

# The contribution of HRM and L&D in different types of organization

07

## Key concepts and terms

- *Big idea*
- *The black box*
- *Causal ambiguity*
- *Contingency variables*
- *Employee value proposition*
- *Employee champion*
- *Organizational effectiveness*
- *Reversed causality*

## LEARNING OUTCOMES

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

- The overall contribution the HRM and L&G functions can make to organizational capability and effectiveness
- How HR makes an impact on organizational performance
- The contribution HR can make in the public and voluntary sectors, in small to medium-sized enterprises (SMEs) and international organizations

## Introduction

This chapter starts with a study of the overall contribution of the human resources (HR) and learning and development (L&D) functions to organizational effectiveness and an analysis of how this contribution is made. The rest of the chapter is devoted to the contribution of HR in organizations in the public and voluntary sectors, in SMEs (small to medium-sized enterprises) and in international organizations.

## The overall contribution of HR

In large private sector companies and in other sectors HR can:

- Provide insight – seek understanding of the issues affecting the organization and its employees, explore the implications of these issues for business and people management and convey these messages to management. The aim is to help organizations ‘to find new ways of meeting current and future challenges’ (CIPD, 2010a: 5).
- Participate in the formulation and implementation of business strategy – as Lawler and Mohrman (2003: 16) commented: ‘HR can play an important role in the formulation of strategy by making explicit the human capital resources required to support various strategies and strategic initiatives, by playing a leadership role in helping the organization develop the necessary capabilities to enact the strategy, and by playing a strong role in implementation and change management.’
- Improve organizational effectiveness (the ability of an organization to achieve its goals by making effective use of the resources available) – plan and implement organization development programmes. As emphasized by the CIPD (2010a: 7): ‘HR has a unique role to play in helping an organization succeed today in a way that lays the foundations for future, sustainable success.’
- Facilitate change – fulfil the role of change agent, leading and advising senior and line managers how best to manage organizational change. Ulrich (1998: 125) suggested that HR should become ‘an agent of continuous transformation’.
- Deliver HR services – provide effective and efficient services in such fields as recruitment, learning and development, reward management and employee relations which meet the needs of the organization, its management and its employees.
- Provide expertise – in contributing to the achievement of the organization’s strategy, developing HR strategies and delivering advice and services in accordance with good practice in each aspect of HRM.

- Provide advice – improve the quality of employment relationships by advising managers on the implementation of HR policies and procedures, on employment issues and on handling people problems.
- Develop the employee value proposition – take action to improve the value of what the organization offers to prospective or existing employees in order to persuade them to join or remain with the business.
- Promote the well-being of employees – help to improve the quality of the work environment, covering how people are treated at work in such areas as health and safety, reduction of stress and work–life balance issues.
- Promote social responsibility – formulate socially responsible HR policies on such issues as equal opportunity, the management of diversity, flexible working, harassment and bullying, and ensure they are implemented. Act as the guardian of the organization's values and ethical standards concerning people, pointing out when behaviour conflicts with those values or where proposed actions will be inconsistent with them. Ulrich (1998) called this the 'employee champion' role.
- Ensure compliance with employment law – develop and implement policies and procedures which ensure that the provisions of employment law are fully taken into account.

## The contribution of learning and development

The CIPD research on the value of learning (Anderson, 2007) found that senior managers and L&D specialists believed generally that learning was expected to ensure the strategic readiness of employees; deliver performance improvement; deliver cost-effective labour, and enable effective career/talent management processes. In more detail, the contribution that L&D can make is to:

- provide insight – seek understanding of the issues affecting the organization and its employees, explore the implications of these issues for learning and development strategy and practice;
- improve organizational effectiveness – plan and implement learning and development policies designed to improve performance and help the organization achieve its goals;
- facilitate change – support change management programmes by developing the knowledge, skill and understanding required to implement change;
- help to ensure that the organization has the skilled, knowledgeable and engaged people it needs – contribute to talent management

programmes and organize learning and development events and programmes to meet identified needs;

- deliver L&D services – provide effective and efficient services in the provision of learning and development events and programmes which meet the needs of the organization, its management and its employees;
- promote individual development – encourage and support the development of individuals to their own benefit and that of the organization;
- provide expertise – to contribute to the achievement of the organization's strategy, develop L&D strategies and deliver advice and services in line with good practice in each aspect of L&D;
- provide advice – help managers to improve the quality of workplace learning.

