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Your road to success

LEVEL 6 STRATEGIC HUMAN RESOURCE MANAGEMENT

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Contents

Using your study guide

Welcome to the study guide for **Level 6 Strategic Human Resource Management**, designed to support those completing their ABE Level 6 Diploma.

Below is an overview of the elements of learning and related key capabilities (taken from the published syllabus).

Element of learning	Key capabilities
Element 1 – The emergence of a strategic dimension to people management	• Ability to align HR strategies and approaches with, and in support of, organisational direction and business strategy • Ability to evaluate and make recommendations for improvements to functional performance, selecting appropriate forms of measurement • Critical understanding of different perspectives and approaches to the delivery of SHRM which can be applied in context *Strategic thinking, reasoned judgements, recommending improvements*
Element 2 – The global context of SHRM	• Ability to promote ethical approaches to work and management of employees within the workplace • Ability to manage ethical issues to protect the organisation's reputation and respect its obligations • Appreciation of the wider contextual influences affecting the delivery of SHRM within a global context • Ability to scan the wider labour market (locally, nationally and internationally) in order to proactively inform the development of HR strategies • Ability to communicate and manage effectively and sensitively in a cross-cultural context *Adoption of ethical practices, managing people, external and internal analysis, communication, cross-cultural sensitivity*
Element 3 – Developing and implementing HR strategies	• Ability to develop appropriate HR strategies in support of organisational goals • Ability to maintain a strategic perspective when identifying HR solutions within the organisation • Ability to communicate proposals clearly and with reason *Strategy development, critical thinking, analysis, problem solving, decision-making, leadership and management, communication, persuasion, accuracy*
Element 4 – The use and application of a range of HR strategies to improve employee and organisational performance	• Ability to contribute to the shaping of organisational practice • Ability to develop appropriate approaches to improve employee and organisational performance *Strategic thinking, analysis, improving employee and organisational performance, leadership and management*

Element of learning	Key capabilities
Element 5 – Contemporary issues affecting SHRM	• Awareness of current trends, challenges and best practice in the wider HR field and ability to selectively draw upon research and evidence in furthering own and organisational HR practice
	• Ability to adopt an inquiring mindset in keeping abreast of trends and debates
	Critical thinking and debate, awareness of current trends and issues, best practice, gathering and interpreting research data

This study guide follows the order of the syllabus, which is the basis for your studies. Each chapter starts by listing the syllabus learning outcomes covered and the assessment criteria.

L6 descriptor

Knowledge descriptor (the holder…)	Skills descriptor (the holder can…)
• Has advanced practical, conceptual or technological knowledge and understanding of a subject or field of work to create ways forward in contexts where there are many interacting factors.	• Determine, refine, adapt and use appropriate methods and advanced cognitive and practical skills to address problems that have limited definition and involve many interacting factors.
• Understands different perspectives, approaches or schools of thought and the theories that underpin them.	• Use and, where appropriate, design relevant research and development to inform actions.
• Can critically analyse, interpret and evaluate complex information, concepts and ideas.	• Evaluate actions, methods and results and their implications.

The study guide includes a number of features to enhance your studies:

'Over to you': activities for you to complete, using the space provided.

Case studies: realistic business scenarios to reinforce and test your understanding of what you have read.

'Revision on the go': use your phone camera to capture these key pieces of learning, then save them on your phone to use as revision notes.

'Need to know': key pieces of information that are highlighted in the text.

Examples: illustrating points made in the text to show how it works in practice.

Tables, graphs and charts: to bring data to life.

Reading lists: identifying resources for further study, including Emerald articles (which will be available in your online student resources).

Source/quotation information to cast further light on the subject from industry sources.

Highlighted words throughout denoting **glossary terms** located at the end of the study guide.

Note

Website addresses current as at November 2017.

Chapter 1

The Emergence of a Strategic Dimension to People Management

Introduction

This chapter will consider the alignment of HR policies and practices within the wider business **strategy**. It will also make recommendations to improve functional performance by selecting the appropriate form of measurement. The chapter will also consider the forms and approaches that can be taken when delivering **strategic human resource management (SHRM)** and when applying this in the context of a business setting.

Learning outcome

On completing this chapter, you will be able to:

1 **Analyse the role and importance of a strategic approach to HR management**

Assessment criteria

1 **Analyse the role and importance of a strategic approach to HR management**

   1.1   Assess the nature, aims and characteristics of a strategic approach to people management in relation to organisational success

   1.2   Critically analyse the concept of strategic alignment and its implications on practice and delivery of SHRM

   1.3   Critically analyse evidence on the link between HR practices and organisational achievement

   1.4   Evaluate the major theoretical approaches to SHRM

1.1 The nature, aims and characteristics of a strategic approach to people management in relation to organisational success

The concept of strategy

Introducing strategy and the HR element

Before going any further, it would be useful and advantageous if we provide a working definition of what we mean by strategy. Johnson, Scholes and Wittington (2005)[1] suggest that business strategy is "the direction and scope of an organisation over the long-term, which achieves advantage for the organisation through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfil **stakeholder** expectations." What this basically means is that there are factors which shape a business and its strategy. These factors are:

1 **Direction:** where the business is going long term.

2 **Market:** which market the organisation should enter and compete in.

3 **Performance:** how the business can increase its chances against the competition.

4 **Resources:** what is at the company's disposal in terms of skills, finance, technologies etc.

5 **Environment:** the factors outside the business that can influence the business.

Businesses should plan for the future where possible and, in the process, gain as much market share as possible by having the right people in the right place at the right time with the right skills. This introduces the notion of **human resource management (HRM)** as part of a business strategy to understand where the business is heading and how it needs to prepare.

An organisation must know what it is trying to achieve – i.e. the future position it wants to be in – and it must communicate this to the employees to ensure that everyone can work together towards the common goal. However, many organisations do not have a clear plan for the future and even if they did, few would think of sharing this with the employees of the company.

From the perspective of human resources (HR), when an employee understands how they can contribute towards future goals it can lead to enhanced motivation and further engagement with the role. Therefore, it is important that the grand strategic plan is broken down into smaller team, division and function strategies so that every member of staff can contribute.

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1 Johnson, G., Scholes, K. and Whittington, R. (2005), *Exploring Corporate Strategy*. Harlow: Financial Times/Prentice Hall, p. 2

Each organisation strategy should have an **HR strategy** that helps the organisation to achieve its goals. The HR strategy should then be broken down further into a strategy for recruitment, development, staff engagement, learning and associated policies and practices.

! NEED TO KNOW

Organisational strategy vs HR strategy

An example of organisational strategy is to become a world leader in the development of new water filters for communities in Africa.

An example of HR strategy is to recruit and develop employees with the skills to develop new water filters for poor communities in Africa.

The **Strategic Human Resource Management (SHRM)** strategy is therefore to work together with universities researching water filter kits for poor communities in Africa with the potential for those researchers to work for the organisation.

If all the activities of the organisation are aligned and focused on the same goal then the organisation is more likely to be successful.

A prime example of an organisation that successfully achieves this is Disney – their strategy is for everybody that visits to experience a "magical time". To enable this, staff members are not called staff but are instead "cast members" and visitors to the park are called "guests". Every guest is approached in a standard and specific way to ensure that everybody's experience is equally magical.

✏ OVER TO YOU

Activity 1: Job search

Go online and look at jobs for HR professionals. Look at the type of jobs which are available and write down how many you can find that have some sort of strategic element to them. Make a note of what that strategy element is.

There is an ongoing debate about the level of influence an HR function has on business strategy and therefore success. In some organisations, the role of HR is perceived to be a back-office function which simply deals with administration and filling in forms. If this is how a business views the HR function, the likelihood is that the HR department will not make a valid contribution to the business strategy or to any success gained.

If, however, the business is one that is forward thinking, dynamic and, most importantly, strategic, it is likely that HR will be regarded as a key player with the ability to influence the direction of the business and that it will be considered as a powerhouse in the organisational structure. Sadly, this can only be achieved if the HR function and its staff are regarded as an important department within the organisation. If you have been lucky enough in Activity 1 to find HR roles which have some sort of strategic element to them, the chances are the business in question probably sees the HR team as a valuable strategic asset.

As you may have guessed from carrying out Activity 1, how the HR team is seen depends very much on the people leading the organisation. In the UK, the Chartered Institute of Personnel and Development (CIPD) has carried out a lot of work and research on the perception of the HR function[2].

Intent, capabilities and competitive advantage

The three main elements within strategy and strategic human resources are **intent**, **capabilities** and **competitive advantage** (see Table 1). We will now look at these in turn and later look at the implications they have for HR and the wider HR function.

Term	Definition	Example in practice
Strategic intent	The desired future position of the business	A future aspiration that you may wish to achieve, for example doubling revenue in five years from $1 million turnover to $2 million turnover.
Strategic capability	The resources a business has (time, people, money, raw materials) that can be transferred into goals and actions	Your ability to achieve a high position within the HR department of an organisation.
Competitive advantage	The ability to improve market share, growth and reputation over others	When applying for a job, your qualifications may give you the advantage over other candidates

Table 1: Intent, capability and competitive advantage

It is important to add at this stage that these terms should not be used interchangeably, as the meanings have different implications for HRM. In this context, implications simply mean **what actions** HR will need to undertake at each stage or level. We will now address these individually and consider the likely impact of each element.

Strategic intent – implications for HR

At this stage of **strategy formulation**, the focus will be planning. As we suggested earlier, intent is about the desired future position of the business. If the HR function understands where the business is going in the future, it can begin to assess the current staff level and skillset versus what might be required in the coming months. For example, a learning needs analysis might be useful.

Strategic capabilities – implications for HR

Once the HR function understands what the desired future position of the business is, it can begin to look at its existing resources and consider whether these will be good enough to enable it to reach this future goal. A number of activities will usually be undertaken at this juncture, including the following:

- **Workforce planning**: A systematic look at the employees of an organisation, looking at whether the business has the right number of employees, with the right skills, knowledge and experience to deliver long-term organisational goals.

- **Workforce mobility**: Assessing whether or not staff can be up-skilled for example, to make them more flexible in carrying out their roles. This may reduce the need for future recruitment.

- **Staff engagement**: Assessing the level of staff engagement via tools such as staff surveys and round-table meetings. HR may wish to try new forms of engagement such as **employee participation and involvement (EPI)** and **employee voice (EV)**.

- **Executive presence and development**: HR will wish to ensure that they have a visible presence, especially at board level, to ensure that effective decision-making is undertaken and also that laws are complied with. In order to develop business capabilities for the desired future position, a business may wish to advance the abilities of its leaders in order to future-proof the organisation.

Competitive advantage – implications for HR

If the business has achieved competitive advantage, this may mean that a new strategy has been created and implemented. If this is the case, the business will wish to maintain its position. The implications for HR here will be to ensure that the business continues to be difficult to beat.

There are numerous approaches that a company can take to achieve competitive advantage. Below are two very different approaches:

- "Pile it high, sell it cheap!" (Corina, 1971)[3] this approach involves the use of transient labour which is paid the minimum wage on what are known as **zero-hour contracts**.

- Become an **employer of choice**, using sound recruitment processes and ensure that a positive image is captured about employees' experiences.

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3 Corina, M. (1971), *Pile it High, Sell it Cheap.* Littlehampton Book Services

These three elements and their implications for HR are summarised in Table 2.

Terminology	Implications for HR
Strategic intent	Planning stage – looking at the future and thinking about what needs to be done to arrive at the desired future position
Strategic capabilities	Reviewing and understanding the resources the business needs to reach the desired future position
Competitive advantage	Using the resources and capabilities available to win market share over competitors

Table 2: The three main elements of strategic human resources

REVISION *on the go*

📄 CASE STUDY: CORPORATE CULTURE AT YAHOO

Senior Vice President, Brad Garlinghouse, on lack of strategic vision at Yahoo

In 1996 the online search engine Yahoo launched. At its inception it was innovative and highly used but the number of users dropped steadily as time went on. In 2006 the then Senior Vice President, Brad Garlinghouse, sent a strongly worded memo about Yahoo's lack of strategic focus and ultimate, loss of competitive advantage and market share. Here is an extract from the memo.
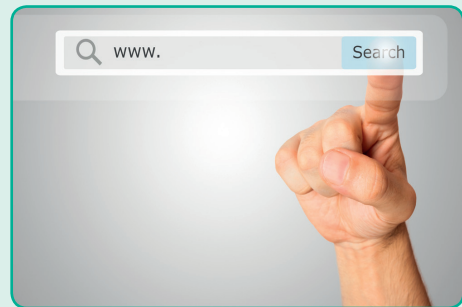
"I've heard our strategy described as spreading peanut butter across the myriad opportunities that continue to evolve in the online world. The result: a thin layer of investment spread across everything we do and thus we focus on nothing. I hate peanut butter. We all should."

What is interesting about this case is that when you look at other similar types of businesses it is clear that Yahoo doesn't do anything that confers competitive advantage. Google is instantly associated with search engine technology; PayPal, with online payments. Yahoo, however, does not have the same grab or instant recognition.

Source: Johnson, G., Scholes, K. and Whittington, R. (2008), Exploring Corporate Strategy. Harlow: Financial Times/ Prentice Hall.

✏️ OVER TO YOU

Activity 2: Brad Garlinghouse

Imagine you are Brad Garlinghouse for the day. If you were in his position back in 2006, what actions would you have taken, along with your director of HR, to realign the business and gain strategic direction and focus? If you have a study partner, discuss your thoughts. Write down four or five of your main points here.
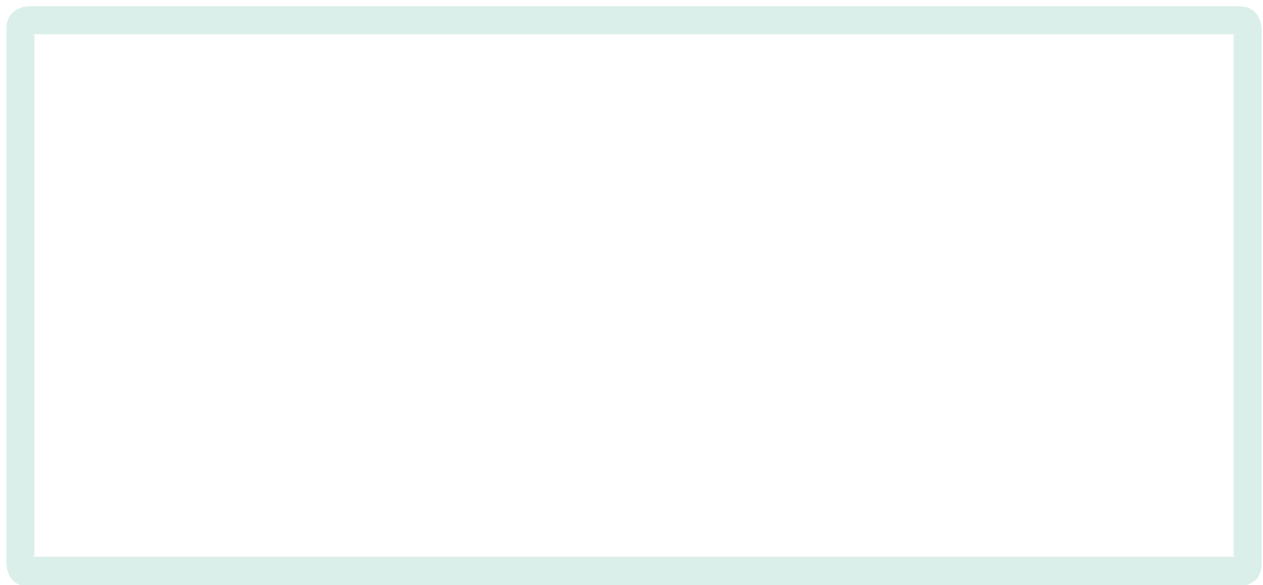
Developments in strategic human resource management

We have discussed the importance of strategy in business but we will now move on to look at strategy in terms of HRM.

Personnel management

Personnel management was the forerunner to HRM. Personnel departments were always said to be very reactive rather than proactive, and certainly not strategic in nature. Some of the main activities included organising rather than delivering training and recruitment administration rather than direct involvement in recruitment. You will see later in this module how HRM is now significantly more sophisticated than this and is seen as a vital function in the business and one which deserves boardroom recognition.

Human resource management

Human resource management arrived in the UK in the mid-1980s as set of values and solutions that had been formulated at the Harvard Business School. It grew out of the neo-liberal economic policies brought in during the Reagan/Thatcher era in response to globalisation, deregulation and technological advances. The commercial threat from Japan (at the time) prompted shifts in managerialism and HR responded in kind, taking account also of a concurrent shift out of the industrial relations era.

The main functions of HRM are:

- selection
- appraisal
- development
- reward

The **Harvard map model** emphasised that the four HRM functions/activities were directed at performance. This was very different from the old concept of basic personnel management and gave rise to the idea that HRM was more about deploying human assets than administering employment.

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Activity 3: Your definition of HRM

Based upon what you have just read about HRM, come up with your own definition of what HRM is and write it here.

Strategic human resource management

According to the CIPD, strategic human resource management (SHRM)[4] is "an approach to managing human resources":

> *strategic human resource management supports long-term business goals and outcomes with a strategic overall framework. It focuses on longer-term resourcing issues within the context of an organisation's goals and the evolving nature of work, and informs other HR strategies, such as reward or performance, determining how they are integrated into the overall business strategy.*

Thus SHRM is the ability to manage the workforce with a long-term approach and with the company goals in mind.

SHRM encompasses the basic HR elements such as hiring and payroll, but also encompasses working with employees collaboratively to boost employee **retention** and improve the experience that employees have at work. SHRM provides employees and employers with support to ensure long-term business goals and outcomes. Its primary focus is to look to the future in terms of resources and performance.

SHRM is an essential tool used in both large and small companies. In each type of company the idea of SHRM is the same but is carried out in different ways. In small companies, the owner or manager may use SHRM by observing, assisting and assessing employees. A result of these steps would be regular reviews. Larger companies will have greater resources and more time to devote to SHRM – a larger organisation would have a department in charge of human resources and development – but the strategies adopted and implemented will be similar to those of the small company.

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4 CIPD (n.d.), *Strategic human resource management* [online]. Retrieved from: https://www.cipd.co.uk/knowledge/strategy/hr/strategic-hrm-factsheet [Accessed on: 25 October 2017]

Strategic decisions

Legge (1995)[5] identifies strategic decisions as being a "senior management activity, which involves directing the organisation towards achievement of goals and consequently a competitive advantage". It is the responsibility of management/leadership within the organisation to promote strategies for the employees and team members to follow. **Best fit** and **best practice** are different strategies that senior management may choose to implement in order to accomplish specific organisational goals.

This suggests that in order to link management activities and the development of individuals SHRM should be:

- forward thinking and dynamic;
- proactive instead of reactive;
- able to view people as assets rather than costs;
- linked to the grand business strategy;
- exposed to the senior management team and an integral part of the business;
- linked to policies and practices which can then be implemented such as reward, **performance management** and training.

A more modern strategic approach

HR is a strategic element of business, and HR models are valuable for clarifying HR activities. Storey (1989)[6] identified two forms of HRM, hard and soft.

Hard HRM

The hard HRM approach sees management treat employees as tools or resources, almost how the agricultural sector would view a tractor or excavator: they are the equipment required to complete a task. The hard HRM form manages the costs of employment to a business: for example, in schools, minimising agency supply costs. In this approach, the focus of HRM is:

- identify employees required to fulfil the business needs/goals;
- recruit appropriate staff and manage the team. Managing can include the hiring, moving and potential firing of employees.

Soft HRM

The soft HRM approach is concerned with the human element of motivating and leading to achieve objectives. Organisations that favour this approach will treat employees as valuable resources in the business; they are treated as individuals and their long-term future is planned. In this approach, the focus of HRM is:

- the needs of employees;
- employees' roles, motivations and rewards.

Table 3 details key features that are associated with **hard and soft HRM**. This will allow you to see the key differences between each approach.

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5 Legge, K. (2005), *Rhetorics and Realities*. New York: Palgrave Macmillan, p. 25
6 Storey, J. (ed.) (1989), *New Perspectives on Human Resource Management*. London: Routledge

Hard HRM	Soft HRM
Short-term employment and regular changes in staffing	Long-term workforce planning
Low levels of communication and always top down	Strong two-way communication
Minimum wage	Competitive pay
Not focused on empowerment or delegation	Employee empowerment
Autocratic leadership	Democratic leadership

Table 3: Hard and soft HRM

REVISION *on the go*

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Activity 4: Differences between HRM and SHRM

Working with a study partner, if possible, come up with a list of the differences between HRM and SHRM, and write them here.

Features, characteristics and aims of SHRM

Now that we have defined SHRM and discussed strategic decisions it is time to examine the features, aims and characteristics of SHRM and how each of these can contribute to organisational success.

Features

Generally, there are four key features of SHRM: planning, focusing on the long term, matching activities to strategies and managing resources for competitive advantage (Table 4).

Characteristic	Impact on organisational success
Planning	SHRM is about ensuring that the future of the organisation is taken into consideration by being proactive rather than reactive
Focusing on the long term	Long-term goals are often preferred to short-term gains; more advantages can be gained over competitors
Matching activities to strategies	The correct activities are undertaken to achieve company goals in the appropriate way
Resources to be managed for competitive advantage	Resources are used to gain competitive advantage over rival firms

Table 4: Characteristics of SHRM and their impact on organisational success

Planning

As mentioned earlier in the chapter, SHRM is about ensuring that an HR team or group is proactive rather than reactive. If anybody has worked in an HR department for even a brief period, they will know that delivering this very concept is easier said than done. This is because things happen, businesses need to react and, sadly, not everything can be predetermined. In many ways, this probably doesn't really refer to day-to-day activities, but is more about the larger, grander plans of where the business aims to be in the future (perhaps with a larger market share). This, however, is critical to business success.

Focusing on the long term

This very much follows on from the previous characteristic. It is sometimes impossible to say what will happen on a day-to-day basis, but strategic human resource management is about trying to look at the long-term future. To do this, a business will need to understand how to have the right people in the right place at the right time with the right skills. This is critical for business success, and simply looking at the short term and reacting to things will not help future success.

Matching activities to strategies

This may seem obvious, but too many organisations fall into the trap of ignoring the need to do this, and this failure contributes to their lack of success. This may require a review of the current resources and capabilities that a business has but it is the mapping of these to how a business can be successful and the using them to their best advantage which is paramount. This is sometimes known as "best fit" or "**organisational fit**".

Best fit concerns the role of HRM in enhancing the effectiveness of an organisation. The assumption that HRM can enhance an organisation's effectiveness has become widespread in recent years since many people do believe this. It would be useful at this stage to define HRM as: activities associated with the management of employment relationships in the firm. The HR department's knowledge and experience of workers can affect the success of an organisation.

📄 CASE STUDY: HILTON GROUP

Matching activities and strategies

International hotel brand Hilton Hotels and Resorts is a good example of how SHRM is fundamental in all businesses if they wish to succeed. This case study was first published as a journal article. In 2001, Hilton Hotels and Resorts launched two new programmes, Esprit and Equilibrium. The two work hand in hand: Equilibrium aims to better the experience of the guest and Esprit is an HR policy that is executed by the employee. The key principles of Esprit are employee recognition, respect and reward. Gordon Lyle, who works for Hilton, stresses in the journal article that both policies are key to the performance of the business. Feedback from the workers at Hilton indicates that Esprit is working well because it gives them greater autonomy and makes many working practices more efficient, therefore increasing the performance of the business.

