CIPD

*Championing better
work and working lives*

Research report

October 2015

From best to
good practice HR:
Developing principles
for the profession

The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has 140,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

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Foreword

Professionalism and ethics go hand in hand. Yet ethics aren't something that we in HR necessarily feel comfortable talking about. Perhaps we're concerned that bringing questions of ethics is at odds with winning a reputation for being business-savvy. Or, perhaps ethics are considered both complex and local, dependent on individual definitions of morality, and so too difficult to define at a profession-wide or global level.

At the CIPD we believe it's time to start addressing ethics and ethical competence head on. And we're not alone. Respected and successful companies are questioning what makes a 'good' business and what their fundamental purpose is, asking whether and how they are serving a range of stakeholders, including business owners, people, economies and communities. They're doing so because they understand that in an uncertain and interconnected world, businesses are unlikely to survive in the long term if short-term profit persists as the sole end goal.

Against this context, HR should ask a similar question – what is the end goal for the profession? Is it to implement the people aspects of the business strategy – efficiently and with minimal risk – whatever the human cost? Or, is it to act as a critical adviser, asserting human-centred business practice and nurturing healthy organisational cultures that deliver sustainable value for all stakeholders, including people?

To answer these questions and support organisations of all kinds, operating in a wide range of contexts, we must evolve our understanding of what makes good HR. True value is delivered not by following 'best practice' alone, but by leading with a deep understanding of people, their relationships with their work and each other, as well as with the business's purpose, vision and strategy.

We believe that good HR should be defined by broad principles, not just by best practice. These high-level fundamental priorities of the profession could provide a framework for situational judgement that goes beyond policy development and implementation. Based on a sound professional knowledge base and ethical competence, principled practice is the kind of HR that business leaders and people would trust with critical issues of long-term organisational survival. We're working on the definition of these principles, and this report represents the first important step on our journey to define what it will take for the HR profession of the future to meet its full potential to champion better work and working lives – for the benefit of individuals, businesses, economies and society.

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Key findings

As businesses become increasingly concerned with developing a more balanced view of their stakeholders, the CIPD's People Profession: now and for the future strategy set out to define what it will take for HR to meet its full potential to champion better work and working lives - for the benefit of individuals, businesses, economies and society.

Professional principles for HR

Some have argued *'the true skill of professionalism may be not so much in knowing what to do, but when to do it'*. So, while traditional standards for HR and other related disciplines focused on specific "best" practices, the growing complexity and uncertainty in the world of work have rendered them unsuitable for the diverse range of organisational and cultural contexts. This is why, similar to other professional bodies, we set out to establish the high-level principles, or fundamental priorities, that would describe what people management and development professionals stand for, as opposed to the activities they carry out at work.

Principles-based standards of professional behaviour have been enshrined in professions like medicine for centuries, and have become a prominent feature in other professions since the global review of corporate governance in the wake of several corporate 'scandals'. Principles represent fundamental beliefs about what is right and wrong, and, therefore, incorporate ethical reasoning into business decision-making above

and beyond the legal norms. They require decision-makers to become aware of the stakeholders impacted by alternative courses of action and make a judgement of value – for example, weighing public interest against increased profit margins. As such, principles exist at a higher level than practice, requiring the decision-maker to exercise professional judgement, but equally allowing for variation in individual situations.

What could the professional principles be?

In order to develop the principles of value judgement for HR, we first explored how existing philosophy literature deals with the ethical issues of work (Clark 2015). This review identified a number of 'lenses', which do not represent 'right' or 'wrong' judgements about the relationship between people and organisations but describe possible perspectives one may consider when making ethical choices.

We then tested the use of these lenses in a series of focus groups and a survey with nearly 10,000 HR practitioners, business leaders and line managers around the world, asking them to decide whether the judgements associated with the lenses were 'right' or 'wrong' in their professional opinion. We compared these responses with the extent to which practitioners said they actually applied these lenses in their current practice. The findings provide 'food for thought' around five questions:

Who should HR serve? While respondents believed that workers *should* be treated as legitimate stakeholders of a business, in actual practice only about half (47%) of practitioners said that they always apply the principle 'Work should be good for people' in their day-to-day decisions, with a further 35% suggesting they may compromise this principle under certain circumstances.

Should people be treated as means to an end? Where negative outcomes for people are unavoidable, at least seven out of ten practitioners believe that treating people humanely – above their legal responsibility as employers – is the 'right' thing to do. However, the Rights Lens is less likely to be applied when making decisions about individuals who are not part of the 'core' workforce – for example, temporary staff or workers in a remote office location.

Yet, just under a quarter of practitioners said that the principle 'People should be able to influence the decisions that affect them' is one that they always apply in their decisions, with a further quarter suggesting it never applies or that it is 'nice to have', even though they believe it is 'the right thing to do'.

What is fair? Although markets appear to be a powerful driver in workplace decisions, particularly when it comes to reward, the survey respondents believe that 'right' decisions should follow an objective and consistent approach, rather than being shaped by arbitrary contextual forces. Over half (55%) of decision-makers

said the principle 'People should have equal access to opportunities in line with their ability/merit' applies in all circumstances when they are making professional judgements. However, only three in ten practitioners said that the principle 'For an outcome to be fair, the decision-maker should not leave out the factors deemed important by the person affected by this decision' always applies in their practice, while 45% thought it could be compromised.

Is long-term or short-term value creation more important? In each of the scenarios, up to nine in ten practitioners chose the long-term interests of the organisation over short-term gains. However, less than a quarter said that in their own decision-making long-term gains always justify short-term sacrifices.

How easily are values compromised? In current practice, almost half of the respondents (46%) said that the principle 'Core values cannot be compromised whatever the context' always applies in their professional practice. A further 37% said it applies but can be compromised, and 11% said it is 'nice to have, but not imperative'. The most common reasons why people management professionals compromise their principles are 'current business needs' and 'pressure from business leaders'.

Future challenges for principles

Our analysis of the 'professional opinions' on the use of various lenses in workplace decisions by HR practitioners, business leaders and line managers paints a picture of an ambition to make more balanced choices about work, but also a gap between that ambition and current practice. The main concern is that while professionals might want to create

win–win solutions for people and organisations in a principled way, in some circumstances they either deprioritise certain ethical perspectives or lack the knowledge and/or power to consider those as part of the decision-making process.

However, it is also likely that the ongoing changes in the world of work will have a disruptive impact on the value judgements of HR. One important shift concerns the dimensions of power and fairness. Both talented employees and those with less negotiating power will want to have a say in what happens to them at work, with rising inequality between these groups contributing to workplace conflict. The voices of employees will be increasingly difficult for organisations to ignore, and organisations will be challenged ever more to understand and manage diverse expectations of their workforce, if they are to attract talent and sustain productivity.

Similarly, with ongoing change being the only constant attribute of the future world of work, it will be increasingly more difficult for decision-makers not to lose sight of the long term. Creating sustainable win–win solutions for people and the business will require a real strength of character and commitment to one's core values, as well as deep expertise and creativity for managing and meeting the expectations of different stakeholders. Doing this is extremely challenging, but those who succeed in applying their expertise without losing sight of the critical values will gain the trust they require to be called true professionals.

What's next?

This research provides an important insight into the priorities currently relevant to decision-makers, and the ways in which those may be challenged in the

future. Our work continues by collaborating with a wide range of stakeholders within and outside HR to define and test a new set of principles that will help HR professionals make the better decisions and advise business leaders on what to do, no matter what the context and no matter what the future may hold.

Join the debate on the future of the profession by using **#changingHR** on Twitter, or by emailing us on **pff@cipd.co.uk**

Introduction

'The remit of the HR function is expanding beyond the familiar areas of setting out policies and supporting line managers and into the areas of organisational knowledge, innovation and brand.'

The world of work is changing, and so is the role of HR (in which we include related disciplines, such as OD and L&D) in organisations. With a growing recognition of the importance of the different types of human capital, the quality of internal and external relationships, as well as organisational culture to the success of a business, there is an appetite to define and measure the value that these 'intangible assets' help create. As a result, the remit of the HR function is expanding beyond the familiar areas of setting out policies and supporting line managers and into the areas of organisational knowledge, innovation and brand.

At the same time, the thinking on how HR processes deliver value from human capital is evolving, too. Traditional approaches to organisational value-creation focused on economic return and transaction costs and modelled people management as a one-way system converting human resources into (mainly financial) value for the business owners. However, scarcity of talent, volatility of consumer choices and the wider debate about the role of the business in society are beginning to place a premium not just on the ability of a firm to meet the bottom line in the short term, but also on the trust in its capacity to maintain that performance over time. This view requires organisations to recognise the interdependency of a range of stakeholders who contribute to and gain from a firm's performance, and advocates management systems that are mutually beneficial for business owners, people who work for the organisation, customers and wider society (Beer et al 2015).

In order to support the HR profession in delivering value for these stakeholders in a sustainable way, the CIPD is committed to 'championing better work and working lives' by improving practices in people and organisation development for the benefit of individuals, businesses, economies and society. By this we mean a particular manner in which work is designed and carried out. Through our research we recognise the role of human capital for organisations and are examining the ways that create the most value for the business, or better work (Hesketh 2014). On the other hand, we maintain that firms have both an interest and a responsibility towards the people who work for them, contributing to the creation of better working lives, because what's good for people is ultimately good for businesses, economies and society. This concept of 'shared value-creation' holds that the success of an organisation and the health of the communities it is tapping are mutually dependent.

In practice, championing better work and working lives is much more complicated. For instance, one might ask – what is 'better' for organisations and the people who work for them? The diversity of the modern world of work and the continuous change in the way it is organised mean it's nearly impossible to describe what good work and good people management practice

look like across a variety of business contexts (Marchington and Grugulis 2000). What is an effective people management process in one country can seem unfair or even be illegal in another. Cultural differences are just one example of that. For instance, the design of workplace environments in some Middle Eastern countries will need to take into account respect to the cultural norms around gender, while Western cultures are less likely to account for such considerations.

A further challenge lies in balancing the interests of different stakeholders. In a real-life scenario there is rarely an obvious solution that meets the needs of both employees and employers, or balances short-term gains with long-term organisational health, for example. Faced with having to tease out conflicting priorities, a practitioner might ask – what is the relative importance of these needs? What are the rules of making a judgement about a 'right' way to compromise? Many firms would agree that the well-being of their people and society is one of their priorities. But in pursuit of those outcomes, organisations are unlikely to want to do themselves out of business. So there are choices to be made about the way in which the needs of different stakeholders stack up against each other.

These are not easy questions, and it is nearly impossible to prescribe exactly what 'good' HR *practice* would look like in all business contexts and for each set of circumstances. But, what is clear is that we cannot expect the so-called 'best practice' or a static body of knowledge to act as a standard of professionalism in people management and development. The uncertain context in which many current

and future practitioners will be making decisions calls for a greater attention to professionalism in HR, identifying and developing individuals who are able to make the right judgements for the stakeholders they serve, whatever the circumstances.

