

Title: Understanding the business context of human resources.

Name: Rhodri Packman

CIPD Membership Number: 4787112X

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Signed: Rhodri Packman

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Organisations are different. They have different objectives, work within different regulatory frameworks and sit within different environments which exert different forces upon them. Whether in the private, public or 3rd sector, the size and orientation of the organisation impacts upon HR. Within organisations in the same sector – organisations are designed and run differently too. These factors influence the make-up, form and strategic role of the HR function. Environmental forces are responded to; to provide services and to be exploited to make profits; that's the role of the organisation. Strategies are formed in a number of ways, which are then supported by HR strategies and specific policies.

To assess the different roles that HRM can have in an organisation a comparison will be made between the private and public sectors. This will highlight a number of different constraints and impositions placed on each sector.

Private sector organisations are owned by private individuals, by other organisations and by shareholders. They are run and managed almost entirely to the interest of their owners. The public sector is made up of organisations, service providers and departments that are largely (if not wholly) funded by the taxpayer. This makes public sector organisations accountable to the general public and wider stakeholders (Taylor and Woodhams, 2016). This is the heart of the difference between the two sectors.

As Boyne (2003) suggests, the public sector is constrained by the impositions of the political system; the private sector only by the constraints of the economic system. In economic theory terms this means that in the private sector, there is one objective; profit. In the public sector there could be a plurality of objectives, which may cover commercial activities or purely social welfare. Indeed, these objectives can be conflicting within the same public sector organisation.

Many UK public service providers have become more 'commercial' in outlook, and 'look' more like a private sector organisation, thus displaying characteristics that are neither public nor private sector. Private sector organisations are showing greater awareness of 'shared value', embracing the broader influences such as customer well-being, environmental sustainability, that are important for longer-term success (Porter and Kramer, 2011). There is then a continuum, on which organisations sit (from public to private sector) depending on their 'publicness' (Goulet and Frank, 2002).

This continuum also houses a stockholder vs shareholder orientation, which highlights that the organisation will do almost anything to achieve profits on the one end, whilst on the other, with many objectives and societal/government stakeholders, decision making tends to be slower, with more hierarchy and bureaucracy (Morris and Farrell, 2007). This has a clear impact on the strategic goals of the organisation and how the HR function is structured and operates.

So far the differences between private and public sector organisations have been explored. A more detailed exploration into how the type of organisation impacts on the HR function itself will be undertaken; firstly the public sector.

Public sector organisations tend to be formally structured, have large HR departments exerting more influence on senior management boards and over the people policies within the organisation. This comes from public taxes paying for public sector wages, or as Bach (2010) states, employment decisions are subject to levels of public accountability and transparency that arises from the government's role of custodian of public funds. This means there is often a distinct culture within

public sector organisations; there are detailed policies in place, backed up by high standards of management practice, focusing on treating everyone with respect and fairness (Taylor and Woodhams, 2016).

However such an approach is not without criticism. A cautious style of decision making and strategy formulation can be found within the public sector. The HR function reflects this, mainly because there persists an inclination to a regulatory approach to employee relations. Public sector HRM is holds a 'pluralist' perspective which continues to be the operational reality of local government in particular, increasing bureaucracy and adding little value to the organisation (Harris, 2005). For HR function this means strict adherence to set norms and less room for innovative people management processes. Some of this too comes from the presence of trade unions, making managers even more cautious in their approach.

The private sector, in the pursuit of profits, tends to be more daring (un-ethical?) and innovative. HRM is seen as being strategic, and at this level people policies are aligned to strategic objectives. Or to put it another way, recruitment and selection, staff retention and performance are coordinated to achieve the stakeholder objectives. (Jarvalt and Randma-Livv, 2010.) To make this work the HR function designs the systems, with the carrying out of HR devolved to line managers. Commitment, which may come through profit sharing and bonuses is elicited from managers. Within this framework, the HR function and therefore the line managers have a more informal approach to HRM. Whilst there are policies to be followed, staff can be paid off more easily as there is little or no union involvement (Taylor and Woodhams, 2016).

The trend has been over the last decade or so for public sector organisations to learn from the private sector and organise themselves on more commercial lines. The philosophy being that private sector management is superior to public administration (Savoie, 2006). However, research by Blom et al (2018) found that there was little difference between public and private sector HRM performance, despite public sector having goal ambiguity, personal restraints and fewer motivational tools. As Caldwell (2003) surmises, in reality the HR function in almost all organisations is required to play multiple, often conflicting roles, torn between the competing demands of employees, employers and professional norms.

Next, how the different organisational structures and management roles impact on the HR function will be examined. Organisations Design (OD) is the process of shaping an organisation's structure to align it with the purpose of the business and the context in which the organisation exists (CIPD, 2015). Why is OD important? Because it determines the structure, people, process and culture of an organisation, which clearly impacts the HR function. An important point to note is that OD is a one off activity, it is not on-going. As it is to do with change, any OD operation will be heavily influenced by the HRM function.

