

3rd Edition

STRATEGIC HUMAN RESOURCE MANAGEMENT

AN INTERNATIONAL PERSPECTIVE

Edited by
Gary Rees & Paul E. Smith

online
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STRATEGIC
HUMAN RESOURCE
MANAGEMENT

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PREFACE

The impetus for this textbook came initially from a desire to produce a cogent and coherent explanation of human resource management from a strategic perspective. Whilst textbooks on strategic HRM (SHRM) existed, some took a highly theoretical approach and tended to be context-specific where few applied examples were provided.

This SHRM book has been designed so that, if so desired, it can be delivered in one semester for both final year undergraduate and postgraduate programmes. The book includes many UK, European and international case studies. The contributing authors were approached and selected based on their vast expertise and understanding of the HR field. These combinations of expertise add a great deal of value over and above traditional texts which may have been written by a single author.

The approach adopted within this text is one of building up the student's confidence in various complex terminologies and models by exploring current academic models, perspectives and research, and then applying these through practical examples across the three industry sectors. A series of reflective activities allow the reader to pause for thought and consider a range of relevant and topical HR issues.

The text is structured into three distinct sections:

- **Part 1** includes the organization, the organizational context and strategy (Chapters 1 to 4).
- **Part 2** incorporates the functional aspects of HR (Chapters 5 to 10).
- **Part 3** includes the organizational culture, the global/international perspective and where HR is heading in the future (Chapters 11 to 13).

The perspective adopted can be seen in Figure 0.1. This textbook starts by introducing the concepts of organization, the organizational context and HRM in Chapter 1. Three core concepts, namely strategy, structure and culture, are addressed throughout the text, as is the emphasis on applying an international perspective to both human resource management (HRM) and strategic human resource management (SHRM) (see Figure 0.2). A range of key features is included within chapters in order to support the reader through a variety of activities, including:

- An opening vignette with a short or long case study/case example to stimulate student thinking or understanding.

- A bulleted list of learning objectives at the beginning of each chapter.
- A chapter overview for each chapter.
- An introductory section for each chapter.
- Reflective questions and activities.
- Case studies with questions (from a UK, a European and an international perspective).
- Key academic theories and frameworks.
- An end of chapter conclusion.
- Further reading (a reading list which gives the student guidance on where to further explore issues raised within the chapter).

The pedagogic design allows the reader to understand the key concepts and definitions within the introduction, leading into the key debates and discussions from a range of perspectives. Case studies from all over the globe have been selected so that international students who are studying for a UK degree can associate more freely with cases from their own country. Each chapter includes a critical evaluation of approaches and debates, clearly pitched at UK Master's-level study.

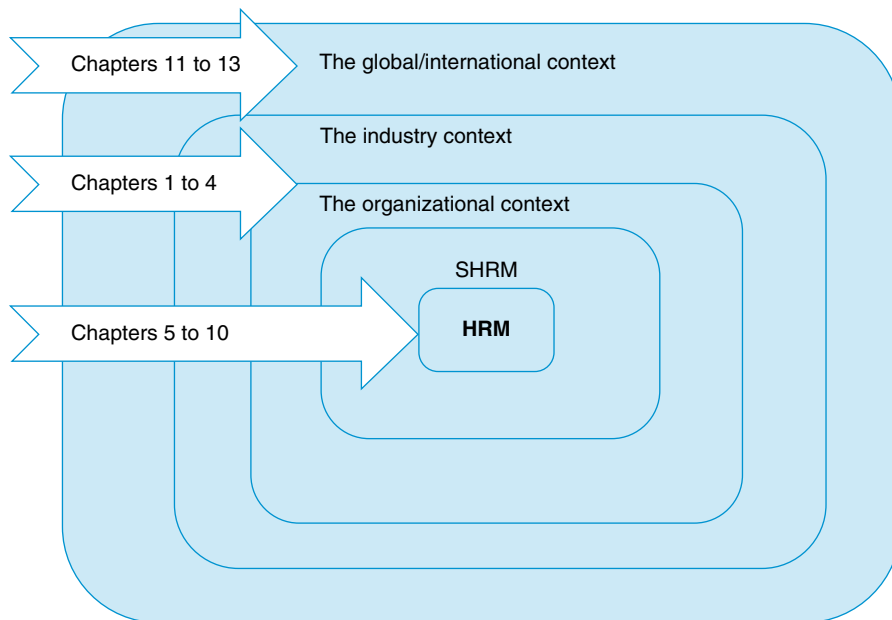


Figure 0.1 Book chapters and the various perspectives

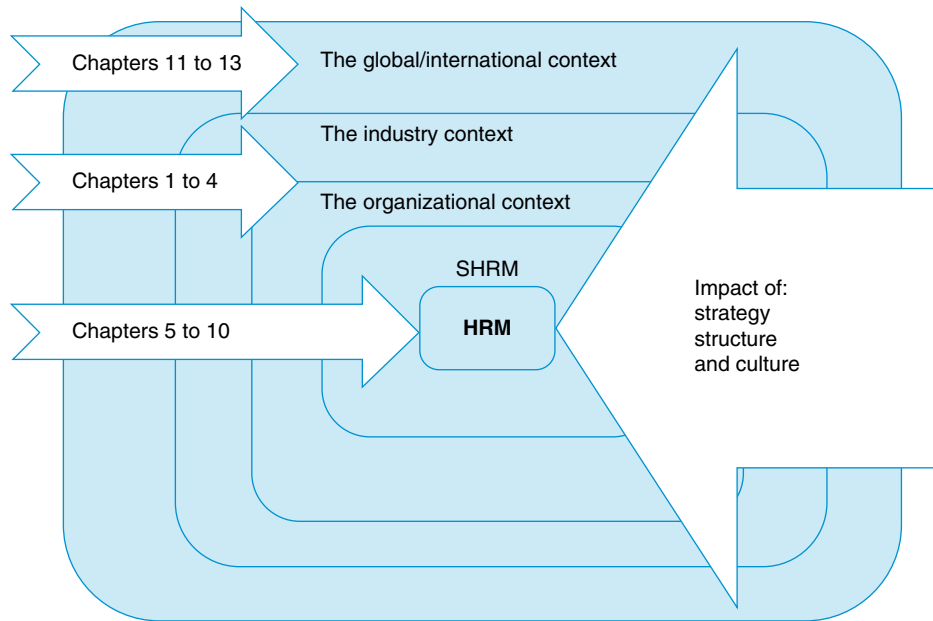


Figure 0.2 Strategy, structure and culture impacting on HRM and SHRM

This third edition has built on the success of the first and second editions by including new international case studies as well as a literature refresh. We hope that you find this textbook a stimulating and useful read, and wish you well in your studies.

Gary Rees and Paul E. Smith, Editors

ONLINE RESOURCES



Head online to [https:// study.sagepub.com/rees3e](https://study.sagepub.com/rees3e) to access a range of online resources that will aid study and support teaching. The third edition of *Strategic Human Resource Management: An International Perspective* is accompanied by:

FOR LECTURERS

- An **Instructor's Manual** providing ideas and inspiration for seminars and tutorials, including case study teaching notes and solutions.
- **PowerPoint Slides** that can be downloaded and edited to suit your teaching needs.
- A **Testbank** with multiple choice assessment questions to use with your students.

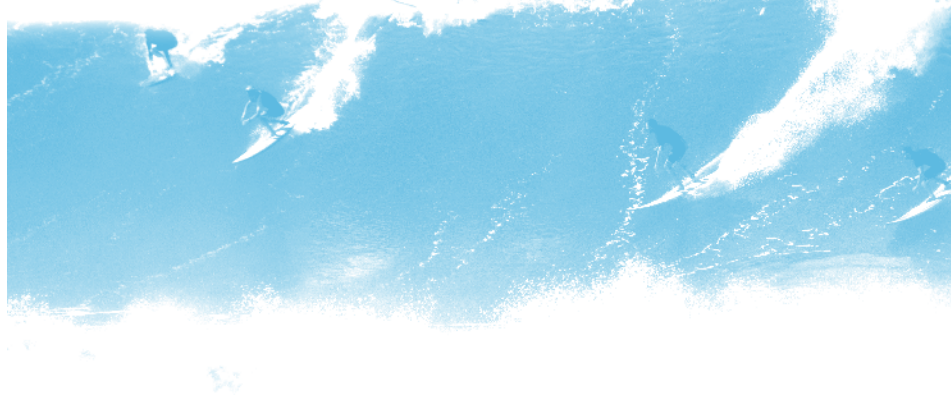
FOR STUDENTS

- Recommended **SAGE Journal Articles** to enhance knowledge and support assignments.
- Additional **Case Studies** providing further real-life examples.

PART 1

THE ORGANIZATION, THE ORGANIZATIONAL CONTEXT AND STRATEGY

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AN INTRODUCTION TO THE ORGANIZATION, ITS ENVIRONMENT AND HUMAN RESOURCE MANAGEMENT

Paul E. Smith and Gary Rees

Chapter Overview

Human resource management (HRM) takes place within the context of both the internal organization and the wider external environment. The concept of 'the organization' has changed remarkably over recent times, primarily as a result of changes to working practices, the advancement of technology and changing global trends and globalization. Organizational structures have moved away from traditional forms to encompass more 'virtual' types and 'networked' forms, often resulting in highly complex configurational designs. It is important to understand how the organization interacts with its environment and how the environment acts on the organization. While an organization might be viewed as an entity, or a unit, it has, by definition, to interact with something else, be it customers, suppliers, shareholders or other stakeholders, forming what can be termed an 'open system'. In addition to this is the need for organizations to sustain themselves in, arguably, an increasingly competitive environment, leading to an increased focus on strategy and strategic thinking in order to enhance competitiveness.

