

Royal mail hrm
strategies an
overview
management essay



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Abstract:

The rapid growth in the Digital Communication applications such as internet, fax, email, online shopping, and the Postal Service Act (2000), liberalization of market, drives Royal Mail to change its business plan and strategies to survive in the current dynamic competitive postal market and in a broader way its future business is uncertain. This essay aims to depict the Royal Mail Human Resource Management (HRM) policies and strategies, and mainly focused for the period of 2005-2010. It also covers how Royal Mail is dealing with competition from the new entrants, and how it handled the recent credit crunch and its impact on the Royal Mail business.

Introduction:

In recent times, this group has been confronting with various problems. The group reported losses for several quarters. So, the government had asked the postal regulatory body Postal Service Commission (Postcomm[1]) to liberalize the postal market. Initially, in 2003 licenses were allotted to private companies to handle the bulk mail. In 2006, the markets were fully liberalized and the group loses its monopoly status[2]. All the licensed operators were able to deliver mails to both the residential and business customers.

Postal Service in the UK:

In spite of the advancement in the communication methods like internet, email and other electronic messaging options, people are trusting on postal service for sending parcels and letters and particularly in elderly, disabled, and the low income groups, and the small business sectors. " Every week the group serves 20 million customers through its network of around 12000 post

office branches and deliver some 400 million parcels a year through general logistics systems and parcel force[3]“.

The universal service and the uniform pricing are the two important attributes of the Royal Mail postal service. Based on these attributes only the Universal Service[4]Obligation (USO) was formed. As per the USO, the cost of delivering the letter is same irrespective of the location. To regulate the postal service in the UK, the Postal Service Act was put in place with the Postcomm. The main task of the Postcomm includes,

Grant license to other companies.

Provisioning the uniform pricing and universal service.

Controlling Royal Mail pricing strategy and its quality of services.

Advising the government on the development in the post services.

To watch dog the Royal Mail quality services, an independent organization Post Watch[5]was formed to monitor and control the quality standards.

Royal Mail Group History:

Royal Mail was established by Henry VIII, in 1516 under a “ Master of Post”.

Royal Mail was available to public in1635, with postage being paid by the recipient. In 1660, Charles II officially established the General Post Office

(GPO). Telegraph services was introduced in 1840 by Royal Mail, and in 1912 the group started the telephone service.

Post code was introduced in 1959. In 1969, the GPO became a public corporation from its existing government department. The post office made acquisition and partnership with German parcel, Katipos and TNT post group to enter into international market. In 2000, the company reported losses and it continued for several quarters. In 2001, the post office was renamed Consignia. In 2002, Consignia was renamed as Royal Mail group plc.

The Royal Mail Group lost its monopoly status when the 2006 liberalization was introduced. In 2007, government proposed to privatize the group but the election, change in the government and the recent financial turmoil is the key factors for the postponement of the proposal without any further date.

Literature Review:

Over the years, it is apparent that organizations are considering Human Resource Management policies as the key factor to succeed in the business. HR department is acting as a strategic business partner within the organization to make the effective strategic business and human resource policies to achieve the organization goals and objectives, rather than managing the employees and payroll, as was conventionally the case. Senior HR practitioners and experts are more in demand in the today's corporate world.

Through the years, there is lot of organizational level studies and research across the business sectors manifested measurable relationship between the effective HR practices (recruitment and selection, performance appraisal, rewards and recognitions, training and development) and business performance. According to " Mark Huselid's (Huselid, 1995) seminal study

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related the adoption of HR practices across 968 US companies with their financial performance (controlling for performance in previous years)".

" HRM authors such as Becker and Huselid (Becker and Huselid, 2006) emphasize the need for HR strategy to be clearly linked to the business strategy and for the constituent HR Practices to operate in a joined-up way, this being seen as key in order for the strategy to be focused on what matters, avoid duplication and optimize outcomes". Therefore HR function has vital role in understanding the stakeholder's business goals, transforming those into commercial business perspective and identifying the challenges and opportunities from the employees' perspective and address them in their final approach.

" Combs, et al. (2006) aggregated 92 large scale studies conducted at the organizational level to produce a robust analysis across a large sample. This research revealed that on an average, having a progressive HR system (e. g. objective selection, training, appraisals, employee surveys, etc.) related to an average of 4% higher revenue per employee where five or six major HR practices were in place within an organization".

Business Model:

Royal Mail Group operates through its subsidiaries Royal Mail, Post Office Limited, General Logistics Systems (GLS) and Parcel force worldwide. Royal Mail is responsible for collecting and delivering the mail in the UK and handles around 71 millions of letters and packages to 28 million addresses in every working day, in line with its unique Universal Service Obligation (USO).

Producing and Designing the stamps and, philatelic products are also taken care by Royal Mail.

The Post Limited:

It has national net work across the UK. Larger post offices in urban area were directly managed by the Post office limited and other branches are managed by franchise partners.

General Logistic Systems:

Royal Mail acquired the General Logistic Systems in 1999 to enter into the European parcel market. GLS was market leader in the integration parcel distribution and express customer service in the European market.

