Strategic human resources management in Australia: the human cost

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Abstract Strategic human resource management (HRM) is increasingly being used to indicate a system-wide intervention that links HRM to strategic planning and cultural change. However, what may be inadvertently occurring is a reinforcing of the use of the “hard” model of HRM, one that prioritises “management” aspects above “human” aspects of the discipline. Competitive business strategies may be improving the bottom line of a company, but they are hurting many individuals, especially when workers are being viewed as a commodity in a labour market. The Australian experience suggests that strategic HRM is not particularly people focused and has led to greater job insecurity and lower job satisfaction. If the current intent of strategic HRM is to strategise in conjunction with an organization’s business direction, then it needs to be re-conceptualised to acknowledge the human endeavour of organizations. This will require a broadening of the perspective of strategic HRM.

Introduction

Competitive business strategies are emphasising the “management” aspects over and above the human aspects of strategic human resource management (HRM) Strategy is being coopted into HRM lexicon to indicate a system-wide intervention that links HRM to strategic planning and cultural change. The need for transformational change in Australia continues to be driven by an economic agenda that aims to improve the productivity and flexibility of Australian organizations in order for them to survive in this age of international competitiveness. The re-regulation of Australia’s industrial relations system has significantly affected HRM by changing the frame of reference for the employment relationship, as well as for working life in general. Australian workers are increasingly being viewed as a commodity in a labour market, which has led to greater job insecurity and lower job satisfaction.

This paper argues for a broader definition of strategic HRM. One that incorporates both the outward focus of strategic planning, and the inward focus which acknowledges the human endeavour which creates organizational reality. Our market-driven agenda should not displace the moral and social aspects of work. Perhaps now is an appropriate time for practitioners and academics to reflect on the outcomes of strategic HRM models, maps and theories being presented in the literature. They are essentially two-dimensional and do not provide a real sense of the experience that lies ahead. A serious shortcoming of the dominant approach to strategic HRM is that it seems to
closely align itself to the “classical” definition of strategy. Managers speak of efficiency, productivity and the bottom line; employees tend to talk about growth, satisfaction and contribution. However, without reframing the language and intent of strategic HRM, we will not achieve sustainable competitive advantage business.

**Strategic orientation**

Put simply, the strategic process answers such basic questions as: “Where do we as an organization stand today? Where do we want to be in the future? How do we get there?” A strategic lens affords an organization a framework through which to select a course of action or optimum strategy to gain competitive advantage (Pettigrew, 1985). Strategy integrates the goals and actions of an organization into a unified whole.

According to Glueck (1980), strategy is a unified, comprehensive and integrated plan . . . designed to ensure basic objectives of the enterprise are achieved. When viewed as a “logical”, “rational” thought process, strategy sits comfortably with a dominant problem-solving and decision-making approach, one which assumes that senior managers have the power to introduce and implement rationally devised strategic plans and to implement them. Such a view would appear to substantiate Porters’ depiction of the strategy process as “deliberate and deductive”, where the strategy cascades and drives the organization (Porter, 1985). A deliberate strategy is therefore initiated and controlled from the top.

However, Pettigrew (1985) noted that strategy development is often more political and disorganised than the above rational decision-making model implies. In fact, the business environment may be too complex and chaotic for managers to try to control. Managers have to recognise opportunities as they emerge. Mintzberg’s (1987) conceptualisation of strategy as craft introduced a major debate on the relative value of deliberate and emergent strategies. He recognised that strategy also emerges from a closeness and awareness of an inward focus, essentially being in touch with the situation. Strategy, when deliberately conceived, offers guidelines and sets directions. Strategy, when it emerges guides the collective behaviour of the organization. It comes from involvement, personal knowledge and an intimate understanding of the organization. Mintzberg understood that even if everything can be worked out ahead of time, another dimension was needed to incorporate learning, flexibility and change. Walker points out that emergent strategies blend the benefits of the formal planning approach with the realisation of behavioural realities in organizations, which encourages such things as strategic learning and grass-roots management (Walker, 1992, p. 72).