This is why, similar to other professional bodies, we set out to establish the high-level *principles*, or fundamental priorities, that would describe what people management and development professionals stand for, as opposed to the activities they carry out at work. We believe that by clarifying its professional purpose, HR will gain a firmer foundation on which to base professional judgements, applying the body of professional knowledge to find solutions that support business strategy but in a way that reflects the societal responsibility of the profession, integral to the long-term survival of organisations and societies today.

This report
This report underpins our People Profession: now and for the future strategy to ensure we continue to fulfil our purpose as the world of work evolves. Specifically, it aims to inform the work on defining and testing a new set of principles that will help HR professionals make better decisions and advise business leaders what to do, no matter what the context and no matter what the future may hold.

Section 1 sets the scene by describing the changing remit of HR responsibilities in organisations and why this calls for professionalisation of HR.

Section 2 introduces the principles-based approach to professional standard-setting and makes the case for taking such an approach with the HR profession.

Section 3 describes and synthesises the findings of various research into the possible principles of the HR profession.

Section 4 considers which of the principles might become more prominent under the impact of some of the changes in the broader world of work.

Methodology
This report draws on various research, including:

- a review of sociological and practitioner literature on professionalism
- a review of economic literature on human capital and organisational value-creation
- a review of moral philosophy literature on the possible ways of looking at the choices regarding work and working lives (Clark 2015)
- a series of focus groups and a survey with nearly 10,000 HR practitioners, business leaders and line managers in the UK, US, Asia, the Middle East and North Africa on professional decision-making at work, conducted by YouGov
- a review of extant literature on the future world of work, HR and other people management professions.

1 The changing nature of the HR profession

'The importance of ethical responsibility comes from the fact that non-professionals do not have the unique specialist knowledge to check the quality of guidance given by professionals and have to rely on their advice.'

This section reviews the ongoing and upcoming needs for the professionalisation of HR and people management. As the HR profession evolved from the days of 'welfare officers' now branching into people and organisational development, reward, recruitment, diversity and many other specialisms, the scope of the practitioner's role has changed considerably. The megatrends impacting the world of work – demographic and industrial change, the decline of the collective voice and the impact of globalisation – have highlighted the importance of getting people management right and elevated the role of the HR function to informing and supporting the business strategy. This context sets a strong case for professionalising HR.

What is professionalism?
Professionalism is an ambiguous, evasive concept. The word 'professionalism' is sometimes used narrowly to describe a standard of conduct at work (for example behaving in a 'professional' manner). It can also reflect individuals' own beliefs about their capabilities and status. For example, an individual with a particular knowledge and expertise may be called a 'professional' regardless of whether their occupational group is recognised formally as a 'profession', for example, when one describes themselves as a 'professional seamstress' (Farndale and Brewster 2005, Willmott 1986).

However, in its formal sense, professionalism is associated with several key attributes which distinguish any particular occupational group from a profession recognised as such by society.

The first, and perhaps most familiar, attribute is the use of specialist, expert **knowledge** necessary to perform a particular type of work or role. For that reason professionalisation can be associated with increased training, development of professional knowledge standards and a requirement to update this knowledge, or continuing professional development (Gilmore and Williams 2007).

Sometimes the amount of knowledge required to practise as a professional means that only an individual with a particular certification will be able to ascribe to professional membership. In many occupations this is enforced through educational certificates: a qualification is a prerequisite to formal professional status.

Other professions, such as medicine and law, put forward legal requirements to protect their professional status. A 'licence to practise' (in addition to the relevant qualification) must be attained by passing an exam testing whether an aspiring professional can apply the acquired knowledge in practice at the necessary level of standard. Regular 're-validations' may be required to ensure the professional is investing in maintaining their level of skill through continuing professional development (CPD).

Another critical aspect of professionalism is the use of knowledge *for the good of the society*, implying an **ethical responsibility** (Khurana et al 2004). This means that professionals are able to make informed choices about their actions, but also have a responsibility to act, rather than ignoring the necessary choice or complying with a potentially harmful decision, even if this decision is pursued by their stakeholders. For example, engineers have a responsibility to reject an unsafe project, even if the business deems it cost-effective. Similarly, psychologists are obliged to break the rule of confidentiality if they are concerned that their patient may harm themselves or others.

The importance of ethical responsibility stems from the fact that non-professionals do not have the unique specialist insight to check the quality of guidance given by professionals and have to rely on their advice. Professionals, therefore, have a certain level of power over the outcomes of their activities (Duska et al 2011, Barker 2010), which they could use to pursue their own interests or to favour one of their stakeholders in a biased way. It is their professional responsibility not to abuse this power to gain an unfair advantage for themselves, or to give one to others, but to intend to do 'good'.

Through the combination of their expertise and ethical responsibility professionals enjoy a degree of **trust** to carry out their services and are granted a unique right of practice and an authority to make decisions in line with their professional judgement (van Rensburg et al 2011, Fournier 1999). For example, medical doctors belong to a widely recognised profession that requires acquiring a large body of specialist knowledge and passing rigorous exams. Medical judgement is something that others (non-professionals) cannot produce or understand without the specialist knowledge. For that reason, entry into the medical profession is protected, but that allows recognised members of the profession to enjoy a status attributed to them by their clients and society.

Not all occupational groups yet enjoy the same degree of trust that is characteristic of some of the established professions. Development of large-scale organisations in the twentieth century introduced the need for new fields, including finance and marketing, and the recognition of these specialisms as professions is growing. However, applying specialist knowledge without taking into account specific contextual circumstances has led to misuse of professional judgement on occasion, as evident in some of the accounting scandals of the recent past. Friedman (2006) described a 'depletion of the moral ozone layer' leading to a decline in trust in professionals (Hope-Hailey et al 2012).

While in the past the economic climate drove an increased emphasis on achieving targets and maximising profitability (Evetts 2003), a renewed focus on trust has highlighted the importance of **situational judgement** as key to professional behaviour, with some pointing out that *'the true skill of professionalism may be not so much in knowing what to do, but when to do it'* (HCPC 2014, p3). This means being able to derive practical insight applicable to specific circumstances, while often resolving conflicts of interest between multiple stakeholders (Arnold and Stern 2006), drawing both on one's knowledge *as well as* sensitivity to the ethical choices. A study of Australian health care organisations found that tensions are experienced, for example, by doctors working in combined management and clinical roles (Kippist and Fitzgerald 2009). Their professional standards and the organisation's management objectives come into conflict when requirements for patient care clash with financial constraints. Finding appropriate solutions that fit the organisational objective but do not compromise other values (such as societal value) requires them to apply professional judgement. One HR manager in the USA said:

'I think an HR professional has a clear understanding of the business context and what the big picture is for the organisation. This means that they can deal with a specific case but see how it fits into the overarching business goals – see where things will have a wider impact and applicability beyond the specific case.'

Professionalism, therefore, connotes a commitment to excellence, combining professional knowledge and a sense of responsibility to arrive at an appropriate professional judgement. The profession (as a collective of members) is, in turn, obliged to ensure that its representatives are worthy of the trust of society, by setting standards of conduct and competence (Khurana et al 2004).

Box 1: What do professionals think about professionalism?

While the academic literature provides an impartial view on what comprises professionalism, the views of the profession itself are likely to reveal the aspects of it that are the most salient to individuals applying their expertise in practice. A survey of nearly 10,000 HR practitioners, business leaders and line managers in the UK, US, Asia, the Middle East and North Africa (MENA) revealed that professional knowledge, ability to apply it in specific circumstances and ability to add value to the organisation were among the top four characteristics considered essential for a professional. In contrast, a qualification and number of years of experience were considered to be less important, indicating the salience of context-specific professional judgement.

The findings differed by geographical region, which might relate to how a particular profession is viewed through a particular societal lens. For example, respondents in the UK and the USA were significantly more likely to rate knowledge and ability to apply knowledge in practice as essential attributes of a professional, compared with practitioners in Asia and the Middle East and North Africa (MENA). The latter groups were more likely to rate experience and seniority as essential aspects of someone being called a professional than their Western colleagues.

Table 1: Essential characteristics of a professional, by region (% rating as essential)

Aspect	UK	USA	Asia	North Africa and Middle East
Up-to-date knowledge relevant to the profession	63	55	46	48
Ability to apply knowledge in context	61	59	42	46
Ability to communicate with staff of all levels	57	58	47	50
Ability to add value to the organisation	51	54	44	47
Operational experience	39	35	38	49
Ability to lead	37	47	44	51
Guiding principles	34	43	35	31
Understanding of the commercial function	34	28	35	50
Qualification	25	46	35	42
Ability to add value to the community	20	26	33	32
Number years of experience	15	15	28	31
Expertise drawn from outside of the professional area	14	15	30	29
Being a member of a professional body or association	14	11	25	17
Level of seniority achieved in the profession	12	13	28	33

Source: YouGov

What makes an HR professional?

As the field of HR management (HRM) has evolved, the question of professionalism has increasingly moved into the foreground (Wooten 2001). At the early stages of its development, the practice of 'personnel management' was not associated with particular professional requirements or status. With the development of the body of professional knowledge – and the role of HR professionals in organisations – there is now more clarity around the standards expected of practitioners (Wooten 2001, Ulrich et al 2013).

Gilmore and Williams (2007) illustrated that the HR profession has established a body of distinct specialist expertise concerned with designing, implementing and managing personnel processes. While that knowledge continues to be valuable, it is increasingly insufficient to define HR or to practise it effectively. One reason for that is that effective 'HR' does not rely only on a fixed set of policies and practices, nor is it contained in a single business department. For example, line managers are responsible for a large bulk of people management activities in organisations, even though they might be designed and implemented by HR (Farndale and Brewster 2005, Guest and Conway 2012). Secondly, a growing knowledge base in psychology and neuroscience suggests that policies on their own cannot shape performance effectively, requiring practitioners to form a far deeper level of understanding of businesses and people and drawing on a range of behavioural disciplines.

A couple of decades ago the debate on professionalisation of HR, therefore, moved into the space of the 'strategic' contribution that the discipline makes to the different business functions, as opposed to the more operational 'personnel management' function it used to and continues to perform. There is an ongoing interest in how HR creates value exactly, and an emphasis on aligning with business issues and gaining commercial acumen. However, as the range of business-specific activities that would define 'good' HR at the strategic level has not been defined, challenges to the extent of HR's contribution in the business continue (Boudreau 2014; Cappelli 2015).

In this context of activities that would describe good practice in this new area of thinking is simply unproductive. While commentators continue to challenge the functional responsibilities of HR in organisations and the range of skills required by the profession to fulfil its duties, it is increasingly unlikely that a single standard of HR *practice* will ever provide a guaranteed best result for establishing and running complex knowledge management systems, delivering value for the business, its people, customers and the wider society. Moreover, prevalent definitions of 'alignment with the business' and 'commerciality' assume a narrow definition of value-creation, limited to generation of short-term financial profit.

