Role of the HR function

HR functions are concerned with the management and development of people in organizations. They are involved in the development and implementation of HR strategies and policies and some or all of the following people management activities: organization development, human resource planning, talent management, knowledge management, recruitment and selection, learning and development, reward management, employee relations, health and safety, welfare, HR administration, fulfilment of statutory requirements, equal opportunity and diversity issues, and any other matters related to the employment relationship.

The IRS survey of HR roles and responsibilities (IRS, 2004b) found that HR functions were spending 20 per cent of their time on strategic activities, 40 per cent on administration, 30 per cent on providing a consultancy service, and 10 per cent on other activities.

The ‘clients’ or ‘customers’ of the HR function are not just management. They also comprise the front-line managers who actually implement HR policies and on whom the function relies to get things done, employees, and potential recruits.

This chapter deals with:

- the overall role of the function;
- the role of HR in facilitating and managing change;
- variations in practice;
- organization of the function;
marketing the function;
preparing, justifying and protecting the HR budget;
outsourcing;
the provision of shared services;
the use of external consultants;
evaluating the HR function.

THE OVERALL ROLE OF THE HR FUNCTION

The role of the HR function is to enable the organization to achieve its objectives by taking initiatives and providing guidance and support on all matters relating to its employees. The basic aim is to ensure that the organization develops HR strategies, policies and practices that cater effectively for everything concerning the employment and development of people and the relationships that exist between management and the workforce. The HR function can play a major part in the creation of an environment that enables people to make the best use of their capacities and to realize their potential to the benefit of both the organization and themselves.

Essentially, the HR function provides the advice and services that enable organizations to get things done through people. It is in the delivery business. Ulrich (1998) points out that: ‘The activities of HR appear to be and often are disconnected from the real work of the organization.’ He believes that HR ‘should not be defined by what it does but by what it delivers’.

The more sophisticated HR functions aim to achieve strategic integration and coherence in the development and operation of HRM policies and employment practices. Strategic integration could be described as vertical integration – the process of ensuring that HR strategies are integrated with or ‘fit’ business strategies. The concept of coherence could be defined as horizontal integration – the development of a mutually reinforcing and interrelated set of HR employment and development policies and practices. These strategic aspects of the work of the function are dealt with in Chapters 7, 8 and 9 of this book.

THE ROLE OF HR IN FACILITATING AND MANAGING CHANGE

If HR is concerned – as it should be – with playing a major role in the achievement of continuous improvement in organizational and individual performance and in the HR processes that support that improvement, then it will be concerned with
facilitating change. Ulrich (1997a) believes that one of the key roles of HR professionals is to act as change agents, delivering organizational transformation and culture change.

Strategic HRM is as much if not more about managing change during the process of implementation as it is about producing long-term plans; a point emphasized by Purcell (1999) who believes that: ‘We should be much more sensitive to processes of organizational change and avoid being trapped in the logic of rational choice.’ In 2001 Purcell suggested that change is specially important in HRM strategies, ‘since their concern is with the future, the unknown, thinking of and learning how to do things differently, undoing the ways things have been done in the past, and managing its implementation’. He believes that the focus of strategy is on implementation, where HR can play a major part.

The importance of the human resource element in achieving change has been emphasized by Johnson and Scholes (1997):

Organizations which successfully manage change are those which have integrated their human resource management policies with their strategies and the strategic change process... training, employee relations, compensation packages and so on are not merely operational issues for the personnel department; they are crucially concerned with the way in which employees relate to the nature and direction of the firm and as such they can both block strategic change and be significant facilitators of strategic change.

The contribution of HR to change management

The HR function may be involved in initiating change but it can also act as a stabilizing force in situations where change would be damaging. Mohrman and Lawler (1998) believe that:

The human resources function can help the organization develop the capability to weather the changes that will continue to be part of the organizational landscape. It can help with the ongoing learning processes required to assess the impact of change and enable the organization to make corrections and enhancements to the changes. It can help the organization develop a new psychological contract and ways to give employees a stake in the changes that are occurring and in the performance of the organization.

