

## 5

# The Role and Organization of the HR Function

## Key concepts and terms

- Benchmarking
- Boundary management
- Business partner
- Centre of expertise
- Offshoring
- Output criteria
- Outsourcing
- Process criteria
- Service level agreement
- Shared service centre
- Transactional activities
- Transformational activities
- The Ulrich three-legged stool model
- Utility analysis

## Learning outcomes

On completing this chapter you should be able to define these key concepts. You should also understand:

- The role of the HR function
- The diversity of the HR function
- Guidelines on organizing the function
- Quantitative criteria for evaluating the HR function
- Key points for measuring HR performance
- The HR scorecard
- Using management consultants
- HR budgeting
- The activities of the HR function
- The Ulrich three-legged stool model
- The dimensions of HR effectiveness
- How HR people can demonstrate their effectiveness
- Methods of measuring HR effectiveness
- Outsourcing
- Marketing the HR function
- The HR role of line managers

## Introduction

This chapter describes the role of the HR function as a key part of the process of managing organizations. It dwells on the role of the function to provide advice, guidance and HR services. Emphasis is given to the strategic role of the function, which is to provide continuing support to the achievement of the strategic objectives of the organization, to advise on business strategies as affected by HR considerations and to ensure that HR strategies are integrated with business strategies.

The chapter starts with an analysis of the role of the HR function and then deals with its organization and how its effectiveness can be evaluated. Next it covers various aspects of the work of the function, namely the use of shared service centres, outsourcing and management consultants. Consideration is also given to marketing HR and HR budgeting. Bearing in mind the comment by Boxall *et al* (2007) that 'HRM is not just what HR departments do', the chapter ends with an examination of the HR role of line managers.

## The role of the HR function

The role of the HR function is to take initiatives and provide guidance, support and services on all matters relating to the organization's employees. Essentially, the HR function is in the delivery business – providing the advice and services that enable organizations to get things done through people.

The function ensures that HR strategies, policies and practices are introduced and maintained that cater for everything concerning the employment, development and well-being of people and the relationships that exist between management and the workforce. It plays a major part in the creation of an environment that enables people to make the best use of their capacities, to realize their potential to the benefit of both the organization and themselves and, by improving the quality of working life, to achieve satisfaction through their work

Increasingly the role of the HR function is seen to be business-oriented – contributing to the achievement of sustained competitive advantage. But one of the issues explored by Francis and Keegan (2006) is the tendency for a focus on business performance outcomes to obscure the importance of employee well-being in its own right. They quote the view of Ulrich and Brockbank (2005b) that 'caring, listening to, and responding to employees remains a centre-piece of HR work'. The HR function and its members have to be aware of the ethical dimensions of their work, as described at the end of Chapter 1.

## The activities of the HR function

The activities carried out within an HR function can be divided into two broad categories: 1) strategic (transformational), which is largely concerned with the alignment and implementation of HR and business strategies, and 2) transactional, which covers the main HR service delivery activities of resourcing, learning and development, reward and employee relations. The HR function is involved in devising HR strategies, policies and practices that meet the needs of the organization and its members and support the attainment of sustained competitive advantage. But as Hope-Hailey *et al* (2005) emphasize, competitive advantage lies in employees themselves, not in HRM practices. They point out that: ‘The HR department needs to go beyond designing effective HRM policies and practices to ensure that these practices are implemented appropriately and are accepted by employees in order to achieve the intended results.’

The 2006 survey by IRS of the work of the HR function (Crail, 2006) asked respondents to state what were the most time consuming and most important issues facing their HR departments. The replies are summarized in Table 5.1.

**Table 5.1** Issues facing HR departments

HR Issue	Most time-consuming (%)	Most important (%)
Recruitment/resourcing	27.3	16.8
Administration	16.4	1.9
Absence	12.7	7.7
Pay and benefits	12.7	19.4
Employee relations	9.1	10.3
Training and development	4.2	10.3
Strategic activities	0.0	10.3

As might be expected, recruitment was the most time-consuming, although not the most important issue. Training and development was not very time-consuming but quite important. Strategic activities were believed to be important but were not mentioned at all as being time-consuming. The emphasis is on transactional activities.

