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Cwrs Astudio: **M5X02263 Business Issues and the Context of HR**

Enw'r Person Dynodedig sy'n awdurdodi'r sganio: **Alison Harding**

Teitl: **Human Resource Management at Work**

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Enw'r creawdwr gweledol (fel y bo'n briodol):

The Role of the HR Function in Changing Times

LEARNING OUTCOMES

By the end of this chapter, readers should understand and be able to explain:

- the different models available for analysing the role of the HR function
- the implementation of HRM by HR specialists, shared service centres and consultants, and how these interact with each other
- the contribution that HRM can make to organisational success and the measures used to evaluate this.

Drawing on this knowledge and insight, readers should be able to:

- identify the most appropriate roles for the HR function in different types of organisation
- work in partnership with other stakeholders to ensure that HRM is implemented effectively
- make recommendations about whether or not to outsource some or all elements of HRM, to adopt new models of service delivery, and know how to use e-HRM.

6.1 INTRODUCTION

HRM originated in activities designed to some extent to address the worst effects of capitalism, and its pioneers were individuals with strong social consciences. Sometimes, the HR function is regarded as the conscience of employers, there to ensure that the pursuit of more productive and efficient work does not ignore the human dimension. This ethical and professional perspective is demonstrated by what some would see as obsession with rules, compliance with legal standards or structures for employee voice. But professionalism also relates to how organisations can achieve greater productivity and efficiency through the adoption of up-to-date and proven HR practices, as well as making a contribution to societal goals such as fairness and the interests of all stakeholders. HRM is often seen as ambiguous and beset with tensions between the 'caring' and the 'control' elements of the role (Legge 1995). Both were apparent in the early days of the welfare role, whereby employees were given assistance at work, largely – though not exclusively – to ensure their contribution could be enhanced. HR practitioners are often seen as intermediaries between managers and employees, ready to listen to both but on the side of neither. However, in reality HR specialists are expected to contribute directly or indirectly to the achievement of employer objectives, something that has been reinforced by interest in metrics, measurement and quantification.

In this chapter we examine how the HR function can be structured to offer the best possible service to its internal and external customers – line managers, individual

employees, the organisation and society as a whole. This includes the use of e-HRM. Recently there has also been interest in alternative forms of organisation, typically involving the outsourcing of HR work to specialist firms or the setting up of shared service centres to cover the organisation as a whole or to provide HR services to more than one organisation. In parallel, as we see in Chapter 7, many aspects of HR work are now undertaken by line managers, with HR specialists acting as advisers to support them. Irrespective of how HRM is delivered, however, it is now expected to add value, and this has led to interest in the measurement of how adequately this is being done, and concern for ways in which its services might be provided more effectively through 'HR metrics'.

6.2 THE DEVELOPMENT OF HR AS A SPECIALIST FUNCTION

6.2.1 THE EMERGENCE OF THE PERSONNEL FUNCTION

Several books provide potted histories of how HRM emerged, either in its historical context (for example, Farnham 1990) or from a sociological angle (Watson 1977). Both approaches illustrate that a wide range of activities is included within the boundaries of HRM. The early roots were in welfare, championed by social reformers who displayed a genuine paternalistic concern for their workers. Often driven by strong religious motivations, such as Quakerism and non-conformism, they were keen to improve working conditions and provide their employees with assistance should they fall on hard times. Nevertheless, reforms were implemented within a clear business framework, in which tight controls were maintained in relation to discipline, time-keeping and output (Crichton 1968, p15). Many of the earliest welfare workers were women, especially in munitions factories during the First World War. Some of the first companies to employ personnel officers were Cadbury, Rowntree and Boots – though these companies have since been bought by Kraft, Nestlé and private equity firms respectively. The history of HRM can be seen sequentially, with different aspects coming to the fore in different time periods, or it can be seen as additive, with each new set of activities representing an addition to the HR portfolio (Torrington 1998). Apart from welfare, the others are:

- **Administration** – this covers transactional work such as dealing with job applications, organising induction programmes and maintaining employee records. This has been central to HRM for years, and is important within computerised personnel information systems (Taylor 2014) and e-HRM (Parry and Tyson 2011; Strohmeier and Kabst 2014).
- **Negotiation** – this became prominent in the 1960s and 1970s, as employers faced growing trade union influence and increased workplace bargaining. It is apparent in pay negotiations but it is also seen when managers introduce new working practices and deal with grievances informally. It requires different skills from other HR work, according to Gennard and Judge (2005).
- **Legal expertise** – since employment law is now more widespread in Britain, there is a greatly increased need for specialist expertise. This stimulated major changes in HR practice and now most HR professionals have a working knowledge of the law (see Lewis and Sargeant 2015).
- **Organisation development** – although this attracted interest from some large companies 40 years ago, it is now reflected in areas such as empowerment and knowledge management (Armstrong with Taylor 2014). Also, it is much more central to HR because of the importance of change management, learning and organisation culture. In fact, Wylie et al (2014) argue that the role of the HR function as a 'change agent' can reduce its occupational vulnerability.
- **Business partner** – this is where the HR function is prominent at senior levels in the organisation. Ideas about business partners (Ulrich 1998) have attracted considerable interest (for example Brown et al 2004; Pritchard 2010) and critique (for example

Sparrow et al 2010; Marchington 2015a), though Ulrich and Dulebohn (2015) offer some new ideas here as well. We examine these in the next section.

Tensions can occur between different parts of the HR function, especially if it is highly specialised and differentiated. For example, employee relations experts typically show more awareness of the ambiguity and tensions inherent in the employment relationship than their colleagues elsewhere in the HR function, and believe more in the value of structures as a key component of HRM. Issues may also fall within the province both of HR and other management functions; for example, corporate communications may be the responsibility of sales and marketing, public relations or planning, as well as HR. Given contrasting traditions, it is likely that different management functions will devise alternative 'solutions' for these activities.



REFLECTIVE ACTIVITY 6.1

How many of these aspects of HRM are evident at your place of work or one with which you are familiar? Are some more prominent than others? Why/why not?

6.2.2 DEVELOPMENT OF THE PROFESSION

The first seeds of a professional body for personnel practitioners were sown in 1913 at a conference of welfare workers in York. Those present decided to form an Association of Employers 'interested in industrial betterment and of welfare workers engaged by them' (Niven 1967, p36). By 1919, following a merger, the Welfare Workers' Institute had a membership of 700 (Farnham 1990, p22). Since then regular changes in direction and name have led to sustained growth, differing emphasis (for example, labour management, personnel, development) and chartered status in 2000. By 2015, more than 140,000 people were members of the Chartered Institute of Personnel and Development (CIPD), with an increasing presence in countries other than the UK; for example, a new office opened in Singapore during 2011. Table 6.1 shows how the function has grown since its early roots.

Table 6.1 Membership of the UK professional body – selected years since 1939

Year	Number of members (to the nearest thousand, since 1971)
1939	760
1956	3,980
1971	14,000
1981	23,000
1991	45,000
2001	110,000
2011	135,000
2015	140,000

The CIPD is Europe's largest professional body – and second only to the SHRM (the US equivalent) – for individuals specialising in HRM. It is a charity run by an executive team with committees at national and local level. A range of committees comprise experts from within the HR community plus members from local branches and staff from HQ. The

local level is where most CIPD members have the chance to be involved in the work of the Institute, and this is a critical part of the whole structure, with approximately 50 branches across the country, some of which have over 4,000 members. At the time of writing, the CIPD's mission is to:

- lead the debate on issues of ethics, principles, values and behaviours
- promote and develop the professions of HR and people development
- inspire member engagement
- advise policy-makers and regulators.

Does the CIPD fulfil criteria typically associated with a professional body, and do its members deserve the title 'professional'? Freidson (1973, p22) defines professionalisation as:

a process by which an organised occupation, usually but not always by virtue of making a claim to special esoteric competence and to concern for the quality of its work and its benefits to society, obtains the exclusive right to perform a particular kind of work, control training for and access to it, and control the right of determining and evaluating the way their work is performed.

The CIPD meets several elements in this definition well. The qualification structure provides standards (in the form of performance indicators) to be met by all aspiring members, which are then updated by continuing professional development (CPD) on a regular basis. Standards for most new entrants are maintained by a formal coursework and examination assessment scheme, which is set centrally but centres then get freedom to run their own systems following approval. The vast majority of entrants to the CIPD come with some form of certificated qualification, much higher than for the US equivalent, and this shows the importance and the influence that the qualifications structure has over the character of its membership. All CIPD members are expected to comply with the Code of Professional Conduct and failure to follow this could lead, ultimately, to expulsion from the Institute; its principal elements are:

- endeavouring to enhance the standing and good name of the profession
- continually seeking to improve performance and update skills and knowledge
- seeking to achieve the fullest possible development of people
- adopting HR processes and structures that enable their employer to achieve its goals
- maintaining fair and reasonable standards in the treatment of people
- promoting policies that remove unfair discrimination for any reason
- using due diligence and timely, accurate and appropriate standards of advice.

