure to improve what you are not so good at.” (V2)</p> <p data-bbox="676 1382 1497 1541">“We are just not where we need to be; I just don’t think we’ve done enough thinking of what are genuine indicators of value-added, or forward indicators. But I think there’s huge value in paying great attention to your attrition rates, not just rates but why, what the demographics are. Really understanding what you’re doing in the hiring process, and where you’re leaving value on the table, particularly in that very costly exercise.” (V2)</p>

Appendix Six: Study Two: The centrality of credibility (cont'd)

Question	Representative quotations
Use of metrics and information technology (cont'd)	
What information systems are used ?	<p data-bbox="676 427 1501 533">“In the last 18 months it has moved up from being adequate. It could still be better. If it’s going to do more, I think it’s the connectivity of the systems and some nuances within the systems. These things will always become easier to use. You get more sophisticated based on what you want to do.” (P2)</p> <p data-bbox="676 566 1501 703">“I think on performance measurement – on metrics – is the area where we could do with more help. We’ve done work on metrics, and I think we’ve got good measures, but actually they are terribly painful to produce. That would be an area where I’m not sure we’ve got the management information systems. So, we do it, but it’s agony.” (K)</p> <p data-bbox="676 736 1501 790">“In our domestic market management information is adequate, but absolutely not yet on a global scale.” (S2)</p>

Appendix Six: Study Two: The centrality of credibility (cont'd)

Question	Representative quotations
Factors that influence the credibility of the human resource function	
Credibility to influence business planning	<p data-bbox="676 427 1493 481">“some progress has been made with added value initiatives – HR’s ability to influence more strategic issues is determined by credibility” (Q3)</p> <p data-bbox="676 510 1501 564">“It’s a continual case of winning credibility with the management group. What you’ve got to do is deliver consistently. Rather than talk it, do it.” (B)</p> <p data-bbox="676 593 1501 784">“I think because we have transformed ourselves to be offering something worthwhile, and have developed our relationships with the business, they understand what we are offering and buy into that. It needs to continue becoming more integrated into the way business gets done. In order for that to occur, we need to continue to have strong relationships with our businesses and in-depth understanding of their business and what they are trying to achieve.” (P2)</p> <p data-bbox="671 813 1493 896">“You have to understand the business. If you’re talking to someone in equity you have to understand what a share is and what a convertible bond is and what a derivative is. You have to understand what they do every day.” (K)</p> <p data-bbox="676 925 1501 1005">“In [one division] the influence rating would be 8/10; in another it would be only 3/10 and in another it would be 10/10. It depends on the human resource partner and the business area” (H3)</p> <p data-bbox="671 1034 1501 1171">“It’s become much closer. More of a partner than a service provider. I would like to see a continuation of the development of partnership, with people considered as equals. For that to happen, it would be good to have senior people in the business going to human resources and ... it happening vice versa.” (G)</p> <p data-bbox="671 1200 1501 1332">“The next phase is almost, how can you be like a think tank in the human resource function: to stimulate the business, to get managers thinking in different ways of how to manage people in their businesses. How do you add much more value to human capital, driving productivity through innovation?” (V2)</p>

Appendix Six: Study Two: The centrality of credibility (cont'd)

Question	Representative quotations
Factors that influence the credibility of the human resource function (cont'd)	
Factors which contribute to credibility	<p data-bbox="671 456 1497 510">“If you get any one of these things wrong <Ulrich’s factors> you’re out of the door anyway” (C)</p> <p data-bbox="671 539 1497 593">“Last on the list is having a professional HR qualification. If someone tells me they need CIPD I just die. And it is so not global.” (I)</p> <p data-bbox="671 622 1497 676">“That [professional body membership] is not going to cause you to have credibility, but it might be another facet of your credibility.” (V3)</p> <p data-bbox="671 705 1497 846">“And to some extent I would say they need to show courage. I was speaking to a coach and we were saying that in human resources what you can’t be frightened of is making enemies. Where you think something is not right you have to have the courage to confront. If you get to a point of conviction you do have to take a position.” (S3)</p> <p data-bbox="671 875 1497 1016">“An understanding of the key protagonists around the table. A credibility in the eyes of those around the table. Desire to take risks, and good old-fashioned persistence. What I believe is critical is that someone is at ease in their own skin. They are confident, balanced. They’re not political; not a reed in the wind. You’ve got to be solid.” (S3)</p>