## The impact of HRM on Performance

As Guest (1997: 269) argued: 'The distinctive feature of HRM is its assumption that improved performance is achieved through the people in the organization.' If, therefore, appropriate HR policies and processes are introduced, it can also be assumed that HRM will impact on firm performance. Much research has been carried out showing that good HRM practice and firm performance are correlated; notable examples in the UK being Patterson et al (1997), Guest et al (2000a), Thompson (2002), West et al (2002) and Purcell et al (2003), as summarized in Table 7.1.

### ***The problem of establishing how HRM makes an impact***

Storey et al (2009: 4) observed that: 'The premise is that, in some shape or form, HR policies have an effect on HR practices and these in turn influence staff attitudes and behaviours which will, in turn again, impact on service offerings and customer perceptions of value.' However, Guest et al (2000b) commented that much of the research has demonstrated an association between HRM and performance but left uncertainties about cause and effect. Ulrich (1997: 304) pointed out that: 'HR practices seem to matter; logic says it is so; survey findings confirm it. Direct relationships between performance and attention to HR practices are often fuzzy, however, and vary according to the population sampled and the measures used.'

There are two issues which affect the determination of a link between HRM and firm performance: causal ambiguity and contingency factors. These contribute to what is known as 'the black box' phenomenon.

## Causal ambiguity

The term ‘causal ambiguity’ refers to the numerous, subtle and often hidden interconnections between the factors influencing cause and effect. Boselie et al (2005: 75) referred to the causal distance between an HRM input and an output such as financial performance: ‘Put simply, so many variables and events, both internal and external, affect organizations that this direct linkage strains credibility.’

A basic reason for ambiguity is multiple causation, which exists when there is more than one possible cause for an effect. HRM may have caused an improvement in performance but there may be many other economic or business factors that did so, and it could be difficult to unravel them. Another factor is the possibility of reversed causality (a situation where A might have caused B but B might well have caused A). As Purcell et al (2003: 2) expressed it: ‘Although it is nice to believe that more HR practices lead to higher economic return, it is just as possible that it is successful firms that can afford more extensive (and expensive) HRM practices.’

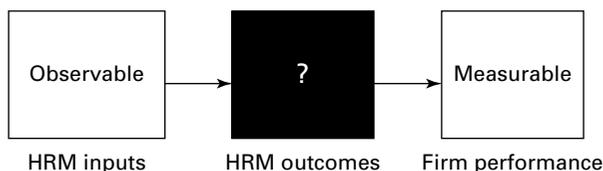
## Contingency factors

Causation will additionally be affected by the organization’s context, the internal and external environmental factors which influence what happens within the organization.

## The black box phenomenon

Causal ambiguity also stems from the black box phenomenon as illustrated in Figure 7.1. This is the situation in which while it may be possible to observe HRM inputs in the form of HR practices and measure firm performance outputs, it may be difficult or hard to be certain through research about what happened in between – what the HRM outcomes were which converted the input of HR practices into firm performance outputs. As Alvesson (2009: 56) commented: ‘Research does not proceed beyond attempts to find an empirical association between HR practices and organizational performance. The phenomena are in a black box, only input and output are registered and what is happening remains clouded in the dark.’

**FIGURE 7.1** The black box phenomenon



**TABLE 7.1** Research on the link between HRM and firm performance

| Researcher(s)          | Methodology   | Outcomes  |
|------------------------|---|---|
| Patterson et al (1997) | The research examined the link between business performance and organization culture and the use of a number of HR practices.   | HR practices explained significant variations in profitability and productivity (19% and 18% respectively). Two HR practices were particularly significant: (1) the acquisition and development of employee skills and (2) job design, including flexibility, responsibility and variety. |
| Guest et al (2000a)    | An analysis of the 1998 WERS survey which sampled some 2,000 workplaces and obtained the views of about 28,000 employees.   | A strong association exists between HRM and both employee attitudes and workplace performance.  |
| Thompson (2002)        | A study of the impact of high-performance work practices such as team working, appraisal, job rotation, broad-banded grade structures and sharing of business information in UK aerospace establishments. | The number of HR practices and the proportion of the workforce covered appeared to be the key differentiating factor between more and less successful firms.  |

West et al (2002)

Research conducted in 61 UK hospitals obtaining information on HR strategy, policy and procedures, and mortality rates from chief executives and HR directors.