However, while satisfying many of Freidson's criteria, the CIPD is not able to claim exclusivity because HR professionals are not *required* to gain professional qualifications before being able to practise – unlike professions such as law, medicine or dentistry. Many organisations do not employ specialist HR professionals and, of those undertaking HR work, many are not members of the CIPD. In mid-2015, ONS data indicated that more than 450,000 people were employed in HR and L&D at all levels (from director to administrative staff) compared with just over half that number in 2001. Around one-third of those were at the director or manager level, with a similar number at officer level, while there were more women than men in the occupation (58:42). The number of trainers fell in 2015, perhaps suggesting a cut-back in formal L&D events in favour of more informal processes, but this was the first year numbers had fallen so it could equally be a blip; for a more detailed analysis of the ONS data, see Beatson (2015). Other data shows that HR specialists are more likely to be found in larger organisations and workplaces, as well as in the public sector and in industries such as financial services, in electricity, gas and water, and in wholesale and retail. Though less common in the manufacturing sector as a whole, HR specialists are generally employed by larger organisations.

Of course, line managers also have responsibility for HRM, which further reduces the influence of HR specialists compared with some of the more established professions. However, while line managers implement HR practice, it is typically HR specialists – where present – that design the policies and procedures governing this work. Moreover, even if employers do not employ specialists, they are able to use 'good practice' which has been developed by experts in the area – either through research or the experiences of other employers that do possess specialist expertise or via bodies such as Acas. Apart from accountancy, however, the CIPD is stronger than most management bodies, and its research influences government and industry through factsheets, surveys and guides across all aspects of HRM.



CASE STUDY 6.1

CIPD'S 'PROFESSION FOR THE FUTURE' STRATEGY

In late 2015, the CIPD launched its Profession for the Future strategy, which aims to identify the basic principles for good HRM that transcend cultural and organisational contexts, and explore what this means for the future role of HR professionals. Its goals are to help the profession become more strategic, understand and articulate value better and become more business oriented, become more technologically savvy, put the science as well as the art of HRM to better use, become more efficient and effective, become more diverse and less siloed and continue to promote professionalisation through qualifications, continuous personal development and standards. This should help to ensure that professional membership of the CIPD remains

relevant and valuable for all. The strategy will be informed by research and stakeholder consultations which seek to answer some key questions around how the HR profession of the future will:

- apply professional and ethical judgement in their day-to-day work
- partner with and manage the needs of multiple stakeholders to create maximum value for all
- develop an understanding of the technical underpinning of people management (for example behavioural science)
- be part of a community which maintains a sense of professional identity and integrity.

Source: CIPD (2015b)



REFLECTIVE ACTIVITY 6.2

What do you think as a potential or current member of the CIPD about this strategy? Are you attracted to these ideas and do you see any evidence in your own organisation – or one with which you are familiar – that the profession is developing in this way? Discuss this in groups and share ideas.

6.3 ANALYSING THE ROLE OF THE HR FUNCTION

6.3.1 MODELS FROM VARIOUS AUTHORS

There have been several attempts to categorise the work of the HR function in order to analyse its variety, diversity and complexity. Some argue there are discrete roles which are

logically distinct from one another, while others regard the different categories as cumulative, with each role building upon the previous one. Yet others suggest that individuals or departments display multiple roles, so it is possible for more than one category to exist in any organisation at the same time. Each of the categorisations explicitly or implicitly assesses whether or not the HR function enhances its standing within organisations. Table 6.2 summarises some of the major categorisations, identifying the researchers that first proposed these ideas and others that have subsequently used them.

Table 6.2 Models of the human resource function

Author/date	Categories	Reasons for differentiation
Legge (1978) [Guest and King (2004); Marchington (2015a)]	Conformist innovator Deviant/creative innovator Problem-solver	Ways to gain power and influence
Tyson and Fell (1986); Monks (1993)	Clerk of the works Contracts manager Architect	Time span for decision-making Degree of discretion Involvement of HR
Storey (1992) [Caldwell (2003)]	Handmaiden/service provider Regulator Adviser Change-maker	Level: strategic or tactical Degree of intervention
Wilkinson and Marchington (1994) [Procter and Currie (1999)]	Facilitator Internal contractor Hidden persuader Change agent	Level: senior or junior Profile: high or low
Ulrich (1998) Ulrich and Brockbank (2005) [Francis and Keegan (2006); Keegan and Francis (2010); Hird et al (2010)]	Employee advocate Human capital developer Functional expert Strategic partner HR leader	Level, focus and timeframe Managing processes or people

One of the first, and arguably still one of the best, models was developed by Legge (1978), who argued that personnel managers could adopt one of three strategies to gain power and influence within their organisations. The first is *conformist innovation*, whereby HR managers relate their work clearly to the dominant values and norms in the organisation in order to satisfy the expectations of senior managers. This is contrasted with *deviant innovation*, where HR subscribes to a quite different set of norms, gaining credibility and support for ideas driven by social values – such as fairness and diversity – rather than strict economic goals. Finally, there is the *problem-solver*, in which the HR contribution is assessed through its ability to identify and resolve problems for the employer. This typology has been revisited by Marchington (2015a), where he argues that HRM has become so obsessed with satisfying the needs of shareholders and senior managers that it has lost its distinctive role in relation to all stakeholders. He suggests that the HR person of the future could act as a ‘creative innovator’.

Tyson and Fell’s (1986) ‘building site’ analogy also identified three roles for HR, differentiated along a continuum defined by factors such as planning time, the degree of

discretion exercised by the specialist function and the extent to which it shapes organisational culture. The role with least discretion is *clerk of the works*, where HR merely provides administrative and clerical support – now termed transactional work – to line managers. In the middle is the *contracts manager*, where systems and procedures are heavily formalised, and the underlying emphasis is on troubleshooting in a highly unionised environment. The final role – *the architect* – is the most sophisticated, concerned with grand designs at a senior level and the integration of HRM into broader business plans to create the ‘right’ culture for the organisation. Tyson and Fell (1986, p24) reject the assumption that HR assumes greater maturity as it develops, but argue instead that the choice of role is contingent upon organisational circumstances and that each variant may be found anywhere in the hierarchy. This model was refined by Monks (1993), who argues that the roles are cumulative rather than discrete, so in organisations where architects are present, so too are the other more-operational roles.

A further categorisation is based on ideal types differentiated along two independent axes. The best known are Storey (1992), re-examined and updated by Caldwell (2003), and Wilkinson and Marchington (1994), which has been re-tested by Procter and Currie (1999). Broadly each proposes a fourfold ‘map’ based on (a) the degree to which HR is strategic or operational, and (b) the extent to which it intervenes and has a high profile. The former dimension distinguishes between policy and practice, long- and short-term time horizons, and the level at which decision-making takes place. The latter dimension assesses the contribution HR specialists make to decision-making and the extent to which it is possible to measure their contribution. The labels representing these four types of HR specialist have been simplified for this book and the model is presented in Figure 6.1.

Figure 6.1 Categorising the role of the HR function



Sources: Adapted from Storey (1992); Wilkinson and Marchington (1994); Caldwell (2003).

The most significant role is *change agent*, as this aims to create a strong and proactive HR culture and seeks ways to persuade the board to adopt new HR initiatives which improve performance. Change agents can be proponents of either soft or hard HRM, and they gain credibility by framing their proposals in ways that gain the support of senior managers. This role is likely to be particularly prominent when the organisation is going forward with a clear vision. The most common role is *adviser*; these people operate at a strategic level but tend to work behind the scenes, helping to shape HRM by the provision of ‘cabinet office’ support for senior managers. Third is the *service provider* role, where HR responds to routine problems raised by line managers, effectively driven primarily by their needs. In the Caldwell (2003) study, this was rarely the *main* role occupied by HR specialists but it comprised a significant part of their work. Finally, the *regulator/internal contractor* works at operational level but is relatively prominent either in dealings with trade unions or with other functions internal or external to the organisation – for

example, when large parts of the HR function are subcontracted. The regulator is now less significant than at the time of Storey's initial categorisation, largely because of the decline in collective employment relations, while the internal contractor becomes more important when HR plays a boundary-spanning role in defining and monitoring contracts with external providers (Marchington et al 2005), as Cunningham (2010) notes in purchaser-provider relations involving the voluntary sector. It bears repeating, however, that the HR function at any one site or one organisation typically occupies more than one role, as is clearly evident from the studies quoted above.

There are also dangers with each of these roles. The change agent, while potentially the most influential because of its high profile and strategic contribution, risks significant costs if problems occur because of these interventions. By taking such a visible role, HR can create enemies within the organisation, and thus attract criticism from other quarters. The problem for the adviser is entirely the opposite, since the CEO may use HR as a confidante precisely because of its assumed neutrality. Unfortunately this depends on sustained support from the CEO, and other managers may be unaware of HR's contribution. The service provider suffers in a similar way because the support HR provides to line managers is often hard to evaluate and difficult to isolate from what is typically expected. This is not a problem for the regulator/internal contractor, because of its very public role; however, the function risks being contracted out if it is seen to cost too much or fails to meet targets. In general, even when there are strong external pressures for commonality, such as in the public sector as Truss (2009, p734) found in her study of local authorities, the NHS and the police, differences can occur in design and implementation because of relationships between senior managers and the choices that are made internally at local level.



REFLECTIVE ACTIVITY 6.3

Consider whether there are circumstances (internal and external to the organisation) under which these roles are more likely to occur. Do you believe it is possible for HR practitioners and departments simply to 'choose' a role – such as change agent – they like the best?

