

Qualification: CIPD Diploma in Applied Human Resources

Module Name: Understanding the Business Context of HR – Activity 1

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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.

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Date: 15/03/2020

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Introduction

The report reviews a comparison on organization's and the external factors affecting different organization's and the impact on the HR function. It focuses on the HR Strategy and policy, how they are shaped and developed.

2. Comparing Two Different Types of Organization's and their Operational Purpose

Virgin Media is a very large Private Limited Organisation who have partnered with Liberty Global who is a very large International company.

Their total assets are around £10,504 billion (2012), total of employees 14,004 (2012) with the business having center's in 5 different countries. The company is very hierarchical with a board, and (CEO) Luzt Schuler. The overall aim of the company is to generate profit through shares on the stock exchange. The business works on a 5-year growth plan focusing on revenue generated through products sales and customer growth and churn. Along with employee retention and cross skilling to support more effective customer service delivery.

The HR function for the business and their employees is a central function with front line handlers who will then hand over to HR specialists to carry out further people tasks along sideline managers.

The second company is a small family owned care company Athena Care Group Limited. The organisation employs 125 staff who all work in Private Sector. The organisation has two directors. The total revenue for 2019 was just short of £500,000. The business aim is to generate profit by ensuring growth of the business, currently owning 6 homes and opening another 2 properties in new areas in Wales to home young people. The higher level of occupancy at each home ensures more revenue coming in for the business.

Due to the difference in size of the organisation it works to a smaller scale strategy plan over a shorter period of time which is currently 3 years, looking at growth, retention of staff as the sector has a high level of turnover of staff, with hours of work to give a better rotation of staffing levels for better work life balance. Placing more structure internally by recruiting an on-board trainer, Health and Safety Officer as the business grows.

The HR function within the organisation consists of two HR Managers who are specialists as they deal with people management, policies, contracts.

3. How business types and purpose affect the HR function

Most organisations belong to one of three major sectors: Private, Public, or voluntary (or third) sector. (Taylor & Woodhams, 2016)

3.1 Private Sector

This sector is made up of businesses which are owned by private individuals or groups. The majority are commercial and always aim to make profit, however, there are also some which are not for profit.

Organisations in the Private sector may have very different HRM variations. It is most likely that PLC's would often employ teams of HR specialists to carry out their people management activity. We have seen in recent times a shift towards a more strategic role with more focus on supporting business objectives. This has resulted in the administrative tasks being tended to be given to line managers or possibly outsourced functions.

Smaller organisations may employ a small team or just one individual to carry out basic HR tasks and the more specialist tasks would be outsourced.

3.2 Public Sector

Organisations who are largely funded by taxpayers and are subject to a degree of public accountability.

The types of public sector organisations are:

- Central government departments
- Public service providers
- Local and regional government organisations
- Publicly owned organisations
- QUANGO's (quasi-autonomous non-governmental organisations)

The Public sector would tend to have large HR functions like the large private sector organisations.

3.3 The Third Sector

These are organisations that do not fit into either the private or public sector. They are as follows either:

- Co-operatives
- Campaigning organisations or pressure groups
- Charities
- Controlled by boards of trustees and are subject to the law of the trust
- Chartered bodies such as universities and professional bodies.

These types of organisations are all run not for profit and are not subject to direct government control. The HR function across the third sector will vary.

HR will have a secondary role undertaking the basic administrative role.