This Hilton Hotels and Resorts case is an argument for HRM being a direct cause of an organisation's success. However, as ever there is a paradox in this argument. Miller (1987) argued that HRM is fundamental at the strategic implementation stage when new strategy is being formed or created. In some organisations however, SHRM is deemed third order or down streamed. If this is the case, then HRM may not have the same influence on performance within the business. This is a vital point and cannot be stressed enough – HR must be part of any strategic changes to the business plan.

Source: "Hilton hits the heights of hotel service with HR initiative: Equilibrium scheme creates the right balance for guests" (2004), Human Resource Management International Digest, Volume 12, Issue 6, pp. 24–26; Miller, P. (1987), "Strategic industrial relations and human resource management" Distinction, Definition and Recognition, Volume 24, Issue 4, pp. 347–361.

Resources to be managed for competitive advantage

The **resource-based view (RBV)** is the idea that an organisation has a bundle of resources, some of which are tangible (e.g. product lines) and some which are intangible (e.g. talent), which have value and can be used by the organisation to gain competitive advantage over other firms. Intangible resources include the skills and experience, knowledge, agility, flexibility, motivation and so on of staff.

If the company can exploit opportunities through their resources **+** If the resources are costly to copy **=** Competitive advantage
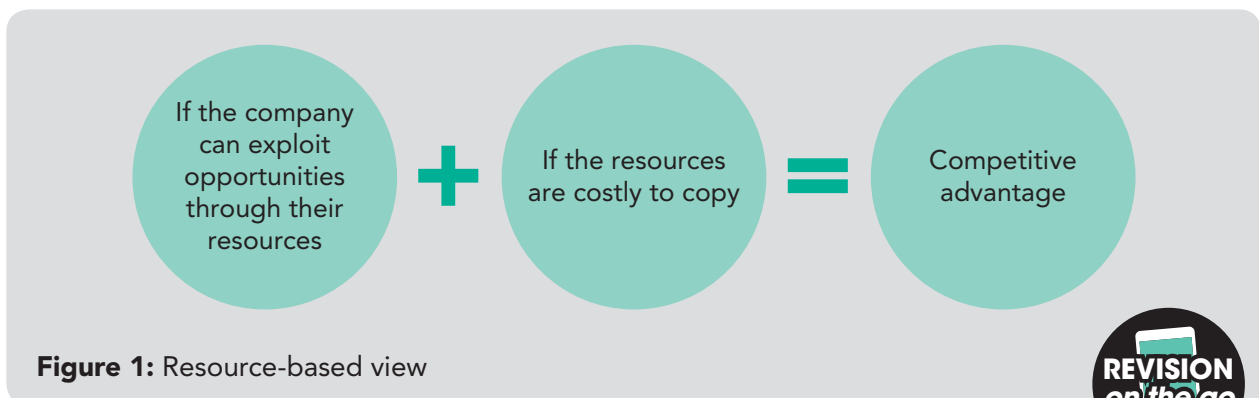
Figure 1: Resource-based view

REVISION *on the go*

The resource-based view was developed by Penrose (1959)[7] at a time when much of the literature focused on issues of competition. Porter (1990)[8] then developed a further model which focused on the organisation rather than the industry.

Porter's model argued that it was the actions of organisations that affected the industry as opposed to the industry affecting organisations. Porter's model argued that competitive advantage can be obtained over rival firms if an organisation can use resources (employees being one source) to operate in a more effective and efficient way than its rivals and can offer a product or service which is deemed to be better.

✏️ OVER TO YOU

Activity 5: Resources for competitive advantage

List three resources that could allow a business to gain advantage over a rival firm.
1
2
3

Characteristics

When it comes to the characteristics of SHRM, one of the best theories to review is hard vs soft HRM (see Table 3). It is fair to say that HR is neither one nor the other; it must take on board a combination of both elements to be efficient and effective in strategic delivery.

This is also echoed in the work of Walker (1992)[9], who maintained that elements of the HR function should be closely aligned with strategic human resource practices. He went on to suggest that such activities could include resourcing, performance and reward. SHRM should therefore be seen to be a core component in any business strategy; Walker suggests that without SHRM the HR function is not able to perform effectively.

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7 Penrose, E.T. (1959), *The Theory of the Growth of the Firm*. New York: Oxford University Press
8 Porter, M.E. (1990), *The Competitive Advantage of Nations*. New York: Free Press
9 Walker, J.W. (1992), *Human Resource Strategy*. New York: McGraw Hill

Aims

It is fair to say that SHRM does not simply have one overall aim; it has many, including making a valid contribution toward organisational success and presenting a long-term view of the business and where it sees itself in the future. SHRM should also balance soft and hard management practices and try not to lean towards one approach only.

- **Contribute towards organisation success**: It has long been believed that HR can add significant organisational value if policies and practices are aligned with the business function. If strategic fit is achieved then there is a greater chance of value being contributed, a reduction in labour turnover and absence rates and an increase in employee satisfaction.

- **Focus on long-term approach**: This means that the HR has an opportunity to become proactive rather than reactive, because it allows for greater levels of planning and for more thought to be given to how policies and practices meet the business strategy.

- **Balance hard and soft HRM**: If an organisation has a tendency to favour hard policies and practices, then employees will not enjoy working there; if it leans towards the soft approach, the staff might begin taking liberties. A business must balance these and take a contingency approach based upon the individual situation.

✏ OVER TO YOU

Activity 6: HR strategy in action

Based upon what you have just read about SHRM, list three reasons why organisations should consider HR to be a strategic element of the business. Then identify what cost savings a business could obtain from an HR department that was fully aligned with the grand strategy of the organisation compared to one which wasn't.

1.2 The concept of strategic alignment and its implications on practice and delivery of SHRM

Relationship with strategy and competitive advantage

Here are some of the most commonly used types and approaches.

Rational strategies

In simple terms, this means that the creation of a business' strategy is done in a systematic, planned, "rational" manner. This is what is known as classic "strategic planning". It is associated with the scientific or classic school of management.

Strategic planning is a properly formulated series of decisions that lead to structured processes being carried out. It is especially popular in organisations where management want employees to feel as secure and confident about the future as it is possible to be these days.

This means that managers using the rational model leave nothing to chance. All stages of strategic planning are extremely well organised.

- The resources needed for each stage of the strategic plan are made available.
- As the strategy develops, the results at each stage are measured.
- Standards are carefully laid down so that it is easy to measure if the strategy is achieving its goals and objectives.
- All employees and managers are kept fully informed of the strategy and all are persuaded to "buy into" it.
- There are elaborate feedback systems to ensure that everything is working effectively. Systems will be adapted with experience.

For the same reasons, strategic plans will:

- always be written down;
- be explained (either in written or verbal form or both) to all employees concerned;
- specify the outcomes anticipated in "x" years from now;
- specify how these outcomes will be achieved;
- kick-start the various departmental managers into action.

Furthermore, the rational plan is associated with:

- internal appraisal of the organisation;
- links to the company mission statement.

The option chosen must be assessed for:

- **feasibility** – is it practical?
- **suitability** – does it fit with the organisation's other operations?
- **acceptability** – is it going to be acceptable to shareholders and to other stakeholders?

Criticisms of the rational planning approach

Mintzberg (1994)[10] has argued that such a precise approach to planning will inevitably end in tears! He gives a number of reasons for this.

- Strategic planners are not usually in line manager roles and do not always recognise that practical line management problems will occur. In other words, they are too theoretical and out of touch.

- A lot of useful information is found at operational level and much of this never gets back to the strategic planning team.

- Strategies are rarely created as a series of pre-ordained steps. In practice, strategy formulation is a mishmash of ideas and suggestions with a lot of changes in direction on the way to the final goal.

- You cannot assess the strengths and weaknesses of your strategies until they have been properly tested and implemented. What is strength in the context of one pre-existing strategy may not be much use in the context of a new strategy.

- Strategic planning implies a lot of control over the operating environment, which we all know is rarely achievable.

Emergent strategies

If a strategy is "emergent", this means that an organisation does not plan it in a rational manner; instead, it will emerge from patterns of behaviour. A variety of managers exhibit a range of different behaviours in the workplace and some of them will adopt consistent approaches, which will become an **organisational strategy**. Nobody ever sits down and writes out this strategy, but it can be equally effective.

Some people would argue that this approach is more effective than rational strategic planning because it emerges from the day-to-day behaviour of line managers who can see if ideas are practical propositions. In other words, they look at the issues from the bottom up. Moreover, if the ideas do not work, they can be quietly dropped without any embarrassment for any manager. If they do work, the word gets around and other managers will adopt similar approaches.

Application within the HR and SHRM context

When a business is considering the strategy it is going to use, there are of course a number of points which need to be thought through. The role of HR is key to this. In a planned setting, HR may have taken a couple of years to consider how many people it will require for certain projects, but in an unplanned or emergent setting SHRM becomes very difficult indeed, to the point that almost no planning takes place. This is naturally a concern and is something that should always be taken into consideration first. If an HR strategy can be used to gain footing in the market place via resources, capabilities and strategic intent, there is every chance the business can gain competitive advantage over other players.

> **! NEED TO KNOW**
>
> **Approaches to strategy**
>
> **Rational planning**: when a business builds a very planned and prescribed strategy that is very much set from the start.

10 Mintzberg, H. (1994), "The fall and rise of strategic planning", *Harvard Business Review*, January-February Issue

Emergent planning: when an organisation develops an HR strategy as the business goes along. This may seem odd, but it does allow for greater flexibility. On the downside, it can lead to strategic drift, whereby the business starts to become an organisation it didn't intend or expect to be.

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Activity 7: Emergent strategies

Identify the advantages and disadvantages for the planned and emergent strategies discussed, and list them here.

Criticisms of the emergent strategy

- There might not be a cohesive direction for the organisation overall.
- Employees can be confused about what they are expected to achieve.
- A strategy might not emerge – which then leaves the organisation without any clear direction.
- It could be the lazy approach to strategic management!

Vertical and horizontal alignment of HR

Vertical integration

The term **vertical integration** refers to the links between HRM and the wider business strategy. An organisation that is vertically integrated would demonstrate a high level of consistency between the strategy and objectives of the business and the initiatives being pursued by the HR function. Historically, the links between HR activity and business delivery may not have been that obvious: possibly roles and responsibilities were not defined and/or focus was given instead to the "softer" aspects of HR. To ensure survival in today's world, the role of HR has to be very different.

An organisation where there is strong alignment between HR and the business could be described as vertically integrated. In this situation, the HR function would be in tune with the key business drivers and would instinctively consider these factors when deciding on a course of action. Vertical integration also requires the HR function to consider the context in which the business is currently operating and to be aware of any internal and external factors that may have an impact.

Where an organisation is not vertically integrated there are serious implications for the implementation of strategy. The following are blocks or barriers to the implementation of strategy:

- junior managers and supervisors regarding themselves as separate from, as opposed to a part of, the senior management;
- employee work overload;
- employee lack of training;
- desire on the part of the supervisor for greater flexibility;
- inadvertent rule-breaking by management.

Horizontal integration

The term **horizontal integration** refers to the degree of "fit" between the different HRM practices and the extent to which they complement or contradict each other.

For example, suppose an organisation must increase its workforce and is planning a large-scale recruitment campaign. This is primarily a resourcing initiative. However, to attract additional staff to the organisation it may be necessary to review the current pay and benefits package, so a link is formed between resourcing and reward. Sometimes it may be necessary to offer better salaries to those joining the organisation than those being paid to existing employees, to encourage them to join. Whilst this may be accepted in most cases, there will nevertheless be an impact on the existing workforce, who may be unhappy with the situation, leading to a fall in the level of employee satisfaction which, in turn, will affect the **employee relations** climate.

✏️ OVER TO YOU

Activity 8: Vertical integration

Imagine that an international food company is making a new chocolate bar. Using the horizontal integration model, explain how the four functions of marketing, HR, production and finance would need to work together to launch the new product.

Benefits and impact on HR activities

There is little doubt that a business which has good levels of vertical and horizontal integration will have greater employee commitment, quality and flexibility. This will lead in turn to improved organisational performance. Here are some of the ways a business may be impacted if they achieve successful vertical and horizontal integration.

- **Employment security**: There is no such thing as employment security in the modern economic climate as we all live and work in a very insecure job market where there are no guarantees.

- **Selectivity in recruitment**: The job market is becoming more and more competitive and as the market place becomes more global and the influence of technology increases, the number of jobs available is likely to continue to decrease.

- **Incentive pay**: Many organisations now reward their employees in accordance with their direct and measured impact on business performance.

- **Participation and empowerment**: There is an increasing trend for organisations to pass down greater responsibilities to employees at lower levels in order to help keep the organisation competitive. Some call this "empowerment" and others "abdication".

- **Focus**: The focus of horizontal and vertical integration should always be on HR resources and capabilities. An HR department should always have the resources it needs to deliver and interact with other departments in order to achieve the level of integration required.

- **Conflicts**: Conflicts will naturally arise within an HR department, but the key to this is managing conflict effectively. If conflict is not properly managed, it can manifest itself as something more damaging, such as a negative culture which makes it difficult to recruit, or key stakeholders disagreeing over the future of the business. Conflict will usually arise from the differing views or expectations of the various stakeholders.

Business fit

The notion of business fit is hugely important when an organisation wishes to succeed with a new strategy. The concept of fit, congruency or alignment (here they essentially mean the same thing) means that if the HR policies and practices match the organisational grand strategy they are likely to lead to organisational success. Fit with business strategy will not be achieved if the HR function does not understand where the organisation is going in the future.

This is perhaps less closely associated with the emergent strategy that we introduced earlier on. In this instance, the final plan may not have been made, and this makes it incredibly difficult to know how many people to recruit, whether they need to be upskilled for future projects, and so on. In comparison to this, in a planned strategy, the business fit is more likely to be achieved as more detail will have been given about the future direction. However, this does not mean to say that things cannot change!

Linking HR with competitive strategies

Now that you have a better understanding of how organisational fit works and its importance, this next section will review academic theories related to competitive advantage and how they link with HRM and SHRM. This is important for an appreciation of how organisations use their resources, skills, people and knowledge in order to gain competitive advantage over other rival firms in the business environment.

Porter (1980)

To understand how strategies are developed we are going to look at the various different models and approaches that are used:

Porter (1980)[11] developed a framework which is designed to demonstrate the forces within a competitive marketplace. The results can be used by a business deciding whether or not to consider entry within that sector.

1 **Potential entrants** – How easy is it for new companies to enter the market? Is there anything that would stop them from doing so?

2 **Powers of buyers** – This relates to how much power customers have – can they leave and use another company?

3 **Substitutes** – Can products be substituted for others easily?

4 **What power do suppliers have?** Do the suppliers have power at their disposal to cause issues and price increases?

5 **What is the level of rivalry within the industry?** This can relate to the size and sector of the business and if any businesses are established within the same area.
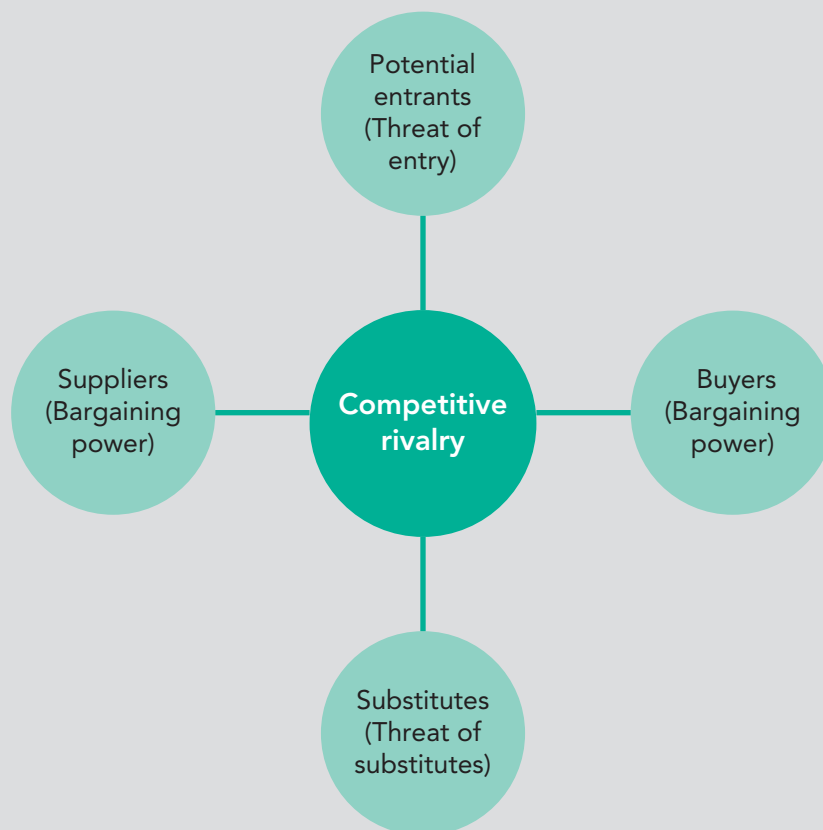
Source: Adapted from Porter, M.E. (1985)

Figure 2: Porter's Five Forces framework

Using Porter's framework HR can begin to use their people to the best of their advantage. If HR policies and practices are congruently aligned with those of the wider organisation, in theory, the business should achieve success.

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11 Porter, M.E. (1980), *Competitive Strategy.* New York: Free Press

✏ OVER TO YOU

Activity 9: Gaining competitive advantage

Referring to a business with which you are familiar, explain how the organisation uses its resources to gain competitive advantage over another company. Discuss your thoughts with a study partner, if possible.

Miles and Snow (1978)

Miles and Snow (1978)[12] proposed three categories of organisation, which call for a variety of HRM approaches: defender, prospector and analyser.

- **Defender** organisations are typified by high-volume, low-cost, narrow, stable product ranges with an emphasis upon looking after employees to retain them in the long term; therefore, they do little recruiting outside. Pay structures will be incremental to encourage retention.

- **Prospector** organisations are typified by new growing markets, with a rapidly changing product line-up. They must frequently recruit externally to quickly bring in the new skills they need. Pay will be results-oriented to increase output and to encourage innovation.

- **Analyser** organisations are a mix of the other two. They recruit externally for staff but also look after existing employees to encourage them to stay with the organisation. Pay structures are designed to keep existing staff happy and to be good enough to compare well with other companies and thus be attractive to prospective employees.

One organisation may include elements of all three categories.

Marchington (1996)[13] has some reservations about these models, but he does acknowledge that they have some value, as follows.

1   These models are merely a basis for discussion. They need to accommodate the changing dimensions of the world economy, where the traditional "major players", the United States of America (USA) and Western Europe, are gradually being replaced by China, India and South American countries.

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12 Miles, R. E. and Snow, C.C. (1978), *Organizational Strategy, Structure, and Process.* New York: McGraw-Hill
13 Marchington, M. (1996), *Core Personnel and Development.* London, CIPD

2   They also teach us to appreciate that best practice personnel policies are not always the right ones. Some organisations in the "wildcat" or "start-up" or "cost reduction" categories will find that a much more basic HRM function (probably through the line managers) will be quite adequate and may sometimes be all that can be afforded.

3   Any model or framework ought to provoke realistic organisational debate around how, when and where HR can "add value" to business performance. Key contributory factors will be:

- the purpose of the organisation;
- the prevailing workplace culture(s);
- the size and make-up of the workforce;
- the location(s).
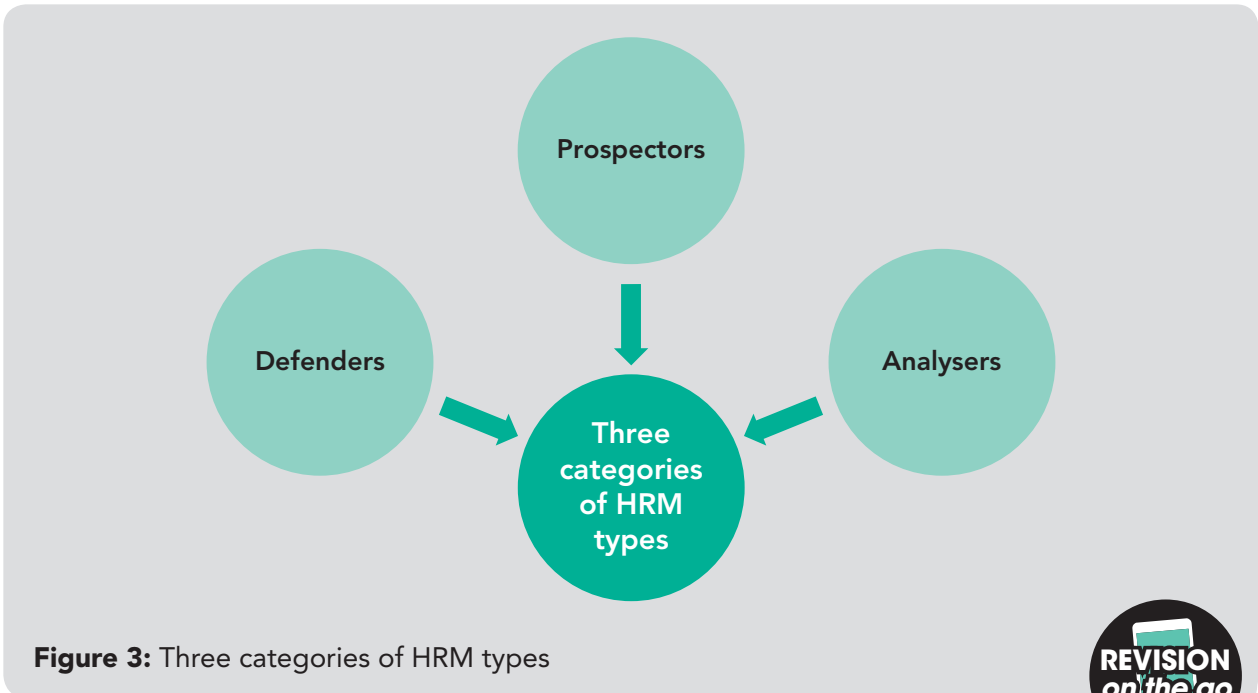
Figure 3: Three categories of HRM types

Schuler and Jackson (1987)

This is another important theory to consider when understanding SHRM. Schuler and Jackson (1987)[14] suggest that, in order to follow the desired business strategy, the organisation must have a management team with the correct skillset to meet the proposed plan. Some of these skills include the quality of training, education and experience they bring, their ability to work in a team and the level of risk they are willing to take. If these skills are married to supportive HR policies and practices and are mutually aligned to the rest of the business strategy, they will complement each other and help to bring success to the organisation.
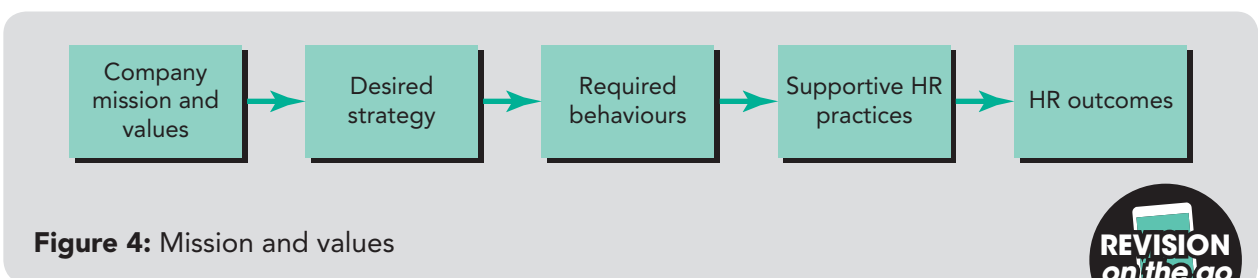
Figure 4: Mission and values

14 Schuler, R.S. and Jackson, S.E. (1987), "Organisational strategy and organisational level as determinants of human resource management practices", *Human Resource Planning*, Volume 10, Issue 3, pp. 125–141

1.3 Evidence of the link between HR practices and organisational achievement

Evidence of a link between HR and organisational achievement

Marchington (1996)[15] suggests that other functions seem to be far less introspective than HRM. There is an unhappy tendency for HRM to continually question what they are contributing to the organisation, whereas this does not seem to bother marketing or production specialists.