6.3.2 BUSINESS PARTNERS AND THE THREE-LEGGED STOOL

This idea owes its emergence to Ulrich (1997) and later Ulrich and Brockbank (2005). Ulrich (1997, p124) acknowledges there is 'good reason for HR's beleaguered reputation. It is often ineffective, incompetent and costly; in a phrase, it is value-sapping.' To improve its reputation, Ulrich argued that HR needed to adopt the following five (initially four) roles:

- *Employee advocate* – HR acts as a voice for employees, representing them to senior managers, empathising with them, and working to improve their contribution, commitment and engagement. Ulrich (2005, p26) argues this is key, covering issues such as employee involvement, managing diversity and 'rooting out discrimination whenever it appears'. Paradoxically, the role also includes dealing with the 'removal' of employees and maintaining performance standards.
- *Functional expert* – HR possesses a body of knowledge about managing and developing people which can contribute to organisational decision-making (Ulrich and Brockbank 2005). HR has expertise in *foundational* practices such as recruitment and rewards as well as *emerging* practices which impact on people management but are not controlled by HR specialists – job design, organisation structures and internal communications.

Functional experts work at multiple levels and should use IT to improve processes, even in transactional work such as pay administration and personnel records. Ulrich (1997, p129) argues that 'improving efficiency will build HR's credibility which, in turn, will open the door for it to become a partner in executing strategy'. To achieve this, HR professionals must be more aware of high-quality research findings by reading journals and attending conferences, as well as knowing where to seek specialist expertise (Rousseau and Barends 2011).

- *Human capital developer* – HR has to reinforce the need to see employees as critical assets and focus on practices and processes that help them develop future roles within the organisation, for example through training and learning, career development, and coaching. While most of this is likely to be at an individual level, HR professionals can help shape positive team relationships, in much the same way that sports or music coaches develop both individuals and teams.
- *Strategic partner* – HR acts as a partner to line managers at all levels in strategy formulation and execution. This has three components: playing devil's advocate by posing tough questions about strategy and the organisation's ability to put this into effect; actively helping to craft strategies which help to align customer needs and organisational approaches; and leading on raising standards of strategic thinking by the management team. HR also leads on how to create 'organisational architecture', carrying out audits and renovating those areas in need of repair. In short, HR plays a significant part in building the systems and processes that help deliver organisational success.
- *HR leader* – HR leaders 'value and own' their own function, develop staff working for them, and contribute to decision-making, so gaining respect and credibility within the organisation. To do this, HR leaders need to ensure their own function operates well and shows that traditional areas of HRM – for example, hiring, training and performance management – are applied professionally within the function as well as across the whole organisation. Ulrich and Brockbank (2005, p28) believe that HR adds greater value when structured as an integrated function rather than operating in separate silos such as training and development, recruitment and selection, reward management, and employee relations. As we saw earlier, the impact is likely to be greater if HR practices are integrated.

Although there has been a tendency to relate every recent development to Ulrich – which should not be the case (Hird et al 2010) – his ideas have had a major impact on the HR profession, especially in relation to the business or strategic partner role (Guest and King 2004, p419) and the impetus to develop shared services and e-HR. As we see in subsequent sections, most of these initiatives are now common practice in leading organisations, and many HR specialists feel they are performing a business or strategic partner role.

Ulrich's ideas have now been around long enough to allow more independent evaluation of whether or not they improve the HR contribution and have the power or the influence to have a major impact on business performance. The HR managers in Guest and King's (2004) study were reluctant to move into the boardroom 'armed only with rhetoric about people as the key resource, somewhat ambiguous evidence about the impact of HRM on performance and a set of professional but widely un-welcomed bureaucratic procedures' (p420). Caldwell (2003, p1003) echoed this sentiment, suggesting that 'Ulrich's prescriptive vision may promise more than HR professionals can ever really deliver'. Recently, *People Management* published an article entitled 'Are HR business partners a dying breed?' with Ulrich himself admitting that the early notions of the model should not be blindly implemented in today's context (Stevens 2015). Several contributors to *People Management* (for example Pickard 2005; Arkin 2007; Lewis 2015) have noted concerns about some of these ideas, arguing that HR was losing ground by failing to persuade chief executives to take the business partner role seriously, and instead putting

executives from other functions (for example finance) into senior HR roles to ensure a more business-focused approach. Moreover, an obsession with developing the business or strategic partner role has led to transactional work – the support function at workplace level that the HR function did for years – being done by line managers who, in some cases, found they quite like the flexibility this has provided. Alternatively, this work is outsourced to other firms whose contribution is monitored closely. Indeed, if HR business partners are marginalised and only called upon once the bigger decisions have been made, there is a danger that rather than helping to design the new building, they are relegated to choosing the wallpaper once construction is complete!

A survey conducted in Oman, a non-Western developing country, with 780 HR practitioners, line managers and employees illustrates how the universal applicability of Ulrich's work can be challenged because it fails to take into account the institutional and cultural factors which shape these roles in different countries (Mamman and Al Kulaiby 2014). In this study, findings indicate that HR practitioners in Oman play more 'operational' roles (for example employee advocate or functional expert) rather than 'strategic' roles (that is, strategic partner or HR leader).

Moreover, Hird et al (2010, p31) indicate that many of the attempts to implement the Ulrich HR delivery model were only partially successful because of:

- off-the-shelf implementation of a new HR structure without sufficient thought as to its use
- fragmentation of HR structures because of lack of care about the boundaries between different components of the model
- insufficient attention to the new skill-sets required to run the three-legged stool structure
- lack of skill and understanding among line managers about the new model
- a gap in the middle between business partners moving on to executive work and centres of expertise to advisory work.

There is also a more deep-seated critique that HR is getting too close to business leaders and their *modus operandi*. Wright and Snell (2005, p181) argue that HR leaders must 'distinguish between decisions that are driven by the business and decisions driven for the business. A focus on short-term financial returns for fickle investors may be made at the long-term cost of organisational viability ... HR leaders must be the guardians of our firm's strategic capability ... and the guardians of our ethical and moral integrity.' Similarly, Francis and Keegan (2006, pp242–3) note the employee champion role has shrunk because HR professionals have been encouraged to aspire to the role of strategic or business partner. This is not always welcomed by the individuals concerned, who feel they have lost contact with the human side of their work. As one of the senior CIPD advisers they interviewed put it, 'no-one wants to be an employee champion (*employee advocate*). They think it is ideologically unsound. I think they see it as them being in opposition to the organisation ... and it suggests their management credentials are suspect.' Keegan and Francis (2010) develop this point further with reference to the 'discursive dominance of HR business partnership'. Broadly, they argue that pressures to reduce costs, increase competitiveness and achieve a tighter alignment between business strategy and HRM have led HR to lose touch with employees. Structural shifts in the way HRM is organised mean that HR specialists are not expected to devote time to employees because business partners are meant to look up the organisation to promote business goals, shared service centres are remote from any physical contact with employees as e-HR takes effect, and line managers are encouraged to be self-sufficient and lead their teams. Much like Legge's deviant innovators, the employee advocate role might be tolerated only as long as the business is performing well.

More recently, Ulrich and Dulebohn (2015) suggest that HR practitioners need to move on from the business partner model to focus more effectively on the external context which shapes HRM. Making an assessment of HRM's journey so far, they claim this has a singular direction, which is to add value to the organisation. Moreover, they argue that HR has gone from a lower-level administrative technique to a core business function and a strategic business partner. However, they note that with a continually changing context, there is a need to reassess where HR is going. They illustrate four key transformation waves through which HRM has evolved over time: (1) HR administration, (2) HR practices, (3) HR strategy, and (4) HR and context (which is the current wave). Based on this analysis, Ulrich and Dulebohn argue that HRM needs to adopt an outside/inside approach, where the external environment and key stakeholders influence what HR does inside the organisation. The outside/inside approach simply means that HR no longer creates value by serving employees' interests or redesigning HR systems and practices to make them more efficient, but it does so by offering HR services inside the organisation which are aligned to external contingencies. For example, the strategic goal should now be to 'become the employer of choice for employees our customers would choose' (p191).

In the same Special Issue of the *Human Resource Management Review*, Marchington (2015a) argues that HRM is overemphasising its strategic role nowadays and, in a concerted attempt to gain a seat at the top table, it has neglected or ignored key components of its unique contribution. HRM's current fixation on short-term performance goals and satisfying solely shareholder demands – rather than developing longer-term sustainable contributions based on values and fairness – calls for a need to re-evaluate where HRM is going. According to Marchington (2015a), four key factors have led to this problem:

- 1 HRM has adopted a narrative and placed excessive emphasis on metrics associated with short-term and easy-to-measure performance criteria that has ignored other stakeholders. A good example is the *News of the World* scandal for which five former employees were found guilty in a series of trials concerning phone hacking of celebrities and public figures. This practice, which merely aimed at increasing short-term performance, not only had a detrimental effect on the privacy of people whose phones were hacked but was also illegal and eventually led to the closure of the newspaper.
- 2 HRM has become obsessed with strategic elements of the business partner model and, in turn, downplayed its responsibilities elsewhere, particularly to employees. For example, Amazon's mission statement mentions that they 'seek to be Earth's most customer-centric company'. Yet, it attracted a lot of publicity after an article in the *New York Times* which criticised its pressurised and stressful work arrangements.
- 3 HRM has focused excessively on the creation of top talent and development of charismatic leaders instead of attempting to engage all staff. In relation to the latter, for example, Waitrose urges corporate head office staff to interact more closely with its front-line staff in John Lewis stores and Waitrose branches. This gives them an opportunity to find talents even at the shop-floor level and keep their workforce engaged.
- 4 HRM has reinforced the growing divisions between the terms and conditions of core workers directly employed by clients and those working for suppliers. This is reflected in organisations such as Sports Direct, where several thousand core workers receive large bonuses each year while the majority of its staff are on zero-hours contracts.



