

Francesca Andreescu\*

## **Innovating the HR Function in a Commercialising British Public Sector Organisation: Towards a More Strategic Role for HR? \*\***

Although the body of research and practice on HR management in private sector organisations has grown at an astonishing pace in recent years, much less is known about the nature, role and meaning of a strategic HR department within public sector organisations undergoing commercialisation. This article addresses this gap by exploring the changing role of the HR function within a British public sector organisation responding to the New Labour government's 'modernisation' agenda. The findings are based on in-depth interviews, focus groups, analysis of documentary evidence and observations carried out over a period of two years. Drawing on role-set theory and concepts of negotiated order, the study sheds light on the factors that support or hinder the shift towards a more strategic role for the function and suggests a number of conclusions and implications for both theorists and practitioners.

**Key words:** Strategic Human Resource Management, Role of the HR Function, Organisational Change, Public Sector

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\* Francesca Andreescu, School of Management, University of Southampton, Highfield, Southampton, SO17 1BJ, UK, 44 (0)23 8059 7995, Fax: ++44 (0)23 8059 3844. E-Mail: [afa@soton.ac.uk](mailto:afa@soton.ac.uk).

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## Introduction

In the context of significant changes in their operating environments and pressures to increase efficiency and accountability, public sector organisations in the United Kingdom have been provided with the opportunity to operate and compete commercially, whilst the Government retains ownership (New Labour Modernising Government White Paper, March 1999; E-Government Strategic Framework, April 2001). Commercialisation, part of these Labour reforms, has been seen as one of the ways of re-inventing public sector entities to make them more competitive in the commercial market. It was used as a way of relieving some of the government's financial pressures and described the situation whereby former government agencies were allowed to charge the public for the provision of goods and services and to adopt features of the commercial environment.

As a result, many public sector organisations now exist in the intersection of two different spheres – the public and the private. They fit neither in the strictly public realm of state action nor in the strictly private realm of commercial relationships. They are expected to function like businesses – to be efficient, customer driven, and client oriented – yet they perform tasks that are inherently public. A common goal has been to transform these organisations along the lines of an idealised private sector firm by adopting a strategic approach to people management instead of the traditional bureaucratic public personnel management approach. This has exposed personnel practitioners to a new set of role demands, professional challenges and managerial expectations.

However, there has been a tendency to assume that processes of change in the public domain are essentially the same as those in commercial organisations in the private sector. The main problem with these assumptions is that they may ignore how both the context and the mechanisms of change are different in public organisations. In particular, being 'halfway' towards the private sector may add different constraints to developing a strategic HR agenda and we may, thus, fail to do justice to what is distinctive about public sector transformation in terms of the strategic priorities and demands it creates, and the kind of responses it elicits from HR functions.

This article explores the changing role of the HR function within a commercialising British public sector organisation responding to the 'modernisation' agenda. Drawing on role-theory and concepts of negotiated order, the study sheds light on the factors that support or hinder the shift towards a more strategic role for the function. The article also discusses some of the challenges and constraints that this organisation is facing in transforming its HR function in the long journey to commercialisation.

## Previous research

Research into the role of the HR departments in public sector organisations has centred around the question of whether the HR function is taking on a more strategic role. The existing evidence from surveys and case study research (e.g. Bach 1994; Barnett et al. 1996; Hall/Torrington 1998; Ashburner et al 1996; Kessler et al 2000; Butterfield 2001; Truss et al. 2002) has, overall, militated against a strategic approach to the management of staff within public sector organisations and has indicated that,

despite the considerable opportunities for personnel professionals to perform proactive roles, the high expectations generated for personnel have not been achieved. To take but one example, Bach's (1999:178) review of the contributions of public sector HR managers in the UK noted that 'distinctive features of the public sector context inhibited the development of the personnel function and encouraged an essentially administrative role with limited influence'.

Most of the studies, however, have been centred on the 'new public management' associated with the neo-liberal policies of the Conservative government during the mid-1990's. Given that they reflect the public sector political, economic and social context specific for this period, their conclusions may no longer hold full validity, as the distinctive features of the policies and reforms promoted by the Labour government make the environmental and organisational factors impacting HR departments to be distinctive as well.

Previous HR research in public sector organisations also suffers from inconsistent conceptualisations of the notion of 'role' and the level of analysis used. A potential limitation evident in the current public sector literature is the focus of prior research more on the delivery of HRM policies and the role of HRM in general at the individual or line-management level (eg Storey 1989; Kessler/Purcell 1996; Poole/Jenkins 1997; Farnham/Horton 1996, 2000; Boyne et al. 1999; Boyne 2002) and less on the role played by the HR department. While the former perspective usefully draws attention to how particular HRM tools are used in a specific change context, it fails to reflect fully the contribution that the HR department is making beyond the policy area, through its overall strategic involvement, status and influence. Linked with the above, this perspective also fails to tackle in sufficient depth the elements of a strategic HR department and the role the HR department is playing in the construction and deconstruction of a 'strategic meaning' in the organisation. In other words, there is an avoidance of issues of reputation, credibility, power and domination that are built more around HR members' actions, attributes and behaviours than around HRM policies and practices.