The drive for organizations to act more strategically enhances the focus on strategic human resource management, which is the core emphasis of all the content presented in this textbook. Thus, for example, the continuing adoption of the Ulrich Business Partner model (see Chapter 4) by Western organizations impacts on the way that the human resource function operates in both an inward- and outward-facing manner.

Learning Objectives

- Explore the concept of an organization.
- Examine different organizational structures.
- Examine the role of HRM.
- Explore models of HRM.
- Examine the relationship between strategy, structure and culture.
- Evaluate how organizations interact within their environment.
- Explore the links between HR and strategy.

CASE STUDY 1.1

Rolls-Royce Singapore

History

Rolls-Royce grew from the electrical and mechanical business established by Henry Royce in 1884. Royce built his first motor car in 1904 and in May of that year met Charles Rolls, whose company sold quality cars in London, England. Agreement was reached that Royce Limited would manufacture a range of cars to be exclusively sold by CS Rolls & Co – they were to bear the name Rolls-Royce. Success with the cars led to the formation of the Rolls-Royce company in Manchester in March 1906 and to the launch of the six-cylinder Silver Ghost which, within a year, was hailed as ‘the best car in the world’ (www.rolls-royce.com). Rolls-Royce produced its first aircraft engine, the Eagle, in 1914.

The company was taken into state ownership in 1971, and this was followed by flotation of the motor car business in 1973 as a separate entity, Rolls Royce Motors.

In 1987, Rolls-Royce returned to the private sector, undergoing a number of mergers and acquisitions to create a company capable of delivering power for use in the air, at sea and on land. Rolls-Royce is now the second-largest maker of engines for large commercial planes behind General Electric, and Asia is a major market.

In 2009, the decision was taken to build a large-engine assembly plant and a new wide-chord fan blade factory in Seletar, Singapore, the first of these to be built outside the UK.

Strategy

Rolls-Royce defines itself as a global company providing integrated power and propulsion solutions, predominantly for aerospace, marine, energy and off-highway applications. The company's strategy is as follows:

Vision – better power for a changing world:

to be the market leader in high-performance power systems where our engineering expertise, global reach and deep industry knowledge deliver outstanding customer relationships and sustainable solutions.

Strategic focus – our priorities for developing the business:

focus on differentiated, mission-critical power systems which create high barriers to entry in our chosen markets. Leverage world-leading engineering, operational and customer service excellence to drive growing market shares, capture long-term aftermarket value and deliver profitable growth.

This is underpinned by a commitment to developing our people and our culture in a safe and ethical environment.

Rolls-Royce Singapore

In the nineteenth and twentieth centuries Singapore went from being a sleepy fishing village to one of the world's most developed economies – and a pivotal hub for Rolls-Royce's presence in Asia Pacific.

Rolls-Royce opened its first representative office in Singapore in the 1950s. At that time, there was little in the way of manufacturing, and most of the economic activity came from import, export and distribution, but slowly this began to change and manufacturing plants started to sprout up.

There were also developments under way that were set to push Singapore in a new direction. The once-booming sago industry was stalling, thanks to external changes in demand and increasing industrialization. If Singapore was to continue thriving, it had to diversify. In the 1960s, the People's Action Party (PAP) declared economic growth to be a matter of national priority.

Singapore was tiny, didn't have an abundance of natural resources and was underdeveloped. But it could *make* things, and provide services. It also had one very big selling point: its ideal strategic location in the Straits of Malacca, which has historically allowed it to attract regional interest. Its biggest asset, however, has always been its people.

The decade that followed brought a period of rapid growth. An area in Jurong went from a swamp to become the Jurong Industrial Estate; the manufacturing sector developed and Rolls-Royce began servicing customers like the Royal Air Force and Malaysia–Singapore Airlines.

Manufacturing started to become more sophisticated in the 1970s and 80s, and the electronics industry took off. This shift became even more apparent in the 1990s, when the government started to focus on innovation and research to make sure Singapore continued to stay competitive and stable in the midst of a changing world. It invested in a highly skilled workforce capable of making things and providing services to the region – which is what made Singapore such an attractive choice for Rolls-Royce when it was looking for a regional hub.

The 1990s and early 2000s saw a ramping up of Rolls-Royce's plans in Singapore. The company formed partnerships with SAESL and IECO for engine and component repair and overhaul, drew up plans with the Agency for Science, Technology and Research (ASTAR) for advanced technology research, established its very first marine office and received – what was at the time – the largest order in Rolls-Royce history, from Singapore Airlines for Trent 800 engines.

In 2009, Rolls-Royce announced plans to make Singapore its regional hub in Asia Pacific (and the only place outside Britain to manufacture the hollow titanium wide chord fan blade). The decision to choose Singapore was based on a number of factors:

- Singapore had major government support in the form of tax incentives, as well as training and innovation grants.

(Continued)

(Continued)

- Rolls-Royce had had a presence in Singapore for 50 years, through joint ventures and servicing for one of its biggest customers, Singapore Airlines.
- The biggest pull, however, was the promise of a steady supply of skilled labour, through partnerships with local universities and polytechnics.
- The Seletar campus includes a modern manufacturing, assembly and test facility as well as research and training facilities.

In 2009, Rolls-Royce relocated its global headquarters for its marine business to Singapore, adding to the global head office for its marine services operation. The new marine headquarters has global responsibilities for business development, marketing and corporate services.

Singapore is currently the best place in the world to do business, according to the World Bank.

The Singaporean government has earmarked advanced manufacturing and aerospace as two of its five key growth areas in recognition of their importance to the economy.

Source: Case adapted from various sources, including: www.rolls-royce.com, www.edb.gov, and www.bbc.co.uk/news/business



Questions

- 1 What factors led to Rolls-Royce choosing Singapore as its regional hub and manufacturing centre?
- 2 What part did 'people factors' play in this decision?
- 3 Rolls-Royce's vision and strategic focus are set out in the case study. How might its HR strategy and approach to managing human resources help achieve its strategy?

Introduction

This chapter starts by exploring the intricate links between organizational structure, strategy and culture and how all of these three aspects influence, and are influenced by, the HR function. Understanding such internal aspects is critical before expanding through to consider the external context. This chapter considers what an organization is, and how strategy, structure and culture fit together, before considering the organizational environment. The role and function of HR are then considered in terms of both the internal (intra-organizational) context and the external (extra-organizational) context. It could be argued that any consideration of strategic human resource management needs to consider the latter, as the business strategy and the human resource strategy will need to be aligned. Chapter 1 simply introduces these concepts, with Chapter 2 (strategic approaches), Chapter 3 on HR and strategic HRM (SHRM) and Chapter 4 on how the HR function adds value (within the

business context), further developing these ideas. Chapters 11 and 12 explore the intricate nature of organizational culture (and national culture) and how this relates to the global and international context, while Chapter 13 considers possible future trends in HR.

The concept of organization

The immediate context for human resource management is the organization. Huczynski and Buchanan define an organization as ‘a social arrangement for achieving controlled performance in pursuit of collective goals’ (2013: 8), and highlight the pervasive influence of organizations on our lives. They also point to what can be termed ‘the organizational dilemma’, i.e. that organizational goals may differ from those of the individuals working there. Arguably, it is this situation that results in much of the work of the HR function.

Mullins outlines the common factors that organizations share: ‘It is the interaction of people in order to achieve objectives that forms the basis of an organization. Some form of structure is needed by which people’s interactions and efforts are channelled and co-ordinated. We can add to these a fourth factor: management. Some process of management is required by which the activities of the organization, and the efforts of its members, are directed and controlled towards the pursuit of objectives’ (Mullins, 2016: 73).

Sharing these broad common features are a large number of different organizational types and classifications, differentiated by such contingent factors as size, purpose, sector and structure. As regards functions such as HRM, this also adds to the complexity in terms of the sheer variety of practice, with different organizations applying HRM in different ways.

Although in our mind’s eye when we think of the term ‘organization’ we may picture an office building or factory, with a definite physical entity and designated departments and hierarchy, in practice the spectrum is much wider than that. Francesco and Gold (2005) suggest that globalization of the economy has led to what they term the ‘boundaryless organization’ (Ashkenas et al., 1995), with widespread use of project teams and networks that reduce the boundaries that typically separate functions and hierarchical levels, thus leading to greater flexibility. Others have suggested a blurring of boundaries between organizations, based on loosely coupled arrangements between suppliers, contractors and other providers and making use of a flexible workforce, with such flexibility extending to employment arrangements. These trends are further explored below.

Critique of the concept of an organization

If an organization does not have to rely on occupying a physical space, such as a corporate headquarters, is communication (through whatever medium) the key factor in determining the existence of an organization? To what extent are people even aware of fellow employees in large and diverse global organizations? This point is particularly relevant to technology-based companies.

REFLECTIVE ACTIVITY 1.1

- 1 Think of any large organization that comes to mind, and this may be from any country. What defines the organization? To what extent does the product, the brand, the reputation or any other relevant factor(s) define what the organization is?
- 2 Is this an organization that you would like to work for, and, if so, why?

What is HR?