There are seven reasons why HRM are so introspective:

1 As we have seen, the role of HRM is full of ambiguities. Is it about looking after staff or about promoting their **efficiency**? Is the role that of an intermediary between management and the managed or is it at the forefront of organisational change?

2 People working in HRM in organisations that have not yet answered these questions could be forgiven for questioning what contribution HRM is making.

3 The shrinking of the workforce in many organisations has meant a shrinking of HRM, and as it shrinks questions get asked about whether the company can afford to keep it as a separate function; this undermines the confidence of HRM professionals.

4 Some business cultures (e.g. in the UK, USA or the UAE) put far more stress on making money and consequently having financial control, than they do on HRM. This is evidenced by qualified accountants being the highest-status managers. Companies are owned by unit trusts, pension funds and insurance companies which buy and sell their investments (often to one another) on the basis of short-term "shareholder value". In contrast, in other cultures (such as those of Germany and Japan), companies place great stress on team work and continuous improvement. In Japan, the philosophies of **Kanban and JIT (Just in Time)** are highly regarded. Whichever business philosophy is adopted (there are significant pros and cons to each approach), it is essential that the views and agendas of the main stakeholders are regularly sought and, where realistically possible, are considered.

> **! NEED TO KNOW**
>
> **Organisational strategy versus HR strategy**
>
> In Germany, works councils and 50/50 employee/shareholder boards of directors ensure that HRM professionals are highly valued. Works council procedures demand, by law, that issues concerning employees have to be dealt with painstakingly, so that the fairest arrangements can be worked out. This requires very high-quality personnel and employee-relations management. This can make the difference between whether organisational goals are achieved or not and it showcases the value that HR adds.
>
> REVISION on the go

5 Peaceful employee relations since the end of the twentieth century have devalued the importance of traditional employee-relations management (Storey's "regulator" managers)[16] because people feel employee relations managers are redundant. Again, this serves to undermine confidence in the HRM profession.

6 HRM professionals work closely with line managers and are dependent upon those line managers to run the policies that they have devised, such as effective appraisal systems. If the policies do not work, the line manager can blame the HRM manager; but if they do work, the

15 Marchington, M. (1996), *Core Personnel and Development*. London: CIPD
16 Storey, J. (1992), *Developments in the Management of Human Resources*. Oxford: Blackwell Publishing

HRM manager rarely gets any credit. This issue can be largely overcome if HRM can clearly and specifically demonstrate how what it is doing "adds value to the bottom line". As Marchington (1996)[17] suggests:

> " *Negative perceptions about human resource issues may have less to do with the policies themselves but with the way in which line managers have chosen to implement them or disregard them.* "

7   What HRM people do seems vague and imprecise (other than the day-to-day administrative operations of the department) and, therefore, it is never clear if HRM is making a significant contribution. This is never true of production or marketing.

! NEED TO KNOW

Research evidence

Huselid (1995)[18] – Researched the link between HR high-performing work practices and organisational performance.

West et al. (2002)[19] – Linked employee engagement activities to organisational performance (appraisal and team working).

Purcell et al. (2003)[20] – Investigated SHRM and its impact on organisational performance.

REVISION on the go

Measuring the strategic contribution

Ultimately, the effective management of HR has one key aim as far as management is concerned – the improvement of business performance. We will look briefly at some aspects of this, including the **balanced scorecard** and **benchmarking**. We will make some further suggestions as to how a business can measure the strategic contribution of SHRM.

Improved productivity and profitability

Better management of HR should result in increased output and business contribution per employee.

Absenteeism

It is clear that most of the factors helping to raise productivity can also be used to help reduce the levels of **absenteeism** in any organisation.

1   Whenever employee power is weakened by high unemployment levels, staff will be less likely to be off work without a good reason such as illness. It is easier to replace staff in times of high unemployment and as a result employees cannot afford to risk having time off for trivial reasons.

2   Employee participation and involvement in decision-making increases morale and when employees are happier and more involved in everything, they are less likely to take time off.

17 Marchington, M. (1996). *Core Personnel and Development.* London: CIPD
18 Huselid, M.A. (1995), "The impact of human resource management practices on turnover, productivity, and corporate financial performance", *Academy of Management Journal*, Vol. 38, Issue 3, pp. 635–672
19 PM Editorial (2002), *A matter of life and death* [online]. Retrieved from: http://www2.cipd.co.uk/pm/peoplemanagement/b/weblog/archive/2013/01/29/6285a-2002-02.aspx [Accessed on: 28 October 2017]
20 Purcell, J., Kinnie, N., Hutchinson S., Rayton B., & Swart, J. (2003), *Understanding the People and Performance Link: Unlocking the Black Box.* London: CIPD

3   Finally, career management, good training and employee development policies – especially the latter – demonstrate a caring approach by employers, which may also raise morale and reduce absenteeism.

Quality of service

The same factors will also improve the quality of service provided by an organisation. Any economic pressure, be it the fear of unemployment or the threat of privatisation in a state-owned organisation, will make employees more attentive to customer care.

1   The use of compulsory competitive tendering in local government authorities for the supply of refuse collection services, street lighting maintenance, grass cutting, beach cleaning and so on has forced both managers and employees to improve their quality of customer service so as to keep on winning the contract each time it is renewed.

2   Employee participation also improves service standards; it gives employees a chance to have their voices heard.

3   Good-quality training goes a long way.

The best-known methods of measuring the quality of HRM's contribution include:

- benchmarking;
- the balanced scorecard;
- **service level agreements (SLAs)**;
- **ratio analysis**;
- **human capital management** and reporting.

Use of benchmarking

The following are examples of how benchmarking can be used.

1   Organisations can produce a series of statistics for each area of HRM which can be compared with nationally produced data. For example:

- What is the ratio between HRM staff and full-time employees?
- How much does HRM in your organisation cost?
- What are your absenteeism rates?

2   A survey can be carried out to find out the views of users of the HRM service.

3   The HRM department can have its policies and procedures audited to ensure that it is conforming to legal regulations and nationally set codes of practice (for example, the various national professional body – such as CIPD – Codes could be used as a benchmark).

The balanced scorecard

The balanced scorecard includes financial measures (these reveal the results of actions already taken) and non-financial measures (these are drivers of future financial performance). It includes external as well as internal information (Kaplan and Norton, 1996)[21].

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21 Kaplan, R.S. and Norton. D.P. (1996), *The Balanced Scorecard: Translating Strategy into Action.* Boston: Harvard Business School Press
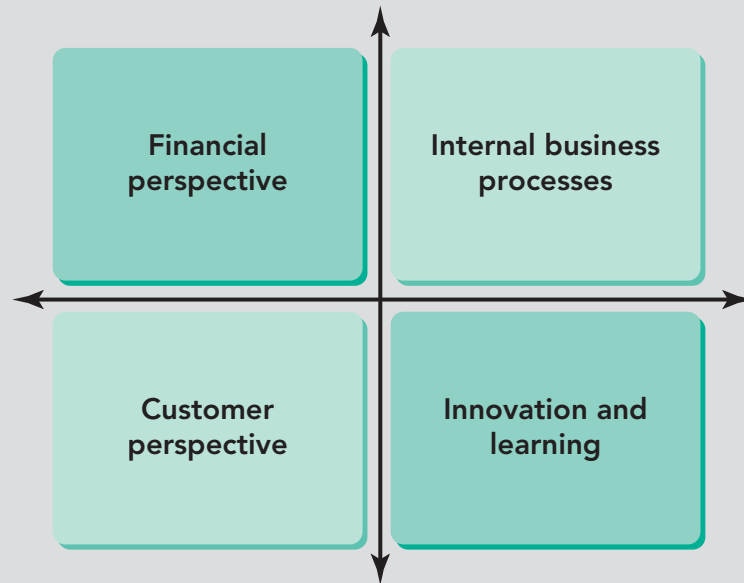
Figure 5: The balanced scorecard

Use of service level agreements (SLAs)

This is broken down into public sector and private sector SLAs:

1 Public organisations are increasingly required, under the "best value" regime, to invite outside organisations to compete to run their personnel departments. Organisations advertising HRM contracts will have to provide a clear statement of exactly what the applicants must provide. Service standards must be defined very specifically so that:

   • the applicants know what skillsets they will need to show to win the contract;

   • the performance standards which must be achieved by the contractor are explicitly stated, ensuring that if they are not achieved, the contractor will have to pay part of their fee back.

Service standards might include:

• preparing offer letters and statements of terms and conditions within a specified time;

• providing a high-quality advisory service, properly staffed with qualified people;

• supplying robust, timely and relevant management information.

2 In the private sector, the same principles can still apply. In other words, other departments can specify a service quality from the HRM function which they "pay for". Just as with the "best value" example, a private sector HRM function can be given a specification showing exactly what it is required to do and what standards it should reach – the examples given previously would apply equally well here.

Marchington (1996)[22] argues that the chief weakness with this is that line managers end up defining what services HRM must provide, and the criteria they will use are primarily business-based rather than based on the HRM department's professional judgement. For example, there are strong professional arguments for providing welfare services, but line management might argue that there is a strong business case against them.

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22 Marchington, M. (1996), *Core Personnel and Development.* London: CIPD

Ratio analysis

Fair (1992)[23] devised a set of ratios – similar to those used by accountants – which could be used to calculate the relative performance of different HRM departments. The obvious things to look at include:

- absenteeism
- labour turnover
- training and development
- pay and benefits
- organisational restructuring

There are drawbacks in using analyses based only on figures, for instance cost saving measures can cause non-quantifiable problems like low morale. Another point is that if you can use ratios and so on to work out exactly what HRM costs to run, it will be a lot easier for senior management to contract it out. This will not make the staff in the HRM function feel more secure.

However, the use of data like this does give HRM more credibility in the eyes of other managers who use data all the time (sales staff, accountants etc.). The role of the future HRM manager will require occupants to be far more numerate and computer-literate than is demanded for current HR manager roles.

Human capital management and reporting

Human capital (both the concept and how it is used), and the reporting of it, is not a new theory. Over time, the use of the term human capital management has essentially encouraged a reconsideration of the value that the workforce adds to a business, as originally reviewed by Schultz in 1961[24]. Schultz originally described it as the "knowledge, skills and abilities of the people employed in an organisation".

1.4 The major theoretical approaches to SHRM

Models of SHRM

This section examines the work of several writers who have tried to explain and account for the ambiguous nature of the HRM function. The status of personnel and development has been debated regularly, now more than ever, because of the personnel/HRM controversy. Variations arise partly because the distinct functions within HRM behave in contradictory ways, and partly because of the recent history of personnel management.

Best fit (contingency) versus universalist best practice

According to Pfeffer (2005)[25], there are two broad options which can be used by a business when it comes to organising resources, policies and practices. Firstly, universalist best practice argues that all organisations should conform and align policies and practices according to theory – following the "text book". The contingency model (best fit) argues instead that no two businesses are alike and, as a result, policies and practices should be unique and tailored to the business in question. Which model is used is contingent on the context in which the practices are being applied. There are arguments for and against each; however, the best fit approach seems more sensible as it accounts

23 Fair, H. (1992), *Personnel and Profit: The Payoff from People.* London: IPM Publication
24 Schultz, T.W. (1961), "Investment in human capital", *American Economic Review*, Vol. 51, Issue 1, pp. 1–17
25 Pfeffer, J. (2005), *Competitive Advantage through People.* Boston, MA: Harvard Business School Press

for the uniqueness of a business. Different organisations can each use the same practice, and find it works equally well, regardless of their differences. The universalist approach, in which HR practices such as performance management are adopted by an organisation irrespective of setting, results in improved performance. Coherent and integrated "bundles" of HR practices are seen to have stronger effects on performance than individual practices. However, this approach is criticised for many reasons, including the fact that there is not a "one best way" to manage people, and the approach's failure to acknowledge the contexts, cultures, sector and size of an organisation.

The resource-based view takes an "inside out" approach, focusing on internal organisational resources and ensuring HR meet the RBV criteria for a resource. It emphasises the importance of culture and values. However, main criticisms of this approach include its status as a theory, its lack of detail, and the fact that it does not take external contexts into consideration.

Pfeffer's 2005 model and the Harvard map model are two ideal comparators here for this debate. You will see the Harvard model later in this study guide, but understanding them both is crucial to understanding best practice vs best fit.

✏️ OVER TO YOU

Activity 10: Best fit vs best practice

If you were an HR manager, what would you say is best (best fit or best practice) and, critically, why?

Ulrich (1995)

David Ulrich (1995)[26] argues that HR work should be work which has outcomes, knowledge, competence, codes of behaviour and monitoring roles. One of the main challenges facing the HR practitioner is how to convince line managers that this is the case. In the future, greater emphasis will have to be given to demonstrating the link between HR activities and organisational effectiveness than is currently given. This will require HR professionals to become increasingly conversant with issues of strategy and more able to articulate how this links with performance.

Ulrich puts forward the view that effective HR is a combination of two variables:

- people
- processes

From this, he highlights four key roles, which are illustrated in Figure 6.

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26 Ulrich, D., Ashkenas, R., Kerr, S., and Jick, T. (1995), *The Boundaryless Organization: Breaking the Chains of Organization Structure.* San Francisco: Jossey-Bass
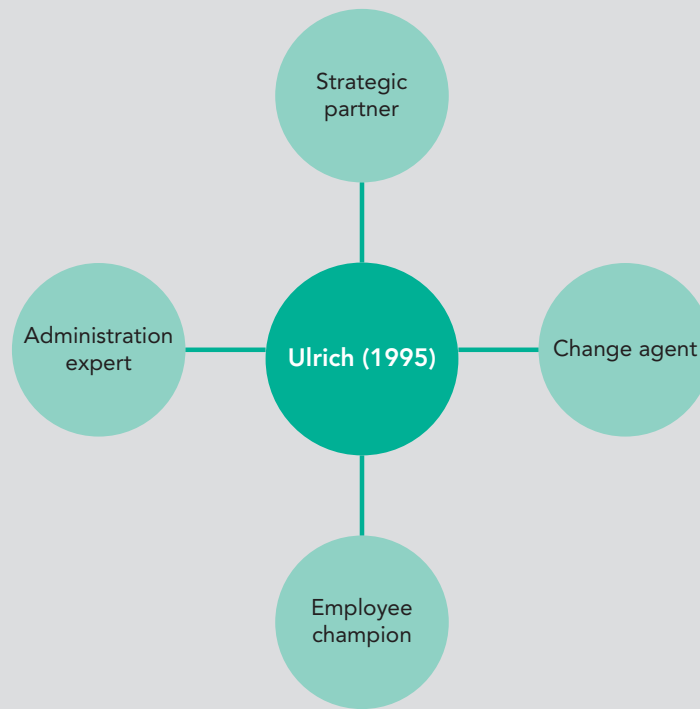
Source: Adapted from Ulrich (1995)

Figure 6: The HR champion model
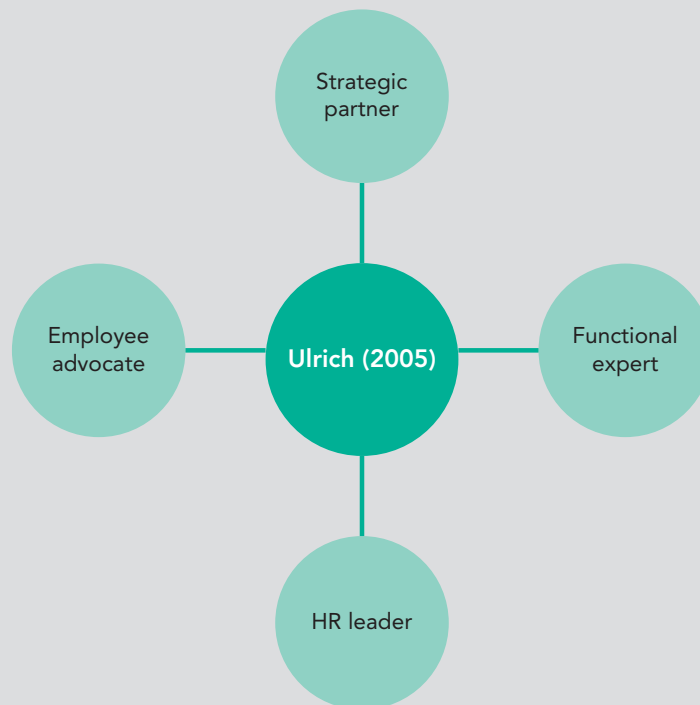
Source: Adapted from Ulrich (2005)[27]

Figure 7: Employee champion model

27 Ulrich, D. (2005), *Strategic Human Resource Management.* HBR, USA

The Harvard map of HRM

One of the most influential theories of HRM is the Harvard map by Beer et al. (1984)[28]. The model suggests that policies and practices are unique and cannot be replicated elsewhere. The model also provides a unique role for stakeholders in that it assumes that policies and practices will be created, designed and implemented around their needs. The main elements of the Harvard map are:

- **Human resource flows**: recruitment, selection, placement, promotion, appraisal and assessment, promotion, termination, etc.

- **Reward systems**: pay systems, motivation, etc.

- **Employee influence**: delegated levels of authority, responsibility, power.

Source: Beer et al. (1984)
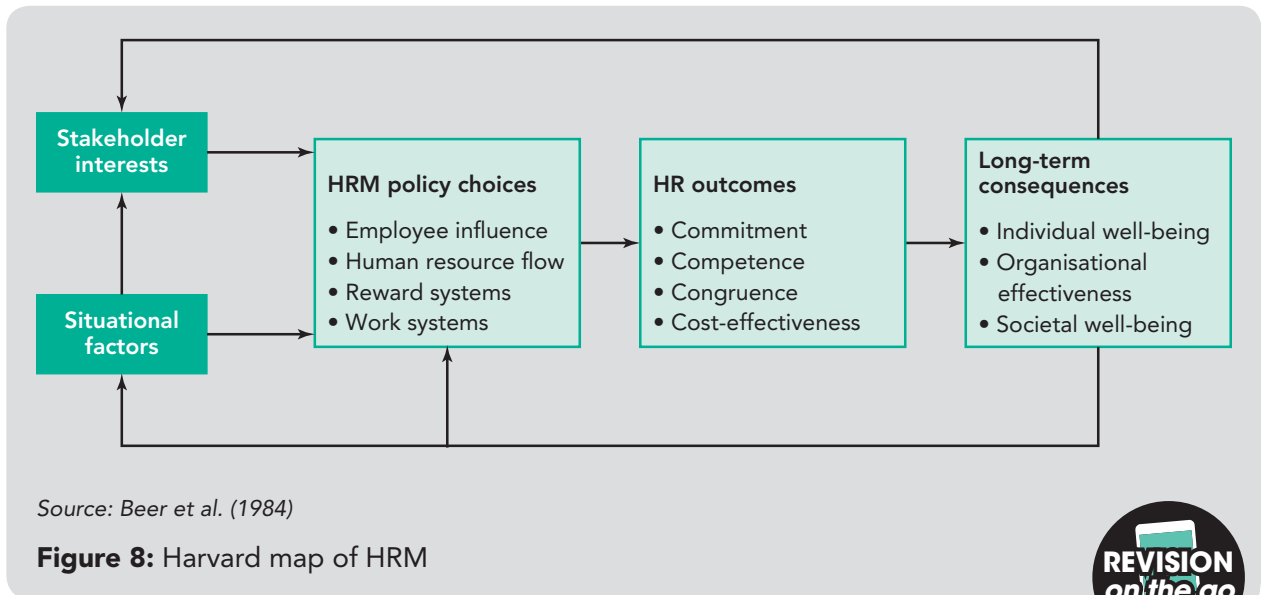
Figure 8: Harvard map of HRM

Benefits and critiques of each SHRM approach

Naturally, there are benefits and critiques of each theoretical approach, some of which are summarised in Table 5.

Model	Benefits	Critique
Best fit contingency	Suggests that no two organisations are the same	Doesn't offer advice on how to mould policies and practices
Universalist best practice	Gives advice on how to use policies and practices across the board	Theory rarely works in reality, and often cannot be lifted and shifted

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28 Beer, M., Walton, E. and Spector, A. (1984), *Managing Human Assets*. New York: The Free Press

Model	Benefits	Critique
Harvard map of HRM	*Like best fit approach in the sense that policies are moulded around the business*	*Complex; not that easy to implement*
Ulrich's HR champion model	*Grouping together of types of employees makes it easy to understand*	*Assumes that other groups of employees might not be champions*

Table 5: Benefits and critiques of SHRM models

REVISION on the go

The models that we have discussed here are useful tools to help us understand the theoretical strategic concept of SHRM. There are benefits and drawbacks to each but, at the same time, they offer a plethora of options concerning the ways in which a business can design its HR function in line with SHRM. Importantly, there appears to be no wrong answer. If an organisation moulds its HR function, policies and practices in line with the business and HR strategy, it will create a business which is difficult to beat.

READING LIST

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- Walker, J.W. (1992), *Human Resource Strategy.* New York: McGraw Hill.

Summary

Having completed Chapter 1, you should have begun to understand how important the strategic HR function is to a business. Without an HR function which is strategic in nature, the business may not survive. To summarise, SHRM is all about strategically managing human resources, whilst maintaining a long-term business view with the goals and outcomes secured and locked into the HR framework. It must focus on longer-term resourcing issues within the context of an organisation's goals and the evolving nature of work, and must inform other HR strategies, such as reward or performance, determining how they are integrated into the overall business strategy.

Chapter 2

The Global Context of SHRM

Introduction

In Chapter 1 we examined what is meant by HRM and how it differs from SHRM. This chapter will now provide an understanding of how the HR function has evolved over the years and how it has impacted and improved organisation performance and employee performance.

Learning outcome

On completing this chapter, you will be able to:

2 **Assess the role of the HR function in providing frameworks and practices to improve organisational and employee performance**

Assessment criteria

2 **Assess the role of the HR function in providing frameworks and practices to improve organisational and employee performance**

2.1 Evaluate the factors impacting on the changing role of HR in organisations

2.2 Assess the impact of perception and expectations on the delivery of, and contribution made by, SHRM

2.3 Assess the main frameworks and models developed to analyse the role of the HR function

2.4 Analyse the suitability and implications of different structural arrangements for HR service delivery across a range of organisational contexts

2.1 Factors impacting on the changing role of HR in organisations

Historical trends and influences (evolution) of HR as a response to environmental changes and expectations

The discipline of human resources has grown over several decades. As mentioned in Chapter 1, the human resources department was historically referred to as "personnel management" or just "personnel", and was primarily tasked with hiring, payroll, and disciplinary actions. As competition, regulations and modern technologies have grown, organisations have had to shift their focus to managing their most important asset: their employees.

In today's business paradigm, HR professionals have a much stronger voice at the table alongside organisational leadership. They often provide executives with recommendations for the organisation's strategies and policies. Organisations have realised that a strong culture, employee engagement and talent management are vital to their success. Let us first review some of the historical trends in more detail.

The welfare officer

The use of the welfare officer was the true beginning of Human Resource Management. Often these individuals provided benefits to individuals who were injured at work due to the poor working conditions at the time.

Welfare is still an important part of Human Resource Management and Strategic Human Resource Management today. However, the benefits that we provide are very different to what was often common 90–100 years ago.