An association between certain HR practices and lower mortality rates was identified. As noted by Professor West: 'If you have HR practices that focus on effort and skill; develop people's skills; encourage cooperation, collaboration, innovation and synergy in teams for most if not all employees, the whole system functions and performs better.'

Purcell et al (2003)

A University of Bath longitudinal study of 12 companies to establish how people management impacts on organizational performance.

The most successful companies had 'the big idea'. They had a clear vision and a set of integrated values. They were concerned with sustaining performance and flexibility. Clear evidence existed between positive attitudes towards HR policies and practices, levels of satisfaction, motivation and commitment, and operational performance. Policy and practice implementation (not the number of HR practices adopted) is the vital ingredient in linking people management to business performance and this is primarily the task of line managers.

## ***Explanations of how HRM makes an impact***

David Guest (1997: 268) stated that: ‘The assumption is that “appropriate” HRM practices tap the motivation and commitment of employees.’ He explained how expectancy theory might help to explain the HR/performance link as follows. The expectancy theory of motivation provides one possible basis for developing a more coherent rationale about the link between HRM practices and performance. Although expectancy theory is concerned primarily with motivation, it is also a theory about the link between motivation and performance. Specifically, it proposes that high performance, at the individual level, depends on high motivation plus possession of the necessary skills and abilities and an appropriate role and understanding of that role. It is a short step to specify the HRM practices that encourage high skills and abilities, for example careful selection and high investment in training; high motivation, for example employee involvement and possibly performance-related pay; and an appropriate role structure and role perception, for example job design and extensive communication and feedback.

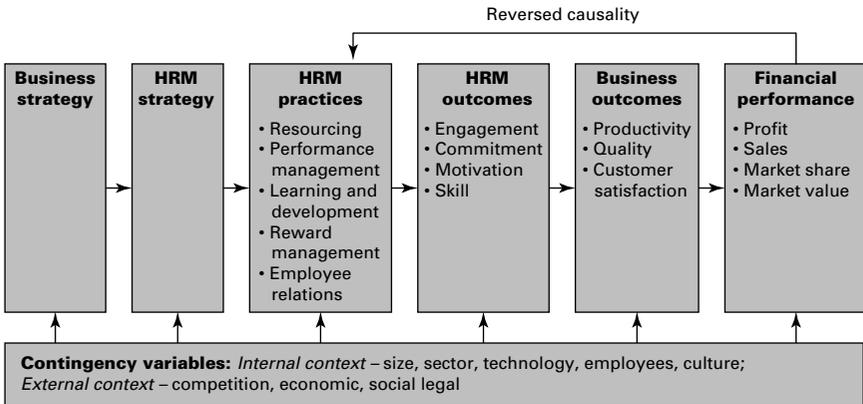
Following this contribution from David Guest, any explanation of the impact of HRM on organizational performance is likely to be based on three propositions: (1) that HR practices can make a direct impact on employee characteristics such as engagement, commitment, motivation and skill; (2) if employees have these characteristics it is probable that organizational performance in terms of productivity, quality and the delivery of high levels of customer service will improve; and (3) if such aspects of organizational performance improve, the financial results achieved by the organization will improve. These propositions highlight the existence of an intermediate factor between HRM and financial performance. This factor consists of the HRM outcomes in the shape of employee characteristics affected by HR practices. Therefore, HRM does not make a direct impact. A model of the impact of HRM taking the considerations of reverse causation and contingency effects mentioned earlier into account is shown in Figure 7.2.

But high performance is not just about HR practices. The case-based research by Purcell et al (2003) showed that the key to activating what they called the ‘people–performance’ link lies not only in well-crafted ‘bundles’ of HR practices, but in their conjunction with a powerful and cohering organizational vision (or ‘big idea’) and corporate leadership, together with front-line leadership’s action and use of its discretionary power.