How HR can facilitate change

Ulrich (1998) argues that HR professionals are ‘not fully comfortable or compatible in the role of change agent’, and that their task is therefore not to carry out change but to
get change done. But HR practitioners are in a good position to understand possible points of resistance to change and they can help to facilitate the information flow and understanding that will help to overcome that resistance.

Change guidelines for HR

To facilitate change, HR has to be fully aware of the reasons why people resist change and the approaches that can be adopted to overcome that resistance, indeed to gain agreement that change is desirable. These approaches are described in Chapter 24.

Useful guidelines (quoted by Ulrich, 1998) on how HR can facilitate change have been produced by the HR department in General Electric. These are to ensure that:

- employees see the reason for change;
- employees understand why change is important and see how it will help them and the business in the long and short term;
- the people who need to be committed to the change to make it happen are recognized;
- a coalition of support is built for the change;
- the support of key individuals in the organization is enlisted;
- the link between the change and other HR systems such as staffing, training, appraisal, rewards, structure and communication is understood;
- the systems implications of the change are recognized;
- a means of measuring the success of the change is identified;
- plans are made to monitor progress in the implementation of change;
- the first steps in getting change started are recognized;
- plans are made to keep attention focused on the change;
- the likely need to adapt the change over time is recognized and plans can readily be made and implemented for such adaptations.

VARIATIONS IN THE PRACTICE OF HR

The role of the HR function and the practice of human resource management vary immensely in different organizations. As Sisson (1995) has commented, HR management is not a single homogeneous occupation – it involves a variety of roles and activities that differ from one organization to another and from one level to another in the same organization. Tyson (1987) has claimed that the HR function is often ‘balkanized’ – not only is there a variety of roles and activities but these tend to be relatively self-centred, with little passage between them. Hope-Hailey et al (1998) believe that HR could be regarded as a ‘chameleon function’ in the sense that the diversity of
practice established by their research suggests that ‘contextual variables dictate different roles for the function and different practices of people management’.

Adams (1991) has identified four approaches to the role of the function, each of which can be seen as representing a ‘kind of scale of increasing degrees of externalization, understood as the application of market forces to the delivery of HR activities’:

1. The **in-house agency**, in which the HR department is seen as a cost centre and the activities are cross-charged to other departments or divisions.
2. The **internal consultancy**, in which the HR department sells its services to internal customers (line managers), the implication being that managers have some freedom to go elsewhere if they are not happy with the service that is being provided.
3. The **business within a business**, in which some of the activities of the function are formed into a quasi-independent organization that may trade not only with organizational units but also externally.
4. The **external consultancy**, in which the organizational units go outside to completely independent businesses for help and advice.

The common feature of all these approaches is that the services delivered are charged for in some form of contract, which may incorporate a service level agreement.

The approach to the provision of services and their externalization will vary between different organizations because of contextual factors such as the way in which the business is organized and the type of people employed, the values and beliefs of top management about the need for HR and the extent to which it will make a contribution to the ‘bottom line’, and the reputation and credibility of the HR function.

Another area for variation is the extent to which the traditional methods of managing HR functions have changed in the direction of setting up shared services and outsourcing, as described later in this chapter.

**ORGANIZING THE HR FUNCTION**

The organization and staffing of the HR function clearly depends on the size of the business, the extent to which operations are decentralized, the type of work carried out, the kind of people employed and the role assigned to the HR function.

There is no standard ratio for the number of HR specialists to the number of employees. It can vary from 1 to 80, to 1 to 1,000 or more. In the 128 organizations
covered by the IRS 2004b survey, there was on average one HR practitioner for every 109 employees.

The ratio is affected by all the factors mentioned above and can only be decided empirically by analysing what HR services are required and then deciding on the extent to which they are provided by full-time professional staff or can be purchased from external agencies or consultants. The degree to which the organization believes that the management of human resources is the prime responsibility of line managers and team leaders affects not only the numbers of HR staff but also the nature of the guidance and support services they provide.

