Managing and Coordinating the HR Function

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1 The Purpose and Key Objectives of the HR Function in Contemporary Organisations

In understanding the function of HRM it is useful to start with a brief history of the function by tracking its development from its early welfare role through the various stages up to the present day. We will then concentrate on the concept of HRM and aim to improve our understanding of its various facets and forms. Finally, we will look at the role of HRM today and beyond by speculating on its future and the next likely stage in its evolution.

**Activity 2**
Talk to some one who works in HRM, either in your organisation or elsewhere. Ask them to explain their role. Ask them to explain this at two levels – what they do on a day-to-day basis, and what their impact is on the organisation as a whole. Then read the following explanation of the role of HRM and see if there are any similarities.
1.1 Status and Influence of HR

In recent years, there has been much debate regarding the status and degree of influence of the HR function. In some organisations, the role of HR is perceived as a predominantly ‘back-room’ operation, fulfilling a largely administrative or transactional role. In such cases, the HR function is likely to be low status and not have a great deal of influence in terms of business decision-making.

On the other hand, in many organisations, HR has successfully made the transition from ‘back-room to board-room’ and is regarded as a key player with the ability to influence the direction of the business and to be considered when key decisions are made. However, what HR professionals are able to achieve in practice depends on how they are perceived within the organisation. Looking at the various ‘personnel’ roles outlined above, the function has traditionally been seen as a service provider, which is peripheral, rather than central to the strategic activities of the organisation.

How HR is perceived depends on the organisation and the individuals who are responsible for HR within it. Much work has been done in the UK by the Chartered Institute of Personnel and Development (CIPD) in shaping HR as a profession and trying to change the perception of HR and the level at which it operates.

However, it appears there is some way to go if HR is to gain the recognition required to fulfil its role as a business partner and be regarded as a credible and essential player in the decision-making process.

Activity 3
1 hour

Go online and look at jobs for HR professionals. Carry out an analysis of the types of roles that are required. Do you see many that mention a strategic input to the organisation?
1.2 HR and Organisational Success

If an organisation does not have positive relationships with the employees it is much more difficult to achieve success, because the negative relationships are a distraction from moving forward.

There are a number of examples we could use to explain this. One is British Airways. This is an organisation that has a history of poor employment relationships. Indeed, if you go to www.bbc.co.uk/news and search for examples of industrial action in British Airways you will see that it has been threatened almost every year for the past few years. There are a number of different reasons for the conflicts that have developed, but the key issue is that there have been poor relationships.

The Royal Mail is another example that we could consider. Again, this organisation has a history of conflict with various examples of industrial action. Again, this is an organisation that has struggled with business performance, and again it has to be questioned whether this struggle would have been less if the employment relationships had been more positive.

So, how does the HR department contribute to organisational success?

There are a number of things that the HR department should be doing. These include:

- **Supporting the delivery of organisation objectives** – the HR practitioner should understand the organisation’s objectives. It should then tailor its activities to support those objectives. So, if an objective is to develop knowledge and understanding of a particular technology HR should look to source teaching of this. If an objective is to grow the business then HR should understand what skills are required, and either develop those amongst existing staff or recruit them externally.

  Yesterday I heard on the news that Land Rover is recruiting 1400 new staff due to an increase in orders. Clearly, the organisation objective is to meet the orders that have been placed in a timely manner. To support this objective the HR department at Land Rover will need to recruit people quickly and efficiently. These people will need to have the right mix of skills and experience so that they can quickly contribute to the increase in demand for Land Rovers.

- **Building organisation capability** – the example of Land Rover is an example of a reactive task for the HR department. There has been a relatively sudden increase in orders, it has not been planned over several months (indeed, some months ago the organisation was actually struggling).

  Yes, the HR professional needs to react to such short-term demands, but the HR department should also be working to build organisation capability on a long-term basis. This means investing in the employees that work in the organisation, and ensuring that they meet the required standards.
Microsoft is a good example of an organisation that is constantly reviewing and developing organisation capability. Microsoft is a leading organisation in its field. If it starts to lag behind the competition it will not be successful. Hence, it needs to constantly ensure that the employees within that organisation have the capability to produce the latest new ideas. This means investing in training and development, investing in relationships with universities and other education establishments and careful recruitment of new employees with new ideas, new skills and recent qualifications.

- **Organisation and job design** – to build effective organisation capability the HR department needs to understand what the organisation wants to achieve, and what this organisation is going to look like next year, in five years and in the longer-term future. Organisation design is a topic in itself – and it is important to HR because an organisation is simply a group of people.

Organisation design involves shaping the organisation in a way that maximises its effectiveness. This could be in reviewing the structure of the organisation, it could be in breaking down barriers between departments. It could be in reviewing the design of jobs, to make them more effective.

An approach to organisation design that has become increasingly popular over recent years is teamwork. Each year *The Sunday Times* carries out a survey of the 100 Best Companies to Work For (the most recent results are available on *The Sunday Times* website). It is interesting to note that many of these organisations base the design of the organisation on the structure of teamwork.

Have you ever watched the BBC programme *The Apprentice*? In this programme, a number of people compete for the chance to work for Lord Sugar. Each week there is a different task, and two teams compete against each other. Within the team that fails one member is dismissed – and eventually there is just one person left, who gets the job.

I was watching this recently. The person who was dismissed had not performed particularly badly as an individual. However, this person had not contributed at all well to the team performance. He had not communicated well with other team members, he had not contributed to team discussions and he had tended to stand to the side on team issues and let others get on with the tasks. For this reason, he was dismissed. He had not fitted in with the ideal organisation design that is promoted in this programme – which is of effective team performance.

- **Performance Management** – performance management is an essential part of the process of managing people. People are an organisation’s primary asset. Think for a moment of an organisation with no people. How would a school operate effectively if there were no teachers? How would a hospital operate effectively if there were no doctors? We all know the frustrations that customers feel when a call centre tries to operate with no staff, and relies on automated responses! People are a key part of an organisation.

If it is true that people are such an essential asset (and I strongly believe that it is) then it is clear that there is a need to ensure that the organisation receives the best possible outputs from its people. That is what performance management is all about. It is the process of managing performance so that it can be reviewed and improved, and it is the process of addressing any problems with performance.
People need feedback. If you do not receive feedback then you have no way of knowing how to improve. This is very evident when marking students’ work. As a tutor I am responsible for giving a mark to work that is submitted. However, just giving a mark is of limited value to students. The real value comes from the feedback that explains to the student how improvements can be made for the future. This is another example of performance management.

A key part of feedback is setting objectives for the future. So, with student feedback I typically identify areas for improvement. They are the objectives that are given to the student for the next piece of work.

An organisation needs targets. These are often found in the annual report of an organisation. Individuals within the organisation also need targets, and these should be aligned to the overall objectives of the organisation.

- **Contribution to change** – organisations that are not constantly developing and evolving will fail. The HR department contributes to change through the process of recruitment and selection, the provision of learning and development activities and through the process of exiting people from the organisation.

We will look at this topic in some detail in section four of this unit.

- **Promoting good employee relations and employee engagement** – we will look at this topic in more detail later in this unit.

- **Developing careers and skills** – the ongoing development of employees is something that we have already mentioned on a number of occasions. It is essential. One of my favourite areas of study is employment law. This is constantly changing. On a weekly basis I read about court reports and any changes to the interpretation of law (or to the law itself). If I have a two-week holiday I often feel a bit out of date for a week or two as I catch up with my reading. If I did not read about employment law for a few months I would probably be so out of date that I would start to become ineffective in my teaching in this area.

Developing careers is also an important factor in attracting people to the organisation. Looking back at The Sunday Times Survey of 100 Best Companies to Work For it is interesting to note that investment in employees is a key factor.

For example, in the 2010 survey the second-place company Luminus (which works in community housing) allocates an average of £509 per employee for training each year. WL Gore (in seventh place, and an organisation working in creative technology) allows each employee 50 hours of formal training a year.

- **Effective HR administration** – Effective administration is a crucial part of the HR role. There is the requirement to have accurate records of recruitment and selection, of pay, of personal details and all the other information that surrounds people. It is essential to have information stored accurately and securely, to avoid a breach of the Data Protection Act 1998.

It is also important to be able to answer queries from line managers efficiently, otherwise the HR department is not well respected. Although strategic input is important it is always important to remember the importance of getting the basics right.
1.3 Summary

We have started our exploration of the role of HR by looking in some detail at what the HR department does. We have seen that the role has developed and changed. The emphasis of the role today is on contribution to the success of the organisation, and we have looked at that in some detail.

We will now move on to consider how HR objectives are delivered in different organisations.
2 The Delivery of HR Objectives in Different Organisations
2.1 Delivery of HR Objectives

In the last section we looked in some detail at the role of HR. As we now move on to look at the delivery of HR objectives in different organisations, we will start by returning to the role of HR.

The CIPD has been carrying out considerable research into the activities of the HR function. In particular, it has been looking at how the HR department adds value to the organisations in which it operates, and how it will continue to do this in the future. As a result of this research it has developed the HR Profession Map which it says:

‘…captures what HR people do and deliver across every aspect and specialism of the profession and it looks at the underpinning skills, behaviour and knowledge that they need to be most successful. It also creates a clear and flexible framework for career progression, recognising both that HR roles and career progression vary.’

(www.cipd.co.uk)

The CIPD go on to set out the design principles:

‘The HR Profession Map was developed using the following design principles:

- It covers behaviours as well as the technical elements of professional competence required in the HR profession.
- It describes what you need to do, what you need to know and how you need to do it within each professional area at four bands of professional competence.
- It's organised around areas of professional competence, not organisation structures, job levels or roles.
- The scope of the map will cover the breadth and depth of the HR profession, from small to large organisations, from fundamental to sophisticated practice, local to global, corporate to consulting, charity to public sector, traditional to progressive.
- Although some of the content may relate to line managers and academics the map is not designed to capture the professional competence required in these disciplines.’

Before looking at the HR Profession Map let us look at this in more detail:

Behaviours

In the past the HR profession has spent too much time in the past focusing on skills and knowledge that are required. Hence, training for an HR professional might have concentrated on ensuring a basic understanding of employment law, interview training etc. This is all very important – but the HR Profession Map also looks further than this, and considers the behaviours that are required of a successful HR professional. It is not enough to have knowledge, the HR professional also needs to understand how to behave effectively in a business environment.
The behaviours describe HOW an HR professional should carry out their activities. Within each of the eight behaviours shown below there are four different levels of competence.

Knowledge

Knowledge is still very important. It is probably fair to say that the knowledge required by an HR professional has not always had an adequate level of respect. For example, we expect the finance manager in an organisation to have an appropriate level of qualification and the knowledge that goes with this. However, there is not the same expectation that the HR manager will have a technical qualification. Although this is changing in some areas, there is still a lack of respect for the knowledge that is required to operate effectively in HR in some organisations.

The HR Profession Map has eight areas of knowledge that are identified below:
Professional Competence

Rather than focusing on organisation structures or job levels, the HR Profession Map focuses on levels of competence. It tries not to constrain the development of an HR professional in accordance with the job level at which they are operating.

Within each of the areas of knowledge, and within each of the behaviours, there are four levels of competence. An online tool is being developed by the CIPD to allow individuals to assess their current level of competence, and hence develop appropriate development plans.

Breadth and Depth

It is clearly recognised that the structure of the HR department will vary in accordance with the size and nature of the organisation. For example, a small organisation is unlikely to have a dedicated HR professional, and is more likely to buy in HR advice as it is needed from some form of consultancy, or to delegate HR issues to another manager (typically the finance manager or the company
secretary). However, in a large organisation the HR department is likely to have many employees – and they are likely to specialise in different areas of HR, rather than taking a generalist role. The HR Profession Map takes account of these differences.

**Line Managers and Academics**

In some organisations much of the responsibility for HR has been delegated to line managers. In addition, there are many academics who have carried out (and are carrying out) considerable research into HR. The HR Profession Map does recognise that this occurs, but it is concentrating on HR professionals rather than those who are involved in HR as a line manager or as an academic.

**Activity 4**

Go to the CIPD website (www.cipd.co.uk) and select the area of the website that is dedicated to the HR Profession Map. There you can see extracts from the map, and find out more about the way in which it was developed.

This is a major piece of research from the CIPD and it is very important that you spend time understanding the HR Profession Map. If you are not clear about it please contact ICS for assistance.
2.2 The Role of the Line Manager

In a number of organisations the value of HRM is questioned. This is particularly true of organisations who still view HRM as the old-style personnel management and have not recognised the strategic importance of the role. The question arises, therefore, whether there need to be people with a role dedicated to people management or whether these duties could and should be carried out by line managers.

There could be an argument that line managers have the day-to-day responsibility for their employees and hence they should recruit them (they know better than anyone else what type of skills and knowledge they need in an employee), they should reward them (they know who deserves what, and they probably also know what motivates who), they should develop them (they are more aware of the training needs of their employees than anyone else) and they should manage the relationships with the employees (because the first step of that relationship is with the line manager anyway).

However, this argument has some flaws:

i. The line manager is typically a very busy person with a lot of operational demands on his/her time. It has been shown that people management issues often get put to the bottom of the in-tray, and it is not untypical for them not to be addressed at all.

ii. There is a skill in resourcing, reward, development and relations that the Line Manager does not necessarily have. It is probably true that anyone can carry out an interview, but it is definitely not true that anyone can carry out an interview competently.

iii. This view looks only at the processes of HR – it does not look at the strategic element. An accounting job could be seen as just adding up numbers – but the ‘clever bit’ is the interpretation and use of the numbers. In the same way, the ‘clever bit’ of HR is seeing the wider people management picture.