The latest thinking on the value of intangible assets in a business and the ways in which organisational value chains operate provides a useful opportunity for reframing the contribution of HR to the business. Specifically, external pressure is mounting for organisations to ensure that the way their business model operates creates so-called 'shared value', by enhancing the competitiveness of a company *while simultaneously*

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advancing the economic and social conditions of the community in which it operates' (Porter and Kramer 2011). Rather than focusing on discrete business activities, this view interrogates the capability of higher-level organisational systems to enable the flow of various types of human capital within those systems and to generate different types of value beyond short-term financial profit (Hesketh 2014). In turn, individuals do not act solely as contributors to the organisational business model, but also benefit from organisational investments in human capital. One leader in the Middle East explained:

'When managing the company after acquisition, we were concerned with balancing the short-term and long-term perspectives on value-creation. Culturally, people feared that jobs would be cut, so they were demotivated. We had to promise that within the first year there would be no shake-up. And we asked the existing CEO to stay on for a year to manage people and their expectations before he left.

'Commercially, it made sense to remove a lot of people fast. However, that created a risk that good people will leave or become demotivated. We did not know the business so well as to make that decision quickly. Our approach was about creating a smooth transition; even though it took longer to create value, we needed to establish trust and buy-in. We were reducing the element of fear and doubt of the future. That drives performance.'

The shared-value approach challenges HR to look beyond practices of human capital management as well as expand the range of stakeholders that their contribution serves. If organisations and people who

work for them are assumed to engage in a quid pro quo (as opposed to a one-way) relationship, those responsible for deploying and managing human capital in organisations will require an understanding of how to design and maintain these relationships to create shared value. Inevitably, these practitioners will encounter conflicts of interest between the parties and will have to make choices about the outcomes they seek for people and organisations, the ways in which they treat these stakeholders and, ultimately, the beliefs that guide their choices about the employment relationship.

Rather than focusing on the activities it delivers, the profession should build its credibility and trust by showing its capability and courage to challenge accepted practice and offer business leaders a range of critical perspectives on how to create sustainable organisational value through people, underpinned by a body of fundamental and internationally relevant knowledge rather than anecdotal 'best practice'. We propose that a principles-based approach to HR practice can elevate the definition of 'good' from practice to the systems level, while giving freedom to individual people management professionals to apply their professional judgement in designing bespoke 'good' practices in real-life scenarios.

2 Why principles of the profession?

While the CIPD Profession Map sets out the current standard for HR, this research aims to respond to the future needs of the profession outlined in the previous section and identify higher-level principles that may underpin 'good' professional judgement in people management and development. Such principles would signal what an individual should take into account when deciding how to act in practice. This section describes the principles-based approach to professional standards and explains how such an approach would help define the purpose of HR's contribution to the business.

The principles-based approach to standards of corporate governance

Principles-based standards of professional behaviour have been used by some professions, like medicine, for a long time. However, in the context of the global review of corporate governance, which intended to introduce considerations of public interest into business decision-making, there is a renewed interest in this approach applied to new occupations prevalent in modern organisations: accountancy, marketing and others.

The principles-based approach to corporate governance is contrasted with the regulation-based approach that outlines detailed procedures that a business should implement. The origins of the principles-based approach are in the enquiries into 'creative accounting' in the financial industry, which

highlighted a failure of regulation to address organisational values and culture (ref FASB 2002, Wong 2014). Instead, principles provide a solution to individuals working 'around the rules' by incorporating norms of ethical reasoning into corporate governance. Harre (1970) writes:

'Principles are general statements which influence the way we view phenomena and the way we think about problems.'

Principles require decision-makers to become aware of the stakeholders impacted by alternative practices, for example, weighing public interest against increased profit margins. This approach, therefore, covers 'softer' aspects of governance such as culture and behaviours, appealing to the decision-maker to do the 'right' thing, which is typically not accounted for in legal norms.

Several organisations weighed the advantages and disadvantages of the approach to standard-setting against the rules-based governance, albeit specifically for accounting (FASB 2002, SEC 2003; ICAEW 2006; ICAS 2006, FRC 2010). These are summarised in Table 2.

The debate around the principles-based over rules-based approach signals two important shifts in corporate governance. First, there is an increased emphasis on organisational continuity through improved trust and greater societal responsibility. While adherence to rules ensures the organisation's compliance with law, it does not

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Table 2: Summary of the advantages and requirements for successful implementation of a principles-based approach to standards of corporate governance

Advantages of a principles-based standard
• A principles-based standard describes the ethical aspects of governance, incorporating the interest of both the business and the public. As such, it aims to support a 'true and fair' practice, communicating the intent of the standard, not just enforcing the letter of law.
• A principles-based framework prevents auditors form interpreting legalistic requirements narrowly to get around ethical requirements.
• Principles-based standards are more generally compared with regulation that gives a specific instruction, albeit on a limited number of circumstances. This, however, allows a principles-based standard to be broader in scope, allowing for variation in individual situations, with fewer exceptions and eliminating complexity of some rules.
• A principles-based standard is quicker to adapt to the changing business context than statutory regulation.

Effective implementation of a principles-based standard requires...
• Professional judgement: a more general scope of a principles-based standard means an expert interpretation or judgement is needed. The quality of interpretation is assessed on the expert's demonstration of how a conclusion has been reached.
• Common language to ensure comparability of the decision-making processes.
• Universal acceptance: the standard on its own cannot prevent dishonest practice, and breach of standard is likely to be driven by a demand for expediency on behalf of a powerful player (ICAS 2006). Adherence to standard requires a behavioural change on behalf of all parties, as well as enforcement of the standard by a regulator or similar.
• Prohibitions: a principles-based standard does not have to be principles only. Some rules can be incorporated to constrain the decision-makers.
• Attention to application in specific cultural contexts, where a preference may be expressed for rules over principles.

always meet the interests of a wide range of organisational stakeholders (such as employees and society). Yet, the premium is increasingly placed not just on the ability of an organisation to meet the bottom line in the short term, but on the trust in its capacity to maintain that performance over time. For instance, the financial reporting council (2014) states:

'The effectiveness with which boards discharge their responsibilities determines Britain's competitive position. They must be free to drive their companies forward, but exercise that freedom within a framework of effective accountability. This is the essence of any system of good corporate governance.'

Secondly, the need for an interpretation of principles highlights the role of professionals, who have unique expertise to understand the intent and the ethical considerations associated with the principles. This expertise will allow professionals to navigate the relative importance of stakeholders and values to act on the principles in the specific situational context.

Principles-based approach as a method of governing professional behaviour in HR
Professional standards typically describe responsibilities for competent and ethical practice that members of that profession must demonstrate. These systems set out the knowledge and skills required to fulfil a professional

responsibility, as well as professional obligations and the ethical guidance that should be considered as part of the process of professional decision-making. There are different approaches to setting professional standards, which may comprise one or a combination of a code of ethics, a code of conduct, a standard of professional competence and/or a statement of principles.

Principles-based approaches to setting standards of professional behaviour are designed specifically for guiding choices in situations of uncertainty, where professional judgement (based on knowledge, experience and ethical responsibility) is required. Principles exist above technical and behavioural competence and

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Box 2: Examples of organisations taking a principles-based approach

The laws of robotics have been created by Isaac Asimov to govern the relationship and power between robots and humans, incorporating an indication of the relative priorities of each law. They have since been expanded and built upon (EPSRC 2010):

0   A robot may not harm humanity, or, by inaction, allow humanity to come to harm.

1   A robot may not injure a human being or, through inaction, allow a human being to come to harm.

2   A robot must obey the orders given it by human beings, except where such orders would conflict with the First Law.

3   A robot must protect its own existence as long as such protection does not conflict with the First or Second Law.

The King Report on Corporate Governance of South Africa (IoDSA 2009) puts forward a non-legislative code built on the key elements of leadership, sustainability and good corporate citizenship. The principles cover the board's ethical foundation, its composition, as well as accountability and reporting. In contrast to the laws of robotics, all 75 principles are of equal importance. For example, some of the principles are:

1   The board should act as the focal point for and custodian of corporate governance.

2   Companies should remunerate directors and executives fairly and responsibly.

3   Sustainability reporting and disclosure should be integrated with the company's financial reporting.

More closely to people management practice, several organisations developed values or principles (of varying degree of detail) that govern their operations. For example, Nestlé has a set of management and leadership principles (Nestec Ltd 2011) based on a set of values that include:

1   Focusing on long-term business development without losing sight of the necessity to continuously deliver sound results for our shareholders.

2   Committing to environmentally sustainable business practices to protect future generations.

3   A contextual approach to business rather than a dogmatic one. This implies that decisions are pragmatic and based on facts.

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apply with no exceptions. For that reason the real principles are often surfaced during conflicts of interests, where value for one stakeholder is created at the expense of another party. For example, a business may be faced with a dilemma of paying fair wages to suppliers or making better deals – and increasing profit – in the short term. A decision to commit to fair trade would indicate that the decision-maker attaches a higher degree of importance to progressing local communities and the long-term health of the business than to the pursuit of immediate financial interest.

Principles effectively describe moral choices about what is considered 'right' and 'wrong' – in the absence of an appropriate law or a rule prescribing a certain course of action. The moral foundation of principles, however, doesn't mean that they deny the need of organisations to make a profit. Rather, principles explain how alternative options should be weighted with regard to all of the stakeholders that a professional has an obligation to, including the business owners *as well as* individuals and society, in the current context. For example, one of the Global Management

Accounting Principles is 'Stewardship builds trust', which protects the long-term reputation and value of an organisation, with an underlying moral value of preservation. This can mean strategies geared towards sustainability of a business, but also difficult tactical decisions that are sometimes necessary for mere survival.

One line manager in the US said:

'The one thing I learned from being a manager was that it wasn't always "the manager" creating the take-advantage situation, but more

'This need for principles to guide decisions is particularly salient for practitioners in regions where the HR profession is still developing.'

the company taking advantage of that manager and holding him accountable for getting things done. So it filters down [onto staff]. That really made me think how important it was to retain my humanity as a manager regardless of what the company pressured me to do.'

This need for principles to guide decisions is particularly salient for practitioners in regions, where the HR profession is still developing, and perhaps does not yet have the credibility necessary for the practitioners to make independent judgements that the business trusts unconditionally. For example, while some countries provide a legal minimum of how people should be treated at work, other regions do not yet have the same legal base, and require a different mechanism of resolving the 'rights' and 'wrongs' of treating human capital in a business model. Appealing to 'best practice' might

be a temptation; however, such practices, most likely set in large Western organisations are based on assumptions irrelevant to those businesses that are attempting to copy it. One example of this is the varying interpretation of 'fairness' by employees from different cultural backgrounds – despite 'fair' working relationships being of global importance.

Principles-based standards can support HR professionals in making independent value judgements – although informed by the body of knowledge and experiential 'best practice'. By providing overarching criteria of what 'good' looks like they will guide professionals to create HRM systems that create shared value for all of the organisational stakeholders. In turn, such capability would limit entry into the profession to those who can demonstrate the knowledge and skill necessary to make a principled judgement.