## **HRM in different contexts**

The discussion so far in this chapter on the contribution and impact of HRM could be applied generally to any private sector firm and, in a number of respects to organizations in the public and voluntary sectors. The HR activities of organization design and development, resourcing, learning and development, reward and employee relations as described in Chapter 3 may

**FIGURE 7.2** Impact of HRM on organizational performance (based on Paauwe, 2004)



appear on the surface to be basically similar in any organization in which they take place. They are often presented as if this were the case. In practice, however, the way in which they are applied and to what extent will, in accordance with contingency theory, be dependent on the organization's environment and circumstances, ie the context in which HRM takes place. Two of the most important contextual factors are the organization's sector and its size.

The major distinction, as discussed in this chapter, is between private sector, public sector and voluntary organizations. Most of the discourse on HRM over the years has been focused on the private sector and to a large extent this applies to this book, so far. But there are significant differences in the HRM context between the private sector and the other two sectors and in the next two parts of this chapter these differences are analysed.

The other major contextual factor is the size of the organization. Again, descriptions of HRM often seem to assume that all organizations are alike, irrespective of sector and size. But SMEs are different in many ways and this affects how HRM takes place. These differences are therefore explored in this chapter after the public and voluntary sectors have been dealt with. Finally, there is the significant effect of international activities on HRM, which is considered in the last section of the chapter.

## The contribution of HRM in the public sector

An analysis of the contribution of HRM in the public sector has to be made against the background of a definition of the public sector and by descriptions

of the considerations affecting the sector and its main characteristics. These are dealt with in the first three parts of this section. The role and the contribution of HRM in the sector are examined in the next two parts of the section.

### ***Definition of the public sector***

The public sector was first defined by Adam Smith (1776: 1220) as:

...those public institutions and those public works, which though they may be in the highest degree advantageous to a great society, are, however, of such a nature that the profit could never repay the expense to any individual, or small number of individuals, and, therefore, it cannot be expected that any individual, or small number of individuals, should erect or maintain.

Today, the public sector can be defined as containing those organizations and activities that exist to provide services for the state, the community and individual citizens. Public sector organizations at national or local level execute political policy decisions but senior or specialized members of such institutions will provide advice to politicians on the factors affecting political policies and on their implementation. Public sector organizations are concerned with revenues and expenditures but do not exist to create profits. They are, in effect, owned by the public and not, as is the case in private sector businesses, by shareholders.

### ***Considerations affecting the public sector***

The considerations affecting public sector organizations as noted by Vere (2005: 5–6) are:

- smaller government;
- better delivery;
- improved efficiency;
- cost reduction;
- release resources to the front line.

### ***Characteristics of the public sector***

The main characteristics of the public sector are summarized below.

- Public scrutiny. As Bach and Kessler (2007: 470–71) noted: ‘The degree of public scrutiny and the amount of direct and indirect intervention has no direct equivalent in the private sector.’
- Range of stakeholders. Truss (2008: 1073) commented that: ‘public organizations have a much broader range of stakeholders than their private sector counterparts. Compared with the more

limited number of stable goals that exist for private sector firms, these bring a multiplicity of objectives and priorities. This creates a complex and qualitatively different working environment for public managers.’

- **Governance.** Top managers in the public sector are very much subject to the will and sometimes the foibles of their masters – the politicians. As Parry et al (2005: 590) noted: ‘Management of human resources in the public sector is subject to direct and indirect political intervention brought about by the tripartite nature of the relationship among employer, employee and government. Historically, public sector employment has been influenced by the desire of the government to be a “model employer”.’
- **Funding uncertainties.** Funding uncertainties and funding constraints are endemic to public services, as exemplified by the cuts imposed by the UK coalition government in 2011.

### ***The HR function in the public sector***

Vere and Butler (2007: viii) stated that: ‘Public sector organizations are under continual pressure to provide better services with fewer resources at a time of increasing expectations from stakeholders, customers and taxpayers.’ Truss (2008: 1071–72) observed that there has been ‘increasing pressure from government on organizations to emulate private sector managerial practices, including performance management, customer orientation, and a heightened strategic focus’. She pointed out that: ‘Since, in the public sector, salaries can amount to up to 80 per cent of organizational costs, the domain of human resource management (HRM) has received renewed attention under these reforms.’ She also argued that: ‘Historically, compared with other more powerful groups vying for resources, the HR function in the public sector has lacked credibility and been regarded as peripheral and relatively powerless’ (ibid: 1072–73).