It could be argued that HR has travelled a considerable distance since the 1970s, moving from personnel administration through to personnel management, through to human resource management and now, in some quarters, 'people management'. Within this journey, it is possible to track the move from very much an administrative function (keeping personnel records, processing pay, and so on, often referred to as a 'transactional' approach) to a transformational function, through to utilization of human resources for specific goals such as profit maximization, shareholder value, and so on. The degree to which HR functions are 'strategic' remains questionable, and may vary tremendously across industry sectors (public, private and not-for-profit), across countries and across sizes of companies.

Torrington et al. (2017: 12–15) suggests that various themes or stages can be discerned in the evolution of modern HRM in the UK, commencing with a social justice role in the nineteenth century when more enlightened employers started to focus on the welfare of their employees, and moving through various other stages encompassing bureaucracy/administration, industrial relations, and organization before human resource management emerged in the 1980s, initially in the USA and then elsewhere, including the UK.

Whilst the identification of such specific stages may seem somewhat arbitrary, identifying the historical roots of HR can be useful in analysing some of its current activities, such as employee assistance programmes (EIPs) and personnel administration, as well as providing a possible explanation for the function's long-running search for validation and kudos, i.e. the attempts to shake

off the 'tea and sympathy' label and perceptions of it being rather removed from the key areas of business.

Such an approach also helps to conceptualize any possible further stages which have developed since the 1980s. Some have argued for a 'new HR' or HR 2.0 (Bach, 2005: 28–29; Torrington et al., 2017: 15–16). Whilst the exact nature of this is unclear a number of trends can be identified, including a more global perspective, a greater focus on legal compliance issues, and an increased prevalence of multi-employer networks which can make an employee's employment status more complex. Another identified development which may well signal a different trajectory from the past is to view employees and prospective employees as individuals or in terms of small groups rather than as a single entity, and both tailor policies and practices towards them and also seek to engage them emotionally rather than using a 'one size fits all' approach. Such personalized offers could include recruitment, onboarding and learning and development for example. This also involves encouraging HR to see staff and line managers with whom they work as 'internal customers'. Torrington et al. (2017) refer to the work of Gratton (2004) who identifies Tesco and other companies that use methods more usually associated with marketing to identify and target their employment offer to the needs of specific groups or even individuals.

Of course more recent HR trends and activities can also be identified, including people analytics and big data, experimenting with new technologies and innovative HR solutions, plus greater use of flexible and agile working. Some of these are developed further in the final chapter of this textbook.

When someone thinks of what HR actually does, recruitment and selection, arranging employment contracts, communicating employment terms and conditions, and dismissal come to mind. However, the HR function may deal with a multitude of other aspects – for example, with promotion and career structures, job design, performance assessment, employee welfare, employment relations, management development and communication with employees. Chapters 5–10 address a range of functional HR aspects evident in many organizations.

The 2018 Chartered Institute of Personnel and Development (CIPD) – the UK professional body – Road Map (subsequently updated in 2019) details ten areas in which HR managers should demonstrate expertise, made up of a mix of operational and strategic aspects:

- Organizational Design – job design, organizational structure and change.
- Organizational Development – culture management and development.
- Resourcing and Talent Management.
- Learning and Talent Development.

- Performance and Reward.
- Employee Engagement.
- Employee Relations.
- Service and Delivery Information.
- Strategy Insights and Solutions.
- Leading and Managing the HR function.

(www.CIPD.co.uk)

While there are no universally accepted definitions of HRM, Storey suggests the following: 'a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic development of a highly committed and capable workforce, using an integrated array of cultural, structural and personnel techniques' (1995: 5).

To some extent the word 'strategic' in the title of this book could be considered redundant, since one of the defining features of human resource management is that it should be clearly linked to the strategy of the business. However the precursor 'strategic' serves to remind us that the focus of the book is on the strategic rather than the operational. It is also a reminder that although HRM is considered as strategic in theory, there may be a gap between rhetoric and reality (Legge, 2005). Whilst some studies have shown an increasing involvement in strategy, others suggest that there remains a gap (Holly, 2015).

Boxall and Purcell (2003: 184) argue that HRM includes 'anything and everything associated with the management of the employment relationship in the firm'. If we accept that a HRM function has a range of offerings that it can contribute to an organization, the quality and added value of these offerings could be the acid test as to what offerings continue to be made, based on the logic that they only exist if they offer value (see Chapter 4).

As a starting point, an organization may wish to consider whether it actually wants a HR department or function. Robert Townsend (1970), the former CEO of Avis, likened the HR function (then known as 'personnel') to a cancerous growth, which had to be dealt with and, if spotted in any small measure, was to be removed for fear that it may grow back. While Townsend may have drawn attention to the functional aspect of HR, with an office, dedicated people, job descriptions, and so on, the question remains as to who carries out the 'HR' work. Many aspects of the HR function could be outsourced, but with outsourcing comes a range of problems and challenges. To what extent could line management take up the jobs carried out by HR professionals? It could be argued that in that case specialist expertise could be 'bought in' where necessary.

Townsend's view of personnel is echoed by David Ulrich in relation to HRM. He argued that there was good reason for HR's sometimes poor reputation:

'It is often ineffective, incompetent and costly: in a phrase, it is value-sapping' (Ulrich, 1998: 124). However, rather than calling for a removal of the function he used this as an argument that HR needed to change and had to focus on adding value.

Within the field of HR work, there are specialist experts, such as compensation and remuneration experts (see Chapter 7), who may specialize in this area for the span of their career. In contrast, a HR generalist may work in a multitude of areas in their HR career (for example, start in recruitment and selection, then move to the training and development function, then job evaluation, and work their way through various HR managerial roles to become a senior HR professional).

In order to gain an understanding of what HR is all about, it is necessary to explore the theory underpinning HR in order to provide greater meaning and understanding to the topic area.

Models of HRM

Although the term 'human resources' had been used before then, human resource management as a distinctive term emerged in the early 1980s. Conceptually, HRM could be differentiated from the 'old' personnel management, even if the degree and extent of its application have been somewhat variable. The work of Beer and colleagues at Harvard (Beer et al., 1984) and Fombrun et al. (1984) at Michigan University can be seen as central to this conceptualization.

One of the key differentiating factors of HRM propounded in such models was that it was linked to the strategic goals of the organization and provided a vital input into achieving competitive advantage. This can be contrasted with characterizations of personnel management, which could be viewed as being rather removed from the needs of the business, largely administrative and tasked with ensuring the compliance of policies and procedures. To this extent, as previously suggested, it could be argued that the 'strategic' in strategic human resource management is somewhat redundant, since a key attribute of HRM itself is its strategic nature. The addition of the 'S' in the term, as, for example, in this book title, does however serve to highlight both that the focus will be on these strategic aspects rather than the operational, and that in practice HRM may be applied to functions and activities that have very little link to strategic considerations.

The key models of HRM are concerned with strategic issues; however those sometimes termed 'hard' models, such as Fombrun et al.'s matching model (illustrated in Figure 1.1), typically have a stronger focus on ensuring that the HRM strategy 'fits' and is driven by the overall corporate strategy (Fombrun et al., 1984).

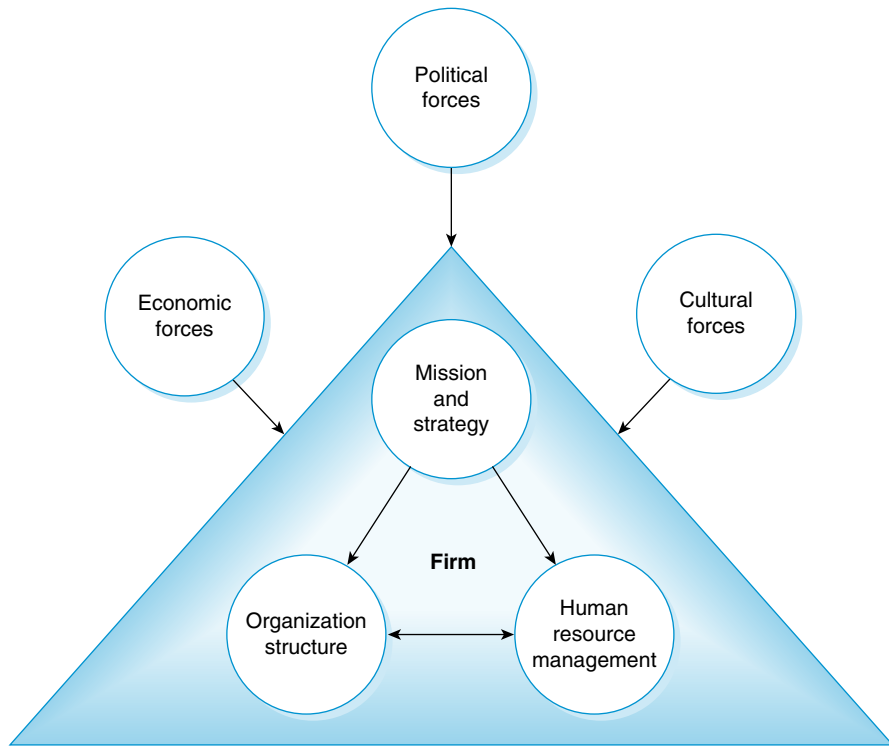


Figure 1.1 The matching model of HRM

Source: Fombrun et al. (1984)

Fombrun et al.'s matching model introduced the concept of strategic human resource management by which HRM policies are inextricably linked to the 'formulation and implementation of strategic corporate and/or business objectives' (Fombrun et al., 1984: 34). It emphasizes a 'tight fit' or vertical integration between HR strategy and business strategy and the use of a set of HR policies and practices that are integrated with each other and with the goals of the organization. Two key assumptions underlie the model: that the most effective way of managing people will vary from one organization to another and be dependent on the organizational context; and the assumption of unitarism, i.e. working together for common goals. The 'hard' tag comes partly from the fact that if the strategy required in a competitive environment denotes tight performance measures or cost-cutting, then these will be reflected in the approach adopted by HR. A differentiation or quality-enhancement strategy, however, would result in an approach to HR that mirrors the high commitment approach of the 'soft' models.