In most organisations Line Managers are involved in the HR processes. However, the HRM function is there to give advice and direction and to ensure the strategic overview of people management is being achieved.

Outsourcing

Another approach to the management of HR which has gained in popularity is outsourcing. Outsourcing is the purchasing of HR services from a third party. This can take a number of forms – it can involve outsourcing most of the HR activities, or it can involve outsourcing a number of specific activities – such as payroll, or recruitment. The most likely HR service to be outsourced is legal advice.

Activity 5

There is an excellent survey report on HR and outsourcing on the CIPD website – titled:

‘HR outsourcing and the HR function: threat or opportunity?’
HR Consultancy

Similar to outsourcing in many ways, some organisations decide not to have any HR services and to use HR consultants as and when issues occur that require some specialist HR input.

The difficulties of this are that there is not an HR presence in the organisation questioning and challenging management on HR-related issues as they occur. The benefits are that, particularly in small organisations, this is more cost-effective as there might not be a need for a full-time HR presence.

Shared Services

This is a further approach to managing HR – and is covered in some detail in the chapter of your textbook that you are about to read.

Contextual Factors

On a number of occasions in this section we have commented that the role of the HR department will depend on the nature of the organisation. For example, we have questioned whether the size of an organisation makes it feasible to have a full-time HR presence. What aspects of the organisation are relevant in determining the role of HR?
2.3 The Structure of the Organisation

The structure of an organisation is important because it defines the relationships that exist between individuals and between groups. This is important to the HR department because it defines the nature of the relationships with its customers.

**Functional Structure**

In this structure the employees are grouped according to the job that they do. Hence, in this structure all HR employees would be grouped together and would provide a service to other functions within the organisation.

The structure typically looks like:

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  General Manager
    Accounts
    Operations
    HR
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This structure does mean that the expertise within the HR department is gathered together as one, and there is likely to be clear career progression for those within the department. In this type of structure HR professionals are more likely to be specialists, as they are providing a service to the whole organisation.

The problem with this structure is that HR is not well integrated into the rest of the organisation. This can cause problems with it being accepted, and departments can be more likely to 'do their own thing'.

**Divisional Structure**

In this structure employees are divided up into groups according to the division in which they work.
Within each of these divisions there would be an HR representative. Alternatively, if the divisions are quite small, there would be one central HR department in some central support function – which would give support to the divisions as required. A third alternative is a mix of the two – with some HR professionals based in individual divisions and some working at a more strategic level in a head office function.

If HR professionals are based within the divisions they are more likely to be generalists, providing support in all aspects of HR. However, the career opportunities are likely to be less clear.

**Culture of the Organisation**

The culture of the organisation reflects the values of the organisation. For example, Virgin Group has a clear culture of energy, contribution and having fun. The Body Shop has a clear culture of ethical responsibility. This culture can impact on the role of HR.

If the culture is one where people are valued then HR is likely to have a more prominent role, because the contribution to people management is encouraged. However, if the culture is one where people are not valued then HR is likely to have a much more difficult job in promoting initiatives to support people development.

The culture of the organisation will also determine what is important – and hence what is to be rewarded. This will have a direct impact on the reward strategy that the HR professional will develop.

**Leadership**

The leader of the organisation is very important in determining the way in which HR is viewed. Many years ago I worked for an organisation that was part of a much larger group. The chief executive of that group considered HR to be a waste of time. He saw them as an expense that gave very little in return.

There was an HR presence in the head office – but it was just one person who was very ineffectual. I often wondered if the chief executive had appointed this individual to confirm his very negative opinion of HR.
The organisation was very interesting to work for, because we were constantly having conflict. People were not treated well, and we had a succession of employment tribunal claims and trade union grievances to address. It was certainly an experience.

Overall, the organisation was very successful – if success is measured in terms of profit.

However, the people were not well motivated, and eventually the group did fall apart – as it proved to be unable to face the challenges presented when competition from the Far East increased significantly. I often wonder if the group would still exist if there had been more value placed on people.

**Internal and External Stakeholders**

An organisation has a number of stakeholders, and they will have an input to the focus of the organisation. A stakeholder is anyone who has an interest in the organisation or is affected by an organisation, and hence are groups such as:

- Shareholders
- Customers
- Suppliers
- Employees
- Government
- The local community
- Management.

The stakeholders in an organisation might not always have the same goals, and this can give rise to situations that are difficult for the organisation to manage. For example, the shareholders will usually be driven by the perceived value of the organisation as that will directly affect the value of the shares that they own. Hence, the shareholders will typically support any activities that develop the organisation further.

The stakeholders can also impact on the way in which HR is viewed within the organisation. If people are valued by the stakeholders then the HR department is likely to be valued more highly.

**Activity 6**

Think about an organisation that you are familiar with. What determines how HR is viewed in that organisation? Is it the leader? Is it the structure of the organisation or is it something else? Do you think that HR is viewed positively or not? Why?
2.4 HR in Different Sectors

As well as these features of organisations, there is a difference in the role of HR due to the sector in which the organisation operates.

Private Sector

Profit-making organisations (which are largely those in the private sector) exist to fulfil a defined purpose and will aim to achieve this whilst making a profit. According to Armstrong (2006), a profit-making organisation will operate under the direction of a chief executive or managing director and has three main functions:

1. Policy formulation, coordination and control – as carried out by the board or an executive committee.
2. Operational activities (or line activities) which cater for what the organisation exists to do as a commercial enterprise and include business generation and demand satisfaction. Typical operational activities include activities which are directly related to the core business of the organisation. For instance:
   - If the organisation is a producer of cars, the main operations will relate to the manufacturing process required to produce the cars, e.g. Ford, Rover, Vauxhall
   - If the organisation happens to be a provider of financial services then the main operational activities will relate to the administration/processing of life assurance, pensions and investment, e.g. Prudential, Norwich Union, AXA
   - For a retailer, the operational activities will take place in the retail outlets, or shops, since selling goods is the core business, e.g. Marks and Spencer, John Lewis, Tesco.
3. Support or service activities – to ensure the operational activities can take place by providing additional services which help the organisation run smoothly. Typically, support services include:
   - Information technology
   - Purchasing
   - Marketing
   - HR
   - Research and development
   - Finance and accounting
   - Legal services
   - Facilities management which looks after the premises and related issues such as health and safety.

Clearly, our interest lies within the support and services activities – and we see from this model that the purpose of HR is to help the organisation run smoothly so that operational activities are successful.
SMEs (Small and Medium-sized Enterprises)

In many ways the issues facing SMEs are similar to those facing the private sector. However, the difference is that the organisations are small and hence need to carry a small support function to ensure that the cost of support is not excessive in relation to the cost of carrying out the activities.

As we have already noted, such organisations are likely to have a small HR team, a member of management who has responsibility for HR alongside other responsibilities, to outsource HR or to use HR consultants. Depending on the size of the organisation a full-time HR presence is not always feasible.

Public Sector

In 2007 the CIPD published a report about HR in the public sector, titled ‘Fit for Business II: Transforming HR in the Public Sector’. In identifying the key challenges for HR in the public sector the following conclusions were reached:

- HR must identify the people issues that will make the greatest difference to business performance and treat them as a priority
- The HR reform agenda seems to neglect employee engagement – engaging employees is too important to the performance culture to be neglected
- A big issue for HR is still how to develop the skills and confidence to act strategically in areas such as business partnering, organisational development and change management
- HR needs to work more closely with senior managers to develop strong leadership and wider organisational talent.

Key challenges that were identified for HR in the public sector were meeting the targets that are set in sector, and competing with the private sector for talent.

Mike Emmott (CIPD Employee Relations Adviser and a contributor to the report) said: ‘HR professionals in the public sector will not succeed in making a more strategic impact on their own. The issues they need to tackle are organisational issues which demand the ongoing attention of managers at the top as well as in the line’.

‘HR needs to work with top management to identify key priorities and engage with internal customers in order to see that people management policies and practices are delivering high performance. Transforming HR is about delivering a high quality service that meets organisational needs and achieves results.’

Voluntary Sector

Voluntary sector organisations exist to provide a certain service in a given area of activity. The main objective of a voluntary organisation is to provide that service within a given budget but their activities are not aimed at making a profit. Their activities are typically constrained by fund-raising, grants and other sources of income. By working through volunteers the costs of running the operation are kept to a minimum.
The main challenges for HR in the voluntary sector are to attract the right calibre of talent, when operating without some of the traditional tools to attract good people (ie money). People working in the voluntary sector often have a strong sense of vocation, and hence it is that which is a greater focus of the people management process.

**Networked Organisations**

Networked organisations are maybe the least familiar of all in this list. These are organisations that are working in partnerships and collaborations – or are outsourcing some of their services.

A group of academics from Manchester Business School have written a discussion paper on Networked Organisations which is available on the CIPD website. It is a very interesting examination of the issues that exist, and I strongly recommend that you read it. It is called ‘Managing People across Networks’ and can be accessed at:


**Multinational Organisations**

You will read about the issues facing the management of international organisations in the next chapter of your textbook.
2.5 Summary

In this section we started by looking at the CIPD HR Profession Map. This is a significant piece of HR research that needs careful examination.

We have then thought about the ways in which characteristics of the organisation affect the role of HR. In particular, we have thought about the differing role in different sectors of employment.

We are now going on to look at the evaluation of the HR function.
2.6 Progress Check 1

**Questions:**

1. What are the eight behaviours in the HR Profession Map?
2. What are the ten areas of knowledge in the HR Profession Map?
3. Why might it not be a good idea for HR tasks to be delegated to the line manager?
4. What is outsourcing?

[Record my answers in my Blog] [Reveal answer]
In this section we are going to consider how the HR function can be evaluated. In doing this, we are going to start by looking at how the HR department interacts with other parts of the organisation, and how it contributes to wider strategy. It is important to start by looking at this, as part of the evaluation is whether or not the HR department can really impact on the organisation.

There is always the danger that an HR professional reads about an initiative or hears about an initiative at a conference, and decides to introduce that initiative into the organisation. It could be an excellent initiative – it could have brought immense benefits into other organisations. However, if it does not fit with the business strategy it is not appropriate in that organisation at that time.

One of the subjects that I teach is Employee Reward. In the past I have set my students an assignment based on flexible benefits, a particular approach to reward. This is an approach that has been very successful in a lot of organisations, but it is not for all organisations. One of my greatest criticisms of the assignments that I have read on this topic is students recommending that the reward approach be introduced immediately. Their recommendations are rarely based on an analysis of whether the approach to reward fits with the business strategy. Rather, they have read about flexible benefits, have found it to be a really exciting initiative – and decided that they want to introduce it. The starting point should have been to think about the business strategy and THEN to decide whether the approach works.

One of the best assignments I have read about flexible benefits was written by a student who wrote a very careful analysis of the topic, and then concluded that it was an excellent idea – but not for her organisation at the moment. She concluded that the organisation had other issues to address first, but she thought it could be something to consider for the future, depending on the development of the business strategy. This was an excellent assignment because she had clearly thought about whether the initiative was relevant for her organisation, rather than getting caught up in the excitement of a new initiative.

The need to be customer-focused means that the HR department has to have vertical integration. In addition, there needs to be some synergy within the HR department, and hence horizontal integration is required.

**Vertical integration** is when the HR strategies fit with the organisation’s strategies.

**Horizontal integration** is when there is fit between the different elements of the HR strategy.

This is summarised in the following diagram:
Drawn out like this it all seems very straightforward to achieve, but there are some challenges:

- Strategy evolves. The business strategy might need to change because of a change in external factors. For example, when the financial collapse occurred in 2008 many organisations were affected and struggled to survive. The collapse was not predicted, and organisations were not prepared.

- Strategy can be very diverse. Think back to the organisation structures we looked at in the last section. The divisional structure suggested that an organisation can have groups with very different focuses (and strategies). If there is a centralised HR function within such a structure it can be very difficult to adhere to the range of different strategies within the organisation.

- This whole model presumes that the organisation has a strategy. Many organisations are reactive rather than proactive, and do not set out a clear strategy.

- There might be particular demands on one area of HR which require actions that are not part of the overall strategy. For example, we have thought about the need for HR to promote good employee relationships and to ensure that conflict does not occur. However, if conflict does occur it still needs to be addressed – even if that is not part of the actions determined by the overall HR strategy.

So, how is HR strategy created?
3.1 The Business Strategy

The business strategy has to be the starting point for the HR strategy if the HR department is to be customer-focused. This can be a challenge, as noted above if:

- The business does not have a clear strategy
- There is no representation of HR at a senior level, and hence HR does not really know what the strategy is
- The strategy changes.

However, this is not an excuse to develop no strategy. The important question is what is the business trying to achieve? Sometimes this will be set out in a one-year and five-year plan. It might change, but at least it is a starting point for understanding the aims of the organisation. Sometimes there might just be a statement of the vision of the organisation – and this might be less structured than a plan, but at least it gives an idea of where the organisation is aiming to be.