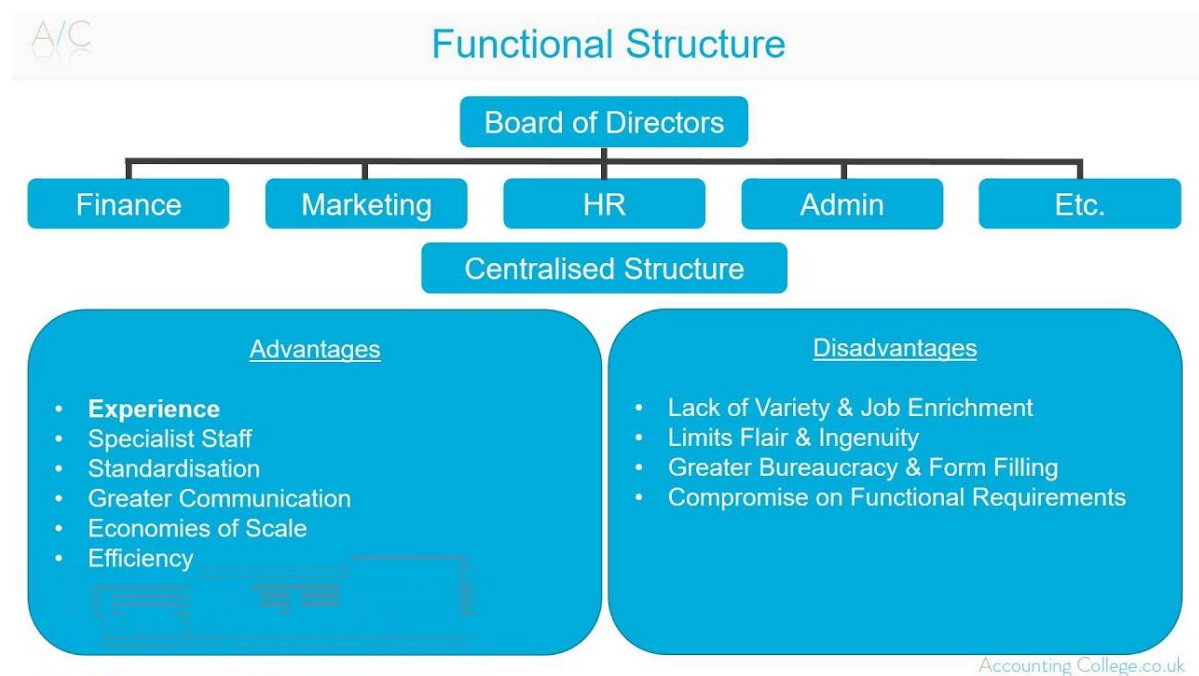
4. Different Organisational structures and the impacts of management roles on the HR function

There are detailed descriptions of organisational structures that can be found in works on the topic of OD, such as Connor et al (2012), Cannon et al (2010) and Campbell and Craig (2005), they helpfully divide the structures into two categories – hierarchical and functional.

Buchanan and Huczynski (2010) provide well-illustrated overview of organisational structures.

Almost all organisation will have documents showing their structure in different degrees of detail, for example divisions, function name, job titles, name of position holder or even photographs.

Table 1. Functional Structure



4.1 Hierarchical Structures

Campbell and Craig (2005) refer to these as 'M form' structures due to the shape made by the divisions reporting back into the CEO. The types of hierarchical structure are identified by how the parts of the organisation are divided up, for example by function, geography, customer base.

Table 2. Structures

Functional Structure	Connor et al (2012) refer to this as the most logical and common option, Wagner and Hollenbeck (2014) describe it as the most basic kind of bureaucratic structure. It can risk functional silos but can also allow a clear chain of command with smooth communication. Other elements around control and layers of management exist depend on how reactive and dynamic the business is.
Geographical Structure	This can be regional structure within one country or market, with several regional offices. Each could have its own regional manager or director. It could also be an international structure with different national markets or areas of the world reporting to a Global CEO. They have the advantage of being close to the regional or national customer base, requires a high level of control and can create duplication of cost due to each geographical branch having its own support functions.
Organisation by product	This structure, the organisation is divided into areas by product type. Campbell and Craig (2005) observe this model is suited to businesses that require very high levels of specialisation, for example chemical or pharmaceutical companies. Due to the high level of specialisation required to carry out a role it reduces the scope for staff or managers to move across the business, it requires very specialised units to enable to carry out the organisations work. Support functions such as HR, finance is more likely to be centralised and serve all product divisions delivering a greater level of consistency and economy scale or within each product division.
Organisation by customer group	Divided into areas according to the customer group that each one serves, for example retail organisations may have instore and online divisions, and a transport and distribution company may have divisions for logistics, general freight and courier services. This enables the organisation to be more effective meeting and reacting to the needs of specific customer groups.

4.2 Non- Hierarchical Structures

Non-hierarchical structures have a greater potential to provide greater flexibility, and therefore greater organizational agility, than hierarchical ones.