Beer et al.'s (1984) Harvard framework, depicted in Figure 1.2, can be seen as one such 'softer' model. It recognizes that there are a variety of 'stakeholders' in the organization. The model shows the legitimate interests of different groups and assumes that the creation of HRM strategies will have to reflect these interests and fuse them as much as possible into the HR strategy and ultimately the business strategy. A key feature of the Harvard framework is its treatment of HRM as an entire system, with the various sub-elements of HRM combining to accomplish the stated outcomes, including high commitment. Although the link to organizational strategy is made, as well as being mediated by a recognition of differing interest groups, as outlined above, the focus is also arguably more on *horizontal* alignment or integration as opposed to vertical (Marchington and Wilkinson, 2016).

Guest (1989, 1997) discusses six key components, including a HR strategy, a set of HR policies, a set of HR outcomes, behavioural outcomes, performance

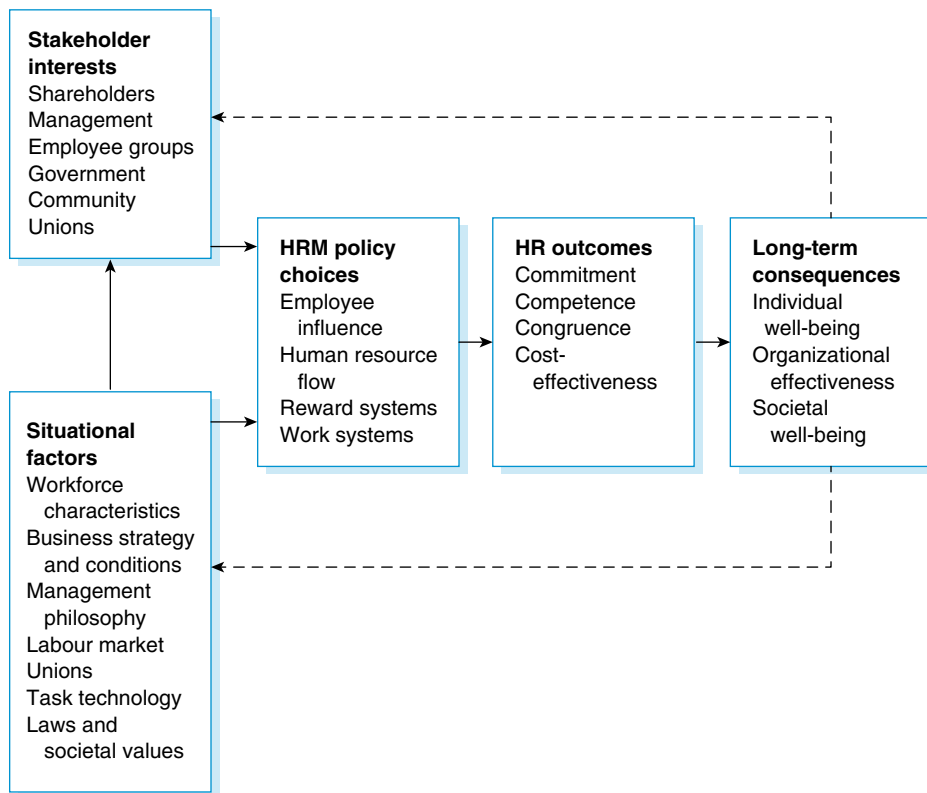


Figure 1.2 The map of the HRM territory

Source: Beer et al. (1984)

outcomes and financial outcomes. Guest acknowledges that the context in which HR operates may have a significant impact on the effectiveness of HR.

There is a range of other prominent models (such as the Warwick Model of HRM) which are not addressed within this chapter. Ulrich's Business Partner model is explored in Chapter 4.

All of these models have one thing in common – they are trying to provide a useful conceptual framework to address how HR operates in relation to the salient issues with which it interacts. All of these models provide useful additions to the formulation of key questions that we have to ask when understanding what the HR function is, what it does and how we can evaluate the HR function's contribution (within its particular context).

The strategy, structure and culture debate

Definitions of organizational *structure* include reference to the fact that it involves the coordination of activities to achieve organizational goals. These goals are likely to be determined by the *strategy* of the organization, indicating a clear link between strategy and structure. It has therefore been suggested that if the management of the organization make significant changes to its strategy, this is likely to have implications for the structure. The third part of the triumvirate is organizational *culture*, and the link(s) between culture and strategy and structure will be explored below.

The organizational strategy

In its most basic format, a strategy is simply a plan. Typically, this plan is where the organization would like to go (the products or services it would like to provide in a particular context). A range of terms is used within academic literature – corporate strategy, business strategy, strategy of the firm, and many more. This chapter will consider strategy in the generic sense of the word. French et al. (2011: 667) define organizational strategy as 'the process of positioning the organization in its competitive environment and implementing actions to compete successfully'.

Of course the best laid plans can go awry; economic fluctuations, government policy initiatives or changes in consumer tastes are just some of the factors that can affect strategic plans. There are also more dramatic one-off changes that may occur, such as the 9/11 attacks in New York, the 2008 economic crash, Brexit in the UK and the Covid 19 virus worldwide in 2020. Mintzberg (1987) suggests that organizations need to balance long-term planning and playing safe on the one hand with flexibility and innovation on the other to

find their own strategic ‘sweet spot’. Whittington (2001) encourages us to see strategy from a number of different perspectives and not only the traditional classical deliberate planning approach. Such other perspectives include more emergent approaches in which managers may simply attempt to react to volatile changes in the market, or where new strategies emerge as an accommodation of internal and external factors. Other authors such as Barney (1991) and Boselie (2014) outline a resource-based view of strategy that focuses on the internal resources of an organization. The old adage that ‘people are our most important resource’ means that this perspective has potentially great applicability to HR.

Robbins et al. (2010: 442) make reference to Miles and Snow and other authors on strategic types. A typical approach is to categorize firms based on whether they primarily have an innovation, cost-minimization or imitation strategy and then suggest suitable structural types to match (see Table 1.1).

An innovation strategy focuses on exploring new opportunities and creating new products or services. A cost-minimization strategy seeks to tightly control costs and keep prices low. Organizations taking an imitation strategy fall somewhere in between these two. They move into new products or markets only after the innovator firms have proved them to be viable.

To support the strategy, an organization will usually have strategic objectives set out in order to assist it to achieve its overall plan. These objectives should be definable and measurable in order to ascertain later on whether they have been met. For an explanation of various strategic models and approaches, see Chapters 2 and 3.

A strategy by itself is not enough and therefore needs to be supported by a range of activities that may include the following: vision, mission, strategic plans, goals/objectives, and taken in the context of organizational culture, as demonstrated in Case Study 1.2.

Table 1.1 The relationship between strategy and structure

Strategy	Suggested structure
Innovation	Organic, loose structure: decentralized, low specialization, low formalization
Cost-minimization	Mechanistic, tight control: centralized, high work specialization, high formalization
Imitation	Mechanistic and organic, mix of loose and tight properties: tight control over established activities, looser controls over new undertakings

Source: Adapted from Robbins et al. (2010: 443)

Organizational structure

Mintzberg (1979: 2) provides a useful definition: 'The structure of an organization can be defined simply as the sum total of the ways in which it divides its labour into distinct tasks and then achieves coordination among them'.

Similarly, Buchanan and Huczynski (2014: 453) define structure as 'the formal system of task and reporting relationships that control, co-ordinate and motivate employees to work together to achieve organizational goals'.

Traditional forms of structure

Organizational charts typically provide an indication of the organizational structure, demonstrating the various formal relationships and reporting patterns within an organization. One of the more popular forms of traditional structure is the functional (see Figure 1.3).

There are numerous other organizational designs, such as product/service, matrix, geographical or, possibly, combinations of these.

See Figure 1.4 for an example of a basic matrix structure.

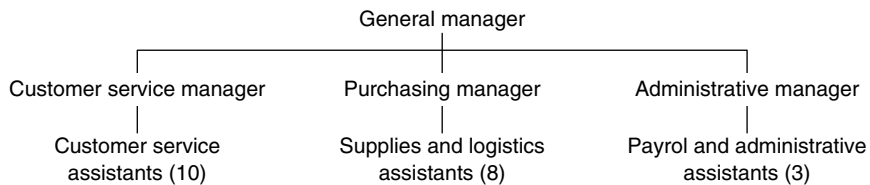


Figure 1.3 Functional structure

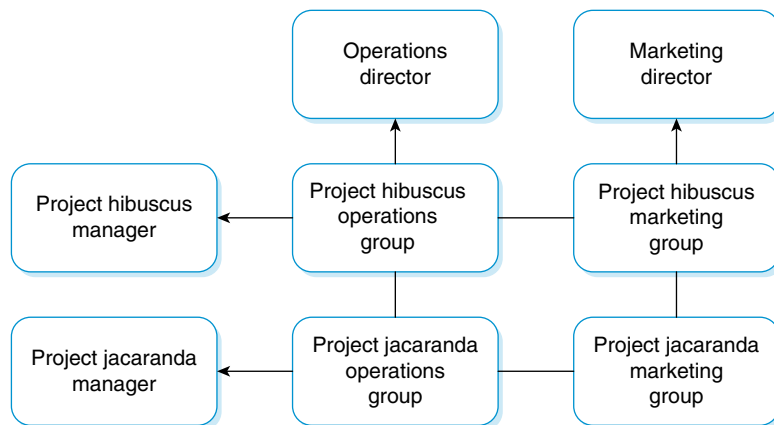


Figure 1.4 Matrix structure

A more complex design may incorporate both a geographical and a functional design (see Figure 1.5).