## Variations in the role

The role of the HR function and the practice of human resource management vary immensely in different organizations. As Sisson (1995) has commented, HR management is not a single

homogeneous occupation – it involves a variety of roles and activities that differ from one organization to another and from one level to another in the same organization. And Tyson (1987) has claimed that the HR function is often ‘balkanized’ – not only is there a variety of roles and activities but these tend to be relatively self-centred, with little passage between them. Hope-Hailey *et al* (1998) believe that HR could be regarded as a ‘chameleon function’ in the sense that the diversity of practice established by their research suggests that ‘contextual variables dictate different roles for the function and different practices of people management’.

## The organization of the HR function

The organization and staffing of the HR function clearly depends on the size of the business, the extent to which operations are decentralized, the type of work carried out, the kind of people employed and the role assigned to the HR function. The amount of diversity was noted by Crail (2006) on the basis of an IRS survey.

The IRS 2008 survey of HR roles and responsibilities (Crail, 2008) found that the median HR specialist to employee ratio was 108 employees to each practitioner. But it varies considerably. At the upper quartile the ratio was 1:150 and at the lower quartile it was 1:63. Broadly, the larger the organization, the higher the ratio of employees to practitioners.

## Guidelines on organizing HR

There are no absolute rules for organizing the function but the following are commonly assumed guidelines.

### *Guidelines on organizing the HR function*

- The head of the function should report directly to the chief executive and be a member of the top management team involved in the formulation of business strategy.
- In a decentralized organization, operational units should be responsible for their own HR management affairs within the framework of broad strategic and policy guidelines from the centre.
- The professional members of the function should have ‘strategic capability’ in the sense of understanding the strategic imperatives of the organization and having the skills required to contribute to the formulation and achievement of strategic goals and ‘act as catalysts for change, anticipating problems and making things happen’ (Hutchinson and Wood, 1995).
- Increased responsibility for HR matters should be devolved to line managers where appropriate.

A development in the direction of establishing a model for the organization of the HR function which has excited much interest in recent years is the Ulrich 'three-legged stool' as described by Robinson (2006) and discussed below. But many HR departments are still run on traditional lines and what this involves is also discussed later.

## The Ulrich three-legged stool model

The three-legged stool model for the organization of the HR function emerged from Dave Ulrich's work in the 1990s (Ulrich 1995, 1997a, 1997b, 1998). It divides the function into the following three parts.

### *1. Centres of expertise*

These specialize in the provision of high level advice and services on key HR activities. The CIPD survey on the changing HR function (CIPD, 2007a) found that they existed in 28 per cent of respondents' organizations. The most common expertise areas were training and development (79 per cent), recruitment (67 per cent), reward (60 per cent) and employee relations (55 per cent).

### *2. Strategic business partners*

These work with line managers to help them reach their goals through effective strategy formulation and execution (Ulrich and Brockbank, 2005b). They are often 'embedded' in business units or departments. The concept of business partnering is considered in more detail in Chapter 5.

### *3. Shared service centres*

These handle all the routine 'transactional' services across the business. These include such activities as recruitment, absence monitoring and advice on dealing with employee issues such as discipline and absenteeism. Shared service centres are dealt with in more detail later in this chapter.

Although this Ulrich model has attracted a great deal of attention, the CIPD 2007 survey found that only 18 per cent of respondents had implemented all three legs, although 47 per cent had implemented one or two elements with business partners being the most common (29 per cent).

As Reilly (2007) commented, respondents to the survey mentioned problems in introducing the new model. These included difficulties in defining roles and accountabilities, especially those of business partners, who risk being 'hung, drawn and quartered by all sides', according to one HR director. At the same time, the segmented nature of the structure gives rise to 'boundary management' difficulties, for example when it comes to separating out

transactional tasks from the work of centres of expertise. The model can also hamper communication between those engaged in different HR activities. Other impediments were technological failure, inadequate resources in HR and skills gaps.

