

Case studies

Strategic human resource planning at Zeneca Pharmaceuticals

Chris Ainsworth

The author

Chris Ainsworth is Development and Training Adviser at Zeneca Pharmaceuticals, Mereside, Macclesfield, Cheshire, UK. He may be contacted on 01625 582828.

Abstract

Examines the human resource strategy undertaken at Zeneca Pharmaceuticals. Gives the business context then goes on to consider the process and impact of work on line functions and the personnel department. Concludes with a list of areas of improvement indicated by the planning of the strategy.

According to Dr Chris Ainsworth, development and training adviser at Zeneca Pharmaceuticals, senior managers spend considerable time planning for the efficient use of equipment, materials and money towards achieving their business objectives. But they do not always give the same care and attention to planning the effective use of their human resources, even though people often comprise the biggest cost in running the business.

This article describes an approach to strategic human resource (HR) planning undertaken in the research, development and IS functions of Zeneca Pharmaceuticals. It sets the business context before going on to consider the process, the impact of the work on both line functions and the personnel department itself, and ends with a review of learning derived so far and areas for improvement.

Zeneca Pharmaceuticals is part of Zeneca plc, the bioscience company which demerged from ICI in 1993. ICI has a reputation for being stable, centralized and consistent – not least in the area of HR. In practice, this was not always the case in the pharmaceuticals business; since demerger, partly as a direct result of new-found independence and partly in response to the greatest upheaval ever known in the global pharmaceutical industry, the need is for a much more flexible and strategic approach to HR management.

Diversity of culture is a predominant feature of Zeneca Pharmaceuticals. This is evident, not just territorially – we operate in over 130 different countries – and even between sites in the UK (in the east Cheshire region we employ over 4,500 people on four sites, two of which are less than a mile apart), but significantly between functions on the same site.

The work to be described covers functions in research, development and IS, all situated on our Mereside site and accounting for some 2,200 employees – almost 50 per cent of the total UK pharmaceuticals business. As functions, they are managed separately, each with its own head of function. Consequently, their cultures vary markedly, as does their recognition and acceptance of the role of HR.

Relating HR to business objectives

For the last four to five years in Zeneca Pharmaceuticals research and development and IS

department, there has been a move towards devolving a range of HR accountabilities to line managers. There are several reasons for this, two of which are significant:

- (1) In 1989 an initiative was introduced across ICI called the “Development of people, work and reward”. Instigated by line management, it is founded on eight principles to do with the direction of work and people. One of the principles states: “Managers responsible for their staff”, i.e. line managers, and not the personnel department, are accountable for managing the people. This has required, among other things, that personnel gives up its policing and administrative objectives.
- (2) As in other industries, competitive pressure is increasing in pharmaceuticals. Research and development costs are spiralling upwards, and profit margins are spiralling downwards under severe price pressures. The key to success in pharmaceuticals is to do with creative and innovative science, speed to market and effective marketing. All three are fundamentally dependent on the excellence of people. Previously, we have spent considerable time in ensuring effective application of capital, plant, finance and IT against business objectives; the greatest scope for performance improvement, and therefore competitive advantage, now lies in effectively applying our people to business objectives. In short, HR has become a strategic process.

Thus, the HR function’s core purpose has changed from managing the people to enabling line managers to align their people’s contribution to business objectives.

There is little prior history of the HR function being involved strategically in business objectives in Zeneca Pharmaceuticals. Thus we have broken new ground both for the line functions and for ourselves. The rate of progress in achieving a strategic approach to HR management has varied between functions and, indeed, our process is evolving as we work through it.

Our six-stage process to achieving HR plans acts as a framework – the detail in applying the process is different in each function, dependent on the expectations and commitment of the respective senior management teams. We need to be flexible in our approach.

The six-stage framework

The six-stage framework which we use to derive strategic HR plans with senior line management teams is shown in Figure 1.

In effect, stages 1 and 2 should disappear over time as HR plans become an established management exercise. The cycle represented by stages 3-6 is annual, unless significant events require otherwise, such as a restructuring of the line function or a significant change in business objectives. Such events have in fact occurred in all three functions in 1994.

The core team at stage 1 typically comprises the appropriate personnel team leader, personnel officer and myself. It is a paradox that a process devoted to achieving line-led HR should start by excluding line management involvement. We have found it vital, however, for the HR team to do its homework first, both in terms of forming an initial view of which HR activities or processes would contribute to the client function’s business objectives, and in terms of considering a strategy for achieving buy-in to the need for HR plans from the line management.