3 Developing the principles

As explained in the previous section, principles represent high-level judgements of value that practitioners make when considering alternative courses of action and the range of consequences resulting from their decision. This process of value judgement – or ethical choice – in a business goes beyond the questions of legality or adding to the organisational bottom line. Instead, it is founded on fundamental beliefs concerning the relative importance that the decision-maker attaches to the different types of value in a particular situation. This section explains the evidence we gathered to establish such beliefs currently prevalent in people management and development practice.

Collecting data on practitioner value judgements

Because ethical choices are in essence subjective judgements of relative value or importance, it is fairly difficult to determine the principles that would be universally applicable to a group of people (for example, a profession). Some might argue that these judgements are to a large extent informed by the specific situation, the cultural context and the personal values of the decision-makers. On the other hand, philosophical ethics suggest that even though the actual judgements may be circumstantial, there are a number of distinct ways of approaching ethical choices, which apply regardless of the context. The challenge for the current work was in finding such high-level ways of thinking about work and working lives that lead to the 'right' judgements regardless of circumstances.

First, we explored how the existing philosophy literature deals with the ethical issues of work (Clark 2015). This review identified a number of 'lenses', which do not represent 'right' or 'wrong' judgements about the relationship between people and organisations but describe possible perspectives one may consider when making ethical choices (see Box 3). These lenses relate to different aspects of decision-making, and while some may co-exist, others cannot be applied at once. This is why to develop a set of principles for the profession we are continuing work to understand how they relate to and interact with each other.

Secondly, we tested the use of these lenses in a series of focus groups and a survey with nearly 10,000 HR practitioners, business leaders and line managers in UK, US, Middle East and North Africa (MENA) and Asia asking them to decide whether the judgements associated with the lenses were 'right' or 'wrong'. The survey, conducted by YouGov, provided two types of information:

1   First, it asked the respondents whether (and how often) they use these lenses when making decisions in their professional capacity at work. This allowed us to gauge how prominent each lens is in professional judgement, as well as the practical challenges of doing the 'right' thing within the organisational context.

'There are a number of distinct ways of approaching ethical choices, which apply regardless of the context.'

Box 3: Lenses

Philosophy offers decision-makers a number of ways to reflect on options and become aware of what the outcome might look like by interrogating alternatives from one or another perspective, neither of which is 'right' or 'wrong' on its own. With regard to work, there are eight perspectives or 'lenses' that can be used to inform decision options:

1 **Well-being Lens:** workplaces should promote well-being in its broad sense, not because it increases employee engagement or productivity, but as an outcome in itself. Work should provide individuals with autonomy and happiness. When there is a choice of providing bad and providing good (for example, when the interests of different stakeholders conflict), the decision should provide as much good and as little bad *overall* as possible (even though some might be worse off as a result of this).

2 **Rights Lens:** the rights of people should not be violated just to improve the outcomes for someone else, so individuals shouldn't be treated simply as means to an end. People have a right to be protected from harm and to have a choice over what happens to them. In the workplace, this means the right to be treated with dignity and respect, to exercise autonomy and control.

3 **Merit Lens:** workplaces should be designed to guarantee equal opportunities based on individual talent and hard work, rather than irrelevant characteristics such as gender, race, sexuality and social class.

4 **Fairness as Justice Lens:** in practice not every individual is able to compete based on their merit – people have unequal access to education and development, for example, and don't have the same 'power' to argue their cause independently. Workplaces should be designed with an eye to those who might end up being the worst off as a result of the decision.

5 **Markets Lens:** rather than distributing benefits based on ability and need, people should get what they can freely negotiate. Some people are lucky enough to have scarce qualities and ability to negotiate freely to command higher wages, for example. Others are unfortunate to end up with less, even though they might be no less worthy.

6 **Democracy Lens:** people should be able to influence the decisions that affect them. Workplaces should give a right of voice to everyone whose interests are at stake and implement procedures for agreeing decisions collectively.

7 **Character Lens:** decision-makers should demonstrate integrity, despite circumstances that might require compromising the principles. Making choices in a difficult situation is about not about following a rule, but doing the 'right' thing, something a 'decent person' would do.

8 **Handing Down Lens:** the long-term interests of people, organisations and society are more important than short-term gains. Workplace decisions should look to preserve the past and support the future interests of the people, the business and the communities.

2 In addition, it presented the respondents with a set of abstract scenarios dealing with people management dilemmas across a range of organisational contexts, including growth, cost management, business change and a sustainable business context (see Appendix 1). In each of the scenarios the respondents were asked to decide whether in their professional opinion each of the lenses was 'right' to apply in that particular set of circumstances. Comparing the responses about the practitioners' own use of lenses with the choices made in the scenarios, we were able to gauge whether specific situations make particular perspectives more or less relevant to making professional judgements.

Of course, the choices made by these practitioners don't automatically mean that particular judgements should be the standard for the profession. First, these are responses not necessarily submitted by professionals, but individuals occupying certain roles in the business – HR practitioners, leaders of business functions and supervisors. Secondly, the responses describe the current perceived

standard (and the ambition) of professional judgement, rather than the standard as it should be. Nevertheless, they provide an important insight into the fundamental beliefs held by people management and development practitioners.

The next sections consider what might be important to professional decision-makers in HR and related professions across each of the aspects of ethical decision-making. The findings provide food for thought on five questions, representing different aspects of decision-making (Schumann 2001):

- **Who should HR serve?** Who are the stakeholders that it needs to consider in making judgements about how work should be organised?
- **Should people (ever) be treated as means to an end?** What are the respective rights and responsibilities of the stakeholders in the workplace?
- **What is fair?** How should the outcomes of decisions be distributed among the stakeholders?
- **Is long-term or short-term value creation more important?** How can the competing time perspectives be reconciled?
- **How easily are values compromised?** Do they feel empowered to make the 'right' choices?

Who should HR serve?
From the Well-being Lens perspective work should be 'good' for people, not just because it is advantageous for an organisation, but as an outcome in itself (Clark 2015). To understand this distinction it is helpful to consider the 'business case' that supports some employee welfare programmes. While these initiatives ultimately meet both employees' and employers'

interests, would they still exist if they did not have an effect on the business?

The Well-being Lens advises that in resolving this dilemma two aspects are important. One is that workplaces should actively pursue positive outcomes for workers regardless of the business case, but just because they are in the interests of people, who are just one of the organisational stakeholders. Secondly, when faced with choices about doing some good and some bad – for example, foregoing some of the business value to invest into the welfare programme – the decision-maker should choose to produce the most good and the least bad *overall*. This might involve trade-offs, and the welfare programme might not be put into place after all, if on balance it takes too much away from the business without providing valuable returns.

Stakeholder outcomes is an inherent issue to HRM, positioned between serving the business as any other organisational function and satisfying the needs of people, which is necessary for attracting talent into the organisation and achieving organisational priorities. The traditional view of organisations considered employees as resources rather than stakeholders of the business, with their interests met to the extent that was required for the organisation to function effectively. The latest thinking on human capital management challenged that assumption, suggesting that although people (or rather their skills and knowledge) represent one of the most important sources of organisational value, they are also investors – of knowledge, skills and engagement – and, therefore, have a 'share' in the value created by the organisation. While firms should not pursue the good of

employees indefinitely, they work towards shared value-creation, designing people processes in such a way that also creates value for other groups of stakeholders, including employees (Lepak et al 2004, Monks et al 2013).

A commitment to a two-way relationship between people and the business (beyond the formal contract) was evident in the YouGov respondents' beliefs about how the interests of different stakeholders should be managed. For example, in a scenario describing a growing company in a new market, competing on value with other low-cost providers, 63% of HR leaders and business leaders recommended that the business looks to ensure financial well-being of workers when considering the appropriate pay levels for temporary staff. Similarly, in a business change situation, tasked with the organisational imperative to improve workforce performance as soon as possible, 61% of decision-makers suggested that the organisation should complement performance policies with line managers' support and development opportunities, instead of simply setting stretching performance targets and encouraging competition. The US sample stood out for being less likely to apply the Well-being Lens in the scenarios, consistent with the 'hard' HRM tradition in the region.

However, while practitioners may believe that workers *should* be treated as legitimate stakeholders of a business, in actual practice a smaller proportion of practitioners might be applying the Well-being Lens in making day-to-day decisions at work. About half (47%) of respondents to the survey said that they always apply the principle 'Work should be good for people' in their own role, with a further 35% suggesting that they

may compromise this principle under certain circumstances. Further, one in seven (15%), thought it didn't apply or was 'nice to have but not imperative'. Professionals working in voluntary sector organisations and those characterised by family culture were more likely to apply the principle in all circumstances, perhaps reflecting the alignment of the Well-being Lens with the organisational values in those business contexts.

Should people (ever) be treated as means to an end?
Respondents' choices around the principle of well-being also revealed that some organisational priorities – such as cost management and downsizing – make it more difficult for practitioners to find solutions that are 'good' both for the people and the business. Where a mutually beneficial solution was not obvious to decision-makers, they often applied the principle of 'greater good', maximising the benefits for the majority of the stakeholders involved. For example, nearly six in ten (57%) HR practitioners and business leaders organisational

profitability and its ability to contribute to the local community by creating jobs to justify lower pay rates for a group of employees in a new regional office.

The need to choose between stakeholders raises the question about the minimum obligation that practitioners perceive they have to the individual worker, and whether they are prepared to use people as a means to the ends of the business. Although laws protect most employees from exploitation and discrimination, other rights, such as treating people with dignity and respect, or the right to have control over what happens to you, are at the discretion of the employer. However, with growing emphasis on the commercial acumen of practitioners, this humanistic aspect of decision-making is not widely 'fashionable' with the HR profession (Winstanley and Woodall 2000).

When YouGov survey respondents were asked whether organisations should recognise individual rights beyond the minimum protected by law, their choices indicated

that where negative outcomes for people (such as redundancy) were unavoidable, at least seven out of ten practitioners believe that treating people humanely – above their legal responsibility as employers – is the 'right' thing to do. However, in other scenarios HR leaders and business leaders in particular were much more pragmatic about their use of the Rights principle. For example, talking about the rights of staff in a new office opening in a developing country 37% of business leaders and 43% of HR practitioners said that the company's decisions are justified as long as they follow the laws of the country they operate in, while the remaining respondents believed the organisation had moral responsibility for its employees. This finding suggests that some groups of staff may be treated differently from the core workforce, simply because they are perceived solely as a resource aiding the business in achieving its objectives.

Interestingly, line managers were more likely than other respondents to apply the Rights

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Isos: Achieving greater business and societal outcomes through investing in people

'To enable our staff to be the best they can be' is one of the four strategic priorities of Isos, a housing association in the north-east of England, alongside business efficiency and growth, and customer satisfaction. This is evident in the way the organisation is run day to day, as well as in the approach taken to develop the vision and values under the 'Better as One' campaign.

