

Understanding the contemporary human resources function

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Introduction

- Pressure on all elements of an organisation to 'add value'
- HRM must change and adapt too, in order to develop effective and efficient organisations
- Must be a professional and ethical approach; with internal and external focus
- Is there ambiguity between 'caring' and 'control' (Legge, 1995)?

With increasing globalisation and the power of technological advancements the business environment is constantly changing. The demand to create greater business efficiencies, to produce more profit and to satisfy stakeholders also adds to the challenges facing organisations. Whilst it is acknowledged that HR (human resources) has the potential to be a key driver in organisational change, HRM (human resource management) is under increasing scrutiny to demonstrate its ability to meet strategic goals. Indeed as Marchington et al (2016) state; to add value. This impacts what HRM does, questions its very role within the organisation and how it measures what it achieves.

In the pursuit of ever greater efficiencies and productivity it must not be forgotten that there is a human dimension within every organisation. Thus taking a professional and ethical approach in all business matters, and extending the 'caring' aspect into contributing to societal goals in the same manner. Many scholars such as Legge (1995) and Gill (2018) question whether or not HRM truly balances 'people being the most important asset' with 'impersonal economic rationalism'. This argument provides a backdrop to development of HRM as a business tool.

Synopsis of HR

- Initially HR was practiced by enlightened employers, where social justice and welfare pushed for changes to working conditions.
- Personnel Management' which focused on the control of staff, through to an operational role.
- Managing talent, identifying employees as individuals, giving more focus to planning, control and performance.
- Now, more responsive, business-driven HR function; a move from the management of jobs to the management of people.

As external socio-economic factors have forced organisations to adapt and change, HR has seen itself having to evolve. Indeed, the role of HR has gone through several transformations. During these periods there have been many attempts to categorise the role of HR in order to analyse its variety, diversity and complexity (Marchington et al, 2016).

Initially HR was practiced by enlightened employers, where social justice and welfare pushed for changes to working conditions. Subsequently it moved from 'Personnel Management' focusing on the control of staff, through to an operational role (serving staff and HR administration). From here it sought to respond to more liberal markets by managing talent, identifying employees as individuals and focusing on planning, control and performance. The most recent change has seen a more responsive, business-driven HR function; a move from the management of jobs to the management of people (Lepak & Snell, 2007). This new model of high-impact HR, is aligned with the CIPD's Profession Map, seeking accountability of HRM to strategic managers, at board level and to the community (CIPD, 2015).

Marchington et al (2016) suggest the history of HRM can be seen sequentially, or as additive - new roles being added to the HR portfolio as a reaction to changing internal and external factors. These factors influence the objectives that HR has been responsible for. Over the years on top of welfare, HRM has added administration (job applications,

the maintenance of employee records) negotiation (trade unions, internal grievances, legal expertise (employment law specialities) and organisational development (learning, knowledge, change management) to its portfolio.

Another view on the function and role of HRM comes from Torrington et al (2008) who make a distinction between HRM mark 1 and mark 2. Mark 1 covers the generic activities traditionally carried out by 'personnel management' but delivered now by personnel/HR specialist or generalists, which seek to achieve four objectives; staffing, performance, change-management and administration. Mark 2 is different in that it delivers people-orientated organisational activities; objectives which are delivered by HR professionals in conjunction with line managers. This view is endorsed by Thite & Kavanagh (2009) who see the difference between transactional vs transformational HRM functions.

Today's HRM is seen much more as a valuable strategic partner within the organisation. When successful, outcomes that matter to stakeholders are delivered; employees have higher productivity and personal well-being, organisations meet business goals and create lasting cultures, customers receive products that matter to them, investors have greater confidence, and individuals and communities have needs that are met (Ulrich et al, 2015).

How HR contributes to change management

- HR has a pivotal role in preparing and delivering organisational change.
- Don't forget the human aspects during change.
- 'Unfreeze – change – refreeze' Model (Lewin 1951).
- Is HRM going to be sidelined?