By embracing a strategic framework, organizations are dealing with their present reality in order to predict future requirements to gain advantage. Companies use strategy to respond to competitive market changes and improve organizational effectiveness. But are the gains made endurable over the long term? What does an organization need to do to convert organizational
effectiveness into sustainable competitive advantage? If we accept Mintzberg’s view of strategy as perspective, we are encouraged to look inside the organization, where “strategy in this respect is to the organization what personality is to the individual” (Mintzberg and Quinn, 1998, p. 14). This will require a closer look at the human endeavour that makes organizational life a reality. By managing employees effectively, organizations can gain lasting advantages in a complex and competitive environment.

**Human resource management and strategy**

Increasingly, HRM literature is using the term “strategic” to support the above managerial orientation towards the achievement of organizational goals. Strategic HRM endorses the belief that an organization’s effectiveness will be enhanced if human resource considerations are taken into account when selecting business strategy.

According to Walker (1992), it is the business strategy which defines a company’s plan for its future growth, development and profitability, whilst the human resources strategy helps focus, mobilise and direct human resources activities on issues that will affect the business. Walker postulates that strategies are directional plans that guide management action in pursuit of opportunities, and that human resources strategies are management responses to emerging issues. Therefore, human resources strategies are addressing the “people” issues. They are plans addressing opportunities to gain and sustain competitiveness through people. Clearly, when an organization pursues a strategy that seeks to place itself in an advantageous position from which to compete it is trying to differentiate itself from its competitors (Walker, 1994).

The general principle of incorporating strategic HRM in the strategic planning and decision-making process is sound. In fact, it is hard to refute that it does not make good business sense. Huselid *et al.* (1997) show that an investment in human resources is a potential source of competitive advantage. In fact, their research into the “alignment of a firm’s system of high performance work practices and its competitive strategy” supports the contention of positive outcomes. The research illustrates how a set of internally consistent HRM policies and practices that ensure the employees’ collective knowledge, skills and abilities contribute to the achievement of an organization’s business objectives (Huselid *et al.*, 1997). High performance work practices do in fact decrease turnover, improve sales, market value and profits (Huselid, 1995). Clearly, organizations that tailor work practices to their particular strategies and environmental contingencies should realise performance gains.

Rhetoric aside, strategic HRM can achieve competitive advantage. But why are more companies not embracing effective HRM principles? This requires a new set of assumptions for the management of human resources in organizations. Importantly, the human resources model should be a proactive, system-wide intervention, linking HRM with strategic planning and cultural change (Beer *et al.*, 1990).
However, a preoccupation with the “deliberate and deductive” strategic process which drives the organization and the resultant HRM policies, implies that human resources are passive to be deployed as required, driving the strategic objectives of the organization. Such “strategic” integration with business policy considers HRM as largely a third-order strategy (Legge, 1995, p. 113). HRM is ignored when strategic business decisions are made. This supports Purcell’s (1994) belief that the material conditions for long-run strategic decisions placing HRM as the critical function in corporate strategy do not exist. In fact, we should acknowledge that “what ought to be happening is a long way from being realised”. Pfeiffer and Veiga (1999) are similarly critical of the gap. Rather than putting people first and drawing from the extensive research which confirms that organizations do gain enduring competitive advantage through the way they manage people, organizations continue to seek solutions to their competitive challenges by downsizing, outsourcing and weakening their organizational culture (Pfeiffer and Veiga, 1999, p. 37). Situations such as these may match a business strategy, but are unlikely to generate employee commitment. Clearly some organizations when faced with strategic repositioning are unwilling to take on HRM practices which are incremental and collaborative. Instead they seek transformative change and make economic decisions when managing employees. Such strategies, substantiate Storey’s (1992) view of the hard model of HRM.

**Hard and soft models of HRM**

The hard model of strategic HRM emphasises the quantitative, calculative and strategic aspects of managing personnel numbers in as “rational” a way as for any other economic factors (Storey, in Legge, 1995, p. 66). This task focused view of HR strategy reflects Storey’s (1995) “utilitarian instrumentalism” where human resources appear to be an “expense of doing business” (Tyson and Fell, 1986, p. 135). According to Legge (1995), the “hard” model of HRM ultimately focuses on HRM.

