

**DEVELOPMENTS IN THE STRATEGIC HRM ROLE IN
AUSTRALIAN ORGANISATIONS: 1993-2004.**

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Abstract

This study has used a longitudinal, quantitative design to explore the expected increase in the reference to human resource management strategic planning roles in Australian organisations between 1993 and 2004. The research also examined which of the organisational characteristics of ownership, sector and size best predicts strategic planning roles for HR managers in 2003-04. Data was collected from the content analysis of 315 job advertisements for senior HR managers published in national newspapers and on the internet. Results established a longitudinal increase in references to strategic HR roles and established that internationally-owned, larger, and public sector organizations placed greater emphasis on promoting strategic roles for HR managers. The strongest predictor of a strategic planning role however was the sector in which the organisation was placed. Specifically, in the public sector HR managers at the most senior level were given the same strategic role as counterparts in the private sector but HR managers at the next level down were significantly less likely than HR managers at the same level in the private sector to be given strategic roles. These findings have implications for the training and development opportunities for HR managers working in the public sector.

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DEVELOPMENTS IN THE STRATEGIC HRM ROLE IN AUSTRALIAN ORGANISATIONS: 1993-2004

Within the Australasian area, empirical evidence indicates that a closer relationship between human resource management (HRM) and organizational strategy is beginning to occur (Cleland et al, 2000; Fisher et al, 1999; Khatri & Budhwar, 2002; Michelson & Kramar, 2003; Teo, 2002). The complete integration and acceptance of a strategic role for HRM is however still to be realized. Michelson & Kramar (2003) suggest for example that the integration of HR and corporate strategy is uneven. The aim of the present study is to objectively measure the strategic role of HR managers as determined by the organisation. The study uses a longitudinal, quantitative research design to explore the expected increase in reference to HR strategic planning roles between 1993 and 2004 through an analysis of job advertisements aimed at HR professionals in leadership roles. As well as reviewing the extent of the increase in reference to strategic HR roles, the research also explores the impact of organisational characteristics such as ownership, sector and size as predictors of strategic planning roles for HR managers.

THE STRATEGIC ROLE OF HRM

An understanding of HRM is necessary in order to distinguish the constructs of SHRM. Administrative/Functional HRM consists of various practices used to manage people in organisations, and these practices have commonly been grouped into sub disciplines of selection, training, appraisal and reward, that are generally the identifiable functions of the HRM department (Devanna et al., 1984). In contrast, SHRM focuses on the design and implementation of a set of internally consistent policies and practices that ensure that a firm's human capital (employees' collective knowledge, skills and abilities) contribute to the achievement of business objectives (Beer, 1997; Jackson & Schuler, 1995; Schuler & McMillan 1984). In short, SHRM takes the identifiable functions of HRM and ensures that the individual policy areas are consistent and aligned with business objectives.

These features of SHRM have an impact on the roles that HR managers perform in organisations. Guest (1989) has explained that the strategic planning role for HR managers should focus on the following areas: integrating HRM into strategic planning, developing HRM policies that cohere both across policy areas and across hierarchies and facilitating the acceptance of HRM practices by line managers as part of their everyday work duties. Moreover, the representation of the HR director on the board of directors is regarded as a significant indication that the HR managers are involved in strategic roles (Brewster, 1995; Fisher et al., 1999; Hope-Hailey, Gratton, McGovern, Stiles & Truss, 1997; Sisson, 2001).

Despite these calls for a significant strategic role for HR, the HR function has traditionally faced a challenge to justify its position within organisations (Delery & Shaw, 2001; Stewart, 1996). Wright, Dunford and Snell (2001) note that when organisations have a wealth of expendable income they can easily justify expenditures on various HRM policies and procedures, however, when organisations are faced with financial difficulties, the HR functions fall prey to the earliest cutbacks. Other commentators of HRM confirm difficulties for the expected strategic HR role change (Kochan & Dyer, 2001; Storey, 2001). In Australia, Kane and Palmer, (1995) and Wright, (1995) have stated that the extent to which HRM has been adopted in Australia has been debatable. Michelson & Kramar (2003) have reported evidence of the growing implementation of a HRM approach but suggest that there is considerable variation across organisations. These authors describe perceptions of HR's contribution to strategic outcomes as 'moderate' to 'fair' with evidence of remnants of the view of HRM as an administrative function. Overall however there is some evidence of increasing recognition of a strategic role for HR. The first hypothesis therefore becomes:

Organisations in 2003-04 will make greater reference to strategic planning roles for HR managers than in 1993-94.