The administrator or "clerk of works"

Clerks of work and the administration roles of Personnel Management have always been associated with the HR field. However, with the increasing reliance on HR by line managers, the role of HR is becoming ever more strategic in nature. While this remains part of the HR role and function it is often **outsourced**.

The negotiator

The negotiator was an important role in Personnel Management, especially during the height of the industrial action in the late 1970s. While collective bargaining continues to be important in the role of HR, the emphasis has shifted towards **individualism** rather than **collectivism** and as a result, staff are tending to deal with negotiations on their own.

The legal expert

The legal expert is probably the only field and role which is still as important now as it was historically, and it is arguably even more important now. As the balance of power shifts towards the middle to improve employee-employer relations, the need to have an expert in the field of employment law is now even greater.

Impact of the changing nature of work and the workforce

Diversity and the impact on the workforce

As the workforce becomes more diverse, the culture and knowledge base of an organisation changes. Different forms of communication and employee relations may arise. This requires HR managers to change their methods in order to manage their organisation more effectively. Encouraging **diversity** and inclusion is one way to mitigate potential problems caused by a changing workforce. Another route that HR may take is to educate management and supervisory staff on the importance of receiving feedback from employees of all backgrounds and points of view. This will lead to a stronger culture, where all employees feel valued. In the UK, the **Brexit** processes have also raised questions over the placement of migrant workers and the impact this will have on the economy – both in the UK and in other countries around the world.

Flexible working

Stress is an issue that has been around for a long time and which is still a critical issue today. There is a growing trend towards allowing employees to work flexible hours/times/places to suit their other responsibilities for a better work–life balance. This can be a challenge for the HR department, which will need to balance the needs of the employee with those of the organisation. This trend has also contributed to a marked increase in the number of females in the workplace.

📄 CASE STUDY: FLEXIBLE WORKING IN SCANDINAVIA

The six-hour working day

Read this news article link from the BBC on flexible working practices in Scandinavia:

www.bbc.co.uk/news/business-38843341

Would this work in your own country? Scandinavians are known for their adoption of flexible working practices and are seen to be forward thinkers on the matter.

The economy

The global financial crisis in 2007/8 led to fewer jobs and greater competition for them, but there is now also a serious skills shortage, creating a need for well-developed resourcing strategies to ensure that the very best people are recruited by an organisation. One key feature that makes an organisation more competitive than its competitors is its knowledge of its workers; the HR department needs to consider how best to promote the knowledge that exists in the organisation, and to develop it to give the organisation a competitive edge.

On the other hand, labour markets are increasingly characterised by the prevalence of short-term contracts or freelance work as opposed to permanent jobs, and a shift from 9–5 to 24/7 working. This is also known as the **gig economy**, and it has seen a steady rise, particularly in parts of Europe, due to the increased flexibility it offers.

Globalisation

Globalisation is the process of international activity and expansion. There are now hundreds of multinational organisations, including fast-food giant McDonald's and soft drink giants Coca-Cola and PepsiCo. Globalisation brings with it the issues inherent in an international workforce and disparate labour regulations and standards, requiring training managers to cope with HR issues on a global scale.

✏️ OVER TO YOU

Activity 1: Chip and skin

Watch the following YouTube link and discuss with a study partner (if possible) whether the changing dynamics of the workplace have gone too far; use the space below to write notes.

www.youtube.com/watch?v=7JPlTEnUO4E&t=8s

Training

Modern technology has provided HR managers with diverse ways and means to train their employees. Employee training and discipline records are all kept electronically, and web-based training via an online class gives wider employee access and enables international participants because there is no travel involved. There are many systems that offer full training management systems, including web-based training and cloud-based records storage.

Recruitment

HR managers have also had to change how they recruit, hire and bring people on board. Many organisations offer different interview techniques – video teleconferencing systems such as Skype are very popular, though there are some companies who have begun using messaging applications to record the candidate's answers. Video teleconferencing is usually used in place of the initial interview which was previously conducted as a telephone interview.

Retention and succession planning

Retention (ensuring existing talent stays within your organisation) and **succession planning** (creating a direct path of succession for that talent) are extremely important in retaining an experienced workforce that is coached in your culture.

Personnel Management	Human Resources Management	Strategic Human Resources Management
• Administrative • Recruitment • Benefits • Payroll	• Proactive • Employee development • Employee retention • Performance evaluation • Health and safety	• Strategic • Alignment with vision • Value-adding • Strategic planning
Supportive		Strategic

Figure 1: Aspects of personnel and SHRM roles

Personnel Management

This is the traditional method dedicated to management of employee issues, payroll and disciplinary actions. This type of management typically does not participate in planning or supporting the organisation's strategic priorities.

Human Resources Management

This is a more modern approach to managing an organisation's employees and issues. It is an expanded view of personnel management, as HRM focuses more on an organisation's strategic vision. The goals of an HR department should support the goals of the rest of the organisation. HRM employs qualified, professional staff to manage the human capital in the organisation. They may oversee training, professional development and retention programmes, as well as the traditional personnel management functions such as payroll, employee benefits and other issues.

Strategic Human Resources Management

This is the process of using techniques such as recruitment, training and compensation to develop a stronger workforce and therefore a stronger organisation. It recognises the inputs and values of employees and how these contribute to the organisation's success.

The SHRM department in organisations that practise SHRM interacts with all the departments within an organisation to gain a complete picture of their goals before creating strategies that align with their objectives and those of the organisation itself.

Strategic HRM is a partner in organisational success, as opposed to a department necessary for legal compliance or compensation. Strategic HRM utilises the talent and opportunity within the human resources department to make other departments stronger and more effective.

> **"** *The closer the alignment between HR and an organization's overall business strategy, the better the company's ability to anticipate and respond to customer needs and to maintain competitive advantage.* **"**
>
> Society for Human Resource Management (2015)[29]

✏️ OVER TO YOU

Activity 2: Booz and Co

Read the following article and assess how the change in expectations by new generations of people will affect the design of policies and practices. Note the main features below.
www.strategyand.pwc.com/media/file/Strategyand_Rise-of-Generation-C.pdf.pdf

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29 SHRM (2015), *Practicing Strategic Human Resources* [online]. Retrieved from: https://www.shrm.org/resourcesandtools/tools-and-samples/toolkits/pages/practicingstrategichumanresources.aspx [Accessed on: 29 November 2017]

2.2 The impact of perception and expectations on the delivery of, and contribution made by, SHRM

Stakeholder interests and expectations: shareholders, managers, employees, employee organisations, government

A stakeholder is defined as a person, group or organisation that has an interest or concern in an organisation. Stakeholders are essentially any entity that may be affected by an organisation's actions, objectives and policies. Examples of organisational stakeholders include investors, directors, employees, neighbouring companies, government agencies, shareholders, suppliers and unions.

There are two main types of stakeholders: internal and external. Internal stakeholders are those who have an active role inside the organisation: management, employees and so on. External stakeholders are those who are impacted by an organisation from the outside: customers, sister organisations, investors, the economy and so forth.

Figure 2: Internal and external stakeholders
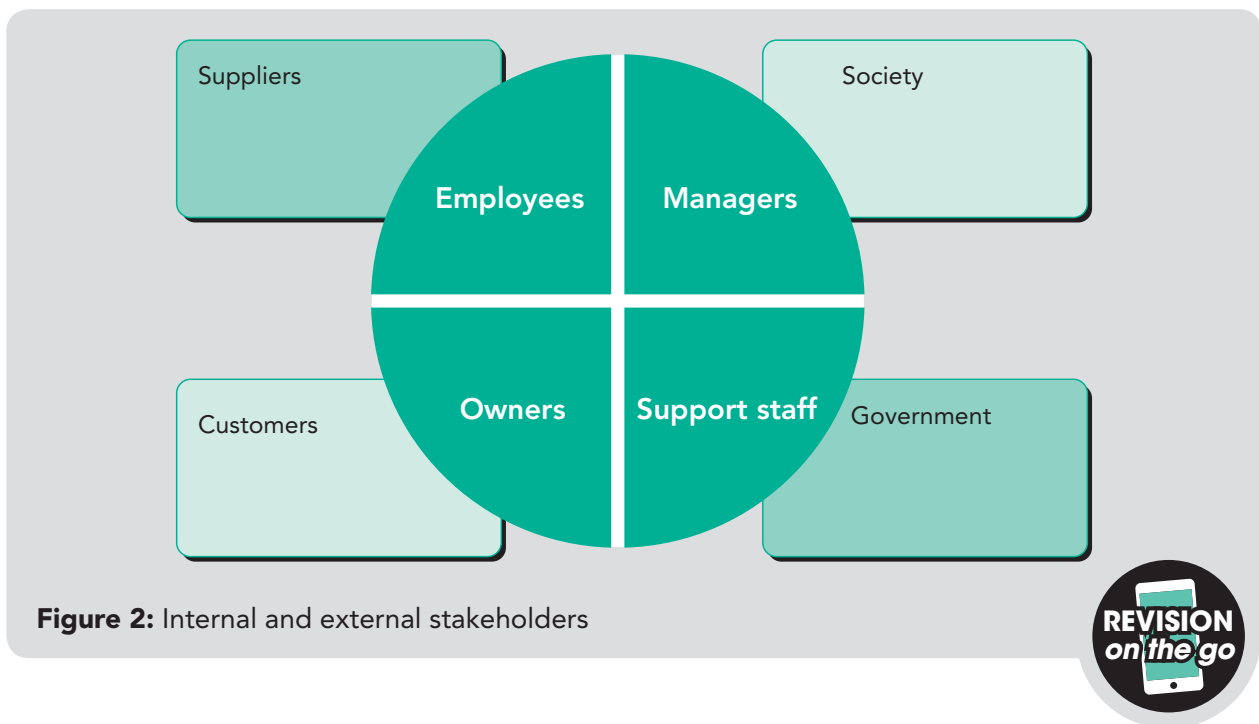
Interests and expectations

It is important to understand each stakeholder's interests, expectations and points of view. Table 1 identifies the immediate interests and expectations of the different kinds of stakeholders.

Stakeholder	Interest
Shareholders	Profitability
Management	Maintaining effectiveness
Employees	Keeping a steady job
Employee organisations	Protecting employees' rights
Government	Ensuring companies comply with labour laws

Table 1: Stakeholder interests

Let's expand on these a little further.

- **Shareholders**: This group of stakeholders will naturally demand profitability to ensure a return on their investment, but they will also wish to ensure that the business has a strong brand reputation and this may influence things such as **Corporate Social Responsibility (CSR)** and the **triple bottom line**.

- **Management**: Managers will want to ensure that they maintain a high level of business effectiveness and professionalism. This is to ensure that the business achieves its goals and expectations.

- **Employees**: With the current level of change ongoing in businesses today, maintaining a steady job and a regular pay check is naturally the main aim of the employee. But with the changing shift in paradigm, employees will also want to be more engaged, have increased flexibility and be recognised for their role in the organisation's success.

- **Employee organisations**: These include employee representatives – most obviously trade unions – who ensure that workers' rights are adhered to.

- **Government**: The government's role is to ensure that companies comply with labour laws and positively impact the economy and environment.

Managing stakeholders

No two stakeholders are the same. Therefore, each stakeholder of an organisation should be managed differently. It is often impossible to meet the demands of all stakeholders as they have different interests in or are impacted by different activities, objectives and policies.

An example of negative impact would be when an organisation makes redundancies or a firm's location is moved. This would affect the employees (internal stakeholders) and even the adjacent corner shop (external stakeholder), which would see a reduction in foot traffic in the area. On the other hand, shareholders, investors and employees who receive profit-sharing benefits would be positively impacted by an organisation's success following an increase in quarterly profits.

Impact of perception and expectations of SHRM

A study by Longo and Mura (2007)[30] found that a company's social policies have major influence on most of the resources analysed, on trust, job satisfaction, networking and communication, ability to work in a group and turnover propensity. Their results confirm a strong link between the resources of value (employees) and the social strategy of the company.

> " *The premise on which the stakeholder approach toward employees is based is that stakeholder management actions bring a strengthening of internal legitimacy and therefore the possibility of creating better working conditions that will lead to improved company competitiveness in terms of intangible resources developed by company employees.* "

Longo and Mura (2008)[31]

Organisational stakeholders are interconnected, as actions one stakeholder takes may affect the others. The following examples will illustrate this further.

- Management relies on recruiters to hire candidates who meet their requirements. If recruiters fail at this, and the employee underperforms, it may cause the company to miss the goals set by executives. Other employees would be negatively impacted by an unmotivated employee, as they would feel the need to "pick up the slack".

- When HR implements a new training programme, employees are the primary stakeholders as this new training directly impacts their abilities, productivity and performance. Improved job skills could also affect an employee's marketability, making them a prime target for recruitment by competitors.

Balancing tensions in the delivery of HR

HR has a role in balancing tensions in an organisation. Just as a project manager handles stakeholder issues on a large construction project, HR managers mediate between internal stakeholders of an organisation. Management of grievances between two employees is an example of how HR interfaces with tensions between internal stakeholders. The real tension is between the needs of management (hard HRM), controlling costs, and the needs of the employee (soft HRM), and HR acts as a bridge between the two. This is often seen as the core tension between "human" and "resources".

Employee relations

Employee relations refers to the management of the employer–employee relationship. It serves as an integral function of HR's management of tensions in the organisation. Organisations who place a high value on their employee-relations programmes as an HR strategy see employees as key stakeholders. When stakeholders are invested in the outcome of the organisation, they put more effort towards its success.

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30 Longo, M., Mura, M. (2007), "A multidimensional measure of employees' intangibles: A managerial implementation of the tool", *Management Research News,* Volume 30, Issue 8, pp. 548–569. (This article will be available in your online student resources.)

31 Longo, M., and Mura, M. (2008), "Stakeholder management and human resources: development and implementation of a performance measurement system", *Corporate Governance: The International Journal of Business in Society*, Volume 8, Issue 2, pp. 191–213

📄 CASE STUDY: HR PROFESSIONAL ROLE TENSIONS

Perceptions and responses of the top management team

Van Buren et al. (2011)[32] researched evidence of professional HRM role tensions, the factors that affect HRM role tension, and the impact on management perceptions when role tensions exist.

They conducted 25 interviews in Australia with senior HR personnel, management teams, executives, and management consultants. Findings revealed that the failure of the HRM profession to attract people with a business focus increases HRM role tensions.

A key finding found that **role bias** against HRM led to a reduced willingness among management and executives to respect and communicate with HRM professionals. Respondents reported tensions were reduced when aspects of the HRM role were delegated to lower-level managers or even outsourced, and when clearer attempts were made to communicate an agreed-upon strategic focus for HRM.

✏️ OVER TO YOU

Activity 3: Communicating with stakeholders

You are a senior manager in a business and have just left a meeting which suggests the company is not performing as well as it should be. You need to make an announcement but realise that the comments will not be well received. Which groups of stakeholders do you consult first and how do you decide this? Note your priorities here.

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32 Van Buren, H.J., Greenwood, M. and Sheehan, C. (2011), "Strategic human resource management and the decline of employee focus", *Human Resource Management Review*, Volume 21, Issue 3, pp. 209–219

2.3 The main frameworks and models developed to analyse the role of the HR function

Typologies of HR functional roles

This section of the workbook will give you an opportunity to review the key typologies that help build an image of the role and function of human resources. We will break this into the four main typologies and provide a detailed view of each.

Karen Legge (1978)

Legge (1978)[33] identified various strategies which HRM practitioners may follow to improve their status and gain more power and influence. Table 2 summarises these strategies, and a more detailed description follows.

Type of innovation strategy	Description
Conformist	Cost reduction and increasing productivity
Deviant	Employee development and work–life balance
Problem solving	Thinking outside the box and coming up with innovative ways of solving problems

Table 2: Types of HR strategy

Conformist innovation strategy

HRM managers must conform to the dominant values of the organisation where they work; they must simply satisfy the requirements of senior management. This can be very restrictive for proactive managers who might want to introduce new policies (in reward management, for example). However, the clear message in this strategy is that if you want to get on and be valued as a manager you "conform"; you do not "rock the boat". The implications are that managers:

- need to be seen to positively accommodate change;
- tend to be positively responsive rather than innovative;
- can "survive" in what may well be a rather autocratic work environment.

Conformists are very much about achieving organisational objectives – cost reduction, productivity increases and conflict resolution.

Deviant innovation strategy

HRM practitioners have a different set of values from senior management: for example, these could be social values such as concern about increasing workplace stress, equality in the workplace and changing the status quo. Implementing such policies is costlier than conforming to business values.

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33 Legge, K. (1978), *Power, Innovation and Problem-Solving in Personnel Management*. London: McGraw-Hill

The shift away from "welfare" personnel management towards a "harder" HR approach will reduce this tendency. The realities for HR are now:

- a focus on employee development;
- interest in the work–life balance;
- independent professionals.

Problem-solving strategy

This means that HRM specialists are seen chiefly as problem solvers for senior management. The difficulty for personnel managers is that the employer is using them to act as a "sounding board" for employee complaints. Many of the most unpopular measures (e.g. changes in reward structures) are associated with "personnel" in the views of the employees. The implications for HR in these circumstances may well be that they are seen as supporting the management.

Legge said that the majority of smaller and medium-sized companies did not have very sophisticated HR policies. They were fairly good on the basics, such as recruitment/selection and collective bargaining arrangements, but anything more innovative was largely ignored. Legge found that the main stimulus for personnel departments was new legislation. The personnel policy was reactive and not proactive. In Germany, for example, the proactive culture of solving problems is still very much in place, and is often seen to be part of the strategic HR culture. It also raises the interesting question of how far "personnel" really has transformed into "HRM" (Legge herself described HRM as "old wine in new bottles").

However, Legge does note that there are some real differences between HRM and personnel. There is more stress in HRM on how:

- senior managers change culture;
- line managers are "people managers", not just administrators of simple personnel procedures;
- the development of the "team" is managed.

In all these respects, personnel management's role will be enhanced if it behaves in a proactive manner. For example, if they get involved with the changing roles of line managers. Storey (1992)[34] notes that personnel managers can be divided into "maintainers" and "innovators". Storey's argument is that personnel only enhances its role if it is an innovator.

The building site model

Tyson and Fell (1986)[35] view personnel work in the context of a building site, identifying three HRM models in this building site analogy.

They see this analysis as a continuum from 1 to 3; from low discretion to high discretion; from the clerk of works to the architect.

The clerk of works

All real power is in the hands of line managers, and HRM is predominantly an administrative and clerical job, looking after the first stages of recruitment and selection, pay administration, welfare records and so on. The HRM function introduces no new initiatives of its own in this model.

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34 Storey, J. (1992), *Developments in the Management of Human Resources*. London: Blackwell Business
35 Tyson, S. and Fell, A. (1986), *Evaluating the Personnel Function*. London: Hutchinson

The contracts manager

HRM here look after a formalised system based upon strict use of systems and procedures. The main job is firefighting – keeping things under control. The line managers, as above, will have most of the real power. The personnel specialist gets their power through having a good relationship with the line managers.

The architect

Here the personnel specialist operates at the highest level, with an abundant level of discretion, integrating their human resource planning with broader business strategies. HRM professionals can actually influence where the organisation is going, and they will be taking the lead in creating the right culture and philosophy for the organisation.

Tyson and Fell do not argue that any of these three is any better than another; it all depends on which is most suitable for the organisational framework.

Category	Features
Clerk of work	Routine HR activities with large amounts of administration
Contracts manager	HR team are professional individuals with sophisticated HR systems
Architect	HR is integrated into corporate strategy. HR systems are the best available and HR adds significant strategic value

Table 3: Tyson and Fell

Storey's tactical/strategic model (1992)

Storey's (1992)[36] model on the other hand is slightly different. On one side of the framework the work is strategic, but on the other it is tactical and is an area where people are involved on a day-to-day basis. Storey goes onto categorise HR employees into four distinct groups, depending on the level at which they operate, ranging from "handmaidens" to "change makers". Whilst the model seems accurate in the sense that some individuals will be more strategic than others, some of its terminology is considerably out of date.
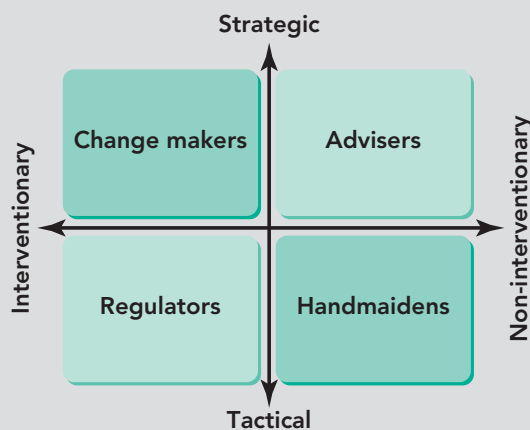
Figure 3: Storey's model of HR

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36 Storey, J. (1992), *Developments in the Management of Human Resources.* London: Blackwell Business
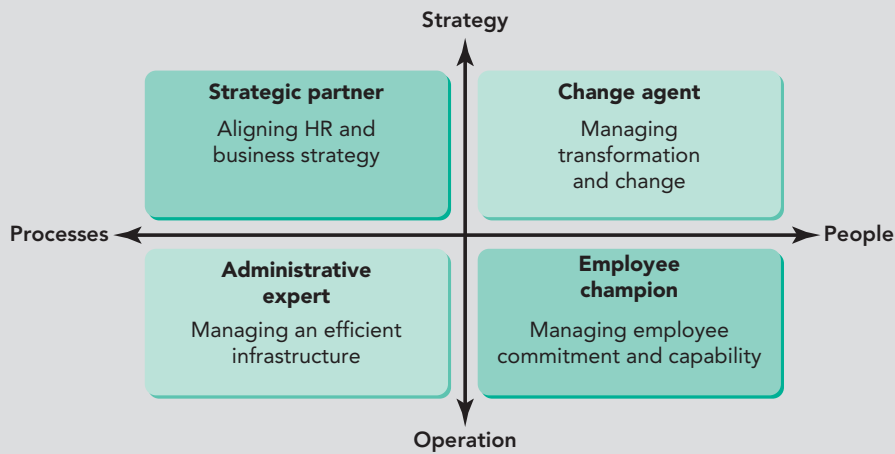
Figure 4: Ulrich's HR champion model

In many ways, the work of Ulrich (1997)[37] builds upon the original Storey theory, especially regarding terminology such as "handmaidens". Ulrich saw this development as a step towards more strategic HRM, especially if you consider when it was put together – 1997. At this point, the idea and concept of SHRM was growing in popularity, and the developments made here are a direct reflection of this change, in the sense that SHRM should be a function which is part of the long-term vision and planning of where the business needs to be.

✏️ OVER TO YOU

Activity 4: HR strategy in practice

Considering the transition from personnel to SHRM, what do you think the five main differences are? Think about it from the perspective of your home country. Note them down and share your ideas with a study partner, if possible.

1

2

3

4

5

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37 Ulrich, D. (1997), *Human Resource Champions: The Next Agenda for Adding Value and Delivering Results.* Cambridge, MA: Harvard Business School Press

2.4 The suitability and implications of different structural arrangements for HR service delivery across a range of organisational contexts

The purpose of this section is to provide an overview of the many ways in which HR can be structured within an organisation. All businesses are different so a unified and single approach would naturally not work. Here we will here offer a background to some of the choices which exist, giving examples. The structure that is adopted is critical to the success or otherwise of the business strategy; having a structure in place that does not work, or goes against what is trying to be achieved, can mean the difference between success and failure.

This gives HR a crucial role because, as already noted, it is required to support all aspects of the business and hence has a very wide remit. Having a good structure allows for good levels of support within a business too.

