

Case Study

Halfords PDR

Richard Hodge

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Background

Halfords, the UK's leading automotive parts and cycle retailer, enjoyed several years of profit growth after becoming a PLC in June 2004.

However, by 2009, increased competition from supermarkets and mass market cycle sellers combined with recession in the UK exposed fault lines in Halfords business strategy.

Although profits were still about 15% of sales, the benefits wrought by cost restructuring and purchasing product far-shore had largely run their course. What the company needed to meet future challenges was a more balanced portfolio of business skills that enabled market growth, innovation, and product value.

Brief

Halfords looked to a new HR Director for support in solving the growth challenge.

The brief was to implement a Performance Development process that would move Halfords' management culture away from the one trick "cost reduction" pony towards a high-performance culture with an inbuilt bias towards innovation, creating value and growth.

Analysis

The initial analysis identified the valued strengths of the organisation and the kind of culture that the leadership team wanted to develop, such as:

- Continuous drive for improvement
- Sales focus
- Pace & Adaptability
- Cost Sensitivity
- Corporacy

Not unexpectedly, people management principles also emerged as key. In addition to valuing "honesty" and "fairness", there were the expected calls for "feeling recognised & rewarded" and "able to achieve career potential".

Interestingly, continuous improvement was defined in terms of having a harder edge to performance management, raising the bar for everyone and the belief that those who do not achieve the bar should leave the company.

More specific, however, were calls for internal talent development and fewer senior hires which were viewed as signs of a breakdown in trust between executives and their own organisation. Managers wanted comprehensive training in people management and performance management so they could fulfil their potential in their own job.

Interviews with the Leadership team resolved around the need to base culture change around a performance management process where:

"The focus is on continually raising individual capability in order to continually raise performance"

They wanted a competency framework which would equip the organisation with the concrete skills and knowledge for meeting new challenges, rather than agonise over trying to manage "fluffy" values and behaviours.

They also wanted an integrated cycle of planned activity that linked performance management and the competence framework with succession talent and reward.

And, lastly, they wanted it to be simple.

Solution

The solution began by articulating the types of actions that the Leadership Team thought would bring about the higher functions of performance that the company needed.

Competence Framework

A key point for Halfords was that, one way or another, the Leadership Team had the information it needed to identify what it wanted managers to do.

Therefore, after a data collection exercise involving around 200 interviews, it resolved upon a simple 7 point Competence Framework divided into 3 areas (Fig. 1.):

Figure 1. Competence Framework

Thought leadership	Task Leadership	People Leadership
Commercial Grasp	Prep for success	Impact and influence
Being the Best	Drive for results	Team-working
		Develop best performance

Performance Reviews

The second part of the solution involved a total renewal of the Performance Development Review process (PDR).

Regular aspects of well-established PDR practice were implemented such as cascading objectives, SMART definitions of objectives, Mid-Year reviews as well as End of year reviews, and Personal Development Plans (PDP).

However, the Halfords' Performance Review solution addressed traditional components in particularly relevant ways.

SMART Objectives for Executives

For example, SMART objective setting is usually targeted at Line managers, whereas in Halfords it was most needed at Corporate level. Getting senior leaders to express the corporate goals in straight-forward terms sets the tone for everyone and is often more difficult to achieve than amongst the Line.

Cascading Model

It is the same with cascading objectives. This method too relies upon setting the right tone from the top. The Halfords solution included developing a practical model for cascading to make sure that everyone understood their part.

This enabled the Leadership team to cluster their key strategic activity within 4 fundamental business driving areas at corporate, first-priority level:

- Serving our Customers
- Selling to our Customers
- Controlling Costs
- Developing our People

It also allowed them to personalise their priorities at a second, functional level, moving the activity from the academic to the real world of their own markets and serving as a guide for the development of Operations, Marketing and Finance plans.

Ratings

The most controversial element of design, due to links to reward, was the performance ratings system. Broad definitions were used along with some guidelines which gave line managers a feel for the type of evidence which might indicate a particular rating. Five levels of ratings were used, allowing "fence-sitting" on the basis that in truth, given the normal distribution of a regular workforce, the middle ground is valid.

The Wider HR Cycle

The final practical element of the solution was designing the PDR cycle to complement the wider strategic HR planning cycles of the business. This was not just about slotting into the business plan and board approvals and financial reporting cycle; it was also about aligning with the Reward, Talent Management and Corporate Training Planning cycles.

The objective, after all, has to be a one-company, integrated capability solution for the enterprise. A manager Competence Framework and a PDR solution has to fit into the overall purpose.