Richard Fryer, Executive Director for Business and People, adds:

'We wouldn't apologise that there is an ethical dimension to this as well. We know that if we are really good at employee engagement, our performance and productivity will improve. The work that we've done with the Best Companies organisation demonstrates that win-win approach.

'But if somebody produced a piece of research tomorrow that said, "What you need to do is get all your people in a room every day and whip them. That's the way to get productivity," that's not the kind of employer we would want to be.

'One of the choices that we still wrestle with is between commercialism and social purpose, and that definitely was a debate in setting out our vision. We could've settled to be much more commercial, focusing on profitability. We made a deliberate decision that we are going to do some commercial activity to create subsidy for the social purpose, but we're going to keep it proportionate to our social ethos.'

principle when making choices across a range of scenarios, and less likely to choose the 'greater good' over the interests of the minority, suggesting that workers should be treated as individuals. This finding is indicative of the closeness of line managers to the day-to-day needs and concerns of employees, and the increased likelihood that the needs of people will be taken into account as part of their decisions. A similar finding concerns Asia and MENA respondents, who were more likely to express responsibility for staff welfare, compared with UK and US samples. This finding may be a reflection of the cultural differences between these regions, but also differences in the legal rights base and the definition of human rights (which is likely to differ from the one in the UK and US).

Giving employees an effective voice is one example of treating them as legitimate stakeholders in the employment relationship and providing mechanisms for individuals to have control over what happens to them at work, consistent with the Democracy Lens. However, in the YouGov survey, the prominence of this perspective was one of the lowest. Less than a quarter of practitioners said that the principle 'People should be able to influence the decisions that affect them' is one that they always apply in their decisions, with a further quarter suggesting it never applies or that it is something that is 'nice to have', while almost half said it applies in what they do but can be compromised under certain circumstances. Giving people a voice was more likely to be always applied by practitioners in the Middle East and Asia. Business leaders were the least likely to always apply this principle.

When making choices in the scenario situations the respondents were far more likely to indicate giving people a voice is the 'right' thing to do, even if they didn't apply this principle currently. However, voice was still seen as a mechanism to redress the negative outcomes affecting workers (for example, in the situation of redundancy), rather than a proactive way of including employees in the decision-making process. It was less likely to be given to temporary staff and the call centre staff in a new company's office, with both groups potentially perceived as means to an end.

The ways in which the Democracy lens was applied by survey respondents is a particularly relevant example of the difference between principles and 'best practice'. Despite employee voice being one of the pillars of employee engagement (MacLeod and Clarke 2009) only few practitioners always apply it when making decisions at work. Thus, while the 'best practice' of employee engagement has become widely popular, the principles underpinning the concept do not seem to be applied in current orgnaisational practice.

Defence School of Personnel Administration: Managing multiple stakeholders through transformational change

The Defence School of Personnel Administration (DSPA) is a training, development and education establishment for military personnel. A transformation programme is currently taking place to merge with other elements of the parent organisation (the Defence College of Logistics, Policing and Administration) with the aim of centralising services to deliver a greater range of innovative and efficient training for the three armed forces – British Army, Royal Air Force and Royal Navy – on a single site.

The transformation programme comprises three strands of improving training delivery: engaging and developing staff to support the new ways of working, as well as updating the infrastructure, including replacing nearly all of the school's buildings. Such a major change presents the organisation with the challenge of moving towards the future state while keeping the school operational, delivering the usual volumes of training and to the required standard. The military concept of 'mission command' – setting defined high-level objectives while allowing individuals to deliver on those to the best of their ability – is central to the model of delivering the transformation programme.

The leaders aim for the mission, team and individual to 'meet in the middle', but there are times when one has to be given more weight:

'We talk about the three circles so you've got mission, team and individual. What you're trying to do is keep everything in the intersection of all those three circles. There are times when you would flex your priorities within that model when the mission is the most important thing because it has got to be done. But generally speaking you try and meet the needs of your individuals on the team to get the mission done.'

Even though the Democracy Lens is currently likely to be compromised in practice, respondents working in organisations with customer-oriented cultures were more likely to apply this lens, as were those in firms that experienced growth in the previous two years. While these types of organisations may find it easier to involve people in decision-making, it is also possible that giving people a voice contributes to a particular type of culture and organisational success, although the exact causal relationship cannot be established.

What is fair?

Fairness is an increasingly important topic for HR management, given the shifting nature of the relationship between people and the organisations they work for.

Where before the quality of the employment was understood in terms of the formal contract, there is now a deeper understanding of the additional mutual expectations of employees and employers towards one another. If employees perceive the promises to be broken, they might experience deep feelings of unfairness and dissatisfaction, even though the terms of the exchange haven't been officially agreed.

At the same time, understanding fairness is complicated by its highly subjective nature. People have different interpretations of what's fair and unfair, and their perceptions of whether the situation is *fair to them* are not the same as the situation being fair overall (Wong 2014). In our review, three lenses offered contrasting advice on 'fair' decision-making.

One view suggests that the distribution of benefits and burdens should be regulated by market forces. This approach does not pursue any particular outcome for those impacted by the decision, nor does it aim to ensure that the decision rewards the most deserving or those who are in need. Instead, it allows any distribution of outcomes as long as they are 'within the rules'. For example, distributing training opportunities on a first come, first served basis is an example of a market-based view on fairness. In a less obvious example, the current market wages of nurses and CEOs reflect what the market is prepared to pay, not the degree of talent and hard work required by individuals to fulfil those particular roles (Clark 2015).

Cougar Automation: Creating effective voice mechanisms

Involvement of staff in the decisions that impact the organisation is a distinctive feature of the way Cougar Automation, a medium-sized software engineering company, is run. This way of working was demonstrated at a particularly difficult time during the recession. At the time, the company was struggling to maintain cash flow and was forced by the creditor to make more cuts to remain in operation. One of the current employees said:

'When the recession came, we were at the lowest point of the spend cycle in the water industry [that the business relied on] so it hit us quite heavily financially. And the management team put a proposal together: "Either the whole company sinks or we have to make some changes." The two options were making colleagues redundant or everybody tightening their belts and we ride it through.

'It was put up for a vote, and everybody decided that they would take a salary sacrifice. I think that was the first big vote that we had in the organisation, where it could affect the business as a whole. It was spelled out that everybody has to vote, and unless it was unanimous, unfortunately we'd have to go down the redundancy route.'

Since then transparency and employee involvement in decision-making is one of the principles for Cougar Automation. The leadership team commented on the value that employee voice brings to making the right decisions for the organisation:

'This doesn't mean we always give a "yes" answer on the suggestions that are made. But we must explain why we're taking the decision we're taking, and how we came to that decision. The question might get referred to the company council, so a selection of employees across the company will discuss it, and then there might be a resounding "no". So we have to be consistent.

'There have been a couple of occasions where things were put on for discussion at the company council [and the leadership team thought] people were going to love this, but the discussion showed they didn't. So, had we decided as a leadership team to go ahead with that, without asking the staff, it would have been hated within the company.'

According to the YouGov survey responses, decisions should follow an objective and consistent approach, rather than being driven by chance and other market forces. For example, in determining staff wage levels, the majority of HR practitioners and senior leaders believed that the organisation should pay its employees the wage that represents the value they add to the organisation, rather than paying them the market rate. Similarly, in designing a performance management process, an objective process for determining performance ratings is preferred over creating a league table and letting the individuals negotiate their positions in performance review.

On the one hand, these views reflect a pastoral approach to managing the employment relationship, consistent with the high priority attached to the Well-being Lens above, indicating that organisational decision-makers are concerned with the outcomes of the processes for individual employees. On the other hand, the survey showed that in actual practice it is not always possible to develop a robust and fair approach against the market forces, particularly when it comes to reward. For example, where the respondents compared the wages of staff in the head office and those in the call centre in a developing country, just over a quarter of HR and senior manager respondents said that *'Employees should be paid the same for doing the same jobs'*, while nearly three-quarters suggested that *'Pay differences are justified by the different context in the two regions'*.

In contrast with the Market Lens, two other lenses on fairness suggest a particular pattern for how the *outcomes* of the decision should be distributed between individuals – one based on ability (Merit Lens) or need (Fairness as Justice Lens).

The Merit Lens suggests that people should get what they deserve in accordance with their talent and hard work, providing individuals with equal opportunities to demonstrate their ability and rewarding merit. This is a principle familiar to the respondents in the survey, who indicated that it is already used in the current practice, as well as the one that should be used in their professional opinion. For example, in situations dealing with individual performance or behaviour at work, large proportions of respondents recommended basing decisions on the principles of equal opportunity and rewarding ability. Similarly, over half (55%) of decision-makers said the principle *'People should have equal access to opportunities in line with their ability/merit'* applies in all circumstances when they are making professional judgements.

Example: Impact of market conditions on pay decisions

Market rates can both inflate and dampen the pay that an individual can command for a particular role, with inequalities often emerging between groups of workers performing similar jobs.

In one example a business leader explained that the rates paid by a competitor can dictate the average salaries in a particular locality, requiring the organisation to increase its pay levels to be able to compete for key talent:

'We benchmark jobs and we try to pay people versus their equivalent role and local conditions. I mean, we may have to pay more for a call centre in one city than we pay in another because our call centre is right next to another call centre that's hiring a load of people. We have to pay more of a mid-market rate than in others, where we may pay at the second quartile, or something like that.'

A different example, however, highlighted that individuals in the support functions are rarely paid above the market rate, as the skills required for these roles are not as scarce as those needed in customer-facing roles:

'The nature of their job is different, and as a result [the deal doesn't work] in quite the same way. For example, our people make their hours as they wish. As long as the work is done, they come late, leave late, come in early, leave early, work from home, it's their choice as long as it doesn't adversely impact their colleagues or their customers. Now somebody that's employed here to meet and greet visitors and answer the phones has to be here pretty rigidly between this hour and this hour.

'Similarly with pay, ultimately we can only pay them the going rate. There's a market which determines all of our salary levels but with the engineering staff it's much easier to differentiate the critical value they add to the company. And the market pays more for high-skilled specialists than it does for admin staff.'

'While professionals may believe that sustainable operation is the 'right' thing to do, in their current role they are likely to be impacted by a range of factors requiring prioritisation of current needs.'

According to the Fairness as Justice Lens, individual ability is something that people cannot control or improve on – talent is largely innate and capacity to work harder might result simply from positive childhood experiences. Instead, work should be organised in a way that everyone would agree to. In other words, the decision-maker might ask: 'How would I design this procedure if I knew I was going to be in the worst position as a result of it?'

In contrast with the Merit Lens, the Fairness as Justice Lens was one of the least likely to be applied both when making decisions about organisational dilemmas and in their own professional practice. Only three in ten practitioners said that the Fairness as Justice Lens – 'For an outcome to be fair, the decision-maker should not leave out the factors deemed important by the person affected by this decision' – always applied in their practice, while 45% thought it could be compromised. The low priority attached to this principle is evident across all of the scenarios, in particular the situation dealing with redundancies, where only a quarter (26%) of HR practitioners and business leaders thought the decision should take into account individuals' expectations of what's fair, perhaps reflecting the inevitable negative consequences for the individuals affected by the redundancy decision.