Interview respondent codes (from Table 3.10)

HR One

A, Global Head of CIB HR, LDN
B, Global Head of CIB HR, LDN
C, Global Head of CIB HR, PRS
D, Global Head of Markets HR, NY
E, Global Head of CIB HR, PRS
F, Global Head of CIB HR, TO
G, Euro Head of CIB HR, LDN
H, Global Head of CIB HR, LDN
I, Global Head of CIB HR, FFT
J, Global Head of CIB HR, LDN
K, Euro Head of IB HR, LDN
L, Global Head of CIB HR, LDN
M, Global Head of CIB HR, LDN
N, Global Head of CIB HR, NY
O, Euro Head of IB HR, LDN
P, Euro Head of IB HR, LDN
Q, Euro Head of IB HR, LDN
R, Global Head of CIB HR, TO
S, Global Head of Markets HR, LDN
T, *Not possible*
U, Global Head of CIB HR, TO
V, Global CIB COO, LDN

HR Two

A2, *Not possible*
B, Asian Head of CIB HR, SNG
C, Global Head of CIB HR, PRS

G, Euro Head of CIB HR, LDN
H, Global Head of CIB HR, LDN
I, Global Head of CIB HR, FFT

K, Euro Head of CIB HR, LDN

N2, Global Head of CIB HR, NY
O2, Euro Head of IB HR, LDN
P2, Euro Head of IB HR, LDN
Q2, Euro Head of IB HR, LDN

S2, Global Head of Markets HR, LDN
T2, Global Head of CIB HR, LDN

V2, Global Head of CIB HR, LDN

Business Two

A2, *Not possible*
B3, Asian Head of FI Sales, SNG
C3, Global Head of DCM, LDN

G3, Asian Head of FICC, HKG
H3, Euro Head of DCM, LDN
I3, Asian Head of FI Sales, SNG

K3, Euro Head of HY Sales, LDN

N3, Asian Head of Credit, HKG
O3, Euro Head of FICC, LDN
P3, Euro Head of DCM, LDN
Q3, Euro Head of FI, LDN

S3, CEO Asia Markets, HKG
T3, Global Head of FICC, LDN

V3, Global Head of FIG, LDN

First study: 22 targets

Second study: 14 targets (if the HR respondent was different to the first study they are designated with a suffix '2'. All business line managers have a suffix of '3').

Key:

IB =	Investment Bank	LDN =	London	SNG =	Singapore
CIB =	Corporate and Investment Bank	NY =	New York	TO =	Toronto
FI =	Fixed Income	HKG =	Hong Kong	FFT =	Frankfurt
FICC =	Fixed Income, Currency and Commodities	PRS =	Paris		
DCM =	Debt Capital Markets				
FIG =	Financial Institution Group				
Credit =	secondary market credit				
HY =	High Yield				
Markets =	primary and secondary market activity across all asset classes				
COO =	Chief Operating Officer who was also Global Head of HR				

Appendix Seven

Publications and practitioner responses to the IFR report 'Talent Portfolio Management: Leveraging assets in capital markets and investment banking (Aldrich, 2007).

- IFR Report

- Strategic Risk Article

- BNP Paribas

- JPMorgan

- The Royal Bank of Scotland

- Mercer Human Capital Consulting

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LEVERAGING HUMAN ASSETS IN CAPITAL MARKETS AND INVESTMENT BANKING

"There is financial capital, reputational capital and people capital. As bankers we spend a great deal of time protecting the first two, but because of the tyranny of the immediate, we spend the least time on our people, and at the end of the day this should probably be our first priority."

Richard Hayden, Vice Chairman, GSC Group, former Deputy Chairman and Managing Director of Goldman Sachs International

Despite being by far the largest item of any bank's expenditure, few firms have employed systems to analyse meaningfully their return on investment in people. And yet this is a sector where the recruitment or defection of just a handful of key individuals can make or break a business strategy.

