



# A model for HRM strategic integration

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(2005)

## **Abstract**

**Purpose** – The broad aims of this research are to analyse the status of, and processes underlying, strategic human resource management (HRM) integration within organisations and to contribute to theory development in the area. A great deal of attention is given in the literature to the facilitative role that HRM can take in organisational change but as yet little attention has been given to modelling the change processes within HRM itself. This paper addresses that gap by providing a model of the proposed influences on the move towards strategic HRM integration.

**Design/methodology/approach** – In-depth interviews with senior HR, finance and line managers in 13 Australian Best Practice companies are used to explore the supports and barriers underlying strategic HRM integration.

**Findings** – The model that is developed uses ideas from the change literature to explain that the engagement of strategic HRM integration requires a certain set of symbolic and ritualistic gestures. These symbolic changes, however, do not always result in desired strategic HRM outcomes: symbolic adjustments must be accompanied by deeper levels of change both from within the HR profession and from other stakeholders in the organisation.

**Practical implications** – The research holds a number of practical implications for the career design of HR professionals: a case is made, for example, for a broader business career background requirement that may provide the level of business acumen necessary to be a credible participant at the senior management strategic decision-making level. Intended future research will draw from a larger sample to test the proposed model.

**Originality/value** – This research model's specific responses and outcomes require an ideological shift both from the HR profession and from stakeholders within the organisation.

**Keywords** Human resource strategies, Integration, Decision making, Human resource management, Devolution

**Paper type** Research paper

## **Introduction**

In the 1980s, original writers in the area of human resource management (HRM), Beer *et al.* (1984), stressed that in the face of increasing international competition, organisations had to focus on the value of investments in human resources as a major source of competitive advantage. More recently the rise in the status of knowledge workers has highlighted the focus on human resources as the key to organisational productivity (Fojt, 1995; Tovstiga, 1999). Knowledge workers are considered to be those workers who are involved in the acquisition, creation, packaging and application of knowledge (Davenport *et al.*, 1996, p. 54) and they represent the movement that organisations have made away from knowledge that is located in bodies and routines to knowledge that is located in brains, dialogue and symbols (Blackler, 1995). Drucker (1993) posits that in many organisations knowledge workers actually own the organisation's means of production and within the resource-based view of the firm,

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writers reinforce the idea that human capital is increasingly being seen as the key to sustainable competitive advantage (Barney and Wright, 1998; Wright *et al.*, 1994).

The transition from personnel management to HRM reflects this emerging organisation-wide commitment to human capital development. The change, however, has activated considerable discussion within the academic literature about the successful strategic positioning of, and responsibility for, HRM (Beer, 1997; Dyer and Holder, 1988; Guest 1987; 1989). There is concern, for example, that strategic HRM integration is still to be realised (Beer, 1997; Johnson, 2000; Kochan and Dyer, 2001; Storey, 2001) where HRM integration is defined as the full integration of HRM with organisational strategy; HRM policies that cohere; and the integration of HRM within line management activities (Schuler, 1992; Beer *et al.*, 1984; Tichy *et al.*, 1982; Devanna *et al.*, 1984; Dyer and Holder 1988; Guest, 1987, 1989). The integration of HRM effectively encourages everyone in the organisation to take responsibility for HRM, not just the HR department. This ensures that HRM is given a much more central position in any decisions that are made at the strategic or operational level, and reminds decision makers that an investment in people is a key organisational priority.

The aim of the current research is to clarify the variables that impact on the success or otherwise of HRM integration and within the review of the relationships that exist between these variables, model the change process underlying the transition from personnel management to HRM.

### **Factors impacting on the transition from personnel to HRM**

One of the factors considered to have an impact on successful HRM integration is the role of the people working within the HR area itself. Beer (1997) has stated that those people working within the HR function must clearly understand how HRM is different from the older-style personnel management approach and be prepared to support the necessary changes. This re-definition of the HR role requires that the HR manager adopt more of a business partner role. Specifically this role requires that the HR professional has a clear understanding of how HR fits with, and supports, the organisation's mission and strategy as well as an understanding of basic business processes (Dyer, 1999). Research by Huselid *et al.* (1997), however, has shown that HR managers may not be meeting the challenge of this new role. These researchers found that most HR managers were very proficient in the delivery of professional HRM capabilities (or competencies) that relate to traditional technical activities. Strategic HRM capability levels, however, that support the business partner role, were lower. This latter set of capabilities ensure that human resources staff understand the connection between business considerations and HRM needs. Sparrow and Marchington (1998) have similarly observed that many of those involved in the HR function continue to fail to understand the demands of their new role and lack confidence in their ability to be strategic business partners.