In addition to the shortcomings identified above, prior research does not consider in the analysis the variety of factors, both internal and external to the organisational setting that may influence the way HR roles are enacted over time (with the exception of Hope-Hailey et al. 1997; Gratton et al. 1999a, 1999b; Truss et al. 2002). It has been widely acknowledged, however, that the strategic role of the HR function is contingent on such factors (e.g. Kelly/Gennard 1996; Barnett et al. 1996; Hall/Torrington 1998; Kessler et al. 2000; Sisson 2001; Storey 2001; Purcell 2001; Truss et al. 2002). Authors like Kessler et al. (2000) refer to this as the 'strategic choice model' and argue that HR departments' ability to exercise discretion over the activities on which they spend their time might be constrained both by particularly powerful external pressures of an institutional and policy oriented kind and by upstream decisions on mission, purpose and structure. Few studies in the UK public sector have attempted to explore these factors (e.g. Procter/ Currie 1999; Budhwar 2000; Kessler et al. 2000; Truss et al. 2002).

Furthermore, little attention is given to the process by which these different HR roles come about, as much of this literature assumes that 'all the personnel function

has to do is to make up its mind to take on a strategic role' (Procter/Currie 1999: 1079) and there is no real consideration of the part played by the HR function's relationship with other organisational actors. The HR department within any large, complex organisation interacts with a variety of constituencies and multiple stakeholder groups in the organisation have an influence on the strategic HRM process and the role played by the HR department (Tsui 1984a, 1987). The views of other parties in the organisation may thus influence the process by which the different HR roles come about.

The available empirical evidence from public sector organisations concerning the changes they experience and their impact on HR departments remains ambivalent. The lack of longitudinal studies, able to track the transformation of the HR department's role over time and to relate the changing role of HR to the specifics of organisational contexts and the way in which the strategic initiatives had developed, has resulted in limited knowledge about the temporal dynamics of the HR roles that lie outside the domain of static typologies. Consequently, conceptual models illustrating the activities, conduct and interactions of HR with the stakeholder groups require greater empirical scrutiny.

### **Changing HR role: contested ownership and negotiated evolution**

Truss et al (2002) break new ground in research into the strategic role of the HR department by combining concepts derived from role-theory (Katz/Kahn 1966, 1978) and the negotiated order perspective (Strauss et al. 1963) to explain the role the HR department is taking within an organisation. They put forward a model of the factors that can influence the HR department's strategic contribution. The argument that the HR function is playing a strategic role, they suggest, 'is based on the premise that individuals working within the HR departments are able to exercise some discretion over the activities on which they spend their time, and that they can engage in deliberate acts to alter that role' (Flood 1998 cited by Truss et al. 2002: 41). They go on to say that although the word 'role' is almost invariably used in this context, few studies have linked the notion of 'role' to role theory and concepts of negotiated order.

According to role-set theory (Katz/Kahn 1966,1978), the roles played by individuals – or sets of individuals engaged in similar jobs, such as departments – are socially constructed through the perceptions and attitudes of role-set members. That is, the role of the HR department is contingent on the expectations that others within the individual's 'role set' – ie all those people who, in some way, have a stake in the activities of the individual – have about the rights and duties associated with that role. As organisational roles are socially constructed, according to role theory, two conditions need to be met to enable HR managers to change the role of their department successfully. Firstly, expectations of the role-set members – HR management, line management and top management – must change and, secondly, HR managers have to achieve actual change in the nature of the work that they do (Truss et al. 2002). This also suggests 'the need for HR managers to perform well against current expectations of the role in order to achieve reputational effectiveness (Tsui 1984b) before being able to take the next step and undertake change to the role' (Flood 1998 cited by Truss et al. 2002: 41).

Role-theory is particularly helpful in indicating ways of measuring the outcomes of role performance in relation to expectations. Role expectations are formulated in a dynamic social context with a strong emphasis upon interaction, communication and expectation. Although the key components of role set are role expectation, role perception and role behaviour, the perception of expectation is as important as the communication of expectation (Katz/Kahn 1966,1978). These two components influence subsequent behaviour. Such behavioural outcomes are also influenced by the ability of HR department's members to shape the expectations of others in the role set.

Similarly, drawing on the concept of negotiated order (Strauss et al. 1963), it can be argued that:

'HR department members are not just passive recipients of role expectations but are able to engage actively in processes to alter the nature of their role. Thus, HR managers and officers can behave in different ways, partially influenced by their strength of will to act strategically, the decisions they make about how to deploy the resources they have, where they focus their activities and their level of communication and visibility within their organisation' (Truss et al. 2002: 58)

According to Strauss et al. (1963), the patterns of behaviour evident in an organisation, resultant patterns of change, stability and conflict, can be best understood if the organisation is viewed from a 'negotiated order' perspective. From this position, rules and structures can be seen as defining only to a limited extent, and over limited time periods, patterns of behaviour and interaction. In their view, order is maintained and change is achieved through continuous negotiation and renegotiation between the different organisational groups engaged in interactions in the organisation. The manner in which groups and individuals engage with the negotiation process is thus critical. As Strauss et al. (1963: 312) illustrate, with respect to the engagement of different organisational groups within the organisation:

'... one may begin by stating that, like anyone else, they wish to control the conditions of their work as much as possible. Of course, they must negotiate to make that possible: they must stake claims and counterdemands; they must engage in games of give-and-take. Among the prizes are: where one will work, the colleagues with whom one will share tasks, the superiors under whom one will work ... Illustrating from one area only, that of controlling superiors: they have various means of such control. These include withholding information and displaying varying degrees of cooperativeness in charting or in attending meetings.'

