

Instructor Manual

Chapter 1: An Introduction to the Organization, its Environment and Human Resource Management

Introduction

This chapter sets the scene for the rest of the book. It considers the concept of the organization and organizational structure and culture, as well as considering trends and changes to organizations and their design.

Human resource management (HRM) takes place within this internal context and is influenced by, and in turn influences, such elements as structure and culture. The organizational strategy, a plan of where the organization would like to go, forms the third element of the triangle and the complex internal context within which HR operates, both as a function and as an activity.

Having considered the *internal* context, and the possible interaction between the different elements that this constitutes, the chapter then briefly considers the *external* context, at local, national and international level.

Models of HRM are considered, as well as the links between HRM and organizational strategy.

This chapter links closely with Chapter 2 on Strategic Approaches, Chapter 3 on Strategic Human Resource Management, Chapter 4 on HRM: The Added Value Debate and Chapter 13 on The Future of HR as well as to Chapters 11 and 12 on Organizational Culture and Managing in a Global Context.

Learning Objectives for the chapter

- 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 Questions

Case Study 1.1 Rolls-Royce Singapore

This case looks at Rolls-Royce. It starts by briefly summarizing the company's history before outlining its current strategy and then focusing on the company's operations in Singapore. It illustrates the importance of location in allowing Rolls Royce to fulfil their international agenda in the Asia Pacific region, but also highlights other factors, such as the support provided by the Singapore government and the availability of skilled labour. The case provides a good example of how organizations interact with their environment.

Q1. What factors led to Rolls-Royce choosing Singapore as its regional hub and manufacturing centre?

There are a number of factors that led to Rolls-Royce choosing Singapore. The company's strategy was to have a global reach and it needed a base in the Asia Pacific region; Singapore had an ideal location for that. In addition, the company had a history in the region, opening its first office in Singapore in the 1950s. More recently the government there had started to focus on innovation and research and invested in a highly skilled workforce that Rolls Royce could draw on. The government also provided tax incentives as well as training and innovation grants.

Q2. What part did 'people factors' play in this decision?

'People factors' played an important part. We can see from the case that the biggest pull in Rolls Royce choosing Singapore as its regional hub was the promise of a steady supply of skilled labour. Partnerships had been set up with local universities and polytechnics to ensure this. The government also provided training grants.

Q3. 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?

Rolls Royce aims to provide world-leading engineering as well as operational and customer service excellence. For that it needs highly skilled and innovative employees. Its HR strategy and practices can help achieve this by developing staff and promoting a relevant culture. This would extend to all aspects of HR including recruitment, training, performance management and communication.

Reflective Activity 1.1

Think of any large organization that comes to mind, 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?

Is this an organization that you would like to work for, and if so why?

All students will be able to think of very large companies, like Coca Cola, Apple, Starbucks, Virgin Atlantic, etc. Ask them to consider the boundary and scope of that organization and what the organization is known for. In many cases, the brand is the point of contact, for example, Apple, with its strong brand identity and reputation as a technology leader. Companies like Google and eBay are more esoteric in their organizational structure and are more commonly known for their services and outputs.

The company brand and the reality of the working environment and conditions may be very different, for example, an employee who starts working in a more remote province in China with poorly ventilated buildings and working 12-hour shifts for six consecutive days may not view a company such as Apple as being as attractive as its brand image. Many large organizations outsource large parts of their products and services to less than suitable work environments in differing parts of the world.

However, people may want to work for a well-known company because they might think that this reflects their position in society. An employee may consider working for Apple to be 'cool' and 'fashionable'.

Ask students to explore what attracts themselves to companies, and why. A broad range of responses can then be collated and possibly clustered.

Case Study 1.2 Alfred Chandler

This case is a historical one, but still of relevance today. Chandler observed how organizations in the 1960s and 1970s were moving away from rigid functional structures to more loosely coupled divisional structures in response to changing demands and pressures of the market place. This has led to debate as to whether structure follows strategy or vice versa.

Q1. To what extent is looking for the 'ideal' organizational structure a waste of time? Is it possible to have several organizational designs?

The structure that an organization has or adopts will be the result of a variety of influences, both internal (such as size and management choice) and external (competitiveness and speed of change in the market). As such, trying to identify one perfect structure is likely to prove elusive. In large-scale organizations the structure is likely to be a complex mix of different forms, and also to evolve over time.

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, whilst an externally driven organization is contingent upon strategic planning.

Argue the case for:

1. Strategy preceding structure
2. Structure preceding strategy

Case 1 fits best within a more ordered state and environment, where a plan of action then rolls into how we structure the organization in order to deliver these plans. Refer students to the classical work of Henry Mintzberg (refer to the 'Structure in Fives' textbook), where a highly planned and controlled work environment can produce the necessary work outputs and

performance. The assumption here is that we can design the appropriate (if not perfect) organizational structure to meet the strategic demands. However, if we consider the demise of Peters and Waterman's seminal *In Search of Excellence* book, whereby the 7S configuration model can determine organizations meeting strategic plans and by definition remaining competitive, then perhaps we won't strive for the perfect organizational design and consider a more flexible approach to achieving strategic objectives.