With the need to be more flexible, innovative and resilient many organisations are developing change-readiness and change-capabilities on their journey towards 'agile' (Carter & Varney, 2018). HR has a pivotal role in this process, with Storey (1992) and Ulrich (1997) regarding driving change as an integral part of the HR function. Indeed, Marchington et al (2016) suggest that the most significant role of HR is to act as a change agent; to create a strong and proactive HR culture and to persuade the board to adopt new HR initiatives which improve performance. However, adapting to new ways of working is not easy; Tamkin and Robinson (2012) show that it is all too easy for front line staff to feel that change is being foisted on them. HR therefore, has an important role in ensuring the human aspects of change are identified and are a target for attention. This means proactive employee engagement activities, such as focus groups and clear communications on the issues affecting all staff. During a change process the conflict between the interests of the business and the employees can arise. This also must be carefully managed by HR and is a critical area where HR can demonstrate a distinctive and valued contribution to effective change (Wylie et al, 2014).

A way of better understanding of the role of HR in change is to see it as embrace a wider role within the evolving organisation. This is often referred to as Organisational Development (OD) and can be traced back to the work of Lewin (1951). Lewin created a model which saw specialists supporting processes of planned change. This is known as 'Unfreeze – change – refreeze'. The model has three distinct processes, meaning the HR

professional can prepare for what is coming and can make plans to transition through the stages. The model identifies change management as being like a cube of ice; firstly the ice must be melted to make it amenable to change (unfreeze), secondly the ice water is moulded into the new shape you want (change) and then finally solidified into a new shape (refreeze). The process must begin with an understanding of why change needs to occur and then to prepare the organisation to accept that change is necessary (Wylie et al, 2014). The Lewin model affirms that the HR function is ideally placed to support a process of change as it has the skills to plan for change, to motivate employees to accept change, to promote effective communications and empower employees to embrace new ways of working.

Whilst HR is well placed to deliver people management practices in times of change, and also to provide administrative and organisational skills to change projects (Thornhill et al, 2000) other authors such as Caldwell (2003) suggest that change should be in the hand of specialist project managers, which may see HR being side-lined in change projects.

A summary of different ways HR services can be delivered

- Do we need an internal HRM function?
- Transactional Vs Specialist.
- Ulrich (1997) '3 legged stool' model
- CIPD transformational model
- Shared services and Business Partners

As HRM reacts to internal and external stimuli, ideas about the very nature and structure of the HR function continue to be developed. This has involved separating transactional, generalist HR roles from specialist ones within organisations, understanding that changing skill requirements and technological changes impacts the HRM function and role (Taylor and Woodhams, 2016). Marchington et al, (2016) question, whether in some organisations, there is the need for a dedicated internal HR function at all.

Ulrich (1997) argues that HR has to deliver both administrative and strategic work. How can organisations best deliver both routine, standardised, transactional work, and specialist strategic work? Is it the same person, the same department, even the same business delivering that support? Taylor and Woodhams (2016) are clear that size of business is important to defining the answer 'in small and medium sized enterprises, HR is still likely to take on more traditional people management and development activities, based on generalist roles'.

Can some HR services be outsourced? Woodall et al (2009) found that transactional work was most likely to be outsourced i.e. the things that can be repeated time and again; activities that are non-value adding and non-strategic. Partial outsourcing can also occur, usually in activities such as training, recruitment and selection, compensation and benefits, usually in areas where there is a lack of expertise available internally. As Marchington et al (2016) note, outsourcing varies greatly; and decisions whether to

outsource or not depend on the reduction of risk, costs and time.

What about larger organisations? Ulrich (1997) proposed that the structure of HRM will depend on the nature of HR roles and activity within an organisation. He identified that HR could be organised differently into 3 main functions (a multi-legged model); shared service operations, business partners and centres of expertise. This has seen many organisations adopting variants of this model in the way they structure HRM services. In essence, the model shows organisations moving away from a centralised HR function, to a more specialist set of functions, often divided between departments.

Similarly the CIPD (2015) have identified HRM as going through four distinct transformations over the last 30 years. As organisations progress through the phases the HR department's purpose and mission changes, which impacts how and where HRM services are delivered. These are summarised as follows:

- 1) Personnel department (focused on control)
- 2) Operational HR (serve staff and automate)
- 3) Integrated Talent Management (Attract, develop, manage talent)
- 4) Business-driven HR (support business directly and locally)

A personnel department is a centralised body, phases 2 and 3 see more specialists being developed, working less in administration, more in strategy supporting roles. Phase 4, sees highly specialist HR professionals working not for the business as a whole, but in distinct business units within the organisation, e.g. an L&D specialist would sit in the manufacturing department, helping them build their own specific learning solutions.