For example, look at the statement on the Virgin Group website:

**Virgin**

*Virgin is a leading branded venture capital organisation and is one of the world's most recognised and respected brands. Conceived in 1970 by Sir Richard Branson, the Virgin Group has gone on to grow very successful businesses in sectors ranging from mobile telephony to transportation, travel, financial services, media, music and fitness.*

*Virgin has created more than 200 branded companies worldwide, employing approximately 50,000 people, in 29 countries. Global branded revenues in 2008 exceeded £11 billion (approx. US$17 billion).*

*We believe in making a difference. Virgin stands for value for money, quality, innovation, fun and a sense of competitive challenge. We deliver a quality service by empowering our employees and we facilitate and monitor customer feedback to continually improve the customer's experience through innovation.*

*When we start a new venture, we base it on hard research and analysis. Typically, we review the industry and put ourselves in the customer's shoes to see what could make it better. We ask fundamental questions: is this an opportunity for restructuring a market and creating competitive advantage? What are the competitors doing? Is the customer confused or badly served? Is this an opportunity for building the Virgin brand? Can we add value? Will it interact with our other businesses? Is there an appropriate trade-off between risk and reward?*
We are also able to draw on talented people from throughout the Group. New ventures are often steered by people seconded from other parts of Virgin, who bring with them the trademark management style, skills and experience. We frequently create partnerships with others to combine industry specific skills, knowledge, and operational expertise.

Contrary to what some people may think, our constantly expanding and eclectic empire is neither random nor reckless. Each successive venture demonstrates our devotion to picking the right market and the right opportunity.

Once a Virgin company is up and running, several factors contribute to making it a success. The power of the Virgin name; Richard Branson's personal reputation; our unrivalled network of friends, contacts and partners; the Virgin management style; the way talent is empowered to flourish within the group. To some traditionalists, these may not seem hard headed enough. To them, the fact that Virgin has minimal management layers, no bureaucracy, a tiny board and no massive global HQ is an anathema. But it works for us! The proof of our success is real and tangible.

Our companies are part of a family rather than a hierarchy. They are empowered to run their own affairs, yet the companies help one another, and solutions to problems often come from within the Group somewhere. In a sense we are a commonwealth, with shared ideas, values, interests and goals.

This gives an interesting insight into the way in which Virgin looks at new ventures – the way in which it develops its strategy.

Look at the statement of values on the Lush website:

We believe in buying ingredients only from companies that do not commission tests on animals and in testing our products on humans.

We invent our own products and fragrances, we make them fresh by hand using little or no preservative or packaging, using only vegetarian ingredients and tell you when they were made.

We believe in happy people making happy soap, putting our faces on our products and making our mums proud.

We believe in long candlelit baths, sharing showers, massage, filling the world with perfume and in the right to make mistakes, lose everything and start again.

We believe our products are good value, that we should make a profit and that the customer is always right.

We also believe words like 'Fresh' and 'Organic' have an honest meaning beyond marketing.

Here we see a very clear insight into what Lush is wanting to achieve – ethical development of products, a green agenda, good value and also a bit of a sense of fun in referring to happy soap and candlelit baths.

It is important that all those working within an organisation understand what the organisation wants to achieve. This direction is known as the strategy. It is this that the HR department need to understand before they set their strategy.
It is also important to understand the way in which the business is measuring performance. This was seen in the banking sector – and many argue that it was part of the problems that led to the collapse of the sector.

The performance that was measured and valued by the banks was short-term profit. Hence, bankers were encouraged to take risks to raise money. What was not considered was the longer-term effect.

To understand this more clearly let us look at the sub-prime mortgage situation that arose in the USA (which many cite as a key part of the problems that developed in the sector).

In the USA (as in many nations) there were a number of people who were not able to get mortgages, and hence own their own properties. These were people who had a poor credit record, or who did not have enough income to qualify for the typical mortgage package. These were known as the ‘sub-prime’ group.

Banks lend money from each other, and the rate of lending was about 1%. So, a financier worked out that it could lend money to the sub-prime group at a rate of about 4-5% (a higher rate that normal mortgages, which people would accept as it was their only hope of getting a property), and hence the financier would be making a good profit.

Many of the mortgages that were offered started at low rates for two years, and then increased to higher rates. This made it more attractive to individuals – because many hoped that house prices would rise during that two years, meaning that the percentage of the price that was a loan was lower – and hence there was potential for further borrowing against the value of the house.

Those lending money to this sub-prime group were targeted to sell as many mortgages as possible. The bonuses were all short term. Indeed, some mortgage sales representatives were simply dismissed if they did not meet their monthly targets. On the whole, it was easy to sell the mortgages – and many sales representatives earned a lot of money.

Then problems started. When the mortgage rates went up after two years people could not always afford the repayments. Hence, houses were repossessed. As more and more houses were repossessed house prices started to drop – because the market was flooded with properties for sale. This meant that more people got into difficulties, even into negative equity…..and the rest is history as they say – the housing market in the USA went into freefall.

This is a clear example of having a business strategy that was based on short-term gain, and not on long-term sustainability. The measure of success, and hence the measure that people were rewarded against, was sales of the mortgage products.

Of course, this is an example of it all going wrong. There are many organisations that set careful performance targets and achieve them, and go on to perform very well.

An organisation has to have key performance indicators, so that it can measure whether it has been successful. These are things such as:

- Profit
- Turnover
• Sales
• Customer satisfaction.

Activity 7

Try to find out the key performance indicators for your organisation, or an organisation with which you are familiar. What is that organisation trying to achieve?

Record my answers in my Blog  Reveal answer

Determining the Strategy

We have just been thinking about the nature of the strategy that an organisation might have, but it is also important that we understand how that strategy develops. Understanding the thinking that is going on in the organisation means that the HR department is more likely to understand how to develop a strategy that fits in with this thinking.

One way to approach the development of a strategy is to carry out a **SWOT** analysis. The SWOT analysis is sometimes referred to as the corporate appraisal – it is an honest assessment of the current performance of the organisation, leading to an understanding of areas that need to be developed for future success. In a SWOT analysis the following are appraised:

<table>
<thead>
<tr>
<th>S</th>
<th>Strengths</th>
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</thead>
<tbody>
<tr>
<td>W</td>
<td>Weaknesses</td>
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<tr>
<td>O</td>
<td>Opportunities</td>
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<tr>
<td>T</td>
<td>Threats.</td>
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The SWOT analysis, therefore, is primarily focusing on internal issues.

Of course, the specific factors under each heading will vary according to the nature of the organisation, but the types of things that you might see appear include:

**Strengths**

• Large market share
• Operating in a range of markets
• Highly skilled workforce
• Highly experienced management
• Strong leadership
• Steady annual growth.

**Weaknesses**
• Small market share  
• Poorly recognised brand  
• Only operating in one market  
• Low-skilled workforce  
• New management with little experience  
• Weak leadership  
• Steady annual decline.

Opportunities

• New markets opening  
• International market opening up  
• Changing demands from customers  
• New product ready for market soon  
• Changing social attitudes make product/service particularly desirable  
• Gap in the market has been identified.

Threats

• Declining markets  
• New competitors on the scene  
• Competitors offering goods/services at reduced prices  
• Customers demonstrating a lack of loyalty  
• Niche market with no new outlets identified  
• High employee turnover.

By carrying out such an analysis the organisation can identify the direction that the organisation should go in (i.e. build on the strengths, and make the most of the opportunities) and can also identify the barriers that exist (the weaknesses and the threats). The organisation needs to consider whether the weaknesses and threats can be overcome, or whether they indicate the need to make some change in the strategic direction.

Activity 8

Carry out a SWOT analysis of your organisation. Having carried out this analysis can you see clear priorities for your organisation to address?
### Corporate Strategy

Johnson and Scholes (1997) in their text Exploring *Corporate Strategy*, noted eight key points about any organisation’s strategy as follows:

1. Strategy is concerned with the scope of the organisation’s activities
2. Strategy will only work if it matches the organisation’s activities to the environment in which it operates. For example, a business strategy based upon domination of a market will no longer work if other competitors enter that market
3. Strategy is also about matching the organisation’s activities to its resource capabilities. For example, suppose a college evolves a new strategy based on the expansion of its degree courses. That strategy will almost certainly fail if it does not recruit appropriately qualified teaching staff and invest in better quality teaching facilities.
4. Strategy is all about deciding how to allocate resource – in our example about the college, managers will face difficult decisions as to how to shift more resources to degree-level courses, thereby annoying other managers who will then have fewer resources to do their jobs. For example, there may be less money for students on ‘special needs’ programmes.
5. Strategic decisions have a knock-on effect on the whole operation of the organisation, as shown in our example.
6. Strategic decisions will be heavily influenced by the values, aspirations and expectations of the organisation’s managers. Taking the same example again, more money for degree courses will enhance the career opportunities of lecturers and managers in that area of college work. Consequent cuts in other areas of college work will have the opposite effect, This can harm morale, encourage good staff to leave etc.

7. Strategic decisions will usually determine the longer-term plans of the organisation. The increase in degree courses discussed above will – if successful – completely change the image of the college in the eyes of the local marketplace and may hit traditional areas of work. Younger and less qualified students may opt to go elsewhere.

8. Strategic decisions lead to changes throughout an organisation. In our example, the increase in numbers of degree course students will have implications for the college library, college support services, and even for the choice of food provided in the college canteen.

Creating a Strategy

So how is a strategy created? We are going to look at the process by considering four stages:

- Analysis
- Selection
- Implementation
- Evaluation.

Analysis

Before developing a strategy the organisation needs to review the current situation. In doing this the organisation might well carry out a SWOT analysis, as well as other analyses. The organisation needs to be using its analytical tools to answer questions such as:

- Are we in the right market?
- Is the market growing or declining?
- Do we need to expand into other markets, or do we need to withdraw from some of our markets?
- What are our major competitors doing?
- Have we got the products/services that customers want?
- What will customers want in one year’s time, and in five years’ time?
- What are the main threats to our organisation, and how we will overcome them?
- Do we have the right products/services?
- Do we have people that can develop our products/services?

As well as answering these types of question it is also important that the organisation reviews its overall purpose. What is the purpose, and is the organisation working towards it effectively.

One of the ways that this purpose can be recorded is in a mission statement. According to Mintzberg (2003) in his text *The Strategy Process* the mission is a description of:

‘*The organisation’s basic function in society, in terms of the products and services it produces for its clients.*’

It is important to review that basic function – because any move away from that basis for the organisation must be thoroughly justified. It might be justifiable, for example, if the organisation had one product line of video recorders. With the introduction of DVDs video recorders have slowly become obsolete – so a challenge to the basic product line would be well justified. However, there are other times when moving away from a basic product line might be risky – for example, Marks and Spencers’ move to open a shop selling only home furnishings was unsuccessful. This might be because it had moved away from its basic function of clothes retailing, or it might be more complex reasons relating to the type of products it was trying to bring to market.

Mintzberg goes on to note that there are four key elements to a mission statement. These are:

- **Purpose** Why does the organisation exist? Who does it exist for?
- **Strategy** What business is the organisation in? What are its strengths in the markets where it operates?
- **Policies and standards of behaviour** These must be translated into everyday operational performance
- **Values** Values provide a ‘system of managerial control through shared beliefs’.

Having identified the mission statement the organisation then needs to use that, along with the analyses it has carried out to determine the direction that the organisation should be heading.

**Selection of the Strategy**

At this stage the organisation has to decide what it wants to do:

- Is the best strategy one of stability – to stay in the current market and grow with it?
- Is there a need to diversify – possibly because current markets are contracting?
- Is there a need to retrench – has the organisation entered a market that has been unsuccessful, and now there is a need to withdraw?

The organisation needs to build from its base that it knows to be strong. Keeping the strong base, but retaining a strong link to that base is known as concentric development. This involves looking for developments with key synergies to the organisation’s base. For example:

- **Market synergy** – e.g., using existing distribution channels to market new products or applying a well-known brand name to new products
- **Operating synergy** – e.g. using resources that are not fully used in a new way or extending product ranges to fill spare capacity
- **Technological synergy** – e.g. using developed technologies throughout the organisation, extending patents into new countries
- **Financial synergy** – e.g. using finance to develop business units that will give the best return
• Management synergy – e.g. moving managers with key skills to grow key areas of the organisation.

In some situations the strategy that is selected will actually move away from the above, and the decision will be taken to move into a new market and to use existing expertise to make that a successful move.

**Implementation**

Once the strategy has been selected it is essential that all departments and business units within the organisation are aware of the strategy, and are required to examine the individual strategies of the departments and business units to determine whether they fit with the overall organisation strategy.

If a department or business unit has a strategy that does not fit, then they should be challenged as to whether it is still appropriate to follow that strategy. In a very large conglomerate it is quite likely that business units will have some rather disparate strategies, but in a smaller organisation this should not occur without very good justification.

It is also essential that the strategy is communicated to all employees. It is not sufficient to communicate the strategy to management alone – because it is essential that every person in the organisation is working towards the same goal. It is also important that the strategy is regularly discussed, and progress towards key goals is reported, so that employees are regularly focused in the direction required by the organisation.

**Evaluation**

There is no point in having a strategy if there is no evaluation of whether the organisation has achieved the goals that have been set. For many organisations there is a regular review, maybe annual, of the strategy – and at this time new strategies might be developed. However, key measures of success should be identified and these measures should be regularly monitored.