Case 2 suggests more an internal/external approach (as opposed to Case 1 with an external/internal approach). This approach considers the relative strengths and weaknesses of the organizational design, then considers the appropriate strategy. Organizations may wish to consider SWOT analysis (evaluating strengths, weaknesses, opportunities and strengths) and then tailor their strategy based upon their limitations and business potential.

Perhaps the argument for case 1 or 2 is rather moot, and that a more complex and iterative process is more appropriate, for example, there may be an external assessment (such as PESTEL analysis) and an internal assessment carried out simultaneously, a comparability analysis made in relation to an organization's competitors and other forms of evaluation of market conditions related to the timing of organizational decision making. A differing approach, for example offence versus defence, may be the means of strategy formulation, tied in with risk assessment, thereby moving away from the which-comes-first argument of strategy or structure.

Case Study 1.3 IKEA

Q1. What 'innovative' approaches to HR has IKEA adopted? And how do these contribute to the success of the company?

A clue to IKEA's approach to people management can be seen in the last part of its Mission Statement: 'We want to create a better every day for all people impacted by our business, including our employees'. IKEA's approach to HRM focuses on nurturing and developing staff as a means of achieving corporate aims. The work environment is designed to provide a sense of challenge and meaningfulness for staff. IKEA dropped a standardized approach to HR policies and practices and instead offers different things to meet the different needs of its employees: flexible working, quiet rooms for relaxation and prayer or meditation, facilities for nursing mothers and entertainment rooms for receiving family and friends. Mentoring is

one of the key techniques used in identifying individual training and development opportunities and staff are encouraged to take responsibility for their own careers. IKEA also focuses on recruiting and selecting staff who share similar values and beliefs and so enhance integration into the culture of the organization. There is also open communication and a flat structure. They have a market-based approach to base pay and a performance-based annual bonus linked to sales as well as generous staff pensions and staff discounts. Such HR approaches have been linked to positive outcomes, including reduced absenteeism, improved staff commitment, increased retention rates, reduced costs and enhanced employee performance.

Reflective Activity 1.3

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

Whilst some academics argue that there is no difference between HRM and SHRM, consider what makes HR strategic. The determination of strategic contribution is to some extent value judgemental, and senior managers could be in disagreement about what a strategic contribution is.

In order for HR to be strategic, does it have to align perfectly with the organizational strategy? (see Figure 1.10). Similarly, use the Torrington model (Figure 1.11) to draw out how organizations operate differently. Ask students to consider what a holistic organizational/HR strategy looks like.

Case Study 1.4 Low-cost Airlines

This case looks at Southwest Airlines in the United States, one of the first low-cost airlines. Ticket prices are kept low by keeping costs low: focusing on short-haul point-to-point routes between midsize cities, a standardized fleet of aircraft (to reduce servicing costs), high aircraft utilization (by minimizing the time spent on the ground) automatic ticketing machines, no meals served on board, and limited customer service. A key element of this strategy is to have a lean and highly productive workforce.

Q1. 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?

Southwest's strategy combines high employee and aircraft productivity with low costs. They only offer short-haul, point-to-point service between mid-size cities and secondary airports in large cities in the USA with a standardized fleet of modern aircraft. No meals are served, no seat assignment and no interline baggage transfers. This combination of factors keeps turnaround times down and costs low.

Q2. How does its approach to managing people help achieve its chosen strategy?

A key element of such an airline's strategy is to have a lean and highly productive workforce, both in maintenance, at the gate and in the air. Although the focus is on controlling costs, this can be achieved by cutting waste, that is, the 'lean' element. Staff can then be motivated by a variety of means, including pay (perhaps linked to performance) or share-ownership schemes as well as by encouraging a certain culture. Training schemes and the opportunity for promotion would also be other possible motivators. Low-cost airlines also tend to be predominantly short-haul, allowing for a greater element of family-friendly policies to be introduced.

Q3. How would you describe the organizational culture at Southwest Airlines? How important do you consider this culture to be?

Herb Kelleher, the airlines co-founder was adamant that a happy and motivated workforce will essentially extend their goodwill to Southwest's customers. He has encouraged an egalitarian spirit and lack of hierarchy. The culture is reflected in their 'Golden Rule': treat people the way you want to be treated'. Arguably this culture is a key element of Southwest's approach.

Case Study 1.5 Oracle

Oracle is a multinational computer technology company with headquarters in California. It specializes in computer hardware and software business systems and solutions.

The case illustrates a decision to devolve many HR activities to line managers, linked to the application of an HR Information System (HRIS) across the company.

Q1. To what extent does standardization of processes devalue the way in which employees work within their local environment and organizational culture.