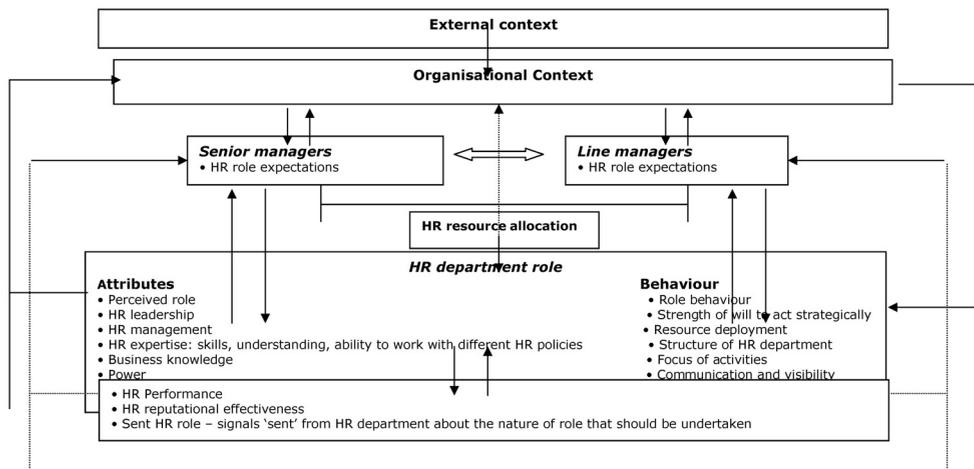
At a theoretical level, role-theory (Katz/Kahn 1966, 1978) therefore suggests that the views of members of the role set play a key part in defining the nature of the HR role, and that it is therefore essential to investigate the views of those outside the HR function, while the concept of negotiated order implies that it is imperative to understand the perspective of those within the target role (Strauss et al. 1963; Barnett et al 1996; Truss et al 2002). The HR function is implicated, from this perspective, in a 'great web of negotiation'. Although the HRM agenda can be extensive, pressing, and strategic, other groups can claim ownership of specific agenda items. The adoption of such a conceptualisation implies that it is crucial to gain an understanding of how a strategic HR role is conceptualised by role-set members. Conversely, it is also important to look at the role of members of the HR function through the lens of the negotiated order framework, which opens up the possibility that the role of the HR function can

change over time due to processes of bargaining and negotiation between organisational members.

Building upon these arguments, Truss et al. (2002) distinguish between role expectations, attributes and behaviours within the HR department. Role expectations illustrate the 'sent role, i.e. the signals sent by major role-set members (senior and line managers) to the HR department about the nature of the role they should play and which in turn affect the nature and amount of resources allocated for the function. Attributes comprise the 'received role' or interpretation of the expectations of role-set members by the HR department members, the nature of HR leadership and managers, the level of HR expertise, business knowledge and understanding, and degree of power wielded by key department members. Finally, behaviours encapsulate the activities and actions performed, the decisions taken by the HR department members and the HR Director in order to actively influence and alter the nature of their role.

All together, these perspectives make the model developed by Truss et al. (2002) a strong analytical tool. Figure 1 depicts how the different elements within the model are combined. Factors in the organisation's environment influence its internal context, which in turn has an impact on the HR department's major role-set members, senior and line managers. The role expectations they send to the HR department are interpreted by the HR department members and the departmental attributes and behaviours lead to outputs in the form of HR performance, HR reputational effectiveness (Tsui, 1984) and a 'sent' HR role. These outputs, in turn, influence the further expectations of key role-set members.

**Figure 1: The theoretical framework of the factors influencing the strategic role of an HR department (based on Truss et al. 2002)**



This model is particularly suitable for explaining the changing role of the HR department because it has the potential to reflect more accurately the complex web of structures, interactions and groups that ultimately influence the role taken by the HR department. It draws on the theoretical frameworks of role-set theory and negotiated

order as described earlier, as well as general concepts of structure and agency, and situates them within a more holistic view of the HR department within the organisation.

In summary, our knowledge of the nature, role and meaning of a strategic HR department within public sector organisations responding to the ‘modernisation’ agenda is still limited. Previous research has suggested that, in theory, the strategic role of the HR function is contingent on a variety of factors internal and external to the organisational setting, in addition to the will of the HR department members to change their role. Given the existence of such shaping factors and the contested ownership of the HRM agenda, which will strongly influence the extent to which the HR function can successfully evolve toward a strategic position, a more evolutionary approach, sensitive to the idiosyncrasies of the local context, is clearly required. Further empirical research is, consequently, needed in order to understand how change initiatives associated with the ‘new commercialisation framework’ have impacted on the demands and choices inherent in HR roles.

Building upon these arguments, the aim of this article is to draw upon Truss et al.’s (2002) work to shed new light on the changing role of the HR department in Britain’s National Mapping Agency. In particular, we will examine four questions:

1. What effect did commercialisation have on the nature of the HR function?
2. What activities did a strategic HR department engage in?
3. How did the role of the HR function evolve over time throughout commercialisation?
4. What contextual factors have an impact on the nature of the role played by the HR department?