Table 3. Matrix Organisation

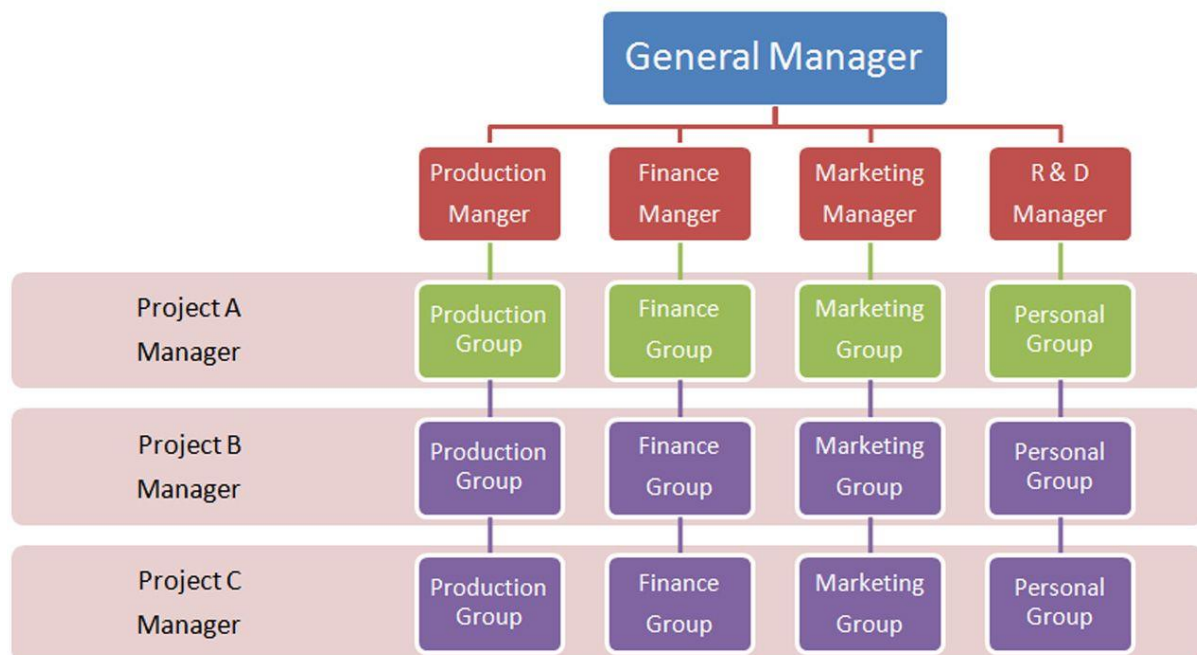


Table 4. Structure

Matrix organisation	Non-hierarchical structure, this joins the needs for customer responsiveness and high levels of control. The structure is popular in project heavy organisations, such as marketing agency. Employees have a functional chain of command into a functional lead or a manager below them. This may or may not be from their own function. It may be good for organisational agility, the experience of having multiple bosses with different priorities is potentially stressful for employees. This relies on the project lead having strong management and leadership skills
Virtual Organisations	Wagner and Hollenbeck (2014) refer to this as the best of everything and say it makes the very best of efficiency vs flexibility trade-off. This model, expertise is brought in as necessary through collaboration and partnerships with other organisations rather than permanent functions that need to be managed. This for example would work well for small organisations or start-ups, enabling them to manage growth and cost. This differs from outsourcing (which is usually permanently moves a business function such as payroll, outside the organisation). This would be a temporary need relating to a specific project or two organisations with compatible services or business goals who may choose to work together. This suggests that people and employees are dispersed rather than sitting together in one office, possibly using technology coupled with the odd face to face meeting.

The flexible firm	The best-known model is Atkinson's flexible firm (1984). Atkinson identified three types of flexibility that can be achieved. Functional (employees capable of carrying out more than one job role), numerical (the organisation's ability to change the number of employees or number of hours worked) and financial (the organisation's ability to adjust employment costs in response to changes in the employment market). This model can do much to improve an organisation's agility, for a HR practitioner, there is a great deal to consider, firstly when moving towards a flexible firm model, and secondly, ensuring that all legal and ethical considerations are addressed
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5. The role of the HR function in formulating organisational strategy

There are three basic approaches to formulating HR strategy which were outlined by (Taylor & Woodhams, 2016).

Rational/Classic – Completed by senior managers to look at external and internal environments by making use of tools (SWOT) and setting goals and objectives from data to drive the organisation forward.