REFLECTIVE ACTIVITY 6.4

Read the papers by Dave Ulrich and James Dulebohn (2015) and by Mick Marchington (2015a) in volume 25 of the *Human Resource Management Review* and discuss with colleagues where this might take us. Do these two perspectives offer a contrasting picture of what HR needs to do or are there many elements in common between them?

6.4 NEW FORMS OF DELIVERY: OUTSOURCING, SHARED SERVICE CENTRES AND E-HRM

While it is often assumed that a specialist, internal function deals with HR issues, some aspects – such as recruiting for specialist posts and technical training – have long been subcontracted to other providers. More recently, there has been a more explicit questioning of the need for an internal HR function or at least for substantial elements of its work. A problem with headline publications is that they conflate the different forms of alternative service delivery into one term, typically ‘outsourcing’. But the move away from an internal HR function can take many forms, including: a shared service centre within a single organisation, a joint venture between organisations that combine HR resources, and a multi-client call centre providing HR services to several organisations (McEwen 2002; Cooke et al 2005; Reichel and Lazarova 2013; Glaister 2014; Johnson, Wilding and Robson 2014; John and Björkman 2015). These are often combined with greater use of electronic forms of HRM (e-HRM). Contracts for HR services also vary from one-off or relatively short periods of duration through to deals over a five-year period which are then renewed. The expectations of both parties and their commitment to meeting shared goals are bound to vary because of this. Moreover, contracts for transactional work are staffed by agency workers, often without an HR qualification, while high-value projects are undertaken by well-paid and experienced professionals.

6.4.1 OUTSOURCING HR

Outsourcing is now a key component of the HR service delivery mix compared with the situation at the beginning of this century, when it was relatively rare to outsource very large parts of the HR function. The 2007 *People Management* ‘Guide to HR Outsourcing’ noted that despite some moves to bring HR back in-house, for example at BP, the overall market continued to grow, with significant new deals at both private and public sector organisations such as Unilever and the BBC. This followed earlier moves when employers chose to subcontract their transactional work to external providers through dedicated call centres or transferred all but core, strategic activity to specialist, global firms such as Accenture, Aon Hewitt and Capita. Chynoweth (2011) reported a rise of over 10% in the total spend on HR consulting since the recession caused by the after-effects of the global financial crisis in 2008–09. While many deals appear to have worked and contracts have been extended, others were terminated because anticipated improvements did not arise. At the time, *People Management* featured articles about ‘outsourcing fever’ or an ‘offshore boom’, as well as some questioning the value of subcontracting in the first place. Similar moves occurred in the USA, but HR outsourcing was less well developed in some other parts of the world. For example, in Belgium (Delmotte and Sels 2008), aside from payroll, training and temporary agency work, few employers made use of HR outsourcing. In Hong Kong, it was relatively rare, at around 25% of firms surveyed, limited by the lack of

specialist providers there (Chiang et al 2010), and similar low levels of usage were found in India (Bhatnagar 2009).

Nowadays, some *HR practices* are routinely outsourced to other organisations, while others are more likely to remain in-house, a picture which Adams (1991) refers to as ‘balkanisation’. Specialist activities such as pensions, payroll, legal issues, employee assistance programmes and outplacement are most likely to be fully outsourced. Training, recruitment and selection, and compensation and benefits tend to be partially outsourced with elements being retained in-house, presumably because it makes little sense to move all of this activity to external providers. However, the CIPD (2015c) reports that the proportion of organisations that conduct all recruitment activity in-house dropped from 69% to 58% between 2013 and 2015. The areas least likely to be outsourced are HR planning, appraisal, strategy and policy, which is hardly surprising because, in RBV terms, they are central to an organisation’s mission. The US study (Hewitt Associates 2009) paints a very similar picture, showing little change from that observed in the past (Cooke et al 2005; Reichel and Lazarova 2013).

Woodall et al (2009, p244) found that *transactional* work was most likely to be outsourced: ‘things that can be repeated again and again to a high level of satisfaction’ and those which are ‘non-value adding, non-strategic, cost savings potential’. Research in North America (Klaas 2008) shows activities such as executive search, which is not undertaken frequently, benefits from being outsourced to specialist providers. They also suggest that reliance on outsourcing depends on factors such as organisational size and complexity, product market uncertainty and the importance of HR strategy to the organisation. Moreover, firms utilising idiosyncratic approaches to HRM were less likely to outsource generalist and human capital activities, presumably because contractors are less able to provide equivalent levels of support without a substantial investment in training their own staff, whereas firms whose future product market projections were uncertain were more likely to outsource generalist and transactional activities in order to reduce risk and future commitments to their own staff. In short, as Adler (2003) noted, decisions to outsource depend on the degree of risk in inter-organisational relationships and the extent to which deep-seated trust is present. Other reasons for retaining activities in-house include: already having an effective and well-resourced team in-house; not being convinced of the benefits of outsourcing; and already using a shared service model.

The type of people and organisations involved in HR outsourcing varies greatly. As we have seen, global strategy or specialist HR firms are major suppliers, sometimes running the entire HR function or undertaking projects on discrete areas of HRM. At the same time, individual consultants offer a total HR service to small firms or offer specialist advice when needed – for example, to chair appeals against disciplinary sanctions. Acas and the Involvement and Participation Association (IPA) also provide information and advice. In general, employers looking for consultants need to be careful to avoid those lacking expertise or skills. We return to this point at the end of this section.

There are three main forces that lead employers to implement new forms of service delivery: saving costs and shifting risk; gaining external expertise unavailable in-house; and providing independent views. These are analysed below, both in terms of benefits and limitations.

Saving Costs and Shifting Risk

The outsourcing literature typically uses transaction costs (Williamson 1975) or the resource-based view of the firm in assessing whether to ‘make or buy’ on the grounds of the relative costs and benefits involved. During the global financial crisis era, in which the challenges for HRM multiply, outsourcing is often used as a response to a firm’s financial

instability and employers' demand for 'hyperflexible' structures because it is perceived as a predominantly efficiency-seeking initiative (Thompson et al 2013, p141). While a principal reason for HR outsourcing is to reduce costs and shift risk (Woodall et al 2009), in the early stages extra expenditure is incurred, in terms of time as well as money, because the parties need to understand precisely what is required. Moreover, the costs of running the HR function – or those parts which have been subcontracted – are more transparent with an outsourced service and clauses can be written into the contract to stipulate no additional payments (Cooke et al 2005). In theory, if employers are not happy with the service provided, it is simpler to terminate the contract with an outsourcing firm than with in-house staff.

However, depending on the type of contract, the number of credible, alternative suppliers available and the importance of achieving cost reductions, it is difficult to secure performance improvements once standards have fallen and it may be costly to terminate a contract prematurely. Although intended to increase flexibility, outsourcing can sometimes add new rigidities that are hard to shift (Marchington et al 2005). Furthermore, if consultants are used because they are supposedly cheaper, employers need to be aware of the full financial implications. This includes both direct and opportunity costs of internal management time in putting together the tender in the first place, as well as the costs of monitoring performance with a continuing contract. All contracts require specification of agreed performance indicators, and in many cases these are tightly written – in terms of answering the telephone promptly or responding to a letter within a few days. When seen as part of a wider package, these indicators appear simple, but when treated in isolation there is a danger that HR activities become distorted in order to meet certain standards while neglecting others. Moreover, KPIs typically focus on transactional criteria that are easy to define and measure, whereas HR processes critical to the business can be very difficult to define and evaluate precisely. The HR professionals studied by Glaister (2014) also highlighted their role in balancing the tension between quality and efficiency.

Gaining External Expertise Not Available In-House

Outsourcing can be used to acquire specialist expertise not available internally (Klaas 2008; Glaister 2014; Johnson et al 2014), either in a particular area (for example European works councils, executive reward or psychometric testing) or in terms of process skills. In the former, assistance is usually available from a specialist consulting firm or a leading academic. One of the respondents to the Greer et al (1999) study summed it up well by saying 'you outsource when someone else can perform the activity better than you'. Smaller firms may use an ex-HR manager with plenty of experience but who is no longer in full-time employment, or perhaps someone from an interim management agency. In the case of process consultancy, help can be provided to implement cultural change or improve teamwork amongst board members, for example. This argument utilises the principle that organisations should specialise in areas they regard as core to their mission, and consider using commercial contracts for other work. Consultancy firms have the resources to set up extensive databases of information, to offer benchmarking and – in the case of the large, multinational firms – provide support on a global basis (Brewster et al 2007). This is not available in all countries, as the Hong Kong study (Chiang et al 2010) found. Outsourcing has been used extensively for transactional work that relies on expensive IT systems staffed by people who do not need expertise in HRM; subcontracting these activities is meant to free internal HR professionals to engage in strategic decisions (Ulrich and Dulebohn 2015; Woodall et al 2009).

However, contracting-out HR means that expertise is no longer retained in-house, and there is a loss of internal synergy if large parts of the function are outsourced. Adler

(2003) argues this is risky because dependence on an outside provider reduces the capability of HR within the organisation. Moreover, retaining an in-house function provides opportunities for internal teams to learn across the organisation. Tacit skills that are difficult to codify and formalise are lost when outsourcing takes place (Marchington 2015a), and employers can become totally dependent on external providers to maintain service quality and professional standards. While this may not be problematic initially if experienced staff continue working on the contract, it is hard to sustain if the subcontractor fails to maintain skills or employs agency staff to reduce costs. Having lost their own internal staff, it is difficult for employers to negotiate lower prices at subsequent contract renewals, especially if the market is dominated by a few large organisations. Additionally, a good way to develop HR practitioners is to plan their careers so they have experience of different aspects of HR and the business as a whole by moving them between jobs and functions; this also helps to gain legitimacy. This is impossible if large blocks of HR work are externalised (Kelly and Gennard 2007; Marchington 2015a).