In setting the strategy the organisation needs to determine which measures are most important, and then needs to track the progress against the measures. This progress should be reported to employees, so that they know if their efforts are being successful.

If the organisation is not making the progress towards achievement of the strategy that it hoped for then a review should take place. The review might include carrying out a further analysis – or it might require an actual review of the strategy, due to unexpected events.

For example, after the tragedies of September 11th, 2001 airlines experienced a significant drop in the number of travellers. If an airline, prior to September 11th, had developed a strategy based on developing new routes to attract new passengers it might well have been appropriate to suspend work on this strategy and focus all efforts on survival.

**Back to the HR Department**

Once there is an understanding of the business strategy there is a need to go back to the HR department and to translate that into goals for individuals.
Firstly, there is the need to translate this to the departmental level. The HR department needs to have objectives and targets so that it knows what it is trying to achieve.

The targets should be SMART:

- Specific
- Measureable
- Achievable
- Realistic
- Time bound

This means that the HR team will have a clear understanding of what needs to be achieved, when it needs to be achieved by – and the achievement will be measureable.

It is important to ensure that the targets are reviewed if needed. For example, if a sudden recruitment need occurs it would be wrong for the HR department to say that they cannot meet that need because they are too busy working on other objectives! There is a need for flexibility.

There also needs to be clear understanding of the resources that are required. Organisations should not set people up to fail by not providing the resources that are required.

For example, there are a number of ways in which these resources need to be developed:

- **Coaching**
  Individuals need support to ensure that they can meet their objectives. One way to achieve this is through coaching. This involves an individual being allocated a coach who will help the individual to learn and develop existing skills. This is a form of on-the-job training.

- **Mentoring**
  This is a form of coaching when a senior member of the organisation is paired up with someone more junior in the organisation, and provides assistance and guidance to help that individual with his or her development. There might be some specific training involved, but the emphasis is more on giving direction rather than training.

- **Talent management**
  All individuals have abilities and strengths and weaknesses. Organisations need to identify the talents that individuals have and manage that talent so that the individual develops in his/her career, and also becomes more valuable to the organisation.

It is very important that the HR department remembers to develop people within the department, as well as spending time trying to develop people in the rest of the organisation.
This all adds up to the HR department having a clear vision and mission. Some HR departments will actually write mission statements – explaining what they want to achieve. This helps to explain to the members of the department, and their customers, what it is that they are aiming for.

Let us look at a practical example of how an HR strategy might develop.

Let us presume that there is an organisation that starts off with the aim of:

'We will be the best food manufacturer in the world'

However, this statement is of little use to an organisation. It gives no idea of how the organisation will become the best food manufacturer in the world, and gives no direction towards any objectives.

So, we work on an improved statement:

'We will provide the largest range of chocolate confectionary of any food manufacturer through a process of innovations and acquisitions and mergers'

Of course, there needs to be a lot more detail within the strategy. However, there is a clear purpose that the organisation is trying to pursue.

The organisation strategy gives a clear emphasis on the development of the range of chocolate confectionary. If the HR department were working on the strategic statement for their department it should be asking these sorts of questions:

- Have we got the skills in the organisation available to develop new chocolate confectionary?
- What training do we need to arrange to ensure the workforce has relevant skills?
- Do our reward packages reward innovation?
- What is the law relating to acquisitions and mergers, in relation to employment?

If the HR department develops their strategy aiming to answering these sorts of questions they will be working in the same direction as the organisation’s strategy.

However, let us presume that the HR department have become interested in the area of teamworking, and want to set their objectives around this. They might be asking questions such as:

- What are the best models of teamworking?
- Who would make a good team leader?
- What training do we need for teams?
- How can we adjust our reward packages to reward teams and not the individuals?
Although the pursuit of teamworking might be a very good idea, it is not supporting the organisation's immediate strategy. The overall strategy might fail because the employees within the organisation do not have the skills and abilities to innovate and develop a new chocolate confectionary range – a problem the HR department could have helped to solve if they were focused on the organisation's strategy, rather than something they wanted to pursue for no clear reason.

There is a purpose to the strategy which relates to meeting the ongoing expectations of the stakeholder. So, if we go back to our example we can see that the long-term positioning of the food manufacturer as having the largest range of chocolate confectionary is linked to a specific achievement – which will hopefully meet the expectations of the stakeholder.

It is also important to think about the potential measures of success for this strategy. The following items could be possible:

- Size of market share of chocolate confectionary
- Size of the current range of chocolate confectionary, compared with the size at certain points in the future
- Comparison of the size of the range of chocolate confectionary against the size of the range of key competitors
- The number of innovations
- The time that it takes for innovations to come to market
- The sales of innovations
- The sales of innovations
- The number of mergers.

It is also important that the HR department can see how it contributes to these measures. Specific HR measures could be:

- The number of employees with the appropriate skills
- The number of vacancies filled.

**Activity 9**

Now that you have read about the process of developing strategy think about your HR department. What is the strategy of that department? How is it communicated to the team? How do the team know if they are achieving the strategic goals? If you do not work in an HR department try to talk to someone who does, and find out how their HR department knows the strategic direction.

Once the HR strategy has been identified there is a need for this to be agreed with the customers. Looking back at vertical integration, there is a need for the different departments within the organisation to know what they can expect from the HR department.

This might be translated into a service-level agreement. A service-level agreement is like a contract – it sets out the standards that are expected, and what each party can expect from the relationship.
For example, a college may have a service-level agreement with students. This sets out what materials students can expect to receive, and what tutorial support will be provided. It also sets out timescales in which queries will be answered and assignments will be marked.

The service-level agreement is also likely to contain key performance indicators (KPIs). These are measures of performance. For example, in the agreement between students and their college measures of performance might be the time that it takes for a student query to be answered, or an assignment to be marked.

Care needs to be taken with the interpretation of these KPIs. For example, the college could ensure that timescales are met when responding to student queries and marking assignments. However, if the marking contains little useful feedback and the queries are answered too briefly or incorrectly the achievement of the KPI is of no value. Speed is not everything! Hence, when setting KPIs there is the need to balance effectiveness (whether the service is being provided in an effective and high-quality way), efficiency (which relates to the speed and format of the response) and fairly (whether the provision of the service is ethical and appropriate).
3.2 Evaluation

So, we have now seen how the HR department can contribute to the overall strategy of the organisation. How can we measure whether that contribution is successful?

Trends in HR Metrics

It is important to look at trends in various aspects of people management – to see if this tells us anything about the organisation. The type of data that can be usefully gathered is:

- **Absence data**
  It is important to look at absence data regularly – on a monthly basis if possible. However, an absence figure in isolation tells us nothing. What we want to know is if the absence has changed. Clearly, we would expect some variation. People are more likely to catch colds and flu during the winter, so some increase in sickness absence during the winter is probably inevitable. However, if there is a slow increase month by month, or a sudden increase this could indicate a more worrying trend.

  It is also useful to break absence down by different areas of the organisation. This makes it easier to investigate trends, and also helps to identify any areas of particularly worrying absence.

  To make the data clearer it is useful to separate long-term and short-term absence. If there are individuals recovering from serious illnesses or injuries adding their absence into the total could distort the trends.

- **Employee turnover**
  We need to understand trends relating to employee turnover. What is important to understand is whether it is changing significantly. Again, it is useful to look at this on a department by department basis.

  If the organisation is very seasonal and employs a lot of temporary staff (e.g. a retail organisation hiring sales assistants for the Christmas period) then it might be best to remove those staff from the data. It is always known that they will be leaving, and including them all in the leavers will distort any underlying trends.

- **Recruitment spend**
  An interesting piece of data is how much is being spent on recruitment. It is probably best to look at this as an average per vacancy. Clearly, some vacancies will cost more to replace than others. For example, asking a recruitment agency to recruit a senior employee will cost much more than asking them to help with the recruitment of a junior employee.

- **Payroll spend**
  The payroll is likely to be one of the (if not the) largest items of expenditure in an organisation. It is essential to track any increase in payroll spend. Clearly, there will be increases after an annual review – but between reviews the payroll should stay fairly constant.
• **Attitude surveys**
  Another source of data (both qualitative and quantitative) is a regular attitude survey. This enables an organisation to see if employee attitudes are changing in any particular area. If there is particular dissatisfaction with something it might be possible to address this before it becomes a big issue in the organisation. It is important to gather some data about the respondents (whilst still ensuring that the responses are anonymous). For example, it might be useful to separate the responses from different departments, from managers and employees or between other groupings.

**Activity 10**

Choose one of these measures and find out data in relation to it. See if it is possible for you to track it over a period of time. If you note any significant changes try to investigate them further.

- Record my answers in my Blog
- Reveal answer

**Review of Targets**

It is important to ensure that there is a regular review of targets that have been set. However, at all times it is important to keep focused on the business strategy and to ensure that the strategy is being met.

The HR strategy should be reviewed to determine whether it is having a positive impact on the organisation. This can be achieved by looking at an attitude survey, or by seeking feedback from departmental managers.

There is also the need to be thinking about any changes to the business strategy and how they need to be addressed. For example, there might have been a target to recruit a specific number of employees. However, there could then be a downturn in the business performance and as a result there could be the need to make a number of employees redundant. In such a situation the goal of the HR department would need to change.

**External Comparisons**

As well as looking within the organisation it is important to consider whether the organisation is successful in comparison with other HR departments. One way that this can be assessed is through benchmarking.

Benchmarking is the comparison of processes by which results have been achieved. Hence, benchmarking is not looking at absence rates or attitude survey results and just comparing outcomes. Rather, it is looking at the processes that have been used to see what the best way is.

Karlof and Ostblom (in Benchmarking, published by Chichester: John Wiley 1993) identify six steps to a concept that they call ‘bench learning’.

1. **What to benchmark?**
This might seem a very obvious first step, but an HR department does need to start by thinking about what they want to benchmark. It can be very easy to get carried away with the idea of making comparisons with a world-class HR department, without taking time to think about the nature of the organisation – is it comparable? The area must not be too broad (there are many factors involved in successful HR, so what particular aspect is under investigation?), and it must not be too narrow.

2. How do we do it?
The process that is to be benchmarked must be clearly defined in the HR department seeking the benchmark information. This is an important exercise to carry out because it helps HR to understand the process that they want to study more clearly. It is particularly important if benchmark information is being sought from outside of the organisation – other organisations might not be willing to keep answering more and more questions.

3. Who should we choose as a benchmarking partner?
Sometimes it might be possible to benchmark within the organisation. For example, if there is a large organisation with several divisions, comparisons could be made between different HR teams within each of those divisions. However, this internal approach is limited in that there is no exposure to ideas from other sources. Benchmarking against external organisations might give a broader range of ideas, but other organisations might be reluctant to give information or might give incomplete information. It is also important that the comparator is sufficiently similar for the comparisons to give valid information. For example, the processes of a small manufacturing company in one location are likely to be very different from the processes of a large multinational retail business (although there are often lessons that can be learnt from each other!).

4. How do they do it?
It is almost inevitable that any benchmarking exercise is going to involve an exchange of information, so therefore it is important that both organisations have clearly identified what process is being discussed. It is then important that the initiating organisation thinks carefully about what they want to know. A series of questions needs to be prepared, thinking about what it is valuable to understand.

5. What are the lessons, and can we apply them?
Once the information gathering has taken place it is important to think about what this has told the HR department. What can they learn from the information, and how can it be used to improve success? It is important that the department does not simply try to copy the comparator, because each HR department operates in a different scenario, however slight that difference might be. It is important to question each piece of information, and maybe prioritise the actions to be pursued.

6. How can we implement the change?
Having identified what changes are required the process of implementation needs to be considered. Almost inevitably people will be involved, and hence the issue of communication needs to be addressed. The timing of the changes needs to be considered, and the person responsible for the implementation also needs identifying.

Balanced Score Card
One approach that a number of organisations use to turn their vision and objectives into measureable criteria is the balanced scorecard.

This approach to strategic management was developed in the early 1990s by Robert Kaplan and David Norton from Harvard Business School. The system gives a clear identification of what companies should measure in order to ‘balance’ the financial perspective.

Kaplan and Norton describe the innovation of the balanced scorecard as follows:

‘The balanced scorecard retains traditional financial measures. But financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long-term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and innovation.’

(www.balancedscorecard.org)

The balanced scorecard suggests that measures of performance should be looked at in four categories:

- Financial
• Customer
• Learning and growth
• Internal business processes.

The balanced scorecard gives some measure to indicate whether the organisation is achieving the targets that have been set to achieve the status of ‘high performance’.

**Diagnostic Tools**

There are other diagnostic tools that can be used to determine current performance, and to help plan improvements:

i. **Management consultancies**
   A number of the large consulting organisations have developed diagnostic tools for use in their consultancy work. One such example is the McKinsey Corporation. Using their experience of organisations, from their consultancy work, they have developed metrics and analytical techniques to use as diagnostic tools for continuous performance management.

ii. **Investors in People**
   The Investors in People standard is applied in a large number of organisations. Although the purpose of the programme is not to develop diagnostic tools, by embarking on a process of reaching the Investors in People standard one of the first stages that any organisation undergoes is to compare its current situation with the standards and to identify any shortcomings.

**Activity 11**

Go to the Investors in People website (www.investorsinpeople.co.uk) to find out more about the liP standard.

iii. **Psychometric assessment**
    A number of organisations use psychometric assessment to identify the weaknesses and strengths of their employees.