Both Ulrich (1997) and CIPD (2015) make a pointed difference between functional, centralised HR services and shared services. In an organisation where there is a centralised HR department, both functional and strategic HRM services are provided in a standardised way across the organisation. The department is located centrally, with technically expert generalists designing and delivering HR practices to provide shareholder value.

Shared services have two elements to them; a) a group of HR professionals sit at corporate level and through the creation of specialist knowledge and insight drive strategic vision. b) Service centres, responding to employee's HR needs (Ulrich and Dulebohn, 2015). Shared service HR professionals report to specific departments as well as HR, provided tailored support to individual business units, located wherever they need to be, designing and delivering HR. Their focus is on value creation for line managers, employees, customers and investors.

How HR works with Line Managers (LMs)

- Business Partner role.
- Outsourcing of HR services to line managers.
- Line Managers as HR agents
- The specifics of the support line manages need.

We have seen that the use of Business Partners/shared services can support business units and individual Line Managers (Ulrich 1997), often via a HR Specialist in their department. However within many organisations, whether by design or not, LMs are heavily involved in the HR process. As Torrington et al (2008) described in their view of the HR function, many of the day to day activities have been 'outsourced' to LMs.

The areas of HR that are the responsibility of LMs include recruitment and selection, pay and reward, performance management, grievances and discipline, coaching and learning and development (Taylor and Woodhams, 2016). This is sensible; LMs are making day-to-day decisions and know their employees as individuals. Studies such as Purcell et al (2003) confirm that there is a direct link between the skills of the LM and the motivation and willingness to go the extra mile by employees. As Truss (2001) summarises, LMs are appropriately called 'HR agents' of the organisation as they mediate between the individual and HR practices.

However, Trullen et al (2016) raise an important issue; an organisation can have the best policies in place, but efforts are in vain if LMs are not implementing them correctly. Therefore HRM must work closely with LMs to enhance their ability and motivational skills and to provide them with the opportunity to implement HR practices effectively. LMs are not HR specialists, as Cunningham and Hyman (1999) make clear; they think they know how to manage people, motivate them and deal with their problems, but

have problems doing this.

So what role does HR have in supporting LMs? Specifically this means providing them with toolkits and training on relevant areas of HR and giving access to the HR function (whether via open-door policies or using their Business Partner/shared service).

Motivation should come from communicating to LMs how new approaches would work for them and the employees. LMs should be involved in the design of procedures/practices and feedback and reward should be given to those LMs doing a good people management job. Ensuring HR practices are implemented also needs HR support; this can come from organisational wide communications, getting buy in from CEO level, and demonstrating to employees that HR is valued (CIPD, 2017).

Why HR should be run ethically

- Benefits to the organisation
- Benefits to the individual
- More focused on short term gains, less on ethics?
- Amazon
- B&Q

Whilst there is more pressure on business to deliver profits for shareholders there is an imperative for all HR professionals to act in an ethical manner in dealings with employees, the community and in its contribution to societal goals (CIPD, 2018). Indeed, ethical behaviour is a core element of the required standards of an HR professional (Taylor and Woodhams, 2016).

Not only is acting ethically the right thing to do, but organisations can benefit from it in terms of brand image, a happy workforce, and ultimately, financial performance. Kew and Streadwick (2010) clearly evidence a link between ethical practice and improved business performance. Internally, a dedication to working ethically has a positive impact; employees feel genuinely cared for and regardless of role put the work and the interests of others above themselves. Employees feel empowered and hold themselves accountable. People are more willing to be transparent and address ethical concerns and any lessons learnt are shared, putting into practice a virtuous cycle of improvement (Meinert, 2014).