Emergent/logical incrementalism – plan by senior managers who can influence the direction of the strategy of the business. Environmental changes influence the direction and adapt the strategy to resume the growth. Seen as opportunistic trial and error. Many people help shape the strategy over time to enable the required goal to be achieved.

Symbolic/radical – changes being made as they go along with a less organised approach, amending as they go through and formulating strategy giving credibility to the organisation.

(Farnham, 2015) suggests there are another two approaches, Best Fit and Best Practice.

Best practice – This model can demonstrate improved performance in all organisations no matter what their background. This clearly indicates the link between HR activity and the business performance.

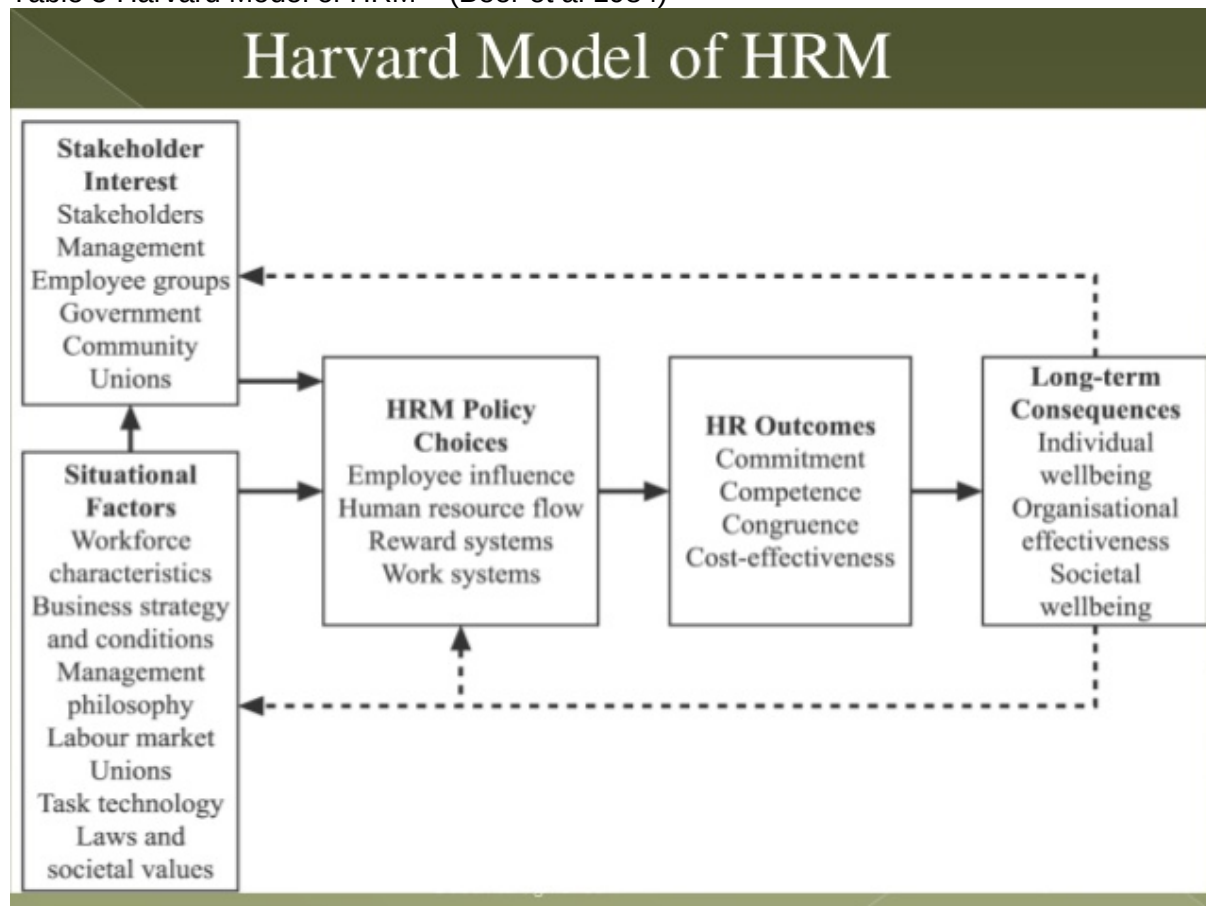
There are four key stages of formulating strategy which are known as the Guest Model they are:

- Strategic planning/implementation – collection of data to support the planning and implementation of a strategy.
- Commitment – this has to come from the employees to successfully support the implementation of the strategy.
- Flexibility/Adaptability – all employees and teams to embrace the change.
- Quality – this is of the work the team carried out to implement the change.