While the design of the organizational structure is important, formal reporting structures are required, based on job roles, span of control, authority and responsibility. The degree to which managerial control exists may be based on the employment contract, job descriptions, HR policies and procedures, and so on.

Mintzberg (1980) extends thinking beyond structural aspects by considering work constellations, flow of informal communication, flow of formal authority, flow of regulated activity and the flow of an ad hoc decision-making process. The usefulness of Mintzberg's model is found when applied beyond the simplistic formal/informal structure argument.

REFLECTIVE ACTIVITY 1.2

The debate about whether strategy precedes structure (or vice versa) has been in existence for over half a century. Perhaps this is analogous to the chicken and egg debate, and may prove to be a rather futile discussion. However, consider the extent to which an organization decides its strategy from its internal capability (the resources that it has in order to achieve goals), or the extent to which it scans the external environment, then marries up the internal requirements in order to meet this. It could be argued that an internally driven organization is contingent upon structural configurations, while an externally driven organization is contingent upon strategic planning.

Argue the case for:

- 1 Strategy preceding structure.
- 2 Structure preceding strategy.

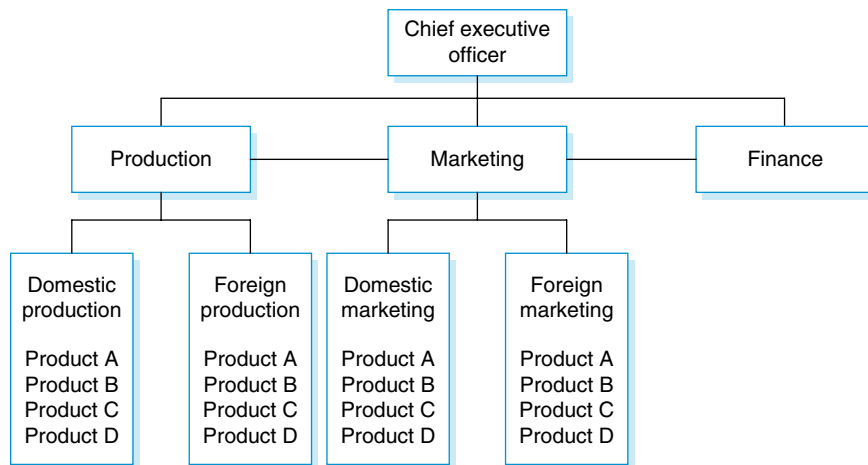


Figure 1.5 A complex structure

Source: Hodgetts and Luthans (1997)

Modern forms of structure: The impact of technological change ≡

The continuum of organizational structures depicted by Morgan (1989) raises questions as to what constitutes 'the organization' or where an organization begins or ends. The combination of outsourcing and subcontracting of activities with new electronic communication methods (information communication technologies or ICTs) gives rise to the possibility of organizations with very little in terms of physical presence, and has also given rise to the term 'the virtual organization'.

As Smith et al. (2020) point out, rapid advances in technology over the past 25 years have changed, and continue to change, the way that organizations carry out their business and have altered the nature and speed of work. Mobile phones, laptops and internet-based conferencing facilities have all contributed to creating a fast-paced 24/7 society where work and non-work become blurred. In addition, the speed at which information can be accessed, analysed and produced has had a major impact on how people carry out their work. Developments in information technology can mean less need for certain jobs to take place in a particular physical space, leading to the introduction of flexible working initiatives such as teleworking.

Writers such as Castells (2001) explore these trends, suggesting that a 'new economy' in tandem with new technologies has important implications for the structuring of organizations. Castells characterizes the new economy as being knowledge-based, global and networked, and suggests that organizations too are affected by similar trends. Networked organizations will be decentralized and make use of subcontractors, freelancers and a variety of other flexible and non-standard types of workers. In any particular such organization, a worker will be connected to the network of that specific organization, but is also likely to be part of other networks and other organizations (based on Castells, 2001; Mullins, 2016).

Storey (2009: 90) argues that, in recent years, many organizations have been seeking a greater degree of agility and flexibility, which has resulted in a greater reliance on market and market-like forms and the mechanisms in which work activities and contributions are brought together and coordinated becoming looser and more variegated. Storey suggests that alternatives to the classic form of organization are still emerging and points to the process-oriented company, network organization, joint ventures and strategic alliances, the boundaryless organization and the virtual organization as examples.

In terms of the possible implications for human resource management of such developments, a positive picture can be painted, in that many of the resulting challenges of such trends will require a greater degree of strategic thinking about human resource issues. As a counter argument, such structural

developments could be seen as running counter to a strategic approach to human resource management, given the flexible nature of employment relationships and the primacy of short-term financial goals.

In 1982, Peters and Waterman utilized the McKinsey model in order to demonstrate the components that make organizations successful. Seven aspects (the seven Ss) were highlighted: strategy, structure, staff (employees), shared values (primarily organizational culture), systems, skills and style (primarily leadership). Within this model, shared values were central, highlighting the importance of culture to business success.

Organizational culture

Within an organization, what drives employees to work in particular ways, make certain types of decisions, maintain working relationships, and so on? The norms (or standards of behaviour) within organizations determine, to some extent, what is permissible in terms of behaviours and attitudes. (See Chapter 11 for an in-depth explanation of organizational culture.) For the purposes of this chapter, organizational culture will be considered simply as ‘how things are done’ and, to a degree, ‘why things are done’ in a particular organization.

When visiting an organization known for its traditional and professional client relationships, based in the exclusive area of Mayfair in London, you may expect to see employees wearing expensive suits, being well-groomed and attentive in their appearance. However, when you visit, you come across staff wearing jeans and T-shirts. When it is explained that there is a ‘dress-down Friday’ code, it becomes apparent why employees have dressed in this manner. The impact of organizational culture cannot be underestimated. However, more importantly, what role does HR play in dealing with strategy, structure and culture?

Understanding the eternal triangle

It could be argued that HR needs to play a critical role in decisions made around organizational direction, organizational design, organizational policies, procedure and practices, and, importantly, shaping and developing organizational culture (through a range of methods, including human resource development, management development, and so on). The authors argue that HR should undertake a strategic role in managing the relationship between the three vital aspects of strategy, structure and culture (see Figure 1.6).

Part of the difficulty in applying Figure 1.6 to practice is due to the complexity and involvement of the HR function and HR-related activities, and whether decisions are driven from within or are responding to external forces.

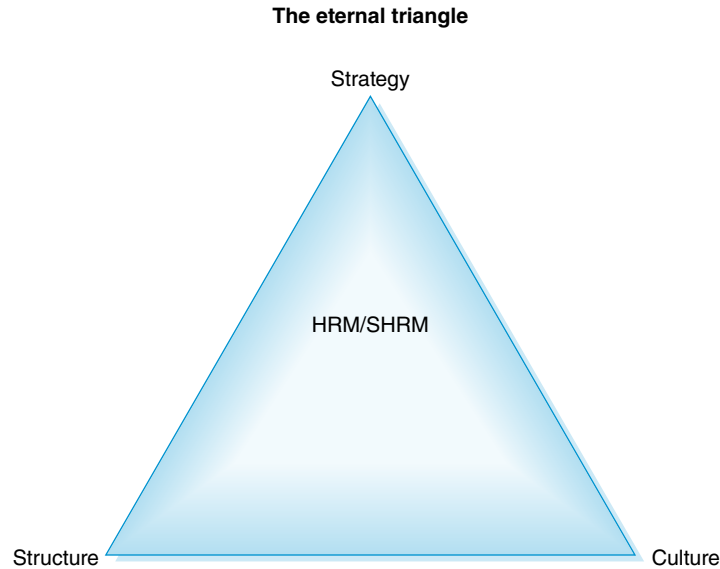


Figure 1.6 The relationship between strategy, structure, culture and HR

The HR function can adopt a ‘business’ (strategic) type approach where the focus is primarily external, and resources are utilized, bought in where necessary, and the overall aim is driven by commercial reasoning. Alternatively, the HR function can utilize internal resources and make decisions on strategy based purely on internal capability, not looking outside for additional resources (perhaps more of a HR-level response).

The environment

While an organization will have its own environment in terms of buildings and facilities, to what extent is there a clear organizational boundary? As argued in the preceding section, with increasingly complex technologies, it could be argued that organizational boundaries are not always clear. Every organization has to interface with some aspect of the customer, supplier, and so on.

In relation to the arguments put forward in this chapter, the industry context includes the arena in which an organization operates within a competitive or supply capacity. Some organizations may trade locally (within a few kilometres) in terms of suppliers and customers, while other organizations may trade around the world and have supply chains from many countries, operating at a national and local level in many regions. The environment considers both the global/international context and the industry context (see Figure 1.7).



Figure 1.7 SHRM, the organization and its environment

The organization and environment fit: Structural emphasis

Various studies have shown a link between the structure and management of an organization and the external environment within which the firm operates, specifically in relation to the degree of uncertainty and change in the environment.

