

**Qualification: CIPD Diploma in Applied Human
Resources**

**Understanding the Business Context of Human
Resources**

**Title: Understanding the Business Context of Human Resources
(Activity 1)**

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Date: 14 March 2020

Understanding the Business Context of Human Resources

The business world is evolving, and it is imperative that Human Resources (HR) professionals understand the key developments within their business along with recognising external factors which impact the organisation's business and the HR function.

Types of Organisation

The economy is divided into three sectors: -

- **Private:** Owned and controlled by private individuals. The primary aim is to survive and make a profit.
- **Public:** Either National or Local Government and owned and controlled by the government. Funded by taxes and the primary aim is to provide a service to the public.
- **Third:** Set up to help a cause or provide a service to members. Primary aim is to raise money and raise awareness for a good cause.

Sectors of Industry

An organisation will operate under one of the following industry sectors: -

- **Primary:** A business which grows goods or extracts materials from the land.
- **Secondary:** using the raw materials from the primary sector and converting them into new products.
- **Tertiary:** provides a service carried out by people.

Public v Private Sector

These are the two main type of business's that operate within the economy and each will have their own requirements to satisfy their customer needs and wants.

I am going to compare Mid and West Wales Fire and Rescue Service (MAWWFRS) with Marks and Spencer Group Public Limited Company (M&S Plc) in terms of their business purpose and assess factors which might affect the HR function:

Factors	MAWWFRS	M&S Plc
Sector	Public	Private: As a Plc, shares of the business can be offered to the general public.
Business Purpose	Provide public safety information, prevention and protection programmes, and emergency response cover for Mid and West Wales.	A retailer specialising in selling clothing, home and food products.
Governance	The Fire Authority of elected councillors has overall responsibility to ensure the Service performs efficiently and in the best interest of the public.	A Board of key stakeholders who are responsible for establishing the Company's purpose, values and strategy.
Size	Employs over 1,400 members and covers around 4,500 square miles.	Employs around 85,000 people worldwide and have more than 1,400 stores across 57 countries.
Culture	To engage, connect, develop and inspire people to delivery an excellent service.	Built on core values of quality, value, service, innovation and trust.
Structure:	Hierarchy.	Flat Organisational.
HR Function	Based within Service Headquarters.	Operates via their headquarters in London.
HR Role	Deliver value for money and achieve the outcomes of the Corporate Plan.	Assist M&S to reinforce their operational goals on a regular basis and establish a highly skilled employee base for the operation of the company.

Factors that affect Organisations and HR

Businesses can be influenced and affected by both internal and external factors. The main difference is that an internal factor can be controlled by the organisation, whereas an external factor cannot.