Michelson and Kramar (2003) have suggested that the variation in HR approach in Australian organisations may be attributable to organisational characteristics. Walsh (2001) for example found that both strategic and routine HRM practices are generally more widespread in multinational¹ or foreign owned firms operating in Australia than domestically owned firms. The data revealed multinational organisations, particularly those from the United States, clearly invest more time and energy in the HR function than Australian owned organisations and are more likely to have a specialist HR manager in the workplace and train line managers in employment relations. Deery and Purcell (1989) and Marginson, Armstrong, Edwards, Purcell and Hubbard, (1993) reported that multinational organisations also have greater representation of HR managers on the board of directors. In addition, overseas enterprises are twice as likely to have a director whose primary commitment is HR (Fisher et al., 1999). From these findings the second hypothesis is derived:

In 2003-04 foreign owned organisations operating in Australia will refer to strategic roles for HR managers more than domestically owned organisations.

Organisational sector has attracted some debate as an explanatory variable in the uptake of a strategic role for HR. Fisher et al., (1999) has suggested that there does not seem to be any difference between public sector² and private sector³ organisations with regards to the extent to which they are embracing the HRM philosophy. Conversely, Colling and Ferner (1992) have argued that commercialised entities have a greater role in the strategic aspects of people management. Similarly, Robertson (1994) found in non-commercialised public services in Australia there was a low level of integration between people-management and strategic management. Moreover, Teo (2002) suggested that after the corporatisation of a public sector organisation there was a significant increase in the effectiveness of the strategic business partnership role the HR function performed. Finally, Fairbrother, Paddon & Teicher (2002) outline that there was a growing view in Australia that the public sector must become more efficient and effective and compete with private sector firms. From this evidence the third hypothesis is developed:

In 2003-04 Australian private sector organisations make greater reference to strategic roles for HR managers than Australian public sector organisations.

Finally with respect to organisational size, when comparing small-medium organisations⁴ to large organisations⁵ in Australia, it is believed that the former are characterised by more informality in their HRM practices (Kotey & Sheridan, 2001; Michelson & Kramar, 2003). Wiesner and McDonald, (2001) surveyed 1435 Australian small and medium sized enterprises across all industry sectors. Their results showed nearly 70 percent of the firms sampled did not have a designated manager responsible for HRM, and only 20 percent had separate HR departments (Wiesner & McDonald, 2001). Similarly, according to CEOs in Australian small-medium organisations, business strategies and plans are almost wholly determined without any input from the HRM department, because they do not believe the HRM has a strategic or business role to play (Nankervis, Compton & Savery, 2002). Company size also affects representation of HR managers on organisations' board of directors with firms with more than 3,000 employees having greater senior level interest in HRM (Fisher et al., 1999). Therefore, the fourth hypothesis is as follows:

¹ A corporation that has production operations in more than one country (Pallister & Isaacs, 2002).

² The part of an economy that covers the activities of the government and local authorities (Pallister & Isaacs, 2002).

³ The part of an economy that is not under government control (Pallister & Isaacs, 2002).

⁴ Businesses employing less than 200 people (Australian Bureau of Statistics, 1997-98).

⁵ Businesses employing 200 or more people (Australian Bureau of Statistics, 1997-98).

Large organisations in 2003-04 will make greater reference to the strategic requirements of the HR role than small-medium organisations, in Australia.

METHOD

A longitudinal, quantitative research design has been selected to search for the increase and variation in the reference of strategic planning roles for HR managers. The data was collected using a secondary data source in the form of job advertisements for senior HR managers, in the periods of 1993-94 and 2003-04. The advertisements are analysed using content analysis. This process has been defined as a technique for systematically describing the form and content of written or spoken material (Neuman, 2000; Sarantakos, 1998; Sommer & Sommer, 1991). The current analysis looks at fixed terms/phrases that are used in SHRM theory and literature to describe strategic planning roles for HR managers. Following on, quantitative indices are constructed through counts or compilations of keyword scores of the theoretically meaningful dimensions (Neuman, 2000; Sarantakos, 1998; Tharenou, 2000).

The units of analysis in the research are job advertisements for full time Australian based HRM positions. HRM positions included advertisements aimed at people who would both head up the HR function⁶ and senior HR managers⁷ in both 1993-94 and 2003-04. These two levels have been included because they both have the potential to have strategic influence. The heads of HRM may have an influence on the overall strategic direction of the organisation and the senior HR managers may have strategic input into the national or regional operations of the organisation. Furthermore, in many of the job advertisements, the foreign-owned and large organisations have their heads of HRM located offshore or in different states. In these situations the senior HR managers were called upon to contribute similar roles to the heads of the HR function.