## **Methodology**

### ***Data collection***

The empirical study was carried out between July 2002 and December 2003, using a team of two researchers. The research involved four main types of data: in-depth interviews, focus groups, documentary data and non-participant observation.

Data were collected from the organisation at two time points during the research period:

- Time 1 (2001) corresponded to the official adoption of the new ‘business model’; and
- Time 2 (2003) corresponded to the incorporation and consolidation of strategic changes, allowing for change to become partially ‘anchored’ in new social structures and practices.

A total of ninety-four interviews were conducted (Table 1). Each interview lasted between 60 to 90 minutes. All the interviews and focus groups were tape-recorded. Most respondents had been with the organisation for a considerable period of time.

**Table 1: Number of respondents participating in interviews in Phase 1 and Phase 2**

Multiple Constituency Groups	Number in Phase 1	Number in Phase 2
Senior Management	15	10
Senior Consultants	2	1
Strategic planning responsibilities	4	2
Line Management	10	7
Strategic HR responsibilities	3	3
HR Business Management	6	6
Members of the HR department	8	8
Trade union officials	3	-
Non-managerial employees	6	-
Total interviews = 94	57	37

In *Phase I* (time line August-October 2002), interviews were carried out with the main actors involved in the strategic initiative programmes. Care was taken in this stage to ensure that interviews considered both the perceptions of members of the HR function concerning the role played by the HR function throughout change implementation, and the perceptions of role-set members (people who had a stake – a vested interest – in the activities and roles of the department).

This was supplemented by a focus group within the HR function staff, in-depth analysis of organisation's publications, records, policies and internal documents, and non-participant observation. Observation was carried out by attending strategic meetings, workshops and forums. This provided valuable information on the strategic involvement of the HR Directors in strategic decisions and their ownership in the strategic management process.

Interviews were semi-structured, tailored to each particular person and focused on their perceptions of what happened and why; on how senior managers decided, introduced and monitored changes; senior managers' links with the external environments; on how the HR Director was influencing and being influenced by the other Board members.

Interviews with the members of the top-management team were designed to elicit their opinions over a range of issues, including the nature of business strategy and strategic decision-making and change. For senior and line managers, questions were focused on how the organisation went about managing its people, the role, and general perceptions within the line about the effectiveness of the HR department. They were asked to describe the people management issues that change brought into their area, what kind of role they expected the HR department to play in the process and how they were trying to influence the way the function was carrying out its role and activity.

Interviews with HR members were focused on both policy and practice and covered the role of the HR function and the nature of various HR activities within the organisation (for example, recruitment, appraisal, pay, career management). They provided rich information about the HR initiatives implemented, the role of the HR function, staffing policies, training, information and communication, compensation, and

management development. They were semi-structured, organised around key areas (HR roles, HR activities and changes, perceptions, expectations, influence of others) and emphasised interpretations of key participants concerning actions, events, interactions, motives.

In *Phase II* (time line May-December 2003), follow-up interviews were carried out with selected HR members, HR Director, senior and line managers. The interviews were semi-structured and focused on the perceptions of members of the HR function concerning the changes in the function's roles and activity, the role expected from them and how they worked with other business groups in order to build up the credibility of the department. They also explored how senior and line managers elsewhere in the business view the HR function and if their perceptions have changed since the first round of data collection. This was supplemented by observation and document reviews.

### ***Data analysis***

The thematic analysis procedure for grounded theory (Glaser/Strauss 1967; Strauss/Corbin 1990, 1998; Partington 2000) was followed. In this method, there are two steps: categorisation and coding. Categories were developed according to research questions to provide labels in order to group the issues and themes identified. The categories represent items of common meaning. Interviews and focus groups were transcribed verbatim. Two researchers read the transcripts thoroughly. To guard against bias in qualitative data analysis, each interview's transcription was content analysed at least twice; the second analysis served to verify or contrast the initial set of results.

The process of data collection, coding and analysis were carried out in an iterative manner and ended when enough categories and associated concepts had been identified (theoretical saturation, Glaser/Strauss 1967). The next stage of the analysis moved on to a more theoretical perspective, where the data was analysed from a theoretical perspective. The empirical findings are presented in a case description.

The following section will introduce the case study organisation and present the results.

### ***The site***

Britain's National Mapping Agency (hereafter GIS) is a quasi-autonomous agency within the geographic information industry with Trading Fund status and employing approximately 1850 staff. Its principal activities are twofold: the maintenance of the National Topographic Database by recording and storing measurements of new roads, houses and so forth; and the creation of products from it, such as paper map series and digital datasets used in geographic information systems. Since April 1999, as a Trading Fund, it has enjoyed a greater degree of commercial flexibility and increased responsibility for its business planning and finances, whilst paying the government an annual financial dividend.

*External context:* The New Labour *Modernising Government* agenda has provided GIS with the opportunity to operate and compete commercially. Emerging opportunities for the rapid expansion of location-based services offered via the Internet sit along-

side its established activities in the mature paper-based mapping market. Intense competition and threat of product substitution through the mass expansion of digital information acted as drivers for maximising revenue and increasing the use of geographical data.

