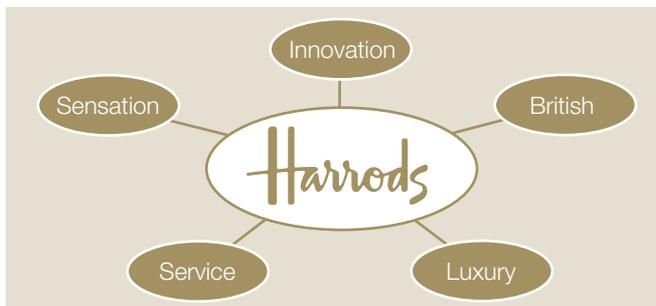


## Increasing employee engagement through HRM



### Introduction

Harrods is a brand that is recognised all over the world. Its Knightsbridge store has 1 million square feet of selling space with over 330 different departments. Its global reputation and prestige is instilled through its brand values. Brand values represent what an organisation stands for. Harrods values are – British; Luxury; Service; Innovation and Sensation.



This case study demonstrates the integral role that Harrods' employees play in upholding these brand values. People are a vital resource of any organisation. In the retail industry, employees are the public face of the company. They are responsible for interacting daily with a variety of stakeholders, for example, customers, senior managers and suppliers, to ensure the day-to-day running of the business. Effective communication is essential for creating an environment where employees and customers are satisfied.

Harrods has been in business for over 160 years. It employs 4000 employees with an additional 3,500 agency and concession employees. In 2010 Qatar Holdings purchased Harrods from Mohamed Al-Fayed. The new owners are strongly committed to all of Harrods' employees. They recognise that engaged employees are essential to the continuing success of the business. Such employees are likely to be happy and consistently high performers who want to progress their careers with Harrods. Managing employee relationships is the role of the Human Resources department.

This case study looks at the methods adopted by Harrods' Human Resources department to increase employee engagement. This involved positively changing the organisation's culture to enable the business to meet the needs of its employees whilst also maintaining the company's values.

### Human Resource Management (HRM)

Human Resource Management is a process of valuing and developing people at work. It covers all aspects of developing employees, including three important steps:

1. Recruitment and selection - attracting suitable new employees.
2. Performance - enabling employees to perform their roles to the best of their ability by keeping them informed and providing relevant training opportunities.
3. Development - developing all employees to build their careers with Harrods through identifying career progression opportunities.

In 2009 the MacLeod Report, *'Engaging for Success'*, was published which has been very influential in Human Resource Management. One of its major findings was to highlight how businesses benefit by involving employees in all aspects of decision making. This involvement is commonly referred to as employee engagement or participation. This prompted managers at Harrods to investigate its employee relations, in particular its employee turnover.



Employee turnover measures the rate at which employees leave their employer, usually over a one year time period. The statistics indicated that Harrods needed to take action to improve employee engagement and reduce its employee turnover. A high employee turnover rate has significant cost and performance implications to a business. These include the costs of recruitment, the loss of expertise and the increased need for training new employees.

Following this investigation, Harrods carried out its first comprehensive employee survey to find out what they thought about working at Harrods. The employee survey has now become an integral aspect of Harrods' Human Resource Management programme. The survey results were used to create strategic plans for change focused on improving employee engagement and trust. The four main elements were:

- Changing organisational structure. Senior managers felt that the organisation was too hierarchical i.e. had too many layers. The new structure is flatter with employees taking on more responsibilities. This enables job enrichment, providing opportunities for an employee to take on further responsibilities to enhance their job satisfaction.
- Changing leadership. Creating an environment where employees are encouraged to make more decisions themselves. Senior managers create the business vision but ground level employees are delegated more leadership responsibilities, for example, in dealing with customers. The model employed is one of transformational leadership where the vision is built at the top but everyone engages with the vision through personal leadership.
- Improved communications. Better communications inform all employees about the strategies of the company. These outline the aims and direction of the business. They also inform employees about operational (day-to-day) plans which directly affect their work. A radical improvement was to encourage employees to inform management of their views.
- Living the brand values. Making sure that everyone understands and models the brand values.



## Communications and cultural change

The changes mentioned before have resulted in Harrods developing a people-focussed culture in order to better engage with its employees. The culture of an organisation is very powerful and has been described as its DNA. It has also been summarised as 'the way we do things around here' and is created through shared values, attitudes, beliefs and norms. One of the reasons why Harrods is so successful today is that it gives its employees a voice for change. All employees are encouraged to give feedback on every aspect of how Harrods operates. The opportunities for managers and employees to be engaged in sharing their views and ideas is summarised in the table below:

Engagement method	Description
Internal employee magazine	'Your Harrods' - a popular and creative magazine for employees with a new starter list, interviews with key people, personal snapshots, charity features, an Agony Aunt column and interesting competitions.
Morning briefing	Informing shop floor teams about what is going on that day and the latest sales statistics.
Intranet	Enables sharing of information with employees. Employees are able to select which aspects they focus on (rather than having information pushed on them).
Quarterly employee forum	A group made up of employee volunteers. Enables employees to present issues and contribute to company strategy.
Other forms of employee voice	'Bright Ideas' scheme which encourages employees to share innovative ideas to further improve Harrods.



The first employee survey highlighted that a difference existed between the customer experience and the employee experience. Harrods tackled these issues as a matter of urgency. A priority was the modernisation of the staff restaurant, providing an inviting eating space with high quality, nutritionally balanced food.