In a now classic study, Burns and Stalker (1961) looked at a number of UK firms in different industries and their settings. They categorized these settings or environments into five types, ranging from stable to unpredictable. Two main types of structure and management practice were also identified: the mechanistic and the organic. The mechanistic structure was one with a high degree of task specialization and formalization, tight specification of individual responsibility and authority, centralized decision-making and formal rules and procedures. It can be likened to Weber's bureaucratic structure. The organic structure possessed little task specialization, a low degree of formalization, delegated decision-making and a high degree of individual responsibility.

Neither form of organizational structure was viewed as being better than the other; what was suggested is that either could be the more appropriate and efficient depending on the circumstances. Thus, in their study, for a textile mill facing a stable and predictable environment, the mechanistic structure was found to be most suitable, while for an electronics firm operating in an unpredictable and rapidly changing environment, the organic structure suited better.

As introduced earlier in the chapter, the subject matter of this book is strategic human resource management or, to put it another way, the strategic management of human resources. This is examined both as an academic field of study and as an applied discipline that takes place in organizations and that managers attempt to implement. Storey (2009) points to both the value of linking theory and practice and the relative lack of such connectivity in reality, and thus the need for this application. Legge (2005) also reminds us of the frequent gap between rhetoric and reality when it comes to HRM.

Defining strategic human resource management (SHRM) is not straightforward. Just as there are a number of competing definitions of human resource management itself, so this is the case with SHRM. As Collings and Wood (2009: 1) point out, 'since its emergence HRM has been dogged by the still largely unresolved ambiguity surrounding its definition'. (These issues will be further explored in Chapter 3.) Broadly speaking, however, SHRM can be viewed as being about attempts to link HR practice to an explicit HR strategy, which is in turn linked to the strategy of the organization. As Greer (1995) suggests, HR strategies focus on the alignment of the organization's HR practices, policies and programmes with corporate and strategic business unit plans. An example may serve to both illustrate this conceptual link and question the extent of its application in practice.

Consider an organization's recruitment and selection (R&S). Assuming that this approach was not solely ad hoc and that the organization in question purported to employ some sort of good practice in this area, then traditionally the approach adopted would be a systematic and psychometric one based around person-job fit, i.e. predicting the best candidate(s) based on predicted subsequent job performance.

A *strategic* approach, however, would consider how human resource practices, in this case R&S, could best support the particular organizational strategy, for example in response to particular environmental pressures to maintain leading-edge competitive positions (Sparrow and Pettigrew, 1988). Millmore et al. (2007) point to research by Bowen et al. (1991), showing examples where R&S is directed at organizational and not specific job requirements, while Beaumont and Hunter (1992) found examples of R&S being used strategically to engender the more flexible workforce that the organizational strategy required.

Kew and Stredwick (2016) first set out a two-way model of the relationship between the environment and HR. One way of analysing the external environment is by the use of a political, economic, sociological and technical (PEST) or political, economic, sociological and technical, legal and environmental (PESTLE) analysis. Each categorization – political, economic, social or technological – and changes in these will influence HR. Examples would be changes in the

law or economic fluctuations. We are also reminded that the arrow is two-way, in that HR will also attempt to exert some influence on the environment. An example of this would be the professional body, the Chartered Institute of Personnel and Development (CIPD), attempting to influence government policy on proposed changes in employment law. This is illustrated in Figure 1.8.

In addition to this relationship to the external environment, rather than HR practices being ad hoc and purely focused on day-to-day problem-solving, SHRM attempts to relate what the HR function does to an explicit HR strategy (Figure 1.9).

The next stage is to relate the HR strategy to the overall organizational strategy, as depicted in Figure 1.10. In this, HR strategy is integrated into the organization's overall strategy.

Torrington et al. (2017: 68) provide a useful diagrammatic representation of the potential relationships between organizational strategy and HR strategy,



Figure 1.8 The relationship between the environment and HR

Source: Kew and Stredwick (2016)



Figure 1.9 HR practice and HR strategy

Source: Kew and Stredwick (2016)

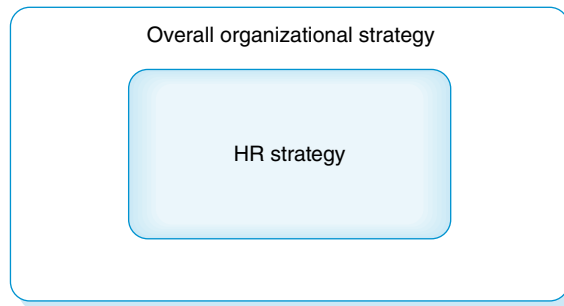


Figure 1.10 HR strategy and organizational strategy

ranging from separation, in which the activities of HR are removed from those of the organizational strategy, if such a thing exists at all, through to increased levels of fit or integration, as shown in Figure 1.11.

The second example, that of fit, mirrors that of the matching model (see Figure 1.1) in which recognition is given to the importance of human resources in achieving the organizational strategy. However, the direction of influence is rather one-way, with HR responding to organizational strategic imperatives as determined by the market. This approach depends on a traditional classical approach to strategy formulation as a logical, top-down process. Of course, the directional arrow could be matched by a dotted arrow the other way, with HR having at least some input into strategic decisions at board level.

The third example, that of a holistic model, views people as a key resource for the achievement of competitive advantage rather than just something downstream of organizational strategy. Human resource strategy then becomes of prime importance, particularly in situations where it is recognized that people (employees) form the key resource for a particular organization. Such thinking can be found in the work of Boxall (1996, 1998) and the idea of

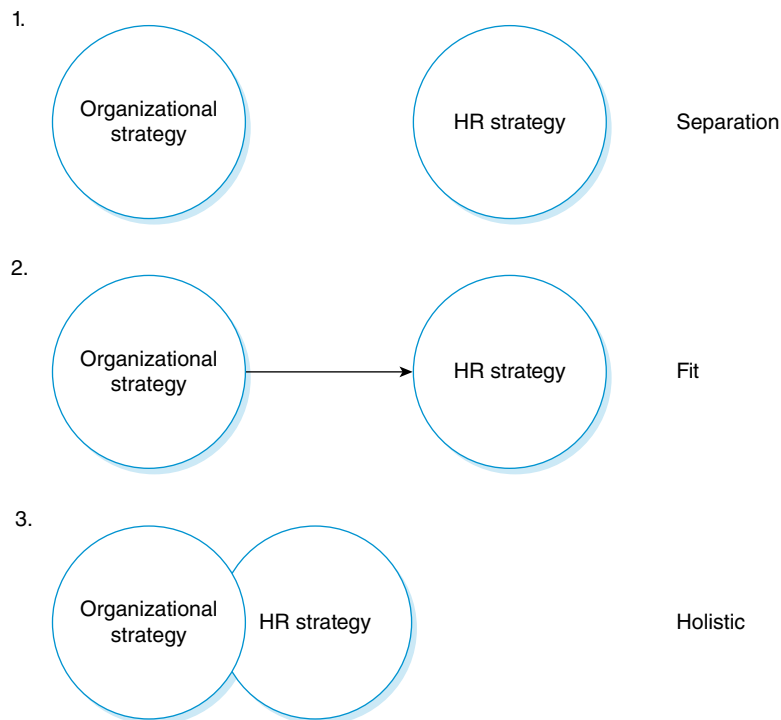


Figure 1.11 Different levels of integration between HR strategy and organizational strategy

Source: Adapted from Torrington et al. (2017)

the resource-based firm, with such conceptions of strategy being broader than merely reflecting positioning in the marketplace.

As Millmore et al. (2007) point out, the latter part of the twentieth century saw a burgeoning interest in strategic management, concerned with how organizations could best utilize their resources strategically in pursuit of organizational goals. As such, it is not surprising that the focus also fell on what is sometimes termed by some to be an organization's key resource, their employees. Arguably, however, this focus is still somewhat limited, with even today little direct reference being made in the mainstream strategic management literature to human resources, which has seen the literature on strategic human resource management being somewhat separate, if parallel, to that of strategy in general. This may reflect the HR function's ongoing battle to be considered as truly central to organizational success.

Farnham (2010), however, questions the assumption that, historically, business strategies simply defined the nature of competition in the marketplace, leaving personnel management/HR's input to be operational and pragmatic. Thomason (1991) argues that the resourcing and utilization of human resources in organizations have been approached in a variety of ways at different times. He argues that at each stage in the development of HRM some relationship did exist between the business strategies adopted and HR's responses to the external labour market, even if the link between the HR strategy and the business strategy was not always made explicit.

Farnham (2010) argues that organizations need overall strategies to survive and prosper in a competitive environment. For firms in the private sector, such organizational strategies are likely to be couched in terms of how best to tackle their competitors. The strategies of public sector organizations currently are more likely to be expressed in terms of maximizing revenues and reducing costs at a time of cuts in government spending. However, for any organization, the strategy adopted will not just be a result of taking into account the opportunities and threats offered by the external environment in general, and the marketplace specifically; it will also be an outcome of the strengths and weaknesses of the organization's own resources, including human resources.