*Internal context:* With the appointment of a new Chief Executive Officer in September 2000, GIS began the first phase of the commercialisation process, by changing its organisational and reporting structures. The organisation had a long history of public service culture and organisational systems and processes and thus, the efficiency and effectiveness of management processes were major challenges.

The change programme set up from 2000 onwards was designed to transform a strongly introspective technology-oriented organisation into a *customer-oriented* one. One of the most significant reviews undertaken in 2001 by the Board identified that the problem of achieving GIS's corporate goals resided within its *structures and work practices*. A key strategic objective was the reduction of structural and process complexity and the rethinking of how the organisation provides value to its customers.

### *Impact on HR*

The internal transformation of the business had a significant effect on the HR function. Senior managers and managers from the other business groups began to recognise that traditional models used in the organisation were fast becoming inadequate. This discomfort accelerated when the business re-organisation planned by the Board was implemented, requiring an urgent rethink of HR roles. As new standards of organisational performance were established, the HR function felt pressure to justify its existence and demonstrate added value.

The traditional model of personnel in GIS had focused on the administration of personnel processes and practices, and employee advocacy. Personnel function was regarded as 'the police' of the organisation, with personnel policies being vigorously enforced. Business groups' managers were used to be told by HR officers which policies work and which don't, and most of these policies were not linked with what the business was actually doing. There was a neglect of people management issues by line management and the personnel function was perceived to be ineffective.

As the organisation started to pursue its turbulent journey, management expectations began to change and there was a growing need to rethink the notion of 'uniformity' that permeated personnel activities organisation-wide. Impatience grew with the old administrative model of the HR function and with its tendency to say 'no' to innovation and differentiation.

The HR function was, as a result, expected to make a contribution in the following two areas:

- a) Its strategic mission of delivering integrated HR strategies and systems to build organisational capability for the business, with a long-term impact on performance;
- b) Put in place those activities necessary for increasing organisational performance: new structures, work processes, mindsets, roles, competencies and leadership.

Two major stages could be identified in the transformation of the HRM function in GIS.

*The first one was initiated in 2001* and involved aligning HR processes and policies to the new business model and linking them to the new business drivers. A major programme called *New Ways of Working* addressed issues associated with the current organisational structure, people, culture, communication and the way employees work. The clear target was to make these elements more streamlined, adaptive, responsive and customer-driven.

Seven clusters of initiatives have been introduced in the area of HRM to support the shift in business strategy:

- a) The introduction of a new vision and values
- b) The refining of the performance management system;
- c) New Pay system (move from pay bands to seven job roles);
- d) Re-design resourcing, selection and career development;
- e) Developing leadership capabilities;
- f) Recruitment of new managers; and
- g) Management development.

With the implementation of all these initiatives, the HR function needed to extend its power and influence in order to run the launching of the vision and values initiative and to implement the designed changes in HR policies. The function faced a major task as, in order to embed the cultural change required, they needed to shift the mind-sets of the employees away from an obsession with procedures towards a culture fostering continuous improvement in achieving the business targets. It was also starting to move away from providing what was essentially a support role to one which stressed business partnerships with the other business groups within the organisation. However, in this first stage, the function kept its image of 'service to the business', as there has been little involvement of HR in the actual planning of change. The changes have been mainly top-driven, and the interaction between HR and the top management team could be described more as 'facilitative', with little involvement of the function in the development of change strategies.

*In the second stage*, starting with summer 2002, a major programme of structural change was implemented, coupled with a voluntary early retirement and severance scheme that affected 300 staff. The HR Director, recruited in June 2002 from the private sector, recognised the need for further changes within the HR department beyond the HR policy domain. She arrived with a new vision of the HR role, exploring the ideas of strategic partnership and human resources as a competitive advantage'. She also saw the restructuring of the department around the business and its needs as vital. HR roles, in her view, had to be described with words such as *visionary*, *strategist*, *integrator*, and *change agent*.

### ***Perceptions held by members of the HR function***

The interviews with HR department members revealed that their director acted deliberately over the whole period of the research with the intent of changing the role of

the function. To take but one example, in September 2002, at the initiative of the new HR director, the HR function was reorganised to promote business/customer focus, decentralisation, effectiveness (priorities and resources), role clarification, new ways of working. The new teams were as follows:

1. *Business Management* – three business partners to work directly with the senior and line managers from the Business Groups;
2. *HR Shared Services* – HR Policies (remuneration, pay, recruitment, training, HR systems)
3. *Organisational Development* – Knowledge management, Succession, Career Planning, Talent Management and Culture Change; and
4. Corporate Communications.

Each of the teams had a manager reporting directly to the HR Director.

