

Qualification: CIPD Diploma in Applied Human Resources

Module Name: 5CBIC

Understanding the Business Context of HR

Word Count 1980

Understanding the NHS using PESTLE and SWOT

Word Count 489

Student Name: Deborah Telfer-King

Student Number: 1905446

CIPD Membership Number: 55478631

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

Signed *Deborah Telfer-King*

Date 06/03/20

Understanding the Business Context of HR

Introduction

Connor *et al.* (2012) explains the business strategy perfectly by saying that it is the 'Articulation of the vision, mission and competitive position of a business and must form the foundation of organisational design'. Marsh *et al.* (2009) equates the organisation structure to an 'architects blueprint' which provides the structure to the building and the arrangement of how to get there, by having a set of guiding principles showing people how decisions should be made and allocating the resources to accomplish key objectives. By defining the business strategy as a pattern or plan the organisation needs to integrate the goals, policies and actions into a cohesive whole (Quinn 1980). The HR function within the business strategy is to understand how the management system works and understand the hierarchy structure making them able to influence selectively and effectively to improve the organisational performance Kew and Stredwick (2016). The HR function can vary depending on the variety of diverse commercial and regulatory pressures faced by the organisation, but being an effective part of human resources management (HRM) team is understanding the objectives and being able to align with them.

Main Body

The HR function can differ depending on which business sector they sit in. Looking at the private sector this is made up of three distinct forms.

Sole trader – a one-person organisation, who is solely responsible for liability, who may also have employees. Even though sole traders have a business strategy, they would not normally need HR strategies to accomplish it. They may outsource functions if they have employees like payroll or recruitment.

Partnerships – are owned by two or more people who are 'unincorporated associations' so as far as the law is concerned they are not companies, though it is now possible for traditional partnerships to become limited-liability's meaning they take on the rights and responsibilities of limited companies and are governed by law. The HR practices and strategies can vary depending on the size of the organisation, they may employ an HR specialist to do the recruitment, training and payroll, for the organisation, or they may outsource. The larger organisations possibly have strategically focused HR departments that deal with the performance appraisals, have standardised induction programmes and written policies on employment matters, all this can vary from organisation to organisation.

Companies – do not have a limit to the number of shareholders they have, but they do have a 'limited liability' which means that the company itself has a legal personality separate to the people that own it. They are registered with Companies house to whom they present reports and accounts. The private sector companies have recognised the new approaches to the management of people by delayering management hierarchies and empowering employees to be more involved which has had the positive effect of inspiring people. Although trade unions are still active in some companies such as transport, car manufacturing and construction, the need for 'collective bargaining' has been reduced which in turn has meant that the HR function has transformed itself. Larger companies 40 years ago participated in national-level collective bargaining which set the same terms and conditions for all employees across the said industry, where now personal performance plays a bigger part in pay rises. The HR strategies have now enabled the organisation to be more competitive with not only attracting talent but also retaining the best performers. HR managers have