Guest Model – (Guest, 1987)

6. Organisational strategy how it translates into HR strategy and policy

Table 5 Harvard Model of HRM – (Beer et al 1984)



There are 5 stages of strategic management process in HR role:

- Clarify the vision – set the goals and vision for the business, explain objectives, identify how to set objectives, select who will deliver which part of the process, set realistic targets which need to be achievable and timely. Think about the resource that might be required, targets are SMART (specific, measurable, achievable, relevant and timely), check if the budget will allow for the vision.
- Analyse data – review the data gathered at key stages to ensure it will support future stages, understanding the opportunities. Undertake PESTLE or SWOT analysis at this stage and review data with key stakeholders, and benchmark.
- Formulate Strategy – review data gathered in analysis, check resources that can help setting goals and objectives. Set priorities by level of importance, place together strategy. Providing tools and processes to manage performance and deliver training and development plan, provide data on the environment and competitors, start resource plan.
- Implement Strategy – Success in the implementation is critical to the success of the business. All stakeholders must understand and be aware of their role and the overall goals. Employees must be in place to execute the plan along with required funding. Promote a positive culture to enhance acceptance of the strategy. Team delivering the process is suitable and capable to do so, they consult and communicate the change to employees ensuring they have full understanding why this is taking place. Be prepared for the barriers proactively and have a plan in place.

- Evaluate and Control – track results by measuring performance and review the goals set to see if met, revisit of issues both internal and external. Change will always drive a reaction however it is necessary, and measures can be put in to place to manage the issues and to also place things back on track. Review if training was effective, check employee performance, review or monitor external impacts, take on new talent, complete staff satisfaction surveys and collect data to evaluate the effectiveness of the over change. (Clayton, 2018)
- From the change processes will change and policies would also need to be amended where necessary or even written.

7. Conclusion

The HRM role continues to evolve to a more forward planning strategic role and in the future the evolution of the profession will need HR professionals to plan in to the future by future proofing the organisation along with the need to being insight-driven to understand what the organisation in their market is facing understanding the specific challenges and are able to respond in a unique way.

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Introduction

This report is to identify the analysis techniques and tools used to analyse organisational and business environment. Identify current market and competitive factors, demographic, social and technological trends affecting organisations. It will identify key current legislation on organisations and the nature of globalisation and the effects on organisations. It will enable us to evaluate factors which impact on organisations and the effect on the HR function.

2. Techniques and tools used to analyse the organizational and business environment

Leaders control aspects of the internal environment that can negatively or positively affect an organisation financial and operating results. For an example: the company's culture is shaped by its leaders, establish the company's organizational structure and create policies that direct employee behavior.

The greatest challenge to the business success may be the consequence of external environment which a company has little control. Business leaders must conduct an environmental analysis and develop policies and processes to adapt the company operations and products to this environment. (Nordmeyer, 2018)

Tools to analyse the business environment both internally and externally.

2.1 SWOT Analysis

This is a tool which seeks to identify the strengths, weaknesses, opportunities and threats in a business project. It is used to help an organisation to match its goals, programs and capacities to the social environment in which it operates. (CIPD, 2015)

A SWOT analysis could be used for both internal and external analysis. Normally part of a team exercise to gather views of the same environment. This gives a structured approach, allowing it to be very effective in gathering contributions from a range of people.

Table 1 Advantages and Disadvantages of SWOT (CIPD, 2015)

Advantages	Disadvantages
• It is flexible. • Allows focus on strengths and ability to build on opportunities. • It can support potential threats and take action to avoid or minimise the impact. • It is simple. • Enables organisations to identify business opportunities. • Highlights the strengths and weaknesses of the business. • Encourages thinking.	• Too much information or data may complicate the matter. • To ensure maximisation it is needed to be done on a regular basis. • If not structured, it can lack detail. • Data gathering can be time consuming and difficult. • Process can be over-simplified. • Needs to capture a variety of employees to gain different viewpoints. • Opportunities may be missed by faced paced organisations. • Assumptions can be made by the person completing due to the nature of the tool.

