

Business context of HR

Student Name: Jessica Rees-Evans

Student Number: 1052038

CIPD Membership Number: 57493057

By signing below, I confirm that the work/evidence presented is my own, unaided work. I understand the regulations pertaining to candidate malpractice and the action that may be taken as a result.

Signed: Jessica Rees-Evans

Date: 19/02/2021

Qualification: CIPD Diploma in Applied Human Resources

Activity 1

Introduction

Within this report I will compare two organisations, Dow Silicones a large PLC, with Powys County Council, a public sector organisation. I will look at their business purpose, organisation structure and management roles and how this affects the HR function. I will go on to discuss more generally the role of HR in formulating strategy and how organisational strategy is formulated into HR strategy.

Comparison of Dow Silicones and Powys County Council.

Dow Silicones UK PLC are a large private sector commercial company, aiming to make profit by producing and selling silicone based product. They are owned by Dow Corning, USA and are listed on the stock exchange, therefore can issue shares and raise capital by sharing on the open market. They operate in a highly competitive global market. Dow has a mechanistic (Burns, 1963) organisation structure, bureaucratic and scientific with defined management and hierarchy. Roles are specialised and departments are clearly delineated (C. Roberts, 2016) however over the last two years some aspects have become more organic with the removal of some management levels and managers now having a larger number of direct reports with less direct supervision within production areas. Dow also operate some aspects of the flexible firm model (Atkinson, 1984) with a permanent workforce at the core, but also utilising agency and self employed workers, to bring in specialist skills, or to work to increase production output during busy periods, allowing for increased agility. Historically they have been heavily unionised, however during the last 5 years union membership has decreased.

In contrast Powys County Council are a large public sector regional government department, funded by the taxpayer and have elected MP, MEPs and councillors who “work together to make decisions which affect everybody who lives, works or visits Powys. They have overall responsibility for the work the council does - for its policies and how well it performs” (Powys County Council, 2021). They do not operate within the competitive market but due to use of public funding are subject to accountability to provide the best service within the defined budget. They are also structured in a mechanistic (Burns, 1963) way, hierarchical and organised by function with power and authority centralised. As above, this sector is unionised.

How business type and purpose affect the HR function.

Dow is a profit-making organisation and a higher tier COMAH site therefore many of the HR functions activities and policies are aimed at maximising output of production by its employees whilst ensuring safety and wellbeing. Examples include monitoring of employees via a clocking in and out system to ensure shift patterns are adhered to, and from a safety point of view to ensure we know in an emergency who is on and off site and a performance reward strategy which financially rewards employees who hit output KPIs whilst adhering to health and safety policies. It has one UK site with over 1000 employees, the HR director is based in the US head office in Michigan, HR Manager reports into them and oversees all UK HR, supported by HR officer, HR related administration work is completed by line managers. HR is strategic, focused on longer term decision making and supporting the achievement of key business objectives. It has a role culture (Harrison, 1972) reliant on rules and regulations and formal job descriptions and standard operating procedures. Powys County Council's purpose is to be responsible for and provide a service to the county. Councils tend to have large HR functions managed by a HR director who are prominent and influential members of senior executive boards who insist on good practice. (Taylor & Wilkinson, 2016) recent years have seen pressure on public sector

organisation such as this to reduce spend due to government deficit, resulting in HR functions dealing with redundancies, reorganisations, and recruitment freezes. They are also known to be bureaucratic, have less freedom in how they lead and cautious in employment decisions, keen to avoid employment tribunals as they are not in a position pay people off. Due to transparent national pay scales, people are not paid on performance, and there are fewer leavers to use to motivate staff (Taylor & Wilkinson,2016)

How different organisational structures and management roles can impact on the HR function.

Public, private and voluntary sectors all have different business context with some more effected by competitive intensity and other factors and therefore have different structures, management, and approaches to HR (Taylor and Wilkinson,2016)

Research suggests large organisations have moved from traditional personnel management to new HRM, Guest (1987) distinguishes between the two with traditional personnel management having bureaucratic, centralised, organisation structures with a short-term perspective, operating in stable market conditions, administration focused and driven by employer needs to treating people fairly. New HRM having flexible organisational structures, operating within a competitive market with change agenda driven by employer needs for competitive advantage in the market (Taylor Woodham, 2016, p 141-172) I would place Powys county council in the personnel management category, with Dow being more alike to new HRM.