The continual pressure to survive and gain competitive advantage in the market may lead a company treating labour as a variable input where it is a cost to be minimised. “Tough love” is used to mediate actions that appear to treat individuals as a cost, rather than a resource in the interests of business strategy (Legge, 1995). Strategic decisions based on the hard HRM model tend to focus on economic bottom line considerations. Downsizing, for example, may manage employee numbers in the short term, but has major human as well as long-term strategic implications. Often the organization loses the skills needed to move forward. Building long-term employment relationships based on mutuality of goals and expectations has to be part of strategic HRM.

The “soft” model of HRM is based on a different concept of human resources. Employees are seen to be proactive, capable of development, and worthy of trust and collaboration. It emphasises communication, motivation, and leadership. The focus of this model of HRM is on resourceful humans (Morris
and Burgoyne, in Legge, 1995, p. 67). An organizational culture that gives direction, sense of purpose and involvement will build long-term competitive advantage.

Although clear distinctions exist between the soft and hard models of HRM, they need not be mutually exclusive when it comes to a strategic orientation. The developmental (soft) and structural, task focused (hard) HR strategies do not have to be discrete categories, but can be complementary (Stace and Dunphy, 1991). Strategic HRM requires a balance of emphasis. Strategic HRM needs to integrate with the business strategy as well as generate employment policies aimed at generating employee commitment.

**Australia’s experience**

Australia in the 1990s has been dominated by the “classical” view of strategy, deliberately grounded in profit maximisation. According to Whittington (1993), this approach has an organization looking outward to planning its market position. Over the past two decades, successive Australian governments have pursued an economic agenda aimed at creating a more competitive corporate environment: deregulation, industrial relations reform, tariff reduction, competition policy to name a few. Traditional strategic management is increasingly being coopted into the ideology of economic neoliberalism (Dunphy and Griffith, 1998).

In addition, other key themes have emerged which appear to occupy business language and thinking in the 1990s: “globalisation”; “flexibility”; “productivity”; “international competitiveness”; “world’s best practice”. McEachern (1995) contends that such rhetoric is used to produce effect, persuade, and assist in the internalization of new modes of calculation and habits of thought. The results of a recent national survey of senior Australian human resources professionals indicate how these managers have internalised the need for the integration and strategic focus of human resources policies (Fisher and Dowling, 1999). In addition, strategic planning and change were expected to be key concerns in the next five years.

Similarly, the notion of “survival” appears to have crept into our management lexicon. By the same token, the need for “transformational change” in order to survive has pushed strategic management and, correspondingly, strategic human resources management to the fore. Thus, the “strategic” lens of a planned outward looking focus has been embraced by many organizations as a course to gain competitive advantage. Therefore, if HR policy is to contribute to the organization’s bottom line, areas such as recruitment, selection, training, development and performance appraisal should be consistent, integrated and strategically focused. However, what needs to be challenged is the economic level of single vision of strategy embraced by many Australian companies (Rooke and Keeley, 1994). There may be short-term economic gains, at the expense of a long-term relationship with employees.
Clearly the pace of change with respect to social, political and economic environment experienced by many Australian organizations has increased the level of complexity that needs to be managed. More recently, Australian employers have been given greater flexibility in using their human resources.

Workplace changes in Australia

Along with the imperatives of competitive business strategy, Australia has witnessed a re-regulation of its industrial relations system as well as considerable changes in its labour market, which have significantly affected the employment relationship as well as working life in general in Australia (ACIRRT, 1999). Through legislative changes, successive Australian governments during the 1990s have weakened and reduced the scope and relevance of the institutions, tribunals and unions in the Australian industrial relations system. The legislative reforms aim to create a more direct relationship between employers and employees, as well as to shift the regulation of the employment relationship away from the tribunal towards the organization itself. By focusing on the enterprise, curtailing the influence of unions and by restricting allowable matters in the awards, managerial prerogative has been boosted (Baird and McGrath-Champ, 1998).