Independence from Internal Pressures

Consultants are regarded as independent from the organisation and consequently able to provide an expertise that is theoretically free from internal influence (Buchanan and Huczynski 2013). This could be very useful in complex and multifaceted situations, as well as beneficial in providing an alternative and fresh perspective on issues, as an outsider's view can help to resolve problems which had previously seemed intractable (Wylie et al 2014). This can be helpful because consultants are able to use the language of independence, objectivity and so-called 'rational' solutions (Baxter 1996). If attitude surveys are undertaken by independent consultants, for example, this may increase their acceptability with a range of stakeholders (Marchington 2015c).

Being external to the organisation, however, is not necessarily advantageous because there is less understanding of workplace culture and past traditions. While consultants may have greater access to wider knowledge and contemporary developments, they do not know what has been tried before and failed, they lack insight into the politics that permeate any organisation, and they lack detailed knowledge of the products and services that are developed. Much depends on what is acceptable to the parties involved.

There are also limits to benchmarking, and the work of external consultants has been characterised as 'solutions looking for problems' (Baxter 1996; Fincham and Evans 1999). This suggests that consultants often recommend HR systems which have worked effectively elsewhere, and assume they can be implemented in quite different contexts, sectors and situations; this is dubious, as we see in Chapters 3 and 5. Management consultancies also play a major role in the dissemination of management ideas across the globe (Kipping and Wright 2012). It is argued these organisations – which are often large, global employers in their own right – contribute to convergence and organisational isomorphism in management practice, particularly in areas of HRM where there is no regulation, such as outsourcing and shared services. For example, Wright, Sturdy and Wylie (2012) note how management consultancies promote HR practices, new corporate cultures and process innovation as part of a standardising agenda rather than as a dedicated 'solution' for each organisation. In short, while Sturdy (2011) feels the influence of consultancy firms is probably exaggerated, he believes they shape and legitimise forms of organisational change.

An example of HR outsourcing between Kimberly-Clark and ResourceBank is outlined in Case Study 6.2.



CASE STUDY 6.2

OUTSOURCING RECRUITMENT FOR INCREASED STRENGTH

The partnership between Kimberly-Clark and ResourceBank to deal with recruitment began when K-C's learning and development director realised that only 30% of their European staff were located in the UK, but nearly 75% of the recruitment budget was spent there. This included all graduate recruitment, which at the time was done by a number of external agencies.

The decision was made to use a firm called ResourceBank, whose staff sit alongside K-C employees at their Brighton headquarters, to do all recruitment. The company had worked with ResourceBank in the past and was impressed that their presentations for the tender were done by HR people who would actually do the work, rather than sales people. The contract was initially for two years, with a shorter get-out clause, but it was later extended to five years. The system operated through a series of KPIs – such as filling a vacancy within six to eight weeks – and during the first year, 80% of the vacancies were filled within this period.

The companies chose not to use a system of fines or bonuses but instead talked over the issues and sought improvements within the next three months.

Several factors increased the effectiveness of the deal. For example, one of the K-C team worked with staff from ResourceBank to develop closer contacts and address issues, decisions were made about joint IT systems, and no staff were made redundant from K-C. It was felt the recruitment process improved dramatically, as costs came down, service was enhanced, and line managers (one of the major customers of the service) were much more satisfied.

To think about:

Debate with your colleagues whether or not it makes sense to outsource the HR function, either in specific areas such as recruitment or more widely. Make use of the arguments outlined here, as well as others, and find contemporary examples to support your case.

Source: Adapted from *People Management*, 'HR Guide to Outsourcing', February 2007, 28–9.

6.4.2 SHARED SERVICE CENTRES (SSCs)

An alternative which has similarities with outsourcing but retains HR in-house, or at least within a **network of partner employers**, is the **shared service centre**, a model which derives from the **finance function** in the USA (Cooke 2006; Edwards and Ferner 2013; Doellgast and Gospel 2013). SSCs are made up of a small group of HR professionals at corporate level that drive the strategic vision of the organisation, while a call centre is set up to give advice to line managers, and in many cases individual workers, on administrative issues such as employee records, recruitment services and relocation. Shared services have two parts: (a) service centres which rely on technology to meet employee administrative needs, and (b) centres of expertise which create specialist knowledge and insight (Ulrich and Dulebohn 2015), but broadly speaking it takes three forms:

- 1 An in-house function that operates solely as an internal market for the provision of HR services across a multi-site organisation – these can either cover HR advice within a single country or across a range of countries within a large MNC (Brewster et al 2007). In the latter, a global 24-hour service can be offered by staff located around the world (Sparrow et al 2004, p66).

- 2 An in-house unit providing services to staff *within* the organisation but also operating on the *open market* to other organisations looking for an HR service (Cooke 2006) – this can also result in the setting up of a specialist, stand-alone HR firm which is then floated off from the original employer.
- 3 A specialist firm providing advice to several employers that co-operate because of geographical proximity or prior organisational links – the latter is now quite common in the public sector, where a number of NHS trusts or schools pool resources to provide a joint service, in particular for transactional HR work. The case of schools is particularly interesting because of greater freedom from local authority controls, and although individual schools are able to appoint their own HR staff, it is unlikely they have the resources to do so.

Ulrich and Dulebohn (2015, p199) argue that 'to understand a shared services organisation requires thinking about HR as a professional services firm within a firm'. This has implications for the way in which the HR role can be designed, with the authors suggesting three broad categories – functional HR, shared services and dedicated HR. These differ in terms of business organisation, design of HR policies, implementation of HR practices, accountability, services orientation, flexibility, charge-backs, location, skills requirements and wealth-creation. This results in the following classification:

- 1 *Functional HR* – this is characteristic of organisations with a single business unit, which aims to increase shareholder value. In this category, HR policies are designed by corporate functional specialists, while the implementation of the HR practices is governed by senior line managers. Accountability for HRM lies with the corporate HR department/function and services provided are standardised across the corporation. There is mandatory use of internal resources, which reduces flexibility, and business units pay an allocation of HR costs. There is also a strong corporate presence with HR generalists on site and there is a requirement for technical experts when designing and delivering HRM.
- 2 *Shared services* – more likely to be found in organisations with related or unrelated diversification strategies. The aim in these types of corporations is to create HR value for line managers, employees, customers and investors. In these cases, various alternative HR policies are created by specialists in centres of expertise and implementation is overseen by local HR professionals who select appropriate options from the centre of expertise menu. Accountability is split between operations and HR, and services are tailored to business needs with consistency through learning and sharing. Organisations with SSCs have more flexibility, but this is governed by the centres of expertise, which need professionals with skills in design expertise, consulting and support for line managers. Business units pay for the use of the service and centres are located wherever it makes sense for the business.
- 3 *Dedicated HR* – holding companies usually tend to have a dedicated HRM approach. HR policies are designed and delivered by functional specialists within a business and the implementation is governed by local HR specialists who are embedded in the business. Local business leaders are accountable for HRM and each business unit funds its own HR costs. Unique services are provided for each business unit and hence each one creates what is required, thus allowing for greater flexibility. In these types of companies there is a small corporate HR office, with HR staff at local level. Business expertise and technical specialty in business is required in this case.

An example of a shared service centre in the NHS (Redman et al 2007) is outlined in Case Study 6.3.



CASE STUDY 6.3

POOLING HUMAN RESOURCES IN THE NHS

Despite being characterised as having low credibility within the NHS, policy changes over the last decade have given HR an opportunity to become more central to strategic change within each trust. Most people think of the NHS as a series of hospitals, either engaged in accident and emergency or in various forms of palliative care, but primary care plays a critical role in improving patient care. These units employ much fewer people than a hospital and they are dispersed across the community. It is therefore much more difficult to staff an internal HR function in this context.

Primary care units either opted to share an HR function with their NHS neighbours or contract services from another NHS organisation. In this case four different employers, which employed about 1,500 staff between them, decided to pool a number of corporate services, including HR. In total, 16 staff were employed on this work, and one of the employers acted as the host for the service. Each of the senior HR leads took responsibility for a different component of HRM across the four organisations, and in order to reduce complexity and bureaucracy it was agreed not to operate a system of cross-charging.

The rationale for setting up the SSC was similar to the reasons put forward above – lower costs, higher levels of quality/expertise, and a more integrated approach to change. There was also an element of expediency given so many other structural changes were on the

agenda, and an SSC seemed the simplest thing to do. Each employer could have opted to set up their own HR function or outsource completely, but these were rejected on grounds of cost and quality at the time. This was not ruled out as a future solution if existing arrangements failed to work.

In evaluating progress, senior managers in each organisation (CEOs and HR leaders) agreed the emphasis had been on transactional aspects of HRM rather than on strategic developments. There were some anxieties that resourcing was too tight and that the limited number of HR staff employed (ratio of 1:125) made it difficult to get everything done. The staff working in the SSC saw advantages in terms of service delivery but expressed concerns about conflicting priorities in the face of competing demands from the four employers. Questions of organisational identity (for example, who was their employer?) also loomed large. This study also found differences between the staff who were co-located and those who had to move between employers in line with business needs, with the former reporting much higher levels of satisfaction and lower intentions to quit than the latter. For such arrangements to work effectively in the future, the authors suggest rather more attention should be paid to the SSC staff themselves and the roles they are expected to fulfil.