In Australia, research conducted by Fisher and Dowling (1999) established that senior HR managers agreed with and supported strategic HRM initiatives. The results of their study showed that as well as reporting HR title name changes, senior HR managers also acknowledged the importance of HRM involvement in strategic decisions, integration of HRM policy areas, the contribution of HRM to the bottom line and attention to communication between employees and employers. Although this is encouraging, becoming a credible business partner for HR professionals operating at

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both the senior management level and for those interacting with line managers, may require more than a change in title and attitude. Losey (1999) has warned that the statements of HR professionals are not enough to effect the substantial transition required from personnel management to HRM. In short, the attitudinal changes made by HR managers have to be accompanied by appropriate changes in their skill base. In an attempt to explain the failure of HR managers to become strategic business partners, writers such as Beer (1997), Lawler (1995) and Ulrich (1997) have suggested that the career background of the HR manager may make a difference. Specifically, a broader career background may provide the level of business acumen necessary to be a credible participant at the senior management strategic decision-making level.

Along with these changed expectations of the HR professional group, HRM integration requires broad support from areas elsewhere in the organisation. With respect to the integration of HRM with organisational strategic decision-making processes, for example, it has been argued that representation on the board of directors or at the senior committee level is critical if HR managers are to have appropriate input into strategic decisions (Poole and Jenkins, 1997; Shipton and McAuley, 1993). Such representation has also been considered to be important in the development of internally consistent and strategically focussed HRM policies and practices. Effectively HR managers need to be part of the strategic planning mechanism in order to match the internal fit between the HRM policy areas and the strategic business initiatives developed at the senior committee level. The greater the extent to which senior HR directors are able to influence the strategic decision-making process, the more likely it is that effective HRM policy design will be achieved (Poole and Jenkins, 1997; Osterman, 1995). Other factors that have been identified in the literature that may impact on HRM integration in the strategic planning process include: direct access to the CEO through the formal reporting mechanism (Budhwar, 2000; Lawler, 1995; Nininger, 1980; Golden and Ramanujam, 1985); and the success of the informal network that the HR manager develops with key senior executives (Sparrow and Marchington, 1998; Hope-Hailey *et al.*, 1997).

The devolution of HRM responsibilities to the line function represents a further important feature of strategic HRM integration. Although there is evidence of increased line involvement in the management of human resources, there is still some resistance to the uptake of HR responsibilities at the line level (Cunningham and Hyman, 1995, 1999; Currie and Procter, 2001; McGovern, 1999; Poole and Jenkins, 1997; Renwick, 2000). Hope-Hailey *et al.* (1997) have found that responsibilities differ according to the specific HRM area. The HR function, for example, may still retain certain areas such as IR, pay and benefits, OHS and recruitment and selection whereas line managers take more responsibility for work force expansion and reduction (Hope-Hailey *et al.*, 1997; Kramar and Lake, 1998). In line with this Currie and Procter (2001) have suggested that rather than a devolution of responsibilities, what in fact exists is a “partnership” between HR and line managers.

In cases of more extreme levels of devolution, Thornhill and Saunders (1998) have argued through case analysis, that the absence of a designated human resource specialist role actually results in quite negative consequences where the scope for strategic integration is significantly impaired. The line managers were left to develop the employees as they saw appropriate without clear direction from top management. The result was that for many this resulted in a “hard”, resource focussed approach.

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Within the process of devolution then, the configuration of responsibilities is still to be resolved. Marchington (1999) has explained that leaving too much to the line may result in inattention and inconsistencies in approach and retaining too much control with HR runs the risk that problems will not be dealt with using an appropriate business focus.

In a more positive review of the area, Gennard and Kelly (1997) have suggested that extensive participation between HR and line managers can create mutual benefit for both as they jointly contribute to solve business problems. Although such joint ownership seems promising, there is still some concern that barriers remain to the adoption of general joint arrangements (Renwick, 2000). Line managers may resist empowerment initiatives and fail to see the benefits of the changes. There may be a perception that HR managers do not understand the real business of the organisation and only serve to create a distraction rather than add value to the bottom-line. As a result HRM issues will be marginalised as the line manager, driven by budgetary pressures, chooses to concentrate more on production matters (Armstrong, 1989; Cunningham and Hyman, 1999; Kirkpatrick *et al.*, 1992). On the other hand, HR specialists consider that line managers may not have the skills to take on personnel responsibilities effectively (Torrington and Hall, 1996).