Comparing the responses by geographical regions, the decision-makers in MENA, and even more so in Asia, were more likely to say they always apply the Fairness as Justice Lens in their professional practice, compared with the respondents in the US and UK, even though the Merit Lens remained more important overall. This finding is both of interest and of challenge for organisations operating globally, having to recognise the cultural differences in what employees and business across the world may consider 'fair'.

Is long-term or short-term value creation more important?

The Handing Down Lens considers the responsibility of the decision-maker to the long-term interests above short-term priorities. It is concerned with the future world that a decision-maker is creating by choosing particular courses of action today (Clark 2015). Applied to HR, it deals with the impact of people management and development activities on the sustainability of stakeholder outcomes.

The YouGov survey revealed an interesting difference between the attitudes to the Handing Down Lens in an ideal scenario and in the current practice. In each of the scenarios up to nine in ten practitioners chose long-term interests of the organisation over short-term gains. However, when the respondents were asked about putting long-term interests above short-term gains in their own decision-making, only less than a quarter of the respondents applied the corresponding principle in all circumstances, with over half suggesting it applies but can be compromised. This means that while professionals may believe that sustainable operation is the 'right' thing to do, in their current role they are likely to be impacted by a range of factors requiring prioritisation of current needs. This is confirmed by the fact that professionals in organisations that experienced growth in the previous two years were more likely to apply the Handing Down Lens in their own practice, perhaps recognising the value of sustainability.

The lack of long-term focus in the current practice of managing work relationships is likely to stem from difficulties in measuring the long-term value of people management and development practices (such as reputation, brand and societal progress) (Hesketh 2014). The 'rational' approach of the Handing Down Lens may not be possible if the long-term perspective cannot be adequately measured against the more visible short-term needs. Furthermore, insights on decision-making from behavioural science indicate a presence of bias towards satisfaction of short-term needs and desires over long-term goals (Kahneman 2012). As a result, current business needs – with a readily attached financial value – may appear to be more important for all of the stakeholders.

How easily are values compromised?

One perspective critical for principled decision-making concerns the intentions of the practitioner deliberating between alternative courses of action. Because principles provide a high-level standard of behaviour, they also leave room for contextual interpretation. Application of principles, therefore, relies on the responsibility of the individual professional for their actions and a strength of character to do the 'right' thing.

For example, one individual we interviewed talked about the challenge of giving professional advice to a peer responsible for managing an organisational change process. The way the change was managed led him to reflect on his values and distinguish between personal and professional interest in that situation:

'In this organisation the board of trustees have not quite abdicated their responsibility but they've left it to the manager of the charity to deal with the organisational change process. And as a manager, she is still an employee and is affected by the changes as much as anybody else, including the risk of redundancy. The board seem to be abdicating their legal responsibilities as well as their moral duties. They are the ones who should be taking some of these decisions. They shouldn't be being left to the manager to take, because she's impacted by some of them as well.

'Now this situation caused me to think about the choices I make, because, on the one hand, I'm contracted to work for an employer, not a specific individual employee. At the same time, I'm having to advise the manager about things that could be disadvantageous to her personally. So in everything I do I am questioning myself whether I am doing the right thing for the organisation as a whole, or whether I work with the manager and try to get the best situation for her on a personal level.'

JRI Orthopaedics: Balancing long-term strategy with short-term demands

Gaining staff buy-in to ensure service delivery and protect the sustainability of the business relied on effective communication, mutual respect and a focus on the long-term ambitions of JRI Orthopaedics, a British manufacturer of orthopaedic implants and surgical instrumentation. The leaders strive to achieve this through two-way conversations, discussing and reviewing changes with the production teams, based on mutual respect. One leader said:

'It would be so easy for me to walk in and say, "This is what we're going to do," and implement it, but as soon as I walk away, [the supervisor and the team] have to keep that going, and if they've had no input into it, they don't feel as though they own it. That's where we pass it over to them: "Guys, this is what we need. How are you going to get there, how are you going to deliver that?" That's where you get the buy-in and that's where when you walk away from it, it still remains in place.'

However, the tension between capturing hearts and minds and driving business-as-usual means that a top–down approach must be employed at times. While staff recognise that the new organisational strategy is positive in supporting its long-term goals, the short-term demands require a swift mindset change. One manager described the impact of the China project on the business model:

'[Previously it was] our own product and we make it, we glaze it, we coat it, we clean it and it was in a box with JRI on it. Then in the last six months, the work is mainly about being competitive and making money and keeping up. We're not selling JRI products, but we are contracted to make parts for them.

'It's all changed drastically. When you're a contractor, you don't have an input in the product, you're making it to someone else's design and standard. In the last six months the amount of work we've all had increased considerably, and it will generate money in the long term. However, in the short term the effects of it are not seen, and it feels [as if] we are going down a different avenue.'

Clearly organisational power dynamics may make it challenging to apply their professional obligations in practice. For example, lack of formal power ('seat at the table') or scepticism towards HR may be some of the reasons why practitioners feel unable to influence others in their organisations to make principle-led choices. Consistent with these propositions, the YouGov survey results show that the Character Lens is one that is likely to be compromised by professionals struggling to balance the needs of the business with the needs of the employees. In current practice almost half of the respondents (46%) said that the principle *'Core values cannot be compromised whatever the context'* always applies in their professional practice. A further 37% said it applies but can be compromised, and 11% said it was 'nice to have, but not imperative'.

Interestingly, the choices around this principle were inconsistent across scenarios. In the business dilemma dealing with increasing organisational productivity 7 in 10 business leaders and 74% HR practitioners believed that the organisation should be mindful of its values through the process of improving performance. Yet, the remaining respondents thought that the right thing to do would be to reward high-performing individuals regardless of the values they demonstrate.

In other contexts even lower proportions of decision-makers chose to stick to the organisational values. For instance, when making decisions about a new office opening in a developing country, only 55% of leaders were willing to retain consistency of value across markets, while 45% said that some compromises were permissible taking into consideration the business need.

The survey indicated that people management professionals feel they have to compromise on their principles because of 'current business needs' and 'pressure from the business leaders' in particular (see Figure 1).

While acting with integrity is difficult in the context of organisational dynamics, strength of character is an important attribute underpinning trust and credibility of an individual practitioner and the profession as a whole. Moreover, it is necessary to be able to objectively consider the other 'lenses' relevant to decision-making and arrive at an impartial value judgement. One HR practitioner in the UK explained:

'Many of the decisions are not nice for the individual but are right for the organisation. Recessions make life harder and mean harder decisions and harder consequences. Nevertheless, we have to do what we believe to be right even if sometimes it is at great personal cost to ourselves.'

Figure 1: Reasons why principles might be compromised (%)

Source: YouGov
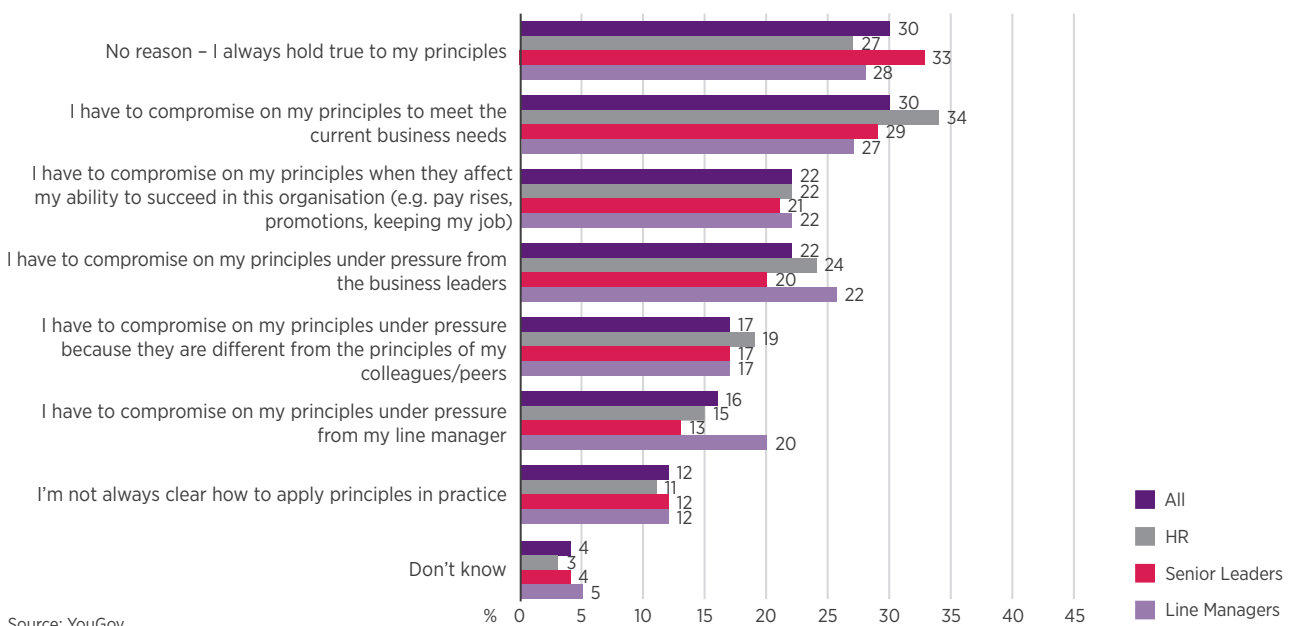
4 What could the principles for HR look like?

This final section synthesises the evidence on the types of value judgements currently relevant to people management and development practitioners, as well as the ways in which they believe decisions should be made. It also summarises the trends impacting the world of work and considers whether any of the principles that are not prominent to practitioners at the moment will become more important in the future.

The gap between ambition and current practice

Our analysis of the 'professional opinions' on the use of various lenses in workplace decisions

by HR practitioners, business leaders and line managers paints a picture of an ambition to make more balanced choices about work, but also a gap between that ambition and the current practice. The main concern is that while professionals might want to create win–win solutions for people and organisations in a principled way, in some circumstances they either deprioritise certain ethical perspectives or lack knowledge and/or power to consider those as part of the decision-making process.

Figure 2 and Table 3 summarise the current application of principles in professional practice,

as reported by the survey respondents. The data shows that at a maximum, only about half of practitioners always apply each of the principles in their practice and as few as one in four apply the least prominent principle (Handing Down).