Source: Adapted from Redman et al (2007).



REFLECTIVE ACTIVITY 6.5

Identify the organisational and business circumstances where an SSC might be most useful. Think about things to do with product markets, labour markets and geographical location.

SSCs have a number of advantages according to Cooke (2006), Redman et al (2007), Farndale et al (2009) and Torrington et al (2014). Major gains include: more efficient processes and economies of scale in staffing and resources; higher customer satisfaction ratings; more integrated 'total solutions' to problems; better management information systems; better monitoring of HR contribution because of transparency of costs; improved levels of inter-group learning; and overall a more strategic contribution from HR to business goals. In the Netherlands' study by Farndale et al (2009), the reasons for using the SSC were to increase customer focus and professionalism; cost reduction came some way down the list of drivers.

In practice, according to Cooke (2006), Brewster et al (2007) and Farndale et al (2009), SSCs have also hit problems, such as:

- lower levels of customer satisfaction due to less face-to-face contact with HR staff, less interesting work and reduced career opportunities for HR staff, leading to lower levels of staff morale, especially in the early days of its operation
- higher than expected costs, and especially the duplication of posts and services both in the SSC and at specific locations
- lack of performance data and weak collaboration, making it hard to assess benefits
- transfer of jobs from high-wage to low-wage economies.

Knol et al (2014) suggested a taxonomy of possible management challenges when developing shared services arrangements based on three key theoretical perspectives (resource dependency, efficiency and knowledge). The key challenges include:

- struggle for required resources with other managerial functions
- creating a business case because of lack of available financial data
- standardisation of processes, IT and personnel
- SSC governance and whether to have one large centre or several small ones
- SSC's implementation strategy, the maintenance of service-level quality and performance indicators
- contracting and costing since some SSCs are more expensive than expected
- alienation, the use of shadow staff
- need for alignment and adaptation.

In addition, Cooke (2006, p218) notes that line managers who were expected to use the service reported their own work had increased and their teams felt there was a lack of structure for dealing with HR issues. This was amplified because of IT problems which led to difficulties in getting access to an HR person in the call centre. In short, Cooke (2006, p224) suggests that 'the transition from a traditional HR delivery model to an HR shared services model involves major organisational change and careful management ... firms should not expect a high cost saving in the first few years of setting up an SSC.'

6.4.3 ELECTRONIC HRM (E-HRM)

The use of e-HRM has become much more extensive over the last decade, often alongside SSCs and external providers. The CIPD's (2015c) report on resourcing and talent management states that 'organisations are increasingly using technology to recruit – although not as rapidly as anticipated. For example, online methods are now becoming increasingly popular recruitment techniques, with corporate websites ranked among the three most effective methods for attracting candidates for all employee groups. In addition, a quarter or more organisations extensively rely on professional networking sites (such as LinkedIn) for attracting higher-level candidates.'

E-HRM has been defined as 'an umbrella term covering all possible integration mechanisms and contents between HRM and information technologies aimed at creating

value within and across organisations for targeted employees and management' (Bondarouk and Ruel 2009, p507). The authors break this down into four aspects:

- 1 *Content* – any form of HR practice that is supported by IT, either of a transactional or transformational nature, which makes use of the Internet or intranet.
- 2 *Implementation* – this covers the adoption and appropriation of e-HRM by organisational members.
- 3 *Targeted employees and managers* – although initially e-HRM was directed principally to the HR department, it is now focused on employees – including potential recruits – and line managers to a great extent. It is a key component of the support that line managers receive in many organisations.
- 4 *Consequences* – this relates to the goals that have been set for e-HRM and the extent to which they are achieved in practice.

According to Parry and Tyson (2011), there are three sets of goals for e-HRM. *Operational or transactional* goals relate to the idea of improving efficiency or reducing costs (Martin et al 2008; Marler 2009) via speedier processing, releasing HR professionals from administrative work, and cutting back on headcount. *Relational* goals refer to the provision of remote access to HR information for employees and line managers so that they can perform HR work themselves – such as updating personal data and locating terms and conditions online rather than having to print them off. *Transformational* goals relate to opportunities for communication across geographical boundaries to support virtual teams and network organisations. There is some disagreement about whether these goals can be achieved via e-HRM; most researchers conclude it is most appropriate for transactional activities and that it leads merely to the externalisation of HR staff, but Parry (2011) – looking at data from countries across Europe – found there was a link between the use of e-HRM and a more strategic HR function. Parry and Tyson's research on ten organisations noted that e-HRM had disparate goals and varying levels of success. Three of these cases are outlined in Case Study 6.4.



CASE STUDY 6.4

ACHIEVING THE GOALS FOR E-HRM IN THREE ORGANISATIONS

BOC is a large manufacturer of industrial gases based in 50 countries which employs approximately 2,000 staff. It has five functional HR teams plus central support. It uses a SAP HR system which gives line managers access to HR data from their desktops on issues relating to absence, bonus ratings and salary review dates. An e-recruitment system was introduced in 2003 and this is now linked to career centres. The two main goals of e-HRM were to (1) improve the visibility of spend, reduce headcount and advertise more quickly; this led to savings in recruitment fees and in staff costs; and (2) improve service delivery by getting information to job candidates more quickly; this has improved the accuracy of HR data but also de-personalised the process.

Cancer Research UK is a charity that employs 3,500 staff and has HR teams in the areas of resourcing and employee relations which provide advice on transactional issues. The organisation has an end-to-end e-recruitment system and a comprehensive HR information system, and at the time of the case study it was planning to introduce a self-service e-HRM portal. As with BOC, the two main goals of e-HRM were to (1) improve recruitment processes and achieve cost reductions; this has led to a speeding-up of calculations, reduced headcount and saved on paper consumption; and (2) improve the credibility of the HR function and accuracy of data entry; the latter is now much more transparent and accessible both for employees and for applicants.

IBM is a large global IT company employing 20,000 people around the world. HR is organised globally, both in geographical regions and by country, and there is an SSC. As would be expected, technology is used widely for communicating with a dispersed workforce, HR information is on the intranet, and there is a range of self-service tools for managers. Once again, cost formed a key part of the reason for using e-HRM, and headcount in HR has been reduced as has the extent of manual input of new data and cycle times. The IBM example showed that other goals were also important:

increasing the strategic orientation of the HR function was achieved through business partners being able to focus more on high-level and forward-looking issues, while managers and employees have been empowered through greater access to HR knowledge.

To think about:

What are the main conclusions to be drawn from these cases and others outlined in the Parry and Tyson paper? Do you see any downsides from the development of e-HRM, aside from the loss of HR jobs within the organisations?

Source: Adapted from Parry and Tyson (2011).

The effectiveness of e-HRM depends heavily on organisational context. Strohmeier and Kabst (2014) provide three configurations for e-HRM based on a cross-sectional survey of senior HR managers and directors:

- 1 *The 'non-user' configuration* – e-functions are not really used for HRM. This is more likely to be found in small organisations with informal HR practices and without a formal HR department. This happens, unsurprisingly, because any increases in productivity cannot offset the cost for such a heavy investment in technology. Moreover, in smaller organisations e-HRM is often seen as 'redundant' since face-to-face interactions between line managers and their teams are possible and preferable to any electronic interaction.
- 2 *The 'operational user' configuration* – this is mainly found in medium-sized organisations where the strategic focus – and thus the necessity for HR to contribute to strategy – is missing. For example, these organisations do not view e-compensation as a transformational e-function since they emphasise cost control and have an operational orientation.
- 3 *The 'power user' configuration* – these organisations make full use of operational, relational and transformational e-HRM. A considerable portion of organisations in this study seems to embrace this usage. The broad usage of transformational e-functions is interlinked with the existence of a clear business and HR strategy. Recruitment, training and development, performance management and compensation can be planned, realised and controlled more effectively and efficiently with the help of technology.

E-HRM has also been used in other countries. For example, it has been most widely used for transactional HRM, as Farndale et al (2009) found with 15 organisations in the Netherlands which used self-service applications in SSCs. Highest usage was found for absence management, holiday leave and expenses, while there were extensive plans to use e-HRM for personal data, performance management and general information via a dashboard system. Amongst their sample it was rare for e-HRM to be used for material relating to stock option plans and exit interviews. Interestingly, Bondarouk and Ruel (2009) identified that e-HRM had been used for career development and internal mobility in a government department also in the Netherlands. Managers found it useful for appraisal records, although – as usual – there were irritations with the system, while employees felt the 'mobility bank' provided quality information. They also believed the use of e-HRM

increased the speed of searching and applying for new posts, though many still printed off the material in order to read it. Employees also felt that many barriers remained in the area of career development, though blame for this was attributed to lack of support from their managers and bureaucratic rules rather than e-HRM. Overall, even though e-HRM has been associated with increased efficiency, it has also been linked with an increased disconnection between employees and the HR function (Thompson 2011).



REFLECTIVE ACTIVITY 6.6

Read the paper by Diana Stone et al (2015) in *Human Resource Management Review* and consider the implications of e-HRM for managers and employees. Think about the factors that would facilitate the implementation of an e-HRM system within your organisation and the extent to which technology helps HRM achieve its strategic goals.