Because of the Workplace Relations Act 1996, a new system of individual contracts, known as Australian Workplace Agreements, are now possible, which further encourages employers and workers to negotiate directly on an individual basis. It should be noted that Australian Workplace Agreements represent a shift in emphasis in Australia's industrial relations system from collectivism to individualism. It is not surprising, then, that Fisher and Dowling (1999) have identified a strong focus on employee relations from senior human resources professionals. Employee relations are seen by many as a derivative of HRM that emphasises personnel issues about behaviour and people at work at both the strategic and operational level.

Impact of decentralisation on the employment relationship

When the decentralised bargaining system was introduced in the early 1990s, it was to be a vehicle for considerable workplace change. Matters for negotiations could now include such matters as training, career development and family friendly policies. A review of the early enterprise agreements did in fact indicate a culture shift towards a “new spirit of cooperation and common purpose” (ACIRRT, 1999, pp. 44). However, the transformation of a workplace would require more than just words. Consequently, the ambitious agenda for change was not easily implemented. Training initiatives, the development of performance indicators and performance management systems were particularly problematic to implement as part of the bargaining agenda.

The introduction of a decentralised employee relations system has made a unitarist approach to the employment relationship more viable (Fisher and Dowling, 1999). Australian managers now have more control over working arrangements. The evidence to date suggests labour is being treated as a
variable input where it is a cost to be minimised. What has become increasingly
evident with the more recent agreements is widespread use of hard HRM
strategies, for example the greater use of “flexibility” of employees within an
organization and across the Australian labour market (ACIRRT, 1999).
Organisations which use their management power and prerogative to deskill
and casualise employees may be cutting costs but may also be locking
themselves into a low skill and low quality strategy (Gollan, 1998).

The downgrading of the awards and industrial tribunals together with the
rise in enterprise bargaining has changed the character of work in Australia.
Work has intensified, and the standard working week has been undermined
with an increasing number of people working longer hours for little extra
reward and greater stress (ACIRRT, 1999). Concurrently, Australia is
experiencing an increase in the number of people working part-time and casual
hours. The Australian Bureau of Statistics (1999) reported that in the ten years
to 1998 the number of Australians employed on a casual basis had grown to
1.95 million, the second highest level of casual employment in the OECD
countries except for Spain (The Age, 1999). Furthermore, the bureau figures
show for the decade to 1998 that most of the growth in casual employees had
been among men, whilst the number of males in permanent jobs which entitle
them to holiday and sick leave benefits fell significantly during this same
period. Casualisation of the Australian workforce is widespread, especially in
the clerical, sales and services sectors, as well as basic blue-collar, construction,
transport, manufacturing and communications industries (ABS, 1999).

Enterprise bargaining has delivered improvements in productivity, profits
and quality. However, during the same period employees have experienced
greater stress on the job and lower satisfaction with work-family balance (DIR,
1996). Do these improvements represent sustainable competitive advantage, or
are they merely short-term economic gains? Employers need to explore
strategies that give them additional flexibility while at the same time values
their workforce.

Employer influence
In an examination of wage determination in 1998, Buchanan et al. (1999)
concluded that employer influence in the Australian wage system continues to
increase. Employers, particularly those in the retail sector, were demanding
greater flexibility in hours worked as well as an increase in the number of
hours that casuals and part-timers can work. Some employers in the
communications and banking industry were attempting to bypass unions in
their negotiations. One employer will now be able to offer individual Australian
Workplace Agreements to employees during the life of the collective
agreement.

Buchanan et al. (1999) detected what they called “survival deals” in the trade
exposed sectors of the Australian economy such as mining, car production and
steel. Because of considerable uncertainty in their economic environment, some
employers have been in a strong position to set the tone of negotiations and
have reached agreements, which create stronger links between wages and company performance. Workers appear prepared to accept less in view of the uncertainties facing their employer.

Australian organizations have shown greater interest in rewarding employees to perform in line with organization strategic goals. The Australian Workplace and Industrial Relations Survey of 1995 reported that a third of surveyed workplaces have a performance based pay system for their non-managerial employees (Moorehead et al., 1997). Employers are clearly reinforcing the relationship between strategy and performance, linking individual financial rewards to company performance (Fisher and Dowling, 1999). Of concern is the continued domination of “Taylorism”, which reduces the human element to a mechanical contribution where the relationship is exploitative.