But some benefits were reported by survey respondents. Centres of expertise provide higher quality advice. Business partners exercise better business focus, line managers are more engaged, and the profile of HR is raised, while the introduction of shared services results in improved customer service and allows other parts of HR to spend more time on value-adding activities.

Hope-Hailey *et al* (2005) raised questions about the Ulrich model on the basis of their research in a bank. Their conclusions are given below.

### Conclusions by Hope-Hailey *et al* (2005) on the Ulrich model

The conflict of simultaneously balancing both a process-oriented and a people-oriented role resulted in the HR department siding with management, and largely neglecting relations with employees by making this the responsibility of line management. The identification of this fundamental conflict raises serious questions about the role of the HR function. Is it possible for the function to meet both employee and business needs by operating simultaneously in all four segments within Ulrich's model? Or is Ulrich's model at best based on a unitarist perspective and at worst overly naïve about the nature of organizational life as lived by the people researched in this case?

## Standard approaches to organizing the HR function

There is no such thing as a typical HR department but Crail (2006) used the responses from 179 organizations to an IRS survey of the HR function to produce a model of a 'standard' HR department. He suggested that this:

*might consist of a team of 12 people serving a workforce of around 1,200 (on average, there was one HR practitioner or assistant for every 102 employees). The team would have a director, three managers, one supervisor, three HR officers and four assistants. Such a team would typically include a number of professionally qualified practitioners, particularly at senior level, and would enjoy good access to the company's most senior executives.*

*Although having ambitions to being more proactive, both as a business partner and strategic contributor to organizational decision making, our 'standard' HR department would still consider that it spends too much time on administration. Some attempts to*

*deal with this would have been made by shifting people management responsibilities to line managers – not always with entirely positive results. Despite this, our HR department's own perception is that it has won greater respect and enjoyed greater influence over the way the organization is run in recent years – partially because the environment has changed and HR is seen as the source of knowledge on legal and regulatory requirements, but largely thanks to its own efforts.*

## Evaluating the HR function

It is necessary to evaluate the contribution of the HR function in order to ensure that it is effective at both the strategic level and in terms of service delivery and support. The prime criteria for evaluating the work of the function are its ability to operate strategically and its capacity to deliver the levels of services required.

Research conducted by the Institute of Employment Studies (Hirsh, 2008) discovered that the factors that correlated most strongly with line managers' and employees' satisfaction with HR were:

- being well supported in times of change;
- HR giving good advice to employees;
- being well supported when dealing with difficult people or situations;
- HR getting the basics right.

However, the results showed that HR could do better in each of these areas. The conclusions reached were that HR must find out what its customers need and what their experiences of HR services are. HR has to be responsive – clear about what it is there for and what services it offers, and easy to contact.

In evaluation it is useful to remember the distinction made by Tsui and Gomez-Mejia (1988) between process criteria – how well things are done, and output criteria – the effectiveness of the end-result. A 'utility analysis' approach as described by Boudreau (1988) can be used. This focuses on the impact of HR activities measured wherever possible in financial terms (quantity), improvements in the quality of those activities, and cost/benefit (the cost of the activities in relation to the benefits they provide). The dimensions of HR effectiveness have been defined by Huselid *et al* (1997) as follows.

**The dimensions of HR effectiveness, Huselid *et al* (1997)**

- Strategic HRM – the delivery of services in a way that supports the implementation of the firm’s strategy.
- Technical HRM – the delivery of HR basics such as recruitment, compensation and benefits.

The methods that can be used to evaluate these dimensions are described below.

**Quantitative criteria**

These consist of:

- Organizational: added value per employee, profit per employee, sales value per employee, costs per employee and added value per £ of employment costs.
- Employee behaviour: retention and turnover rates, absenteeism, sickness, accident rates, grievances, disputes, references to employment tribunals, successful suggestion scheme outcomes.
- HR service levels and outcomes: time to fill vacancies, time to respond to applicants, ratio of acceptances to offers made, cost of replies to advertisements, training days per employee, time to respond to and settle grievances, measurable improvements in organizational performance as a result of HR practices, ratio of HR costs to total costs, ratio of HR staff to employees, the achievement of specified goals.