6.5 CAREERS FOR HR SPECIALISTS IN THE FUTURE

It is clear the role of HR specialists has changed since the emergence of the business partner model and the three-legged stool configuration. On the one hand, the future looks positive for those able to reach the senior echelons of the organisation and command a place on the board or its equivalent. On the other, the growth of SSCs and HR outsourcing firms that do transactional work, especially if these are in call centres staffed by administrators without HR qualifications, does not augur well for the profession. While each extreme is possible, it is more likely the HR profession will continue to reconfigure itself in a range of forms. In the past, not all HR staff were architects or change agents, and in most organisations a variety of roles are undertaken by HR professionals at different stages in their working lives.

However, there is little doubt the traditional model of the HR career – where staff remained in the same organisation for many years, moving through the ranks from assistant to officer to manager to director – is now rare. According to the CIPD Outlook report (2015l) seven out of ten current HR directors worked in roles outside of HR five job roles ago, which is higher than the average of 46% for *all* HR professionals. In its place, people zig-zag between functions and organisations, gaining experience in a variety of HR and non-HR roles. Time might be spent in an SSC, at corporate HQ, in a specialist HR role (such as reward management or employee relations) and as a line manager, or even in a totally different function such as marketing. While this might offer more rewarding career routes for some, it could also lead to uncertainty and insecurity for others, especially if they find it hard to gain business partner positions.

While much of the literature looks at HR specifically, Kelly and Gennard's (2007) study is useful because it includes finance and marketing directors as well as HR. Results showed that directors from all three groups felt they were required to combine a high level of functional expertise with business awareness and social and political skills. Their functional expertise was essential in providing a necessary baseline for one of the top roles, but on its own this was not sufficient. Individuals were required to demonstrate, according to Kelly and Gennard (2007, p112), 'the possession of wider business knowledge and understanding coupled with well-developed interpersonal skills. The effective director thus manages across the business in multi-functional teams as well as carrying out a core functional specialism.'

Lack of HR competence is a concern for many organisations and HR's inability to meet the CEO's objectives has often been attributed to this (Wright, Stewart and Moore 2012).

A comprehensive SHRM competency model – based on findings from a 2014 survey by the Society for Human Resource Management – which could possibly help HR specialists to tackle this issue has been put forward by Cohen (2015). The key competency domains identified are:

- 1 HR technical expertise and practice (for example, applying talent and change management principles)
- 2 relationship management (for example, managing interpersonal interactions such as people management through being visible, negotiating and managing conflict)
- 3 consultation (for example, providing guidance for various stakeholders through coaching, problem-solving and analytical reasoning)
- 4 leadership and navigation (for example, directing initiatives through resource and project management, succession planning or transformational leadership)
- 5 communication (for example, exchanging effectively with stakeholders via verbal and written communication skills, diplomacy, active listening, presentation and facilitation skills)
- 6 global and cultural effectiveness (for example, valuing and considering various perspectives by being open to experience, adaptable and being culturally aware and respectful)
- 7 critical evaluation (for example, interpreting information to make business decisions one needs to be objective, a problem-solver and a critical thinker and understand research methods)
- 8 ethical practices (for example, supporting and upholding organisational values while mitigating risk by building rapport and trust, having credibility and personal and professional courage)
- 9 business acumen (for example, understanding and applying information by having a strong business knowledge and economic awareness, effective administration skills and knowledge of finance, accounting, sales, marketing, technology, and so on).

While this all sounds very attractive and potentially a valuable summary of how HR professionals *should* work, this is extremely hard to achieve in practice for at least two major reasons. First, HR is not able to determine for itself which roles to occupy but relies on senior managers/directors showing a belief in shaping an organisational culture which offers room for these competencies to flourish. Second, given that in many cases, internal HR staff have been replaced by outsourcing arrangements and a focus on cost-cutting rather than developing expertise, these competency domains represent an ideal which might not be achievable in practice.

6.6 ASSESSING THE CONTRIBUTION OF THE HR FUNCTION

While it is now common for employers to use HR metrics, there are very few publications which have evaluated the role of the HR function in improving organisational performance. Indeed, the CIPD *Shaping the Future* report (2011a) notes that assessment and evaluation is less developed than would be expected for an area that is considered a priority. This is surprising given the increased tendency for organisations to use alternative forms of HR delivery and the enduring obsession with cost reduction, as well as views that HR has minimal impact – summed up by Skinner's quote that the personnel function is just 'big hat and no cattle' (Guest 1991; Guthrie et al 2011). HR specialists are often critical of their contribution to organisational goals in a way that does not appear to concern other specialist functions. There are three reasons for this. First, HR has always been in an ambiguous position, and on cost grounds alone its presence can be questioned.

Second, doubts about the value of HR are reinforced by business cultures in liberal market economies which put a primacy on financial control and short-termism to the neglect of longer-term considerations (see Chapter 5). Third, the contribution of HR specialists has always been hard to quantify because they work closely with line managers and are dependent on the latter to put policies into effect. This obviously raises doubts about the appropriateness of using 'hard' metrics – such as levels of absence or employee engagement – to assess the value of the HR function if HR advice is ignored by line managers or is implemented ineffectively. It also shows the value of 'soft' measures which ask for views of stakeholders instead (Marchington 2015a). In this section we evaluate the HR contribution by examining four sets of factors: board membership/influence on strategy; views of key stakeholders; benchmarking against external data; internal evaluation via service-level agreements. It should be noted at the outset that some of this material is rather dated because several sources of up-to-date information (for example, WERS and XpertHR) no longer publish this data.

6.6.1 BOARD MEMBERSHIP/INFLUENCE ON STRATEGY

It is suggested that in order to ensure issues are taken seriously, HR needs to have a presence on the board. Millward et al (2000, p76) found that by the late 1990s, 64% of workplaces in the private sector were located in organisations where there was a specialist presence on the board, particularly in organisations which dealt with trade unions. Several years later, the next WERS survey (Kersley et al 2006) found that HR representation on the board was highest for organisations in the mid-range (250–5,000 employees), as well as in the public sector. Unfortunately, the 2011 WERS survey did not ask this question, so it is hard to assess how things have changed over the last decade. Despite using a less representative sample, and surveying organisations rather than workplaces, IRS conducted annual surveys for many years. These found (Crail 2007) that just over two-thirds of the sampled organisations had a director responsible for HR alone (43%) or for HR and other issues (25%); this was at about the same level as the year before and slightly higher than in 2003. Not surprisingly, HR directors were more likely in larger organisations and, while there was little variation between sectors, 85% of public sector organisations had a director either solely for HR, or for HR and other issues. Caldwell (2011, p45) argues there is a strong association between being a member of the board and occupying a strategic business partner role, and also in perceiving that CEOs view HR in a positive light. One of his respondents was convinced that if board membership was not there, HR would have less influence on the way in which decisions were shaped.

Not all commentators agree that an HR presence on the board guarantees that HRM is taken seriously or that the function has greater influence. Indeed, it is possible for HRM to be treated as a strategic issue *without* a specialist presence, but this occurs only if the chief executive is convinced of the value of HRM and these values are embedded throughout the entire organisation via line managers. Moreover, Kelly and Gennard (2007, pp107–8) suggest that because strategy is more often formulated at a sub-group of the board and merely approved by the latter, a presence at the former is very important. This is not confined just to HR; other functions, such as marketing, are in a similar position.

6.6.2 VIEWS OF KEY STAKEHOLDERS

A second way to assess the effectiveness of HR is to ask key 'customers' – line managers, chief executives and non-managerial staff – what they think about HR delivery (Wilkinson and Marchington 1994; CIPD 2006; Guest and Conway 2011; Guthrie et al 2011).

The services and support valued by *other managers* depends on their level in the hierarchy. Buyens and de Vos (2001) asked senior managers, line managers and HR managers to indicate (a) the value of various HR practices to the organisation and (b) the value that the HR function added to the organisation in general. Using Ulrich's original

model, the senior managers in their study valued HR's role principally in the areas of change and transformation, whereas line managers were not really bothered about HR as a strategic partner but felt that added value came from administrative expertise, managing costs and delivering core HR services such as recruitment and training. The HR managers felt the role of employee champion added the greatest value – both in terms of regarding employees as 'the heartbeat of the organisation' and providing a bridge between different interest groups. They were valued just as much for problem-solving ability as for their strategic contribution. Other surveys (for example, Crail 2006b) note that HR specialists tend to be more positive about their own contribution to HRM than did the line managers working with them. Yet, about half of the line managers reckoned HR was either extremely or very approachable, and performed best in the areas of grievance and discipline, general administration, training and occupational health. On the downside, HR was rated poor or average in terms of succession planning, performance management, job evaluation and change management.

More recently, John and Björkman (2015) investigated factors influencing line managers' and professionals' perceptions of the HR function. They found that perceived visibility of the performance appraisal system and HRM inducements (the link between individual performance and HRM-related benefits) were highly significant predictors of these perceptions. These two features of the HRM system render the HR function as a 'salient and proximal actor' (p14).

The HRM delivery modes, that is, use of e-HRM, also influence how managers and professionals evaluate and perceive the HR function. A negative relationship was found between the use of e-HRM and managers' and professionals' perceptions of the HRM function's capabilities. However, this might be due to poor implementation of e-HRM, lack of fit between e-HRM and the particular demands of the focal unit or that managers and professionals sense a lack of personal attention to their own needs. However, in this study, there was no evidence of a negative relationship between the use of shared service centres and perceived HRM capabilities, despite initial expectations. This might occur because HR departments complement the shared service centres with the people management activities carried out within their own units. Senior managers who are committed to and see HRM practices as valuable reinforce the perception amongst employees that the HRM practices are good and therefore the HR function must be capable.