Managers engaged in unethical practices see their decisions and behaviours impact health and safety, welfare of employees, consumers, society and the ecological stability of the environment (Ulrich and Dulebohn, 2005). HR professionals would not want to work unethically, but as has been seen from corporate scandals involving harassment and poor treatment of employees, there can be a problem when ethics are not integrated into the way organisations are run. Marchington et al, (2015) believe that the

pressure to deliver short term gains (quick performance wins) is a current fixation. Longer-term sustainable contributions based on fairness and values have been pushed aside. Taylor (2011) also notes the irony of this as HRM distances itself from employee welfare into a hardened, business-focused function, delivering strategic objectives. He notes that 'HR Managers will have to rediscover an interest in ethics'. This dichotomy can be seen in recent cases such as Amazon. Held up as the 'Earth's most customer-centric company', numerous articles and reports criticise its mistreatment of employees. Poor working conditions, the introduction of a point scoring system (time off task points) pushing employees into fewer breaks has made some Amazon workers feel like 'robots, not human beings' (The Guardian, 2019).

Good ethical practice can be seen in the case of B&Q where values and CSR (Corporate Social Responsibility) is translated into everyday actions. In terms of recruitment they want to reflect the diverse customer base they serve and have a reputation for employing older worker and women. B&Q customers come from everywhere, so it helps if B&Q employees are from everywhere. Such an approach, based on getting their house in order, to help customers get theirs, is driven throughout the organisation with sustainability and fairness at the heart of what they do. As the CIPD (2018) highlight; 'ethical cultures are vital in helping organisations shift focus from short-term profits to long-term sustainability, ensuring that work benefits everyone.. HR professionals have an important role to play'.

How HR's contribution can be evaluated

- We must measure
- Use of HR statistics
- KPIs
- Balanced Scorecard (Kaplan and Norton, 1996)

In order for the HR function to demonstrate that it adds value to the organisation, it must have systems in place that evaluate its activities, 'both individually and cumulatively' (Taylor and Woodhams, 2016). Day-to-day activities (recruitment and retention of staff) must be carried out for the organisation to survive, but, HRM must also show that its human resource strategies significantly enhance competitive advantage, not simply that they are efficient (Boudreau and Ramstad, 2002).

The most common methods of evaluation are as follows:

HR statistics – these are the facts and figures (quantitative data) collected by the HRM function. Typically this can include turnover rates, recruitment numbers, sickness, discipline and training time for example. Data can also come from employee engagement studies, all of which provide clues to HRM's performance. Importantly, such data should be compared, using benchmarking, against either internal or external published data. Care must be taken however, as it can be difficult to find value and draw conclusions from loosely compared data (Marchington et al 2016).

KPIs (Key performance Indicators) - This is based on identifying and measuring the key aspects of HRM performance that are needed to meet specific organisational objectives. Targets are set and performance measured against this. Objectives need to be SMART.

Balanced Scorecard – This is a series of tables (initially designed by Kaplan and Norton,

1996) identifying how the HR function meets goals of customers, financial markets, operational excellence and learning. Using such a model, the Verrizon/HR Scorecard (Walker and MacDonald, 2001) articulates the link between HR measures and strategic/financial outcomes. With so much electronic data available, drilling down data can produce a huge amount of information, and variables.

Critique of two research papers

- Delaney and Huselid (1996) – telephone interview
- Wright et al (2003) - 50 business units

Delaney and Huselid (1996) carried out research into the link between HRM practices and organisation performance. A sample frame of 1,427 organisations were identified with a total of 590 completing a telephone interview. The results identified that progressive HRM practices 'are positively related' to perceptual measures of organisational performance. However, the main drawback with this study is that financial data was not available, with the researchers focusing on 'perceptual measures'. Secondly, the source of the data came from a telephone interview with a single person, who reported on HRM positively impacting overall performance (questioning the level to which they would be honest in giving feedback). Thirdly, research was not longitudinal; i.e. it was only a snapshot at a specific time.

Wright et al (2003) studied the link between HR practices and firm performance to draw causal inferences. 50 business units of a large food and drink service business were identified, with a sample of 5,635 respondents asked questions related to specific HRM activities; 9 questions on HRM practices and 5 questions on organisational commitment. Performance data was then taken from archival company records and the results correlated. Results showed that there were strong links between HR practices, employee commitment and operational performance. However, there are drawbacks to the study. Despite 50 business units being examined, it was still from the same business, and these business units operated in different geographic markets with differing customer and labour markets; these variances were not measured. Again, the study was not of true

longitudinal design and as with many studies, individual respondents may not have been fully knowledgeable about practices that did or did not have an impact on performance.

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