The HR department needs to understand the business strategy, as it is on this that the HR strategy is built. From that HR strategy, further strategies are developed, relating to different areas of people management, such as rewards, resourcing, and learning and development.
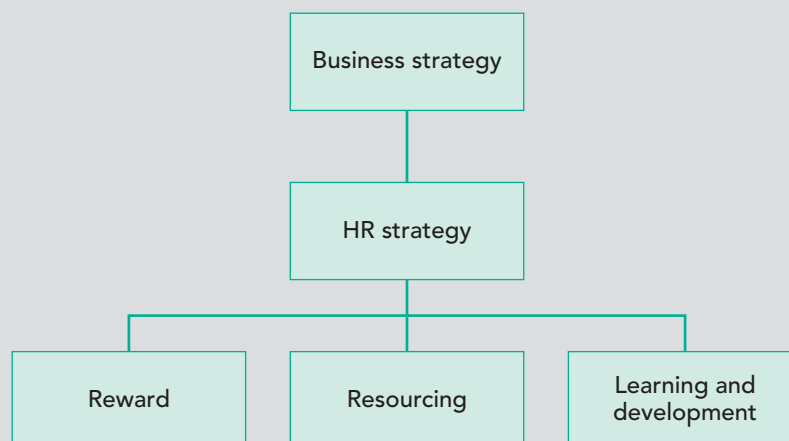
Figure 5: Structural choices

It is important that each of these areas of the HR function (and any others) are aligned with the overall HR strategy, which is then aligned with the business strategy.

Let us look at the ways in which the HR department might be placed within the structure of the organisation.

There are three common structures used in organisations:

- three-legged functional design;
- functional structure;
- divisional structure.

Three-legged functional design

According to Ulrich's three-legged stool method (Ulrich, 1997)[38], HR is best split up into three distinct categories to determine which of these HR "best practices" is a "best fit" for your organisation:

- The **shared service** model can help a business avoid duplicating work and effort as well as helping to reduce costs. Concentrating administrative activities into a centralised and shared function also allows for a greater focus on HR strategy.

- **HR business partners** work closely with organisation leaders to achieve shared organisational objectives, by implementing processes and systems, building capabilities and undertaking talent management planning.

- Within a centres of expertise setting, it is common to find decentralised, **outsourced HR** generalists supporting business units and administrative processing centralised in a **shared services** format.

Functional structure

The functional structure is one of the most commonly used: employees are grouped according to the type of work that they do. A typical structure for an engineering company is shown in Figure 6.

Figure 6: Functional structure example
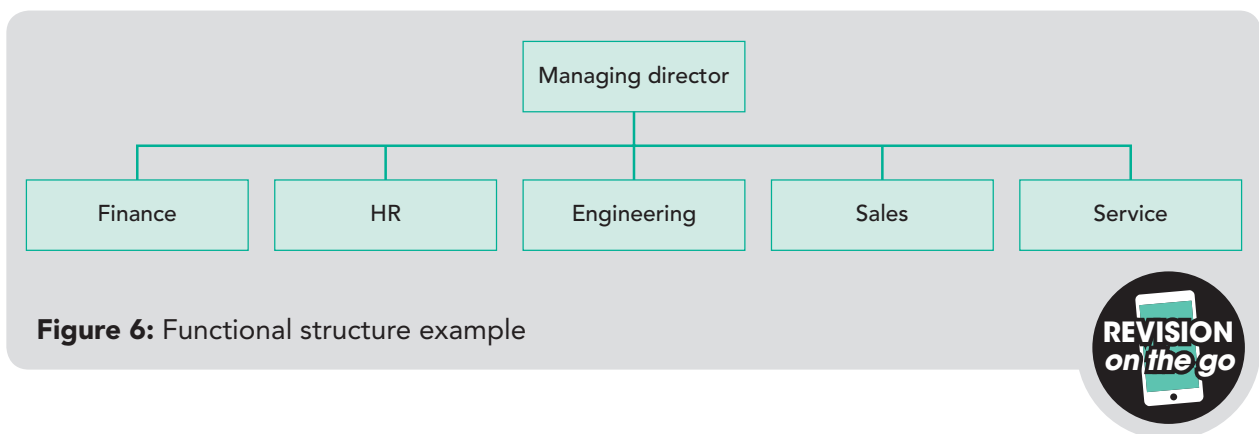
The implication of this for HR is that this structure groups people together according to what they do, and this can result in a rather limited view of the overall organisation. HR must understand the skillset of the workforce and that they might be able to help with another skill within the business as well. There are no natural communication lines between the distinct functions, which can mean that relationships do not develop effectively, making it difficult for HR to communicate effectively too.

Divisional structure

A divisional structure is based around groups within the organisation – these could be geographical divisions, for example, or different product groups. A divisional structure based on product groups might look something like the structure shown in Figure 7.

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38 Ulrich, D. (1997), *Human Resource Champions: The Next Agenda for Adding Value and Delivering Results*. Boston, MA: Harvard Business School Press
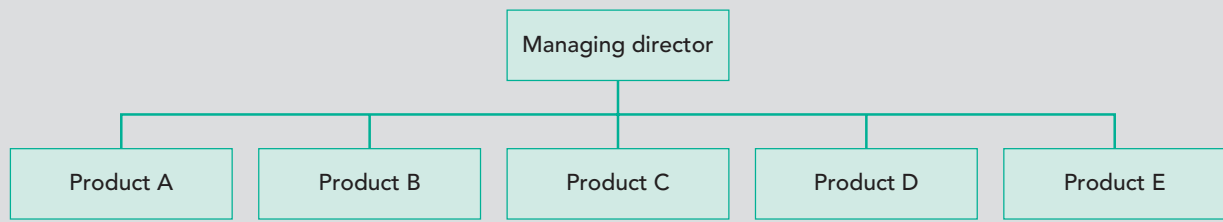
Figure 7: Divisional structure

This structure overcomes the difficulty of people remaining focused on what they do, and not seeing the contribution to the wider performance of the organisation. However, there is the possibility that people have less expert support from those who are more senior within their function, which can result in poorer performance. An example of a business which uses this is Wal-Mart in the USA. They believe it adds significantly more value to the business.

The support functions are usually based within each division. So, in the example in Figure 7, Product A would have a finance, marketing and HR function (and so on), as would Products B, C, D and E.

If this is not feasible, because the divisions are not sufficiently large, divisions might share support functions or the support function might be centralised. This, again, makes it slightly more difficult for strategic HR to be delivered effectively.

Embedded/hybrid models

One of the contemporary trends is to use what is known as a hybrid structure, whereby projects and tasks are fluid and the business is viewed as organic in that it can develop to meet the needs of new challenges as they arise. This set-up, also known as an "embedded" HR structure, puts an HR representative at the centre of the business focus, as a crucial element of the organisation's design. For example, Procter & Gamble, the international pharmaceutical company, is said to adopt this type of structure in certain parts of the world.

There are both advantages and disadvantages to be had from using this structure. The hybrid approach tends to make reaction times a lot quicker and increases efficiency, and whilst there is an element of rigidity in this, there is still some degree of flexibility. An example of this is perhaps the use of an HR business partner that, instead of sitting in an HR office, is an HR representative in a business operational unit and the HR figurehead for that section. However, because the hybrid approach interacts with more departments and groups there can be an increased chance of conflict, so this is something that should be considered before using this approach.

✏ OVER TO YOU

Activity 5: HR structure

You have just joined a business as an HR director and notice that the HR team reacts to problems very slowly – for example, managers find it difficult to get support when they are insufficiently resourced to deliver core activities (e.g. order processing) at peak times. What recommendations can you make on how to improve this situation?

Implications of structure for HR

Before we move on to look at outsourcing in more detail, it would be interesting to review the previous section in terms of the implications for HR for each structure, covering aspects such as the level of responsibility and where HR sits, how HR is delivered, suitability in different businesses and any barriers which may exist.

Type of HR structure	Implications for HR	How HR is delivered	Suitability in different businesses	Barriers
Three-legged (Ulrich)	The model creates a sense of fluidity as it allows the business to design the HR structure to suit the organisation	With importance, seen as a key partner in the business strategy and future of the organisation	No one model or approach and therefore is not universal. Might be difficult in small organisations	Few, other than the views of management if culture posed a problem
Functional	Often seen as being rigid – employees grouped together	As part of the overall function, but communication might be limited	Would work in most organisations	Leadership once again – if this is poor, it could be difficult to exercise

Type of HR structure	Implications for HR	How HR is delivered	Suitability in different businesses	Barriers
Divisional	Can become a large function to manage	Based on division or location, so means that HR is focused on that business unit	Would probably best suit a larger global business	Culture might be barrier for this type of structure
Hybrid/ embedded	Will be congruent to the organisation, but often seen as a core business function	Often as part of an HR business function role	Small businesses may struggle but would suit an medium-sized or larger enterprises	Very few apart from any internal issues like leadership or management

Table 4: HR structure summary

Table 4 summarises the main elements of the HR structures that we have covered in this part of the module so far. The way in which HR is set up will most probably take a congruency/best fit approach as no two organisations are the same. Because one multinational organisation with 10,000 employees uses a divisional set-up does not mean to say that all similar businesses will follow the same structure. This is important to understand, as HR in many cases does not have a universal approach or a "one size fits all" mentality.

OVER TO YOU

Activity 6: HR structure

You work for a bank in Europe which has a call centre with 1,000 employees based in India and another one with 100 employees based in Sweden. You have just taken over a senior HR role and need to structure the HR function so that it suits the business objectives more clearly. Which structure would work best and why? Note your thoughts here.

Advantages and disadvantages of outsourcing all or some aspects of HR

HR outsourcing

Outsourcing is a process of transferring some, or all, of an in-house team to an external provider. While HR outsourcing is predominantly utilised by small organisations, larger organisations may outsource certain tasks or projects to HR consultancies. Typically, the activities outsourced by HR are recruitment, payroll, pensions, training, legal services, information systems, company car leases, compensation and benefits.

The greatest benefits of outsourcing these transactional and specialist functions for smaller organisations or for project work are:

- access to specialist knowledge without overheads, which may lead to significant savings on an ongoing basis;
- higher levels of service quality and efficiency;
- access to greater levels of benchmarking.

An example of this in action is Hewlett-Packard, an American multinational information technology company. In 2013, part of the HR team for the projects side of the business moved from their site to Sofia in Bulgaria. Bulgaria was seen as a site which added significant value (e.g. lower costs of staffing and associated pay), but also reduced international business cost when compared to other countries where HP operate.

However, outsourcing does mean that often, focus and attention is diverted away from where it needs to remain, so functions such as customer service can suffer.

Shared services

The HR function can be delivered in several different ways dependent on the size of an organisation. In small to medium-sized organisations it is not uncommon for there to be a sole HR practitioner who works closely with operational managers to manage and deliver the people agenda. In larger organisations, there is likely to be a team, or teams, of HR professionals.

The shared service model can help businesses reduce costs, avoid duplication of effort and allow a greater focus on HR strategy. There are two distinctive features of HR shared service centres:

- they offer a common service provision of routine HR administration and sometimes more complex HR activities;
- they are service focused, enabling the customers of the shared service to specify the level and nature of the service.

Benefits gained from this can be:

- reducing costs and avoiding duplication of effort;
- shared knowledge;
- greater focus on HR strategy;
- benefits from economies of scale (when securing training provisions, benefits provisions etc.).

For the most part, shared services are a phenomenon of large rather than small organisations, whose key objectives for all departments will be revenue generation whilst ensuring smooth running and effective and cohesive operation of the whole company. It is essential for any large

company to have formal practices such as systematic recruitment and selection procedures and formal performance appraisals and to provide regular training.

Role of senior management and/or board of directors

Senior managers and boards have a key role to play when it comes to the structure and organisation of HR within a business – this is even more important when it comes to SHRM. Without the influence of senior managers, SHRM may not be seen as being an important part of a business function. Here are some examples of the roles this group of employees have regarding SHRM:

- bringing HR policies to life;

- enabling strategic learning solutions to happen;

- helping to identify learning needs and ensuring that learning is strategically aligned to the future scope of the business;

- acting upon the advice of the HR departments and HR directors/head of HR;

- directing and controlling the workforce;

- inspiring front-line managers with policies, practices and opportunities that will make a difference to employees.

The last point is an important one as senior managers and board members need to buy into the policies, practices and activities that HR initiates. In their research, Bath University (2008)[39] reported in *Bringing policies to life: the vital role of front line managers in people management*, that front-line managers play a pivotal role in terms of implementing and enacting HR policies and practices. When considered, the role of line managers is shifting in HR. They have a more interactive role with employees, but still require the support of the HR function.

In turn, this results in greater levels of satisfaction, commitment and loyalty – which are in turn associated with higher levels of performance or "discretionary" behaviour. Discretionary behaviour is defined as that which goes beyond the requirements of the job to give the extra performance that can boost the "bottom line" (or profit levels). Furthermore, it can help with training, learning and development, and reward.

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Activity 7: Role of managers

Imagine that you are CEO of a local business and HR have come up with some interesting ways of managing staff that fit with the future aspirations of the business. You like the idea in principle, but some senior managers are sceptical. How would you promote the idea amongst your board members and senior staff? Note some ideas here.

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39 Hutchinson, S. (2008), *The Role of Front Line Managers in Bringing Policies to Life.*, Bristol Business School, CESR

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Summary

This chapter has defined the role of stakeholders, balancing their needs and promoting the role of managers. We have looked at some of the more practical and realistic day-to-day tensions that exist and how to deal with them. There is no doubt that in meeting this challenge you must be able to demonstrate strategic understanding, accept the ethical framework of the organisation and communicate effectively.

Developing and Implementing HR Strategies

Introduction

This chapter will examine HR strategic formation. This will involve gaining an understanding of the processes, implications and advantages and disadvantages of strategic formation.

Learning outcome

On completing this chapter, you will be able to:

3   Critically evaluate a range of HR strategy formations within specified contexts

Assessment criteria

3   Critically evaluate a range of HR strategy formations within specified contexts

   3.1   Analyse the process, content and issues associated with HR strategic formation

   3.2   Analyse the implications of contextual factors on the choice of approaches to HR and HR strategies

3.1 The process, content and issues associated with HR strategic formation

Defining HR strategy

Essentially, an organisation is a group of people. However, this group can be very large, so there needs to be some way of arranging the people within an organisation so that it can function effectively.

Think of a local shop/grocery store with just a few employees. In such an organisation, it is likely that all employees can do all the jobs, with just a few relating to security and financial issues carried out just by the owner or manager. There is no need for a structure in such a small organisation because people talk to each other (hopefully) and the organisation is not particularly complex – the tasks that need to be carried out are usually quite evident.

However, in larger organisations there clearly is the need for a structure. People need to "fit" into the organisation and have a clear understanding of what they are required to do. It is also important that individuals within an organisation understand who has the responsibility for giving them direction.

An organisation therefore develops structures that explain to employees and to the outside world how it is to be managed.

An organisation consists of a collection of people who interact with one another because they share common membership of a group. However, this feature is not unique to organisations and may be applied to any number of social activities.

> ✎ OVER TO YOU
>
> **Activity 1: Defining a business**
>
> **When an organisation is setting out what the HR strategy is going to be, what internal factors do you think it will take into consideration when doing so? Write down five and share them with a study partner, if possible.**
>
> 1

2

3

4

5

An organisation sets objectives that it wants to achieve to maximise profits or sales, or to offer the very best service possible. However, the objectives are of little use if the organisation has no idea how it is to achieve them. A strategy is the process, means and direction by which the objectives will be achieved.

It is commonly thought essential that an organisation has a strategy, to give clear direction to the management and to all employees of the organisation. However, it is possible that many organisations – especially small and medium-sized enterprises – function effectively and achieve their objectives without the benefit of a formal strategy. So, when exploring the notion of organisational strategy and the strategy-making process, be aware that a strategy may not always be present or immediately obvious in any conventional form.

In this section, we are going to look at different approaches to strategy-making, and the tools and techniques that are used in the process of devising a strategy. We are also going to consider the process of strategy-making – from formulating the strategy up to the point of evaluating the achievement. We will consider the constraints on achieving the strategy, and the role that organisations play in shaping the overall corporate environment.

✏️ OVER TO YOU

Activity 2: The need for strategy

Critically reflect on the points made above about it being essential for an organisation to have a strategy and the possibility that a strategy may not always be present in any conventional form. Do you consider it likely that a formal strategy may not be so important to a small organisation? Why? Write your thoughts here.

Given the recent shift towards viewing HR as a more strategic, as opposed to operational, function within the organisation, it is important that we understand the basis of SHRM and strategic HR development.

SHRM is therefore a process whereby an HR department will ensure that policies, practices and services which are offered align to the grand strategy of the organisation to ensure fit with other business functions. People are a vital asset in any organisation; they are also a considerable overhead, along with premises and technology. However, most would agree that people can and do make a critical difference to business delivery.

HR strategy content

If we look specifically at the link between HR and strategy, the relationship is complex; claims that HR is aligned with organisational strategy have often been dismissed as little more than empty rhetoric. According to Torrington and Hall (2008)[40], organisations can be grouped into five distinct categories based on their approach to HR strategy.

1 Businesses that do not consider HR is a viable business function. This view is considered an older approach and most organisations won't adopt it.

2 Organisations that have a growing demand for business strategy and have elements being fed into the HR function.

3 A two-way approach which would be considered perhaps as the business partner model.

4 Organisations where the HR function is ingrained into the subconscious of the business and competitive advantage can be gained.

5 Organisations where HR is the heart and the soul of the business and revolves around most activities. In this case, there is a strong board representation.

In practice, organisations may adopt any of these approaches although, at present, the second approach is probably the most common and the fifth the least common.

Influences of context and organisational imperatives

There is no doubt that the HR strategy influences the success of the organisation by having the right people, in the right place, at the right time with the right skills. What we can say in addition to this is that this should be deemed an organisational imperative – making sure that staff work together to

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40 Torrington, D., Hall, L. and Taylor, S. (2008), *Human Resource Management*. Harlow: Pearson Education

achieve a common goal. There are a number of ways in which this could be done, and the following list of questions can help to focus thoughts on possible approaches to the situation.

- Is there an awareness of strategic risks?
- Is HR involved in the strategic discussion from the start?
- Do HR have the tools and resources to hand to be able to deliver the strategic plans they need to?
- Is there a **strategic capability plan** in place?
- Are policies and practices in HR aligned correctly? Are they tied into upstream and downstream suppliers?
- Is there support from the CEO or business head?
- Does HR have a role to play at board level?

The context of the business and the strategy that is chosen therefore has an influence on the way that HR aligns its policies. This context is very important because if the HR department does not follow suit and match the policies and practices around these, it may result in strategic drift and organisational failure.

Links with strategies of competitive advantage

We examined Porter's Five Forces framework in Chapter 1. It would be unusual to find high forces in all five elements of the model. However, this model does allow an opportunity to reflect on these different elements, and to identify those which cause most concern.

If a company is a conglomerate trading in several sectors then this model will need to be applied to each individual sector, as the answers to the levels of force will differ in each sector. It is important to think about the current situation as well as the future when carrying out the analysis.

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Activity 3: Porter and competitive advantage

Think of a business in your home country. Write down some of the forces acting upon that business in each of the five categories as highlighted by Porter.

Porter's model is an important one to consider, as a firm can gain significant competitive advantage over others by adopting this framework. A business can gain competitive advantage over other rival firms via people and staff, as well as products, policies, culture and of course leadership. All aspects here must meet and marry the strategic vision of the organisation and be aligned congruently.

Importance of horizontal alignment and internal consistency

Strategic management combines several facets of leading and directing a business which are inextricably linked to business strategy. This refers to how a business unit or a set of related business units become and remain competitive in every sense of the word. Strategy is therefore defined as a winning formula of chosen markets, service/product offerings and capabilities.

Strategic management is about setting direction, which implies not only choosing where the business aims to be but also generating energy and commitment in the leadership group who are responsible for this direction. Direction is set by defining a general intent and usually involves being clear about top-level attributes that the business intends to acquire, such as its purpose, vision, mission, values and goals.

There is often confusion regarding the terminology – or language – associated with strategic management and it might be helpful to make a distinction between some of the terms used:

- **purpose**: the very *raison d'être* of the business, why it exists

- **vision**: an image of what it is like to have arrived at where the business wants to be

- **mission**: an expression of what this vision means in practice

- **values**: the espoused beliefs that underlie the way in which the business is managed and therefore will drive decisions and behaviour if they are consistently demonstrated and reinforced

- **goals**: the top-level targets like growth, profitability and market ranking or share

Another important aspect of strategic management is the concept of "adding value", since this should underpin everything that the manager does. The term is frequently used by managers and management theorists but there is often a lack of mutual understanding of what it means and what managers can do to achieve it.

"Adding value" is about selecting strategies and processes whose outcomes will significantly increase the organisation's ability to differentiate itself from other, similar organisations, and thereby enhance its progress.

Managers can follow three steps to ensure their activities are adding value to the organisation:

- **align**: point people in the right direction;

- **engage**: develop their belief in and commitment to the organisation's purpose and direction;

- **measure**: provide the data to demonstrate that improved results have been achieved.

These three considerations should be at the forefront of the manager's mind when deciding which activities to pursue or which coping strategies to adopt at any point in time.

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Activity 4: Aligning

If you are employed currently, to what extent does your manager/management team "add value"? Note your thoughts under each of the three steps, below. (If you are not currently employed, think about a previous manager or ask a family member about their experience at work.)

Align (point people in the right direction)

Engage (develop their belief in and commitment to the organisation's purpose and direction)

Measure (provide the data to demonstrate that improved results have been achieved)
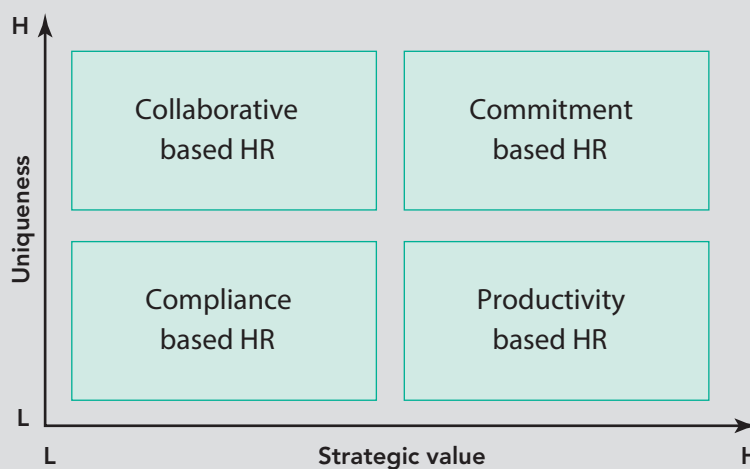
Source: Adapted from Lepak and Snell (1999)

Figure 1: HR architecture model

Lepak and Snell (1999)[41] offer a good model that can be used to identify the different types and levels of HR which can be offered. They proposed an HR architecture model, arguing that, as different kinds of human capital exist in different organisations, HR will vary in importance according to a firm's competitiveness, and thus the HR practices used to manage that human capital are also likely to vary. Depending on the level of strategic value seen in an HR department and the level of uniqueness there will be four broad types of architecture.

- **Collaborative based HR**: When uniqueness is high but strategic value is low, this is the type of HR which is often associated with working together with other departments to help achieve organisational success. It is often linked to close working with employees and other stakeholder groups.

- **Compliance based HR**: With low uniqueness and low strategic value, this is often a type of HR which is about ensuring that policies and practices are complaint with the law, but might not be new or fresh in line with other businesses.

- **Productivity based HR**: Low in uniqueness but high in strategic value, this is often about ensuring that the business performs well, but with less regard for creativity. The importance here is on doing well.