Bardwell and Clarke (2007) identify 5 comparative models of personnel management and HRM, I have summarised these here using Dow Silicones and Powys County Council (PCC) The planning perspective, personnel such as PCC would be reactive and marginal to corporate plans and HRM model (Dow) would be strategy focused and central to the corporate plan. The people management perspective for personnel, (PCC) People are a relative cost subject to compliance and organisation control. HRM (Dow) view people as human capital. Employment relations perspective, (PCC) accept that self-interest dominate. HRM (Dow) Supports coincidence of interest amongst stakeholders. Structure perspective, personnel (PCC) impose control of staff from the top and control of information flows downwards. HRM (Dow) Promotes employee participation and informed choice by staff, with open channels of communication to management to building trust and commitment. Role perspective - personnel (PCC) management is specialised, professional and driven by personnel specialist. HRM (Dow): Integrated to line management. (Taylor & Woodham, 2016, p141-172)

Due changing contexts and developments of HRM and HR practices, key issues in contemporary HRM have emerged and affected nature and structure of HR functions, its links with performance, HR and line managers, outsourcing HR, ethics and HRM and HR

strategy resulting in many becoming more specialised and divided between Shared Services, mainly administrative and customer service focused, providing advice via intranet or call centre. Business partners who work with business units on strategic development, organisation design, business performance and change management. Centres of excellence who provide support to business partners, have HR expertise in areas such as employee relations develop detailed policies for corporate HR. Vendor Management providing third party services such as pension administration and Corporate HR which a performance role, covering the above and responsible for developing people strategy. Many now have a legged stool model (Ulrich,1997). Many organisations, Dow included continue to increase delegation of HR activities to line managers, CIPD (2020d) states the trend towards individualisation of the employment relationship has given line managers new burdens and opportunities, an example of this is Dow line managers determining individual pay increases.

The role of the HR function in formulating organisational strategy.

HR professionals work in complex, changing organisational contexts and need to continually scan their environments in response to external change. They need to understand and address the issues arising from this and try and manage them by developing and implementing suitable HR strategies and practices, for short, medium, and long term. Organisations are continually affected by external forces that require managers to adapt their internal organisational structures and behaviours to deal with them (Berger and Luckman, 1967 cited in Taylor & Woodham, 2016, p141-172)

To gain insight into external factors, a PESTLE analysis can be used to analyse the key factors (Political, Economic, Sociological, Technological, Legal and Environmental) influencing an organisation from the outside and use the results to guide strategic decision-making. (CIPD,2020a) Internal factors that need to be considered include social, financial, lay out, communication, power conflict, technology and culture which can be determined by analysing the cultural web (Johnson et al, 2012 via mindtools) stories, symbols, power structures, organisation structures, control systems, rituals, and routines. This is known as the rational / classic approach. An emergent / logical incrementalism is where a strategy emerges incrementally over time and the symbolic/radical approach is muddling through opportunistically (Taylor & Wilkinson,2016)

When organisational strategy is formed in a rational way, HR need to provide evidence-based people data to help inform the strategy. Developing a people analytics strategy based on primary drivers such as current and emerging workforce issues and measuring the efficiency and effectiveness of HR process / function / changing workforce requirements based on strategy and secondary drivers such as the HR agenda is key. (CIPD 2018)

Human capital is the largest expenditure within an organisation and HR need to connect important external factors to an organisation's human capital strategy including forces such as technology, automation making jobs more efficient. Demographics, preparing for millennials to enter the workplace and environment such as implementing sustainability programs. Phillips et al (2014)

According to Harvard Business Review (2015) HR need to fall in love with the problem rather than the solution to radically rethink HR, by immersing themselves and getting the big picture, spotting the valuable insight, getting a deep understanding of the business to enable them to seek out and take in the greatest management ideas.

How organisational strategy is translated into HR strategy and policy.

CIPD (2020f) believes it is too simplistic to suggest HR strategy stems from organisational strategy and that the two must inform each other as the way in which people are managed, motivated, and deployed, and the availability of skills and knowledge, should all shape the business organisational strategy.

HR strategies need to support the goals of the organisation, have an external fit with business strategies and be vertically (referring to the links between business strategy, the external contexts and HR policies and practice) integrated with them (Fombrun et al 1984, Guest 1987, Schuler and Jackson 1987, Pfeffer 1998) As well as external fit there needs to be internal fit between different aspects of HR strategy. The horizontal integration of HR means HR strategy needs to be highly compatible of its various elements and not cause conflicts. The greater the degree of vertical and horizontal integration within an organisation strategy the more effective its hr strategy is likely to be. (Taylor & Woodham, 2016, p141-172).