There are, therefore, no absolute rules for organizing the HR function, but current practice suggests that the following guidelines should be taken into account:

- The head of the function should report directly to the chief executive and should be on the board, or at least be a member of the senior management or leadership team, in order to contribute to the formulation of corporate strategies and play a full part in the formulation and integration of HR strategies and policies. In practice, however, this does not happen as frequently as one would wish. Only four out of 10 of the organizations surveyed by IRS in 2004 had a director with sole responsibility for HR.
- In a decentralized organization, subsidiary companies, divisions, or operational units should be responsible for their own HR management affairs within the framework of broad strategic and policy guidelines from the centre.
- The central HR function in a decentralized organization should be slimmed down to the minimum required to develop group human resource strategies and policies. It will probably be concerned with resourcing throughout the group at senior management level and advising on both recruitment and career development. It may also control remuneration and benefits policies for senior management. The centre may co-ordinate industrial-relations negotiating if bargaining has been decentralized, especially where bargaining is related to terms and conditions such as hours of work, holidays and employee benefits. Although rates of pay may vary among subsidiaries, it is generally desirable to develop a consistent approach to benefit provision. A recent development is to operate as a ‘service centre’, providing shared HR services to other parts of the organization, as described later in this chapter.
- The HR function has to be capable of delivering the level of advice and services required by the organization. Delivery may be achieved by the direct provision of services but may be outsourced.
- The function will be organized in accordance with the level of support and services it is required to give and the range of activities that need to be catered for,
which could include resourcing, management development, training, reward management, employee relations, knowledge management and HR services in such areas as health and safety, welfare, HR information systems and employment matters generally. In a large department, each of these areas may be provided for separately, but they can be combined in various ways.

The organization and staffing of the HR function needs to take account of its role in formulating HR strategies and policies and intervening and innovating as required. But the function also has to provide efficient and cost-effective services. These cannot be neglected; the credibility and reputation of the function so far as line managers are concerned will be largely a function of the quality of those services to the HR department’s internal customers. It is, in fact, important for members of the function to remember that line managers are their customers and deserve high levels of personal service that meet their needs.

The most important principle to bear in mind about the organization of the HR function is that it should fit the needs of the business. Against that background, there will always be choice about the best structure to adopt, but this choice should be made on the basis of an analysis of what the organization wants in the way of HR management guidance and services. This is why there are considerable variations in HR practice.

**MARKETING THE HR FUNCTION**

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

First, it is necessary to understand the needs of the business and its critical success factors – where the business is going, how it intends to get there and what are the things that are going to make the difference between success and failure.

Market research data needs to be converted into marketing plans for the development of products and services to meet ascertained needs – of the business and its managers and employees. The marketing plan should establish the costs of introducing and maintaining these initiatives and the benefits that will be obtained from them. Every effort must be made to quantify these benefits in financial terms.

The next step in the marketing process is to persuade management that this is a product or service the business needs. This means spelling out its costs and benefits, covering the financial and human resources required to develop, introduce and maintain it, and the impact it will make on the performance of the business. Identifying the business need and convincing management that a product or service is worthwhile will be easier if the initial customer research and product development activities have
been carried out thoroughly. Credibility is vital. This will be achieved if the proposal for expenditure is credible in itself, but the track record of the HR function in delivering its promises is equally important.

This approach is akin to ‘branding’ in product planning. This identifies the product or service, spells out the benefits it provides and differentiates it from other services, thus bringing it to the attention of customers. Presentation is important through logos and distinctive brochures. Some HR departments brand products with an immediately identifiable name such as ‘Genome’ or ‘Gemini’.

PREPARING, JUSTIFYING AND PROTECTING THE HR BUDGET

Preparation

HR budgets are prepared like any other functional department budget in the following stages:

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

Justification

Justifying budgets means ensuring in advance that objectives and plans are generally agreed – there should be no surprises in a budget submitted to top management. A cast-iron case should then be prepared to support the forecast levels of activity in each area and, on a cost/benefit basis, to justify any special expenditure. Ideally, the benefit should be defined as a return on investment expressed in financial terms.