2.2 PESTLE Analysis

There are 6 elements to a PESTLE: Political, Economic, Sociological, Technological, Legal and Environmental. (CIPD, 2017)

This allows organisations to predict change before it occurs and decide how to manage it. It allows them to be proactive with their approach and make plans to support the future of the business.

Table 2 PESTLE – What does each point mean

Political	Political issues – trade restrictions, tax policy, changes in regulations etc...
Economic	Interest rates, growth/decline, minimum wage.
Sociological	Age discrimination, cultural, health, population
Technological	Streaming of goods, social media etc....
Legal	Taxation, legislation, import export
Environment	Ethical sourcing, sustainable resource

A PESTLE is a useful way of collating opinions and information from a variety of people, especially if used in a group environment. It is more effective when used alongside a SWOT analysis.

There are other acronyms including ETPS, STEP, PEST and STEEPLE – the extra E stands for ethical.

SWOT and PESTLE have similarities; however, the PESTLE helps to predict changes in the future along with external factors. The SWOT looks at the past or the present.

Table 3 Advantages and Disadvantages of PRESTLE

Advantages	Disadvantages
• Allows the opportunity to take advantage of opportunities before they are visible. • Gives greater understanding of the bigger business picture and goals. • Simple to use. • Makes you look wider. • It predicts threats and enables you to resolve in a more effective and efficient way.	• Based on assumption due to it being predicted may not come to fruition. • Needs to be done regularly to make it effective. • It can become complicated with too much data. • Insufficient data on occasions may be used to base findings. • Speed of change can make it difficult to predict changes which may affect the business in the future.

3. SWOT & PRESTLE Analysis on Pembrokeshire County Council

Table 4 SWOT Analysis

Pembrokeshire County Council			
SWOT Analysis			
	<u>Factor</u>	<u>Impact on PCC</u>	<u>Impact on HR</u>
Strengths	EMPLOYMENT	PCC is one of the largest employers within Pembrokeshire. As an employer it offers: - ➤ Stability/security ➤ Attractive salary package which includes paid holidays/sickness/holidays ➤ Promotion opportunity ➤ Training & development ➤ Flexible working	Significant number of applications for all posts advertised
Weaknesses	> FUNDING	As a local authority PCC is heavily dependent on the amount of funding that 'Westminster' allocates to Wales and thus Welsh Government to Local Authorities. We have also become dependent on European Funding and Brexit will have a huge impact on the funding we already hold coming to end.	The impact of reduced funding could potentially mean an organisation restructure and redundancies/redeployment. All of this will mean HR will be supporting Line Managers & employees with communications, consultations etc.
Opportunities	> TECHNOLOGY	The PCC Contact Centre have recently introduced an AI robot called 'Penfro'. This robot will respond to calls to the contact centre answering common questions. It has the ability to develop its memory and thus answer more complicated queries. At first the contact centre staff were concerned about their own job security; however, this has now become an opportunity for them to be developed and their roles less repetitive. As an organisation is highlights how we are embracing	HR provided support to contact centre Line Managers with communications and change of role for some staff.

		technology and using it to be more effective and productive.	
Threats	BREXIT > BREXIT	The uncertainty of Brexit the unknown of how it will impact PCC has been 'hanging' around for a long time. It is challenging to set this aside and continue with a business as usual approach. PCC does a 'plan' in place but there are many unknowns e.g. employing migrant workers, possible to change in guidelines or standards.	The implications could be an increase or reduction of staff. Change in employment law and regulations. The requirement for new policies etc.

Table 4. PRESTLE Analysis

Pembrokeshire County Council			
PESTLE Analysis			
	<u>External Factor</u>	<u>Internal Factor on PCC</u>	<u>Importance to organisation – PCC HR</u>
Political	GOVERNMENT FUNDING	The budget for the Local Authority is set by Government/Welsh Government. Last year the budget for PCC was reduced by 0.5%, as highlighted by broadcast on ITV Wales (2019). The impact of such cuts has been highlighted with the suggested increase in Council Tax in Pembrokeshire of 5%. A flat budget has also been in place since 2018/19 with in the intention that department will have to make further staff cuts to meet their budget.	The HR function will have to assist with any employee implication e.g. redeployment, restructuring, redundancy. This will include employee consultations, working with unions etc.
	BREXIT - staff	PCC employs a large amount of staff who come from the European Union (EU) which will mean that when the UK leaves the EU many of these staff will be affected.	Recruitment to replace staff who choose/are unable to continue working. Policies will need to be updated introduced Regulatory paperwork completed to meet new guidelines for those employees who remain.
Economic	Living wage	As evident in an article by the Press Association (2019) the national living wage has increased. Although implementation of this wage is voluntary, PCC honours it to ensure that all staff are paid at least £9 per hour which has a big impact in a large amount of staff employed by the organisation.	As a result of the new living wage HR will need to develop and implement new pay scales and policies to reflect the change.
Sociological	Welsh Language	As a Local Authority, PCC have a responsibility to adhere to the Welsh Language Standards. These are a set of legally binding requirements which apply to Welsh Government since March 2016. The consequences of meeting these standards can be a significant fine.	New internal policies and procedures have been introduced. HR have been required to update their recruitment policy to include Welsh as 'Essential' to some role and desirable to most. Staff in customer facing roles