According to Phillips et al (2014) as Human Capital is the largest expenditure in an organisation, it is essential to have a human capital strategy linked to organisational strategy in order to achieve business goals. CIPD (2018a) believes that an organisation's strategy should be the primary driver of a people analytics strategy. HR must understand exactly what the organisation is trying to achieve in the medium to long term and determine what that is likely to dictate in terms of the optimum size/number of employees and shape/ skillsets of the workforce at each interval of the forecast period to quantify and qualify the gap between current and ideal future workforce profile, and devise short-, medium- and long-term interventions needed to close that gap. The outcome of this exercise should be a key input to an organisation's people strategy, which will in turn inform multiple people initiatives including succession planning, retention initiatives and recruitment strategies.

(Taylor & Woodham, 2016, p141-172) describes models that can be used to align HR and organisational strategy are contingency thinking model (Porter,1985) focusing on cost leadership, differentiation, and focus. Best Practice model, where whatever strategy the organisation adopts, the same basic HR practices need to be adopted to enhance the change of success (Pfeffer,1994, Huselid, 1995, Purcell et al 2003). Resource-based thinking model, based on inside out thinking, starting with an audit of internal resources and forming a strategy to protect and reinforce strengths (Barney,1991) for example by doing this HR may determine an employee who the organisation cannot function without.

HR need to help employees understand what the organization is trying to achieve, and what their purpose is in the vision, They are responsible for implementing and following the organisations strategy and vision, and to put organisational strategy into action a people strategy involving workforce planning needs to be devised, feeding information upwards on capability and capacity of the workforce to deliver and acting on forecast need for skills and capabilities to take the organisation forward by meeting their future skills needs and support long term business goals (CIPD, 2020f). To implement the strategy, they can hold workshops with employees to discuss, gather opinions and ideas, and communicate the strategy through induction, performance management and developing a reward strategy, with a compensation and benefits systems which aligns the performance of the organisation, providing incentives and motivation required for an organisation to deliver its goals. (Personnel today, 2002)

Conclusion

To conclude, the way in which an organisations HR is structured, can vary greatly depending on the size, purpose and goals of the organisation. HR has a key part to play in formulating organisation strategy, and both HR strategy and organisation strategy need to be integrated to achieve business goals.

Activity 2

To analyse factors that could impact Dow Silicones UK PLC as an organisation I began with creating a SWOT analysis, which seeks to identify the Strengths, Weaknesses, Opportunities and Threats involved in an organisation and generates information that is helpful in matching an organisation or group's goals, programs, and capacities to the environment in which it operates. (CIPD, 2020) I also completed a PESTLE analysis, which is a framework to analyse key factors influencing the organisation from the outside including Political, Economic, Sociological, Technological, Legal and Environmental factors. By analysing those factors, organisations can gain insight into the external influences which may impact their strategy and use that knowledge to inform their

decisions.(CIPD, 2020a) Both methods also allow HR to assess how the factors may impact their function, and how they can adapt to best deal with these and support the organisations goals and strategies determined from the analysis. Political, threats and legal analysis identified Brexit, with changes in custom procedures and employment rights and HR needing to manage changes in visa's, settlement schemes, and recruitment to manage this change successfully. Automation and technology played a big part in the analysis, coming up in strengths, opportunities, and technological factors, with preparation needed for the 4th Industrial Revolution – the marriage of physical and digital technologies to transform how and where work is done (Deloitte,2018). Automation has brought consistency to the quality of our products, and we need to continue to automate processes and use technology to increase productivity levels and remain at the forefront in the hypercompetitive market, HR can support this with effective communication to the workforce, driving the 'together we can do better' (Morgan, 2016) message so they do not feel threatened, and continue to develop L&D programs to ensure employees continue to learn throughout their career and are assets. Dow's bureaucratic structure is a weakness, this needs evolving be more agile and therefore competitive. Organisation design specialists can be brought in to see how structure and culture can be improved to enable this. Change in demographics highlighted the need for succession planning for retirees or leavers, and changes to the employee voice to allow Millennials take the organisation forward. Having a flexible workforce to flex in and out during peak times is crucial to ensure employee costs mirror organisational profit, combined with retention of high performing permanent employees, with employee wellbeing integral to this, HR need to support and promote wellbeing, as well as creating HR policies and practices which benefit and reward such as performance related pay, to ensure they are retained, and are motivated and productive too. To be effective, PESTLE and SWOT analysis needs to be done on a regular or ongoing basis. Organisations that regularly and systematically conduct such analyses often spot trends before others, thus providing competitive advantage. (CIPD, 2020a)

SWOT & for Dow Silicones Manufacturing organisation.