Data sources included *The Weekend Australian*, *Australian Financial Review*, *Commonwealth Public Service Gazette*, Australian Human Resource Institute's link to seek.com.au, careerone.com.au and seek.com.au. These sources of data collection were selected as they all have comprehensive national scope. Internet sources were only included as a source of data for the 2003-04 time period. Table 1 lists the seven key terms that were listed as important when describing strategic planning roles and their definitions. The terms/phrases are 'strategic partner', 'strategic role', 'strategic planning', 'strategy formulation', 'business partner', 'business planning' and 'aligning HRM with business strategies'. Each job advertisement could only be assigned to one category. If the job advertisement referred to term/phrases, that make up a strategic focus as well as traditional functional roles, it would be placed in the strategic group. The reasoning for this classification is that any evidence of the terms/phrases in the strategically focused group implies that the HR Manager has a strategic role to play within the organisation. A data matrix was developed to record the outcomes of the content analysis.

Table 1 about here

ANALYSIS AND DISCUSSION

The overall sample size of the job advertisements was 315, with a larger portion of the data collected in 2003-04 (73.7%) when compared to 1993-94 (26.3%). AHRI's link to seek.com.au (36.8%) provided the most job advertisements for the whole sample, followed by the *Weekend*

⁶ Heads of HRM are defined as being in the most senior HR role in the organisation. They have a direct reporting role to the organisations' Managing Director or CEO.

⁷ Senior HR managers are defined as being the state or national HR managers. They have a direct reporting role to the Heads of HRM.

Australian (35.6%). Of the positions recorded the heads of HRM (66%) had greater representation than senior HR managers (34%). All the industry groups identified by the Australian Bureau of Statistics (2001) are represented in the data set with most of the job advertisements coming from organisations operating in Personal and other services (14.2%), following by Manufacturing (12.3%). The job advertisements came mostly from the private sector (71.7%) in comparison to the public sector (28.3%).

Results of Hypotheses testing

With respect to hypothesis 1, a cross-tabulation provides support for an increase in the reference to a strategic role for HR managers across the longitudinal data (1993-94/2003-04). The outcome of the analysis was found to be 'significant' ($\Phi = .24$, $p < .001$). Hypothesis 1 was therefore supported and it can be concluded that organisations in 2003-04 made greater reference to a strategic focus for HR managers than organisations in 1993-94, who make greater reference to functional roles.

Various research findings have suggested that a strategic approach towards HRM has become more widespread in Australia (Dunphy, 1987; Fisher et al., 1999; Michelson & Kramar, 2003). The results of the present study confirm these findings, with organisations in 1993-94 looking to select HR managers to perform predominantly functional roles, compared to organisations in 2003-04 that have required HR managers to be more strategically focused.

With respect to the second hypothesis, organisational ownership was found to be a significant predictor of strategic HR focus ($\Phi = .14$, $p < .05$). From the job advertisements internationally-owned organisations were looking for HR managers to perform more strategic roles (68.6%) than Australian organisations (54.1%). These results support Walsh's (2001) findings that foreign-owned firms operating within Australia tend to promote strategic HRM practices more actively than domestic firms. However, it is interesting to note that more than half the Australian organisations looked to promote strategic roles. This suggests the development and wider acceptance of the strategic intent of HRM among Australian firms. This could be a result of what Michelson & Kramar (2003) noted as the 'spillover' effect of policies and practices from multinational firms to domestic firms.

The third hypothesis was also supported ($\Phi = .15$, $p < .05$) with private sector organisations more likely to recruit HR managers to perform principally strategic roles. Further exploration of this effect reveals however that the effect is most pronounced for managers at the less senior level. There was no significant difference between recruitment focus for heads of the HRM positions yet there was a significant difference at the senior HR management level ($\Phi = .31$, $p < .01$).

The issue of whether or not the roles of the HR managers differ between business sectors is an area in which little research has been conducted. Colling and Ferner, (1992) suggested that commercialised private entities have a greater role in the strategic side of HRM. Robertson (1994) and Teo (2002) also established an impact of commercialisation. The results of this study correspond with these findings, suggesting that in 2003-04 the job advertisements for the HR managers in the private sector emphasised a greater strategic focus when compared to those in the public sector and this is more likely to be the case with HR managers who were not at the most senior level.