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- **Carrie Heiss**, European Head of HR, Lehman Brothers
- **Marie Bentley**, Global Head of HR, UBS AG
- **John Harker**, Managing Director, HR and Corporate Affairs Citigroup Inc.
- **Tamsin Rowe**, HR Director, Morgan Stanley
- **Steve Daniels**, Director HR CM & GBM, The Royal Bank of Scotland plc
- **Ann Almeida**, Group General Manager, HR, HSBC Bank PLC

TALENT PORTFOLIO MANAGEMENT: LEVERAGING HUMAN ASSETS IN CAPITAL MARKETS AND INVESTMENT BANKING

Beyond any doubt, every financial institution's prime asset is its workforce, but it is also the asset least subject to transparency of measurement and clarity of accountability. More importantly, it is an asset it doesn't actually own: one that leaves the office every evening and is sought after by rival firms with pockets at least as deep.

As many investment banking services become ever more commoditised, with diminishing margins, high-margin business is increasingly derived from sophisticated investment products and services involving far greater cross-desk collaboration and fewer points of contact with customers. These services can only be offered by specialised individuals and teams who are generally highly paid and in heavy demand.

Financial services employers pay many millions to their stars and teams, but how much is astute investment, and how much is wasted? Stars in one organisation do not necessarily flourish when they move to another, regardless of their compensation packages, so what other factors are at play and how can they be measured and managed more effectively?

Surprisingly, given these firms' ability to manage investments and assess risk in the capital markets, their ability to apply the same skills to their own human capital is far less developed.

Historically, the approach to people management has relied upon gut-feel and intuition, with headcount and cost sometimes being the only two metrics involved; or has been passed to the human resources department and not integrated with broader strategy. Moving to a more strategic model for managing human resources should not prove a difficult conceptual step to take in a sector where individuals deal every day with questions of risk, return and investment.

The situation is changing as financial institutions begin to view their employee costs more as investment than overhead, but despite this growing awareness there has been no research on managing human capital in the sector until now.

Talent Portfolio Management: Leveraging Human Assets in Capital Markets and Investment Banking is a timely intelligence report from IFR. It offers an expert analysis of techniques being employed by some firms to evaluate the effectiveness of their human capital investment, and examines the impact their management strategies have had on their profitability.

The report examines 22 leading firms, revealing a considerable variety in the extent to which there is a measurement-based approach to human capital. Based on extensive research by the author and drawing on candid views of some very senior bankers, this report should be essential reading for all senior management.

Spotlighting the very latest thinking and practice in human capital management from both the financial services sector and other industries, the report examines:

- Different approaches to human capital metrics and their relative pros and cons
- Links between strategic people management, engagement, and the bottom line
- The role of the human resource business partner in strategic planning
- Implications of talent portfolio management for CEOs and business managers
- The challenges of dealing with 'stars' and 'player-managers'.

The concept of **talent portfolio management** introduced in this report involves taking an investment-based, strategic approach. Just as investment in capital markets involves portfolios of assets, a talent portfolio can be segmented into different human asset groups – for example front office stars, their teams, and people in key support roles. The ultimate goal is to be consistently able to have the right people in the right place, at the right time, for the right cost. It is not a hypothetical process: research for this study indicates that employers in capital markets and investment banking are at least some way on the journey, and that many have made quiet but significant progress in recent years.

MAJOR BANK PARTICIPATION

The following 22 banks contributed to the research and findings featured in this report:

- ABN AMRO
- Barclays Capital
- Bank of America
- BNP Paribas
- Citigroup
- CIBC
- Calyon
- Credit Suisse
- Deutsche Bank
- Dresdner Kleinwort
- Goldman Sachs
- HSBC
- ING Bank
- JPMorgan
- Lehman Brothers
- Merrill Lynch
- Morgan Stanley
- Royal Bank of Canada
- RBS
- Société Générale
- Toronto Dominion
- UBS

ABOUT THE AUTHOR

Paul Aldrich is a Partner and member of the Financial Services Practice of CTPartners, one of the world's leading executive search firms. Paul's global perspective and keen assessment abilities are drawn from his experience as a senior executive and search consultant in the major financial centres.