Parcelforce Worldwide:

Parcelforce Worldwide is responsible for collecting and delivering the parcel and express packages throughout the world and in the UK for both the individual and business customers.

Royal Mail Competition and Challenges:

Royal mail is facing tough competition in postal market after the full liberalization act, and in particularly express package business. Its main competitors[6]in the package delivery market are world net, Deutsche Post, TNT, UPS, and other airline which provide express package services. “ Most of its key competitors such as UPS, Deutsche Post, and TNT have large scale of operations, which could put Royal Mail at a competitive disadvantage”.

Though the letter market is declining due to the digital communication advancements, Royal Mail’s profitability and efficiency is vital for the future

of the UK postal sector and it also plays a major role in the UK economy and providing and safeguarding millions of jobs in the recent financial down turn, where as all other public and private sector firms are reducing its work force in large numbers.. But Royal Mail faces a lot of challenges. The group has been reporting losses for several quarters, and its pension deficit is widening; Modernization process is being very slow and also the tough competition from the new entrants in the domestic and European markets are constantly increasing.

The culture change is one of the biggest challenges Royal Mail has been facing from quite some time. It required consistent high quality delivery from everyone in the company, value for money. According to, Adam Crozier[7], “Royal Mail must have the freedom and flexibility to set the right prices, based on real costs. If that happens, I think the new competitive environment will succeed. Competitors are already targeting profitable business mail. We need to compete with them on price as well as service if we are to keep the universal service in business[8]”.

Improving the Customer Service:

One of the main objectives for the Royal Mail was to “reach everyone, everywhere, more than any other business in the UK through its mail, post office, and parcel and package business services”. There were many complaints from customers about loss of letters but after working with Post Watch, the quality and service standards were improved when compared to the previous years. Price is the predominate factor in the competition. New entrants are providing higher value services with the modern technologies.

Royal Mail has to offer high standard services to the customers.
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IT Initiatives:

To modernize its services and operations, Royal Mail streamlined its IT departments in collaboration with BT and Xansa. Royal Mail web based customers are growing vastly, so to improve the communication with online users. Royal Mail has also implemented the SAP[9]Software to main its sales order and other process. As part its IT initiatives the group introduced the recruitment and employment process through online.

Financial Crisis – Impact on Royal Mail:

Royal mail made good progress in (2008-2010), when compare on the previous year records. Due to the subprime mortgage crisis, all the major economies are suffering from the so-called credit crunch. Royal mail made profit, despite when the world economy in downturn and the mail market is declining in UK and in all part of the globe. Due to the weak global market conditions, the group revenue dipped to £9, 349 million[10]in first time in a decade, but all it is four business groups (mail, post office, GLS, parcel force worldwide) made in profits through their pricing strategy and good customer service. Royal Mail implemented modernization and efficiency measures to automate the mail processing and the agreement the made with Communication Workers Union (CWU) also made positive impact among its employees.

Business unit performance External Revenue Operating profit/Loss*

£M £M

2010 2009 2008 2010 2009 2008

Royal Mail Letters

GLS

Parcelforce Worldwide

Post Office Limited

Other businesses

Group

6, 564

6, 707

6, 830

121

58

(3)

1, 487

1, 495

1, 232

112

124

114

399

399

379

17

12

8

838

908

911

72

41

(34)

61

51

36

82

86

77

9, 349

9, 560

9, 179

404

321

162

Source: Royal mail financial repots

“ Operating profit/(loss) is before exceptional items. The results by business unit have been restated for the impact of the*”

Royal Mail HR Approach and Strategies:

“ To modernize the organization and create world class HR function, McCarthy[11]was appointed as the director in 2003. According to him, there was lack in coherent HR strategy which was characterized by disparate spread of HR professional across the group”. The group spent most of its cost on employment. Royal Mail reduced its HR employee strength from 3700 to 2400 and saved 57 million in two years span. There were only few HR specialists and experts in the entire organization. The HR functions were separated and payroll was the only centralization team.

Profitability, Modernization, Efficiency and Employee Relationship are the key words for success of any public limited company. Developing the good HR frame work and strategy are vital for the public limited organization like Royal Mail to sustain in the today’s globalized competitive postal market.

Due to the advancement in the technologies, communication industry changed quickly. Internet, fax and other electronic options are dominating the traditional letters. Managing the huge work force and trade union royal are the challenging task for Royal Mail, in particular to the HR Managers. With strong HR strategic plans and polices, Royal Mail can handle their workforce effectively.

Royal Mail HR Metrics:

People Strategies

Organizational Development

Shared Services

The main goal of the HR team is to build strong HR strategies and policies to manage and retain the human resources. It includes Recruitment and Selection, Learning, Career development, Rewards and Recognition.

Organizational Development and effectiveness are the main objectives to provide the zero tolerance work place and working closely with the business partners and HR directors. The training team conducts the leadership, personal and career development programs to improve the leadership qualities and other work related trainings.

Royal Mail's people strategy key areas:

Creating meaningful, challenging jobs with flexible working structure;

Treating customers with value and respect;

Building the organization to improve and respond according to the changes in the market and environment;

Recruiting and developing the core potentialities to prosper in the open competitive market;

Recruiting and developing the leadership capabilities to deliver the goals and to retain the talent to contend successfully.