### ***Challenges to the HR function in the public sector***

HR in the public sector is involved in the same transactional activities such as recruitment, training and pay administration as in other sectors. But it is much more concerned with industrial relations than in the majority of private sector firms and it is particularly involved in ensuring that the organization sets an example in people management in such areas as equal opportunity, diversity and employee well-being. The CIPD (2010b: 7) highlighted particular areas of performance management in the public sector that need to improve to support more effective service delivery, namely: managing absence, managing stress, managing conflict.

## ***What HR can contribute in the public sector***

Apart from providing efficient and effective transactional HR services, HR in the public sector can make the following key contributions:

- Enable an integrated strategic approach to HRM to be adopted which responds to the challenges presented by multiple stake holders, governance issues and funding uncertainties and ensures that the organization has the skilled and engaged workforce it needs and that a cooperative climate of employee relations is maintained.
- Meet the exacting demands of good practice in the fields of equal opportunity, equal pay, diversity management and employee well-being.
- Contribute to the management of constant and often unpredictable change.

## **The contribution of HRM in the voluntary sector**

The voluntary sector, sometimes called the third sector, consists of organizations such as charities, whose purpose is to help people, provide services or promote causes. The larger charities, especially international ones, are often referred to as 'non-governmental organizations' (NGOs). Voluntary organizations function on a 'not-for-profit' basis and their income is obtained from voluntary contributions, gifts, earnings from the services they provide to the public or to government and local government organizations on a contractual basis, and funding from the state or local government. They are typically governed by unelected boards of trustees.

The sector is large, complex and fragmented. According to Sargeant (2005: 7): 'One of the oldest surviving charities in England is Weeks' charity, an organization originally set up in the fifteenth century to provide faggots (bundles of sticks) for burning heretics.' Cunningham (2010: 344) recorded that 608,000 people are employed in the voluntary sector and 21.4 million people in the UK volunteer at least once a year. The voluntary sector contributes £21 billion to the economy.

### ***Voluntary sector issues***

On the basis of their research, Birdi et al (2007) noted that the performance of voluntary organizations is closely related to the knowledge and skills of their employees. The human factor is indeed an important issue as discussed below.

## ***Managing people with particular values and beliefs***

In many charities a large proportion of employees are professionally qualified and ‘knowledge workers’ – individuals who may be averse to bureaucratic HR policies. The writer observed on the basis of his extensive experience in the voluntary sector that employees, especially those concerned with service delivery, were often highly committed but that this high commitment has its downside. Individuals are reluctant to change or recognize any priorities other than their own. The organization is perceived as an unnecessary distraction, and this can make the life of a personnel director who is trying to establish a consistent approach to personnel management practices very difficult (Armstrong, 1992: 30).

Hudson (1999: 16) observed that:

Managing third-sector organizations is subtly different from managing in the private or public sectors. Managers who have transferred from either the public or the private sector quickly discover that there is something intrinsically different in making things happen in a not-for-profit context. It is difficult to spot the relevant differences and distinguish them from the superficial ones. The symbols of informal dress, cramped offices and seemingly endless meetings hide more deep-seated differences in people’s values and beliefs. Yet it is these values and beliefs that are at the root of the differences.

Kendall (2003: 215) wrote of voluntary sector organizations: ‘These organizations are awkward customers. They cannot be steered by fiat or finance to the extent that state entities or for-profit organizations can.’

## ***Governance issues***

As noted by Brewster and Lee (2006a: 135) ‘Governance problems in the NGOs vary considerably and depend on the type of organization that is being considered. However, a crucial distinctive element in the nature of governance in NGOs is that it remains the ultimate responsibility of part-time volunteers, usually meeting no more than four or six times a year in the form of a trustee board or committee of management.’

## ***Funding and regulatory pressures***

Cunningham (2008: 1034–35) pointed out that: ‘HR practitioners will operate across a spectrum of “high” and “low” road employment strategies in an effort to coordinate organizational responses to diverse and contradictory external funding and regulatory constraints while at the same time attempting to exercise degrees of strategic freedom from the funding bodies.’