Paul's corporate career has provided him with a blend of global consulting and industry experience, forming the basis for his deep understanding of diverse cultures and talent requirements. Previously, he worked for the London office of Price Waterhouse, Chase Manhattan Bank in London and Hong Kong and two major financial services search boutiques. Leading teams responsible for covering capital markets and investment banking business, he was involved in assignments in every major trading centre in North America, Europe, Asia-Pacific, and Australasia. During this time Paul also provided financial market product training for the Federal Reserve and the Bank of England.

Paul received an MBA from Durham University, and is currently pursuing a Doctorate in Business from the same school.

"Recent trends confirm that effective talent management – hiring and keeping the right staff in the right positions – is the most important driver of competitive advantage for the banks. This report is a very timely and insightful analysis of the subject that should make compelling reading for anyone looking to maximise their investment in human capital."

Simon Maughan, Head of Equity Research, Blue Oak Capital

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IN-DEPTH PROFILES

- Citigroup
- HSBC
- Lehman Brothers
- Morgan Stanley
- The Royal Bank of Scotland
- UBS

These profiles were the result of in-depth interviews covering the following key themes:

- Human resources structure
- Human resources representation and influence
- Is talent management treated as a strategic matter?
- Human capital measures used
- Information systems
- Is there a formal human capital report?

Please note: These contents were correct at time of going to print, but may be subject to change.

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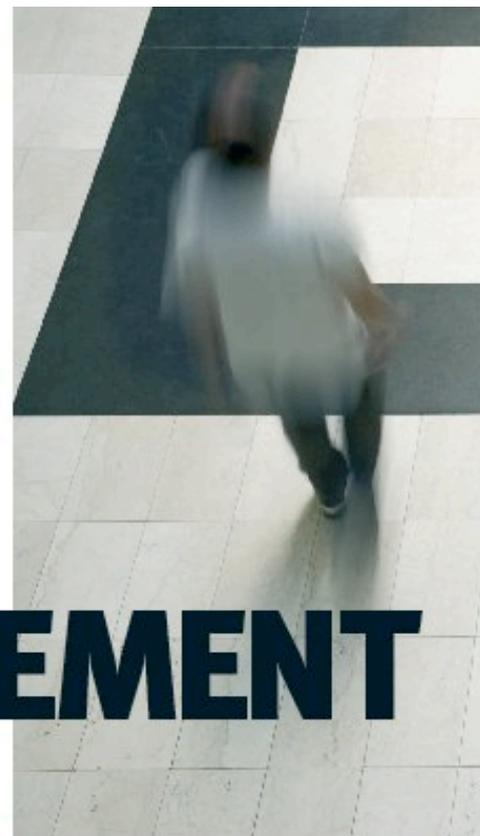
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If people are your greatest asset, you ought to be putting a value on that asset and risk managing it. The sums at risk may turn out to be astonishingly high, says **Paul Aldrich**

RISK MANAGEMENT AND TALENT



When a company announces that its people are its most important asset, it sounds like a platitude, and eyes tend to glaze over. If a company were to say 'Our people are our greatest source of risk', it might attract more attention.

In reality, people are both. They are the primary source of value and the greatest source of risk in an organisation, and this becomes accentuated in high value service industries, characterised by considerable investments in intellectual capital and high levels of remuneration. For example, in the capital markets and investment banking sector, up to 65% of annual expenditure is people related.

Conventional management and accountancy display an historic bias towards managing assets that are owned by the company, and monitoring the costs that are more easily measured. The human assets hired by the company – their talent, knowledge and ways of working – receive less attention. They pass under the title 'intangible', which is something of a misnomer, given that they walk into the workplace every day, talk with each other and with customers; build skills, knowledge and experience and are generally responsible for delivering the promises made by executives to shareholders.

Traditional financial accounts do not encompass the value or the risk associated with employing high-value people. There is no record in the financial accounts headed 'cost of failed hires', or 'five-year return of effective leadership-development programme'. But the gains and losses from the human capital investments which companies make are felt directly on the bottom line.

Discussion of 'risk' in the management of talent is often restricted to discussions of litigation risk from the failure to observe employment laws or specific industry regulations. However, a comprehensive

assessment of people-related risk would cover much more. Reputational risk, for example, would cover questionable deals and many other incidents that fall short of reaching tribunals and newspapers.