In summary, within this review of the status of the HRM goal of strategic integration, it appears that full integration is yet to be realised. Difficulties from within the HR profession along with continuing resistance from elsewhere in the organisation have slowed progress. The current study sets out to explore these barriers more fully. Specifically, semi-structured interviews with senior HR, finance and line managers will allow for the emergence of key factors and inter-relationships that impact on successful HRM integration. The research question is as follows:

*RQ1.* In Australian enterprises, what do senior HR, Finance and line managers consider to be the key current and emerging supports and barriers to the success of the HRM goal of integration?

### **Methodology**

Dyer (1984) has argued that within the area of strategic human resource management, a qualitative approach and more specifically the use of case analysis, provides an important, intense understanding of key issues. For these reasons a qualitative perspective has been incorporated into the research design. The research uses in-depth semi-structured interviews with senior HR, finance and line managers in 13 case-study organisations. These semi-structured interviews allow the researcher to explore the full range of factors that may emerge. The use of a cross-section of managers provides insights from managers who view HRM from inside as well as outside the HR function. Purcell (1995) has previously used this approach and has advised that interviews that are restricted to HR professionals may produce a subjective, biased view of the HR role. Accordingly, the interviews with the finance managers were used to confirm the perceptions of HR managers with respect to HR involvement at the strategic planning level and the interviews with line managers were used to confirm perceptions of the factors that impact on the devolution of HR to the line. The three sets of managers provide a suitable cross-check of perceptions at various levels and a rich source of information.

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The cases chosen for the analysis did not recreate a cross-section of all possible industry groups. An attempt was made however to identify companies that were characterised by some “extreme” feature, as suggested by Eisenhardt (1989). The British researchers, McGovern *et al.* (1997) targeted companies that were noted for being at the leading edge of HRM practices and initiatives. If it could be taken as a given that people within the group of organisations were already committed to HRM principles, the research could assume that HRM is nominally supported, and concentrate more on the factors that enhanced or detracted from the degree of success of HRM integration. The current research similarly targeted companies with a commitment to HRM by using 13 of the companies that had participated in the Best Practice program, originally initiated by the Australian Federal government in 1991.

To assist with the wording of the more structured items of the interview, the researcher made contact with colleagues in the area and copies of relevant interview schedules were attained and incorporated into the interview format (for example, Hope-Hailey *et al.*, 1997; Kelly and Gennard, 1996; Poole and Jenkins, 1997). Other items that were more specifically related to HR involvement in strategic decision-making processes, were taken from the text and appendices of the relevant research work of Purcell (1995) and Buller and Napier (1993).

To enhance the validity of the field work, two medium-sized organisations were used in June 1998 to pilot-test the interview protocol; a hospital with 600 employees and a producer of high-speed catamarans that has 950 employees. The pilot study was valuable in the refinement of the interview schedule and reinforced the decision to use a semi-structured interview design as it allowed managers to speculate more fully on factors that they considered were key to the process of strategic HRM integration.

Interviews were then initiated in 15 selected companies but this number was reduced to 13 when it became difficult to secure ongoing contact with members of the senior decision-making group in two Sydney-based companies. Details of the companies used in the research and the managers who were interviewed are provided in Table I.

All interviews were taped with the permission of the interviewees and the scripts were analysed using a qualitative analysis package, as advised by Ticehurst and Veal (1999) and Miles and Huberman (1994). The software selected, QSR NUD\*IST 4[1], is widely used and is noted for its effectiveness in coding, shaping and understanding data (Miles and Weitzman, 1994; Ticehurst and Veal, 1999). NUD\*IST stands for Non-numerical Unstructured Data\* Indexing Searching and Theorising. The system builds a tree-structured index system that requires the researcher to develop a number of initial nodes, or categories. Within the current research the completed verbatim scripts were analysed around the three areas characterising the goal of strategic HRM integration. A further node was then created under each of the three primary nodes called “Results”. Using NUD\*IST, a search for common themes within each of the nodes provided information about emerging supports and barriers to each of the areas associated with the HRM goal of integration. The addition of data to the results nodes was an iterative process in line with the more exploratory nature of the research.