This is in contrast with what the practitioners think is the 'right' thing to do when asked about good professional practice, as opposed to their current practice. For instance, in balancing the interests of the business and its people, the respondents recognise individuals as legitimate stakeholders in the work

Figure 2: Application of principles by practitioners (%)

Source: YouGov

- Never apply in what I do
- Nice to have but are not imperative
- Apply but can be compromised under circumstances
- Apply in all circumstances

Table 3. Current and future priorities of people management and development practitioners

Ambition	Reality
• Obligation both to the business and the people who work for it.	• Obligation to the business needs, and supporting people needs where it is additive to the business needs.
• People should be given effective voice.	• Employee voice is a disruption, and is only used to alleviate negative consequences of decisions.
• Long-term interests justify short-term sacrifices.	• Pursuit of current business need, with an eye to long-term where possible.
• Making fair decisions, based on merit and individual needs.	• Merit as a dominant lens for fair decision-making, frequently challenged by the market forces.
• Professional values as a sense check of organisational needs.	• Professionals do what the business needs them to do.

relationship and a significant proportion of the decision-makers actively pursue 'good work' for people. In situations where the interests of the parties are conflicting, while the practitioners are understanding of the need to maximise overall value, there is a limit to which they are prepared to do so, recognising individual rights. Similarly, a large proportion of respondents recognise it is 'right' to pursue long-term interests at the expense of short-term gains.

So, while the recognition of the 'right' thing to do is there, the gap with the current practice shows that if professional principles are set at the level of high ambition, they must be complemented by mechanisms that help practitioners overcome challenges around applying these principles in practice. Given the prominence of current business need considerations in the decision-making process, practitioners will require greater knowledge-based and improved metrics to rationally weigh future value-creation against current priorities.

Three additional challenges would have to be resolved in defining professional principles.

The first is professionals' attitudes towards specific workforce segments. Our findings suggest that practitioners may express a different approach towards groups of staff who might not have been considered as part of their 'core' workforce, including temporary staff or workers in a new office in a different region. These individuals might be perceived as 'removed' from the decision-maker and it is likely that some groups would be disadvantaged by the decision simply through the failure of a professional to consider the interests of these individuals on a par with the rest of the workforce. The growing focus on metrics and analytics – while critical for generating reliable evidence for people management decisions – is likely to exacerbate these attitudes, potentially reducing people to 'numbers on a spreadsheet'. Professional principles need to clarify responsibilities of practitioners to these less visible stakeholders.

Secondly, varying importance might be attached to particular principles at different levels in an organisation. This is evident in the contrasting attitudes of line managers compared with HR and senior leaders, in particular with

regard to people's welfare at work. Line managers are more likely to be concerned with individuals' well-being and rights, and believe it is right to minimise the negative outcomes, recognising individual circumstances when they make decisions. On the other hand, HR and business leaders appear to take a more impartial perspective, willing to maximise the greater good for the organisation and the majority of the workforce. Clearly these practitioners have different views on the 'right' approach, which should be taken into account in developing the principles.

The third consideration concerns the current paternalism in how decisions are made in practice. Overall, the decision-makers prefer to remain impartial, making 'good' and 'fair' choices without involving people in deciding what might be 'good' and 'fair' for them. For example, in distributing benefits, decision-makers prefer to use criteria they perceive to be objective (such as the Merit Lens) rather than subjective (such as the Fairness as Justice Lens). Equally, the Democracy Lens, advising on giving people a voice, is the one least likely to be always applied in current practice. In other words, these decision-makers pursue their

own definition of what is good and fair rather than getting the individuals' agreement to it.

However, in making decisions, practitioners might be less objective and exercise less control than they would like. For example, the survey showed that they are likely to conflate the Merit and Market Lenses when thinking about pay in particular, possibly assuming that market exchanges provide a true reflection of individuals' ability and hard work. Ignoring the voice of people carries a danger of creating working relationships that appear sustainable to the people management professionals, but aren't acceptable to the workforce. Professional principles need to provide an indication of how 'fair' working relationships are defined, including both the nature of fairness (meritocracy, justice, and so on), as well as the mechanisms of establishing fairness (top–down approach or a democratic process).

These research findings describe the current application of principles and the recommendations of HR, business leaders and line managers on what the 'right' thing to do might be. However, it is likely that changes in the world of work will highlight some of the ways of looking at the working relationship more than others. For example, increasing workforce diversity has already brought the question of fairness to the forefront more than ever before (Wong 2014). In the next section we reflect on how the relevance of the lenses in making workplace decisions might be further challenged by the changing world of work.

The trends impacting the world of work

As we are looking to develop professional principles which would describe 'good' HR practice across business and cultural contexts, we need to understand how the relationship between people and organisations might evolve in the future and whether specific aspects of it will be challenged more by changes in the world of work. Ulrich et al (2015) state in their recent publication, *'HR professionals need to be increasingly aware of global business and social trends because they create the context and set the criteria for doing effective HR work'* (p13).

Many scholars and practitioners have pondered over the future of work, imagining what the world might look in 10 or 20 years' time. These studies tend to consider the key forces affecting the nature of work and describe a set of scenarios or the possible future worlds of work, depending on how the impacts of the forces stack up against each other. For the purposes of the current paper we provide an overview of the eight most common 'drivers of change', what the world of work might look like should the trend become more prominent and consider the implications of this force for organisations, people and skills, and the people management professions (see Table 4).

'In making decisions, practitioners might be less objective and exercise less control than they would like.'

Table 4: Trends impacting the world of work and implications for the profession

Trends	Predictions for the trend becoming more prominent	Risks	Implications for people management and development
Utilisation of technology	• Automation of transactional and routine tasks, and an increased demand for high-level cognitive skills and ability to deal with complex interactions, demonstrate a 'human touch' and manage ambiguity. • Increased cross-discipline and cross-sector collaboration. Breaking tasks down into small individual contributions, allowing organisations to tap into the wider pool of talent. • Greater discretion over how, when and where people work, with the focus shifting onto the actual outcomes that employees produce, rather than the number of hours they spend in the office. • Easier access to organisational data contributing to sophistication of systems and processes, while creating greater transparency and autonomy.	• Low social acceptance of skills obsolescence and inequality in access to work, raising questions over corporate social responsibility. • Threat to traditional employment models in favour of technology-enabled short-term service delivery by individuals. • Disengagement of remote and dispersed workforce. • Trust issues associated with wider use of personal data by organisations.	• Innovative job and organisational design necessary to make the most of the emerging opportunities, and engage workers who have limited face-to-face interaction with their employer. • Fast multiskilling and reskilling of employees, whose skills become obsolete. • New ways of working, facilitated by the technology. • Developing line manager skills and tools to ensure tasks are completed but not in a way that damages sustainability of individual performance.
Workforce diversity	• Growing competition for entry-level jobs, as more young workers enter the labour market. • Growing demand for flexibility of how, when and where individuals work, as well as for transparency in pay, progression and development opportunities. • Growing cultural diversity within workplaces, as more individuals wish to gain experience of working abroad. • Opportunities of tapping some of the benefits of diversity (such as knowledge-sharing and creativity).	• Leadership void in the labour market as older workers – who can afford not to work – retire. • Over-supply of those continuing work without having the necessary skills or requiring adaptations to working times and patterns due to health concerns. • Increasingly diverse employee expectations and needs, which cannot be adequately met with standard value propositions.	• Harnessing the opportunities to improve business performance, drawing on the potential of various workforce segments. • Focus on in-work progression to fill leadership gaps and free up entry-level jobs. • More flexible approaches to talent attraction, development and retention. Developing individualised relationships with employees at line management level. • Taking greater responsibility for upskilling young people to catch up with employers' needs for particular skills.
Globalisation	• Integration of the ways talent from different markets is treated into the overall corporate approach and culture. • Offshoring of jobs that can be performed more efficiently in developing countries, alleviating skills shortages. • Mass movement of populations due to political instability and environmental change dramatically increases the talent pool, with rising demand for low-skilled migrant labour in particular. • Emergence of geographically alternative centres of excellence and relocation of production.	• Rebalancing availability of jobs will create greater competition for work in Western markets and greater competition for talent in emerging markets. • Migration laws introduced to manage the flows of workers disrupt quality and availability of talent. • Lack of agility and efficiency in large multinationals prevents knowledge-sharing. • Growing workplace conflict.	• Harmonising labour practices due to national variations in labour legislation; for example, negotiating the local laws for contracting temporary staff or those concerning the rights of different population groups. • Managing perceptions of fairness across the workforce segments. • Reviewing the operating model of HR, which is becoming more project-oriented and aimed at improving organisational effectiveness, where an intervention is needed. • Prioritising communication and dialogue to avoid conflicts, maintain a sense of shared purpose and common corporate culture.

Table 4 continued

Trends	Predictions for the trend becoming more prominent	Risks	Implications for people management and development
Industrial change	• Steady growth in the proportion of jobs that require degree-level or professional skills is driven by consumer demand for high value-added services. • Evolution of business operating models to provide demand-led services, matching customers with (often independent) contractors. • Normalisation of 24/7 services, with more people connecting to the workplace remotely and outside of traditional working hours. • Ongoing organisational change, as the business responds to the repercussions of the external context across multiple geographical areas.	• Increase in social and economic divide between an intellectual well-paid elite and a large volume of low-value, poorly paid roles. • Growing social mobility challenges, spurred on by lack of mid-level jobs. • Lack of skills and motivation for knowledge-based work.	• Managing knowledge capital rather than people as units of workforce, with an increased focus on leadership and culture, and organisational development. Developing alternative models of creating value through people. • Weighing cost-effectiveness considerations against the responsibility of the business for the people they employ. • Continuous updating of workforce knowledge and skills. • Developing performance management processes that assess and reward softer aspects of service delivery, as well as redress the impact of emotional labour on workers.
Individualism	• Demand for better work–life balance with a pattern that suits workers' individual circumstances. • High-skilled employees expressing their personal ambitions, rather than negotiating working conditions via traditional collective channels, such as trade unions. • Both customers and employees expect systems to flex to meet their needs and are happy to switch between brands or employers that don't adapt. • Social media becomes an effective voice mechanism.	• Growing need to understand and cater for the needs of specific segments of the workforce, for example through flexible company benefits. • Decreasing loyalty to organisations, resulting in more expensive retention packages. • Voices of disgruntled workers with less bargaining power become more difficult to control as they use external channels to negotiate their relationship with employers.	• Providing a broad spectrum of employment 'deals', including both work-related fulfilment as well as support of personal life goals. • Balancing personalisation of the working relationship with cost-saving priorities. • Managing the increasing prominence of individual voice in determining how the employment 'deal' is set and developed.
Social responsibility	• Greater alignment between society and business agendas, with sustainable business models becoming the norm. • Pressure to introduce technologies for a more efficient use of resources, such as with reducing carbon footprint through smart working initiatives. • Core focus on managing reputation and building trust to attract both customers and talent.	• Job losses and skills obsolescence in resource-intensive industries, while different skills and innovation will be demanded to generate new economic growth paths. • Exposure of corporate social responsibility (CSR) activities that are little more than a brand enhancement exercise.	• Increasing focus on brand management, internal and external communications in people management and development activities. • Developing a greater knowledge base and improved skills to find solutions that meet and manage the expectations of multiple stakeholders, while influencing the business to act in a responsible way. • Ensuring consistency of ethical codes across the global markets in which businesses operate, presenting businesses with multiple ethical considerations, and lead the change towards a more responsible operation.