Among other initiatives that the HR Director initiated were establishing the key HR processes and developing a set of core priorities for the function, linked in with the strategic objectives of the organisation. Furthermore, Business Partners were introduced, in order to further improve the links between HR and the rest of the business. Business partners were a key point of contact for each business group within the organisation on HR matters. They had an understanding of the business deliverables of the group and related HR issues, and worked closely with managers in that group in the application of HR policies and good practice to help achieve the business objectives. They also provided feedback to people in HR, and worked with the whole HR team to evolve HR policies to ensure they are right for the business. As one HR Business Partner explained the prevailing view:

‘Business Groups managers want us to understand what are the people issues each area is confronted with and how can we meet those issues in a way which is suitable for the business. They want us to be able to be thinking ahead within a particular area of the business and come up with solutions. They also want us to take shared responsibility and shared risk – in other words they would like to know that if it is success or failure, we succeeded or felt with them, so they want to know that there is some *ownership* and *shared risk*’ (HR Business partner, September 2002)

One interesting point to emerge was the view of the HR Director that ‘having a well-written HR strategy was not equivalent with developing a strategic approach to HRM’. She also pointed out that ‘there is no sense of having an overarching HR strategy, if HR does not really serve the business needs’. Furthermore, she emphasised that the lack of an HR strategy did actually showed that HR activity was driven by the business needs rather than following their own HR agenda. As a result, she considered that the main priorities for HR were introducing organisational change in HR policy and practice, and adopting a strategy of involving senior and line managers, working groups and the unions with the aim of ensuring strategic fit and achieving buy-in from employees. The HR Strategy document emerged later in the change process (in September 2003), when the organisational development needs could be clearly established and linked with the future needs of the newly restructured business.

The HR team also adopted a strategy of involving line managers, working groups and the unions with the aim of ensuring strategic fit and achieving buy-in from em-

ployees. The interviews also revealed that the intention of the HR director was to develop long-term HR strategies supporting the overall direction of the organisation. In addition, a planned approach to implementation was being adopted, accounting for short as well as long-term interventions.

By January 2003, HR department members, particular the most senior ones, perceived their role as being very strategic within the organisation. The language and discourse were almost exclusively those of strategic HRM, with little evidence of the old style public sector administrative ethos. Encapsulated within it were clear indications that strategies being pursued by the department included linking the HR strategy to the overall strategy of the organisation, developing and maintaining high levels of HR expertise among the HR team, and an openness to wider HR issues through involvement in external HR groups.

‘We are taking more and more of a role in the whole business process. We used to be a support function, whereas now we will get involved in something to see whether it is viable.’ (Member of the HR department, 2002)

The creation of the new structure was seen by many HR members as designed to enhance the credibility of the department in the eyes of business groups managers and employees and achieve ‘reputational effectiveness’ (Tsui 1984b, Truss et al. 2002). In addition, the prevalent view over 90 per cent of HR members interviewed was that the HR Business Partners made a major contribution in building up the credibility of the function and proving that HR can add real value to the business:

‘Business Groups managers have all said they do recognise the difference in approach, the partnership approach that we are trying to adopt and have been appreciative of it. I think we proved that, by working together with the Business Groups managers and sitting in their Group meeting, we have sent a signal of what HR can do and that we have the knowledge and skills to understand the business issues they are confronted with. I feel this helped us gain credibility and now they come to us to help them improve their business’ (Member of the HR department, October 2003).

The available evidence based on HR department documentation and rhetoric therefore indicates a clear shift over time towards a more strategic role, where that is defined in terms of adopting a future focus, supporting the business strategic objectives, focusing on change management and learning and being proactive rather than reactive.

### ***Perceptions of role-set members***

In the first round of data collection, it was found that managers generally perceived HR strategy to be quite *ad hoc*, with a strong resonance of the public sector administrative heritage. Several interviewees spoke of HR’s primary role as being about rules and regulations. The perception appeared also to be that they ‘had an unclear role’, ‘lacked visibility’ and were ‘just implementing policies; there’s no strategic thinking’.

Perceptions of the HR department were generally that the task of achieving excellence was a difficult one, given the base from which they had to work. However, many interviewees voiced their doubts about how well the department managed ‘the basics’ – how it defined its role and contribution, its visibility within the organisation and the calibre of some of the administrative staff.

It was clear in many of the interviews that more senior HR staff, notably the director, were regarded very highly by their colleagues, and this undoubtedly helped to raise the credibility.

By January 2003, it appeared that the line managers, particularly the more senior ones, had a much clearer idea of the kind of role they expected the HR department to play.

‘Strategically, at the moment, I want from HR a complete training and development plan and a workforce plan ... the HR had done some good work in assisting with the commercialisation process, such as the co-ordination of the people management issues across the different business groups.... The Board and the Corporate Leadership Team determined what needs to be done and how we need to do things for our business operations and the HR people need to support these business directions with various strategies and policies’. (Senior manager, 2003)

Senior and line managers stated that they wanted the HR department to contribute by developing HR strategies that supported the overall direction of the organisation. There was some evidence from the interviews that the department had made progress towards achieving this.

By May 2003, evidence was found of further developments in HR. Some line managers were particularly enthusiastic about the function:

‘I think they have come a long way...They are now driving and leading the business. HR has become a leading part of the organisation together with the Strategy Group in terms of setting the overall framework in which the Business groups operate.’ (Senior Manager, 2003).

The HR function was now highly rated by many managers and improvements were noted in the delivery of platform services.

## Discussion

An important issue emerging from the case was the complexity of the roles enacted by the HR function. In order to make a valuable contribution to business performance, the HR change agent role had a ‘strategic’ component as well. There was also a constant conflict between the HR *strategic involvement* in ensuring the integration between HR strategy and business strategy, on the one hand, and the task of *bringing about large-scale organisational change* and pushing forward the processes of culture change and organisational transformation, on the other hand. This role conflict has also been acknowledged by Caldwell (2001: 42), who describes it as ‘a constant tension between the visionary strategic promise of HRM and the shifting array of expertise necessary to make change happen’.