And the broader question of hidden risks from the failure to have the right people in the right place at the right time for the right cost and fully engaged can be considerable. High staff turnover, for example, has direct costs such as search fees, and indirect costs such as management time, but it can also lead to significant opportunity costs: lost business from empty seats, or missed opportunities to seize high margin deals in new markets.

If this more broadly defined people-related risk could be quantified, the amounts at stake would be so eye-wateringly high that it would compel managers to devote a large proportion of their time to it.

In the capital markets and investment banking sector, for example, the talent hired is of obvious importance. One significant risk is that a 'star' may leave, and be followed by his or her close colleagues and customers.

Consider the view of a business manager quoted in a new IFR Market Intelligence report on talent management in capital markets and investment banking. He observes that business managers have not historically been held to account for all the costs which are identifiable people related risks. For instance, he says that even the banks have not truly

quantified the cost to the business of losing people. It is much more than just a case of lost revenue.

There is the management time in recruitment, and the ripple effects on morale. If a key person resigns, the person sitting next door thinks: 'Should I be thinking of resigning too?'

This manager believes it is possible to quantify the losses and gains from people-related initiatives on a more rigorous basis, and early indications are that the number is 'scary', to use his word. He envisages a move towards performance-related shadow revenue shared between the business and the human resources function, related to the impact of high performance, integrated, recruitment, development and retention policies. In this way, all those responsible for people-related practices are exposed to the risk that they fail, helping to ensure stronger management of the overall human resource environment. There is a revenue impact line as well as a cost efficiency line.

Talent portfolio management

The concept of talent portfolio management involves taking an investment based strategic approach to the management of human assets. Just as certain capital markets activity involves the management of asset portfolios, one can conceive of a talent portfolio segmented into different human asset groups – for example front-office 'stars', their teams and people in key support roles. CEOs can be seen as chief talent officers/ chief (people) investment officers, divisional managers (for example, fixed income, equity) as divisional portfolio managers, heads of lines of business (eg DCM, ECM, FIG) as business portfolio managers, human resource partners as portfolio analysts, and human resource specialists as people risk managers.

There is now a body of knowledge for human

A discrimination case could cost a company its reputation as well as money



If the more broadly defined people-related risk could be quantified, the amounts at stake would be eye-wateringly high

capital measures which can be used as part of a strategic approach to the management of human resources. The concept of talent portfolio management is to treat appropriate people as an investment, not a cost. It is a fundamental shift in perspective, implying an understanding of the organisation as a dynamic and complex system where the talent pool is segmented and each segment risk-managed by a business aware and business focused human resource department, equipped with appropriate systems and human capital related metrics.

The IFR report includes descriptions of statistical modelling that bears resemblance to other statistics-based models of risk. Exactly the same principles can be applied to people. If one has data on starters, leavers, promotions and bonuses, and on turnover of upper-quartile performers, for example, one can gauge the probability that a promotion or a bonus will help to retain a top performer. Once this is integrated into the management of the organisation, then approximate measures of return on investment for people-related initiatives can be made. For example, if it can be statistically demonstrated as probable that a bonus, promotion, leadership development or new assignment, will help to retain strong performers, the extra returns from this retention can be estimated and compared with the initial investment.

There are huge difficulties with modelling, because organisations are complex and dynamic. But meaningful measures can and have been developed. Moreover, there is a direct impact on company performance and share price arising from the internal dynamics of the human resource environment. Stock analysts are starting to look more seriously at indicators such as management strength, succession plans and employee engagement surveys, and some bank CEOs are sharing these as part

of their quarterly analyst briefings. Organisations are increasingly building such measures into the management of their investment in talent.

The business manager quoted above indicates that the historic reticence to do this may actually be because the sums at stake are embarrassingly high, rather than hard to quantify. It may also be difficult to acknowledge just how large a proportion of company value has historically been put at risk through the lack of a strategic or systematic approach to talent management.

Progressive approach

It is likely that a progressive and strategic approach to talent management also engenders a climate in which individuals are less likely to be unsupervised, make serious errors, or take the employer to a tribunal. Thus, a focus on people related risks, outside of market and credit related risks, will allow organisations to satisfy their regulatory responsibilities.