Table 4 continued

Trends	Predictions for the trend becoming more prominent	Risks	Implications for people management and development
Quality of education	• Improvement of educational standards worldwide, stimulated by governments seeking to boost their competitive position in the global marketplace. • Greater onus on continued individual development, lifelong learning, retraining and multiskilling. • Rise in accessible educational opportunities, open universities and peer-to-peer learning.	• Continued misalignment between education and business-required skills. • Increase in numbers of overqualified workers, expressing discontent with unrealised ambitions. • Greater onus on individuals to invest in their own development may discourage students from participating in higher education, leading to an unbalanced talent supply with shortages in critical skill areas.	• Developing mentoring schemes and other forms of workplace support, required to help new employees catch up quickly. • Investing more in developing talent in the absence of appropriate government programmes. • Managing the expectations of overqualified individuals, thinking creatively about alternative forms of employee engagement and utilisation of available skills.
Diversity of employment relationships	• Diversity of working patterns, as well as the types of employment contracts, driven by the changing needs of organisations in when and how they want to provide services, as well as by the evolving expectations of individuals about the ways of working. • Two-tiered workforce, with the traditional core comprising permanent staff, complemented by a large group of contractors and freelancers. • Fragmentation of organisations into smaller 'businesses', representing collaborative networks of contingent workers.	• Controls imposed by governments concerned with the security of some of the non-standard arrangements. • Long-term service may become more desirable once again, challenging organisations to focus their value proposition on appropriate rewards and career pathways. • Hierarchical and control-driven organisational structures and management approaches are slow to adapt to employee expectations.	• Planning the alignment of workforce availability with the customer demand for services. • Transforming organisational culture to embed flexible performance management processes. • Managing inequality of terms and conditions between different categories of workers. • Giving a voice to contingent workforce in when and how they work.

References: Intuit 2010; Heldrich, Zukin and Szeltner 2012; Lacy 2012; PWC 2012, 2015; van Wanrooy et al 2013; The Economist Intelligence Unit 2014; Hay Group 2014; Adams 2015; Beatson 2015; CIPD 2015; Cunningham 2015; The Economist 2014, 2015; Everett 2015; Ulrich, Schiemann and Sartain 2015).

How will principled decision-making be challenged in the future?

The drivers of change in the world of work indicate both a challenge and an opportunity for a number of professionals involved in managing people in organisations today. On the one hand, these trends are likely to change the shape of the workforce, the reasons people come to work and the contribution they will be willing and able to make. On the other hand, this means that businesses will most certainly require professionals with the expertise necessary to understand the needs of the organisations of the future and create appropriate ways for attracting and deploying human capital for greater competitive advantage. One report on the future of HR suggests that people management will become *'fully embedded in how work gets done throughout an organisation, thereby becoming an everyday part of doing business'* (Good et al 2015).

In creating the relationships between people and organisations in the future, professionals will be tempted to look at the world of work through a single lens, adopting the perspective that the powerful trends highlight the most. For example, the 'war for talent' once labelled the world a global marketplace where the 'deals' were governed by the rules of supply and demand of labour (McKinsey Global Institute 2015). Today management is aware that the expectations of people at work are far more nuanced, evidenced by the new generations opting for work that is meaningful to them over fast-moving global careers.

To prepare for the changes in the world of work practitioners must develop their ability to understand and evaluate their choices from these multiple perspectives. Considering the current challenges in making the 'right' choices in their decisions about work, three themes from the impact of the drivers of change appear to be of particular importance. The principles of the people management profession need to help practitioners reflect on these themes and guide appropriate choices to ensure sustainability of organisations in the future.

The first perspective concerns the dimension of power that various players have in the workplace. Talented employees are now firmly a stakeholder in work relationships and want to have a say over their careers. They also demand such work that supports their personal goals and work–life balance, relying on employers to support their needs beyond pay.

This trend raises questions about the duty of care the organisations have towards people that work for them, as well as the communities they operate in. It also challenges the assumption of control that businesses wish to exercise over people processes. In making decisions about work, professionals will increasingly have to account for the responsibility they have for the welfare of various groups if they are to attract and retain talent, as it may no longer be supported by governments. Increasingly, effective employee voice will not be a matter of choice, but a requirement for organisations to attract and retain talent.

The second – and related – theme is one of fairness. While some individuals will be able to apply their talent and luck to secure better 'deals', there are also workforce groups that do not have the same degree of influence nor negotiating power to have a

'Creating win–win solutions for people and the business will require a real strength of character and commitment to one's core values, as well as deep expertise and creativity for managing and meeting the expectations of different stakeholders.'

say in what happens to them, as the skills of these individuals are becoming obsolete, they have to continue working to provide for their livelihoods or simply because they are competing against many others with similar profiles. So while the power of some is growing, that of others is in decline.

While practitioners may wish to continue making decisions based on the value they see in a particular type of talent, the voices of those disadvantaged by this approach are likely to contribute to instability and conflict in the workplace. Instead, the expectations of various workforce groups will have to be understood and carefully managed, taking into account the subjective perceptions of workers, rather than arbitrary rules of the market or the seemingly objective criterion of merit, which are likely to lead to dissent, low engagement and productivity. The evidence of current decision-making practice indicates that line managers are already experiencing the impact of some of these trends and are far more likely to focus on the questions of justice and voice in the workplace.

The final theme concerns the long-term success of people, organisations and societies. With ongoing change being the only constant attribute of the future world of work, the ability of professionals to apply the long-term view in making decisions at work is likely to be continuously challenged. Principled decision-makers will constantly have to ask themselves what type of workplace they would want to create in the future and how far their future horizon spans exactly. A business leader in Singapore said:

'The long-term and short-term gains have always been a problem for business as well. When I first started, we [had] strategy roadmaps where we like to talk about where we will be in five to ten years' time. To me, we never seem to get there despite the five- to ten-year plan. So I repositioned my team to look at the next one to three years. Is that short term or long term? I am not quite sure but we are able to project out what we want to do on a much more crystallised level.

'For the next 12 months, for example, we go month by month in detail. For years 2–3, we state some bullet points on the objectives. That is short to mid-term in my view. Long-term wise, we are unfocused as there are a lot of questions which are difficult to answer at this point in time. In that sense, I'd like my HR workforce to be more flexible in nature as well because if everyone is on a fixed pay contract, it will be difficult to resize or right-size when the need comes.'

In this context of assumed flexibility and agility, with the business need ever changing under pressure from external factors, it will be increasingly more difficult to keep an eye on the long term. Professional decision-makers willing to protect the long-term interests of society will have to take responsibility for balancing the sustainability view with the demands of today, as well as for convincing others to assume a similar approach.

Such stewardship will be ever more difficult as the future face and the status of the profession itself is undefined – many have for some time suggested that HR as a function will cease to exist and will be dispersed across organisational departments (Good et al 2015). While the future of the *function* is questioned, it is clear that the need for *professionals* – experts in various aspects of people management – will continue, or even grow. It is true, though, that the specific task of these professionals might evolve with new professional areas shifting away from the traditional HR practice areas – particularly at the basic process level (for example payroll management) – and towards finding tailored business solutions drawing on the emerging areas of HR expertise: people analytics, fairness, knowledge management and others.

Similarly, the role of line managers is likely to shift away from monitoring work, with decision-making being dispersed across large cross-functional project teams. Already some companies distinguish between project managers (responsible for tasks) and people managers (responsible for employee development and well-being). In the future managing people will be even more about trust, flexible approaches to individual needs and leadership capability. In the same way, business leaders and businesses as a whole will rely on more responsible approaches to achieving organisational outcomes (ILM 2014).

Despite this ambitious view of the world, challenges of balancing the day-to-day priorities with ever tightening competition will mean that creating win–win solutions for people and the business will require a real strength of character and commitment to one's core values, as well as deep expertise and creativity for managing and meeting the expectations of different stakeholders – something that describes a professional.

What's next?

This research into the ways people management and development practitioners make value judgements about how work is organised provides important insight into the priorities currently relevant to decision-makers. It also highlights some challenges into gaining agreement on a universal set of principles across different groups of practitioners and different geographical regions. Specifically, it highlights that the questions of fairness and employee voice – although being the 'right' things to do at face value – are incredibly complex when applied in practice and can be interpreted differently depending on context.

It is also clear that future challenges of the world of work will put more pressure on professionals to apply these principles, as they will have less control over how people want to work and the contributions they choose to make in an organisation. If practitioners are to be effective in creating sustainable value through people management and development processes, they will have to embrace the different stakeholders that contribute to and benefit from organisational success and understand the type of value that they expect to gain from their relationship with a business.

The answers to these challenges will vary across organisational and cultural contexts, and so it is becoming more and more difficult – and insufficient – to define HR in terms of its practice, or the activities that professionals carry out in organisations. To gain credibility and trust, the profession must define the principles that it stands for and develop capability in interpreting those principles for specific business models without losing sight of the core values.

Our work continues by collaborating with a wide range of stakeholders within and outside HR to define and test a new set of principles that will help HR professionals make good decisions and advise business leaders on what to do, no matter what the context and no matter what the future may hold. We expect the principles to be broad and ambitious – they'll describe desired outcomes rather than prescribe a specific course of action. Applying them in practice will take professional judgement backed up by specialist expert knowledge about people and organisations as well as a thorough understanding of the business context. That's what we think will define the HR professional of the future and that's what we think it will take for HR to remain a trusted and credible profession that can have a real impact on work and working lives.

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'To gain credibility and trust, the profession must define the principles that it stands for and develop capability in interpreting those principles for specific business models without losing sight of the core values.'

Appendix 1
Scenarios used in the survey

- **Growth of market share** scenario described a premium quality airline company, growing its position in the market, but having to watch its cost base to remain competitive. Senior leaders and HR practitioners were ask to consider whether the new temporary workers recruited by the company should be paid a minimum wage (a cost-effective decision for the business), or a wage that is more in line with the pay of permanent staff. Line managers were asked to make a decision about employees' holiday sacrifice to deal with increased demand in services.

- **Cost management** scenario described a public sector organisation, a major employer in the community that has to cut its costs by 30%, and is, therefore, making redundancies and service cuts. Senior leaders and HR practitioners were asked to consider where savings could be best made: job losses and service reductions would allow the organisation to better support the remaining staff, while fewer jobs and fewer service cuts would also mean no improvement to the employment conditions

- **Change to increase productivity** scenario described a technology company under new management, which set out to grow performance by transforming the organisation from a culture of stagnation to one of quality and innovation – a change that led to low morale and a drop in performance among staff. All three groups of respondents were asked to consider whether the management should tighten its performance management process, looking to dismiss underperforming staff, or to invest time and money in developing and motivating employees.

- **Sustainability** scenario described a global FMCG company, which moved one of its call centres to a developing market. Senior leaders and HR practitioners were asked to reflect on the ethical issues of the decision to pay people in developing nations a lower wage for doing the same job, driven by cost-effectiveness considerations. Line managers were asked about dealing with unethical behaviours of several team members, where dismissing the employees would have led to financial losses by the company.

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