Results for hypothesis 4 were also significant ($\Phi = .27$, $p < .001$) revealing that small-medium organisations are looking for HR managers to fulfil a functional role (72.2%) more than large firms (35.6%). Prior research suggests that within Australia, small-medium organisations when compared to large organisations are characterised by more informal HRM practices (Kotey & Sheridan, 2001; Wiesner & McDonald, 2001). This understanding is reinforced by the results from the present study with almost three-quarters of the heads of HRM in small-medium firms performing solely functional duties. This is supported by research conducted by Nankervis et al.,

(2002) that established CEOs of small-medium enterprises reported that their HR managers do not have a strategic or business role to play in the organisation.

Finally, a Binomial Logistics Regression analysis (Tabachnick & Fidell, 1996) was performed in order to examine which organisational characteristics assessed in Hypotheses 2, 3 and 4 best predicted a strategic planning role for HR Managers in 2003-04. The dichotomous predictor variables used in the analysis were business sector (coded 1= private, 0= public), organisational size (coded 1= small-medium, 0= large), and organisational ownership (coded 1= Australian, 0= foreign). The Industry and State variables have been included as control variables with the modal categories 'personnel and other services' for industry and 'NSW' for state used as the reference groups. The roles the HR managers were expected to fulfil in the organisations, either functional (coded as 0) or strategic (coded as 1) served as the dichotomous criterion variable in this analysis.

In terms of "goodness of fit", the chi-squared difference test of the final model compared to the initial model was statistically 'significant' $\chi^2(25, N=221) = 38.72, p < .05$. This indicated that the predictor variables, as a set, reliably distinguished between functional and strategic planning roles for HR Managers. Also, according to Nagelkerke's pseudo R-square of .216, the model explained 21.6% of the variance in the role of HR managers, which is a medium amount (Nagelkerke, 1991). While these factors explain the overall significance of the model, it is necessary to inspect the Wald statistic probabilities to determine the influence of the predictors separately. This analysis revealed that organisational size was a statistically significant predictor (B coefficient = -1.82, Wald test=13.80, $p < .001$). The odds ratio for this variable was .16. This means the probability of a strategic role decreases by a factor of .16 for small-medium firms, all other variables being equal. In other words, small-medium firms decreased the odds of the HR manager performing a strategic role by 83.7% ($1 - .16 \times 100$) or increase the odds of a functional role by 83.7%. The business sector that the organisations operated within was also a significant predictor (B coefficient = 1.34, Wald test = 5.00, $p < .05$). The odds ratio for this variable was 3.83 and indicates that the probability of strategic roles for HR managers increased by over three times for private sector firms, all other factors being equal. No other variables were shown to be statistically significant after controlling for business sector and organisational size.

The results of the logistic regression show that the business sector and in particular private sector organisations were the best predictor of strategic planning roles for HR managers. Results indicate that HR managers in private sector organisations are three times more likely to perform strategic duties. Also the analysis established that the organisational size and specifically small-medium organisations was the best predictor of functional roles for HR managers. It was outlined that small-medium organisations increased the odds of HR managers performing functionally focused roles by more than 80 percent.

CONCLUSIONS

Whilst previous Australian research has tested a shift from functional to strategic roles through retrospective questioning of HR managers, the present research has analysed hard objective data at two ten-year intervals to reduce the inherent biases of self-reporting data and produce results that are potentially more reliable with greater explanatory power. As well as providing evidence of an increased strategic role for HR in Australian organisations, this research has shown that while internationally-owned organisations refer more readily to strategic roles for HR managers, Australian organisations are also requiring that they adopt a more strategic role. This suggests that there is a growing acceptance of strategic roles for HR managers in Australia.

The dominance of the sector in predicting strategic HR roles is an important finding in this research. While strategic planning roles are demonstrated by the heads of HRM in the public sector, there is a clear lack of strategic responsibility placed on the next level down, the group referred to in this research as senior HR managers. This gap suggests that senior HR managers may not be actively encouraged to contribute to strategic business processes. This is a concern

for two reasons. First, senior HR manager knowledge is not being drawn upon for strategic planning and second, these managers are not being given the opportunity to develop the strategic skills that will be required if they apply for more senior positions. This failure to 'groom' strategic skills detracts from the potentially valuable contribution that these professionals can make. Senior HR managers in the public sector who seek to be promoted to a leadership role in HRM, either in the public or private sector, may need to assume greater personal responsibility for strategic training and development opportunities.