## Results

With respect to the involvement of HR at the strategic decision-making level, HR and finance managers were asked, using both Buller and Napier’s (1993) classifications of

Company	1	2	3	4	5	6	7	8	9	10	11	12	13
Industry	Chemicals	Cereal manufacturer	Car manufacturer	Packaging	Office products	Air-conditioning	Air-conditioning	Small goods	Dairy food	Plastics	Chemicals	Steel	Industrial screen-printers
Ownership	Large foreign-owned MNE <sup>a</sup>	Large foreign-owned MNE <sup>a</sup>	Large foreign-owned MNE <sup>a</sup>	Australian MNE	Australian MNE	Australian MNE	Australian MNE	Independent foreign-owned MNE	Independent foreign-owned MNE	Independent foreign-owned MNE	Australian-owned	Australian-owned	Australian-owned
No. of employees (Australia)	300	600	4,500	11,600	1,100	800	400	400	1,500	110	85	1,400	100
Site of interviews (no. employed on production site)	Aust HQ Sydney	Aust HQ and production site (300) Sydney	Aust HQ and production site (3000) Melbourne	Aust HQ and production site (160) Melbourne	Central office and service centre (50) Sydney	Central office and production site (350) Melbourne	Central office and production site (300) Adelaide	Central office and production site (400) Melbourne	Central office and production site (300) Melbourne	Central office and production site (110) Sydney	Central office and production site (85) Melbourne	Central office and production site (250) Melbourne	Central office and production site (100) Adelaide
Company location	Sydney	Sydney	Melbourne	Melbourne	Sydney	Melbourne	Adelaide	Melbourne	Melbourne	Sydney	Melbourne	Melbourne	Adelaide
Interviewees	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
HR manager	✓	✓	✓	✓	✓	✓ <sup>b</sup>	✓	✓	✓	✓	✓	✓	✓
Finance manager	✓	✓	✓	✓	✓	✓ <sup>b</sup>	✓	✓	✓	✓	✓ <sup>b</sup>	✓	✓
Line manager	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓ <sup>b</sup>	✓	✓

Notes: <sup>a</sup> Australian division of large foreign-owned MNE; <sup>b</sup> telephone interview

Table I. Characteristics of the field study sample

strategic HR involvement and Purcell's (1995) indicator of participation at each stage of the decision-making process, to illustrate the extent to which HR was part of the strategic business planning process. Interviewees were then asked to identify the factors that might influence the level of HR involvement. The responses indicated that it was the case that HR was part of the senior decision-making processes when there was HR representation at the senior committee level, or there was a direct reporting or an informal relationship between the HR manager and the CEO. It did not necessarily follow, however, that these factors ensured HRM integration in the strategic decision-making process. There were cases, for example, where senior committee level representation, the direct reporting relationship with the CEO or the informal relationship with the CEO were in place but either the finance or HR manager (or both) indicated that HR was not fully involved in central decision-making processes[2]. The interviewees indicated that the reason for the lack of strategic involvement was attributed to the poor business acumen of the HR manager.

In company #5, for example, the HR manager was part of the senior decision-making group, reported directly to the CEO and the finance manager confirmed a good informal relationship between the HR manager and the CEO. With respect to the HR manager's involvement in strategic decisions, however, the finance manager clearly indicated that although the HR manager may be in the room and invited to be part of any of the decisions made, he is not necessarily an integral part of the strategic planning process. This was clarified as follows:

Interviewer: In any of your major business decisions then, would you involve [HR manager's name] in drawing up the proposal?

Finance Manager: No.

Interviewer: Evaluating finances?

Finance Manager: No.

Interviewer: Taking the final decision?

Finance Manager: No.

Interviewer: Implementation?

Finance Manager: Probably.

The finance manager's explanation was that the HR manager did not have "... the high level of business experience needed to make the sort of decisions we are talking about". In summary, the comments indicate that although senior committee representation may provide a mechanism for the HR manager to be part of strategic decision-making discussions, presence at the meetings does not necessarily ensure full involvement.

Consistent with this, strong HR involvement in strategic decision-making processes in several other companies[3] was attributed either by the HR manager or by finance managers to the business acumen of the HR manager. In companies, for example, where the HR manager felt comfortable to be part of all aspects of the strategic process and had the strong support of other senior managers, these managers noted the importance of the business background of the HR manager. In some companies

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(Companies #4 and #6) this was connected with the financial background of the HR manager and in other cases it was associated with substantial operational experience (Companies #7, #8 and #9). When probing about the HR manager's background with one of the finance managers, the interviewer asked:

If someone else replaced him, do you think they would have the same involvement in that broad spectrum of decisions?

Finance Manager: Probably not – his background and experience are unique to him and give him the edge (Company #6, Finance Manager).

Other factors that emerged as contributing to HR integration in the strategic decision-making process included the commitment of the CEO to HR involvement and a supportive corporate culture. With respect to the personal HRM commitment of the CEO the following comments were made:

I would be one of the final decision makers – my sway there would outweigh the finance side because the people aspect is now seen to be far more important and it is because this CEO sees me as very much a strategic partner (Company #2, HR manager).

Our general manager is our HR source and he thinks that other people should take on the philosophy – it is great to have the support from the top (Company #11, HR manager).