This can be viewed in two ways: moving to a greater standardization of processes where in the past there has been greater variety may come as a culture shock for staff (it's essentially a change process). As in any such change, there needs to be clear communication of the reasons for the change and the benefits, as well as the opportunity for two-way communication and feedback. The answer to Question 2 also touches on this.

Q2. Can a 'one size fits all' apply to all of the functions that HR carries out? If not, why not?

The standardization approach allied to making a range of HR activities available on the internet is likely to be applicable to the more routine and quantifiable aspects of HR, as listed in the case: pay slips, employee data, etc. But, as the case also suggests, there will be other non-routine aspects that still need face-to-face individual discussion. There will also be some variation between different countries and their requirements.

Case Study 1.6 Golden Harvest

This case concerns a Maltese producer of baked goods, Golden Harvest. In 2008 the company relocated to a new site in order to increase efficiency. The case looks at how this change was managed and how a restructuring took place. It highlights the importance of forward planning and of communication.

Q1. What were the major challenges faced by the company in its relocation?

The new plant was a major financial investment for the company. Another major challenge was to keep production going during the transition from the old plant to the new. The new factory also had to be tested using trial runs and staff trained to operate the new machinery.

Q2. How were these challenges overcome? What lessons does this give for managing such major change?

Rees and Smith, *Strategic Human Resource Management: An international perspective, 2e*
SAGE Publishing, 2017

The company attributes the success of the project to good planning and using expert advice.

Harvest also benefited from government incentives.

Q3. How were the HR aspects managed during the change?

Forward planning and communication were key and this was generally seen as positive, although some of the administrative staff of the company claimed that they were not given enough notification. Staff training was also carried out, as well as recruitment of new staff.

Further Readings

Boxall, P. and Purcell, J. (2011) *Strategy and Human Resource Management*. Basingstoke: Palgrave Macmillan.

Daft, R. (2012) *Organizational Theory and Design*, 11th edn. Andover: Cengage Learning.

Keegan, A. and Francis, H. (2006) 'The changing face of HR: in search of balance', *Human Resource Management Journal*, 16 (3): 231–49.

In addition, the following texts are useful further reading for specific areas covered in the chapter:

On context, including international context

Farnham, D. (2010) *Human Resource Management in Context: Strategy, Insights and Solutions*. London: CIPD.

Francesco, A.M. and Gold, B.A. (2005) *International Organizational Behaviour*, 2nd edn. Harlow: Pearson.

On organizations, their structure and changing form

Ashkenas, R., Ulrich, D., Jick, T. and Kerr, S. (1995) *The Boundaryless Organization*. San Francisco, CA: Jossey-Bass.

Mintzberg, H. (1979) *The Structuring of Organizations*. London: Prentice Hall.

Mintzberg, H. (1980) 'Structure in 5's: a synthesis of the research on organization design', *Management Science*, 6 (3): 322–41.

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Storey, J. (2009) 'New organizational structures and forms', in J. Storey, P. M. Wright and D. Ulrich (eds), *The Routledge Companion to Strategic Human Resource Management*.
Abingdon: Routledge, pp. 90–105.

On organizational culture

Buchanan, D.A. and Huczynski, A.A. (2010) *Organizational Behaviour*, 7th edn. Harlow: Pearson Education.
Deal, T.E. and Kennedy, A.A. (1982) *Organization Cultures: The Rites and Rituals of Organizational Life*. Reading, MA: Addison Wesley.
French, R., Rayner, C., Rees, G. and Rumbles, S. (2011) *Organisational Behaviour*, 2nd edn. Chichester: Wiley.

On strategy

Porter, M. (1998) *Competitive Advantage: Creating and Sustaining Superior Performance*. New York: Free Press.
Porter, M. (2011) 'What is strategy?' in *HBR's 10 Must Reads*. Boston, MA: Harvard Review Press, pp. 1–76.

On Strategic HRM and HR Strategy

Boxall, P. (1996) 'The strategic HRM debate and the resource-based view of the firm', *Human Resource Management Journal*, 6 (3): 59–75.
Boxall, P. (1998) 'Achieving competitive advantage through human resource strategy: towards a theory of industry dynamics', *Human Resource Management Review*, 8 (3): 265–88.
Boxall, P.F. and Purcell, J. (2003) *Strategy and Human Resource Management*. Basingstoke: Palgrave-MacMillan.
Sparrow, P.R. and Pettigrew, A.M. (1988) 'Strategic human resource management in the UK computer supplier industry', *Journal of Occupational Psychology*, 61: 25–42.

Online Readings

Dainty, P. (2011) The strategic HR role: do Australian HR professionals have the required skills? *Asia Pacific Journal of Human Resources*, 49 (1): 55–70.

McNulty, T. and Pettigrew, A. (1999) ‘Strategists on the board’, *Organization Studies*, 20 (1): 47–74.

Naznin, H. and Hussain, M.A. (2016) Strategic value contribution role of HR, *Vision*, 20 (2): 135–8.