The effectiveness of this approach is summed up by one employee, Hayri Volkan, who is a Retail Manager. She says: *'My views are definitely valued, I'm always asked my opinion on things – people who do the job are acknowledged as a good information source'*.

## Leadership

Leadership is important in shaping the culture of an organisation. There are two opposite poles in terms of leadership, these are autocratic and democratic. Autocratic leaders tell employees what to do. On the other hand, democratic leaders encourage input from employees, listen to their ideas and enable them to make decisions. Both styles have their place, depending on circumstances. For instance, in a crisis situation, such as a sharp drop in sales, immediate action is needed. In such circumstances an autocratic approach is required. However, when there is more time available, a democratic approach is often favoured. Harrods' leadership focus is at the democratic end of the spectrum. Employees are listened to and their advice and ideas are used to make continuous improvements. The culture is thus one of trust and respect and is the key to Harrods' employee engagement.

Harrods' management is committed to fully developing its people so that employees, the business and its stakeholders are fully satisfied. There are three main elements of the democratic leadership approach at Harrods which encourage the development of its employees:

- Talent spotting. This involves identifying talented people who can make important contributions to Harrods. Laura Gorse who works in the Learning and Development Department at Harrods illustrates this: *'I had been training new starters - my*

*total enthusiasm for the role must have been spotted by Harrods. At the time I was unsure about a new opportunity so I didn't push myself but Harrods nudged me in the right direction and gave me a chance to succeed'*.

- Mentoring and coaching. Mentors and coaches are people who act as advisors and guides, usually to those less experienced than themselves. Mentoring and coaching takes place through structured feedback and advice as well as through informal conversations. Line managers at Harrods are encouraged to communicate targets and advice to employees through face-to-face interactions. This might involve sitting down in the restaurant, or in a more formal setting, to agree objectives and to give advice about improvements and new ways of working. Acting as a coach helps the line managers to develop their managerial skills, build relationships and reinforce trust at Harrods.
- Support networks. Managers meet regularly with other managers to share ideas and issues. For example the Retail Managers meet once a month with the Head of Retail to share insights and assess retail plans at both strategic and operational levels.

Each of the processes outlined above provides Harrods' employees, both managers and front-line staff, with the confidence that they can make a difference and that their contributions are valued.



## Benefits of Human Resource Management

Research into Human Resource Management indicates that the factors that really motivate employees are intrinsic ones which are based on meeting the personal needs of an individual. Human beings have a number of key psychological needs including:

- The need to feel that you can do something well.
- The need to be part of a group.
- The need for respect and encouragement from others.



These needs are typically met from non-financial rewards, for example, by providing opportunities:

- for promotion
- to make decisions
- to contribute to a team
- to do a variety of tasks.

Harrods recognises these intrinsic needs and encourages job rotation, job enlargement and job enrichment to provide career development opportunities. Job rotation involves periodically changing jobs and work areas to develop new skills in different areas of the business. Cross departmental experience is viewed as important for personal development. Harrods offers a range of many different types of job opportunity including face-to-face customer operations, merchandising, recording and reporting of sales and online customer communications. Job enlargement involves encouraging and supporting staff to take on new and more challenging tasks. Job enrichment involves building existing job roles by enabling employees to engage in a wider variety of interesting tasks, for example, taking on some team leadership responsibility and removing unnecessary supervision.

Having an informed and engaged workforce has resulted in many tangible benefits. There have now been four employee surveys. Each survey has seen a higher return from employees and an improvement in the indicators of employee engagement. Significantly, 91% of employees have stated in the most recent survey that they are proud to work for Harrods and employee turnover has halved in the last five years.

The ultimate proof of the success of an employee engagement exercise is that it needs to be lived by employees. They need to feel that the culture has changed and that they have played a part in the improvements. Harrods places a high importance on brand values so it is essential that these values are reflected in how employees behave. Employees have to live up to the Harrods brand because customers are aware of it and expect excellence.

Engaged employees are committed ones who help the organisation to achieve its targets and to live its values. Harrods recognise that this is a democratic process. Employees are not just a key part of the visual representation of the organisation - they are the organisation.

The engagement of employees is admirably reflected in the following quote from Jennifer Glyn, a Creative Team Project Manager at Harrods: *'I like being part of a big brand, it is stable but exciting – I feel pride coming in on a Monday Morning. I enjoy telling people what I do and where I work'*. Similarly Laura Gorse who works in Learning and Development states: *'I never dread coming in to work, I actually look forward to coming in – you don't want to miss out on what's going on. The values come from what we do'*.

## Conclusion

Human Resource Management should be seen as a strategic function of an organisation. It helps to build a competitive edge for an organisation by positively engaging its employees. Key ingredients of effective Human Resource Management are having in place an appropriate leadership style and effective two-way communications with employees. This creates an open and honest environment where employees feel that their ideas are being listened to and that they can make a contribution to decision making. Engaged employees are more likely to be proud to work for their organisation and therefore will believe in and live out the values of the organisation.



1. Describe what is meant by the term Human Resource Management. (2 marks)
2. Explain the benefits to a business of increasing employee engagement. (4 marks)
3. Analyse the different ways that Harrods uses to engage its employees in decision making. Which methods do you feel would create the most impact? (6 marks)
4. Evaluate the effectiveness of employing a democratic leadership style on the success of Harrods. (8 marks)