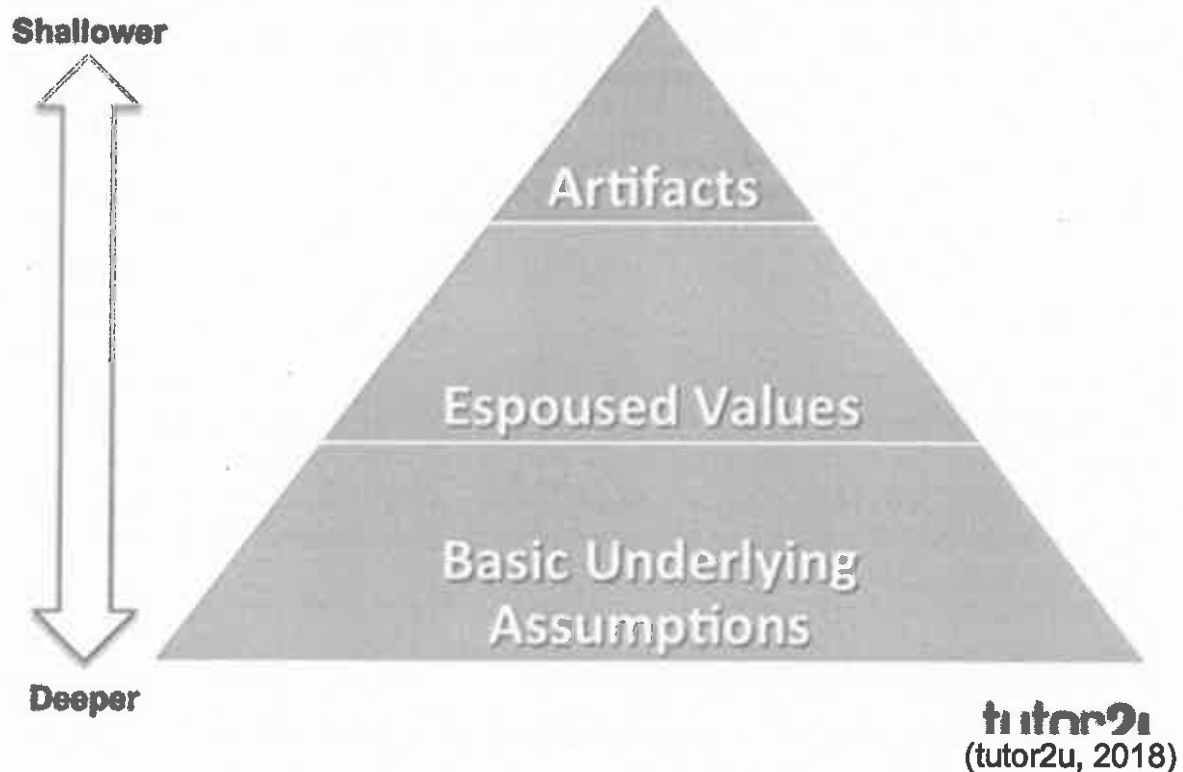
Internal Factors

This includes:

Culture

This is defined as "the way things are done around here". Schein describes organisational culture as a series of three levels:

Schein's Culture Triangle



Level 1 The Artefacts: The visible elements of culture, for example dress code and décor.

Level 2 Values: How an organisation explains its culture, for example, their norms, beliefs and values.

Level 3 Assumptions: The basic assumptions underpinning the organisation's values.

The culture within MAWWFRS and M&S both promote excellence and quality. This boosts staff motivation as employees will want to be part of a successful company, which should result in a lower employee turnover. HR will support effective cultures and attempt to change inappropriate cultures.

Staffing

The performance of a business is dependent on the people who work for it. Staffing and recruitment are critical to the HR function as they contribute to the organisations business strategies. Both MAWWFRS and M&S need to ensure their staff are rewarded, trained and kept motivated.

Finance

There are financial implications with each sector.

Funding for MAWWFRS is received by way of levy from the six Unitary Authorities within our area. Therefore, MAWWFRS is continually working within budget constraints and this impacts how the Service operates in terms of being unable to hire new staff or buy new equipment.

M&S have the option to raise money as they can sell shares on the stock market to increase their capital.

Technology

All businesses rely on technology as this is used in transforming organisational inputs into outputs. Having the most up to date technology may improve the performance of the company and provide a more efficient service.

This could result in the HR function being more efficient and providing a quicker service to its customers for both MAWWFRS & M&S.

Models of Organisational Structure

This sets out the framework of the organisation. Kew and Stredwick identified six models: -

Structure	
Bureaucracy	Hierarchical organisation; all decisions are made by managers. There is tight control over the day to day activities of the company and change is slow to implement.
Divisionalisation	Like Bureaucracy, however, some decision making is devolved to business areas.
Matrix Organisations	A company structure in which the reporting relationships are set up as a grid. Employees will have dual reporting relationships, generally to both a functional manager and a product manager.
Network	More decentralized, and more flexible than other structures. Managers coordinate and control relationships that both internal and external to the firm.
Virtual Organisation	Members are geographically apart, usually working by computer e-mail and groupware whilst appearing to others to be a single, unified organisation with a physical location.
Strategic Alliances	Two or more organisations join to pursue mutual benefits.