had to be more proactive in finding out how employees feel about their employers and also aligning employees to the strategies and objectives of the organisation, this could be done by not only using staff survey tools but also looking strategically at sickness and retention rates. In contrast, Edwards and Ram (2010) defined that in smaller companies managers would prefer to deal with staff informally. Companies that are listed on the London Stock Exchange are public limited companies (PLC) the PLC's in the private sector would employ a team of HR specialists who work next to HR generalists, these would be headed by a senior director who in turn would report to the chief executive, the HR function here takes a much more strategic and focused approach to the organisation, looking not only at long term decision-making (megatrends) but supporting the achievement of key business objective. The private sector encompasses for-profit organisations and non-profit organisation, the 'for profit' is self-explanatory but the non-profit organisation has the primary role of to not generate private profits for business owners but to work for public benefits, these can include charities, aid, religion and social enterprises, the profits they generate are distributed to the cause they advocate, they usually serve the needs that cannot be fulfilled by the state or private sector. Whether the organisation is non-profit or for-profit the organisation will still have strategies that will need to be met and by understanding the core principles and values the HR function can ensure these objectives are met. Although the trade unions are part of the public and the private sector they are more prominent in the public, the Union of Shop, Distribution and Allied Workers (USDAW) is a recognised trade union for Tesco's (and other stores) with over a third of its members working for the organisation. 2017 saw the USDAW step in with the issue of the living wage affecting 140,000 workers USDAW (2017) Tesco's have a strong team of HR officers, who now concentrate on putting people first as a core element of strategy of the organisation by tracking human-resource information as closely as financial results Essay Sauce (2019). In 2003 Sainsbury's introduced the self-service checkouts whether you love them or hate them there are over 12,000 in Sainsbury's stores alone, no doubt this will have an effect of the amount of staff employed by this automation but Sainsbury's states that it will free up staff to spend time on the shop floor helping customer and stocking shelves, although as reported in the Independent (2019) the Office for National Statistics estimates that around two-thirds of cashier jobs are at high risk of being replaced by technology although this does creatively free up the service function.

As part of the organisational design (OD), the HR function would need look at the process that shapes the organisational structure and align it with the purpose of the business, (CIPD 2015). As well as looking at the structure of the organisation and the hierarchy they would also be able to look at the processes then how employees interact with them and how they are motivated. Depending on the structure of the organisations organisational design, models have been developed with different perspectives focusing on which elements are needed for the structure and strategy of the business. The static models use an overview of the organisation from the OD perception, and then diagnostic tools can be applied such as SWOT or PESTLE, the McKinsey model links strategy, structure, systems, style staff and skills around the core of shared values.

Looking long term the organisation needs to be aware of long term organisation development (ODV) by creating a framework that aligns people and organisation with the business strategy. Cummings and Worley (2015) refer to six phrases of organisation development:

- Entering and contracting – involvement of senior executives
- Diagnosing – fact-finding
- Feeding back diagnostic information
- Designing interventions – planning changes
- Managing change – Lewin's 'unfreeze-move-freeze

- Evaluating and institutionalising change

Organisational design and development are both prevalent in the public and private sector, as they both take into account the current and future internal and external environmental, giving them the agility to respond to change and by being aware of it. HR plays a role in helping organisations become more adaptable by creating structures that have more fluidity and are changeable, then communicate these changes, this can promote values-driven thinking which enhances employee engagement. Business strategies need to have an external fit with HR strategies and be vertically aligned, these are supported by a horizontal alignment of HR strategies, these are consistent and support each other giving an internal fit. The greater the degree of vertical and horizontal the greater the effect of HR strategy will be.

The Public sectors typically house the general government departments including:

- Public service providers
- Local Government
- Regional governmental organisations and
- Publicly owned corporations which are largely funded by the taxpayer, this includes the BBC. Network Rail and the Royal Mail

HR Directors are prominent and important members of senior executive boards within the public sector, which warrants the need for good HR practices to be followed, primarily when it comes to the reverence of legal compliance. The public sector is often condemned with its HR functions by being too bureaucratic in its approach and limiting in the value that it brings to the organisation, although an HR department is not going to be able to function efficiently and add value if the hierarchical structure does not recognise the importance of what they can bring. With public spending high on the agenda of government agencies, the HR managers were faced with the task of cutting public spending to help reduce the governments financial deficit, ministers felt that the HR function did not provide a 'front-line service' so the outsourcing of HR functions became more evident, resulting in slimmer HR departments. Bach (2010, p563) points out that employment decisions are 'subject to levels of public accountability and transparency that arises from the government's role as a custodian of public funds' this has meant that organisations have in place quite detailed policies which are followed without exception. People management can be quite difficult in the public sector for HR managers due to jobs which are mostly pay graded and not performance-related, as it can lead to a lack of motivation for employees and managers alike.