    Psychometric assessment covers personality assessments and aptitude assessments. Personality assessments allow an insight into the strengths and weaknesses that a person has. Aptitude assessments assess specific skills such as verbal reasoning, numerical reasoning or spatial reasoning.

    There is much debate about the use of psychometric assessment. On one side are those that argue that they are not a useful assessment tool because people can learn how to give the ‘right’ answers and can increase their performance on aptitude assessments through practice.
On the other side are those that argue that high quality tests from a reputable supplier are valid, and that it is not possible to learn the right responses. They would argue that the tests give a useful insight and are valuable in gaining a rounded view of an individual.

Let us now think about the advantages and disadvantages of the use of tools like those described above:

**Advantages:**

- Most analytical tools are the result of the gathering together of data about a large number of organisations. This data is then used as the ‘norm values’ in the analysis of an organisation – i.e. the organisation is being compared with all the organisations that have been studied. Therefore, the results give a useful comparison with competitors.
- The diagnostic tools give some objective assessment of how the HR department is performing. It is very easy to get inward looking, and this outward focus can be very revealing.
- Using the tools gives a focus on what needs to be done to be high performing
- The outcomes of the analysis can be used to set performance measures.

**Disadvantages:**

- The analyses are often time-consuming and costly to carry out
- When the HR department is being compared with the norm group there might be a number of very different organisations within the comparators which question the validity of the analysis
- When answering questions about the HR department, to allow the analysis to take place, there might be the tendency to exaggerate the strengths and brush over the weaknesses.
3.3 Summary

For the HR department to ensure that it is helping to shape and develop the organisation it needs to have an impact on the overall organisation. Hence, we started this section by looking at the development of strategy and how the HR department becomes involved in that process.

We have then looked at the process of measuring the success of the HR department. We have looked at a number of different approaches, and have to accept that none of them give an absolute measurement.

We will now move on to look at the ways in which the HR function contributes to effective change management.
3.4 Progress Check 2

Questions:

1. What should be the driver of the HR strategy?
2. What is vertical and horizontal integration?
3. What trends might it be useful for the HR department to track?
4. What is benchmarking?
5. What four categories are looked at in the balanced scorecard?
4 The HR Function’s Contribution to Effective Change Management

Reading

To start this section on change management read the CIPD factsheet on the topic. This can be found at http://www.cipd.co.uk/hr-resources/factsheets/change-management.aspx.

Change has positive and negative attributes. On the one hand, change means experiment and the creation of something new. On the other hand it means discontinuity and the destruction of familiar social structures and relationships. Despite the positive attributes, change may be resisted because it involves both confrontation with the unknown and loss of the familiar.

A certain amount of change is essential if organisations are to grow and develop rather than stagnate, as otherwise they will find it difficult to survive. However, there are some who argue that change is taking place too rapidly and too frequently and that the modern organisation is ill-equipped to deal with it.

As far back as 1970 the American futurist, Alvin Toffler, argued that there is a limit to the amount of change that people can handle. According to Toffler:

‘...the shattering stress and disorientation that we induce in individuals by subjecting them to too much change in too short a time is unhealthy.’

Toffler called this stress and disorientation ‘future shock’ – the disease of change.

He also introduced the concept of ‘adaptivity’ which he defined as ‘the ability to cope with accelerating change and transience’ and this concept is particularly relevant today, bearing out Toffler’s prediction.

Clearly, then, change is an integral feature of business and organisational life and is part and parcel of the manager’s role. However, despite the general acceptance that change is an essential part of the contemporary workplace, we need to ask ourselves why change is necessary.

There are a number of reasons why change is needed. Organisations need to change in order to:

- Meet customer's changing requirements and/or
- Compete against others in what is becoming an increasingly global marketplace.
- Comply with changes in legislation/regulatory requirements
- Survive changes in economic/political conditions, whether at a local, national or international level
- Keep pace with developments in technology.
Activity 12

Think about changes that have occurred in organisations where you have worked, or changes that you have read about. What was the reason for those changes? Try to fit them into the reasons given above.

Record my answers in my Blog  Reveal answer
4.1 Understanding Organisational Change

By its very nature change is difficult to define and understand. It is possible to identify four features which tend to be part of the change process:

1. **Triggers** – change is initiated by some kind of organisational pressure or trigger arising either internally or externally. Internally, change may be triggered by a switch to new methods of production or by the introduction of new products. Externally, organisations may have to change in response to new legislation which may affect employment practices or may be specifically related to the nature of the business. This has occurred in the financial services industry where regulations have been introduced to protect the customer. This has had an enormous impact on many companies operating in this sector and has necessitated many changes to their procedures in order to comply with the new regulations.

2. **Interdependencies** – the different parts of an organisation are interdependent and change in one aspect creates pressure for change elsewhere. For example, when certain aspects of procedure become computerised it may be necessary to make other changes such as management control and coordination.

3. **Conflict and frustrations** – the technical and economic objectives of managers may often conflict with the needs and aspirations of employees and this may create pressure for change. New technology, introduced by management, may change the nature of the job that people are expected to do and require extra training.

4. **Time lags** – change rarely takes place smoothly and usually happens in a haphazard and untidy way. Some parts of the organisation will adapt to change more rapidly than others and people and groups will need time to catch up with the rest of the organisation or they will feel as if they are getting left behind.
4.2 Communicating Change

As we saw above, the trigger for change may be internal, i.e. based on the decision of the organisation to ‘do things differently’ or it may be external, in which case the change is driven by a response to an external stimulus such as new legislation, or competition from other companies or sectors.

Whatever the trigger – or rationale- for change might be, it is important that the individuals who will be affected by the changes taking place are fully aware of:

a. the need for change and
b. the benefits which will result.

If these two aspects are not made clear from the outset, there is a risk that individuals will not ‘buy in’ to the change process and this will increase the degree of resistance. Many organisations get this wrong and fail to communicate with their employees and keep them informed.

This is an area where HR can make a fundamental difference – by ensuring that the ‘human aspects’ of change, and the need to communicate are addressed. It is also important to note that change is two way – and that employee participation is extremely important. This can be through the processes of communicating with representatives, or through the more direct processes of employee involvement.

Despite the fact that change is now commonplace it would appear that many organisations fail to ‘get it right’ as far as managing the change process is concerned. One of the reasons most often quoted is the lack of effective communication regarding the reasons for change, the stages of implementation and the likely consequences for individuals who are affected by the change.

In the absence of reliable communication, the grapevine will take over as employees attempt to fill in the gaps in information. As stated previously, the grapevine is most active when there is a lack of good communication, in this case relating to the change process. If employees do not receive the information they need, they will rely on the grapevine.

Unless managers act quickly to dispel any rumours that are circulating, a lot of emotional upset and anxiety will result.

Poor communication is often mentioned as one of the main flaws in any change process. One of the reasons for this is that by its very nature change is an uncertain and unpredictable process and there is a reluctance on the part of many managers to communicate with their employees unless they can provide a complete picture of what is going on. However, it is unlikely that this will be possible and managers have to make a choice; tell people what they can – or not communicate at all.

During the change process, the rules of communication change and it is often necessary to communicate:
- More frequently
- More informally
- Often with incomplete information.

In terms of the need to sell the benefits of change, again, this might not always be possible. In a large-scale change programme, the benefits may not be realised for some time making it difficult to demonstrate the advantages. In situation where the long-term gains cannot be convincingly shown, it is important to identify any ‘quick wins’ which can be achieved in the short term as this will help engender a more positive response to the overall changes taking place.
4.3 Types of Organisational Change

Change does not take place in isolation. Instead, change will be concurrent with other changes and events within the organisation. Change occurs within organisations in many forms.

For example, change can be an intrinsic feature of organisational life, with many small changes regularly being made to adapt to subtle changes in dealing with others or to improve the ways things are done. However, whilst change is an integral feature of organisational and business life, whether it is perceived as change will vary according to the individual.

Research conducted by Stephen Harwood (2003) involving the mapping of processes in a manufacturing site over a period of a few months, identified that people had different perceptions of the changes that took place. Certain changes went unnoticed by some, whilst dominating the thoughts of others. People attached different levels of importance to change. This suggests that change only becomes recognised as such when attention is drawn to it as a departure from what is accepted as the norm.

The emerging picture of organisational change is that change is complex. The focus of organisational change tends to be associated with the way things are done in the organisation, i.e. the process. Organisational change tends to involve a number of people, each of whom has their own view of the change. Furthermore, (as we saw in our study of groups in the previous study unit) these people are involved in the poorly understood dynamics of social interaction and the many complexities that entails. Thus, it can be argued that when thinking about organisational change and the process of organisational change we must give due consideration to this complexity.

According to Harwood (2003) there are two main types of change:

**Unintentional Change**

Accidental and Incidental change represent two possible forms of unintentional change. Accidental change can be described as change which takes place without forethought and is found to be beneficial. Incidental change is likely to be a ‘minor’ change which takes place as a result of an incident.

**Intentional or Deliberate Change**

Intentional change can take place by trial and error or through a planned sequence of events.

Change by trial and error is suggested to be an incremental process where there is uncertainty about how to proceed, what the risks are or what the impact is likely to be. Progress is made by trying something out, evaluating how it went and deciding what the next step is to be.

Planned change can be described as change which is deliberate and has an expected outcome. Programmes or explicit agendas for change tend to be wide-reaching in scope, radical in intent and long in duration. Not surprisingly, this type of change has attracted a lot of attention in the literature.
However, although the coverage of change is vast, with many different examples provided, most types of change can be classified according to the following **five** categories:

1. **Culture** – cultural change, organisational learning: the way things are done around here – how we think and act.
2. **Process** – business process reengineering, continuous Improvement, what is done, now and in the future.
3. **Structure** – reorganisation, how everything fits together as a ‘whole’.
4. **Relationship** – customer-relationship management, supply chain management, internal reporting lines, how things interface.
5. **Technology** – information, communication or process, e-commerce, remote working, the way technology enhances what a person can do and/or a person's ability to interact.

**Activity 13**

Think back to the changes you identified in the last activity (or think of new changes) and classify them according to the five categories just given.
4.4 Reactions to Change

Not all organisations view change in the same way. This is reflected in differing approaches to change. Some organisations embrace change due to the opportunities it can unleash and adopt a proactive approach which not only welcomes but even initiates change. Others have a more passive attitude to change, where change occurs only if some event provokes it.

For those with a passive attitude to change, change can take place for a host of reasons, externally driven or as a result of internal events, e.g. equipment breakdown, new manager appointed, cash-flow difficulties. For those organisations that embrace change, change is a way of life. It is not confined to improving the desirability of products and services in such a way as to improve customer demand and outstrip competition, but is extended to improving the way things are done, i.e. the process.

However, irrespective of whether the approach to change happens to be ACTIVE or PASSIVE, the difficult task arises of how to manage change. Despite much research, the management of change remains an enigma. Some companies are successful at it – but the reality is that many others are not!

The way in which organisations respond to change is a function of the many individual reactions which take place and this is captured in the transition curve, shown below. Based on extensive studies of different reactions to bereavement, the curve was created by Elizabeth Kubler-Ross, and has been adopted by many organisations in an attempt to understand the sequence of reactions which individuals typically experience when confronted by change.
The first stage in the process is usually shock and surprise in response to the event or change – ‘I can't believe it!’

This is usually followed by denial of the change and finding ways to prove that it isn't happening. Sticking your head in the sand and reassuring yourself that it will pass – ‘I've always done it this way – these new ideas will blow over.’ or ‘it'll never happen. As a result there is a temporary 'high point' as people refuse to accept what is happening and consequently remain quite optimistic.

This optimism soon gives way to anger and frustration. There is often a tendency to blame others and lash out at them but still no acceptance of the change.

This leads in turn to depression where individuals hit rock bottom and experience depression and apathy. Everything seems pointless and there is a lack of self-confidence – ‘I'm ready to give up – what's the point?’

The previous stage is so depressing that most of us start to pull ourselves out of it. This is where you start to try new things – ‘I think I'll have at go at this.’

A period of trial and error follows as individuals decide what works and what doesn't, accepting change and beginning to feel more optimistic and enthusiastic – ‘This isn't so bad after all – it actually seems to be working!'

At this stage the change becomes integrated and becomes the norm – ‘Life goes on'.

**Activity 14**
Stop for a moment and think of the way in which you react to change. Do you recognise the stages identified in this model?

Record my answers in my Blog  Reveal answer
4.5 Models of Change

There are numerous accounts in the press of failed change programmes. There is now, increasingly, focus upon what can be done to enhance the likelihood that change will be successful. This suggests that it is useful to understand the concept of organisational change and the different models associated with the organisational change processes. By appreciating the issues relating to organisational change there is greater likelihood that we can improve our actual handling of change.

Whilst there is no getting away from the fact that change is messy, it is possible to minimise the effects by adopting a systematic approach. Whilst there is no universal formula or prescribed procedure for the management of change, there are several models of change which can help our understanding by providing a coherent framework within which the complex dynamics of change can be considered.
4.6 The Lewin Model of Change

One of the best-known change models is that suggested by Kurt Lewin (1951) who regards the change process as being made up of THREE basic mechanisms:

1. **Unfreezing** – altering the present stable equilibrium which supports existing behaviours and attitudes. This process must take account of the inherent threats change presents to people and the need to motivate those affected to attain the natural state of equilibrium by accepting change.
2. **Changing** – developing new responses based on new information.
3. **Refreezing** – stabilising the change by introducing the new responses into the personalities of those concerned.