Organisational Strategy

A 'Strategy' sets out the goals of the organisation and the objectives of how this will be accomplished.

Michael Porter defined strategy as "a combination of the ends (goals) for which the firm is striving and the means (policies) by which it is seeking to get there". (2012, 2017)

Quinn (1980) argues that formal strategies must: -

- Incorporate most important goals to be achieved, policy guidelines for action and programmes to accomplish defined goals.
- Develop around a few key concepts and thrusts, giving them cohesion, balance and focus.
- Deal with the unpredictable but also the unknowable.
- have a number of hierarchic and mutually related supporting strategies. (Farnham, 2015)

Approaches to Formulating Business Strategy

The three basic approaches to formulating business strategy are:

1. **Rational / Classical:** Senior managers will use a methodical approach to obtain data, and use this data to formulate goals, aims or objectives for the organisation.

The key element to this model is the idea that organisations should appraise different possible strategic courses of action, evaluate them all and then make a choice. (Woodhams, 2016)

2. **Emergent / Logical incrementalism:** *"Constantly integrating the simultaneous incremental process of strategy formulation and implementation is the central art of effective strategic management"* (Anderson, 2013)

James Quinn (1980) believed that strategy can be influenced by external factors as time goes on which influence the actual strategic direction an organisation takes.

3. **Symbolic / Radical:** An organisation will try things first prior to formulating a strategy. According to this view, a strategy formulation is a symbolic action designed to give an organisation seriousness and credibility.

Contingency Model

Henry Mintzberg formulated a contingency model which sets out the circumstances when the above types of strategy-formation process are appropriate. The uncertainty is evaluated using two dimensions; Complexity and Rate of Change: -

		Complexity	
		low	high
Rate of change	low	Rational model in formulation and implementation of strategy	Implementers formulate strategy
	high	Formulators Implement strategy	Fundamental model (symbolic strategy)

(Gate, 2008-2020)

Formulation

An organisation will use one of the four approaches to formulate their strategy. The approach will be dependent on the 'business' which they operate within: -

- Top-down approach: Focuses on the vision of senior management; the goals of the organisation will flow down from the top.
- Bottom up approach: Employees are involved in the decision-making process and this is fed back up to Senior Managers to approve.
- Interactive approach: Formulated together.
- Semi-autonomous approach: Formulated separately.

Evaluation

A strategy should be evaluated to determine if it will meet the objectives of the organisation. Researchers Johnson, Scholes, and Whittington proposed that business strategy's success is based on the following criteria: -

- Suitability: Does the strategy align with the external environment.
- Acceptability: Asses the risk, and whether the requirements meet the objectives, and are acceptable to the stakeholders involved.

- **Feasibility:** Assess whether the organisation has the required resources to implement the strategy; For instance, Manpower, what demands will the strategy impose on the HR function.

Strategy Implementation

Alexander (1985) identified five features for successful implementation of strategy:

- Communication
- Starting with a good idea
- Gaining employee commitment and involvement
- Resources
- Developing an implementation plan

However, there are also constraints a business will be required to consider during the implementation of strategy, such as: -

- **Regulatory Compliance:** Compliance with the regulations and law.
- **Interest of Stakeholders:** Act in the best interest of the stakeholders such as investors, employees, customers etc.
- **Culture:** Resistance to change.
- **Business Ethics:** Ensure it is fair.

HR's contribution to formulating Strategy

The HR function will be involved throughout the formulation process of an organisation's strategy as the function can provide metrics to establish the feasibility of vision, mission and goals set out for the organisation.

The HR function will be able to: -

- Identify and establish the objectives by using tools such as the PESTLE or SWOT analysis.
- Establish the current workforce profile, capability and terms and conditions.
- Assess the impact on the organisation and stakeholders and provide reassurance.
- Communicate to all affected by the change as this is key to success of the process.
- Reassess working practices and processes.

What is HR Strategy?