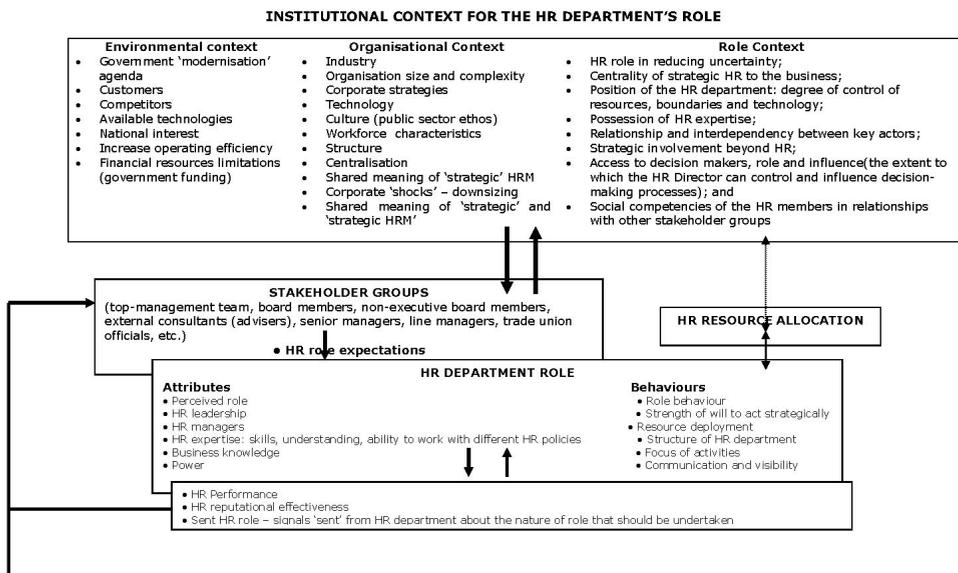
The views of the managers elsewhere in the business (senior managers and line managers from other business groups) were in general positive. Some of them did not yet have a very clear idea of the kind of role they expected the HR department to play and the perception lingered that the HR function is reactive, playing a traditional, administrative role within both organisations. Throughout change implementation, however, there was an increasing recognition of the scope for a greater contribution to the business by HR, although there was a lack of clarity among managers of precisely how the HR function could help to solve specific problems that some areas were facing. It

also emerged that the HR function could deliver value within different areas, ranging from administration to strategy formulation and change management and that the perceived value of the function depended not only on the roles it fulfilled but also on the way in which the function was involved in the whole organisation. Likewise, the effectiveness of the function – especially in terms of adopting a future focus, supporting the business strategic objectives, focusing on change management and being proactive rather than reactive – has increased throughout change implementation.

The case demonstrates the efficiency of centralised rather than decentralised HRM systems in achieving organisational change. This is an interesting insight into the role and remit of the HR department, given the emphasis in some of the literature on decentralising responsibility for human resource management to line managers rather than personnel specialists (Hall/ Torrington, 1998; Budhwar 2000). As extent literature has shown, a decentralised HRM system can be more effective than a centralised one. However, this case demonstrates that, in order to achieve organisational change, the shifting of HRM responsibility to line managers doesn't always work. With more transformational agendas within business strategies, certain advantages may be gained from the function regaining a more central role, especially in relation to building up the credibility of the department in the eyes of the managers from other business groups.

Drawing on Truss et al.'s (2002) conceptual framework, the next section turns to the question of what factors emerged as important enablers or constraints to the increased strategic involvement of the HR functions within the case study organisation. The following factors emerged (figure 2):

**Figure 2: Conceptualisation of factors influencing the strategic role of the HR department in a commercialising public sector organisation**



*The institutional context.* Factors in the organisation's outer context, such as the Government modernisation agenda and the 'commercialisation' discourse influenced its inner context. In addition, contextual dimensions specifically related to the HR activity can combine to create different role contexts for the HR members and HR Director, either enabling or constraining their work.

*The public sector administrative heritage.* The 'old style' employment relationship and the process-driven nature of public sector bureaucracy (Bach/ della Rocca 2000) militated against the HR manager taking independent, fast decisions in a given situation. This focus on process also influenced senior and line managers' perceptions of the role of HR. The historical perception has been that the HR department has not exhibited a customer service philosophy; this has constrained opportunities for the function to play a strategic role. In addition, the HR function within GIS had to operate within the ambit of Civil Service pay and rewards structure and policies and that limited its degree of discretion in using these policies as an efficient tool.

*The nature of the workforce.* GIS has always employed professional staff with good technical and operational skills but the necessary commercial skills have often been lacking. As a result, there were often tensions between the professional and the managerial staff regarding the right HR policies that had to be implemented (recruitment, selection, training and development, appraisal, career management etc). There were misunderstandings over the nature of the role of HR and this tension served to constrain the way in which the HR function operated, since they had to engage in careful management of the relationship with professional groups.

*Organisational culture and shared meanings of strategic HRM* can support or hinder the HR role change: some senior and line managers still wanted the HR function to operate more tactically than strategically, and that generated frictions between the HR department and the other business groups.