	Current external factors impacting on the organisation	How the specific forces impacting on the organisation might affect the organisation's HR function.
--	---	---

Strengths	Automation of some manufacturing activities has brought consistency in quality. Highly skilled workforce through successful L&D High employee retention Flexible workforce	HR required to communicate with the workforce to ensure they do not feel threatened by the introduction of Automation. That it will free them of repetitive dangerous work and allow them to work together with automation on more skilled parts of their jobs. 'together they will do better' (Morgan, 2016) Workers must continue learning new skills throughout their working lives. (World Economic Forum,2018) HR need to work with L&D to continually develop and roll out training programs. HR policies and practices such as performance related pay, training, and wellbeing ensure that we not only retain employees, but that they are motivated and productive too. Utilising a core of permanent staff, with ability to bring in agency workers, sub-contractors and self-employed during peak periods ensures we remain competitive with lower employee costs.

	Innovation - Stable cash flow provides opportunities to invest in creating and manufacturing other products, and or technologies.	CIPD (2012) believes HR can influence innovation by ensuring collaboration with all employees knowing they have a voice and can bring ideas to the forefront, as well as rewarding employees who come up with innovative ideas.
Threats	Hypercompetitive Market - no single organisation however large can hold on to a position of competitive advantage for long, (Macnamara et al 2003) Brexit - Change in custom procedures and employment visas.	HR can assist with this by developing a successful human capital strategy. maximizing your human capital is a major contributor to achieving a competitive edge in the marketplace. (Forbes,2019) HR function needs to stay on top of the change in employment law and visa requirements as well as ensure training plans are implemented for those involved in custom procedures.

	Current external factors impacting on the organisation.	How the specific forces impacting on the organisation might affect the organisation's HR function.
Political	Brexit	Job Security, EU Settlement scheme, Recruitment, levels of uncertainty (CIPD,2020b)

		HR should audit your current workforce and look at ways to maximise the return on investment from existing employees and contractors. (Sage, 2020)
Economic	Covid19 causing economic decline	Reduction in workforce, lay off agency workforce, redundancies.
Sociological	Changing demographics (millennials entering the workforce, retirements) Cultural diversity Individual wellbeing	Succession planning. Listening to employees and letting them have a voice, millennials will expect this as they have grown up with social media and always having a voice (CIPD,2020b) CIPD (2020c) advise HR to take an evidence based approach when it comes to forecasting and understanding demographic shifts. HR need to manage and make effective teams of staff from all over the world with different cultural background. Multicultural teams need careful and sensitive management including training and development, induction and socialisation programs (Taylor & Wilkinson,2016) CIPD (2020C) recommend using experts on people and people management practices to develop effective D&I strategies. HR need to support and promote wellbeing. CIPD (2020b) state the role of the people function is to marry productivity and performance with wellbeing. According to Forbes (2020) "The real power lies in creating a wellbeing culture, making a commitment to wellbeing at the individual, team, and organizational levels and equipping employees with technology that promotes wellbeing behaviours."

	Gender pay gap	CIPD (2020b) last year many organisations waited until the very last minute to publish figures, indicating many felt it was an administration tick box exercise, this needs to change as it is actually of real benefit to the organisation to get it right.
Technological	New technology increases productivity levels and organisations that fail to adopt new technology soon finds their base costs are too high to allow them to compete effectively (Taylor & Wilkinson, 2016) Automation The 4th Industrial Revolution – the marriage of physical and digital technologies is transforming how and where work is done (Deloitte,2018)	Research and Development strategies. Develop skills for a digital world and address skill gaps (CIPD,2020c) CIPD (2018a) advise that doom mongers will think this means that robots will take over, cause redundancies, however only parts of jobs will be automated, and Automation should assist human jobs freeing people up to work less, creating opportunity, allowing employees to think more creatively. HR need to manage this process carefully. Deloitte (2018) state that these developments have the power to reshape organisation structures, cultures and processes. Businesses need to engage with youth who can provide a powerful voice to inform business strategies in areas such as workplace needs, culture and engagement. Developing talent strategies and investing strategically in workforce training approaches are key.
Legal	Import and customs regulation changes in relation to BREXIT.	Amendments in strategies and policies to reflect the changes, training.

	IR35	Coming into place in April. HR need to prepare for this and create company policies to ensure compliance.
Economic	Environmental responsibilities such as climate change and carbon footprint. Sustainability, purpose and responsible business (CIPD,2020c) COVID-19	HR teams can make the crucial link for organisations regarding why they should care about environmental responsibility, they can build pipelines for the skills of the future, who understand people, enable behaviour change, and put the right processes in place to make it easy for employees to do the right thing. (HR Magazine, 2019) Adapt people functions to reflect the widening remit on corporate social responsibility to enable them to take the lead in building responsible business practices. Weave social value and purpose through the employee lifecycle and champion a strategic approach to responsible business (CIPD, 2020c) HR need to be able to create and adapt policies to cope with pandemics that emerge. Could be required to recruit quickly, make decisions of furlough or redundancies for example.