## ***The role of HR in the voluntary sector***

Parry et al (2005: 591) commented that in the voluntary sector, ‘people management had traditionally taken a back seat to the management of

fundraising activities and service delivery'. Sargeant (2005) observed that HRM specialist skills at board level in non-profit organizations are often under-represented or non-existent, dwarfed by the more urgent priorities associated strategically with the demands of resource attraction (fundraising and marketing) and resource allocation (service provision, campaigning and education).

Research conducted by Brewster and Lee (2006a) in NGOs found that HR issues were frequently overlooked in favour of campaigning programmes, with HR specialists – where they existed – rarely represented at senior levels. As Brewster and Lee (2006b: 44) commented: 'The success of NGOs hinges on their people – but HR is neglected in the sector.' They also found that HR usually had no place on trustee boards and pointed out that the HRM function is often characterized as:

- a supporting rather than a leading function when viewed in terms of its contribution towards mission achievement;
- an administrative function that is predominately reactive to the decisions of others, not proactive in its own right;
- being emasculated by comparison with staff and budget resource allocated to other functions (ie service delivery, income generation etc);
- lacking in participation in the identification and selection process associated with the appointment of the most senior staff and trustees;
- uninvolved in corporate strategy.

However, research by Birdi et al (2007) established that non-profit organizations did appear to be better than private or public sector organizations in the range of individual learning opportunities offered to, and taken up by, their employees.

### ***What HR can contribute in the voluntary sector***

The four core needs for charities which can be addressed by HR and L&D are effective management, enhancing performance, staff development, and governance – with board-level leadership development being an urgent priority. As in the public sector, the function can provide efficient and effective transactional HR services but beyond this, the role of HR in the voluntary sector is not easy. Ideally, it should be there to ensure that a strategic approach to managing and developing people is adopted which will meet the needs of both the charity and those it employs. But this can be difficult if the function is not represented at the highest level (which is often the case) and if in practice HR strategies for a large part of the workforce and for volunteers are evolved elsewhere, if they exist at all.

## The contribution of HRM in SMEs

Small and medium-sized enterprises are defined in terms of the number of employees – up to 250. SMEs play an important part in the economy – they account for 59 per cent of private sector employment in the UK (Storey et al, 2010: 306). In the private sector they are usually founded by entrepreneurs and often remain family owned as they grow. They may be more proactive and innovative than larger firms and more prepared to take risks.

SMEs are generally regarded as providing a friendlier and less formal working environment than larger firms. As Stavrou-Costea and Manson (2006: 111) pointed out: ‘The major strength of SMEs is flexibility in the way they manage human resources.’ Storey et al (2010: 306) commented that: ‘The process of managing a small firm differs from that of the large firm, for small firms face distinct forms of risk and they organize their human resources differently and often informally.’

### *HR issues in SMEs*

One of the major challenges facing SMEs is that of finding and utilizing human resources effectively and efficiently. But they may lack the resources in the shape of a full-time HR professional to deal with this challenge. As a result, HR activities such as recruitment and deciding on terms and conditions of employment (typically done on an individual basis) are often carried out by the general manager or other senior line manager who may not have the skills or the time to do them properly.

In a research study of human resource development practices in SMEs, Matlay (2002) found that the needs of family members were seen in terms of firm-specific HRD issues while those of non-family members focused on individual learning needs. Most owner-managers did not view training as being crucial to their business strategy. Small firms lacking professional HR advice may fail to comply with the requirements of employment law. However, because they tend not to be unionized, this does not necessarily mean that they have to cope with a multitude of legal challenges.

### *The HR contribution in SMEs*

The work of an HR specialist in an SME will, of course, vary according to the context. There will, for example, be differences in the HR role between a software firm, a small manufacturer employing skilled workers and a distribution firm employing drivers and warehouse staff. The fundamental contribution that an HR specialist can make in an SME is to ‘professionalize’ the transactional elements of HR practice such as recruitment, training, managing reward and the employment relationship. They can also provide

for legal compliance. More importantly, they can make a strategic contribution by working closely with senior management (easier in a smaller establishment) and getting to know how the business works and what it needs to do about its organization and human resources to succeed. They can help to develop a more persuasive employee value proposition and to create a good working environment.

## International HRM

International human resource management is the process of managing people across international boundaries by multinational companies. It involves the world-wide management of people, not just the management of expatriates.