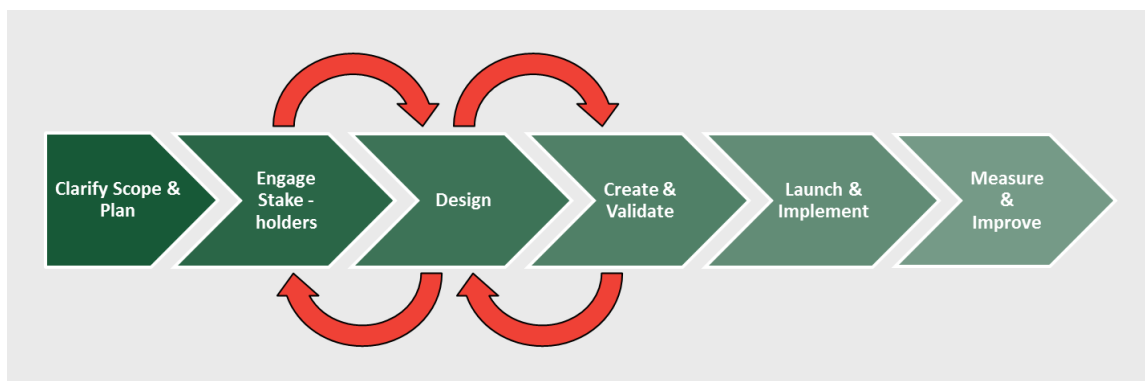
Implementation

It took about 9 months to get from the identification of the strategic need to the commencement of the first revamped PDR cycle.

The process followed Halfords' standard project methodology which places a great deal of emphasis on involving users in an iterative design process to ensure that design solutions are pragmatic (Fig. 2.).

The design and sign off of the Competence Framework took about 6 months.

Figure 2. Project Method



The main implementation issues revolved around the PDR and were:

- Fitting the review cycle into the annual reward timetable.
- Articulation of corporate strategic objectives, annual functional priorities.
- Responsibilities with regard to who does what.
- Documentation.
- Performance rating definitions.
- Education & training.

All processes are Fallible

Natural scepticism towards the Competence Framework had to be addressed head on in training.

It would have been a mistake in Halfords' hard-nosed, operations climate to claim all-seeing powers or pure-scientific basis for the behavioural attributes, or to insist that the definitions were perfect.

The key to implementation was to stick with the central "Big Truth" of wanting Halfords to be the kind of organisation described in the framework and needing managers to buy-in to what was essentially "motherhood and apple pie" axioms.

Clear Responsibilities

The practical orientation of the launch was continued into spelling out specific responsibilities by individual role for each element of the process.

Similarly, step by step instructions were provided and simple documentation was developed which walked the participants through the performance review conversation and was aligned to the responsibilities of each party within the process.

Training

Training in both process and skills, including performance conversations, objective setting and coaching, was comprehensive.

The training addressed the Ratings System by emphasising that Performance Development is not a science, and ratings can only be defined in terms of guidelines. It is the line manager's responsibility to interpret those guidelines, based on the evidence provided, plus any situational information.

Staged Roll Out by Management Level

The Training and launch communications were cascaded, and the PDR process was rolled out in the first year as far as middle-managers only. In the subsequent years it was deployed progressively lower in the organisation allowing for the cascading of knowledge and practice through management layers.

Paper-Based Process

Significantly, a paper-based PDR was implemented rather than purchase a Performance Management system. The main reasons for this decision were to:

- Avoid artificial barriers to what is, at core, a people-based process.
- Reduce complexity of, and risks to, the implementation project.
- Improve speed and flexibility of implementation.
- Wait for a holistic HRIS solution rather than purchase one-off system.

Conclusion

The Competence Framework and the PDR at Halfords has stood the test of time and has been rolled out as far as junior-management level.

In addition, there is a renewed focus on internal promotion and talent retention, all of which is supported by the PDR.

Some lessons have been learned too. The top 3 are:

- A decision to validate behaviour against a set of corporate values via a 360 mechanism was step too far.
- It is necessary to establish clarity amongst senior leadership that the purpose of PDR is high-performance development; not a short cut to exit management.
- The cascaded roll out proved particularly successful. Rather roll out to a manageable layer for a year, and allow local business partners to support skills development, than rush into the layer below, and end up with middle managers endangering process credibility because they don't have the relevant skills.

The roll out and bedding down of the PDR coincided with a period where Halfords weathered tough market conditions and recovered to more than double share value.

Whilst, of course, the credit for this is due to a multitude of causes, not least of which is the management team's execution of the business strategy, the PDR played its part.

Authors

The author of the study is Rich Hodge of Debunk who led the design and implementation of Halfords' Performance Development Process.