Let us look at Lewin’s model in more detail.

**The Organisation as a Social System**

People in organisations, departments, work groups, and teams work together in different ways, and these can broadly be referred to as ‘social systems’. The functioning of these social systems is characterised by a set of underlying rules or regulations. ‘Normally’, if no change is anticipated, systems appear to be relatively stable. Members are familiar with the variety of norms and rules guiding the system, and they tend to adapt them to their own needs.

Lewin defined this situation as ‘quasi-stationary’ equilibrium. This definition suggests that a social system only appears to be stable. There is always movement, but the totality of all movement equals zero; the system remains in what appears to be a state of balance. This equilibrium serves important psychological functions even if it is not satisfactory to everyone. This may be a case of ‘better the devil you know…’

Every major change in a social system, such as the introduction of a new production process or an organisational development project, threatens this ‘stable state.’ These changes can arouse fear, since a the loss of the stable equilibrium decreases the predictability and understanding of what is happening, what is expected, and so forth, and it threatens the basic human desire for mastery and control over one’s life. All this is at risk if the quasi-stationary equilibrium of a social system is disturbed.

Furthermore, if the change process demands increased participation and influence from organisation members who have not previously been able to exert such influence, it upsets existing hierarchies and the way in which power is distributed in the system. Depending on the perception of different players in the organisation as to who loses and who gains as a result of such a change, resistance will come from different groups. (We will consider resistance to change in more detail later on in this study unit)

Successful change thus requires paying very close attention to the forces at work in a specific social system and Lewin outlines the following basic steps.
Step 1: Unfreezing – open the existing situation

Change, in Lewin's terms, begins with the mental 'unfreezing' of the patterns of norms, values, and beliefs that hold a system together. Changes have to be conceivable if they are to be do-able. This applies not only to the initiators of change but eventually to everybody affected by change. Opening of the existing situation occurs through reduction of the change-inhibiting forces and strengthening of the forces supporting change. As fears and prejudices are reduced and old habits are changed, trust can develop.

While all change creates increased uncertainty, resistance to change is frequently not a ‘personality problem’ or an expression of rigidity. Resistance more often signals that the changes fail to take the experiences, needs, and goals of the people affected into account. Resistance reflects the clash of different interests and developmental states. Only if the individual ‘learning loops’ become connected through communication, influence, and active involvement in change activities will the system as a whole start to move.

In the ‘open’ phase, expectations of the people affected are important. Thwarted expectations often create frustration, resignation, or resistance to change. It is important, therefore, not to create unrealistic expectations that might not be met. Many organisational development projects have failed for exactly this reason. They promised more than they could deliver.

The key in this initial open phase is open communication among all the individuals and groups involved. Strategic management decisions must be clearly informed. And a process of dialogue, in which individuals can present, clarify, and reflect on their position and come to understand the needs and perceptions of others, is a prerequisite for individual as well as organisational development.

Step 2: Changing – move or change the existing situation

The decisive factor that signals the transition from the ‘open’ to the ‘move’ phase is if the people affected start to become really interested in the change. Participation in the open phase stimulates willingness and interest in behavioural change. Willingness to change may not refer to the total change process or all of its outcomes, but that is not important at this point. What matters is the desire really to change something and to get started. It is important not to get impatient in this phase, though at the same time it is now important that things are starting to happen.

The readiness for change created in the open phase now becomes a need for change. It is crucial for people to agree on timescales and on the key milestones. However, it is insufficient if somebody, somewhere in the organisation, is working on the agreed upon changes. Communication and involvement have to be ongoing and transparent. Planning in the ‘move’ phase ought to encompass discrete steps or partial goals which can be evaluated on an ongoing basis. The success of a change process cannot be visible at the end only, but must become transparent as it moves along.

Step 3: Refreezing – consolidate or integrate

Once a visible change has occurred – for example, work activities have been redesigned to support efficiency and customer-orientation – the process of social system change is by no means complete. The next stage, consolidation or integration, is an essential and independent phase, which if neglected may lead the system, and the new behaviours which have started to emerge, to relapse into old patterns or may prevent the advantages of new systems from taking hold.
The purpose of this phase is to establish a new ‘quasi-stationary’ equilibrium of the system. This is why Lewin used the term ‘freeze’ for this phase, although the terms ‘consolidate’ and ‘integrate’ are perhaps a more accurate reflection of what is taking place. This phase requires time and the focused support of the change initiators and those with the authority to make the new system work. Depending on the context and the particular change project, the new system may be reflected in new formal rules and procedures or in contractual agreements; it may become the focus of symbolic acts (e.g., celebrations, certification, etc.) or it may be connected with changes in the physical environment. Consolidation may also require further accompanying measures such as additional training or the adaptation of the information system.

Although the Lewin model is one of the most comprehensive frameworks for change, there are a number of other models which are worth looking at.
Beckhard’s change model was one of the first models of change. It can be summed up as:

\[
\text{Change} = \text{dissatisfaction} \times \text{desirability} \times \text{practicality} > \text{‘cost’ of changing}
\]

In other words, in order for change to take place, the level of dissatisfaction with the status quo, combined with the desire for change and the practicality of making the change happen, must be greater than the cost of the change.

To assist this process, Beckhard recommends that the following activities are incorporated into the change programme:

- Setting goals and defining the future state of organisational conditions desired after the change
- Diagnosing the present condition in relation to these goals
- Defining the transition state activities and commitments required to meet the future state
- Developing strategies and action plans for managing this transition in the light of an analysis of the factors likely to affect the introduction of change.
In *Social Boundaries of Thought and Action* (1986), Bandura emphasises the importance of the environment in terms of how people respond to change. His theory is based on three main assumptions:

- People make conscious choices about their behaviour
- The choices are based on information drawn from their environment
- The choices are based on things which are important to them, the views they have about their own abilities to behave in certain ways and the expected consequences of choosing certain behaviours.

According to Armstrong, this has the following implications for the change management process:

- The closer the link between a specific behaviour and a specific outcome, the more likely we are to engage in that behaviour
- The more desirable the outcome, the more likely we are to engage in behaviour that will lead to that outcome
- The more confident we are that we can assume a new behaviour, the more likely we are to try it.

He goes on to say that in order to change people's behaviour, it is necessary to alter the environment in which they work, convince them that the new behaviour is something they can accomplish and persuade them that it will lead to an outcome that they value. Obviously, this is easier said than done! It is however, the essence of successful change.
4.9 Managing the Change Process

The different strands which emerge from the various models of change management are reflected in the following model of change, created by Harwood (1998) which pulls together a number of different approaches in an attempt to make sense of the different complexities.

When establishing how to go about the management of change, there are various considerations. According to Harwood, change has two aspects: the change itself and how change is perceived. Furthermore, any approach needs to recognise that one does not simply go in and change something. First, there needs to be a clear objective. Second, there is a need to prepare the ground. Furthermore, it is widely accepted that over time the situation will change and the programme will change accordingly, perhaps in a way not originally anticipated.

The model identifies four controllable influences upon the elements and two external influences which can affect progress. The four controllable influences are:

- Intent: what is the intent?
- Approach: what are we going to do to make the change happen?
- Obstacles: what barriers might we encounter and what can be done to prevent, minimise or overcome them?
- Ease: what can be done to make conditions more conducive to making the change?

The focus is very much upon anticipating eventualities and making sure that everything is in place so that when it comes to the actual event of handling the change, it proceeds as smoothly as possible.

However, two additional external influences which can impact upon the change are:

- Facilitation: the use of a facilitator to enhance the likelihood that change will occur
- Unknown: the unpredictability of the events arising which have either a positive or a negative impact upon what is being attempted.
Harwood's model of a deliberate change process

The different components of the model are explained below:

1. **Intent**
   
   What are we intending to achieve? Reduce costs, improve responsiveness, increase flexibility, expand into new markets? There needs to be a clear focus to drive the programme. This is then translated into an explicit strategy of how this intent is to be achieved. It must be assumed that, to exploit organisational change in order to achieve competitive advantage, the change that is to be introduced will have a significant impact upon the way that things are done. The type of change is likely to be wide-ranging in terms of those affected and will involve a managed process. The route selected will be that which is considered the most appropriate to the situation.

2. **Approach**

   The process of making the change take place is perhaps the most underestimated task within organisations. The focus is upon what we are going to do to make the change happen. In all likelihood there will be a series of stages which will systematically take the participants through the change process, e.g. understand problem, decide course of action, establish targets, assign responsibilities, get on and do it and monitor progress, dealing with problems as the arise.
A project management approach may be adopted to handle the change process, whereby each project has a start and end and comprises a series of stages. Attention is focused upon key aspects of the project that need to be addressed, e.g. business case, organisation, plans, controls, risk, quality, etc. The underlying assumption is that the process is predictable.

As we have seen above, the reality of implementing a change programme is that it is messy. People behave in unpredictable ways and, despite positive attitudes, work pressures can undermine efforts. Furthermore, the unexpected arises and, if it can go wrong then, in all likelihood, it will go wrong. Even in programmes where the focus is upon the introduction of new technologies, the technological difficulties can be more easily overcome than the obstacles caused by people. People hold different perceptions and commitments about the change process. Attention focuses upon recognising these issues and establishing what might be done to overcome these obstacles.

However, suggestions about what might be done may differ from what realistically can be achieved. This contradiction introduces the notion that there may be perceptual obstacles or practical constraints which, if anticipated at the outset, may have been dealt with so that they did not arise. Likewise, it is with hindsight that we often recognise issues which, if we had been aware of them at the outset, we could have dealt with so that they would have made life easier.

This leads to the suggestion that there are facets of change which can be addressed prior to the change process. This preparatory stage attempts to address:

1. What can be done to prevent, lower or overcome possible anticipated obstacles?
2. What can be done to make conditions more conducive for the change to take place?

3. **Obstacles: Barriers to Change**

   Part of the preparation process involves thought about the barriers that might be encountered and what can be done to prevent, minimise or overcome them. Managers, however, often regard change as intrinsically good and see resistance as undesirable.

   But resistance to change is a common and natural phenomenon. All change takes place because people change their attitudes, values and behaviour and this can be threatening. Change presents those caught up in it with new situations, new problems, ambiguity and uncertainty.

   Some people welcome change and thrive on the variety and element of challenge which it presents. Others feel threatened by change in that it gives rise to new situations, new problems and high levels of uncertainty. This need to face up to the unknown often underlies the resistance with which change is frequently met.

   Reasons why change is resisted have been extensively researched. In 1979, Kotter and Schlesinger described four key causes:

1. **Parochial self-interest: ‘What do I stand to lose?’**
   
   Individuals seek to protect the status quo in which they are content and secure.
There is a vested interest in preserving the structures, technologies and procedures with which they are familiar since change may mean loss of power, prestige, respect, status, etc.

Change may threaten relationships at work as well as working arrangements which have developed over time.

There may be a need to relocate.

2. **Misunderstanding and lack of trust:** ‘Do I really understand what is going on? I don't believe you.’
   People resist change when they do not understand the reasons for change or its likely consequences.

   Managers may withhold information about the change so that rumours circulate and the facts become distorted.

   The way in which the change is introduced may be resisted rather than the change per se.

3. **Contradictory assessment:** ‘I have my own views on the matter and you are wrong.’
   Individuals differ in the ways in which they evaluate the costs and benefits of change and in their perceptions of what change will mean to them.

4. **Low tolerance of change:** ‘I will not be able to cope in this new situation.’
   Individuals differ in their ability to cope with change and to face the uncertainty of the future.

   Change may require people to think and behave in different ways and this can challenge the individual’s self-confidence and ‘norms’ and may give rise to selfdoubt such as ‘how will I cope?’

   Anxiety and apprehension may lead individuals to oppose changes which they know to be beneficial.

   To this can be added embedded cynicism to change: I've seen it all before. This can arise where individuals have experienced a series of programmes all aimed at introducing improvements within the same organisation. However, these programmes, despite the initial burst of enthusiasm, tend to be short-lived and fail to deliver results.

According to Rosabeth Moss Kanter, author of The Change Masters (1984), people commonly resist change for the following reasons:

- Loss of control
- Personal uncertainty
- Dislike of 'surprises'
- Preference for the way things are done now
- Loss of face
- Concerns about competence
- Concern about knock-on effects of change
Think change will involve more work
Past resentment
Real threats.
She explains that most people are unsettled by the feeling of powerlessness that an enforced change creates.
Kotter and Schlesinger proposed six methods to deal with these causes:

- Education and communication: to inform, clear up misunderstandings and generate enthusiasm, but can be time-consuming
- Participation and involvement: to break down potential resistance, gain commitment and benefit from participant's knowledge, but may be side-tracked by inappropriate proposals
- Facilitation and support: to ease adaptation difficulties, but can be time-consuming and does not guarantee success
- Negotiation and agreement: to counteract difficulties from those who will lose out particularly if they have the power to resist, but may induce others into the negotiation arena and become expensive
- Manipulation and co-optation: to quickly overcome resistance, but may create difficulties at a later date if people feel they have been taken advantage of
- Explicit and implicit coercion: to very quickly overcome resistance, but may leave people feeling resentful.