The above examples substantiate the increasing control employers have over the employment relationship. Individualism and the unitary frame of reference are now evident in Australia. Economic uncertainty and legislative reforms have strengthened the strategic process with the incorporation of the hard HRM model. A style of management, which believes in its own authority and managerial prerogative to guide the organization towards the achievement of its goals, ignores major political and social factors that shapes organizational culture.

Reconciling HRM and strategy
The term strategy is derived from military usage, and for many Australian organizations the economic realities of competition has renewed the authority of the senior executive team to direct the transformational change needed for survival and growth (Dunphy and Griffiths, 1998, p. 79). The strategic choices made have largely had an outward economic focus and have neglected employee considerations. HRM in Australia is aligning itself closely with management interests such as planning, monitoring and controlling, and the bottom line. This frame of reference clearly supports the hard model of HRM.

Australian workers are increasingly viewed as a commodity or a resource to be managed, and not as people who enter an employment relationship with the organization. In these circumstances, Australian workers have not benefited from strategic HRM. They have less job security, have lost employment conditions, have to work harder for less, and are more stressed. At a time when Australia is becoming increasingly enterprise focused, enterprises have become less employee focused. Organisational restructuring has resulted in “a declining commitment to the workforce over the longer term, particularly with regard training, skills development and job security” (ACIRRT, 1999, p. 168).

Workers have rights “beyond the cash nexus of the wage packet” and should not be treated purely as “human resources” or a “commodity” in the labour market (ACIRRT, 1999, p. 9). Strategic HRM must take into account the needs of employees. They are people who require fairness, trust and cooperation in their relationships.
Strategic HRM fundamentally alters the cultural system in an organization. What is required is a corporate philosophy and corporate culture that provide cohesion between policies (Fombrun et al., 1982; Tichy, 1981). Kramar (1994) recognised that much organizational life and interaction is not directly related to organizational objectives, but is derived from a number of sources including the meaning people bring to organizational life. We need to look closely at those elements that constitute employee commitment and organizational culture. The development and revision of strategic HRM policies is a gradual and adaptive process and involves employees with a variety of beliefs and attitudes. Corporate strategy and the alignment of HRM policies with strategy take time. Kramar (1994) recognised that the implementation of HR policies does not always reflect stated policy due to the influence of social and political processes that make an organization. In fact, she states that “one of the challenges of implementing strategic HRM is accommodating practices, which are inconsistent with strategy” (Kramar, 1994, p. 121). As Mintzberg (1987) acknowledges, the use of strategy draws us into some fundamental issues about organizations as instruments of collective perception and action.

Conclusion
If we begin with the premise that the hard and soft approaches to HRM are complementary, and that strategy is both deliberate and emergent, then we need to explore strategies that reconcile business interests of efficiency and effectiveness with employees’ right to equity and fairness. This will go towards building long-term relationships with workers, and gain sustainable competitive advantage. Walton’s (1985) model of HRM promotes policies of mutuality (mutuality of goals, influence, rewards, respect, responsibility) in order to elicit commitment, and in turn yields better performance and greater human development. Similarly, Guest (1987) sees the integration of HR policies with business objectives, but also sees treating employees as valued, and a source of competitive advantage through their commitment, adaptability and high quality.

Strategic HRM in Australia has been pro-occupied with strategy in its narrowest form. It has focused attention outward (external fit) and rendered the internal focus, strategy as an instrument of collective perception, weak in comparison. An explanation of this may be that strategic HRM practices have been used opportunistically rather strategically, and the mutuality model of the soft approach has been overridden by the need to survive and grow in an increasingly complex and chaotic economic environment.

Strategic HRM will benefit from a broadening and redefinition, for example integrating soft and hard frameworks, acknowledging the deliberate and emergent nature of the strategic process. What is required is a re-conceptualisation of the notion of strategy and its application to HRM. Barry and Elmes (1997, p. 2) propose that the field of strategy might benefit from some redefinition, “by changing the definition of what is being studied, we change what we see”. A lingering concern is that the dominant “classical”
approach to strategic HRM evidenced in Australia is neither adaptive nor open-ended enough really to deal with the unpredictable and unknowable, which is essentially what strategy is all about.

References

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