"HR Strategy is the strategy adopted by an organization which aims at integrating an organization's culture, its employees and system by coordinating a set of actions to get the required business goals. Therefore, it must be aligned to organization's mission, vision and goals" (MBASkool, 2011-2019)

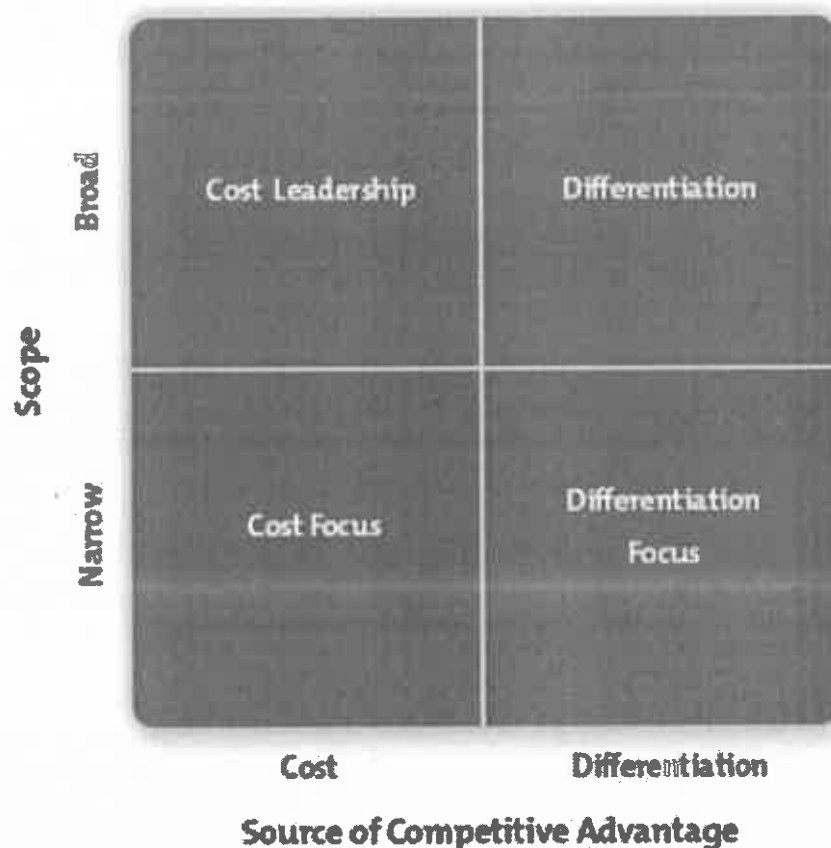
Formation of HR Strategy

In the strategic human resource management (SHRM) field the following three approaches have dominated: -

Best Fit

Also known as the Contingency model and focuses on the importance of the suitability of the HR strategy to the different circumstances of the organisation. This model argues that HR strategy becomes more efficient when it is linked with culture, operational processes and the external environment.

'Contingency thinking' has also been used to assist with aligning HR strategies with business strategies. In 1985 Michael Porter identified three approaches of "generic strategies called "Cost Leadership" (no frills), "Differentiation" (creating uniquely desirable products and services) and "Focus" (offering a specialised service in a niche market). He then subdivided the Focus strategy into two parts: "Cost Focus" and "Differentiation Focus."



(Tools, 2020)

Best Practice / High Commitment

This approach suggests there is a "set of HR practices that will create high performance in an organisation no matter what the context". (Woodhams, 2016)

Kew and Stredwick believe the following ten 'best practises' are linked to high levels of employee commitment: -

- Flexibility / Team Working
- Employee involvement
- Employee voice
- Performance-related reward
- Employee ownership
- Sophisticated selection
- Internal promotion
- Employment security
- Commitment to learning
- Harmonisation (Woodhams, 2016)

Resource Based Thinking

This approach uses the current resources of the company, such as experience, skills and judgment of managers and employees, and develops policies and procedures around them. The primary focus is that competitive advantage can be gained by using existing resources in a way that adds value and is therefore difficult for other companies to replicate.