They suggest that the six methods are used in a manner appropriate to the situation and as part of a 'clearly considered strategy'. This is instead of the mistake of applying a specific method to all situations. Whilst this account is not exhaustive, it does raise awareness about the types of issues that need to be considered when aiming to deal with barriers to change.

Armstrong offers a checklist for overcoming resistance to change which is likely to be far less of an issue where the following conditions are present, or can be created.

Resistance to change is likely to be less if:

- The change is perceived as being consistent with the norms of the organisation and in accordance with its existing values
- The programme for change offers the kind of new experience which interests participants
- The change is seen as reducing rather than increasing present burdens
- Those affected feel that their autonomy and security are not threatened, so far as this is possible
- It can be demonstrated that the change meets the needs of those affected – there is something in it for them!
- The outcome of change is reasonably certain
- There is a compelling and fully understood reason for change
- The organisation is familiar with change
- It can be demonstrated that the organisation will take steps to reduce or eliminate the detrimental effects of change by offering support in the form of retraining, security of employment, protection of pay and status, etc.

4. Ease: Conditions Conducive for Change
Irrespective of where the emphasis of organisational change lies, whether it be technology, the individual or aspects of the structure, it is with hindsight that we often recognise issues which, if we had been aware of at the outset, we could have dealt with so as to have made life easier. Whilst we might have tackled the change process in a different way, it is likely we would have spent more time at the outset preparing the ground. This suggests that there are conditions which are more conducive to the change process. If we can identify what these conducive conditions are, then we should be able to take preparatory action which improves the existing conditions and hence make the change process easier.

There is no universal recipe which defines what constitutes conducive conditions for organisational change. However an examination of continuous improvement programmes suggest the following features are desirable prerequisites for change:

- Recognised and accepted need for change
- Clear aims and objectives, which are shared throughout the organisation
- Commitment and leadership from the top
- Participation of all affected by the change
- Empowerment of those participating in the change.
- Availability of the ‘right’ people and necessary tools. The people are ‘right’ if they are capable, enthusiastic and adaptable. If they do not have the right skills, are they able quickly to develop them? Do they need to be able to think creatively or laterally? How will conflicting demands on their time be managed? How will weaknesses be compensated for?
- Responsive mechanisms in place to identify and overcome any barriers or problems arising as a result of the change or the change process.

The outcome is anticipated to be enhanced conditions whereby people are able and prepared for the change and the mechanisms are in place to monitor and control the change and deal with any problems. However, there are two additional external influences which can affect the situation: facilitation and the unknown.

5. **Facilitation**

In chemistry, it is accepted that a chemical reaction between certain substances can be enhanced or will only occur in the presence of a catalyst. This catalyst has the role of facilitating the change. Likewise, a similar and unique role can be found for individuals in organisations.

The tasks of a facilitator (catalyst, ‘change agent’) include:

1. to understand the situation, assess and acquire resource requirements and bring together the ‘team’.
2. to create the conditions whereby all participants can have a shared understanding of the situation, have meaningful discussions about the situation and are able to act.
3. to deal with any training issues so that participants are able to carry out their roles.
4. to plan, monitor and co-ordinate the activities of the participants.
5. to manage the handling of ‘problems’ so that they are effectively dealt with.
6. to promote the ‘cause’.

An additional task of the facilitator may be to produce models relating to the situation, which can be used to inform about the situation and/or provide fresh insights into the situation.

The main focus of the facilitator is to deal with issues relating to people rather than technical issues. Thus, the required skills are interpersonal, e.g. communication, negotiation, presentation and influence.

This role may be undertaken by an individual manager from within the organisation. In many organisations HR plays a key role in facilitating change. There may be opportunities when an external facilitator of change is engaged.

The pros and cons of these two possible approaches are summarised below:

**Internal change facilitator**

The advantage of an internal appointment is that this person is familiar with the organisation. However, a number of questions arises over whether this person will be effective in their relationships with others within the organisation. For example:

- Do they have seniority, so that they have the authority to manage the change process (or is this necessary)?
- Are they respected, for their knowledge, experience or any other reason, so that people will be willing to listen and follow?
- Are they competent to manage the change process?
- Are they ‘short-sighted’ in their thinking or can they offer fresh insights and ideas?

Whether there is anyone capable within the organisation depends upon the organisation.

**External change facilitator**

The key weakness is the lack of knowledge this person has about the organisation. This may result in inappropriate responses which familiarity would have avoided. On the other hand, a newcomer may provide a fresh insight into the organisation and introduce new ideas. The external facilitator can also act as a buffer between the management and the employees, particularly where the changes are quite contentious and are likely to evoke strong negative reactions and considerable resistance.

Whether a facilitator is adopted and is an internal or external appointment is a personal decision. One advantage that the facilitator can offer is the commitment to the change process, particularly when confronted with the unexpected.

6. **The Unknown**

No matter how well prepared those designing and managing the organisational change process are, the unexpected may arise. A key member of the project team may become ill long-term. The chief executive may depart. The software may not function as expected. There may be a fallout with the main service provider. Market conditions may suddenly contract due to global events. New business may divert attention away from the change activity.
Whilst a risk analysis may reveal some of the possibilities and contingencies established, what happens when the totally unexpected arises? Whatever happens, consideration should be given to whether to continue or whether to rethink the strategy. The response must be appropriate for the situation.

So, in summary, a systematic approach to introducing change is advocated which encompasses the following key steps:

- Identify change issue – what is the trigger for change? Why is it necessary? Is it concerned with culture, process, customers, etc?
- Set objectives – what does the organisation hope to achieve as a result of the change? What are the goals? How will it measure success? What will be better following the change process?
- Decide on approach – how will the change be implemented? Who will be affected? Where is resistance likely to come from? How can this be minimised? Who will drive the change? Will a facilitator be used? Internal or external? How will the change be communicated?
- Prepare action plan – what are the timescales? What are the key milestones? Who will be responsible for what? What resources are needed?
- Implement – start putting the various steps in place; communicate frequently to keep people informed
- Evaluate – review progress against objectives, both interim and ultimate review.
4.10 Summary

In this section we have looked at the topic of change. We have examined various models of change, and we have considered the ways in which change can be managed successfully.

In the textbook reading we have also seen that there is a need to develop people, and to exhibit effective leadership, so that the change process (and all others aspects of the organisation) can be managed effectively.

We will now move on to look at the role of ethics and professionalism in HRM/D.
Questions:

1. What four features tend to be part of the change process?
2. According to Harwood what are the two main types of change?
3. What are the stages in the transition curve of change?
4. What are the three stages in Lewin’s model of change?
5. What are the four controllable influences identified by Harwood?
So far, we have concentrated very much on what HR ‘does’. However, it is also important to think about the values that underpin HR, and that is what we are going to do in this section. We are going to think about the issues of ethics and professionalism and look in particular at equality of opportunity, diversity, work-life balance, dignity and work and justice in the workplace.

Ethics are standards of conduct or moral judgment. They are the principles of right and wrong that govern the conduct of a business, industry or profession.

The thinking behind a company is represented by its principles. Ethical principles reflect the values of the company, determined within the context of the values of its stakeholders and the society in which it operates.

Some organisations are known for having particularly strong ethical beliefs about specific issues. A good example is the Body Shop which has a strong belief that it is wrong to test cosmetics on animals. The brand of the Body Shop has been built on those ethical principles.

Ethics is more than ‘being good for its own sake’. Every organisation consists of a group of people, depends on those people and serves some people. Ethics can be a key ingredient in building human relationships. The clear values and principles for the business link clearly to the strategic direction of the business (with the Body Shop being a good example again).

Although many businesses have the aim of making money, the building of sustainable relationships is increasingly important. Business is very competitive – and hence allegations that some retail organisations (e.g. Gap, Nike, Primark) have used children to make products – children working overseas in very poor conditions, and being paid a pittance – has damaged those organisations.

However, organisations have different approaches to ethical issues. Some will take a very strong ethical stance. Others will be less concerned, and will be prepared to lower ethical standards to achieve the levels of output or sales that they want. Increasingly, this is part of the brand of the organisation – and if applicants for jobs have choices, their choice of employment is likely to be influenced by the match between their personal ethical values and the ethical values of the organisation.

Johnson and Scholes (1997) have argued that ethical issues exist at three levels in an organisation:

1. **A macro level** – this means examining the organisation’s ethical stance in relation to the country in which it is based, and indeed to the world as a whole.

2. **Corporate social responsibility (CSR)** – CSR is concerned with the voluntary actions that a business can take, over and above minimum legal compliance, in order to reconcile its own competitive interests and the interests of the wider society. The rationale for pursuing a policy of CSR is based on the premise that business and society are interdependent, with the well-being of one depending on the well-being of the other.
3. **Individual level** – this is concerned with the behaviour of individuals in organisations.
5.1 Ethical Employment

Business impact in the workplace means recognising the business benefits and the wider social impact of good employment policies. This not only covers the traditional areas of recruitment, remuneration and training, but also the growing concerns – and opportunities – of issues such as diversity and equal opportunities.

One of the biggest impacts business has on the community is through employment. The ideal is for organisations to improve economic prosperity and standards of living. This means generating jobs that are obtained by fair and open means, and that enjoy reasonable conditions of employment and prospects. People with disabilities, ethnic minorities, women, gay and lesbian, older workers and white men should all be enabled to maximise their contribution at work.

At the same time, the benefits of tapping into the talents of a wider pool of people in the community are clear. Workforce diversity can help bridge gaps between the workplace and the marketplace, opening up new markets. Companies that mirror their marketplace can enhance their image, and send a positive signal to stakeholders and potential investors.

However, one of the most frequently asked questions in relation to the adoption of ethical employment practices is, why bother? Whilst some of the more enlightened organisations are well aware of the need to be socially responsible in all aspects of their business, there are others who remain unconvinced. Business in the Community (BITC) put forward the following reasons for considering ethical approaches to employment:

- Demographic changes in the UK workforce. The profile of the UK workforce is changing, and companies will have to adapt to secure people with the skills needed for business success. For example, more women with children are now in employment.
- Increased employee expectations. Increasingly, employees expect to have fair and equal access to opportunities and wish to be able to have a balance between work and family life.
- Opening up new markets. The annual expenditure of ethnic minorities in the UK is estimated to be £12.8 billion. Consumers increasingly make purchasing decisions according to their consciences, refusing to buy products or use services of organisations that they feel are unfair in their approach to employees.
- Enhancing corporate image and fulfilling stakeholder expectation. People may not just refuse to buy products from or invest in businesses that they see as socially irresponsible – they may also engage in damaging campaigns against such companies. Financial analysts increasingly take equal opportunities and diversity performance into account when they evaluate business potential.
- Government expectation. EU and UK legislation underpins equality of opportunity in employment, education and access to services. There is a greater likelihood of new codes of practice and statutes to support diversity ideals if that expectation is not met voluntarily.

Activity 15
Choose an organisation that is of interest to you (this might be the organisation where you work). Try to find out more about their ethical stance. For many organisations ethical issues are addressed in their annual report.

Equality and Diversity

What we see, therefore, is that the issue of ethics in the workplace is relevant today. An area which is particularly affected by the HR department is that of equality and diversity. Managing the issue of discrimination is a key part of this.

Discrimination law is very wide-ranging, and has been in place for nearly 40 years. The first piece of legislation was the Equal Pay Act 1970. This make it unlawful to pay men and women different rates of pay for the same job.

This was followed by the Sex Discrimination Act 1975, which made it unlawful to treat employees differently because of their sex or their marital status.

We then had the Race Relations Act 1976 which made it unlawful to discriminate on the grounds of race, nationality, colour or ethnic origin.

There was then a lull in the development of discrimination legislation for nearly 20 years, until the Disability Discrimination Act 1995 was introduced – which made it unlawful to discriminate against someone on the grounds of disability.

In 1999 the Sex Discrimination Act was extended by the Sex Discrimination (Gender Reassignment) Regulations 1999 – and this makes it unlawful to discriminate against those who are undergoing, or have completed, the process of changing gender.

In 2003 there were two new pieces of discrimination legislation:

- The Employment Equality (Religion and Belief) Regulations 2003 which made it unlawful to discriminate against people on the grounds of their religion, or beliefs
- The Employment Equality (Sexual Orientation) Regulations 2003 which made it unlawful to discriminate against homosexuals, heterosexuals or bisexuals.

The most recent addition to the list was the Employment Equality (Age) Regulations 2006 which made it unlawful to discriminate on the basis of age.

This long list is further extended when you remember that there is legislation to protect those working part time and on fixed-term contracts against unfair treatment because of their contractual status. In addition, the Trade Union Labour Relations Consolidation Act 1992 makes it unlawful to discriminate against someone because they are or are not a member of a trade union!
This legislation was replaced in October 2010 by the Equality Act 2010. All the same areas of discrimination are still covered, but they are covered in one piece of legislation – rather than the nine key pieces and over 100 supplementary pieces of legislation that used to exist.

The legislation further forces employers to consider issues of equality in the workplace. For example:

- Employers are no longer able to issue medical questionnaires, or ask general questions about health, prior to making an offer of employment. Only essential questions about health which relate to the specific job will be allowed. This is to increase the opportunities for disabled people in the recruitment process.