Michael Dickman of the Cranfield School of Management, as reported by Welfare (2006), believes that the main contrast between national and global HR practice is the need to see the bigger picture. Sensitivity is necessary in dealing with different cultures and there are complex challenges involved when operating in different business environments. Understanding the local context is key and an international HR person needs to be asking questions such as ‘What is the business environment here? What is the role of the trade unions? What is the local labour law? Are these people different? Are their motivation patterns different?’

### *Issues in international HRM*

There are a number of issues which specifically affect the practice of international as distinct from domestic HRM. These issues comprise the impact of globalization, the influence of environmental and cultural differences, the extent to which HRM policy and practice should vary in different countries (convergence or divergence), and the approaches used to employ and manage expatriates.

### *Globalization*

Globalization is the process of international economic integration in world-wide markets. It involves the development of single international markets for goods or services accompanied by an accelerated growth in world trade. As Ulrich (1998: 126) put it, globalization requires organizations ‘to move people, ideas, products, and information around the world to meet local needs. They must add new and important ingredients to the mix when making strategy: volatile political situations, contentious global trade issues, fluctuating exchange rates, and unfamiliar cultures. They must be more literate in the ways of international customers, commerce, and competition than ever before. In short, globalization requires that organizations increase their ability to learn and collaborate and to manage diversity, complexity, and ambiguity.’

Research conducted over a number of years by Brewster and Sparrow (2007: 48) demonstrated the growth of what they called globalized HRM. They noted that ‘whereas international human resource management has tended to operate in the same way as local HRM but on a wider scale, globalized HRM exploits the new technologies available in order to manage all the company’s staff around the world in the same way that it has traditionally managed staff in the home country.’

### ***Cultural differences***

Cultural differences must also be taken into account. Hiltrop (1995) noted the following HR areas which may be affected by national culture:

- decisions of what makes an effective manager;
- giving face-to-face feedback;
- readiness to accept international assignments;
- pay systems and different concepts of social justice;
- approaches to organizational structuring and strategic dynamics.

### ***Convergence and divergence***

According to Brewster et al (2002), the dilemma facing all multinational corporations is that of achieving a balance between international consistency and local autonomy. They have to decide on the extent to which their HR policies should either ‘converge’ worldwide to be basically the same in each location, or ‘diverge’ to be differentiated in response to local requirements.

### ***Global HR policies and practices***

The research conducted by Brewster et al (2005) identified three processes that constitute global HRM: talent management/employee branding, international assignments management, and managing an international workforce. It was established by the Global HR Research Alliance research (Stiles, 2007) that global HR policies and practices were widespread in the areas of maintaining global performance standards, the use of common evaluation processes, common approaches to rewards, the development of senior managers, the application of competency frameworks and the use of common performance management criteria.

Generally the research has indicated that while global HR policies in such areas as talent management, performance management and reward may be developed, communicated and supported by centres of excellence, often through global networking, a fair degree of freedom has frequently been allowed to local management to adopt their own practices in accordance with the local context as long as in principle these are consistent with global policies.

## ***Managing expatriates***

Expatriates are people working overseas on long- or short-term contracts who can be nationals of the parent company or ‘third country nationals’ (TCNs) – nationals of countries other than the parent company who work abroad in subsidiaries of that company.

The management of expatriates is a major factor determining success or failure in an international business. Expatriates are expensive; they can cost three or four times as much as the employment of the same individual at home. They can be difficult to manage because of the problems associated with adapting to and working in unfamiliar environments, concerns about their development and careers, difficulties encountered when they re-enter their parent company after an overseas assignment, and how they should be remunerated. Policies to address all these issues are required.

## ***Contribution of HR to international management***

The contribution HR can make to international management is to:

- formulate strategies for the development and deployment of talented people to meet worldwide needs;
- advise on the cultural factors involved in managing overseas businesses;
- create HR systems based on successful policies and practices in the parent company which can be adapted to fit local contexts and conditions;
- facilitate the transfer of good practice from wherever it may be found in the international organization;
- ensure that expatriates are managed effectively with regard to assignments, terms and conditions, career development and return to the parent company.