A summary of measures and their possible uses is given in Table 5.2.

**Table 5.2** Measures of HR effectiveness and their use

Measures	Possible use – analysis leading to action
Achievement of agreed service delivery levels: time to fill vacancies response rates to requests for services or advice provision of required information provision of required training provision of advice on employment law issues handling grievances and employee concerns handling industrial relations issues	Identify strengths and weaknesses and areas for development or improvement
Outcomes of employee opinion surveys	Assess impact of HR policies and practices on motivation, engagement and commitment
Attrition levels	Assess effectiveness of HR's recruitment, induction and reward policies and processes
Absenteeism	Assess effectiveness of HR's absence management policies
Grievances	Assess effectiveness of HR's grievance handling processes
Ratio of HR costs to total costs	Assess cost-effectiveness of HR
Cost of recruitment	Exercise control over HR costs
Cost of outsourcing	
Cost of using consultants	
Ratio of HR staff to total number of employees	Exercise control over HR staffing levels Benchmark with other comparable organizations

## User reactions

The internal customers of HR (the users of HR services) can provide important feedback on HR effectiveness. Users can be asked formally to assess the extent to which the members of the HR function demonstrate their abilities in the following ways.

### *How members of the HR function can demonstrate their effectiveness*

- Understand the business strategy and act in ways that support its achievement.
- Anticipate business needs and produce realistic proposals on how HR can help to meet them.
- Show that they are capable of meeting performance standards and deadlines for the delivery of HR initiatives and projects.
- Provide relevant, clear, convincing and practical advice.
- Provide efficient and effective services with regard to response, delivery times and quality.
- Generally reveal their understanding and expertise.

### Service level agreements

A service level agreement (SLA) is an agreement between the provider of HR services and the customers who use the service on the level of service that should be provided. It sets out the nature of the service provided, the volume and quality to be achieved by the service and the response times the provider must attain after receiving requests for help. The agreement provides the basis for monitoring and evaluating the level of service.

### Employee satisfaction measures

The degree to which employees are satisfied with HR policies and practices can be measured by attitude surveys. These can obtain opinions on such matters as their work, their pay, how they are treated, their views about the company and their managers, how well they are kept informed, the opportunities for learning and career development and their working environment and facilities.

### Benchmarking

In addition to internal data it is desirable to benchmark HR services. This means comparing what the HR function is doing with what is happening in similar organizations. This may involve making direct comparisons using quantified performance data or exchanging information on 'good practice' that can be used to indicate where changes are required to existing HR practices or to provide guidance on HR innovations. Organizations such as Saratoga provide benchmarking data under standardized and therefore comparable headings for their clients.

**Key points for measuring HR performance, Likierman (2005)**

- Agree objectives against budget assumptions; this will ensure HR's role reflects changes in strategy implementation.
- Use more sophisticated measures – get underneath the data and look not only at the figures but at the reasons behind them.
- Use comparisons imaginatively, including internal and external benchmarking.
- Improve feedback through face-to-face discussion rather than relying on questionnaires.
- Be realistic about what performance measures can deliver – many measurement problems can be mitigated, not solved.

## The HR scorecard

The HR scorecard developed by Beatty *et al* (2003) follows the same principle as the balanced scorecard, ie it emphasizes the need for a balanced presentation and analysis of data. The four headings of the HR scorecard are:

1. HR competencies – administrative expertise, employee advocacy, strategy execution and change agency.
2. HR practices – communication, work design, selection, development, measurement and rewards.
3. HR systems – alignment, integration and differentiation.
4. HR deliverables – workforce mindset, technical knowledge, and workforce behaviour.

These are all influenced by the factors that determine the strategic success of the organization, ie operational excellence, product leadership and customer intimacy.

