

The people management value chain model, and the ten critical people management drivers of organisational performance

A wealth of research over the past twenty years has shown that good people management is critical to organisational success. I have studied the research in depth to produce a practical model of how people management drives 'bottom line' performance. Any organisation can use the model to drive performance, and I use it extensively in my work as an HR strategist and change agent

The research evidence

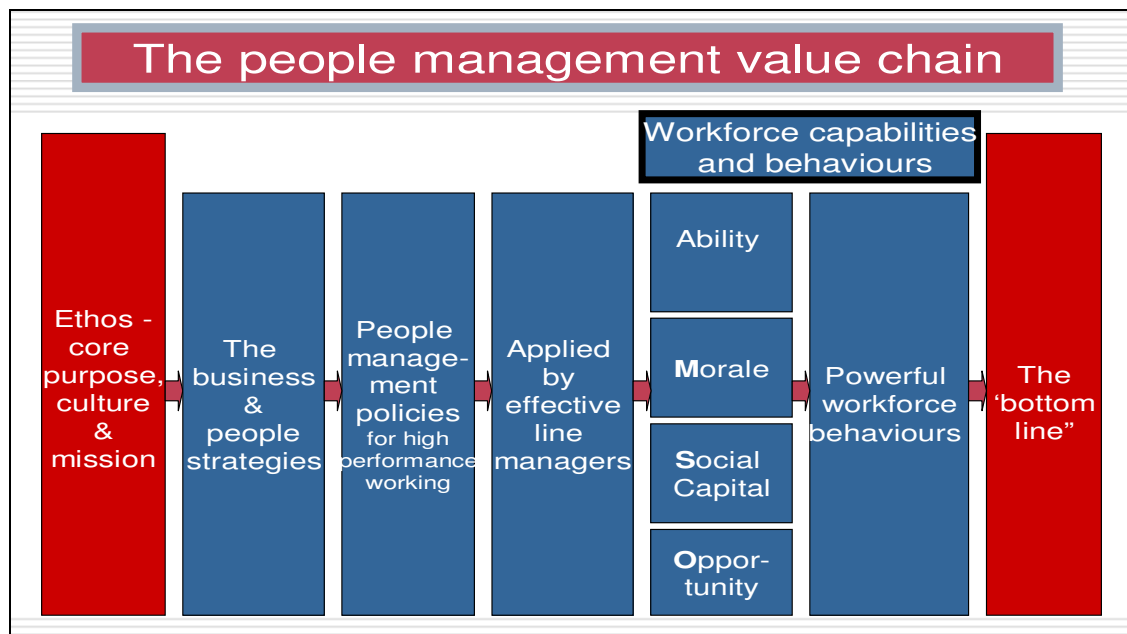
There is now a mass of evidence to show that good people management drives the bottom line. To quote but three of the research studies:

- Research in British manufacturing found that well managed workforces were 29% more productive, with 17% better profitability.¹
- A study of British hospitals found that the sophistication and extensiveness of people management practices correlated significantly with lower in-patient mortality.²
- A Work Foundation study found that 'skilled and well led people who are enabled and motivated to act' is one of five key attributes which distinguish high performing companies from poorly performing ones.³

That's why leading organisations such as Tesco, the Nationwide Building Society and Standard Chartered Bank work hard to manage their people really well.

The people management value chain model

From the research evidence I have developed a model, the people management value chain, which shows how good people management drives the business 'bottom line'. I show the model as a diagram here, followed by a flow chart describing how it works.



People management capabilities. The organisation has a clear and compelling purpose and direction, supported by an appropriate culture and strategy. Its system of high performance people management policies and processes is delivered by effective line managers. People management is supported by the right strategic HR metrics and by an appropriately skilled and resourced HR function.