Protection

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

OUTSOURCING HR WORK

Increasingly, HR services, which would previously have been regarded as a business’s own responsibility to manage, are now routinely being purchased from external suppliers. Managements are facing Tom Peters’ (1988) challenge: ‘Prove it can’t be subcontracted.’ The formal policy of a major global corporation reads: ‘Manufacture only those items – and internally source only those support services – that directly contribute to, or help to maintain, our competitive advantage.’ The IPD (1998a) states that ‘the biggest single cause in the increase of outsourcing has been the concept of the core organization which focuses its in-house expertise on its primary function and purchases any necessary support from a range of sources in its periphery’.

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

The case for outsourcing

There are three reasons for outsourcing:

1. Cost saving – HR costs are reduced because the services are cheaper and the size of the function can be cut back.
2. Concentration of HR effort – members of the function are not diverted from the key tasks that add value.
3. Obtaining expertise – know-how and experience that are unavailable in the organization can be purchased.

Problems with outsourcing

The advantages of outsourcing seem to be high, but there are problems. Some firms have unthinkingly outsourced core activities on an ad hoc basis to gain short-term
advantage, while others found that they were being leveraged by their suppliers to pay higher rates. Firms may focus on a definition of the core activities and those that can be outsourced that may be justified at the time but do not take account of the future. Additionally, a seemingly random policy of outsourcing can lead to lower employee morale and to a ‘who next’ atmosphere.

**Deciding to outsource**

The decision to outsource should be based on rigorous analysis and benchmarking to establish how other organizations manage their HR activities. This will define the level of service required. The cost of providing the existing service internally should also be measured. This will be easier if an activity-based costing system is used in the organization.

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

**Selecting service providers**

Potential service providers should be required to present tenders in response to a brief. Three or four providers should be approached so that a choice can be made. The tender should set out how the brief will be met and how much it will cost. Selection should take into account the degree to which the tender meets the specification, the quality and reputation of the firm and the cost (this is an important consideration but not the only one – the level of service that will be provided is critical). References should be obtained before a contract is drawn up and agreed. The contract should be very clear about services, costs and the basis upon which it can be terminated.

**Managerial and legal implications of outsourcing**

Service providers need to be managed just as carefully – if not more so – than internal services. Service standards and budgets should be reviewed and agreed regularly and management information systems should be set up so that performance can be
monitored. Swift corrective action should be taken if things go wrong, and the contract terminated if there is a serious shortcoming.

The legal implications of outsourcing are that it will be based on a service contract and the purchaser of the services has the right to insist that the terms of the contract are fulfilled. Purchasers also have a duty to fulfil their side of the contract, for example, providing agreed facilities, meeting the leasing terms set out in a car fleet management contract, and paying for the services as required by the contract.

**SHARED HR SERVICES**

The term ‘shared services’ refers to the central provision of HR services that are available to a number of parties and are therefore the same for all those who take them up. The nature of the services is determined by both the provider and the user. The customer or user defines the level of the service and decides which services to take up. Thus, ‘the user is the chooser’ (Ulrich, 1995). As described by Reilly (2000), administrative tasks tend to be those most commonly covered by shared services, for example:

- payroll changes;
- relocation services;
- recruitment administration;
- benefits administration (including flexible benefits and share schemes);
- company car provision;
- pensions administration;
- employee welfare support;
- training support;
- absence monitoring;
- management information.

Services can be provided through the internet, a telephone customer help line, a consultancy pool of advisers, or ‘centres of excellence’ with expertise in such areas as resourcing, employee relations, reward or training. The increasing interest in shared services has been prompted by the more extensive and strategic use of HR information systems.

The organizations covered by the research conducted by Reilly (2000) on behalf of the Institute of Employment Studies identified one or more of the following reasons for providing shared services:
HR will be consumer-driven, more accessible, and more professional;
the quality of HR services will be improved in terms of using better processes,
delivery to specification, time and budget, incorporation of good practice, the
achievement of greater consistency and accuracy;
the process can help to achieve organizational flexibility – a common service will
support customers during business change;
it can support the repositioning of HR, moving it from a purely operational to a
more strategic role so that HR is carrying out the role of ‘acting as a catalyst for
change... anticipating problems and making things happen’ (Hutchinson and
Wood, 1995).