- **Commitment based HR**: This is often seen as the box to be in, because not only are policies and practices unique and creative, there is a high value placed on the strategic nature of HR and it is seen as a core business function.

The thing to take from this model is that these assumptions of how HR departments are built around strategy will vary from firm to firm. No business is the same and acting forces in the business environment (as well as internal forces such as leadership, structure and culture) will often dictate how the HR architecture is designed.

HR strategy process: how strategy is developed and who is involved

Before developing a strategy, the HR function reviews the forces which could potentially act for and against them. This will include things such as changes in employment law, demographic changes and the government's political stance. In doing this the organisation might well carry out **SWOT** and **PESTLE** analyses. The organisation needs to use its analytical tools to answer strategic questions, such as those that follow.

- Are we targeting the correct market?
- Is the market likely to grow or decline in the future?
- Do we need to expand into other markets?
- Do we have the staff to operate in this market?
- Will they need to be trained or developed further?

When an organisation considers these questions, it is important for the organisation to think about its overall purpose and whether or not the strategy needs to be changed or altered in any way. An organisation can begin to alter its strategy via a mission statement.

As the job market changes and evolves, there is a changing need for certain roles or even the creation of new ones as well. It is important to consider this as the business environment will rarely stay static. One of the ways that this purpose can be recorded is in a mission statement. According to Mintzberg (2003)[42] in his text *The Strategy Process*, the mission is a description of:

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41 Lepak, D.P. and Snell, S.A. (1999), "The Human Resource Architecture", *The Academy of Management Review*, Volume 24, Issue 1 (January), pp. 31–48
42 Mintzberg, H. (2003), *The Strategy Process*. UK: Pearson Education

> *" The organization's basic function in society, in terms of the products and services it produces for its clients. "*

It is important to review that basic function – because any move away from that basis for the organisation must be thoroughly justified. It might be justifiable, for example, if the organisation had a specific product line that needed a certain skillset. With the ever-changing of pace of technology, nobody needs Search Engine Optimisation engineers, but because of the rise of search engines such as Google, placing your business online and keeping it at the top of the list is very important. This means that recruitment and selection processes, and job requirements have changed. This is also the same in the regard to the ways in which organisations are changing in line with the workforce demands and expectations. The rise of the gig economy, flexible working and transition from job to job, means that there is a changing skill requirement for the workforce. As a result, HR strategies have to alter too.

HR strategy implementation

Once a business has decided upon the strategy that it is going to select, it is important for the information to be shared with staff and stakeholders. They should be clear about the direction of the business for which they work.

Each of the departments or functions in a business should also feed into this strategy and as a result, be congruent with the rest of the wider organisation – this leads to strategic fit.

Communication is also very important at this stage. Staff seeing senior managers but not being told any information can be very worrying. It is important that communication is strong and is shared with all members of staff.

Line managers play an important part in the implementation of HR strategy. At a board level, HR directors and other people will devise the plans, but it will be the line managers and employee-facing individuals that will be involved with it on a day-to-day basis. Table 1 shows the difference between the two levels.

Activity	Strategic board level	Line manager
Recruitment and selection	Planning head count for next five years	Conducting telephone or face-to-face interviews
Performance management	Designing new policies on how people will be performance managed	Conducting annual reviews and monthly catch-ups
Employee relations	Designing new policies on how employee relations will be conducted	Dismissing, terminating or hearing grievances; attending tribunals

Table 1: The role of line managers compared with the board level

REVISION *on the go*

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Activity 5: Role of the line manager

Discuss the role of the line manager with a study partner, if possible. Then use the space below to write the key activities and responsibilities.

Naturally, the role of the line manager is very different from that of a board member, yet it is still important with regard to strategic implementation. It is critical that it is done well, as it can impact on turnover and relations between companies and employees, as well as on brand image and reputation. It is safe to say that the relationship between line managers and HR has often been problematic, because HR were often seen as being "out of touch" with the business. However, with the growth in popularity of SHR, the boundary is blurring and relationship between the two groups is growing.

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Activity 6: Role of the line manager (2)

Consider how organisations can manage the tension between devolving too much responsibility to line managers and not giving enough. What do you think can be done? Note your thoughts here.

So the relationship between the line manager and the HR function is important; Gratton and Truss (2003)[43] highlight this in a theoretical context. Their three-dimensional model of people strategy model, available on page 77 in the following article: http://www.bus.tu.ac.th/usr/sab/Articles_pdf/Research_Articles/SHRM_Lynda_web.pdf, suggests that there is a vertical and horizontal link between HR and other people in the business. The vertical link is the relationship between the HR function and the business strategy. The horizontal link is the link between the policies and the implementation of the policies. The authors argue that simply having a strategy is not enough – it needs to be strategically and correctly implemented in order for it to be successful.

In many ways, this is where the positive link between HR and line managers really comes into play. If their policies are designed well and well implemented, there is a strong chance they will lead to enhanced success.

3.2 The implications of contextual factors on the choice of approaches to HR and HR strategies

Contextual factors

External situational factors

There are a number of situational factors that affect an organisation's ability to follow certain HR strategies, these typically include the characteristics of the workforce and labour market, the organisational culture and the social context (Table 2).

Situational factor	Implication for SHRM and its objectives
Workforce and labour market	The sector the business operates in; whether workforce is unionised (or not); skillset of the workforce
Culture	Whether there is an inclusive culture or not; the ability of managers and leaders to communicate their vision and aspirations
Social context	Ability of staff to become engaged; social settings outside of work; group cohesiveness

Table 2: Situational factors

Workforce and labour market

As Table 2 shows, the skillset of the workforce and the level of its union representation will naturally have a major impact on the way in which SHRM is delivered. There would be little point in designing a complex learning system for an environment that does not need it, therefore, it should always be contingent on the business and the people within it. The same would apply

43 Gratton, L. and Truss, C. (2003), "The three-dimensional people strategy: Putting human resources policies into action", *Academy of Management Executive*, Volume 17, Issue 3, pp. 74–86

for a heavily unionised environment: here some level of joint consultation with a representative would need to go into decision-making. In addition to this, there are also the growing issues of high-skill employees and how to develop them further, and the training needs of individuals with lower-level skills. SHRM may also offer the workforce enhanced educational opportunities (e.g. extra training).

Organisational culture and social context

Organisational culture is a collective noun for symbolic, learned, work-related actions, which is used to define how it feels to work for a business or organisation. The most important part of organisational culture, and whether it impacts the delivery of SHRM, is whether or not senior managers and leaders believe in it and filter the values and beliefs down through the business. Of course, there should be a culture of upward communication as well, but this should mainly be managed from the top. If the culture of the business does not include HR in the core business activities, this will impact on the ability of the firm to implement policies and practices which may lead to improved organisational performance. It is therefore vital that the culture is one that believes in HR and is a place where voices can be heard and where communication is open, friendly and transparent.

In order for the culture to work in favour of HR and the strategic elements, the business needs to actively promote the ability of employees to become engaged in the workplace and to have their voice heard. Because of the changing dynamics of the workplace and the expectations of **Generation Y and C** to be more engaged in the business, this aspect of organisational culture will become increasingly prevalent in the future.

The forces shaping the HR agenda both internally and externally and how these impact on choices made

International speed of expansion

The rate at which countries grow can be seen to be a significant force which shapes the HR agenda. Brazil, China and other countries would certainly fit within the category of developing country. Businesses need to keep pace with this force, because as competitors move into fast-developing economies, such as Brazil and China, other organisations may scramble just to keep up. In doing so, they put pressure on the HR function to not only recruit staff according to the strategic plan, but to also prepare and carry out the normal HR activities which are expected of the department. These strategic plans include recruitment, selection and development.

- Demographic trends and changes in the labour market have led to a less homogeneous workforce, which has emphasised the need for fairness in selection.

- With the increased demand for working on a flexible basis, HR professionals have had to reconsider some of the selection processes. The emphasis is now on behaviours and attitudes rather than the job requirements which are associated with the job role.

- The link between corporate strategy and HRM has led to the notion of strategic selection – a system that links selection to the overall organisational strategy and which aims to match the flow of personnel to emerging business strategies.

Internal constraints

The ability to develop strategy

Developing a successful strategy is a skill, and not all senior management possess this skill. Some are too cautious; some are too ambitious. Some do not give sufficient attention to detail; some

do not carry out a full analysis of the information that is available. It cannot be presumed that an appropriate strategy will be developed just because senior management is involved in the process.

Organisational culture

The contingencies of cultural context can have powerful effects on the way the strategy is formulated and applied in an organisation.

Social legitimacy

Aligned to cultural context is the notion of social legitimacy. Employees may choose to exercise sanctions against employers who try to introduce strategic change that goes against certain accepted social norms which may either be held by individuals or held collectively by, for example, trades unions. Other aspects of an organisation's social legitimacy include its impact on the natural environment and immediate social context/setting.

Organisational capability

As well as the ability to actually develop strategy (as mentioned above), an organisation needs several other core strengths. These can include the ability to design, lead and implement change, the capacity to respond flexibly (and often rapidly) to the demands and pressures of a range of stakeholders such as customers, shareholders and suppliers, and the ability to respond at the same time to the influences of a range of other external bodies such as the media, industry regulators and national/international law-making agencies.

Organisational design

According to Mohrman (2003)[44], the design of an organisation is:

> " *the process of purposefully configuring elements of an organization to effectively and efficiently achieve its strategy and deliver intended business, customer and employee outcomes. The resulting configuration is the organization's design.* "

In this context, an appropriate and effective organisational design can be assumed to be integral to an organisation's ability to construct and deliver its strategic objectives. Conversely, an inappropriate or ineffective design can be a constraint to an organisation's success in both the construction and delivery of its strategy.

Not seen as worthwhile

Some management teams do not see the point in developing strategy, often explaining that they are too busy to take time to sit in meetings discussing such things. However, an organisation without a clear direction is likely to struggle at some time.

The implications of organisational structure on HR strategy and practice

This is an important feature to consider. We looked at the different types of structure and their impact earlier, but, taking on board some of the examples we mentioned, a very tall and

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44 Lawler, E.E. and Mohrman, S.A. (2003), "HR as a strategic partner: What does it take to make it happen?", *Human Resource Planning*, Vol. 26, Issue 5, pp. 15–29

bureaucratic organisation may be very slow in implementing new policies and practices. In contrast, a learning organisation is a flatter, more organic organisation and is probably quicker to respond to challenges and quicker at making decisions as to how practices and policies should and can be statically aligned. In this sense, getting the structure that follows the strategy right is very important. Get it wrong, and you can imagine the consequences.

Linking this final section back to organisational structure, and using Ulrich as benchmark, it is possible to suggest that a lot of HR functions have transitioned from a reactive personnel mentality to a proactive strategic approach over the years. It might be said that it is a natural progression from one stage to another, but there are fears that it may not have had the original impact on integrating HR that Ulrich envisioned. This does not mean that strategic HR has failed, but there are questions over its utilisation and whether HR can be as proactive as it would like to be, and whether or not HR still has many of same issues common to personnel management. It also brings up the question of how a business is structured and what impact this has on SHRM.

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Summary

Whilst defining HR strategy in more detail in this chapter of the study guide, the emphasis has very much been on the ability to understand the concepts and the forces that are acting upon the HR function both internally and externally. It is vital to understand this, as the different forces can often lead to change in strategic direction. Planning is the emphasis here. With the rise of Generation C upon us, it will be interesting to map the change in direction within the field of HR and monitor the level of flexibility we offer the workforce of the future.

The Use and Application of a Range of HR Strategies to Improve Employee and Organisational Performance

Introduction

Every organisation wants to be successful. A huge part of a company's success comes from its employees and how this team is managed. This chapter will assess how HR strategy can be used in organisations and the impact that it has on both employees and the organisation.

Learning outcome

On completing this chapter, you will be able to:

4   Assess the appropriateness of a range of HR strategies and their application within specified organisational contexts

Assessment criteria

4   Assess the appropriateness of a range of HR strategies and their application within specified organisational contexts

4.1   Critically assess the role of HR in talent acquisition, development management and retention

4.2   Critically assess the concept of HR development (HRD) and its relationship with organisational success

4.3   Evaluate the approaches to managing employee relations and the factors influencing different choices

4.4   Appraise the contribution of HR strategies in managing organisational performance

4.5   Appraise the role of HR in promoting and facilitating successful organisational change

4.1 The role of HR in talent acquisition, development management and retention

Resourcing strategies

Selecting the right people to join the workforce is one of the most important decisions made within an organisation. With the growing emphasis on people as the prime source of competitive advantage, the ability to select and retain the best possible people has become even more important. The contribution of effective recruitment and selection to enhance business performance is supported by the findings of empirical studies. For example, a study by Patterson et al. (1997)[45] into small and medium-sized enterprises found that the recruitment, retention and development of people through the use of sophisticated selection, induction, training and appraisals had a positive impact on productivity and profitability. In a strategic capacity, SHRM activities such as resourcing should always add value.

Planning

Human resource planning is the process of determining the human resource needs of an organisation and ensuring that the organisation has the right number of qualified people in the right jobs at the right time.

Put another way, HR planning is a system of matching the supply of people, both internally and externally, with the openings the organisation expects to have within a given timeframe. HR planning is an important process since the long-term success of any organisation ultimately depends on having the right people in place when they are needed. Organisational objectives and the strategies for achieving those objectives are meaningful only when people with the appropriate talents, skills and motivation are available.

HR planning consists of four basic steps:

1   determining the impact of the organisation's objectives on specific organisational units;

2   defining the skills, expertise and total number of employees required to achieve organisational and departmental objectives;

3   determining the additional HR requirements in the light of current human resources;

4   developing action plans to meet anticipated HR needs.

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45 Patterson, M., West, G. and Lawthom, R. (1997), *Impact of People Management Practices on Performance*. London: CIPD

HR planning involves applying the basic planning process to the human resource needs of the organisation. To be effective, any human resource plan must be derived from the long-term plans of the organisation. Consequently, the success of HR planning depends largely on how closely the HR department can integrate effective people planning with the organisation's business-planning process. Unfortunately, the link between the two is often inadequate, or even non-existent.

Retention

As previously stated, a vital part of resourcing strategy is to ensure the organisation retains the talent it needs to ensure long-term sustainable performance. Organisations need to continuously evaluate the turnover of employees within the organisation and determine whether this has an impact on the delivery of the overall aims and objectives.

When analysing retention and turnover, effective HR practitioners need to have insights in terms of the strategic organisational context, including the industry and professions involved. For example, it could be that the organisation may favour "healthy" turnover to bring in current ideas and/or a new way of working. For certain positions, the organisation may be using casual and/or temporary labour, which, although not ideal in terms of retention, does provide an effective strategy for filling certain positions.

Factors to consider when analysing turnover include the direct costs of replacing an individual:

- recruitment costs – advertising, arranging interview panels;
- cover, overtime and agency costs – whilst waiting for the new employee to start;
- induction and development – inducting the recruit, enhancing their skills;
- resignation costs – payroll and pensions.

Some potential approaches to retaining and building talent management

There are a number of activities and approaches that can be taken to build talent management effectively in a SHRM setting:

- improve induction – set the tone from the start;
- develop managers' people skills – makes for a better working relationship;
- increase learning and development opportunities – developed people prefer to stay;
- improve involvement – gives employees a say in the future of the business.

Other approaches (which all have their strengths and weaknesses) that can be considered for retaining talent include:

- improved pay/benefits;
- coaching/mentoring/buddy systems;
- improved work–life balance practices;
- customised career paths.

Contribution and best practice

The contribution of resourcing to the long-term achievements of SHRM is vital. Making resourcing a more effective process can create significant gains and possible in-roads to enhanced commitment. The best practice approach would suggest that the above listings contribute towards this effectively. However, what will usually happen is that organisations will take these concepts and mould them to the business setting in question.

Concepts of employer of choice, branding and employee value proposition

Table 1 summarises each of the three core areas for this for this section, to illustrate the characteristics, practices, benefits and issues involved.

Key concept	Characteristics and practices	Benefits	Issues
Employer of choice	Shows that the business is a leading organisation to work for	Makes recruitment much easier	Can be difficult to achieve
Branding	Sets the image of the business and demonstrates the culture	Portrays the business in a positive light	Sometimes the brand image fails
Employee value proposition (EVP)	Set of benefits that an employee can expect in return for bringing certain skills to the workplace	Measures the feelings within the workplace towards work	Often used in manipulative ways to promote a positive image like social responsibility, covering up negative actions

Table 1: Employer of choice, branding and EVP

An employer of choice is a business which is a preferred place to work within the marketplace. This might be to do with benefits, leadership ability, staff morale or career opportunities. It is likely that the business has a positive image and brand reputation, which also attracts likely candidates. Part of an effective recruitment process is to brand the business image, portraying it in a positive way. Tools such as the *Times* list of 100 best places to work, for example, are one way of doing this. However, even newer tools such as Glassdoor are now being used by employees or prospective employees to ascertain if the potential new place of work projects itself in a positive way. The impacts of this on HR policies and practices are massive, as many businesses will not be set up or prepared for this type of interaction. The use of organisational branding (promoting the organisation's image), using tools such as corporate social responsibility (CSR) or **organisational citizenship behaviour (OCB)**, can help to project a positive image of a workplace to assist in the process of recruiting likeminded people. Aspects of a workplace that will seem attractive to potential employees include:

- share-ownership or profit-sharing schemes;
- sophisticated employee involvement schemes;
- mechanisms by which employees can take responsibility to determine their role and future career development planning in alignment with organisational aims and objectives;
- continuous development and specific discussion of individual **psychological contracts**.

Employee involvement typically concerns positive initiatives for gaining further commitment and generating ideas from employees. At its most basic level this could be a top-down approach, where management communicates information downwards. However, a more open and collaborative approach might involve initiatives to open the communication channels upwards (e.g. staff surveys, focus groups).

✎ OVER TO YOU

Activity 1: Expedia

Watch the following YouTube video and write down five possible benefits that would attract you to work for online travel firm Expedia in your home country.
www.youtube.com/watch?v=_5-IbMZiB-E

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✎ OVER TO YOU

Activity 2: Best place to work

Research online to find out which organisation is considered to be the best to work for in your home country. Write five key benefits of working for them in the space below.

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Employee value proposition

The concept of EVP focuses on the rewards and incentives offered by management in return for the level of effort and performance that employees can provide.

Therefore, employers need to consider an employer charter that meets expectations through an EVP. This may include a commitment to:

- measuring and providing feedback on employee attitudes and views;
- involving employees in how to formulate strategies based on these views;
- conducting an impact assessment on current people management and development policies, and their impact on engagement levels;
- providing employees with opportunities to feed their views upwards;
- informing staff of current and future **organisational developments**.

Once again, there is nothing strictly wrong with an EVP, but often like OCB and CSR they are not always used fully or for the correct reasons. Is there anything wrong with forming an EVP? Most definitely not. But they can be far more effective if they are strategically aligned to the business aims and objectives.

✏️ OVER TO YOU

Activity 3: EVP – L'Oréal, France

Click on the following link, read the post and then write down five things that make this EVP special.

http://linkhumans.com/blog/loreal-employer-value

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4.2 The concept of HR development (HRD) and its relationship with organisational success

Defining HRD, its contribution to SHRM and components

Human resource development (HRD) is the mechanism by which training, development and learning are offered and delivered to the workforce. The concept explores the nuts and bolts of how this is achieved and the inputs which are required to undertake it.

Although this is a comparatively old definition, The Manpower Services Commission (1981)[46] states that HRD is:

> " *the growth or realisation of a person's ability, through conscious or unconscious learning. Development programmes usually include elements of planned study and experience, and are frequently supported by a coaching or counselling facility.* "

So, does having effective HR practices mean that a business will be more successful? Surely, if the HR department is effective in all the ways that you will learn about as you complete your ABE studies, then it must have some positive impact on the organisation?

In early 2008 the new Terminal 5 was opened at Heathrow Airport near London in the UK. This long-awaited terminal was to be for the sole use of British Airways. The latest technology had been used, and it was expected that the new terminal would allow customers to move through the various stages of check-in and security quickly and efficiently. Unfortunately, the opening was a disaster! Find out about this event in the following case study:

📄 CASE STUDY: BRITISH AIRWAYS

London Heathrow Airport, Terminal 5

A good case study of the impact of a lack of staff training is provided by British Airways and the opening of Terminal 5 at Heathrow Airport, in the UK. Watch this short YouTube video, a news report from the UK broadcaster ITN, and write down some notes for Activity 4. Think about training and development as you're watching it.

www.youtube.com/watch?v=uh4Q_gfMf2E

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46 Manpower Services Commission (1981), *Glossary of Training Terms*, 3rd Edition. London: HMSO

✏️ OVER TO YOU

Activity 4: EVP – British Airways Terminal 5

In response to the YouTube video in the British Airways case study, write down what training and development activities would have helped this situation and might prevent other issues like this in the future.

We can conclude that HRD is a significant element of effective SHRM, and, without it, staff cannot be developed further. Was HR present ensuring that the staff had appropriate training and development? Did it ask for training and development to take place, was it ignored? British Airways certainly encountered problems that day and this is an excellent example of the link between effective people management and business success. Clearly there were errors, and the result was a failure.

Organisational development versus individual development, knowledge management

In the early 1970s, Boydell carried out research which suggested that there are three principal areas of learning within a business:[47]

- **organisational development (OD)**;
- individual development;
- **knowledge management**.

Naturally, each of these components has an impact on the way in which strategy is deployed and delivered.

Organisational development versus individual development

This may seem a complex concept but it is quite straightforward. Organisational development, often based on ideas from behavioural and social sciences, involves looking at the business as a collective whole. If there are problems that need to be addressed or interventions that have been suggested then an OD specialist might visit the business as a consultant to try to diagnose wider, bigger issues and fix them via people-led change. On the other hand, individual development or learning is development which focuses solely on the employee – so things such as career development, coaching, mentoring, appraisals, skills development and so on are all part of this activity.

Knowledge management

Knowledge management is the process by which information is shared and used within a business. It is also about how information is given to new employees and how it forms part of their learning. Any organisation that helps individuals learn to be better employees will always perform better than those which do not. Knowledge management was established in the late 1990s as the business environment began to change. It is said to make businesses more effective and efficient. It is also about managing knowledge within the business (such as intrinsic knowledge, which can be lost if an individual employee leaves the business) and also knowledge sharing (to ensure that knowledge is where it needs to be, avoiding duplication of effort). It follows the idea that knowledge has a value.

Organisational learning (the learning organisation)

The learning organisation has a critical role to play within strategic human resource management. Essentially, a business that embraces **organisational learning** is one within which everybody is fully engaged in identifying and solving problems, allowing the enterprise to continually develop and grow whilst improving performance. The aim of such a business is to create a culture and climate which encourages experimentation and risk taking. Within this type of organisation, there is a high tolerance level for errors because it is often part of the culture to allow errors to happen. This therefore changes the dynamics within this setting for HR, because the role of HR and line managers is not to manage or micro-manage, but to create learning capability where employees are free to experiment. The process by which HR create learning capability involves allowing employees to make errors and discover what they would do differently as a result.

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47 Boydell, T. (1976), *A Guide to the Identification of Training Needs.* London: British Association for Commercial and Industrial Training

Following on from this, Senge (1990)[48] in the book *The Fifth Discipline: The Art and Balance of Learning Organisations* described the changes that a business would need to make to its managerial style in order to adapt to the often chaotic business challenges that a learning organisation would face. What has emerged from this is that there is no single view of what a learning organisation looks like; but they will typically have a team-based structure, and will empower employees and share information in an effective manner. We can therefore say that the principles of a learning organisation are that they:

- are flexible and dynamic;
- often operate with a team-based structure;
- encourage empowerment;
- are open and transparent;
- operate in a technology-driven workplace, which revolves around e-business and e-commerce;
- share knowledge using effective knowledge-management methods.