## Preferred approach to evaluation

There is much to be said for the systematic HR scorecard approach although some organizations may have to develop their own headings as a basis for evaluation. There are plenty of typical measures but no standard set exists. Perhaps, as Guest and Peccei (1994) suggest:

*The most sensible and important indicator of HRM effectiveness will be the judgements of key stakeholders... The political, stakeholder, perspective on organizations*

*acknowledges that it is the interpretation placed on effectiveness in organizations and the attributions of credit and blame that are derived from them that matter most in judging effectiveness. In other words, at the end of the day, it is always the qualitative interpretation by those in positions of power that matters most.*

But they recognized ‘the desirability of also developing clearly specified goals and quantitative indicators, together with financial criteria’.

Finally, in evaluating the HR function it is well worth bearing in mind the following wise words of Ulrich and Brockbank (2005a).

SOURCE REVIEW

**Valuing HR, Ulrich and Brockbank (2005a)**

Value is defined by the receivers of HR work – the investors, customers, line managers and employees – more than by the givers. HR is successful if and when its stakeholders perceive that it produces value. Delivering what matters most to stakeholders focuses on the deliverables (outcomes of HR) rather than on the doables (activities of HR).

## HR shared service centres

An HR shared service centre is an HR unit or an outsourced facility that provides HR services that are available to a number of parties in the organization. The customer or user defines the level of the service and decides which services to take up. Thus, ‘the user is the chooser’ (Ulrich, 1995). A basic HR shared service centre carries out various routine administrative activities such as recruitment administration, pensions and benefits administration, payroll changes and absence monitoring. This can be extended to cover advice on employment matters such as the handling of disciplinary issues and grievances. A centre may use call-centre technology and/or provide self-service facilities for line managers and employees through an intranet system.

The organizations covered by the research conducted by Reilly (2000) on behalf of the Institute of Employment Studies identified one or more of the following reasons for providing shared services:

- HR will be consumer driven, more accessible, more professional;
- the quality of HR services will be improved in terms of using better processes, delivery to specification, time and budget, incorporation of good practice, the achievement of greater consistency and accuracy;
- the process can help to achieve organizational flexibility – a common service will support customers during business change;
- it can support the repositioning of HR so that it moves from a purely operational to a more strategic role.

The advantages of shared services include lower costs, better quality, more efficient resourcing and better customer service. But there are disadvantages, which include loss of face-to-face contact, deskilling administrative jobs and, potentially, remoteness from the users.

## Outsourcing HR work

Increasingly, HR services that would previously have been regarded as a business's own responsibility to manage are now routinely being purchased from external suppliers. Managements are facing Tom Peters' (1988) challenge: 'prove it can't be subcontracted'. The formal policy of a major global corporation reads: 'Manufacture only those items – and internally source only those support services – that directly contribute to, or help to maintain, our competitive advantage.'

The HR function is well positioned to outsource some of its activities to agencies or firms that act as service providers in such fields as training, recruitment, executive search, occupational health and safety services, employee welfare and counselling activities, childcare, payroll administration and legal advisory services. HR functions that have been given responsibility for other miscellaneous activities such as catering, car fleet management, facilities management and security (because there is nowhere else to put them) may gladly outsource them to specialist firms.

The criteria used in selecting outsourcing providers include having a justifiable reason for employing consultants, examining their previous work, making sure they can deliver what they say they will, ensuring assignment objectives are specified, and ensuring implementation. The benefits of outsourcing include reduced cost, access to expertise not available within HR, increased flexibility and speed of response, and freeing-up HR to focus on more value-adding activities. But there can be problems. Some firms unthinkingly outsource core activities on an ad hoc basis to gain short-term advantage while others find that they are being leveraged by their suppliers to pay higher rates. Firms may focus on a definition of the core activities and those that can be outsourced, which may be justified at the time but did not take account of

the future. Additionally, a seemingly random policy of outsourcing can lead to lower employee morale and to a 'who next' atmosphere.

To minimize problems careful consideration should be given to the case for outsourcing. It is necessary to assess each potential area with great care in order to determine whether it can and should be outsourced and exactly what such outsourcing is intended to achieve. The questions to be answered include: is the activity a core one or peripheral? How efficiently is it run at present? What contribution does it make to the qualitative and financial well-being of the organization? This is an opportunity to re-engineer the HR function, subjecting each activity to critical examination to establish whether the services can be provided from within or outside the organization, if at all. Outsourcing may well be worthwhile if it is certain that it can deliver a better service at a lower cost.