The emphasis on a risk-based approach in the Financial Services Authority's N2 regulations puts the focus firmly upon vetting, competence and probability of individuals and teams. As PricewaterhouseCoopers noted in 2001, shortly after the regulations came into force: 'The arrival of N2 heralded a fundamental shift towards the importance of people management in firms' compliance and risk management strategies ... Firms will need to look carefully at the following to ensure they remain compliant as well as competitive: the positioning of human resource management as part of corporate business planning; the relationship between human resource management, risk management and compliance, and the use of measurement in human resource management to show compliance.'

It is often supposed that compliance with regula-

tions is a dead weight for employers. But if a strategic approach to talent that involves putting some measures on risks and returns, and which is geared towards commercial objectives, also helps to ensure compliance with FSA rules, this represents a significant opportunity for employers in the financial services industry to secure an effective 'win-win'.

At Citigroup, who are featured in the IFR report, risk management and people management are considered jointly, and there is a comprehensive range of performance measures. In part, this move came as a response to the Enron scandal.

Risk management is seen as a dimension of people management, and vice versa, says a senior human resource professional. He says that reputational risk is where people are not aligned with the organisation's goals in respect of their responsibilities or behaviour. Other risks could come from employee litigation – a discrimination case could cost the company its reputation as well as money.

The Royal Bank of Scotland has a human resources risk team, and produces a monthly people-related risk report. Morgan Stanley also produces a set of monthly risk reports for the bank's risk committee, while Lehman Brothers has hired a McKinsey consultant to work on people-related economic models.

One of the major challenges in this area is that responsibility is spread so wide within an organisation, while another is that risk is accentuated because of the highly mobile nature of people. All managers are, in part at least, responsible for the conduct and engagement of the talent in their teams, and do well to remember that these assets have legs.

Successful approaches to risk and talent management tend to involve leadership from the top of the organisation. Where a CEO sees him or herself as the chief talent officer/chief investment officer, responsible for the nurturing and performance of people within the organisation, that company is better positioned to maximise performance.

Paul Aldrich is a partner in global search firm CTPartners and the author of 'Talent Portfolio Management: Leveraging Human Assets in Capital Markets and Investment Banking', published July 2007 by IFR, www.ifr-marketintelligence.com/TALENT_PORTFOLIO_MANAGEMENT/Overview.aspx

Paul Aldrich

From: Burke St. John
Sent: 23 October 2007 18:14
To: Paul Aldrich
Subject: Re: John Bradley, Global Head of HR, JPMorgan and Mike Cavanagh, CFO, JPMorgan

You bet. Both guys are current clients! Nice work.

Burke St. John
Vice Chairman
Global Head of Financial Services
CTPartners
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bstjohn@ctnet.com

----- Original Message -----

From: Paul Aldrich
To: Burke St. John
Cc: Deirdre Kenny; Jennifer Silver; Jenni Prior
Sent: Tue Oct 23 12:59:09 2007
Subject: John Bradley, Global Head of HR, JPMorgan and Mike Cavanagh, CFO, JPMorgan

Dear Burke,

John Bradley just called having received the Exec Summary of the IFR Report and the report itself. He thinks that its content is very timely for them in terms of current internal debates. He will review it further, come up with a plan, and invite me and maybe others from CTPartners to go in and discuss the findings in more detail.

He is unsure on the exact format, content and audience but will work on this and call me back. Mike Cavanagh, CFO, also received the letter signed by you and me and had contacted John asking him to follow up.

Quite gratifying really - it makes everyones efforts worthwhile.

Best regards,

Paul Aldrich
Partner
Financial Services

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Paul Aldrich

Partner, Financial Services Practice

CT Partners

80, Victoria Street

London

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11th October 2007

Dear Paul

Thank you for your letter of the 10th October enclosing a copy of your thesis. I have looked through the Executive Summary, some of the Case Studies and the conclusion;- it certainly adds significantly to the debate. I will read it through thoroughly and then talk to some of my colleagues in both London and Paris. It would be good if at some stage you were to come into the Bank to discuss your findings with some of the senior players in Paris and London.

yours sincerely

A handwritten signature in black ink that reads "Tim Doyle". The signature is fluid and cursive, with a large initial "T".