- Positive action is allowed when there are two candidates for a job who are equal in every way. Let us suppose that we have advertised for the role of supervisor. Several people applied, and we have interviewed a large number. We are now left with two candidates who appear to be equal in every way – they have very similar skills, experience and knowledge. However, one is a woman and one is a man. At present we have very few women at a supervisory level in the organisation. In this situation the Equality Act 2010 allows the employer to appoint the woman because there is an underrepresentation of women at this level in the organisation.

- Equal pay audits, to examine and explain the pay gap between men and women in organisations, will be encouraged. If insufficient employers start to do these audits on a voluntary basis legislation can be introduced to force them to do so.

**Employment Regulation**

It is also important that employers abide by legislation – and there is an ever-increasing amount of legislation relating to employment. It is not the purpose of this unit to examine employment law in any detail (if you are interested in this topic, you can explore it in more detail in the ‘Employment Law’ unit that is one of the CIPD level 5 courses offered by ICS).

**Work-life Balance and Flexibility**

If I were asked which aspect of work has changed most in my twenty plus years as a member of the workforce, work-life balance and flexibility would certainly be on my list.

Soon after I started work after graduating I remember that there was a television documentary series screened. It was a programme that followed doctors as they graduated from university and started work. What I remember in particular about that documentary was the hours that the doctors were working. 100+ hours each week was not unusual, and that was what junior doctors did. Since then, the Working Time Regulations 1998 have been extended to cover junior doctors and 100+ weekly hours are not now worked (or should not be).

In watching that documentary, which did make a lasting impression on me, I was struck by the way in which these university graduates were wedded to their job. Maybe it particularly interested me because I married in the same week that I graduated – and the idea of being wedded to a job upon graduation, when I was wedded to my husband seemed quite abhorrent!
One could argue that this is just a sign of my age, and time has moved on and this sort of commitment in terms of hours no longer exists. However, I was driving somewhere the other week and I was listening to the radio. The presenter was interviewing a graduate who was in his first year of working for an investment bank. He talked about getting to work at 5am (as a typical start time) and not leaving much before midnight. He talked of just ‘crashing out’ on the floor of the office sometimes in a sleeping bag, so that he did not waste time commuting. He said that he accepted this would be the way of work for about ten years. Then, he would have made lots of money and would move to something less arduous. I just hope that he lasts the ten years.

What these two examples lead us to think about is the issue of work-life balance. It has become something that is talked about more and more in work circles – and in some organisations there are great initiatives to help people balance their work and life. In other organisations, life is work – and hence the work-life balance is not considered.

One big mistake is students thinking that work-life balance is for mothers with young children. It is certainly true that a lot of the examples that have been given of employees fighting for time to balance work and life have been mothers with young children – but it is also people wanting to balance other caring responsibilities, hobbies, other commitments (e.g. to train for the Olympics), or just not wanting to spend all of life thinking about and doing work.

What are the benefits of having a good work-life balance? There is evidence, as you will see in the chapter that you are about to read, that people with an effective work-life balance are more productive and more motivated. However, that does not mean that everyone wants to work flexibly. What struck me most about listening to the radio interview with the young investment banker was when he was asked the question ‘Do you mind working these hours?’ I waited for him to say how much he hated it, but no, he replied, ‘I love every minute of it!’

Work-life balance varies for everyone. I gave up my full-time job when my first child was born, because that is what my husband and I wanted for our family (and we could afford for me to do so). I now work flexibly around my two children (and my husband!!). It works for us. That is my desire for work-life balance.

However, I have many friends who have children of a similar age to my two who work full time in very responsible jobs. That is their desire for work-life balance.

Don’t let your view of this subject be coloured by your own wants and needs for work-life balance, and remember that everyone is different.

**Activity 16**

Think about the issue of work-life balance. Do you think that it is addressed adequately in your organisation, or an organisation with which you are familiar? What impact do you think that this has on wider employment issues?
5.2 Summary

This section has been a little different from the earlier sections, because we have been focusing more on ‘why’ organisations and HR departments do things, rather than ‘what’ they do.

However, this is such an important area as it underpins so much of what goes on in an organisation, and so much about the values that organisations have. We are now going to move on to our final section where we will look at the link between organisational performance and HRM/D.
5.3 Progress Check 4

Questions:

1. What are ethics?

2. What is corporate social responsibility?

3. What reasons did ‘Business in the Community’ give for considering ethical approaches to employment?

4. What legislation was introduced in October 2010 that transformed discrimination legislation?
In this final section, we will aim to pull together a lot of what we have been thinking about throughout the whole unit. How does HR impact on the performance of the organisation? Do organisations that have sophisticated HR practices perform better?

In his book *Human Resource Management in a Business Context*, Alan Price quotes research from the Institute of Work Psychology at the University of Sheffield. They define high-performance work systems as usually involving three main sets of management practices covering employee involvement, commitment and competences. They are described as:

1. Using flexible working, teamwork, quality circles and suggestions schemes to change the design and conduct of jobs
2. Using teamwork training, team briefings, interpersonal skills, appraisals and information-sharing techniques to ensure that employees have the knowledge and competencies to handle high-performance work
3. Having resourcing and development practices that are clearly designed to attract and retain the people that make the organisation high performing. This will include an element of job security, opportunities for internal promotion, sophisticated selection techniques and attitude surveys of employees to provide feedback.

Let us look at each of these points in some more detail.

The first point is centred very much on techniques for employee involvement. As we have said already, the organisation is a group of people. It is important that a high-performing organisation is getting full value from these employees. This leads us back to thinking about the total-quality management programmes, specific employee involvement techniques and the need to design jobs so that employees are fully motivated and are given the opportunity to give their best to the organisation.

The second point very much on teamwork. People are generally more effective when their ideas are shared and developed as a team. People working as individuals lose the opportunities to improve ideas by adding outputs from other people.

The third point comes back to the need, which we have already mentioned, to find, develop and keep the best people in the organisation. It is interesting to look back at *The Sunday Times* Survey of the 100 Best Companies to Work For and see the retention rates. They are typically very high – when people feel valued and rewarded they are more likely to stay with an organisation.

A definition of high-performance organisations comes from Pfeffer (1998) (*The Human Equation: Building Profits by Putting People First*). He suggests that a high-performance organisation should have the following seven key factors:

1. **Employment security**
   If employees do not feel some level of security then they are not going to be committed to the organisation, and working to full productivity. It is difficult for any organisation to give a complete guarantee of security, but the organisations that ‘hire and fire’ regularly are unlikely to gain the same level of high performance as those offering greater security.
2. Selective hiring
   It is important that the resourcing process is followed carefully and the right people are selected. On some occasions this might mean refusing all the applicants and starting the process again. The quality of the organisation is a clear result of the quality of the individual people.

3. Self-managed teams and decentralisation of decision-making
   This links us back to the issues of empowerment and trust. Heavy handed management stifles creativity and reduces the intrinsic reward of responsibility and accountability.

4. High compensation contingent on organisational performance
   This is saying that part of the pay given to employees should be dependent on the performance of the organisation. It is also important that employees feel that the rate of pay is fair if they are going to be committed to the organisation.

5. Training
   Employees with up-to-date skills and knowledge are of most value to the organisation.

6. Reduction of status differences
   This also links back to teamwork. If people feel stifled by many layers of management they are less likely to contribute ideas and solve problems. There are too many other people who might be responsible, so people do not take that personal sense of responsibility.

7. Sharing information
   We have already looked at the importance of communicating to employees. If communication is not effective employees are less committed to the organisation.

By looking at these definitions we can get an overall idea of the components that add together to make a high-performance organisation. Again, we have to be wary. There are many other impacts that affect an organisation. An organisation does not operate in a vacuum – and the external factors (such as the impact of the recession) have had a very real impact on organisations.

So, what does impact on superior organisational performance? Some of the potential factors are:

- **Human capital perspective**
  Human capital is the knowledge, skills and initiative of the workforce, including the education and training that is offered to develop those particular skills.

Looking at the organisation from the human capital perspective looks at the organisation as a mass of knowledge, skills and initiative. It is essential to look at ways of developing the human capital because that is the basis of the worth of the organisation.
This is particularly true when we look at organisations that rely heavily on the knowledge of its workers. For example, a law firm has a simple product – the advice given by its employees. Hence, the nature of the product is totally reliant on the knowledge, skills and initiatives of those employees. Without that human capital the law firm is worthless.

- **Discretionary behaviour**
  It is possible to think of an organisation as a group of people who all think in the same way and act in the same way – like a group of pre-programmed robots. However, it is important that employees also have the freedom to use some element of discretion. Being allowed to use discretion tells the employee that they are trusted to make decisions up to a certain level.

  Typically, organisations link the level of discretion allowed to the seniority of an employee. So, if you ask for a loan for £100 in a bank a relatively junior member of staff will be allowed to approve or refuse it. However, if you requested a loan of £10,000,000 one of the most senior staff in the bank will consider the request.

  In this example it is not so much that the more junior member of staff is not trusted to make the right decision regarding the larger loan, rather it is a reflection of the additional training and knowledge that is required to make the decisions that will have a greater impact on the organisation.

  Another aspect to be considered is the amount of risk that an individual is prepared to take, or is allowed to take by the organisation. This has been a big topic of discussion in banking, because the financial collapse of 2008 was largely caused by bankers taking too much risk. There has to be some level of balance, avoiding all risk is not always the best way to develop.

- **Commitment and engagement**
  It is not possible to make employees committed and engaged with the success of the organisation. However, there are ways to encourage that level of commitment.

  Mowday, Steers and Porter (1979) define commitment as ‘the degree of identification and involvement that individuals have with their organisation’s mission, values and goals.’

  (from The measurement of organisational commitment, *Journal of Vocational Behaviour*, 14, 224-47)

  Osborne and Cowen (2002) state that:

  > ‘A ‘true believer’ mentality pervades high-performing organisations. Everyone believes in the vision of the business and that it will bring certain success. People believe that they are involved in something bigger than simply their own self-interest. They have a strong sense of identity with the organisation and act as if they were owners’. (from High-performance companies: the distinguishing profile in ‘Management Decision’ 40(3) 227-31)

  How does one increase the level of commitment that an employee has to an organisation? Firstly, it is important that the mission, values and goals are clearly communicated to an employee. If they do not know what is driving the organisation they cannot be committed to it. Secondly, it is important that employees feel that they are part of the organisation. This is largely achieved by...
making employees feel that they are valued.

Many organisations are criticised for using ‘gimmicks’ to try to engender this sense of commitment, but they would argue that if it works then surely it has to be a reasonable approach. However, employees soon tire of gimmicks, and if there is not a true sense of valuing the employee behind the initiatives gimmicks will soon lose any impact that they might have.

At Ulster Carpets (carpet weavers) hard work is rewarded. Employees of the month are offered a free trip to South Africa to visit the company’s Durban factory with five days of sightseeing thrown in.

At Asda employees who have done a great job are awarded star points that can be redeemed against holidays and discounted goods.

At Richer Sounds (hi-fi retailer) employees can qualify for perks such as the loan of a holiday home in locations such as St Tropez and Venice, trips in the company jet and free massages, facials and pedicures at Christmas.

To understand more about employee engagement read the CIPD factsheet at http://www.cipd.co.uk/hr-resources/factsheets/employee-engagement.aspx

• Providing job satisfaction
  Job satisfaction is directly linked to motivation.

Do you remember our thoughts about work-life balance in the last section? Here I wrote about the investment banker who I had heard being interviewed on the radio, and I was quite shocked at the hours he was working. However, when asked if he found it excessive he said ‘I love every minute of it.’

So, he seems to have a high level of job satisfaction – even if some of us find that hard to believe.

Job satisfaction can be improved by looking at job design – introducing:

  • Job rotation – relieving boredom by allowing people to move around different jobs
  • Job enlargement – increasing the tasks within the role
  • Job enrichment – keeping the tasks the same, but increasing the depth with which they are addressed

• Becoming an employer of choice
  The phrase ‘employer of choice’ has been used for a decade or so. According to Morton, Newall and Sparkes (2001), all employing organisations, whether private, public or not-for-profit, large or small, growing or shrinking, must set out to be an employer of choice. They go on to define an employer of choice as:

    ‘An employer that the right people choose to work for………an employer able to satisfy the needs that its employees need to be satisfied by their employer.’
The challenge for the employer is understanding how to satisfy the needs in relation to the environmental factors which shape both the internal and external context. All organisations work within constraints and are unable to put in place ‘perfect’ employment practices. They must, however, think creatively and laterally in finding ways to overcome the constraints. Morton lists FOUR hurdles that must be overcome in order to become an ‘employer of choice’:

- Understanding the strategy and culture of the organisation – knowing where the organisation is going, why it exists and understanding the needs of all the stakeholders.
- Understanding the specific people requirements of the organisation and the particular needs of those people – the HR professional needs to understand the specific skills and personal attributes required by the organisation. This is the strategic equivalent of the job description and person specification.
- Understanding and responding to the underlying needs that people have in relation to their employment – the underlying needs may be specific to a particular group or may be common to many people.
- Understanding something that can only really be described as the way the organisation works – an employer of choice integrates aspects of culture with individual needs, giving people flexibility, an element of choice, responsibility and playing to their strengths.

**Building organisational capacity**

Overall, this is what it is all about – and we have mentioned organisational capacity more than once in this unit. The role of HR, and the overall role of all who work in the organisation, is to build an organisation that has the capacity to fulfil all the demands upon it – and to develop for the future.