The approach to using and selecting outsourcing providers should include having a justifiable reason for employing them, examining their previous work, making sure they can deliver what they say they will, ensuring assignment objectives and service delivery standards are agreed, and specifying how they should communicate and the matters that need to be discussed and agreed during the period that assignments are carried out.

## Offshoring

To save costs UK organizations can employ people overseas to carry out work on their behalf. Call centres are typical examples.

## Using management consultants

Management consultants provide expertise and resources to assist in development and change. They may act as service providers in such fields as recruitment, executive search and training. They also provide outside help and guidance to their clients by advising on the introduction of new systems or procedures or by going through processes of analysis and diagnosis to produce recommendations or to assist generally in the improvement of organizational performance.

### Selecting and using consultants

The steps required in selecting and using consultants effectively are:

1. Define the business need – what added value consultants will provide.
2. Justify their use in terms of their expertise, objectivity and ability to bring resources to bear that might otherwise be unavailable – if the need has been established in cost–benefit terms the use of external consultants rather than internal resources has to be justified.

3. Define clearly the objectives of the exercise in terms of the end-results and deliverables.
4. Invite three or four firms or independent consultants to submit proposals.
5. Select the preferred consultants on the basis of their proposal and an interview (a 'beauty contest'). The criteria should be the degree to which the consultants understand the need, the relevance and acceptability of their proposed deliverables and programme of work, the capacity of the firm and the particular consultants to deliver, whether the consultants will be able to adapt to the culture and management style of the organization, the extent to which they are likely to be acceptable to the people with whom they will work, and the cost (but as for service providers, not the ultimate consideration).
6. Take up references before confirming the appointment.
7. Agree and sign a contract – this should always be in writing and should set out deliverables, timing and costs, methods of payment and arrangements for termination.
8. Agree a detailed project programme.
9. Monitor the progress of the assignment carefully without unduly interfering in the day-to-day work of the consultants, and evaluate the outcomes.

### Legal implications

A consultancy assignment can be cancelled if either party has clearly failed to meet the terms of the contract (whether this is a formal contract or simply an exchange of letters). Clients can also sue consultants for professional negligence if they believe that their advice or actions have caused financial or some other form of measurable loss. Professional negligence is, however, not always easy to prove, especially in HR assignments. Consultants can always claim that their advice was perfectly good but that it has been used incorrectly by the client (this may also be difficult to prove). Suing consultants can be a messy business and should only be undertaken when it is felt that they (or their insurers) should pay for their mistakes and thus help to recoup the client's losses. It should also be remembered that independent consultants and even some small firms may not have taken out professional liability insurance. If that is the case, all the aggrieved client who sues would do is to bankrupt them, which may give the client some satisfaction but could be a somewhat pointless exercise. The latter problem can be overcome if the client only selects consultants who are insured.

## Marketing the HR function

Top management and line managers are the internal customers whose wants and needs the HR function must identify and meet. How can this be done?

First, it is necessary to understand the needs of the business and its critical success factors – where the business is going, how it intends to get there and what are the things that are going to make the difference between success and failure. These data need to be converted into what are in effect marketing plans for the development of products and services to meet ascertained needs – of the business and its managers and employees. The plan should establish the costs of introducing and maintaining these initiatives and the benefits that will be obtained from them. Every effort must be made to quantify these benefits in financial terms.

The next step in the marketing process is to persuade management that this is a product or service the business needs. This means making out the business case – spelling out its benefits in terms of added value and the impact it will make on the performance of the business and indicating what financial and people resources will be required.

This approach is akin to ‘branding’ in product planning, which identifies the product or service, spells out the benefits it provides and differentiates it from other services, thus bringing it to the attention of customers and enhancing its image. Presentation is important through logos and distinctive brochures. Some HR departments brand products with an immediately identifiable name such as ‘Genome’ or ‘Gemini’. Others ‘brand’ their intranet portal by means of a special design and use the same motif on other internal written communications.