The assessments made by *directors and general managers* about the HR contribution are clearly very important if HR wants to make an impact. Some time ago, Guest and King (2004) interviewed 48 directors, finding that rather more were positive than negative about the contribution of the HR function, and indeed the most critical were the HR directors themselves. Views were split on whether there should be an HR presence on the board. One chief executive suggested that, without an HR presence on the board, the message given out would be that people management is not as important as other activities. In contrast, one of the operations directors felt there was no need for specific HR representation on the board because this was the responsibility of all members. If present, HR directors were expected to operate as 'thinking partners'. Caldwell (2011, p50) noted differences in CEO perceptions of the HR role depending on their background; those who became CEOs following a career in finance tended to be more negative (unforgiving and limiting, to use the precise words!), whereas those with broader business experience were more fully inclusive of HR and absorbed HR issues into boardroom deliberations. It is interesting to note that Guthrie et al (2011) report that general managers are inclined to be more positive about HR when the organisation is pursuing high-commitment HRM because human capital is so important in this situation.

Because there are hardly any published surveys seeking the views of *employees* about the HR function, and this data is quite old, it is hard to assess what they think nowadays. Gibb's (2001) survey of over 2,600 employees in 73 organisations found HR tended to do best in areas concerning interpersonal relations (such as being approachable, helpful and prompt) and professionalism and knowledge (such as confidentiality and advice).

Interestingly, members of staff in the HR department were seen in a more positive light than HR practices. This is interesting because as HR departments have become more distant from employees because of the growth of call centres, e-HRM and devolution of HRM to line managers, it is unlikely this is still the case. In a sense, the more that HR looks up the organisation for legitimacy, the less that employees value its role (Marchington 2010; Marchington 2015a).

6.6.3 BENCHMARKING AGAINST EXTERNAL COMPARISONS

There is much talk about the value of external benchmarking, where HR professionals compare their own policies with other organisations in the sector via industry clubs, consultants and employers' organisations. It has been estimated that over 1,000 human capital indices have been used as benchmarks, though there is no one single measure that adequately assesses the complete HR contribution. To make matters worse, many metrics are subject to external as well as internal influence, and thus vary between sectors, regions and occupational group, as well as over time depending on the state of the external labour market. An IRS survey (Crail 2008) confirmed the extensive use of indicators such as absence figures, employee engagement surveys, data on grievances and disciplinary incidents, staff turnover and feedback from exit interviews. The study showed that hard measures – for example, levels of labour turnover, days lost to absence and expenditure on training costs – are the most widely used, although soft measures such as employee satisfaction levels/opinion surveys are not far behind. Productivity assessments are rarely employed according to this survey. The most effective are absence and labour turnover figures, followed by employee satisfaction, but other frequently used measures are percentage of employees involved in training or receiving appraisals, and speed and effectiveness of response to employee grievances. Some of the most widely used metrics are listed in Table 6.3.

Table 6.3 Benchmarking the HR function

HR measures	Value of this measure	Limitations of this measure
Labour turnover	Can indicate level of commitment to organisation	Influenced by availability of jobs at other organisations
Absence rate	Can indicate level of commitment to organisation	Influenced by absence management policies and line management style
Expenditure or days devoted to training	Can indicate management commitment to building skills	Tells us nothing about the quality or relevance of the training
Employee satisfaction	Can indicate level of commitment to organisation	Influenced by other factors such as work–life balance and short-term actions at organisation
Employee engagement	Can indicate level of commitment to organisation	Influenced by other factors such as work–life balance and short-term actions at organisation
Cost to fill vacancies	Can indicate use of effective channels of recruitment	Tells us nothing about the quality of the people selected

HR measures	Value of this measure	Limitations of this measure
Time to fill vacancies	Can indicate use of effective channels of recruitment	The best employees often take longer to hire as they are in demand
HR costs as percentage of total costs or profits	Can indicate a well-run function that is cost-efficient	Tells us nothing about quality of provision and depends on sector and extent of HR outsourcing
Response time for employee grievances	Can indicate effective and well-oiled procedures	Tells us nothing about whether grievances resolved effectively

As we see from Table 6.3, incredible care should be taken with benchmarking to ensure the measures used are appropriate and accurately measured. For example, the time and the costs of recruiting and training vary considerably across occupations, and much depends on whether new starters arrive with pre-established skills. Levels of absenteeism and labour turnover differ significantly between sectors and much depends on the nature of the external labour market. Equally, figures for absence levels can vary depending on whether or not all forms of absence are included. Even if we can be sure the comparisons are valid, many of the measures used relate to costs rather than value added. As we saw in Chapter 3, additional costs can be offset by, or contribute to, higher levels of performance over time. In addition, a single, blanket figure for the costs of replacing a member of staff assumes that all employees are worth retaining because they perform at or above expectations, whereas it may be more cost-effective for some staff whose performance is sub-standard to leave the organisation. Complexities like these undermine these indicators. Moreover, Pfeffer (1997, p360) questions whether benchmarking exercises have much value because ‘what is easily measurable and what is important are often only loosely related’. For example, while it is possible to compare the ratio of permanent HR staff to number of employees between sectors, and find sizeable differences between the overall average ratio for manufacturing and the public sector, say, this masks even bigger variations *within* sectors. In other words, it is therefore difficult to draw firm conclusions from this data. Moreover, if an organisation has an above average ratio of HR staff to employees, does this justify a reduction in HR staff without any consideration of how these people operate and the value added by their contribution?

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REFLECTIVE ACTIVITY 6.7

Write a short report for your manager outlining the benefits and limitations of using these sorts of metrics to evaluate the contribution of the HR function.

6.6.4 INTERNAL EVALUATION VIA SERVICE-LEVEL AGREEMENTS

A final option is to focus on *internal* evaluations, perhaps by drawing up service-level agreements. These cover a range of HR practices such as payroll management, recruitment advertising and induction. Service-level agreements offer several advantages to employers, not least in enabling a more specific statement of service provision against which performance can be assessed (Mayo 1995). This approach has also been used by large

multinational corporations such as Shell (Sparrow et al 2004, pp165–6). Although the precise list of items varies, some of the more typical are:

- preparing offer and contract letters within one day
- providing advice on disciplinary matters within two days
- advising staff on terms and conditions of employment within five days
- preparing, disseminating and analysing absence and labour turnover data to line managers on a monthly basis
- evaluating training provision on an annual basis.

There are also dangers with this approach, as the HR function can find that in trying to satisfy internal customers, it becomes their servant instead. Allowing HRM to be defined by line managers undervalues the judgement of HR professionals and encourages short-term action to the neglect of longer-term considerations about sustainable HRM (Marchington 2015a). By attempting to quantify its contribution, HR basically succumbs to the accountants' vision of how organisations are meant to operate. As Armstrong (1989, p160) cautioned many years ago, this cedes too much to 'the dominant accounting culture and may also, in the end, achieve little security for the personnel function'. Pfeffer (1997, pp363–4) argues that HR is unlikely ever to win the numbers game because other departments have much more experience of this – and they also set the rules! He warns that 'if all HR becomes is finance with a different set of measures and topic domains, then its future is indeed likely to be dim' (p364). Alternatively, Toulson and Dewe (2004, p88) suggest that HR managers need to 'become conversant with different accounting practices, experienced in using a range of analytic tools and capable of providing an alternative view'. To focus solely on costs is too narrow, and it is better to identify how the HR function can add value; figures used with sensitivity and discretion may help HR improve its service to stakeholders.



CASE STUDY 6.5

HAVE YOU GOT AN EFFECTIVE HR FUNCTION?

Is there any advice to offer HR directors that are looking for ways in which to make the function more effective? Accepting there are limitations in generalising from the data, as well as in trying to draw causal connections between factors, it has been suggested (Crail 2006b) that 'effective HR departments are more likely to:

- be headed by a director who is solely responsible for HR who reports directly into the Chief Executive
- have a documented HR strategy explicitly linked to organisational strategy

- measure their own effectiveness, particularly through benchmarking and absence data
- exert tight control over their budgets
- view a wider range of activities as the shared responsibility of HR and line managers.'

To think about:

How well does your organisation, or one with which you are familiar, fare against this checklist? What might you do to increase the effectiveness of the HR function and how might you overcome barriers to the achievement of a more strategic role for HRM?

6.7 CONCLUSIONS

In this chapter, we have reviewed the changing nature of work undertaken by HR departments. There has been substantial interest in the notion that HR needs a presence

on the board in order to make a more meaningful and sustained contribution, and that this may be best achieved via a business or strategic partner role. While there are aspirations aplenty to take on a more strategic role, there is limited evidence this has actually occurred in many organisations, although it is clear that high-commitment HRM is more likely in workplaces that have a specialist HR presence. However, the tendency to outsource HR work, either in its entirety or piecemeal, or to set up SSCs, has become more extensive, and this has raised questions about whether the HR function will prosper in the future. The increased use of e-HRM, especially if line managers and employees have direct access to HR data, has also reduced the visibility of internal HR functions. Whether employees feel empowered, as some of the literature suggests, is more contentious, and some organisations accept that a human presence is still desired, rather than a 24/7 portal without specialists. The desire to seek quantitative assessments of HR work exacerbates the problem because many indicators are inappropriate or too simplistic to allow a full evaluation. Although management is dominated by accountancy versions of performance, it is important to realise that models are limited because they focus on easily measurable, cost-driven indicators which do not fit with the assumption that HRM – especially the high-commitment variant – provides greater benefits over the longer term.



EXPLORE FURTHER

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