Tim Doyle

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Paul Aldrich

From: Wylde, Victoria [Victoria.Wylde@rbs.co.uk] on behalf of Daniels, Steve (Director, HR CM and GBM) [Steve.Daniels@rbs.com]
Sent: 05 June 2007 08:34
To: Paul Aldrich
Subject: RE: The IFR guys ..

Paul,

I would like to suggest that we get Neil Roden, Group HR Director, to write this forward.

Can I ask for some more information - I will need a draft of what you envisage the forward will say and a high level summary of the research. Can you also confirm timescales?

I will then speak with Neil.

I am in Asia for the week, but please liase with Vicky Wylde (0207 672 2490), in my office, if you need anything further.

Thanks,

Steve

> -----Original Message-----

> From: Paul Aldrich [SMTP:paldrich@ctnet.com]
> Sent: 21 May 2007 09:21
> To: Daniels, Steve (Director, HR CM and GBM)
> Cc: MCCORMICK, John, GBM
> Subject: The IFR guys ..

> *** WARNING : This message originates from the Internet ***

>

> Dear Steve,

>

> As you know the IFR would like to use some of the non attributable
> material from my research on a named (bank) basis for a report they
> are publishing and I believe they have asked or will be asking your
> permission for this.

> They have also asked me if I would recommend one of the top banks for
> their CEO to write a short forward for the report.

> I have told them that I will send you the final draft of the report so
> that RBS can have first refusal on this. I will not share this with
> any other bank until I hear from you.

>

> In my opinion RBS is probably further ahead than any of the other
> banks in your space and this may be really good PR the bank.

> I will therefore send you IFRs final cut so you can discuss internally.

>

> Best regards,

>

> Paul Aldrich
> Partner
> Financial Services

>

> CTPartners (UK) Limited
> 80 Victoria Street

Paul Aldrich

From: Nalbantian, Haig [Haig.Nalbantian@mercer.com] *World-wide Partner*
Sent: 18 August 2007 04:41
To: Paul Aldrich; phil@whiteleywords.com *Mercer Human Resources Consulting*
Subject: Re: Follow up ...

Guys, the person who heads Mercer's FS sector business segment globally is very interested in our idea about a jointly sponsored event to focus on HC management in the IB sector. She would like to try to organize for as early as October 2 or 5 in nyc. While that is a tight turnaround, we think it could be done and we could get a good group of companies to attend. Big question: will Thomson agree to be co-sponsor? Have you any news for me on that? I think the idea is still one in nyc another in London later. If you can confirm interest on Thomson's part I believe I can get our leadership to agree. I would then get the right people from both organizations on the phone, including the three of us, to work out the details.
Time is of the essence now. Any chance you can talk to Thomson on Monday?

Please advise.

Thanks,

Haig

----- Original Message -----

From: Paul Aldrich <paldrich@ctnet.com>
To: Nalbantian, Haig; phil@whiteleywords.com <phil@whiteleywords.com>
Sent: Thu Aug 09 19:48:49 2007
Subject: Re: Follow up ...

Absolutely.

Best regards,

Paul Aldrich
Partner
Financial Services

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-----Original Message-----

From: Nalbantian, Haig <Haig.Nalbantian@mercer.com>
To: Phil Whiteley <phil@whiteleywords.com>; Paul Aldrich
Sent: Thu Aug 09 11:58:46 2007
Subject: RE: Follow up ...

Sorry for the confusion. I think the idea was to use the publication of your study as the basis of a joint Thomson-Mercer Session on human capital management in the IB sector. We would try to bring together IB clients to discuss the findings of your work and Mercer's methodologies of HC measurement and management that you have kindly featured in the study. My thinking was one session in NYC, one in London.

Appendix Eight

Extracts from the UBS shareholder report showing failings in people risk management (UBS, 2008)

Appendix Eight: Human resource weaknesses cited by UBS

People risk not considered adequately in business strategy

Insufficient challenge of the business case and governance approach: The manner in which DRCM was established did not correctly weigh the strength of UBS as an organisation against the perceived importance, interests and demands of a few individuals, and allowed exceptional levels of autonomy within a complex and nonstandard governance model.

Added growth pressure for IB Fixed Income: DRCM was not viewed as an outsourcing of IB's Fixed Income capability. Rather, the IB intended to grow its own Fixed Income business, notwithstanding the loss of PFCA, a major component in the creation of DRCM. This in turn added to the pressure to grow IB Fixed Income.