In summary, there were two main objectives of the research. First, to identify the extent to which the role of HR managers have changed from functional to strategic from 1993-94 to 2003-04 and second to observe the organisational characteristics that best predict a strategic role for HR managers in 2003-04. It was concluded that there has been for HR managers a definite shift away from the functional roles in 1993-94 to more strategic roles in 2003-04. Internationally-owned, private sector and large organisations each emphasised stronger strategic planning roles for their HR managers. Furthermore, it was established that private sector status of organisations was the best indicator of strategic roles for HR managers: if the HR manager was involved in a private sector firm they were more than three times as likely to perform strategic roles when compared to the other organisational characteristics. It was also established that small-medium sized organisations are the most influential organisational characteristic in predicting functional roles for HR managers. The foundation for future research should be set around exploring the findings from the research to explain why differences exist between the public and private sector and reasons for the variation.

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Table 1: Key Terms/Phrases used to describe Strategic Planning Roles for HR Managers

Terms	Listed as important by:	Definitions
'Strategic Partner'	Brewster (1995); Cameron & Quinn (1999); Dyer & Kochan (1995); Lawler (1995); Martell & Carroll (1995); Poole & Jenkins (1997); Shipton & McAuley (1993); Ulrich (1997).	The HR manager is an integral member of the management team or is on the companies' board of directors, they play a pivotal role in strategic decision making and ensure HR systems interface effectively with other systems to produce desired organisational performance (Lawler, 1995).
'Strategic Role'	Baird & Meshoulam (1988); Beer (1997); Boxall (1995); Budhwar (2000); Buller & Napier (1993); Cleland, Pajo & Toulson (2000); Delery & Doty (1996); Dyer & Holder (1988); Fisher, Dowling & Garnham (1999); Jackson & Schuler (1995); Kamoche (1992); Lawler (1995); Lengnick-Hall & Lengnick-Hall (1988); Martell & Carroll (1995); Miller & Barack (1981); Nininger (1980); Purcell & Ahlstrand (1994); Schuler (1992); Wright & McMahan (1992); Schuler & Jackson (1987); Storey (1995); Torrington & Hall (1998); Tyson & Fell (1992); Ulrich (1997).	The role of the HR manager is strategic as opposed to administrative and is distinguished by a focus on the long term, linking business and HRM strategic objectives and forward planning (Ulrich, 1997).
'Strategic Planning'	Collins (1987); Dowling & Boxall (1994); Dowling & Schuler, (1990); Dyer (1984); Guest (1989); Hendry & Pettigrew (1990; 1992); Kramer & Michelson (2003); Legge (1995); Storey (1995); Whipp (1992); Wright & Snell (1998).	HRM is integrated into the strategic planning decision making of the organisations (Guest, 1989).
'Strategy Formulation'	Ulrich (1997); Gennard & Kelly (1997); Miles & Snow (1984); Legge (1995); Wright & Snell (1998); Dyer (1984); Schuler & Jackson (1987); Dyer & Holder (1988); Wright & McMahan (1992); Beer, Specter, Lawrence, Quinn-Mills & Walton (1984); Tichy, Fombrun & Devanna (1982); Lawler (1995).	The HR function plays a role in the development of business and strategic plans (Lawler, 1995).
'Business Partner'	Evans (1994); Galang (1999); Gennard & Kelly (1997); Lawler (1995); McConville & Holden (1999); Michelson & Kramar (2003); Ulrich, (1997).	The HR manager is an integral member of management teams and is involved in strategic and business planning as well as managing the firms' infrastructure, employee contributions and change (Ulrich, 1997)
'Business Planning'	Evans (1994).	The HR manager plays a pivotal role in strategic and business planning (Evans, 1994).
'Aligning HRM with Business Strategies'	Beer (1997); Boxall & Dowling (1990); Budhwar (2000); Cameron & Quinn (1999); Delery & Doty (1996); Devanna, Fombrun & Tichy (1984); Dowling & Schuler (1990); Evans (1994); Huselid (1995); Jackson & Schuler (1995); Kochan & Dyer (1995); Li (2003); Lundy (1994); Martell & Carroll (1995); Miles & Snow (1984); Miller (1987); Purcell & Ahlstrand (1994); Ritson (1999); Schuler & Jackson (1987); Wright, Dunford, Snell (2001); Wright & Snell (1998); Ulrich, (1997); Wright & McMahan (1992);	HR managers focus is on effectively aligning HR strategies and functions with business strategies (Ulrich, 1997).