Human Resource Management-A Case Study

Management of Human Resources-Assignment

Introduction: In order to critically assess and recommend alternatives, I would like firstly to give a brief description of the business crisis the company was facing and the subsequent need for change in the company’s overall business strategy. I would then like to focus on the key aspects of the firm’s human resources strategy and the changes that were made in order to supplement the overall changes in the business strategy.

Business Crisis: International Computers Limited (ICL) was born in 1968 out of the merger between English Electric Computers (EEC) and International Computers and Tabulators. With £40 million of government support it developed over a period of 6 years, an independent series of computers that was incompatible with IBM computers. IBM had garnered a 50% share of the UK computer market and the government felt the only way to stem this growth was through the integration of British high tech firms. With the government as one of its major customers and through several strategic acquisitions and product diversifications during the 1970’s, the company managed to achieve growth rates of around 20%. But this growth did not continue for long as the recession struck in 1979 and growth rates spiralled. By late 1980 the company was facing a £100 million shortfall in orders, in spite of having taken some major redundancy procedures. The firm was on the verge of bankruptcy when the government agreed to act as a guarantor for a £270 million bank overdraft. The government subsequently exercised its power of guarantee by installing a new chairman and two new directors, one of who was Robb Wilmott, the new MD. Wilmott was a perceptive man who realised that the only way ICL was going to survive was by planning for the long-term and this was to be achieved by formulating a new product strategy and a complete change in the way it did business.