Technology	AGILE WORKING	The advancement of technology has resulted in staff at PCC being able to work in a more agile way. As stated in an article by Rigby et al (2018) working agile gives employers the opportunity to be able to work from various locations that suit both their needs and the needs of the business.	have been identified to undertake Welsh classes which have to be delivered within their working hours and at no cost to the employee. HR are also involved with issues linked to those employees who have challenged learning Welsh. This will affect HR as it will mean that an appropriate policy and procedure around agile working will need to be implemented. HR will also have to deal with any complaints from employees who have been refused the opportunity to work in an agile way.
Legal	EMPLOYMENT LAW – Parental bereavement leave	Whenever different laws are developed staff at PCC will need to ensure they are abiding by them. An example of this is the new parental bereavement leave and pay that will come into force on 6 th April 2020 subject to approval being laid today (23/01/20) www.gov.uk.news	HR are responsible for updating policies relating to any changes in rules rule & regulations. A new policy will need to be written to meet the introduction of parental bereavement leave and pay.
Environmental	RECYCLING TARGETS	PCC are set targets to ensure they are abiding by the recycling regulations (2019). In order to help meet the required standards PCC recently went through a huge recruitment initiative to employ a further 30 staff in this area.	The HR function has been involved in all areas of specialism from recruitment, payroll and training to support this initiative.

4. Factors which impact on organisations and how they can affect the HR function

The organisation which we chose to analyse in our group was Pembrokeshire County Council. It is a local authority for the public services and is funded via government funding. PCC currently employ around 6000 people who provide a service for up to 125,000 residents (2018 Office National Statistics).

The obvious threat to an organisation when implementing change is often the people behavior and the unwillingness from the people to want to make the change. This is normally due to the lack of understanding as to why the change is needed. PCC overcome this by ensuring they engaged with all levels of staff giving them an opportunity to shape the change required.

This had never been done before and the staff were very skeptical, but it also allowed staff to feel empowered and valued. Staff have played a part through the process at every stage resulting in them buying in to the change and understanding them and owning them.

PCC have written new employee behavior standards and used the words of employees rather than corporate wording.

It is very evident that communication is key to the success of change as stated by Alexander (1985).

HR within PCC are now recognised as vital part to the success of transformation projects.

On review of the PESTLE model it was agreed that funding was a political external factor and internal factor for local government this is very different to the private sector organisations as funding is generated by income and investment. A reduction in funding for PCC may result in services being reduced, redundancies, recruitment, all of these impacts the workload of the HR function, for example, supporting Line Manager and employees with regular communications, consultations etc.

This was also highlighted as a weakness factor in the SWOT analysis this demonstrates how both models can overlap with results.

The uncertainty of Brexit impacts on all the organisations PCC work within and was highlighted in the SWOT analysis as a 'threat' and the PESTLE analysis as an external factor. The implication on staff and employees for example, staff reductions, recruitment issues, change in employment law etc.

SWOT analysis highlights the strengths within an organisation. PCC employment is highlighted as a 'strength'. They are the largest employer in Pembrokeshire offering employee benefits, attractive salary, sickness/holiday pay, opportunities to develop. When ever there are vacancies advertised the HR function receive a high level of applicants? I recent vacancy which had been advertised for a refuse collector attracted in excess of fifty applicants.

5. Conclusion

The conclusion reached by the group was private organisations have developments in the product market and the labour market to consider, PCC can primarily focus on the labour market due to them being a local authority and have no competitive advantages to think of where a private organization would.

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