*The HR function itself, its structure and how it managed its role.* Whilst this factor served as a constraint to an increased strategic involvement, it was also found that it could act as an enabler. Commercialisation meant that the HR team was closer to the business, whilst the adoption of a centralised structure for the HR provided a glue to hold the function together, facilitating its strategic involvement. In addition, the human resource management interventions (the introduction of a new vision and values, the implementation of a new performance management system, the redesign of the organisational structure) and the structure of the HR function itself have been used as change levers to support the overall organisational transformation. As such, the traditional activities of the HR department (such as recruitment and selection, performance management systems, training and development) were important change levers because of their ability to create organisational settings, which were supportive to change.

It emerged from the interviews that various aspects of the HR function itself and the way it operated served to impede its strategic role. The first aspect of this was the perception held by some senior managers from other business groups that the function was purely administrative and lacking the necessary business knowledge for understanding what the business actually needed. From the perspective of some of the

line managers, it was clear that they felt the HR function was not operating effectively at the level of 'platform services'. This is likely to impede HR strategic agenda. The second aspect of the HR function that appeared to act as a constraint to its strategic involvement was its structure. There was a dilemma around the extent of devolution of some of the HR sub-functions to line managers. Similar to the conclusion reached by McGovern et al. (1997), the current research identified a mismatch between the long-term nature of HR activities and the short-term nature of managerial activities. Line managers were not ready to take on people management responsibilities and they put up barriers to accepting the input and advice of the HR department. They felt that they did not have the right skills to manage their employees and so tended to resist change, acting as unwilling partners in people management. Evidence from the case study showed that the attempts to decentralise some of the functional and operational aspects of HRM (such as training and development, recruitment, performance monitoring and sick leave) to line managers were ineffective. Line managers perceived this additional responsibility as taking away too much of their time. A third factor concerning the HR function that appeared to act as a constraint was the lack of visibility. This was related to the skills of the HR members and their capacity to keep other business groups informed on what goes on in the HR department, as well as to the actual relationship of the HR department with the managers and senior managers within the organisation. It was interesting to note, however, that starting with the second half of 2003, the question of visibility no longer appeared to be an issue, suggesting that the HR functions had managed to raise their profile within the organisation.

The newly appointed HR Director had a strong will to act strategically and gained the support of the other HR members, who in time developed a similar focus. She also directed her activities towards increasing the visibility and credibility of the department and actively chose to focus on interventions that would enable her department to play a more strategic role in the long term.

*The relationship between the department HR and major role-set members.* Here again the concepts of 'role expectations' and 'sent role' are helpful in understanding how the process develops. If the expectations are that the HR function needs to change its traditional, administrative role and add more value to the business, this in turn affects the nature and amount of resources allocated to the function, which hinders or support the development of an HR strategic agenda. If the HR members find difficult to devote time to acting strategically, there is a tendency for HR to focus only on the day –to day, operational matters.

During commercialisation, the restructuring of the HR function and the creation of the Business Partners stream within HR had resulted in an increasing level of consultation and collaboration between HR and managers at the Business Group level. However, this factor acted also as a constraint in the first months of change implementation, when there was reluctance among senior and line managers to increase the informal communication and consultation with HR.

Throughout commercialisation, the role of the HR function was observed to be evolving from one concerned with implementing national policy towards one acting at an advisory level on strategic issues to business groups' senior and line managers. The

restructuring of the HR function and the creation of the Business Partners stream within HR had resulted in an increasing level of consultation and collaboration between HR and managers at the Business Group level. Therefore, this factor acted as a constraint in the first months of change implementation, when there was reluctance among senior and line managers to increase the informal communication and consultation with HR. Whilst this factor served as a constraint to an increased strategic involvement, it was also found that it could act as an enabler. By working closely with the Business Groups to plan the workforce and ensure HR services were serving the business needs, Business partners improved the level of communication, and therefore, there was an increasing level of consultation with the group-level managers.

## Conclusions

Drawing on Truss et al.'s (2002) conceptual framework, the article has sought to illustrate, through the experience of a commercialising public sector organisation, how the HR function can engage effectively in the contest for ownership of the agenda and to address the factors that impacted the development of such a proactive HR agenda. Analysis of this dynamic exposed the complex interactions between the dynamic public sector change context, the role and activity of HR department and the evolution of perceptions and expectations of key stakeholders of the corporate HR department. The article contributes toward the theory and practice of human resource management by illustrating the impact that the transition from a 'Government Department' to a commercially driven, customer responsive and self-financing organisation can have on the role of the corporate HR function. Securing longitudinal data enabled an over-time perspective to be taken on the role of the HR department.

Compared with previous public sector research, which highlighted the persistent marginality of the personnel function and its lack of strategic involvement, this study demonstrates that it is possible for the personnel functions in a public sector setting characterised by the 'old-style public ethos' to adopt a more proactive role. For the HR function to become more strategic, far more is needed than the HR director to simply decide that the department 'will be' strategic. Rather, the role the HR function takes on will be the result of a continuous process of negotiation with other groups within the organisation and will be achieved by a process of 'negotiated evolution' which involves credibility building, agenda management, continuous delivery and other influencing techniques. The HR function operates within a complex system of interdependencies and conflicts over the form, ownership and implementation of the HR agenda – and no single group is in full control.

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