## HR budgeting

HR budgets are prepared like any other functional department budget in the stages set out below.

### *Stages in the preparation of HR budgets*

1. Define functional objectives and plans.
2. Forecast the activity levels required to achieve objectives and plans in the light of company budget guidelines and assumptions on future business activity levels and any targets for reducing overheads or for maintaining them at the same level.
3. Assess the resources (people and finance) required to enable the activity levels to be achieved.
4. Cost each activity area – the sum of these costs will be the total budget.

Budgets need to be justified and protected. Justification means ensuring in advance that objectives and plans are generally agreed – there should be no surprises in a budget submitted to top management. A cast-iron business case should then be prepared to support the forecast levels

of activity in each area and, on a cost/benefit basis, to justify any special expenditure. Ideally, the benefit should be defined in terms of a return on investment expressed in financial terms.

The best way to protect a budget is to provide in advance a rationale for each area of expenditure that proves that it is necessary and will justify the costs involved. The worst thing that can happen is to be forced onto the defensive. If service delivery standards (service level agreements) are agreed and achieved, these will provide a further basis for protecting the budget.

## The HR role of front line managers

HR can initiate new policies and practices but it is the line that has the main responsibility for implementing them. In other words, 'HR proposes but the line disposes.' As Guest (1991) says, 'HRM is too important to be left to personnel managers.'

If line managers are not inclined favourably towards what HR wants them to do they won't do it, or if compelled to, they will be half-hearted about it. On the basis of their research, Guest and King (2004) noted that 'better HR depended not so much on better procedures but better implementation and ownership of implementation by line managers.'

As pointed out by Purcell *et al* (2003) high levels of organizational performance are not achieved simply by having a range of well-conceived HR policies and practices in place. What makes the difference is how these policies and practices are implemented. That is where the role of line managers in people management is crucial: 'The way line managers implement and enact policies, show leadership in dealing with employees and in exercising control come through as a major issue'. Purcell *et al* noted that dealing with people is perhaps the aspect of their work in which line managers can exercise the greatest amount of discretion and they can use that discretion by not putting HR's ideas into practice. As they point out, it is line managers who bring HR policies to life.

A further factor affecting the role of line managers is their ability to do the HR tasks assigned to them. People-centred activities such as defining roles, interviewing, reviewing performance, providing feedback, coaching and identifying learning and development needs all require special skills. Some managers have them: many don't. Performance-related pay schemes sometimes fail because of untrained line managers.

Hutchinson and Purcell (2003) made the following recommendations on how to improve the quality of the contribution line managers make to people management.

**Improving the quality of line managers as people managers, Hutchinson and Purcell (2003)**

- Provide them with time to carry out their people management duties, which are often superseded by other management duties.
- Select them carefully with much more attention being paid to the behavioural competencies required.
- Support them with strong organizational values concerning leadership and people management.
- Encourage the development of a good working relationship with their own managers.
- Ensure they receive sufficient skills training to enable them to perform their people management activities such as performance management.

To which can be added that better implementation and better ownership by line managers of HR practices is more likely to be achieved if:

- the practice demonstrably benefits them;
- they are involved in the development and, importantly, the testing of the practices;
- the practice is not too complicated, bureaucratic or time-consuming;
- their responsibilities are defined and communicated clearly; and
- they are provided with the guidance, support and training required to implement the practice.

**Role and organization of the HR function – key learning points**

**The role of the HR function**

To take initiatives and provide guidance, support and services on all matters relating to the organization’s employees.

**The activities of the HR function**

- Strategic (transformational) activities concerned with the alignment

and implementation of HR and business strategies.

- Transactional – the main HR service delivery activities of resourcing, learning and development, reward and employee relations.

## Role and organization of the HR function – key learning points (continued)

### The diversity of the HR function

HR management involves a variety of roles and activities that differ from one organization to another and from one level to another in the same organization.