Royal Mail HR Practices:

Recruitment and Selection:

Royal mail follows equal opportunity as an employer. Employment practices are based on regardless of age, sex, disability, race, color, religion, and sexual orientation. Royal Mail employs diverse mix of people who reflect the communities where we live and work. At Royal mail, selection and recruitment goes on for both the experienced professionals and fresh graduates. Different type of jobs are available; permanent, part-time, apprenticeship, and seasonal (Christmas) jobs.

Training and Development:

Royal Mail believes in training and development. So, the training team organizes various training programs for their employees which includes from starting induction training to the customized individual training suits[12]through the on job training, mentoring, e- learning, and coaching. Major training programs provided by Royal Mail are

Information Technology

Health & Safety

Communication Skills

Performance Management

Project Management

Leadership Skills

The group also has self learning centers where employees can utilize different packages according to their needs, and Royal Mail is having partnership and link with different local institutes to improve the skills of their employees; with various external trainings.

Compensation and Benefits:

Royal Mail offers compensation package based on the employees skills and experience. To attract the skilled employees, Royal Mail offers good compensation package based on the type of the employment status like full time or part time, and Permanent or contract. Royal Mail offers the following benefits to all the employees based on their employment type.[13]

Health and Welfare

Holiday Entitlement

Basic pay/allowance

Pension

Time Out

Benefits /discounts/ ongoing discounts

Support for Disabled Applicants

Performance Management:

Performance Management is an effective method to analyze the employees potential and capabilities, if it is properly implemented. Measuring the

performance of the employee is an indicator of the success of the organization.

“ Royal mail introduces new performance management practices[14]. The objectives of the programs were to: 1. introduce a set of common validated numerical indicators which had been standardized for similar units/businesses. 2. Apply the Pareto principle and exception reporting (in place of a “ measures everything” approach). 3. Create a focus on looking forward, forecasting improvements (rather than a backward-looking blame culture).”

Work life Balance (Flexible working):

Royal Mail is offering the flexible working option. This includes where employees are allowed to work from home for their personal commitments, leaving early for the child care and compensating the time as per the business needs. It generally gives moral support to the employees and the best way to recruit and retain the talent resources which in turn improve the productivity.

Corporate Social Responsibility:

Royal Mail strongly believes in serving to society. Royal Mail and its employees play important role in serving to the community. “ Royal Mail’s ambition is to become the leading organization in corporate responsibility is a priority of our Chief Executive and every one of our Managing Directors”. Employees also fund to the good cause via their payroll regularly. Royal Mail also takes part in controlling the climate change using renewable source electricity to make the environment green. It raised £1. 8 million[15]via

charitable donations in 2009. As a leader in corporate social responsibility initiatives, the group won the following awards in the last two years.

“ BITC Example of Excellence (Healthy Workplace Award) 2009

Shortlisted for Personnel Today Awards 2009 – Award for Health at Work

Royal Society for the Prevention of Accidents Awards 2009 – Gold Award, Safety

Institute of Fundraising Awards 2008 – Winner, Best Use of Payroll Giving Award

Winner – Quality in Print Media Environmental Award, Quality in Print Awards 2008”.

Observations and Findings/Suggestions:

Prioritizing the HR strategy according to the key business goals and objectives.

Identifying the challenges and opportunities to moving ahead.

Develop and define the HR strategy backed by strong analysis with good HR metrics.

Reviewing the defined strategies and approaches with stake holders and business partners.

Finalize the HR polices and strategies.

Building the right-sized productive work force to achieve the business goals.

Automate and standardize the mail process with modern technologies and equipments to compete in the business market with skilled and efficiency workforce where the market and environment is changing rapidly.

Analyzing the data with help of employee and customer satisfaction survey, opinion pool and feedback data.

Understanding the external market environment and competitor strategies is important while framing the HR policy. HR metrics will vary with each organization depending upon their vision and mission statements. Metrics should be cover the organization goals, rather than following the best industry practice. Stakeholders and business partners should be engaged while framing the strategy, to make the strategy effective.

Conclusion:

Due to the advancement in digital technologies and internet, the postal industry and market is changing quickly. Mailing market is declining and online shopping and other commercial activities through internet are growing speedily. So, Royal Mail has to modernize and restructure their business strategies to survive in the liberalized competitive market place.

As many studies, research, and survives demonstrated the strong relationship between the good HR strategic policy and the business performance. So, Royal Mail has to develop the strong HR policies and strategies to streamline the HR practice to achieve the organizational objectives and goals. Implementing the effective HR strategies in public organization like Royal Mail is very challenging task for HR mangers and, where trade union and pension problems are widening year by year. The <https://assignbuster.com/royal-mail-hrm-strategies-an-overview-management-essay/>

strong determination from the HR managers, top management, regulatory bodies, and the government can help the Royal Mail to implement the HR and business strategies to shape the UK postal industry and economy and in particular in the current economic crisis condition where unemployment is already in peak.