Bibliography

CIPD (2012) *Innovation and HR* [Podcast] . Chartered Institute of Personnel and Development Available at <https://www.cipd.co.uk/podcasts/innovation-hr#gref> Accessed 02.02.21

CIPD (2018) *Getting started with people analytics: Practitioners guide*. London: Chartered Institute of Personnel and Development.

CIPD (2018a) *Are robots stealing our jobs* [Podcast] London: Chartered Institute of Personnel and Development. Accessed 02.02.21. Available at <https://www.cipd.co.uk/podcasts/digital-transformation>

CIPD (2020) *SWOT Analysis*. London: Chartered Institute of Personnel and Development.

CIPD (2020a) *PESTLE Analysis*. London: Chartered Institute of Personnel and Development.

CIPD (2020b) *Look ahead: key business challenges 2020* [Podcast] Chartered Institute of Personnel and Development. Accessed 02.02.21. Available at <https://www.cipd.co.uk/podcasts/look-ahead-2020>

CIPD (2020c) *People profession 2030: A collective view of future trends*. London: Chartered Institute of Personnel and Development.

CIPD (2020d) *Line managers role in supporting the people profession*. London: Chartered Institute of Personnel and Development.

CIPD (2020f) *Strategic Human Resource Management*. London: Chartered Institute of Personnel and Development.

Deloitte and the global business coalition for education (2018) *Preparing tomorrow's workforce for the Fourth Industrial Revolution. For business: A framework for action*. Accessed via <https://www2.deloitte.com/global/en/pages/about-deloitte/articles/gx-preparing-tomorrow-workforce-for-the-fourth-industrial-revolution.html>

Forbes (2020) *Top 10 trends that matter most in the 2020 workplace*. Accessed via: <https://www.forbes.com/sites/jeannemeister/2020/01/15/top-10-hr-trends-that-matter-most-in-the-2020-workplace/?sh=5a3c08af7dfc>

Harvard Business Review. Boudreau & Rice (2015) *Bright, Shiny objects and the future of HR*. Harvard Business Review July–August 2015 issue.

HR Magazine (2019) *Tackling our climate emergency: HRs role*. Accessed via: <https://www.hrmagazine.co.uk/article-details/tackling-our-climate-emergency-hrs-role>

Mitchell (2019) *How HR and mobility can work together*. Raconteur. Accessed via: <https://www.raconteur.net/the-hive/hr-global-mobility/> on 11.02.2021.

Morgan.J (2016) *The 5 trends shaping the future of work*. [video] Accessed via: [The 5 Trends Shaping the Future of Work](#) on 10.02.2021
Forbes (2019) *Can HR strategies create a competitive advantage for your company*. Accessed via: <https://www.forbes.com/sites/scholleybubenik/2019/02/18/can-hr-strategies-create-a-competitive-advantage-for-your-company/?sh=65e4954c5856>

Personnel today (2002) *Developing HR strategy: 8 steps towards delivering a successful HR strategy*. Accessed via: <https://www.personneltoday.com/hr/developing-hr-strategy-8-steps-towards-delivering-a-successful-hr-strategy/>

Philips & Philips (2014) '*Developing a human capital strategy in today's changing environment: Eight forces shaping HC strategy.*' *Strategic HR review*: ProQuest Central pg.130.

Powys County Council. What councillors do. Accessed via <https://en.powys.gov.uk/article/5705/What-do-councillors-do> on 10.02.2021

Roberts.C (2016) 'Organisation Designs and Organisation Development' in Taylor, S. and Woodhams, C (ed) *Human Resource Management: People and Organisations*. 2nd edition. London: CIPD.

Sage (2020) *What Manufactures need to do after the Brexit transition period*. Accessed via <https://www.sage.com/en-gb/blog/how-will-brexite-affect-manufacturing/>

Taylor.S & Woodhams.C (2016) 'A Sample chapter from Human Resource Management in context: A Human Resource Management and its external context ' *Studying Human Resource Management* 2nd edition. London: CIPD.

Wilkinson, K and Taylor, S. (2016) 'Business issues in the context of human resources' in Taylor, S. and Woodhams, C (ed) *Studying Human Resource Management*. 2nd edition. London: CIPD.

World Economic Forum (2018) *Will you lost your job to automation?* [video] Accessed here: <https://www.weforum.org/videos/will-you-lose-your-job-to-automation>. On 10.02.2021