4.3 Approaches to managing employee relations and the factors influencing different choices

Employee relations

Functioning as a branch of SHRM, employee relations managers look out for the best interests of employees and assist employers with contract disputes and negotiations. Some organisations may have a unit dedicated just to employee relations, while smaller organisations may just delegate the tasks amongst the HR team. Employee relations introduce the HR tension of balancing the needs of business with the needs of employees. Employees are employed by the business, so the business needs must be satisfied.

Employee relations departments also focus on promoting good management practices and workplace behaviours, positive working environments and relationships, and on complying with HR policies and procedures. Employee relations is designed to assist individuals and departments in how to work through problems and differences to make the work environment more positive and enjoyable, and less stressful.

Aims and objectives

Employers need to manage relationships in the workplace to keep the business functioning smoothly, avoid problems, and make sure employees are performing at their best.

Employee relations managers facilitate communication between employees and employers – from private meetings to solve conflicts to formal announcements concerning changes to the workplace. Table 2 presents the key features of employee relations in regard to SHRM.

Feature	Associated activities
Grievances	Hearing grievances between employees and managers or other level employees
Conflict resolution	Dealing with conflicts between workers and mediating

48 Senge, P. (1990), *The Fifth Discipline: The Art and Practice of the Learning Organization*, Second edition. London: Random House

Feature	Associated activities
Unions/labour relations	Negotiating with trade unions
Development and enforcement of policies	Overseeing social media, sexual harassment claims, etc.
Benefits package	Managing sickness/vacation time, health care benefits selection, etc.
General morale and employee satisfaction	Ensuring that healthy, positive relationships lead to better productivity, longevity, and organisational success
"Open door" policies	Ensuring that employees have a place to go where they can ask questions about policies or file a grievance against another employee
Compensation	Conducting compensation reviews based on performance, longevity, etc.
Progressive discipline	Holding discussions with the employee about issues that may be causing them under-perform. Employee relations would also provide inputs into the design of a progressive discipline system and even facilitate disciplinary actions with management
Employee assistance programmes	Assisting employees who may need to seek professional counselling for emotional issues or substance abuse, for example. Organisations also may offer informational sessions about stress management and conflict resolution
Culture management	Developing and maintaining the organisation's culture based on input from all employees

Table 2: Features of employee relations

REVISION on the go

Perspectives on the employment relationship and their associated implications for the HR approach

Among the key elements that you should consider when reviewing employee relations in regard to strategic HR are the various perspectives on it and any implications they may have. Below is a review of the four common perspectives:

- **Unitarism**: The ideology that everybody within a business will share a common business goal. Within this approach, conflict is uncommon.

- **Pluralism**: A philosophy that assumes that an enterprise contains people with a variety of different interests, aims and aspirations. Pluralism is the opposite of unitarism and suggests that employees will have opposing views and approaches. Within this setting, conflict is usually common.

- Collectivism: Often associated with being part of a group, this approach is also used for collective agreement discussions, also known as collective bargaining and is used at local and national level agreements.

- Individualism: The approach whereby individual or collective agreements are made on a one-to-one basis and not as part of a group.

Source: Fox, 1974

Figure 1: Four common perspectives on the employment relationship
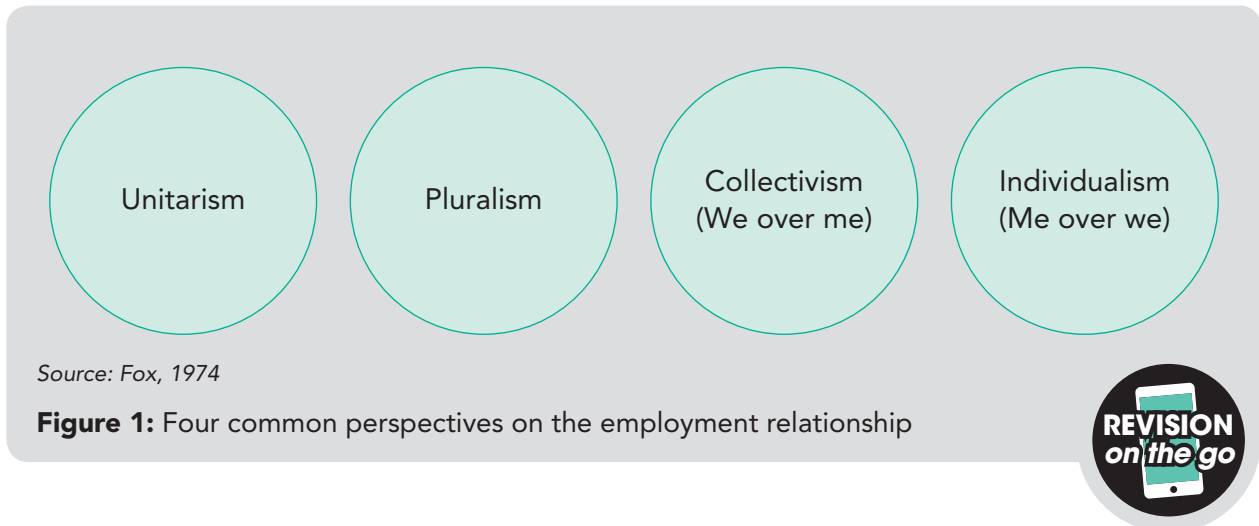
One of the key theories for this part of the module is that of Fox (1974)[49]. Alan Fox introduced what he called the "frames of reference" approach to industrial relations. Since then, the topic of industrial relations has seen very few, if any, truly significant theoretical changes. There is much debate, but Fox's (1974) theory, although it is subjective, remains valid. Fox suggests that there are two possibilities. The first is that employees work hard to achieve a common goal, and that those that do not may create conflict in the business. This is slightly subjective in nature, because it may not be as clear cut as this, and is open to various forms of interpretation.

Collectivism versus individualism

Collectivism is often the opposite of individualism and is the process whereby terms and conditions associated with employment are determined on a group basis. Collective agreements have long been associated with trade union activities and are now not as popular as individual agreements, a shift which is linked to the changing expectations of the new workforce.

Individualism is now more popular and is associated with the emerging flexible and dynamic generations Y and C, known for being on the grid 24/7. This generation of workers are not joining trade unions and don't require union membership to negotiate terms. As a result, individualism is increasingly common.

Employee involvement and participation strategies, including employee voice strategies

The subject of workers being more involved with their jobs is nothing new; in fact, the level of employee involvement (and even whether they should be involved at all) has been subject to debate for a number of decades now. Despite this negative perception, EPI is said to solve a number of the problems that probably exist among workers in most businesses around the world: worker dissatisfaction, employee relations, motivation, and morale at the workplace.

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49 Fox, A. (1974), *Beyond Contract: Work, Power and Trust Relationships.* London: Faber and Faber

Companies and organisations cannot be successful without their employees. Maintaining an involved workforce can give an organisation competitive advantage, as everyone is working towards the same goal. Management's attitude and outlook can impact employee involvement, and so it is important for managers and supervisors to place an emphasis on the organisation's goals and objectives. The following are strategies for improving and maintaining employee involvement.

Top-down and bottom-up

This strategy is commonly seen as the best method to involve employees on all levels. The theory is that management dictates the overall strategic direction but listens to feedback from the lower-level employees before making changes. This method can be conducted both formally and informally. When this strategy is executed, employees will feel that their voice and feedback are valued and that they can make a difference in the overall strategic direction of the organisation.

Employee voice strategies

The CIPD defines employee voice as the method by which employees communicate views on employment and organisational issues to their employer. It's the main way employees can influence matters that affect them at work.
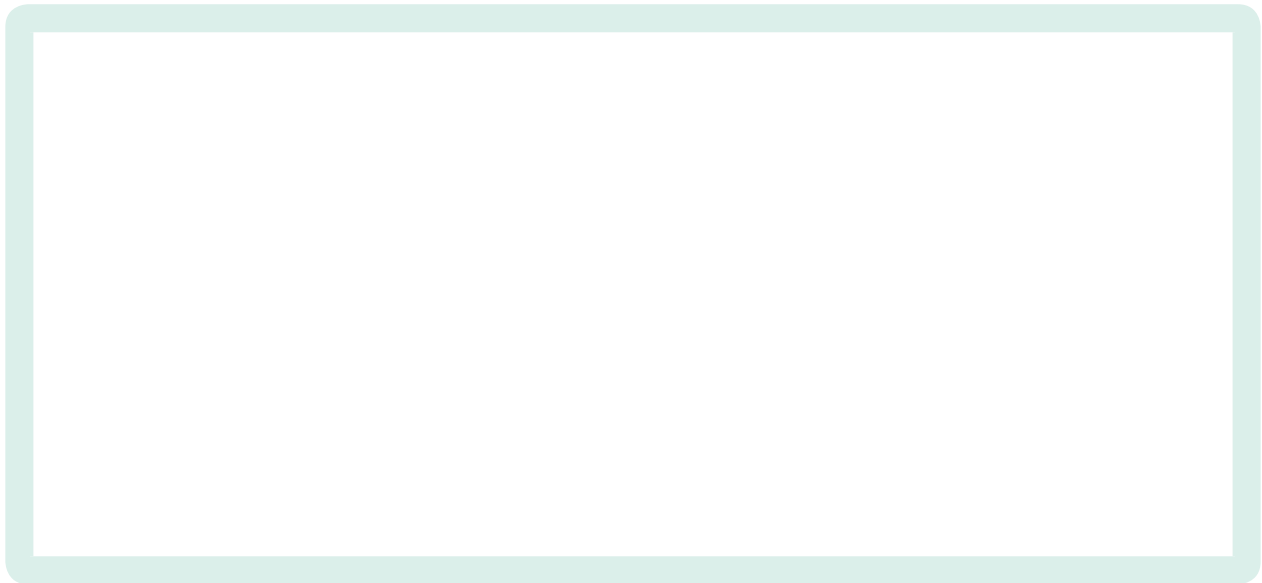
Organisations that value employee voice see significant contributions toward productivity and process improvement.

✏️ OVER TO YOU

Activity 5: Employee voice

Design a strategy to improve employee voice in your organisation. For example: an annual "hack-a-thon" to learn innovative ways to "hack" the workplace for improved productivity. Note your ideas here.

Employee engagement: meaning and types of engagement

Alfes et al. (2010)[50] explained that employee engagement has three core facets:

- intellectual engagement: thinking hard about the job and how to do it better (thinking);
- affective engagement: feeling positively about doing an excellent job (feeling);
- social engagement: actively taking opportunities to discuss work-related improvements with others at work (acting).

Alfes et al. identified the following main drivers for engagement:

- meaningful work;
- employee voice;
- senior management communication style and vision;
- supportive work environment;
- person–job fit;
- line management style.

Drivers of Employee Engagement (Crawford et al.)

Crawford et al. (2013)[51] list a number of different drivers of employee engagement:

- Job challenge – providing staff with a sense of development and a target which is difficult to achieve, but can be done. This ensures that the role does not become boring.
- Autonomy – management provide staff with the freedom to make decisions, but do not provide full control at the same time.
- Job mixture – ensuring that a variety of roles are available so staff do not become bored at work.
- Training and development – giving staff the chance to become trained in new line of work and be developed in new ways that may lead to promotion and higher salary.

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50 Alfes, K., Truss, C., Soane, E., Rees, C. and Gatenby, M. (2010), *Creating an Engaged Workforce*. London: CIPD
51 Crawford, E., Rich, B. and Buckman B. (2013), *The Antecedents and Drivers of Employee Engagement*. London: Routledge

HR's role in employee engagement

The first thing HR managers need to do is assess the current employee engagement profile of the organisation. To improve engagement, HR managers should work with management and supervisors to implement new strategies. Throughout the entire process, HR managers will need to monitor and facilitate these efforts to gauge how the engagement is improving. Human resources will also need to assess the situation to find out what is causing employees to become disengaged and will need to devise strategies to overcome this.

The ways in which engagement levels can be managed through resourcing, development, performance and communication strategies are listed below.

- **Intrinsic and extrinsic rewards**: Rewards need to acknowledge the work that employees do; for example, through a company newsletter or email (intrinsic) or a bonus/pay increase (extrinsic).

- **Resourcing**: To ensure accurate talent, skillset and personality fit in employees recruited for a department, HR should involve managers more within the recruitment process, applicants should be asked to highlight the relevance of their skills to the job, and there should be a smooth induction and onboarding procedure.

- **Learning and development**: Employees can benefit from role autonomy, tailored training, study support, flexibility of choice and the ability to work within different departments to gain an improved understanding of the organisation.

- **Performance**: There needs to be recognition of work achieved and flexible benefits.

- **Communication**: This should involve all levels, and could include an open-door policy, regular meetings with senior members of staff and electronic newsletters.

With technology always advancing, organisations are going to have to "keep up with the times". The next generation to come into the workplace will be **Generation Z**, also known as "click 'n' go"; organisations are going to have to adapt their working environments to accommodate for the generation divide/change. Some organisations such as Expedia are already altering their working environments with "nudge" notifications, flexi-home working, and gaming rooms within the office. This of course will cause strategic drift between those who are already established within an organisation and Generation Z employees, but clear communication of the above strategies by HR should ensure that employee engagement is maintained and the strategic drift should decrease.

4.4 The contribution of HR strategies in managing organisational performance
Definition and purpose, scope, process and approaches

Performance management (PM) is an ambiguous term that can be viewed and described in many different ways. Research into the links between HRM and performance is split into best practice, best fit and the resource-based view (RBV) of the firm.

Scope

The main critical limitation of all this research is that it fails to explain the relationship between HR practices, the individual and organisational performance. We do not know how and why a mix of HR policies and practices influence performance – this is known as the "black box" problem (Purcell et al., 2003)[52]. This requires specifying the HR causal chain and focusing on the effectiveness of HR practices by considering their impact on employee attitudes and behaviours. The model

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52 Purcell, J., Kinnie, N., Hutchinson, S., Rayton, B. and Swart, J. (2003). *Understanding the People and Performance Link: Unlocking the Black Box.* London: CIPD

suggests that it is the HR practices and how they are implemented that has the overall effect on performance, and the employee attitudes and behaviours have a key role to play in this. Therefore, it is seen that to "unlock the black box" companies need to be focusing on the employee to explain the link between HR and performance.

Therefore, the organisation's HR and PM strategy must support and reinforce the organisation's business strategy. The organisation's strategic objectives and goals must translate into departmental, team and individual objectives. In this way, the performance of employees is aligned with the needs of the business, and the employees have a "line of sight" between what they do and what the organisation seeks to achieve.

Process and approaches

Planning

In most modern businesses, there is an element of planning which is undertaken in advance of the introduction of the new process. This ensures that elements of the HR have time to prepare prior to involving employees. Performance management is a good example of where planning time is allotted before any employee is approached.

Here, the legal requirements would be considered, any forms completed, statistics collected, and a comparison made to last year's results. All of this requires some element of planning in advance.

Monitoring

Monitoring of results is a good indicator of how well the HR function is performing. It needs to be able to assess its development against KPIs and other forms of benchmarking, and strategically, this will also help with planning too.

Developing

In modern business, and strategic human resources, the development of staff is vital. In most cases, this can make the difference in gaining competitive advantage over rival firms. Generation Y and C comprise a group of workers who want to be developed. The time for "chalk n talk" environments has not passed, but the era of online, bitesize learning is upon us, and will no doubt prove popular in years to come.

Rating

This is an interesting area as, with the likes of Glassdoor, a website where employees and former employees can anonymously review companies and their management, now emerging, rating a business and what it is like to work there. Organisations cannot escape Glassdoor (or other countries' equivalents); if an older employee is unhappy or has left for various other reasons, they may post a comment about what it is like to work for that business. This is a trend that needs to be considered as it is growing in popularity.

Managing performance effectively

In recent years, there has been a massive shift in the way that performance management meetings have taken place. Booking.com now uses nudge notifications to send alerts to employees, Chip and

Skin inserts scanners under employees' skin to gain access to the front door of the office and Kayak. com now uses a 5-adjective appraisal process to conduct meetings! Change is happening, and it hasn't stopped there. The job of SHRM is now to keep pace with such changes and ensure that the business is staying ahead of the competition.

Strategies for improving performance at organisational, team and individual levels; maintenance, development or transformation

The use of formal and informal processes varies between organisations and therefore communication will also vary. More formal processes provide clarity and structure, consistency of treatment and fairness and look to minimise subjectivity and bias. Formal procedures and policies can be particularly important for inexperienced managers or those who lack confidence. However, they can be criticised for being complex and time consuming, inflexible and constraining to managers. Informal processes can provide more flexibility, promote personal communication between managers and employees, and allow issues to be dealt with more quickly. On the other hand, it is difficult to ensure consistency of treatment and avoid subjectivity and bias. There are a few suggestions as to how performance might be improved by working with managers, teams and individuals:

- supervisor feedback;
- formal programmes for skill development;
- tools such as department meetings, internal communications, excellence awards;
- effective communication;
- career-building opportunities;
- regular reviews and appraisals;
- 360-degree review processes.

Maintenance

The task of maintaining any change introduced to improve organisational performance, or indeed team and individual performance, is not an easy one. However, Cummings and Worley (2010)[53] suggest that one way to do this is by "sustaining momentum". Naturally, there will always be people who do not wish to be part of the development, but in most cases, the change is for their own good. As you will see in other sections, overcoming resistance is a key task for SHRM professionals.

Development or transformation

Each of these has different connotations. Development is more of a slow change over a certain period of time, whereas transformation is shifting from one state of mind to another. Depending on the situation, circumstances and the people involved, deciding which approach is best will require some input from management. Culture will play a role in this too.

53 Cummings, T. and Worley, C. (2010). *Organisational Development and Change.* USA: South-West Publications

OVER TO YOU

Activity 6: Improving organisational performance

Working with a study partner, if possible, select a particular business in a country with which you are familiar and come up with ways in which their organisational performance could be improved.

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Culture management

It is extremely important to consider PM in a global context, especially when working within multicultural and international companies. The growing internationalisation of business and increasing diversity of employees constitutes another argument for a "best fit" approach, as this approach considers cultural and institutional differences. A PM process developed in one country may therefore not be suitable for another. Most principles around PM are predominately US-centric. The US work culture is categorised as "individualistic" and it is a culture that typically prefers egalitarian-type decision-making.

Increased globalisation and the growth of multinational corporations mean that more attention needs to be paid across borders. Companies will need to make decisions around either creating local arrangements or having a global strategic approach to create a standardised worldwide format.

4.5 The role of HR in promoting and facilitating successful organisational change

When we consider the importance of HR being involved in business change, it is imperative that a number of areas are considered in advance. If HR is not involved from the beginning, this can have an impact on the way that change is carried out. When you consider the turbulent environment that we operate in as HR professionals, it is likely that some form of change is going to happen on a regular basis. However, that does not mean to say it has to be large scale all the time.

Areas that should be considered in advance include:

- Ensuring that the business meets the evolving customer needs;
- Becoming competitive in the marketplace;
- Ensuring that the business adheres to legal changes;
- Ensuring that technology is advanced.

Types of change

Organisational change

There is no doubt that change is complicated, but it is necessary. The focus of change has been on roles and people, but often it can focus on smaller impacting things such as policies and practices within a business. However, the better organisations will continuously evolve over time, and unless something major happens, slight change may lead to a more prolonged period of stability. It can be said, and strategic human resource management does apply here, that organisations that remain without change will only be left behind. HR therefore has a key role to play in organisational change.

Transformational change

Transformational change is that which is often large and significant. It is said that it often arises from dramatic changes in the business environment, a change in the competition, or a reaction to a crisis. Change which is associated with transformational change is often linked to technology changes. The US Postal Service and the way that they have adapted to new technological advances is a good example of this type of change. The use of paperless airline tickets and phone apps also illustrates the example well. It might also be to do with new product changes, a new structure, or learning and development.

Incremental change

An excellent example of this type of change is the Japanese company, Nissan. Japanese philosophy is very much focused around constant improvement instead of large radical change, and this is evident in the country's culture: for example in the traditions of "Kanban", "just-in-time" and "kaizen".

> ❗ **NEED TO KNOW**
>
> ### Types of change
>
> **Kanban**: a software system that helps organisations have a better overview of their supply chains, to achieve improved efficiency and lower levels of waste
>
> **Just-in-time**: a system that lowers waste by ordering in the parts that are required only when they are needed
>
> **Kaizen**: a Japanese philosophy which promotes "baby steps" towards change and continuous improvement at every stage of the process.

> 📄 **CASE STUDY: DELL COMPUTERS**
>
> ### Just-in-time case study
>
> Dell computers is one of today's best examples of the integrated enterprise. Dell has squeezed every cent possible out of building and selling computers by using the internet to integrate the supply chain, from purchasing to distribution. The company uses "just-in-time" to manage supplies. At any given moment, there are four days' worth of stock in their warehouses, compared to 24 days for Compaq/HP. In 2015, after reducing inventory costs, the system saved the company around US$50 million in the first six months. This is the power of the "just-in-time" system.
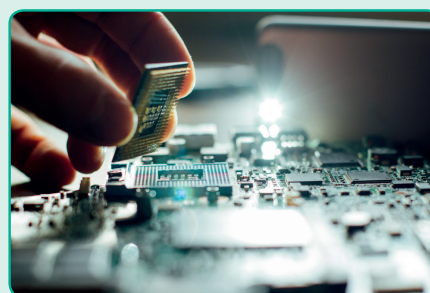
HR roles in change

Change is a part of life. HR must play a strategic role in change and we can see this via a number of case studies and models.

Alfes' (2010)[54] model is a depiction of the two main drivers of change within HR. The first driver is responsive change – this is a suggestion that change can be reaction to an event in the business environment. Change can also be change focused, which means that it is a result of a planned, prescribed change which involves a longer-term approach.

Hexagons labelled: **Change driver**, **Responsive**, **Change focused**, **Human resource focused**

Source: Adapted from Alfes (2010)

Figure 2: Change management

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54 Alfes, K., Truss, C., Soane, E., Rees, C. and Gatenby, M. (2010), *Creating an Engaged Workforce*. London: CIPD
©ABE

📄 CASE STUDY: LARGE-SCALE RESTRUCTURING

B&Q

B&Q is a DIY retailer based in the UK, and trading in UK and Ireland. According to the Telegraph newspaper[55] between 2015 and 2017, B&Q closed one in six of its stores, resulting in a considerable amount of job losses and restructuring.

When this sort of change is announced it will inevitably mean that the business's employees will be very fearful. Although there might be some guidance about which areas are closing, all employees will be concerned, worried that, even if their department remains open, they might lose their jobs if employees from other areas are moved in to work there. What is the role of HR in this process?

HR needs to ensure that there is a clear people plan for this change process. There will be talented people that the organisation wants to retain. So, HR needs to be managing the talent process to ensure that valuable employees are not lost (which will be difficult because the more talented people are likely to be sought out by competitors and offered new opportunities).

When the closure process is completed, what will the organisation look like? How many managers will be needed? What will happen to the existing managers that are not needed? Are there any new jobs that need to be created? What about head office support? How is that going to change?

HR is part of that planning process, but HR also needs to be involved at a far earlier stage. When the managing director first identifies that there is a need to restructure the business, HR should be part of the discussions to plan the solution, and to conclude that the closure programme is necessary.

HR will only be part of the discussion process if it is a respected function that works effectively within the organisation. If colleagues see HR as a "lightweight" function that does little more than administration it will not be invited to be part of the higher-level discussions. Therefore, the HR department needs to develop and transform, to ensure that it is fit for purpose and ready to be part of the organisation development discussions.