External Factors

It is crucial an organisation can react to developments not just internally but within the external business environment. Factors include: -

Government Regulations: HR is continually under pressure to ensure that they are compliant with the law. The regulations influence every process of the function such as hiring, training, compensation and termination of employment. An organisation who breaches the regulations could be subject to a fine and this will reflect badly on the reputation of the company.

Economic Conditions: Has the potential to affect the ability to hire staff. It is crucial a business is aware of the economic conditions along with having a backup plan for when there is an economic downturn.

Technology: New advances to technology are continually being developed. This has the potential for HR to look at how to downsize and save money for the business.

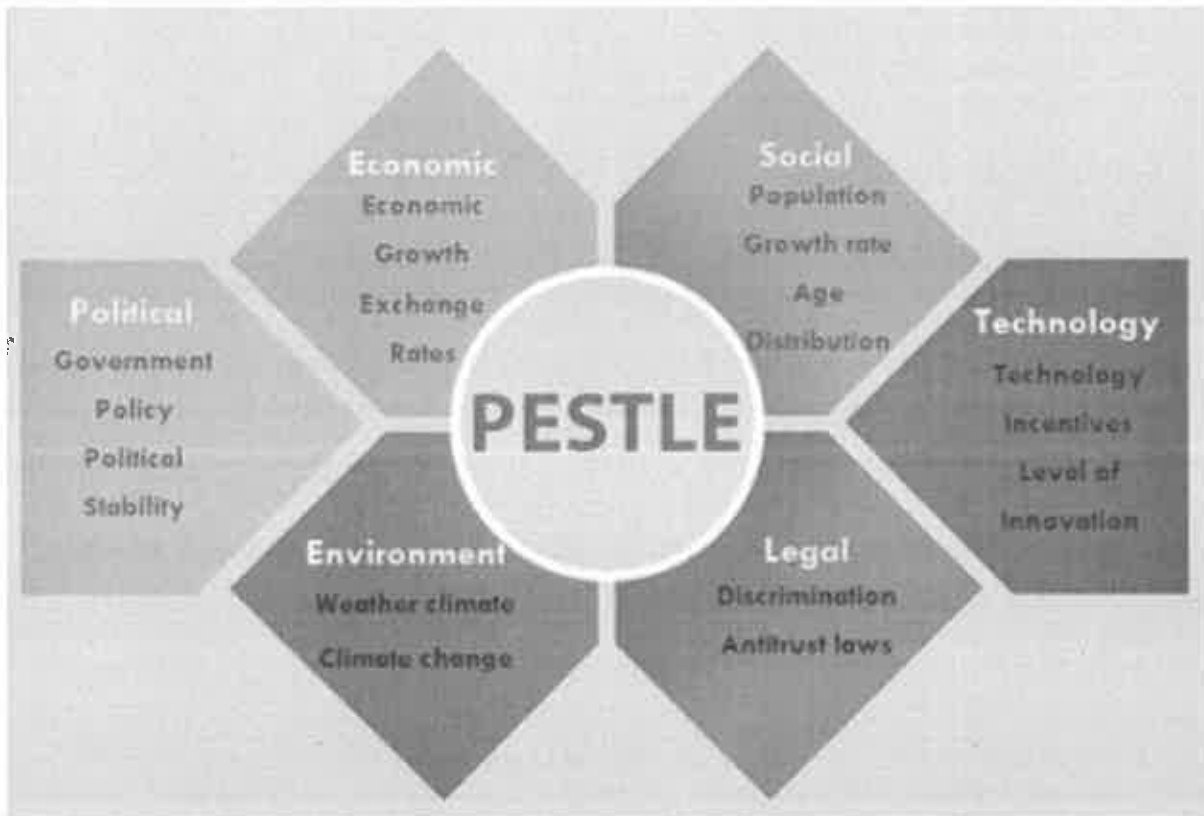
Workforce: As an older generation retires and a new generation begins, the HR function must look for ways to attract and retain potential new set employees, such as providing different types of compensation packages.