### Guidelines on organizing the function

- The head of the function should report directly to the chief executive and be a member of the top management team involved in the formulation of business strategy.
- Operational units should be responsible for their own HR management affairs within the framework of broad strategic and policy guidelines from the centre.
- The professional members of the function should have 'strategic capability'.
- Increased responsibility for HR matters should be devolved to line managers.

### The criteria for evaluating the effectiveness of the HR function

Its ability to operate strategically and its capacity to deliver the levels of services required.

### The dimensions of HR effectiveness

- Strategic HRM – the delivery of services in a way that supports the implementation of the firm's strategy.
- Technical HRM – the delivery of HR basics such as recruitment, compensation and benefits.

### Quantitative criteria for evaluating the HR function

Organizational (added value per employee, etc), employee behaviour and levels of service delivery.

### How HR people can demonstrate their effectiveness

- Understand the business strategy.
- Anticipate business needs and propose realistically how HR can help to meet them.
- Show that they are capable of meeting performance standards.
- Provide relevant, clear, convincing and practical advice.
- Provide efficient and effective services.
- Generally reveal their understanding and expertise.

### Methods of measuring HR effectiveness

User reaction, employee satisfaction measures, benchmarking.

### The HR scorecard (Beatty *et al*, 2003)

The four headings are HR competencies, HR practices, HR systems and HR deliverables.

### Outsourcing

Benefits include reduced cost, access to expertise not available within HR, increased

## Role and organization of the HR function – key learning points (continued)

flexibility and speed of response, and freeing-up HR to focus on more value-adding activities. Problems include suppliers increasing charges, short-term decisions on what can be outsourced, lower employee morale.

### Use of management consultants

Provide expertise and may act as service providers in recruitment, executive search and training.

### Marketing the HR function

Persuade management that HR is a service to the business needs by making out the business case – spelling out its benefits in terms of added value and the impact it will make on performance.

### HR budgeting

Budgets need to be justified and protected. Justification means ensuring in advance that objectives and plans are generally agreed. Protection means providing in

advance a rationale for each area of expenditure (a business case) that proves it is necessary and will justify the costs involved.

### The HR role of line managers

HR can initiate new policies and practices but it is the line that has the main responsibility for implementing them. Better ownership by line managers of HR practices is more likely to be achieved if:

- the practice demonstrably benefits them;
- they are involved in the development and the testing of the practices;
- the practice is not too complicated, bureaucratic or time-consuming;
- their responsibilities are defined and communicated clearly; and
- they are provided with the guidance, support and training required to implement the practice.

## Questions

1. Some time ago (1987) Professor Shaun Tyson produced the following prediction: 'Personnel work can be seen to be subject to conflicting and powerful pressures which are leading to the balkanization of the personnel role. The territory which could once have been delineated as personnel country, is being invaded, sold-off, subdivided and put under lease to consultants, sub-specialists and line managers, whose crosscutting alliances do not correspond to a coherent, separate function.' To what extent has this happened since then? If not, what has happened?

## Questions (continued)

2. Peter Reilly made these comments in 2006 on the three-legged Ulrich model: ‘The model has many advantages, not least that it aims to centralize activities where there are scale advantages and also keep close to customers where decentralization is necessary. But it’s not an easy structure to work with... Splitting the function into three distinct areas has created boundary disputes and sometimes left a hole at the very heart of HR operations... One consequence of this division of labour is that lines of accountability are not always clearly defined... The end result may be a remote service that does not attend to the areas where managers need most assistance.’ Drawing on research, what can be done to avoid these problems?
3. As head of HR services you have received the following e-mail from your boss, the group head of HR: ‘I note that one of the findings of the CIPD 2007 report on the changing HR function was that: “Three-quarters of survey respondents would like to go further in the transfer of people management responsibilities to the line. It seems obstacles to progress appear to be line manager priorities, their skills, the time available to them for people management tasks and poor manager self service.” I believe that we have all these problems: line managers go through the motions as far as their people management responsibilities are concerned and are too busy anyhow to pay proper attention to them. Even if they are interested and have the time, they lack the skills, for example in interviewing and conducting performance reviews and we are woefully slow in extending our HR information system to provide for self-service. What should we do about these problems?’ Reply to this e-mail.

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