Previously HR didn't have an impact, it wasn't a senior role. It was incorporated into manufacturing and then the CEO decided to change the way things were done ... I was head-hunted to come here and things have changed (Company #7, HR manager).

A supportive corporate culture also emerged as an important determinant of strategic HRM integration. In two companies, a Japanese MNE and an American MNE, the major strategic decisions were made off-shore. The role of HR, however, at the subsidiary level was quite different. In the Japanese-owned subsidiary, the HR manager commented:

HR in each of the subsidiaries has been independent but is seen as a supporting role, subsidiary to the strategic direction that comes out of the manufacturing and the sales side of Japan – so it is really seen like a personnel type function.

In the American company however, HR was seen to have a much more strategic role at the subsidiary level. The HR manager explained:

HR has a strategic role to be involved in making decisions ... HR policy is considered in all SBUs that make up that plan. So if we are talking about the integration of HR into the strategic decision making of the organisation – it is an integral part of it. Whether it is in the US where all the big decisions are made, or in the region ... in all cases HR is represented in major decision making.

Overall the difference in approach between the two MNEs seemed to be associated with differences in the company-wide commitment to the integration of HR.

In summary, the results indicate that although HR representation on the senior committee, a direct reporting relationship with the CEO and a good informal relationship provide appropriate access for HR to make a contribution, other factors such as the business credibility of the HR manager, the level of CEO HRM commitment and the level of corporate cultural support for HRM, were stronger determinants of HRM strategic integration.



Within the analysis of factors that affected cohesive HRM policy design, HR managers were first asked to indicate on a five-point Likert scale, the extent to which their HR policies were linked with organisational strategy. The average score was 3.9, indicating that in general HR managers considered that they had achieved a high level of HRM policy integration. When these managers were questioned more closely, however, evidence and explanations of actual attempts to develop consistent HRM policies and link the HRM policy areas with organisational strategy, was restricted. The majority of HR managers referred to references made to HRM values in the company mission or values statements.

In five companies, the HR manager had a more specific view of what integrated HRM policy design would involve. In two companies, (#2 and #4), for example, the HR manager had set out to design a tactical document that would connect HRM policy development with organisational needs. In three other companies (#7, #9 and #12), HR managers explained in some detail their attempts to make connections between HRM policy areas and align HRM policy areas with organisational strategy. These HR managers regularly referred to the bottom-line implications associated with their initiatives and showed the interviewer recently designed HRM manuals where attempts had been made to link areas such as recruitment and selection, training, performance management and compensation with bottom line outcomes. In one other company, (#1) the HR manager indicated that this was an area that was a current priority and that a more formalised system was currently under review.

In the other seven companies, the HR managers were unable to explain the process of HR policy integration in their organisation or how they were linking strategic directions into HRM policy initiatives. In short the HR managers themselves did not have a view of how policy integration would be operationalised. Overall the interview data in this area indicates that the strategic mindset of the HR manager was a key determinant in the linkage between HR policy design and underlying organisational strategic objectives.

Finally, with respect to the devolution of HRM responsibilities to the line, line managers were asked to first identify the perceived changes in their responsibility for various HR activities over the previous three years. Overall line managers reported increased responsibilities in the areas of recruitment and selection, performance appraisal, training and development and OHS. Managers were then asked to describe the factors that influenced line manager willingness to take on these duties. Production pressures emerged as a key factor in seven of the companies[4]. The following quotes reflect some of the frustrations experienced by both HR and line managers:

The things that stop line managers from attending to HR matters are that they are focussed on production and feel that they don't have the time (Company #4, HR manager).

The focus can be very much on production "get it out the door as quick as we can" (Company #13, HR manager).

... the bottom line is you have got to look at your business, what am I here to do, am I here to organise training for people or am I here to make cornflakes! ... I am sensitive to the fact that I am accountable to the business (Company #2, operations manager).

... they [the line managers] are very production oriented and they actually put themselves in danger to get the job finished ... They have responsibility for OH&S but if you put Health and Safety and production together, they will always put production on top (Company #8, HR manager).

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A further factor that emerged that contributed to line manager resistance was the demonstrated business ability of the HR manager. The following comments illustrate this:

I find most personnel people are pretty busy keeping busy all the time. I believe in the role and I believe in the function but they need to be high powered people who are “doers” – not someone who keeps to their desk . . . On this site for example we want to know how they can act on the business plan to achieve its profit – how can they make it happen? (Company #4, operations manager).

The person before [current HR manager] was very much stopping SBUs from doing their work – he just didn’t understand the business (Company #1, operations manager).