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

The steps required to introduce shared services in what is often described as an ‘HR
service centre’ are as follows (all should involve users as well as providers):

1. Identify present arrangements.
2. Obtain views from customers on the quality of existing services and what could
   be done to improve them (including the scope for sharing services).
3. Define the areas for shared services.
4. Define how shared services would be supplied, including who provides the
   service, where it is provided, how it is provided (this will include consideration
   of outsourcing as discussed later in this chapter).
5. Decide on priorities.
6. Plan programme (this could be phased and might involve pilot testing).

USING MANAGEMENT CONSULTANTS

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

The steps required to select and use consultants effectively are:
1. Define the business need – what added value consultants will provide.
2. Justify their use in terms of their expertise, objectivity and ability to bring resources to bear that might otherwise be unavailable. If the need has been established in cost/benefit terms, the use of external consultants rather than internal resources has to be justified.
3. Define clearly the objectives of the exercise in terms of the end-results and deliverables.
4. Invite three or four firms or independent consultants to submit proposals.
5. Select the preferred consultants on the basis of their proposal and an interview (a ‘beauty contest’) – the criteria should be the degree to which the consultants understand the need, the relevance and acceptability of their proposed deliverables and programme of work, the capacity of the firm and the particular consultants to deliver, whether the consultants will be able to adopt to the culture and management style of the organization, the extent to which they are likely to be acceptable to the people with whom they will work, and the cost (a consideration but, as for service providers, not the ultimate consideration).
6. Take up references before confirming the appointment.
7. Agree and sign a contract – this should always be in writing and should set out deliverables, timing and costs, methods of payment and arrangements for termination.
8. Agree detailed project programme.
9. Monitor the progress of the assignment carefully without unduly interfering in the day-to-day work of the consultants, and evaluate the outcomes.

Legal implications

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

**EVALUATING THE HR FUNCTION**

It is necessary to evaluate the contribution of the HR function to ensure that it is effective at both the strategic level and in terms of service delivery and support. In evaluation it is useful to remember the distinction made by Tsui and Gomez-Mejia (1988) between *process criteria* – how well things are done, and *output criteria* – the effectiveness of the end-result. A ‘utility analysis’ approach as described by Boudreau (1988) can be used. This focuses on the impact of HR activities measured wherever possible in financial terms (*quantity*), improvements in the *quality* of those activities, and *cost/benefit* (the minimization of the cost of the activities in relation to the benefits they provide).

Huselid *et al* (1997) believe that HR effectiveness has two dimensions: 1) *strategic HRM* – the delivery of services in a way that supports the implementation of the firm’s strategy; and 2) *technical HRM* – the delivery of HR basics such as recruitment, compensation and benefits. The methods that can be used to evaluate these dimensions are described below.

**Quantitative criteria**

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

**User reactions**

The internal customers of HR (the users of HR services) can provide important feedback on HR effectiveness. Users can be asked formally to assess the extent to which the members of the HR function demonstrate that they:
○ understand the business strategy;
○ anticipate business needs and produce realistic proposals on how HR can help to meet them;
○ are capable of meeting performance standards and deadlines for the delivery of HR initiatives and projects;
○ provide relevant, clear, convincing and practical advice;
○ provide efficient and effective services with regard to response and delivery times and quality;
○ generally demonstrate their understanding and expertise.

**Service level agreements**

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

**Employee satisfaction measures**

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

**Benchmarking**

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

The following key points about measuring HR performance have been made by Likierrnan (2005):

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

The HR scorecard

The HR scorecard developed by Beatty et al (2003) follows the same principle as the balanced scorecard described in Chapter 2, ie it emphasizes the need for a balanced presentation and analysis of data. The four headings of the HR scorecard are:

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

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

Preferred approach to evaluation

There is much to be said for the systematic HR scorecard approach, although every organization would have to develop its own headings as a basis for evaluation. There are plenty of typical measures but no standard set exists. Perhaps, as Guest and Peccei (1994) suggest:
The most sensible and important indicator of HRM effectiveness will be the judgements of key stakeholders... The political, stakeholder, perspective on organizations acknowledges that it is the interpretation placed on effectiveness in organizations and the attributions of credit and blame that are derived from them that matter most in judging effectiveness. In other words, at the end of the day, it is always the qualitative interpretation by those in positions of power that matters most.

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