A business cannot control external factors; however, they will require action as it will impact the organisation along with the objectives set within a strategy. All it can do is react to them and make decisions in order to remain successful. By analysing

external factors, the organisation can ensure they remain competitive, the sustainability of performance remains unaffected and they have a clear understanding of the external world.

PESTLE Analysis

A PESTLE analysis is a framework to analyse the key factors (Political, Economic, Sociological, Technological, Legal and Environmental) influencing an organisation from the outside. (CIPD, 2020)



(Demplates, 2018)

PESTLE is a useful tool for a business to consider every factor and create a business plan.

SWOT Analysis

SWOT (Strengths Weaknesses Opportunities Threats) is an excellent technique used to provide an understanding of strengths and weaknesses within the organisation. It will allow the organisation to assess their current position against a set of criteria before the formation of any new strategy.

S	W	O	T
STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
• Things your company does well • Qualities that separate you from your competitors • Internal resources such as skilled, knowledgeable staff • Tangible assets such as intellectual property, capital, proprietary technologies etc.	• Things your company lacks • Things your competitors do better than you • Resource limitations • Unclear unique selling proposition	• Underserved markets for specific products • Few competitors in your area • Emerging need for your products or services • Press/media coverage of your company	• Emerging competitors • Changing regulatory environment • Negative press/media coverage • Changing customer attitudes toward your company

(Shewan, 2020)

Conclusion

The HR function has a crucial role in all areas of organisational strategy. The HR function must be able to offer valid strategies, insights and solutions to fit in with the business and stakeholder requirements. To do this efficiently an organisation should be aware of both internal and external factors which may impact on the business and use tools such as PESTLE or SWOT to identify any associated risks or opportunities.

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**Title: Understanding the Business Context of Human Resources
(Activity 2)**

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CIPD Membership Number: 55478686

Word Count: 508

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: S D Tillman

Date: 15 March 2020

Mid and West Wales Fire and Rescue Service

Introduction

The Mid and West Wales Fire and Rescue Service (MAWWRS) is the fire and rescue service covering the Welsh principal areas of Carmarthenshire, Ceredigion, Neath Port Talbot, Pembrokeshire, Powys and Swansea. In total, it has 57 fire stations, and employs around 1,400 members of staff.

The nature of the business is to provide public safety information, prevention and protection programmes, and emergency response cover for Mid and West Wales.

Analysis of MAWWFRS

To analyse the external factors which impact on MAWWFRS, I have conducted a PESTLE and SWOT analysis. This is attached at Appendix 1.

The PESTLE analysis will take into consideration a set criterion of factors which can be used for efficient decision making and formulation of policies.

The SWOT analysis will assist with understanding the weaknesses and strengths of the organisation as well as identifying opportunities and potential threats. Based on the outcome of the analysis the organisation should be able to devise suitable strategies to combat threats over a period.

Impact on the HR Function

It is imperative the Service complies with Government Regulations. The HR function is constantly under pressure to ensure all policies and procedures comply with the law as the regulations influence every process undertaken by HR. The Service is reliant on HR to be aware of all changes and implement as necessary.

Technological advancements are continually being developed and introduced within the Service. This will impact on HR as the function can look at ways to downsize and potentially save money for the organisation. For example, a job that used to take 2-4 people could be cut to one done by a single person. Therefore, additional resources could be used elsewhere.

Due to the workforce demographics of the Service, HR are continually projecting the workforce based on the retirement profile of staff. This allows the Service to identify skill gaps and prepare in advance for recruitment campaigns. The HR function has overall responsibility for this in terms of planning, publicising and ensuring all members of staff are available to assist with this process.