In Company #3, the line manager and the finance manager similarly noted the importance of the business orientation of the HR representative. The finance manager commented:

Some HR people are not aware of the day to day business issues – they want to live in a perfect HR world (Company #3, finance manager).

In recognition of this problem an exchange program had been put in place in order to ameliorate the perceived distance between HR and line management functions. The HR manager explained:

. . . we now have an interchange between manufacturing and HR staff . . . the whole focus is to get a much closer integration between manufacturing and HR (Company #3, HR manager).

The rationale behind this program was to broaden the experience base of the HR person and break down negative perceptions about HRM.

The interviewees were also asked to identify the factors that improved their willingness to take on HR responsibilities. Again the business background of the HR professional emerged as a key variable. In companies where it was considered that the HR manager understood production demands and the pressures of meeting bottom line targets, line managers were more willing to seek out HR’s involvement. In Company #12, for example, the HR manager who had started in finance and had worked in a range of roles within the company over 25 years was well respected for his business experience:

. . . what I have found, particularly with him [the current HR manager], is that we certainly see things from the same place . . . There has been quite a dramatic transformation and the feeling in the factory now is that “Thank God, we have somebody who is supporting us rather than hindering us”. I am not saying that the previous HR manager didn’t but having someone on board who really knows the business is critical (Company #12, operations manager).

A line manager working in Company #8 was very positive about the HR manager. In that case the HR manager had worked as a line manager. The line manager noted:

I am in production but if I have any problems whether it is to do with production or HR I know I can easily talk to [name of HR manager] . . . we are all working together and he has our respect (Company #8, line manager).

Company #9 similarly provided a good example of the situation where line managers respected the HR manager because of their broad career background. The HR manager had started with agricultural college training and had then worked as a site manager

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before becoming interested in HRM. In this case, as in the others noted above, the HR manager similarly acknowledged that time and production pressures were a problem for the line managers but he did not see this as a problem that could not be overcome:

... Lack of knowledge, time, not organising their day properly, but they simply have to be coached (Company #9, HR manager).

Other line managers in this company were very supportive of the initiatives:

... a lot of success this company has probably had to do with the training he [the HR manager] puts into place ... (Company #9, maintenance manager).

We [referring primarily to the work done by the HR manager] changed the culture, we reduced the numbers here, and we have had no union problems at all (Company #9, cool room manager).

As well as the business credibility of the HR manager, a supportive company culture and CEO occurred as important in ensuring line management support for HRM. The following comments highlight this:

... really you have to address the culture to make changes, it really is how it happens. Without company-wide support you're banging your head against a brick wall (Company # 12, HR manager).

If the values of the organisation and the HR values don't match – you have a problem ... when you say we have to value our people that has to be very clearly agreed to (Company #2, HR manager).

In Company #7, the CEO had head-hunted the HR manager and was very supportive of implementing a new approach to HRM:

A completely new HR system has been put into place and the line people have responded very well but it wouldn't have worked without his [the CEO's] support (Company #7, HR manager).

Collectively these comments illustrate that line managers are often frustrated by HRM initiatives that may interfere with production pressures. Factors that can ameliorate this resistance include the business credibility of the HR manager, the actions of the CEO or the presence of a supportive HRM corporate culture.