Managing individual responses

One of the strategic roles of HR is to manage individual responses when it comes to business change. Based on extensive studies of different reactions to bereavement, Elisabeth Kübler-Ross[56] postulated five stages of grief (denial, anger, bargaining, depression, acceptance), and this model has been adapted and adopted by many organisations to understand the sequence of reactions which individuals typically experience when confronted by change (Figure 3).

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55 The Telegraph (2015), *B&Q to close 60 stores* [online]. Retrieved from: http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/11505618/BandQ-to-close-60-stores.html [Accessed on: 25 November 2018]
56 Kübler-Ross, E. (1969), *On Death and Dying*. New York: Scribner
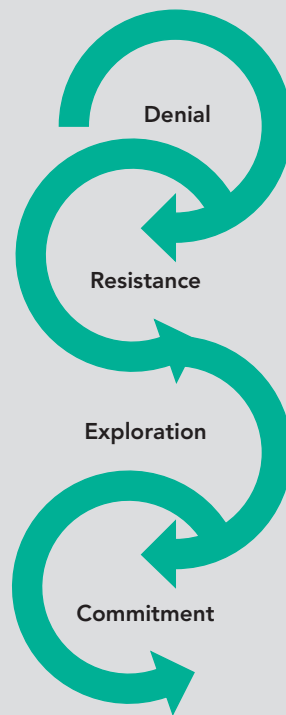
Source: Adapted from http://changingminds.org/disciplines/change_management/kubler_ross/kubler_ross.htm

Figure 3: DREC model of change

Denial

The denial stage is often associated with those members of staff who believe that they will not be affected by change. This makes it difficult for managers to carry out the change process as there is often significant resistance to the change process itself.

Resistance

Resistance to change is very common, and it is managers' responsibility to try and overcome it. There are many ways to do this, some of which may be described as "softer" approaches, such as education, learning and participation. However, softer approaches do not always work and sometimes the likes of negotiation and coercion may be needed in order to overcome the resistance.

Experimentation

This is the stage whereby employees start to think about the new change and how it might affect them. There is a general consensus at this stage, and there is typically a higher level of acceptance than there was at the beginning.

Commitment

This is considered to be a short-lived stage. Once the change has been implemented, and to a degree, accepted, the time at which there is commitment can pass very quickly. Managers' jobs therefore involve sustaining the momentum and carrying the change and motivation through.

Communication

This is an area where HR can make a fundamental difference – there is nothing worse than relying on rumours from someone else instead of being kept informed. HR and management should work together to ensure that communication is strong and is delivered in the way that it ought to be.

During the change process, the rules of communication change and it is often necessary to communicate:

- more frequently
- more informally
- often with incomplete information.

When questioned, staff will always have more responsive answers towards a change if it has been effectively communicated to them than if it has not. It makes sense – leaving people in the dark, unaware of any timelines or details breeds discontent. HR must communicate!

Managing contractual and political issues

There is no doubt that during change processes HR will become involved with contractual issues and business politics as well. This is something which must be dealt with effectively. There are a number of ways in which this can be helped.

1 Identify who has the power and influence in the business.
2 Understand who controls essential functions such as budgets and finances.
3 Understand and appreciate who the key stakeholders are.
4 Create a list of product knowledge champions.
5 Keep other departments updated on how SHRM adds value to them and the wider business.
6 Build an action plan.
7 Communicate strongly.
8 Build relationships and trust amongst others.

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Summary

In this chapter we have reviewed some further examples of practical activities within SHRM. Areas that we have discussed so far have included relations, change and resourcing. These are all very important to the SHRM function as, without them, successful SHRM would be difficult to achieve. It also goes to show the importance of HR understanding the business strategy in order to have the right people in the right place, at the right time, with the right skills.

Contemporary Issues Affecting SHRM

Introduction

This concluding chapter reviews some of the recent developments in the research surrounding human resource management including that which has been conducted by professional bodies. This is vitally important, as it helps to embed the prior knowledge which has been gained up until this point. It also offers you the chance to look at output from the Chartered Institute of Personnel Development (CIPD) and local trends, and reflect on what you've learned in earlier chapters from academics such as Ulrich. It is important that you research developments and changes in HRM in your home country, whether they have been locally or globally-influenced.

Learning outcome

On completing this chapter, you will be able to:

5   **Critically evaluate contemporary perspectives and debates on SHRM in order to develop insights into the changing nature of the profession**

Assessment criteria

5   **Critically evaluate contemporary perspectives and debates on SHRM in order to develop insights into the changing nature of the profession**

   5.1   Review and evaluate contemporary research and debates

   5.2   Analyse a range of contemporary issues affecting the practice of SHRM, justifying potential solutions and approaches

5.1 Contemporary research and debates

Recent developments in professional body research

Shift in the economy

Since 2012, there has been a massive shift in the ways in which HR operates. The increasing amount of HR analytics has been a major milestone in the strategic shift from HRM to SHRM. This has meant that HR interventions are now not only strategic, but are based on facts and figures. The idea of business flexibility is now huge, and organisations are ever focused on being agile and responding to customers in new and faster ways; HR is at the heart of this, training staff to be able to deliver exactly what is required. Conflicts in many countries, the fallout of the "Arab Spring" and the aftermath of the 2007/8 global financial crisis are among the factors that have changed the types of people in the workforce as well as the way in which we all work. New companies are emerging (such as Uber) and the rise of the gig economy worker is noticeable in many countries; there is growing unrest regarding the ways in which companies like Uber treat the people who work for them. In addition to this the changing nature of work and the changing expectations of the workforce mean that just keeping up with expectations is a full-time job for the strategic HR function.

In such cases, the HR function is likely to be low status and not have a great deal of influence in terms of business decision-making. In recent years, the debate on HR function has shifted to include things such as the changing needs of Generations C and Z and the impact of this upon the demographics in the workplace, and the increased use of technology at work. Other modern concerns include executive pay, the "fairer" workplace and demands for "fair pay"; the rise of the gig worker and industry disruptors such as Uber; zero-hour the contracts; changing psychological contract, and of course multi-generational workplaces. It is fair to say that the changes which have taken place since the global financial crash have been massive and act as a major force upon HR and, more importantly, strategic HR.

In many organisations, HR has successfully made the transition from "back-room to board-room" and is regarded as a key player with the ability to influence the direction of the business and a seat at the table when key decisions are made. However, what HR professionals can achieve in practice depends on how they are perceived within the organisation.

✏️ OVER TO YOU

Activity 1: The gig economy

Watch the following short video and note down five things that will change the way we work in the near future. What trends do you notice and predict for the future?
www.youtube.com/watch?v=zNLXqvPk2tU

The four types of professional action

There are four types of professional action carried out by an HR professional:

1 **Strategic**: The forward thinking, planning, dynamic HR professional seeks to gain advantage by being proactive rather than reactive.

2 **Executive**: The HR professional operates at a senior level in many organisations. Organisations that value the input of the HR professional are likely to have an HR presence at board level.

3 **Advisor**: The well-respected HR professional is sought out by line managers for advice on a range of issues. In some situations, the HR professional will get involved in solving the issues. In other situations, the HR professional will simply give advice. The HR professional needs to be well informed, able to communicate clearly and trusted to give sensible, accurate and valuable advice. This will encompass strategic issues as well.

4 **Administrative**: This is certainly an important part of the HR role. It is essential that the HR professional keeps accurate records to aid planning in the organisation, and to meet legal requirements. By doing this, the HR professional maintains the strategic position of the HR department, ensuring it is still deemed an important feature.

✏ OVER TO YOU

Activity 2: Skills

So, what skills does the HR professional need to have in order to be able to contribute effectively to the organisation?

✏️ OVER TO YOU

Activity 3: The rise of Generation Y

Nudge notification is one way a modern employer may notify you about things at work. Generation Y/C is said to prefer this to other means of employer communication.

Booking.com now uses "nudge notifications" to an employee's phone regarding HR aspects related to work. Watch this short video and discuss with your tutor or study partner, if possible, how you feel about such a development and what it means to you.

https://vimeo.com/128873380

Change in demographics

📄 CASE STUDY: OLDER WORKERS ACROSS EUROPE

EU study on the age of the working population

A study in Europe (Eurostat, 2010)[57] has shown the increasing level of diversity in ethnicity and age in the working population of states across Europe. It is an excellent study to investigate and will help you to understand how, on an international basis, the change of demographics may impact HR.

Read it here: http://ec.europa.eu/social/BlobServlet?docId=6824

✏️ OVER TO YOU

Activity 4: Demographic changes outside the EU

Read the following article and discuss with your study partner or tutor, if possible, what the reasons behind the differences may be.

http://www.telegraph.co.uk/travel/maps-and-graphics/nationalities-that-work-the-longest-hours/

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57 Eurostat (2010), *Demography Report 2010: Older, More Numerous and Diverse Europeans*. Luxembourg: Publications Office of the European Union

There is a tendency in Europe for the average worker to retire later than in previous decades because of changes in attitudes to health and, generally, people living for longer. In response to these changes, HR may need to focus on upskilling the current workforce, especially in relation to technology. A CIPD report which looked at the effects of an aging workforce showed that HR professionals may need to look at their health and wellbeing benefits and move towards a more flexible working approach (CIPD, 2015)[58]; for example, improved healthcare provisions may encourage employees to stay with a company for a longer period. One example is American Express, who have introduced "phased retirement" to help older workers to leave the company gradually, allowing them to pass on key knowledge to less experienced staff. This is an example of how the introduction of a new policy can benefit both the employer and the employees, creating vertical integration between the HR and business strategies. Flexibility will help those who may need to care for elderly relatives to stay in work so that companies are able to retain staff that want to stay in the organisation.

Globalisation

With technological advances, companies now have an increased ability to trade globally through a decrease in the costs associated with communication and travel. Globalisation has also increased migration and workforces have become more diverse. This has affected HR in several ways. HR may need to become proficient in hiring overseas and become more attuned to other cultures and ways of working. Communication with employees abroad will need to be aided by technology, which may require additional investment from the business. HR teams may also need to adapt employee contracts to enable greater mobility for their workforce.

Employment law changes

Employment law is not static and changes vary from country to country covering all aspects of the employer/employee relationship from pay to dismissal. Employers need to ensure that they keep up-to-date with changes that apply to their organisation and its workers in every territory in which they operate.

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58 CIPD (n.d.), *"Flexible working practices" factsheet* [online] Retrieved from: https://www.cipd.co.uk/knowledge/fundamentals/relations/flexible-working/factsheet [Accessed on: 25 October 2017]

In the UK, for example, the latest employment law changes have included an increase in the National Minimum Wage, gender pay gap reporting and the apprenticeship levy (CIPD, 2017)[59]. For companies with over 250 employees, details of gender pay gaps must be reported to the government and to their workers. HR professionals will need to ensure they are well versed in employment law so they can advise during any equal pay claims from employees. They may also have to prepare for a drop in morale and may need to provide support to those affected by the results. In Chapter 2 we discussed how employment law in North Africa, in Libya and surrounding areas differs to the law in Australia and China.

> ✏️ **OVER TO YOU**
>
> **Activity 5: Employment law**
>
> **Research employment law changes in your home country in the last five years and any current employment law topics being considered for change. If you have a study partner, discuss your research. Use the space below to write notes.**

5.2 Contemporary issues affecting the practice of SHRM; potential solutions and approaches

Issues affecting the practice of SHRM

It has been noted that SHRM is very much dependent on HR professionals being up-to-date with their field of knowledge, and their ability to appreciate HR as a major business asset which has strategic representation at board level. These issues, like many others, are mostly internal. However, what about other wider issues which might affect the delivery of SHRM? What are they and how will they impact it? Let us take a closer, more in-depth look.

Naturally, the areas that we provide here are not exhaustive in any way. There are probably many more factors that influence the practice of SHRM, but these are some of the most appropriate for this module (Table 1).

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59 CIPD (2016), *Employer views on the apprenticeship levy* [online]. Retrieved from: https://www.cipd.co.uk/knowledge/fundamentals/people/routes-work/employer-views-apprenticeship-levy-report [Accessed on: 5 October 2017]

Issues	Influence on delivery of SHRM	Effect on work–life balance
Diversity	The strategic nature of attracting, recruiting and retaining a diverse workforce	Can help to improve it as the workplace becomes a happier place to be
Cultural management	Whether there is or is not a culture of allowing SHRM to be part of the business	Improves it if carried out and managed in the correct way
Equal opportunities	Providing staff with equal chances to develop and flourish within a business	Creates strong work–life balance because it means that there are more opportunities for a wider range of staff
Downsizing	The impact of recent changes requiring the business to contract in order to adapt and develop	Can cause stress and anxiety as workload can increase with no more time made available
Mergers and acquisitions	Building the business and securing it for the future	Can duplicate roles and therefore impact negatively

Table 1: Issues and implications for SHRM

Whether or not each of these areas will be utilised to their full potential will naturally be dependent on whether SHRM can be delivered fully within a business. The level at which SHRM is deployed is contingent on the business and the position it is in.

Diversity

Recruiting a diverse workforce can make a significant strategic difference to performance. It does so because the workforce is inclusive and made up of people with different human qualities or who belong to various cultural groups. It brings in different views, adds value, shows that a company is dynamic in its approach and means there is a greater chance of strategic HR success. Further strategic implications might be that staff are less resistant to change and believe in the direction management are going. There is also a greater chance that fulfilling work will be offered, and generally people will be happier in the workplace. It is also a great opportunity to improve the quality of the work–life balance, and create a more harmonious place to work.

Cultural management

Cultural management is now far more important than it was before. Organisations must understand the prevailing culture of the country in which they operate and that of their home country as well. In many cases, before staff members are sent on international trips, they will be trained by HR on cultural awareness specific to that particular location. This is good practice, as it may stop any incidents happening that could otherwise be avoided. Organisations which have been known to do this rather well are American Express, FedEx and UPS.

Where a company has several very different business sectors, it will need to define the scope of operations for each sector. In addition, it must be recognised that the company's history (culture) will influence the mission along with several other elements. These elements will include:

- management desires – to enter or exit current business activities;
- the market environment which will influence decision-making;
- the availability of resources needed to enable the mission to be fulfilled.

The development of core competencies

There would be little point in a company framing its mission in an area where the environmental analysis gave limited scope for success, where resources were in short supply, and where there was little use for its current core competencies. Core competencies are very much an area open to debate when considering mission. In the 1960s, when vast conglomerates consisting of industries owning and managing very disparate companies were common, the argument was made that good managers had the right skillset to manage anything. Peters and Waterman (1982)[60] demolished this argument with their text *In Search of Excellence*, which has been held to be partly responsible for a few demergers (breaking up and selling off companies in industries that were non-core activities). In addition to *In Search of Excellence*, there is TUPE (Transfer Undertaking Protection of Employment), managing culture clashes and aligning pay and reward whilst managing change.

Mission statements are often not that effective because they are frequently a product of creative writing rather than a true translation of beliefs and values directed at the core activities. The creation of goals and objectives should be quantified and this simple rule can often go unnoticed when the mission is developed, especially if the development statement is passed to the creative team. Missions should be adopted and owned by the stakeholders, otherwise they become no more than slogans. Other activities which should be framed as part of the mission are managing the cultural clashes of merging organisations, alignment of reward and pay structures, and managing people through change.

Equal opportunities

According to the Equal Opportunities Commission, the term "equal opportunities" upholds the idea that all workers within an organisation should be entitled to and have access to all of the organisation's facilities at every stage of employment, including the pre-employment phase. Equal opportunities allows a business to be one that adds value, promotes a strong culture and projects a positive image, all of which help with the recruitment process and, naturally, the deployment of HR strategy.

Downsizing

Downsizing is often a result of strategic change in the business, whether this is as part of a planned strategic change or instead as a reaction to a situation in the business environment. Strategically, it can mean that people get made redundant, and jobs are lost, which is always a sad element of changing business dynamics. It can also make it harder to achieve a good work–life balance, can increase stress and anxiety and can impact the workload too because of people leaving their role.

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60 Thomas J.P. and Waterman Jr., R.H. (1982), *In Search of Excellence.* New York: Harper & Row

Mergers and acquisitions

Mergers and acquisitions are often a result of a strategic move by an organisation due to a volatile business environment which has been in existence for several years. There have been some very famous mergers, including the enormous and disastrous AOL–Times Warner deal in 2010. Sometimes, mergers and acquisitions can lead to joint ventures, but all too often, like downsizing, this results in workplace causalities because roles are often duplicated. In this instance, anxiety can increase and it can be problematic for work–life balance as well.

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- Eurostat (2011), *Demography Report 2010: Older, More Numerous and Diverse Europeans.* Luxembourg: Publications Office of the European Union

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Summary

There have been some major changes and developments to SHRM that have affected the way in which it is viewed and how it operates in a business. Changes in demographics (such as the rise of Generation C) bring a change in mindset too.

Glossary

Absenteeism When an employee is unavailable for work usually due to illness or family-related issues.

Balanced scorecard A system used to connect results with business objectives, typically through the mechanism of KPIs and other forms of business data.

Benchmarking Making a comparison between HR results in different departments of the business, and even other businesses. Usually a quantitative process.

Best fit This is a term which is associated with aligning resources and capabilities in the business in question. Policies and practices are moulded to the organisation rather than lifted and shifted from a text book.

Best practice An approach that assumes that HR policies and practices can universally be used in any business setting and there is one best way of doing things.

Brexit The withdrawal of the UK from the European Union.

Capabilities What the business can achieve with the resources at its disposal.

Collectivism A preference for being part of a group. In employment relations, a process of combining into unions or staff associations for negotiation with management.

Competitive advantage The process of gaining a higher position strategically than a competing business because of actions taken, resources gained or successful products.

Corporate Social Responsibility (CSR) The actions a business will take to promote itself as an organisation that puts ethical and social actions at the heart of its operations.

Diversity The goal of bringing together a group of employees from various cultural backgrounds. This in theory should increase ideas and integration of different people at work.

Efficiency In the HR context, the process by which an HR department will most effectively interact with key stakeholders and meet their objectives.

Employee participation and involvement (EPI) Providing opportunities for employees to take part in decisions that affect their work, either in their immediate job or in wider company issues.

Employee relations The HR function involved in dealing with the relationship between the main acting parties in the workplace – the employer, the employee and the employee representatives such as unions or social partners.

Employee value proposition The unique set of benefits that an employee receives in return for bringing certain skills to the workplace.

Employee voice (EV) The HR process whereby employees are given a chance for their views to be heard about issues important to them and their job roles.

Employer of choice An organisation recognised as a good place to work, which might be down to the benefits on offer, how people are treated at work or more pleasant working conditionsthan elsewhere. This can be a form of competitive advantage.

Generation Y and C The demographic segment which is known for being highly involved in business technology, working when required and off-site.

Generation Z The next generation of workers with a different approach to working, often associated with being on the clock 24/7 and being available when required instead of working a typical 9-to-5 shift.

Gig economy Short-term contracts or freelance work as opposed to permanent jobs.

Hard and soft HRM Hard HRM is a number-based, quantitative approach to managing employees, especially during difficult times. Soft HRM is about how employees are treated and may concern issues such as employee voice, engagement, participation and involvement.

Harvard map model This model focuses on the impact and consequences of adopting certain HRM policies. It shows that HRM function policies and practices can be influenced by situational factors and stakeholder interests.

Horizontal integration This refers to the degree of "fit" between the different HRM practices and the extent to which they complement or contradict each other.

HR business partner An employee who works in an HR capacity but sits in an operational function. The HR business partner is responsible for building support between HR and operations/other business functions.

HR strategy This is the strategic direction that an HRM function will take. It may include the future planning of resourcing (how talent management will be undertaken) and should be aligned to the business strategy.

Human capital management A process which assesses and reviews the value that the workforce adds to a business, usually by knowledge, skills and behaviour.

Human resource development (HRD) The mechanics by which training, development and learning are offered and delivered to the workforce.

Human resource management (HRM) This is a major business function which incorporates the management of people, resourcing, talent management and employee relations.

Incentive pay Additional pay which is often directly related to the performance of the business and/or the individual and can come in the form of a bonus.

Individualism A preference to work individually rather than as part of a group.

Intent The actions which the business plans to take strategically.

Kanban and JIT (Just in Time) Japanese methods of working which help to make the operations supply chain as efficient as possible.

Knowledge management This is the process by which information is shared and used within a business.

Organisational citizenship behaviour (OCB) Providing opportunities for staff members to volunteer and help the community in which they work.

Organisational development (OD) The process in which an organisation may go through a change to improve its organisational performance. It may involve bringing in an OD consultant.

Organisational fit See "Best fit"

Organisational learning An HR process that involves helping the business to understand new options which are available to them and learn new things about the market they operate in.

Organisational strategy This is the business grand plan: the top-level business agenda which is then transferred into department aims and objectives, such as the HR strategy.

Outsourced HR The process by which an alternative management team manage the HR processes and tasks. Considered to be a cost-reduction exercise.

Participation and empowerment The process by which an organisation allows employees to have a wider view of the business and allows employees to have a say in the decision-making and future of the company.

Performance management The HR process which is associated with helping employees to develop, but also to exit the business should their performance not reach the desired state over a period of time.

Personnel management An earlier form of HR which was considered to be reactive, non-strategic in nature and administrative in task orientation.

PESTLE An external analysis of the business which includes a review of the Political, Economic, Social, Technological, Legal and Environmental factors.

Pluralism The opposite of unitarism; the view that employees within the organisation will have different views and that conflict is inevitable.

Psychological contract The unwritten contract in an employee's and employer's mind about the expectations of behaviours, actions and professionalism at work.

Ratio analysis A numbers-based activity which can be used to calculate the relative performance of different HRM departments.

Resource based view (RBV) A model for achieving competitive advantage which focuses on resources as being key to the improvement of a company's performance. It looks at gaining competitive advantage by using existing resources to the best of the company's capabilities rather than looking externally.

Retention The task and associated activities of keeping employees at their place of work without them leaving for a job with another organisation.

Reward systems The mechanisms put in place by a business to pay employees. These cover basic remuneration, all bonuses and incentive pay as well.

Role bias The tendency for management not to refer to HRM on issues that they should and instead to use other sources of information to gain insight into their enquiry.

Service level agreements (SLAs) A service level agreement (SLA) is a mark by which the HR function will wish to achieve a certain result. For example, the SLA for responding to enquiries could be one working day.

Shared services A support team that concentrates on administrative activities moulded into a centralised and shared function allows for a greater focus on HR strategy.

Strategic human resource management (SHRM) SHRM is the process by which the business function becomes involved in long-term planning, becoming proactive and a

professional department which epitomises the desires of HR awarding bodies.

Stakeholder Person, group or organisation that has an interest or concern in an organisation.

Strategic capability plan An activity which is undertaken to prepare the business for a future desired stated by assessing its resources and abilities in advance.

Strategy A term used to suggest a future plan for an organisation. It can be short term, long term, planned or, in some cases, unplanned.

Strategy formulation The process of building an HR strategy by considering what will make up the plan and who will be involved. It may also involve deciding what type of strategy will be adopted.

Succession planning The HR activity which aims to build a future plan and blueprint of who will succeed when people leave or retire from the business.

SWOT An internal analysis of the business which includes a review of Strengths, Weaknesses, Opportunities and Threats.

The learning organisation One that allows and encourages mistakes to happen to allow the business to grow in the future.

Triple bottom line The measure against which a business will consider its ethical and environmental responsibility as well as its financial performance.

Unitarism The HR belief and assumption that staff in the business will have a similar vision for the future position of the organisation.

Vertical integration The links between HRM and the wider business strategy. It is the process of "top down" communication but can also be "bottom up".

Zero-hour contracts Flexible contracts that do not guarantee a set number of hours each week or month.