Porter (1998) suggests that organizations have three basic strategic options in order to gain competitive advantage: cost reduction, quality enhancement and innovation. Yet, as Porter (1998) points out, competitive advantage depends not only on conditions in product or service markets but also on the availability of factors of production. Thomason (1991) suggests that a number of shifts in predominant business strategy have occurred over time since the Industrial Revolution, each placing different demands on HR in terms of labour acquisition and utilization. Returning to Porter's classification, an organizational strategy of differentiation (quality enhancement), for example, will depend on

the availability of a core of skilled workforce in the labour market. In periods where skills are job-specific and non-transferrable between organizations and industries, the internal labour markets will be developed. Other conceptions of strategy, such as the resource-based view, place much greater importance on such internal factors of the organization, including human resources.

A number of authors (Schuler and Jackson, 1987; Sisson and Storey, 2000; Kelliher and Perrett, 2001) have drawn out the possible HR implications of Porter's strategic options. Thus if cost-reduction employers, who compete on the basis of price, extend the minimization of costs to all aspects of their operations, including HR, then we are likely to see a slimmed down or non-existent HR function with minimal approaches to training and development, recruitment and selection and other aspects of HR, including low pay levels. In contrast, a quality-enhancement employer might be expected to have a HR function with potentially great influence and sophisticated, high-commitment HR policies and practices.

While such 'matching' models provide a useful basis for analysing HR approaches in different organizations, real life is rarely as simple as simply reading off a set of HR practices from the chosen strategy, as Case Study 1.3 demonstrates.

This chapter has considered the nature of organizations in terms of strategy, structure and culture and the relative placement of HR within these, extending to the place of SHRM too. Figure 1.7 demonstrates the complex interrelationships between the key factors discussed within this chapter.

REFLECTIVE ACTIVITY 1.3

To what extent is there a difference between HRM and SHRM? What are the critical differentiating points between HRM and SHRM? Discuss.

CASE STUDY 1.2

Low-cost airlines

Southwest Airlines, based in Dallas, Texas, the largest airline in the United States based on domestic passengers carried, can be seen as one of the first low-cost airlines, providing a business model for others such as easyJet and Ryanair. Its competitive strategy combines high employee and aircraft productivity with low costs, resulting from reducing aircraft turn-around time.

Michael Porter (2011) contrasts this strategy with that of full-service airlines. These are based around the aim of getting passengers from almost any point to another, reaching numerous destinations and providing connecting flights via a hub-and-spoke system centred on major airports. They provide a full range of services, including first and business class. And, to

accommodate passengers who want to change planes, they coordinate the timetables and offer check-in and transfer of luggage. They also provide full-service meals.

Southwest Airlines offers short-haul, low-cost, point-to-point service between midsize cities and secondary airports in large cities in the USA. Southwest avoids large airports and does not fly great distances. Its customers include business travellers, families and students. Southwest's frequent departures and low fares attract price-sensitive customers who otherwise would travel by bus or car, and convenience-oriented travellers who would choose a full-service airline on other routes. The number of frequent flyers of the airline continues to grow year on year.

Unlike full-service airlines, Southwest tailors all of its activities to deliver low-cost, convenient service on its particular type of route. Through fast turnarounds at the gate of only 15 minutes, it is able to keep planes flying longer than its rivals and provide frequent departures with fewer aircraft. Southwest does not offer meals, assigned seating, interline baggage checking or premium classes of service. Automated ticketing at the gate encourages customers to bypass travel agents, allowing Southwest to avoid commission. A standardized fleet of modern aircraft boosts the efficiency of maintenance. With no meals, no seat assignment and no interline baggage transfer, Southwest avoids having to perform activities that slow down other airlines. It selects airports and routes to avoid the congestion that introduces delays. The airline's strict limits on the type and length of routes make standardized aircraft possible.

Part of the answer to rapid gate turnaround, which allows frequent departures and greater use of aircraft, also lies in the company's well-paid gate and ground crews, whose flexibility in turnarounds is enhanced by flexible union rules. The company also has a high level of employee share ownership, which helps to motivate staff.

The airline's mission statement is posted every three feet at all Southwest locations: 'Follow the Golden Rule – treat people the way you want to be treated'. It's a philosophy that starts with how the company treats its employees. The co-founder, Herb Kelleher, was adamant that 'a happy and motivated workforce will essentially extend their goodwill to Southwest's customers'. If the airline took care of its employees, the employees would take care of the customers, and the shareholders would win too.

From the first days of the airline, Herb resisted establishing traditional hierarchies within the company. He focused on finding employees with substance, willing to say what they thought and committed to doing things differently. Described as an 'egalitarian spirit', he employed a collaborative approach to management that involved his associates at every step. Colleen Barrett, who went from working as Herb's Legal Secretary to being the President of the airline, is living proof of this philosophy.

Source: Case study adapted from various sources: O'Reilly (2001), Knowledge@Wharton (2008), Porter (2011), Northouse, 2013.

Questions

- 1 Michael Porter suggests that competitive strategy is about being different; about deliberately choosing a different set of activities to deliver a unique mix of value. How does Southwest Airlines achieve this? How is it different from 'standard' airlines?
- 2 How does its approach to managing people help achieve its chosen strategy?
- 3 How would you describe the organizational culture at Southwest Airlines? How important do you consider this culture to be?

Globalization and internationalization

Chapter 12 provides a detailed explanation as to how HRM and SHRM adjust to global and international contexts. Sharmer and Khandekar (2006) for example provide an analysis of SHRM in India, including some of the historical aspects related to this evolution and the stages undergone. They argue that this progression to a strategic approach lagged behind the West by a decade, but that the liberalization of the Indian economy in the early 1990s led to the development of greater competitive capabilities in Indian companies and that the strategic importance of HRM as a result of changes in the global economy has started to be recognized in India.

While organizations may wish for a one-size-fits-all HR toolbox, this may not be particularly appropriate in some contexts. Similarly, HR policies, procedures and practices may vary significantly across countries and within multinational organizations.

Conclusion

There may be little doubt that HR is facing huge challenges and will continue to do so. Some of the debates around organizational structure, culture and strategy may transcend traditional (US and UK) academic models. Perhaps the HR function needs to be 'more strategic', but where and exactly how HR adds value will depend on demonstrating this added value at strategic, tactical and operational levels.

'The future workforce will be placed all over the world, with people from different cultural and economic backgrounds working together in virtual teams ... The future of HR lies outside the HR Department' (Lettink, 2012). The PwC *Managing Tomorrow's People* report (2011) proposes that future people management will present one of the greatest challenges and that, as a consequence, the role of the HR function will have to undergo fundamental change.

Truss et al. (2012: 295) argue that 'we can be reasonably certain that in the foreseeable future organizations will continue to grapple with how best to manage their HR'.

In the CIPD *The Rise of HR Report* (2015: 361–7) Peter Cheese, chief executive of the CIPD, argues that in a world of increasing change and complexity, HR needs to respond accordingly, helping organizations become more agile and adaptable, and for the need for the function to position itself at the heart of business, driving value. For a discussion around the key debates surrounding the future of HR, see Chapter 13 in this volume.

Wesfarmers: An Australian diversified corporation

Introduction

Wesfarmers is an Australian corporation with its headquarters in Perth, Western Australia. From its beginnings in 1914 as a farmers' cooperative it has grown into one of Australia's largest listed companies and biggest employers. Its diverse business operations include home improvement and outdoor living, clothing and general merchandise, office supplies and a division that encompasses energy, chemicals and fertilizers, plus industrial and safety products.

Despite significant success stories, Wesfarmers recently received negative press for underpaying workers in some of its businesses through incorrect superannuation calculations. The company blamed these on inadvertent errors caused by incorrectly configured software (www.theguardian.com/australia-news/2019/oct/01/wesfarmers-workers-underpaid-15m-as-company-blames-inadvertent-errors).

In the UK, Wesfarmers is perhaps best known for its unsuccessful attempt to break into the DIY retail market with the initial purchase, and subsequent disinvestment in 2018, by Bunnings of the Homebase chain, which could be seen as an exception to the rule of its success in Australia and New Zealand (www.theguardian.com/australia-news/2018/may/25/bunnings-pulls-out-of-britain-after-1bn-plus-disaster).

Objectives

The company website states that the primary objective of Wesfarmers is 'to provide a satisfactory return to shareholders'. It aims to achieve this by:

- Anticipating the needs of customers and delivering competitive goods and services.
- Looking after their team members and providing a safe, fulfilling work environment.
- Engaging fairly with suppliers and sourcing ethically and sustainably.
- Supporting local communities.
- Taking care of the environment.
- Acting with integrity and honesty in its dealings.

Thus, although initially the primary objective suggests a pure economic-rationalistic notion of corporate performance (Holloway and van Rhyn 2005) with the focus on enhancing shareholder value and high returns on equity, the goals underpinning this suggest a wider and more pluralist approach encompassing a number of different stakeholders, including employees and local communities, plus environmental concerns and corporate social responsibility (CSR)/ethics that might be described as a strategy of responsible capitalism.

Underpinning the goals are what the company terms 'The Wesfarmers Way', a framework for the business model that comprises core values, growth enablers and value-creating strategies, all directed at achieving the Group's primary objective of providing a satisfactory return to shareholders (see Figure 1.12).