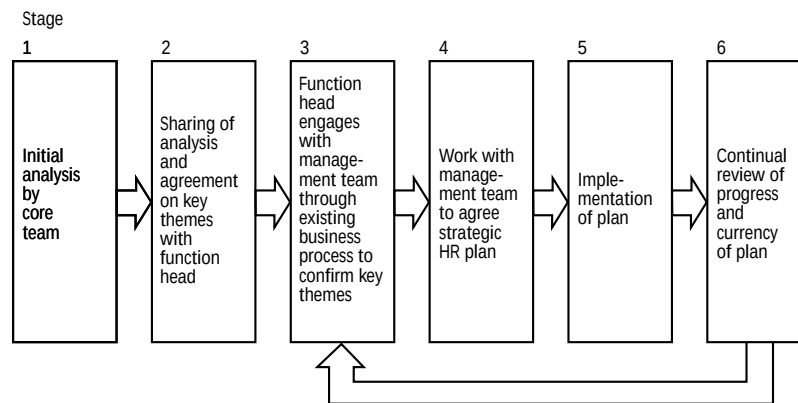
This analysis at stage 1 consists of asking two questions:

- (1) “What are the HR implications contained within each of the line functions objectives?” A list of implications is produced for each objective and the frequency of recurring HR activities or processes identified is then established across all the objectives, giving an indication of relative significance of HR topics.
- (2) “To what extent is each significant HR activity or process being used effectively by the function in support of its business objectives?” It is one thing to identify significant HR contributions to achieving business objectives, but quite another actually to achieve that contribution.

The core team must be rigorous in its analysis and record its rationale at the time for future reference. The process itself is not intended to be scientific – nor can it be. It is an effective tool for systematic analysis and for indicating priority areas for HR activity against function objectives.

The purpose of stage 2 is to engage with the function head at a strategic level; to introduce or cultivate the principle of HR being a strategic issue; and for the function head to confirm, or positively revise, our analysis and process proposals. We start with the function

Figure 1 The six-stage HR planning framework at Zeneca Pharmaceuticals



head alone, rather than with his full management team, as he clearly has to own and champion the work from now on. Function heads are key figures in the Zeneca Pharmaceuticals organization.

In meeting with the function head, the core team is joined by the research and development personnel manager. We set the need for an HR plan in the context of business strategy; we ensure everyone agrees we do not want an “HR strategy” for the function – there is a risk of this still being seen as separate from achieving function objectives/an end in itself/belonging to personnel. The only “strategy” is the function’s business strategy; this work leads to a plan for achieving the HR elements’ contribution to that one strategy.

Notwithstanding the depth and rigour of our analysis at stage 1, we keep the presentation at stage 2 simple. The key objective at stage 2 is to gain the function head’s acceptance of the principle of HR plans. The HR team should not set out to get everything in the analysis right at this point – ownership in the function head is increased if he/she has the opportunity to contribute to the analysis.

Equally, if we in the HR team are to practise line-led HR, as well as preach it, we must be prepared for the function head to reject or rework our entire analysis and conclusions; there is otherwise a risk of HR’s view being imposed in the line. In the event, all function heads contributed to and were pleased to own the outcomes of stage 2.

Stage 3 is for the function head to declare his/her ownership of the work to his/her management team; to build on the analysis from stages 1 and 2 with the management team, thereby gaining their input and ownership; and to start shaping the HR plan.

To facilitate the line managers’ involvement at stage 3, we look for:

- (1) A “hook” – this is an HR issue known to be of current interest or concern to the function management team. No matter how remote this issue may appear to be from the “real issues” in the emerging HR plan, this is the place from which to start.
- (2) An existing business process in the function through which to engage with the line management team – using an existing local process or meeting:
 - encourages ownership;
 - demonstrates that HR planning is an integral part of business planning;
 - reduces the risk of “yet another HR initiative”.

Stage 4 is concerned with involving the line managers in working up the detail and recommendations for the HR plan. It is an opportunity to increase their ownership further and to coach them in a particular aspect of HR management.

Stage 5 is implementation of the plan. Typically, this involves a combination of one-on-one working between personnel and a line manager; working parties and line on its own. Whatever the means, it must be line-led. The HR team, however, will have to be active in encouraging, cajoling and steering.

For stage 6 we try to use the same existing process or management meeting employed at stage 3, wherever possible establishing review of the HR plan as a standing item on the agenda. The intention is that, over time, HR plans will be seen as a central and normal management tool.

The driving force behind the review is the function’s business objectives; as they change

so must the HR plan and, indeed, so must the HR function's own objectives.