### **Discussion**

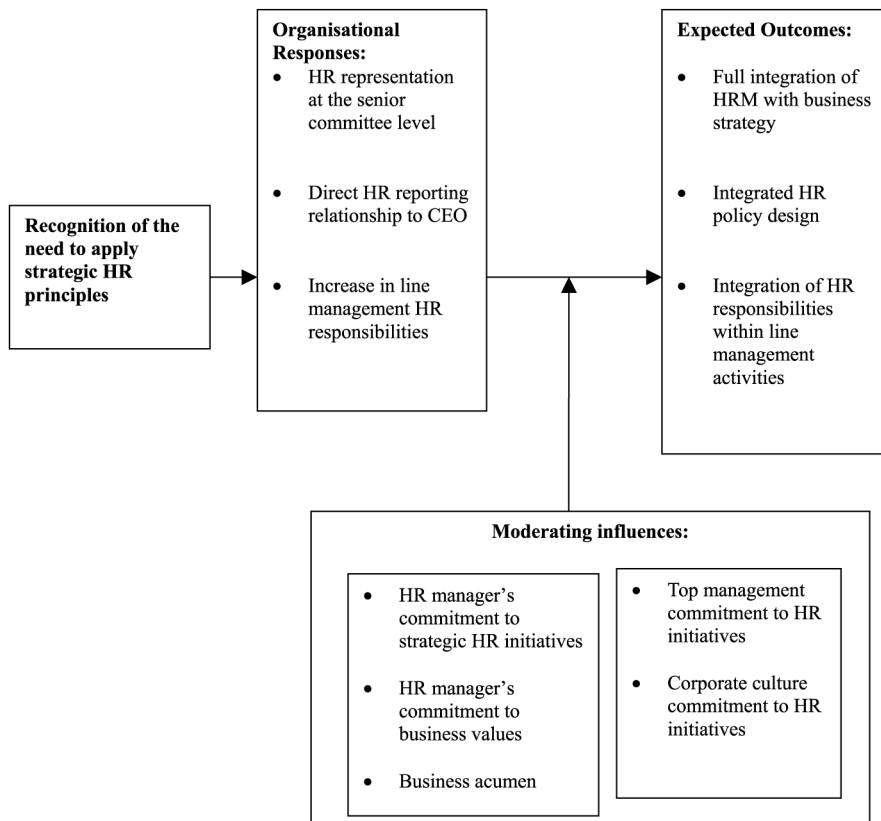
The aim of this research is to identify what senior HR, finance and line managers in Australian enterprises, identify as the key current and emerging supports and barriers to the success of the HRM goal of integration. In the 13 organisations that were studied, each of these organisations had been previously identified as a best practice program in recognition of their commitment to human resource issues (Rimmer *et al.*, 1996). The analysis revealed that in 11 out of 13 of these companies, organisational structural relationships supported HRM integration. Specifically this included HR representation at the senior committee level, a direct reporting relationship with the CEO and attempts to devolve HRM responsibilities to line managers. Further analysis of results revealed, however, that other factors emerged as having a more critical role in strategic HRM integration and these factors included the strategic commitment, business values and

business acumen of the HR manager, CEO support and a corporate cultural commitment to HRM.

In effect the results indicate that the transition from personnel to HRM actually occurs at two levels. At a superficial level, HRM integration involves a relatively straightforward set of structural alterations that will reflect changing expectations and responsibilities within the organisation. The change also involves however, more substantial underlying adjustments to complex sets of beliefs, values and learned ways of coping.

This is a concept that is detailed within the cultural change literature (Collins, 1998). Key commentators in the area such as Schein (1985; 1992) and Hofstede (1994) have differentiated between visible and invisible levels of culture and explain that changes to visible signs of culture are not sufficient to facilitate underlying change. Within the visible or superficial level of culture, Hofstede includes symbols, heroes and rituals and Schein uses the term “artefacts” to describe overt behaviours and physical manifestations. Both writers warn however that these physical representations of culture may or may not represent what is actually occurring at deeper levels.

This description of attempts to create new symbols that may not be reflective of deeper levels of change may be applied to the set of relationships described in Figure 1. In most of the organisations that were reviewed within the research, it was clear that



**Figure 1.**  
Proposed influences on strategic HRM integration

the decision to implement a HRM approach required a certain set of symbolic gestures and ritualistic changes. Examples of these would include the decision to make the HR manager a part of the senior committee, setting up a direct HR reporting relationship to the CEO and increasing HRM responsibilities of line managers. These are all activities that can be relatively easily implemented and symbolise an integrative approach to HRM. The expected outcome of these changes may be the full integration of HRM into strategic decisions, strategic integration of HRM policy design and a willingness of line managers to incorporate HRM into their decision making.

The findings of this research show, however, that such symbolic changes do not always result in desired outcomes. This suggests that symbolic adjustments that reflect a commitment to HRM must be accompanied by the deeper levels of change that Schein (1985; 1992) refers to.

First within the current research the underlying strategic and business values of HR managers had a greater impact than superficial changes to committee membership, reporting relationships and line management HRM responsibilities. The HR manager may be positioned at the senior committee level but if he/she is not committed to understanding the business, their contribution is devalued accordingly. This conclusion aligns with Caldwell's (2001) finding that HR leadership in the boardroom may actually come from managers who have had experience as line managers rather than from the ranks of the Personnel profession. If the HR manager can show that they have run a business, they will have credibility in the boardroom (Caldwell, 2001).

The implications of the research for HR managers are that with respect to career development, HR professionals need to broaden their business experience base. Research by Dowling and Fisher (1997) showed that younger HR professionals are more likely than older members to have started their career in the HR area. This reflects a growing recognition of human resources as a definite, promising career choice. Results of this research, however, indicate that this tendency to specialise early on in a career may not necessarily be helpful in developing an appropriate set of business skills. HR professionals need to be familiar with as many functional areas in the organisation as possible so that they can make fully informed, considered contributions to any strategic discussion. As a result HR incumbents who choose to move straight into the HR function could benefit from temporary placement in other areas such as finance or production.