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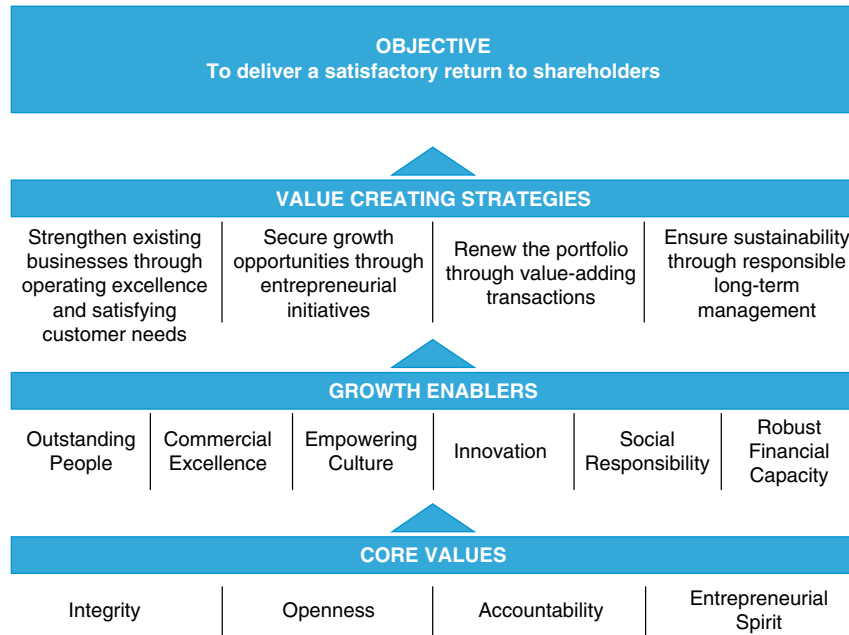


Figure 1.12 The Wesfarmers Way

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Culture

Wesfarmers summarizes its culture under four main headings: shareholder focus, growth philosophy, structure and climate. As Kenny (2012: 18) outlines, although there are differences between businesses, five fundamental themes are common to all of them:

- 1 Growth.** Business growth is a key focus.
- 2 Autonomy.** Division managers are given freedom to run their own businesses within the group umbrella.
- 3 Return on investment.** Their aim is not to grow for the sake of it, nor just for profit; they aim to produce an economic return that can be justified objectively.
- 4 Stakeholder focus.** A clear focus on the key stakeholders that the business depends on: customers, suppliers and employees for example.
- 5 Integrity.** First class reputable corporate governance and proper dealings.

Structure

As outlined above, Wesfarmers is composed of a variety of different types of business. Its home improvement, office supplies and department store divisions include such well-known names as Bunnings Warehouse, Officeworks, Target and Kmart. Its industrials division includes Wesfarmers Chemicals, Energy and Fertilizers (WesCEF), Wesfarmers Resources, which owns and operates coal mines, Wesfarmers Industrial and Safety, plus a range of other activities and subsidiaries.

Although there are a few other examples of large diversified companies, such as General Electric (GE), such a business approach is often thought to be unwieldy and thus uncompetitive. Kenny (2012) argues that there has been an accepted mantra that focus is good and diversification is bad. And yet, Wesfarmers, like GE, is highly diversified and very successful. The key to this at Wesfarmers is that individual divisions are run autonomously, since it is argued that it is the managers of those divisions who know the specific area they operate in. In simple terms, the retail sector for example is very different to coal mining. This relative freedom and lack of interference from the centre on operational matters is, however, coupled with clear financial targets such as return on capital employed (ROCE). This, together with the clear aims and objectives plus culture espoused through values, serves to pull together the otherwise disparate businesses in a simultaneously loose/tight method first promulgated by Peters and Waterman (1982) in *In Search of Excellence*.

Management

The former CEO of Wesfarmers, Michael Chaney, stresses the importance of having effective business-unit managers in a diversified corporation where individual divisions are run autonomously. As well as knowledge of the particular industry, commercial nous and a focus on the key financial measures, Chaney argues that these 'above the waterline characteristics' need to be supplemented by 'below the waterline characteristics' such as emotional intelligence (EI), integrity and the ability to communicate, as well as the need to have conceptual thinking skills to avoid tunnel vision (Kenny, 2012). Such characteristics have also been promoted by Jack Welch, former CEO of General Electric as a move away from the old 'command and control' management toward creating a climate of trust and candour and encouragement of open debate (Holloway and van Rhyn, 2005).

Whilst each Wesfarmers business has a large amount of autonomy, each division has its own internal board of directors made up of senior executives from the corporate office and senior people from the divisions. He argues that one advantage of such a structure is it facilitates the dissemination and reinforcement of a Group culture around the different companies.

Working at Wesfarmers

The company website contains the following statement in relation to working at Wesfarmers:

We believe the only true sustainable advantage is the quality and performance of our people. Each Wesfarmers division operates as a separate business and therefore has a distinct culture. However, there are four core values that drive all of our businesses and shape our culture as a whole:

Our values:

Integrity

- Acting ethically in all dealings.

Openness

- Openness and honesty in reporting, feedback and ideas.
- Accept that people make mistakes and seek to learn from them.

Accountability

- Significant delegation of authority and decision making to divisions.
- Accountability for performance.
- Protect and enhance our reputation.

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Entrepreneurial Spirit

- Prepared to take calculated risk and highly commercial.
- Making things happen, seeking out value-accretive opportunities.

(www.wesfarmers.com.au/util/careers/working-at-wesfarmers)

Each division has its own human resource team. Wesfarmers' approach to HR and diversity is set out below:

Human resources

Our dynamic Human Resources team is committed to delivering people related outcomes that enable the business to achieve good growth and strong sustainable performance.

This is accomplished by developing and implementing innovative people solutions aligned to business strategy at each stage of the employee life cycle from Recruitment and Selection to Induction and Training, Performance and Reward, as well as Succession and Development.

The members of our team are commercially focused team players with superior interpersonal skills and a passion for delivering results that lead to a highly engaged, talented and committed workforce.

Diversity

Being part of the Wesfarmers group means that diversity is in everything that we do, right from our diverse business operations through to the type of roles that we have on offer and the people we employ.

Fostering diversity within our workforce allows us to learn from each other's differences. This means that we better understand and can more effectively engage with our customers, local communities and other stakeholders.

We have a number of innovative programs that focus on indigenous, women, disabled and youth including:

- Region-specific Women in Leadership Plans.
- WISAU Parental Support Program to increase female labour force participation and to help all employees achieve a better work/life balance.
- Corporate, regional and business unit specific action plans to increase and promote involvement with the indigenous community and employment of indigenous people in Australia.
- Strategies and deliverables to drive an 'Emerging Talent' agenda.

Source: Case adapted from a number of sources including: www.wesfarmers.com.au, www.theguardian.com/business



Questions

- 1 How do Wesfarmers meld structure, culture and strategy to achieve their goals?
- 2 Evaluate the role of HR in achieving this.

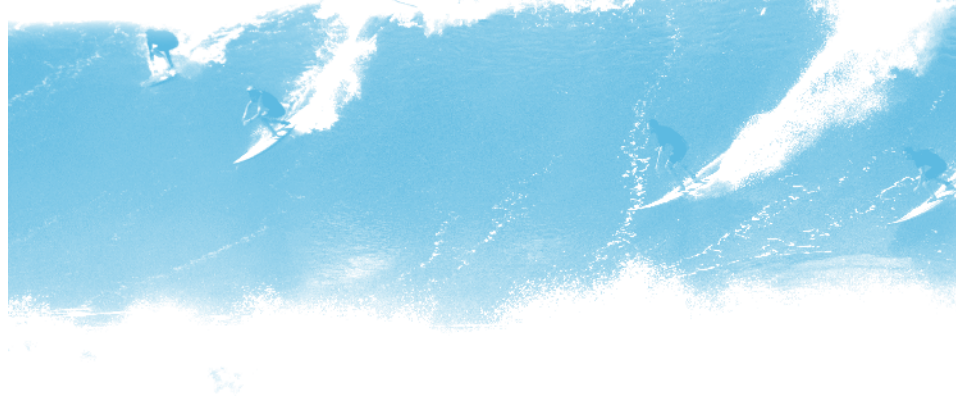
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HUMAN RESOURCE MANAGEMENT THROUGH A STRATEGIC PERSPECTIVE

Alison Rieple, Marco Pironti, Paola Pisano and
Valentina Cillo

Chapter Overview

Defining the concept of strategy is both challenging and complicated at the same time. The strategy definition depends on the fundamental decisions about the future direction of an organization: its purpose, its resources and how it interacts with the environment in which it operates. Every aspect of the organization plays a role in this strategy: people, finance, production method, environment, customers, and so on. Moreover, changes in markets, regulations, technology, customers, competition and other factors mean that strategy formulation and implementation is an ongoing process that can be judged only from a historical perspective in the context of the organization's past events, resources and experience. In this chapter, we would like to analyse a new trend of modern strategies. Starting from the meaning of strategy and its definition, the authors will introduce the general formulation and implementation of strategies within the organization and the new framework that the organization has to consider to manage national and global strategies. The chapter will focus on the role of strategic human resource management (SHRM). As outlined in Chapter 1, SHRM involves a future-oriented process of implementing HR programs that address business problems and directly contribute to major long-term business objectives (Delery and Roumpi, 2017). SHRM covers the overall HR strategies adopted by business units and companies and tries to measure their impacts on performance (Lengnick-Hall et al., 2009). Several authors (Vrontis et al., 2017; Papa et al., 2018; Caputo et al., 2019) have asserted that strategy should fit with three generic conceptual variables: HRM practices, employee skills and employee behaviours. Soft skills used to be frequently described as a set of skills that most management scholars consider important in any work environment (Robles, 2012). Soft skills are connected with communication and interpersonal skills. Scientific articles analysed the managerial role of soft skills from several perspectives (Andrews and Higson, 2008; Laker and Powell, 2011; Del Giudice et al., 2017a).