Sparrow P 1995 International Computers Limited (ICL) In: Hiltrop J, Sparrow P (eds.) European Casebook on Human Resource and Change Management Prentice Hall, pp 110-122 Downsizing: The rapidly changing global environment with regard to competition and technological advances in the industry and ICL’s subsequent decision to shift from hardware to total systems differentiation, led the MD to pursue a new strategy based on strategic alliances. The main reasoning behind this was that it allowed the company to break into new markets and gain access to new technologies quicker than would be possible if the company were acting on it’s own. This new focus, and the ongoing financial crisis led to the need to restructure the financial side of the organisation. This was achieved mainly through downsizing in a number of product areas and a series of redundancy procedures. As the case does not explain in detail the actual redundancy procedures, it is difficult to make critical assumptions of the firm. The availability of additional resources, coupled with the need for a newer set of skills and scarce financial resources appears to be a justification for the course of action taken by the company. Cultural changes: Armstrong (1999) cites the work of Furnham and Gunter (1993) defining culture as ‘the commonly held beliefs, attitudes and values that exist in an organisation. Put more simply, culture is ‘the way we do things around here’. With shifts in the product strategy and the recent collaborations came the difficult task of changing aspects of the cultural values of the organisation. The company traditionally embraced
what theorists would generally refer to as a role culture. This referred to organisations operating in relatively stable environments with more of a focus on procedure, hierarchy and bureaucracy rather than dynamism (Armstrong, 2000 citing the works of Harrison, 1972; Handy, 1976; Schein, 1985 and Williams et al, 1989). For the organisation to succeed in the more volatile and competitive environment it found itself, its cultural values need to be revised to a certain extent. It started to become necessary that the top management understood the major changes that the company was undergoing and the need for refining of thinking processes and general management values. Though it is clear from the case that the new cultural values were widely communicated, it is not very clear about the levers for change that had existed in the organisation and the way they were used. The commonly identifiable levers could deal with the areas of performance, commitment, quality, learning and values among others. From the initial response by the organisation, it appears that the organisation did embrace the new values, but only as a short-term response to the ensuing financial crisis and not really through an understanding of the business’ long-term strategy. Though the Core Management Programme (discussed later in the essay) managed to eventually address the long-term strategic need for cultural change, a criticism may be levelled that this approach should have been adopted initially. Decentralization: One of the biggest changes made to was to the organisational structure of the company. ICL’s structure had traditionally been based on the concept of functional grouping i.e. dividing the organisation on the basis of the distinct functions they were aligned with, for example Marketing, Production, Finance etc. Though this concept did foster good communication and co-operation skills within the functional units, there was the disadvantage of very little or no co-ordination across these functions. In the case of ICL, it was highly apparent in the lack of communication between the product development and marketing functions and the ensuing financial crisis brought about by it. The developers were into designing advanced and very high technology equipment for which marketing had failed to capture a market. With the company’s focus shifting towards product differentiation, decentralization of the organisation into smaller self-managing business units based on the matrix structure seemed the order of the day. A mechanised and bureaucratic system of centralization would no longer lend itself to the dynamic environment the firm now found itself in. The idea was to bring together the essential functions to work more closely together in achieving the company’s new strategic goals. McKenna (2000) citing Ford & Randolph (1992) states the matrix system could be highly effective in a complex and rapidly changing environment. Davis & Lawrence (1977) add that the matrix style is applicable when there is a high need for information processing. However, there are certain criticisms that could be levelled against the matrix system. McKenna (2000) again cites Daft (1998) and Davis & Lawrence (1997), among others in pointing out some of the key problems associated with Matrix organizations. The most appropriate in this situation appears to be with regards to role conflict of subordinates. The firm has very much shifted its focus from technology to market-driven and there appears to be a danger of the marketing function dominating authority, thereby leading to operational problems. Skills Restructuring: Along with the shift towards decentralized units and product differentiation came the need to restructure the essential skills of its engineering workforce. The major increase in the development of small and distributed systems was achieved through a combination of upskilling of existing, and creation of a new entry-
level grade of service oriented representatives. Managing Change: The majority of the new business initiatives had been implemented to reasonable success. Through the various tactical changes made including downsizing, re-structuring and the new product strategy, the company’s financial situation had stabilized and things were back to normal in the short term. However, the most difficult issue had still remained unresolved. During the period of the financial crisis, it appeared that there was a complete buy-in to the new strategy. But this appeared to be a misconception as once the company had started to stabilise, the realisation that the cultural issues still very much remained, began to dawn. In order to achieve the long term strategic goals of the company, the MD knew that he had to address these issues by educating the organisation of the need for a significant cultural change. The initiation of the Core Management Programme turned out to be brilliant idea. It was a brave gamble (the costs of implementation amounted to 25% of the firm’s profits) that eventually paid off. The programme built on identifying the existing levers for change in the organisation and making use of these in communicating the new strategy at all levels. After initial resistance, people gradually started to understand the concepts of the new strategy and the importance of human resources in gaining competitive advantage. It is assumed that one of the biggest issues in the firm’s HRM strategy had been addressed eventually Shift from Personnel and HR Planning: In response to the significant changes that had been made to the overall strategy of the firm came the need to expand the Human Resource side of the organisation in comparison to the personnel aspect. The was a significant shift away from traditional personnel values such as industrial relations and employee relations towards a much broader, strategic and critical viewpoint of the company’s human resources with an emphasis on competitive advantage. With reference to the writings of by John Storey (1989), it appears that the focus had shifted from the ‘soft’ to the ‘hard’ side of HRM. In order to achieve its new strategic goals and to ensure long term stability, the personnel function needed to actively forecast the firm’s future HR needs based widely on manpower planning and skills retention through a series of new processes including appraisals, pay flexibility, assessment and career planning. As this process known generally as Human Resource Planning, is to be discussed in detail in the next assignment, I shall not go into much more depth on this particular subject. Recommendations and Conclusion: In view of the facts that have been presented in the original case and the assumptions made by myself, it appears that the Human Resource Strategy adopted by the new MD was in fact very efficient. It managed to address most of the major HR issues associated with the implementation of a new business strategy and also added a new dimension to the personnel function of the organisation. The major criticisms that I could level against the new strategy would be the initial efforts made to change the corporate culture and the structural changes made to the organisation. I am of the belief that corporate culture is one of the most difficult aspects of an organisation to change. A change in culture entails a change in individual beliefs, values and attitudes, and this could be no mean task. The members of the organisation require very good reasons to be willing to make changes to what is basically a set of personal assumptions. The problem with HR as opposed to Personnel is that the focus appears to shift from the individual to the organisation and the accent seems to be on keywords such as competitive advantage. In order to integrate an efficient HR strategy with the business strategy, it is vital to stress the goals of the organisation and also to place an emphasis on the needs and wants of the individual. The
other area in which the strategy could be made more efficient is in the re-structuring of the firm. Taking into consideration the environmental factors affecting the company, the matrix structure appears to be ideal. However, as has already been noted there are a number of disadvantages associated with this type of structure. McKenna (2000, citing the work of Daft, 1998; Davis & Lawrence, 1977; Larson & Gobeli, 1987 and Lorenz. 1994a) discusses the main problems associated with the implementation of this structure, including the possibility of role conflict, power struggles with regard to establishment of authority, inappropriate decision making techniques and difficulty in establishing accountability. Though it may be argued that every form of organisational structure has both strong and weak points, maybe a structure that is applicable to the environmental context, as well as having fewer disadvantages attached to could be applied. My personal view would be implementation of a structure based on product grouping, which in essence is similar to the matrix, but appears to posses fewer disadvantages.


Bibliography


Word Count: 2041