Second, the commitment of the CEO and the company for HRM were important drivers in the realisation of expected HRM outcomes. Beer and Spector (1985) and Dyer and Holder (1988) made the early prediction that the "... most powerful of the countervailing forces probably is top management" (Dyer and Holder, 1988, p. 37). Other commentators have cited the importance of direct access to the CEO through a formal reporting relationship (Golden and Ramanujam, 1985; Lawler, 1995; Nininger, 1980). More recent writers, such as Othman and Poon (2000), Budhwar (2000), and Kane *et al.* (1999) continue to cite top management orientation as an important determinant of HRM success. Budhwar (2000) specifies that without CEO support, HRM will fail to be part of the early stages in the strategic decision-making process. The current research has confirmed the importance of the role played by the CEO and it has specified that a direct HR reporting relationship and even a good informal working relationship between the HR manager and the CEO may not be enough to elicit the desired CEO support for HRM initiatives. Without a commitment on the part

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of the CEO to the value of HRM and a corporate culture that supports HRM initiatives, organisational structures that place the HR manager in the inner circle may represent a symbolic commitment to HRM, but not result in tangible support for HRM initiatives.

The importance of CEO and overall company support for HRM may have implications for the political role taken on by HR managers. Gennard and Kelly (1998), for example, have emphasised how important it is that personnel management is well established within the power structures of an organisation. This reinforces the earlier argument of Cohen and Pfeffer (1986) and Johns (1993) that the uptake of HRM involves battling internal organisational power structures. Consequently part of the change in values within the organisation may necessitate a more political approach on the part of the HR professional.

In conclusion, in support of this modelling of underlying change processes within HRM, Kochan and Dyer (2001) have indicated that there has been a great deal of attention given in the literature to the facilitative role that HRM can take in organisational change but as yet there has been little attention given to modelling the change processes within HRM. Key commentators such as Beer *et al.* (1984), Tichy *et al.* (1982) and Dyer and Holder (1988) have clearly defined the role of HR and other writers such as Schuler (1992) and Guest (1987; 1989) have explained and provided normative models of strategic HRM. The literature has also addressed the factors that assist or detract from the success of the transition from personnel to strategic HRM (Beer, 1997; Poole and Jenkins, 1997; Hope-Hailey *et al.*, 1997). As yet, however, there has been little attempt to model the transition to strategic HRM and identify the relationships between the factors that impact on the transition. In response, the set of proposed relationships outlined in Figure 1, attempts to capture the change process necessary for the realisation of the HRM goal of strategic integration and model the forces at work within an organisation that may be necessary to activate and sustain the transition from an old personnel approach towards a HRM perspective.

A final point needs to be made about this process of strategic HRM change that incorporates the broader change literature. It is important to emphasise that this change process, like any change process, will continue to be emergent. The management of deeper levels of change, as has been suggested above, is likely to be more problematic than traditional static models may suggest (Collins, 1998; Thornhill *et al.*, 2000). Mintzberg (1987; 1994) and Quinn (1989) describe such change as an incremental process or a continuous “dance”. Dawson (1994), and Gutierrez (1995) provide a persuasive case for the processual and incremental nature of change that emphasises the complex relationship between the content of a specific change strategy, the context in which the change takes place and the process by which it occurs. If this rationale is applied to the proposed transition from personnel management to HRM in organisations, reports of resistance to the HRM transition are not surprising as key stakeholders try to adapt to the new structures, relationships and expectations. It is also to be expected that initial versions of the planned change may not actually occur and other unexpected developments are yet to emerge.

## Conclusion

Within the HRM literature, Beer and Spector (1985 p. 238) have previously commented on features of HRM implementation that were consistent with the present analysis. They distinguished between HRM transformations that would be driven by pragmatism and others that would be put into place because change leaders felt

idealistically committed to the process. The similarity between this observation and the relationships outlined in Figure 1 rests with the speculation that HRM outcomes are determined by an underlying set of values and commitments rather than superficial changes. The current research, however takes this one step further and provides case study evidence of the phenomenon as well as modelling specific responses and outcomes that require an ideological shift from both the HR profession as well as from stakeholders within the organisation.

### Notes

1. QSR NUD\*IST is a registered trademark of Qualitative Solutions and Research Pty Ltd, Box 171 La Trobe University PO, Victoria, Australia, 3083.
2. This was noted in companies #3, #5 and #10.
3. This was specifically noted in comments from companies #4, #6, #7, #8, and #9.
4. This occurred in companies #2, #3, #4, #8, #9, #10 and #13.

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