The 1980s saw the government privatise state-run corporations including British Telecom, British Steel, and British Gas, the privatisation brought around the change in the relationship between the state and business with deregulation, this introduced competition within our publicly owned industries. British Telecom (BT) was struggling to cope with the demand of new lines required so the government decided that denationalisation would improve the performance, union leaders heavily opposed this but the government used the 'divide and rule' tactic, shares of the company were sold to employees, giving them a vested interest in the organisation, Nigel Lawson felt that the distribution of shares among the public would cement the transfer of these businesses to the private sector, as reported in the Privatisation of British Telecom (1984)

Conclusion

Comparing the two sectors, although both have a presence of trade unions they seem to thrive more within the public sector. The main objective of the trade unions is to protect and advance the interest of members in the workplace, including negotiating agreements with employers on pay and

conditions, redundancy, disciplinary, grievances and legal advice, but the HR functions take much more into account, not only the well-being and performance management of the employee but aligning strategies and objectives of the organisation giving the bigger picture. Strategically the HR function is in a stronger position for the future automation within organisations, but it does need to be mindful of its own future and what HR functions can be automated, this could be payroll services, reports, talent acquisition to name a few, so the HR professional needs to continue to have strong critical thinking skills, good data analysis skills also good judgement. As part of the automation although employers will be looking at how many staff they can eliminate with new machines they do not often consider the effects this will have on the remaining employees that will need to use these machines, by putting people first we empower them not only with training and development but support as well, This will require strategies and objective coming together to be proactive of how this technology will reshape our economy, society cultural and individual lives, as HR professionals using change management effectively.

Bach, S. (2010) *HRM in the public sector*. In: Wilkinson, A., Bacon, N. and Snell S. (eds) *The sage handbook of human resources management*. London: Sage. Pp561-77.

Conner, G., McFadden, M., and McClean. I (2012) *Organisational design*. In: Stewart, J. and Rogers, P (ed.) *Developing people and organisations*. London: Chartered Institute of Personal Development.

Cummings, T. and Worley, C. (2015). *Organization development and change*. 10th ed. Mason, Ohio: Thomson/South-Western.

Edwards, P. and Ram, M. (2010) *HRM in small firms respecting and regulating informality*. In: Wilkinson, A. Bacon, N. and Snells, S (eds) *The sage handbook of human resources management*. London: Sage. Pp524-40.

Kew, J. Stredwick, J (2016) *Human resources management in context*. 3rd ed. London: Chartered Institute of Personnel and Development.

Marsh, C., Sparrow, P., Hird, M., Balian, S. and Hesketh, A. (2009) *Integrated organisation design: The new strategy priority for HR directors*. White Paper 09/01. Lancaster: Lancaster University Management School.

Quinn, J. (1980) *Strategies for Change: Logical Incrementalism*. New York: Irwin.

<https://www.usdaw.org.uk/About-Us/News/2017/Mar/Usdaw-is-working-with-Tesco-to-rectify-a-payroll-i>

<https://www.essaysauce.com/business-essays/tesco-hrm-essay/>

<https://www.independent.co.uk/news/business/news/sainsburys-self-service-supermarket-retail-jobs-automation-impact-a8893491.html>

https://www.instituteforgovernment.org.uk/sites/default/files/british_telecom_privatisation.pdf

Understanding the NHS using the PESTLE and SWOT technique

PESTLE

Political	• Brexit affecting workers from the EU and the reduction in government spending • Staffing, (a number of doctors, nurses and care workers originate from European countries, could be impacted if the Brexit results in stricter or less favourable living conditions for them) • Medication and equipment sourced from the EU how might it be brought into the UK if we do not get a sufficient trade deal. • Pensioner living in the EU might decide to return to the UK putting more pressure on the NHS • Trade agreements
Economical	• Financial troubles due to the economic downturn and period of significant UK austerity • Lack of qualified staff • Pay banding, no incentive for personal growth
Social	• Ageing and more dependent population • Social media – self diagnosis • Patient expectations of both the quality and experience growing • Lifestyle factors • Career attitudes
Technology	• Improved healthcare with scanning equipment, various pumps and tools • Education • Smart watches • Apps for diets and specific diseases (diabetes)
Legal	• Health care related lawsuits due to the increase in litigation claims • Working time directives • Regulations of medicines and clinical trials the UK is part of the Centralised Authorised System, which is operated by the EMA (European Medicines Agency)
Environment	• Emissions and pollutions • Plastic waste • Environmental restrictions imposed • Requirement and aspiration to reduce carbon footprint of estate and services