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## **KEY LEARNING POINTS**

### **HR contribution**

The contribution that HR can make is to:

- provide insight;
- contribute to the formulation and implementation of business strategy;
- improve organizational effectiveness;
- facilitate change;

- provide expertise;
- promote social responsibility;
- deliver HR services;
- provide advice;
- develop an employee value proposition;
- promote the well-being of employees.

### **The contribution of L&D**

- provide insight;
- improve organizational effectiveness;
- help to ensure that the organization has the skilled, knowledgeable and engaged people it needs;
- promote individual development;
- provide expertise;
- deliver L&D services;
- provide advice;
- facilitate change.

### **Issues in the public sector**

- public scrutiny;
- range of stakeholders;
- governance;
- funding uncertainties and constraints;
- the bureaucratic role.

### **What HR can contribute in the public sector**

- Enable an integrated strategic approach to HRM.
- Meet the exacting demands of good practice in the fields of equal opportunity, equal pay, diversity management and employee well-being.
- Contribute to the management of constant and often unpredictable change.

### **HR in the voluntary sector**

The HRM function in charities is often characterized as:

- a supporting rather than a leading function when viewed in terms of its contribution towards mission achievement;
- an administrative function that is predominately reactive to the decisions of others, not proactive in its own right;

- being emasculated by comparison with staff and budget resource allocated to other functions (ie service delivery, income generation, etc);
- lacking in participation in the identification and selection process associated with the appointment of the most senior staff and trustees;
- uninvolved in corporate strategy.

The four core needs for charities which could be addressed by HR and L&D are effective management, enhancing performance, staff development, and governance – with board-level leadership development as an urgent priority.

### HR issues in SMEs

One of the major challenges facing SMEs is that of finding and utilizing human resources effectively and efficiently but they may lack the resources in the shape of a full-time HR professional to deal with this challenge. This is because they have limited funds or they do not see the necessity.

The fundamental contribution that an HR specialist can make in an SME is to ‘professionalize’ the transactional elements of HR practice such as recruitment, training, managing reward and the employment relationship. They can also provide for legal compliance.

### HR international issues

International human resource management is the process of managing people across international boundaries by multinational companies. It involves the worldwide management of people, not just the management of expatriates.

There are a number of issues which specifically affect the practice of international as distinct from domestic HRM. These issues comprise the impact of globalization, the influence of environmental and cultural differences, the extent to which HRM policy and practice should vary in different countries (convergence or divergence), and the approaches used to employ and manage expatriates.

The contribution HR can make to international management is to:

- develop strategies for the development and deployment of talented people to meet worldwide needs;
- advise on the cultural factors involved in managing overseas businesses;
- create HR systems based on successful policies and practices in the parent company which can be adapted to fit local contexts and conditions;
- facilitate the transfer of good practice from wherever it may be found in the international organization;
- ensure that expatriates are managed effectively with regard to assignments, terms and conditions, career development and return to the parent company.

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## Questions

- 1 What is the overall contribution the HRM function can make to organizational effectiveness?
- 2 Research by the CIPD published in *Next Generation HR* (2010a) stressed that HR practitioners need ‘insight’ to ensure that their function maximizes its contribution. What does the CIPD mean by this and how is insight developed?
- 3 What is the overall contribution the L&D function can make to organizational effectiveness?
- 4 How does HR make an impact on organizational effectiveness?
- 5 What are the most significant outcomes of research into the impact of HRM conducted within the last 10 years in the UK? Refer to at least two projects.
- 6 What is the ‘black box’?
- 7 What is meant when reference is made to ‘contingency variables’ in research on the link between HR and performance?
- 8 What is meant by reverse causality?
- 9 What are the characteristics of the public sector that might affect HRM?
- 10 What are the challenges to HRM in the public sector?
- 11 What contribution can HRM make in the public sector?
- 12 What are the issues in the voluntary sector that are likely to affect HRM?
- 13 What is the role of HRM in the voluntary sector?
- 14 What contribution can HRM make in the voluntary sector?
- 15 What are the characteristics of SMEs (small to medium-sized enterprises)?
- 16 What are the HR issues in SMEs?
- 17 What contribution can HRM make in an SME?
- 18 What is international human resource management?
- 19 What are the key issues in international organizations that affect HRM?
- 20 What contribution can HR make to international management?