OD should be seen as an axis, with mechanistic at one end and organic at the other (Roberts, 2016). Mechanistic incorporates bureaucracy, a theory dating back to the 1890s. Weber (1964) identified three components of a bureaucratic organisation; specialisation, hierarchy and impersonal rationality. Specialisation puts people into silos. People with specific skills carry out specific roles. Production carries out the core role; HR is a support mechanism. Hierarchy describes a rigid definition of power and authority. Power was dictated downwards, with promotion available on merit or seniority. Impersonal rationality means power belongs to the office, not to the office holder. This means in today's world that the protected characteristics of the Equality Act are upheld; rules are in place, people are judged on merit and there are predictable career paths (Kew and

Stredwick, 2012). In such a structure HR is a centralised department, supporting the key functions of the organisation, working in a structured way.

At the other end of the scale are non-hierarchical structures, (matrix, virtual organisations and strategic alliances). As can be surmised, these are much more fluid structures, presenting opportunities and challenges to the organisation and to the HR function. Fluid structures tend to be based around teams or temporary projects. In such a scenario HR responsibilities are devolved to line managers with overarching support provided by the HR function. Issues arise such as do line managers have the skills to carry out HR activities, if they do, what does HR contribute to organisational performance (Keegan et al, 2012)? However Caldwell (2003) suggests HR should focus on wider organisational consequences of team actions, on how to motivate people on a day to day basis and how to maintain the psychological contract employees have with the organisation.

Business strategy describes the way in which an organisation creates value through its business model, the purpose and objectives that govern the models operation and the indicators used to measure success (CIPD, 2019). As Taylor and Woodham (2016) describe, there are three main ways organisational strategy is developed. These are; rational/classical, emergent/logical incrementalism and symbolic/radical. The rational approach sees the use of tools (SWOT/PESTLE) to appraise the internal and external environment, select a range of possible strategies and from there determine the most appropriate. The subsequent strategy will focus on the deployment of resources (human capital included). Emergent strategies tend to follow a rational approach but a strategy emerges over time (perhaps from new external forces) and that trial and error takes over, with strategy the response to what is happening. Thirdly is symbolic, which is a more luck than judgement approach.

What is HR's role in formulating this strategy? HR needs to have a proactive role in the development of organisational strategy, and not be seen as purely an administrative function once the strategy has been determined (Philips and Philips 2014). With people being an important strategic tool there is greater demand on the evaluation and reporting of human capital. As Barney and Wright (1997) state HR should be a strategic partner and must demonstrate the value of people in the firm and their role in competitive advantage; understand the economic consequences, understand how human capital compares to competitors and understand the role HR has in building capability for the future. Armed with this information HR professionals can shape organisational strategy.

To have an informed role in organisational strategy development there needs to be participation at different levels of the organisation. At a board/strategic level this means doing more than using PEST tools to scan the environment for trends, but must exhibit innovative thinking to gain full support of the CEO (Hesketh and Hird, 2008). Facilitators will ask questions of other senior managers and strategists, possessing the ability to find HR processes to resolve problems or to create opportunities (Holbeche, 2009).

What matters to the HR professional is that an organisational strategy actually exists; although admittedly a symbolic formed strategy is harder to manage than one with clear priorities. With a strategy in place, HR's role is to turn this into a set of policies such as learning and development and recruitment. Authors such as Lin et al (2001) identified that many HR functions struggled in this. Reid et al (2004) suggests this comes from the added complexity brought about through culture, structure and budgets.

Why does HR need a strategy? Because, as in the words of Wright and McMahan (1992) HR needs to plan and deploy human resources to enable the organisation to achieve its goals. The basic question that needs to be answered by HR professionals is this; can the organisation's internal capabilities deliver its business goals?

A contingency model can help the HR function identify which capabilities to focus on and to clarify the approach to be taken. Such a model comes from the Boston Matrix and from Porter (1985) who identified three distinct strategies to follow in order to gain competitive advantage: cost leadership, differentiation, focus. Each strategy means implementing different HR policies and procedures e.g. costs leadership focuses on wage bills low; differentiation through innovation will mean a focus on recruiting the best talent, encouraging risk and creativity; a focus on quality will mean a different set of HR objectives such as higher pay and good training and development opportunities. Contingency thinking has been classed as 'best practice', meaning whatever strategy is followed the same bundle of HR practices are followed (Purcell et al, 2003). Another approach to the forming of a HR strategy is the Resourced Based View (RBV), which focuses more on the internal strengths of the organisation and using these to formulate strategy. By identifying valuable people and knowledge/skills the HR function can develop strategies and policies to ensure the organisation has the capabilities to find, assimilate, compensate and retain the talent it needs (Ulrich, 1997).

Organisations are different and have different objectives. Clearly, structure, size and the type of organisation affects which objectives are set and which strategies are used to get there. Whatever the organisation the strategy needs to be in place and HR plays a role in the development of this, with access to information about human capital that can be used to create a competitive advantage. There are techniques available to the HR function to allow for HR strategies and policies to follow the overall strategy. As the CIM (2019) state, there is no single HRM strategy that will deliver success in all cases. Organisations must define their own strategies according to the culture and context in which they operate. "This is where HR professionals are instrumental in understanding organisational circumstances and designing human capital value chains that reflect stakeholder demands".

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