SWOT

Strengths	• Talented and committed workforce
Weaknesses	• Lack of granularly understanding in the cost of services • Pay compression between bands • Little recognition of individual performance
Opportunities	• Greater collaboration with provider partners in both primary and secondary care • Clear business strategy • Location pay (also classed as a threat)
Threats	• Financial constraints in NHS and beyond leading to reduced activity • Clarity needs to be defined between quality and speed

Other external factors that have an impact on the HR function, how they plan to meet the needs of an ageing population with an ageing workforce and still being able to manage the changing public expectations about the care they feel they should receive. Budgets and financial constraints can also impact staffing levels, nurse's work long hours and due to the pay structure they are not always well paid, which can undermine staff motivation, the uncertainty around the levels of funding can also have an impact on the future demand for and supply of the care service.

By using different techniques to analyse the environment the HR practice and strategy can be aligned with the overall organisation objectives. One classic tool used for this is PEST which breaks down the environmental influences into four categories,

- **Political/Legal**
- **Economical**
- **Socio-cultural**
- **Technological**

This practice had been superseded by the mid-1990s by PESTLE, where political and legal were split and the environmental added, but then further evolved into STEEPLE with the addition of ethics, reflecting business and social responsibility.

- **Social**
- **Technological**
- **Economical**
- **Environmental**
- **Political**
- **Legal**
- **Ethical**

By understanding their environment the HR professional can react quicker to changes either by identifying them or foreseeing them. Turbulent environments are uncertain and as Igor Ansoff (1987) explains the extent can depend on:

- Changeability of the market
- Speed of change
- How intense the competition is
- Growth of technology
- Discrimination by customers
- Pressures of government

Understanding this the HR professional can be aggressively ready to change.

Analysing the environment Johnson, Scholes, and Whittington (2004) suggest using a five-stage model.

Stage 1 - Audit the environmental influences (using the STEEPLE analysis)

Stage 2 – Assess the nature of the environment (build on the dynamic/turbulent classification of environments)

Stage 3 – Identifying key environmental factors (the trends, NHS ageing population, long-term drivers of change and the most important trends)

Stage 4 – Identifying the organising competitive position, using perhaps Porters Five Forces (Porter 1980)

Stage 5 – Identifying the principles of threats and opportunities, using another technique SWOT

- **Strengths**
- **Weaknesses**

Strengths and weaknesses are primarily concerned with the resources of the organisation

- Opportunities
- Threats

Using matrices opportunities and threats can be analysed by HR professionals. Opportunities assessed by their probability of success and attractiveness and threats assessed on the possibility of occurrence or seriousness using a risk assessment.

Although Weirich (1982) argues that SWOT is misnamed and should be TOWS, and I agree that your threats and opportunities should come first as these are outside of the organisation, showing your weaknesses and strengths allowing the HR professional to identify them and become reactive. As a technique SWOT or TOWS is very easy to use, but it does have weaknesses if used primarily by one person, this does need to be used by a focus group or shareholders of the organisation. Personally, as an HR professional, I find using the five-stage model incorporating a few techniques gives a better overview of the strategies needed.

Ansoff, I (1987) *Corporate Strategy*. London: Penguin

Johnson, G., Scholes, K. and Whittington. (2004) *Exploring Corporate Strategy*, 4th edition. Hemel Hempstead: Prentice Hall

Weirich, H. (1982) 'the TOWS matrix: a tool for situation analysis', *Journal of Long Range Planning*, Vol.15 Issue 2