Fixed Income Growth orientation: The IB was focused on the maximization of revenue. There appears to have been a lack of challenge on the risk and reward to business area plans within the IB at a senior level. UBS's review suggests an asymmetric focus in IB Senior Management meetings on revenue and P&L, especially when compared to discussions of risk issues. Business-peer challenge was not a routine practice in those meetings.

Lack of challenge within the IB to IB Fixed Income strategy: The review benchmarking UBS with peers that had been commissioned from an outside consultant, and the subsequent development and presentation of an ambitious Fixed Income growth strategy to the IB Management Committee and the GEB, were intent on closing perceived gaps to competitors, but apparently were not sufficiently challenged internally. In particular it seemed to be assumed that there were no infrastructure constraints that might affect implementation, that requisite skills existed or could be hired, or that there was no balance sheet utilization limit or other natural market barriers.

Limited substantive off-cycle strategic re-assessment within the IB: Notwithstanding quarterly meetings held by IB Management, there does not appear to have taken place a significant (re)assessment (or resulting change) in IB strategy outside the routine annual process over the relevant period. This seems to contrast with peer investment banks who conducted reviews more frequently.

Appendix Eight: Human resource weaknesses cited by UBS, cont'd

People risk not considered by senior business line management

Failure to own the business: Members of the IB Senior Management apparently did not sufficiently challenge each other in relation to the development of their various businesses. The Fixed Income strategy does not appear to have been subject to critical challenge, for instance in view of the substantial investments in systems, people and financial resources that the growth plans entailed.

People risk due to a lack of succession planning

Loss of senior Fixed Income risk management expertise in the IB: The creation of DRCM had a significant impact on the IB businesses and leadership, in particular as applied to Fixed Income. At the IB, there was a change in CEO and in Fixed Income leadership, and two key IB businesses (PFCA and CRE) were, from the IB's perspective, lost in the sense that considerable talents had moved from the IB to DRCM and were no longer available for the IB's own growth initiatives in that business field. The leadership changes also had an impact on the level of risk management expertise available at the IB, in particular as the IB's new leadership's acknowledged expertise was in sales and not trading (especially Fixed Income trading).

Lack of succession planning: On establishment of DRCM, leadership succession at the IB was identified on a reactive basis, rather than as a part of a wider and long standing succession planning arrangement.

People risk due to over utilised management bandwidth

Distraction for Senior Management: Both the formation and dissolution of DRCM were highly distractive for Senior Management. This arose in two key ways. Firstly, DRCM's formation required the focus of IB Senior Management and therefore reduced their ability to attend to the ambitious growth plans of Fixed Income. Secondly, DRCM's dissolution absorbed considerable time of both Group and IB Senior Management at a critical point in the deterioration of the Subprime sector.

Appendix Eight: Human resource weaknesses cited by UBS, cont'd

People risk due under resourced infrastructure support

DRCM's use of the IB's control framework and infrastructure platform: IB operational and logistics support and control oversight functions had to cover both the retained (and growing) IB Fixed Income business as well as the DRCM business (which was essentially a new business venture being built from scratch). Additionally, the ongoing discussions around establishment and implementation of the DRCM business and the complex issues it raised (e.g. a separate risk framework for the OIF and CFC) required substantial attention from members of IB, Global AM and Group Senior Management on an ongoing basis. Implementation of DRCM demanded substantially more resource commitment at all levels than was initially expected. These burdens played a role in reducing the ability of the control and logistics functions to investigate and respond to the exposures in the IB.

Gaps in risk management expertise / experience at the IB Senior Business Management level: The successors of the departing top managers in IB appointed in July 2005 had strong sales and client attributes, but it appears that neither had strong risk management backgrounds. A senior risk manager in Fixed Income was not hired, even though this had been planned in 2006.

Lack of recognition for required growth in supporting resources: There does not appear to have been investment in the type of control resources and infrastructure commensurate with the significant increases in volumes, revenues, and complexity of the Fixed Income strategic objectives. The systems infrastructure was not capable of capturing the complexities associated with some of the more complex Fixed Income products.

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