SWOT Analysis

By looking at the outcome of the analysis this can assist HR to create strategies and achieve short-term HR goals. For instance, by building a more engaged, efficient, and productive workforce and prevent members of staff from leaving the organisation. It can also assist with long-term goals such as building a top tier workforce or becoming an employer of choice when going out for recruitment; MAWWFRS want to entice members of the public to join our Service.

Conclusion

Having undertaken the analysis it is evident that an organisation needs to be aware of external factors which may impact on the business and the HR function. These need to be identified and assessed for any risk or opportunities. These external factors can have significant impacts on an organisation's strategy, therefore need to be factored into all strategy planning.

It is imperative that HR evolve in response to external factors in order to continue to function efficiently and effectively.

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PESTLE Analysis

	External Factor	Factors affected within MAWWFRS	Importance to Organisation
Political	Political Instability	The decision by the UK to leave the EU provides an uncertainty on the diversity of the workforce within the Service.	Medium
	Government Regulations	The Service needs to ensure it complies with any new legislation such as GDPR, the Equality Act, Workplace Law, as the Service could find itself subject to a fine or subject to an Employment Tribunal.	High
Economic	Cost of Living	The Service is reliant on funding from the Welsh Government and are continually working within budget constraints. Any increase in cost must be taken into consideration and could have a knock-on effect to how the budget will be spent in certain. It might also impact the ability to hire staff.	High
Social	Demographics	There is an aging society within MAWWFRS. This has the potential for operational staff to be off the run due to age related illnesses. An Aging workforce could result in an increase in absence rates, and therefore increase the cost to the Service due to the requirement to provide additional resources to cover any periods of absence.	High

Technology	Innovation	The Service is heavily reliant on technology and needs to ensure that it is fit for purpose now and for the future. The HR system could be improved to change certain processes and potentially free up resources which can be used elsewhere.	High
Legal	Pension Scheme Legislation	Potential changes to the Firefighter Pension Scheme(s) within Wales could have an impact on the workforce due to potential retirements. In addition, the cost to the Employer in terms of Employer Contribution rates could be substantial and funding needs to be in place for this.	High
Environmental	Carbon Emissions.	The need to reduce carbon emissions and improve the footprint is constantly at the forefront of each organisation. Due to the area the Service covers, the Service needs to address their footprint and look at the introduction of Skype or OWL for meetings throughout their areas. This will reduce travel time for employees and the cost to the Service. In addition, remote areas will be able to access all areas throughout the Service and feel involved in decision making processes.	Medium

		The introduction of electric vehicles is also on the horizon.	
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SWOT Analysis of MAWWFRS

Strengths	Weaknesses
▪ Employee Benefits such as Salary plan, Cycle to Work, Lets connect. ▪ Provides a Pension Scheme for both Civilian and Operational staff. ▪ Flexible Working. ▪ Paid holidays and Annual Leave. ▪ Development opportunities. ▪ Staff – MAWWFRS has a huge asset in its staff. These include adaptable, multi skilled and innovative. A high level of dedication. Contribute to a learning organisation. ▪ Leadership – High level of trust from the public. ▪ Operations – Comprehensive risk mapping and performance information.	▪ Hierarchy Structure – This can be quite time consuming for decisions to be agreed to. ▪ Budget Constraints as the Service is funded by the Government. ▪ Resistance to change. ▪ Staff – As a result of limited resources, training gaps, dealing with change management and succession planning, staff are not as effective as they could be. ▪ Audit Trail for evidence collation.
Opportunities	Threats
▪ Potential to increase Government Funding. ▪ Apprenticeship Schemes ▪ Staff – Helping / Training people to recognise opportunities. Increase diversity of staff. ▪ Collaborative working with Partner Agencies. Build on existing partnerships and form new partnerships to provide best value. Promote joint use of premises, especially in our rural areas. ▪ Look at the potential of implementing new technology.	▪ Financial - Decrease to Government funding due to budget. ▪ Ageing demographic which could impact the workforce. ▪ Staff – Resistance to Change by some members of staff. Working Time Directive. Recruitment and retention of key personnel.