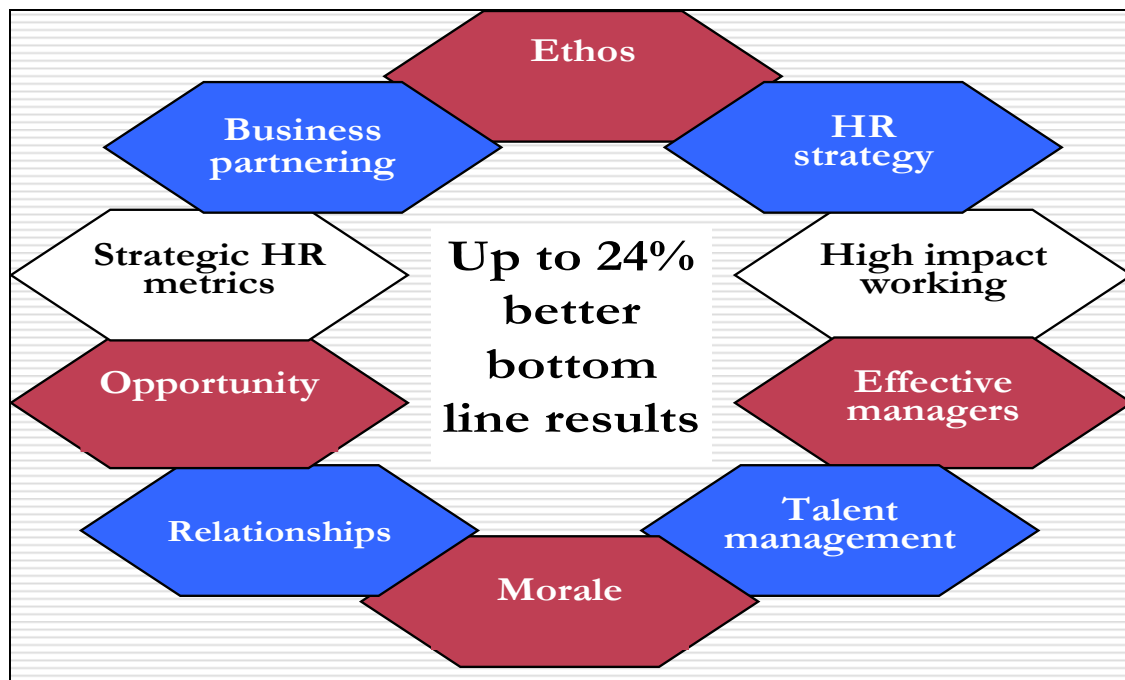
Workforce capabilities. The workforce is able and motivated, works well together as a collective and has the opportunity to make a difference. The organisation is a great place to work.

Powerful workforce behaviours. Employee productivity is high. Staff work energetically and enthusiastically, with little absenteeism and low unwanted turnover.

Organisational performance – the organisation’s ‘bottom line’ results. The organisation provides the right products or services at optimum cost. Its reputation is good, demand is strong and it meets its financial targets.

The ten critical people management drivers of the bottom line

My research has identified the ten critical people management drivers of the bottom line. They are the essence of the people management value chain model and of my work at an HR strategist and change agent. The diagram below shows the ten drivers, and then I go on to summarise each one in couple of lines of text.



1. **Ethos.** Helping the organisation to clarify, communicate and live its identity and direction - its core purpose, values and culture, mission and strategy.

2. **HR strategy.** Choosing the people management interventions which will have the greatest effect on business performance, by developing a people management strategy.
3. **High impact working.** Designing the organisation's system of high performance people management policies and processes.
4. **Effective managers.** Improving the effectiveness of line managers by giving them better development, management and support.
5. **Talent management.** Getting, keeping and growing staff with the right abilities, in terms of personality, intelligence, skill and knowledge.
6. **Morale.** Finding the key drivers of staff morale or motivation, then measuring, managing and improving them.
7. **Relationships.** Developing teamwork and knowledge management by building communities of colleagues who work well together.
8. **Opportunity.** Harnessing employees' knowledge and enthusiasm by giving them a real say in decision making and in how they work, so that they have the opportunity to make a difference.
9. **Strategic HR metrics.** Finding, measuring and managing the key people management drivers of bottom line success in the organisation, by setting up a system of strategic HR metrics.
10. **HR business partnering.** Building the HR department as a driver of organisational performance.

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November 2009

¹ Patterson M., West M., Lawthorne R. and Nickells S *The Impact of people management practices on business performance* IPD1997.

² West M., Guthrie J., Dawson J., Borrill C. And Carter M. *Reducing patient mortality in hospitals: the role of human resource management* Journal of Organisational Behaviour vol. 27 pp.983-1002 2006.

³ Work Foundation *The Missing Link: From Productivity to Performance* 2003.