Impact

From the outset, we have had two overall objectives in mind in engaging in this work:

- Arrive at an HR plan for each function which is generated and owned by the line managers and which directly addresses strategic business objectives.
- Start to demonstrate to line managers the concept of proactively analysing the application of human assets and of being far more flexible and focused in the use of business HR policies, i.e. the HR function will now provide enabling frameworks rather than rigid procedures.

This in turn requires a change in the role of the HR professionals, from being custodians of the personnel policies manual towards becoming internal consultants and facilitators.

We have undertaken this work in three major business functions in the last 18 months. Each has different needs at the outset. In one, we identified more than 30 separate HR activities or initiatives underway at the same time. Each was laudable in itself, but how many of them were actually contributing to that function's business objectives?

Our initial analysis at stage 1 demonstrated that fully 50 per cent of them could make little or no contribution to current business objectives. This represented 50 per cent wasted effort. Of the remaining 50 per cent, no activity or initiative was being used to its fullest potential. The function head quickly bought into the analysis at stage 2 and agreed to carry the work forward to his management team.

The function now has an HR plan which has been developed by the line managers and concentrates on the four top priority HR issues which can make the greatest contribution to the function's business objectives.

The impact of engaging in this process in a second function was no less dramatic. In embarking on stage 1, we encouraged the function head to revitalize earlier business objectives, so that the HR plan would address current and foreseeable needs.

There have also been significant implications arising from this process for the HR function itself. We have found:

- We must be professionally authoritative, but not dogmatic, in what we advise in order to establish credibility and therefore acceptance.
- We must be, or become, more closely integrated with our clients in order to know, or sense, each function's business direction.
- In engaging with senior line managers, our communication and influence must be marked by simplicity: our clients will nonetheless recognize and acknowledge the thoroughness of the analysis that lies behind it.
- We must be prepared to take risks in, and learn from, talking business strategy with senior managers.
- HR professionals must develop capability in conceptual and strategic thinking, consultancy and facilitation skills as they work *with* managers rather than *for* them.
- Being clear about, and checking all actions against, our conceptual objective of "line-led HR" is critical. We need to have an effective and consistent change strategy of our own; we need to resist firmly but nicely the inevitable demands from line managers to "do it for me"; we must realize that, in keeping with the philosophy of ownership being "in the line", we can no longer oblige managers to be interested in HR plans – they must *need* to be interested.
- It is important to continue managing the traditional HR portfolio, while at the same time moving towards our new operating style.
- We must be comfortable with 80/20, adopting a flexible approach to each client group, starting from where they are and realizing that the purpose is to achieve an HR plan, not to protect the integrity of the process. Acceptance of the *principle* of strategic HR planning is typically a breakthrough in itself.

Responses from senior managers have all been positive:

- We have demonstrated to them in a practical way that HR is indeed a strategic management issue which can be, in fact must be, linked to business objectives.
- They are genuinely delighted that the HR function has taken a proactive interest in *their* business objectives.
- Once HR processes are demystified, line managers are enthusiastic to do the work.

They greatly appreciate the HR function sharing or transferring its expertise. Indeed, since we started the move towards line-led HR, we have seen increasing shifts in line manager attitudes from “that’s your job”, through “I’m thinking of doing this – what do you think?” to “I can do that myself now”.

- It has been an opportunity to coach managers in change management skills and behaviours as they participate in a repositioning of HR accountabilities.

Where can we improve?

As we review our first 12-18 months experience of HR plans and look ahead to the next 12 months, we have recognized the following learning points and areas for improvement:

- Simply going through this planning process does not guarantee that line managers will immediately understand the impact that focused HR management can have on achieving their business objectives. It needs drawing out and demonstrating consistently.
- The more specific the actions in an HR plan, the more they have happened.

- The closer an action is to a real business requirement, where there is a degree of discomfort, the more it happened.
- It is important for the HR team to keep its own activities within each plan co-ordinated. We lose both credibility and efficiency if we are seen to be getting in one another’s way.
- It is important that the HR function keeps the pot boiling to maintain progress and commitment in the line.
- The HR team will have a lot of the legwork to do at first and must be careful to avoid dependency.
- It may be that some current personnel professionals do not want to, or are unable to, operate in a context of line-led HR, with its emphasis on influencing and steering rather than administrating and policing. We must not ignore the need to help these people in the change at the same time as helping line managers.

A key question, however, concerns the fact that the major research and development functions are becoming increasingly international in their organization and operation. How are we to involve line managers and HR colleagues in other territories in the HR plan process?