Effectiveness of a corporate HR department in an Australian public sector entity during commercialization and corporatization

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Abstract This study examines the effectiveness of the strategic human resource management (HRM) function performed by the corporate human resource department of an Australian public-sector entity, before and after its corporatization. Multiple methods (including a survey of senior managers and semi-structured interviews) were used to collect the data. Despite an improvement in the overall level of strategic integration between HRM and strategic management, the rating of strategic HRM role effectiveness remained low. The results indicate that the strategic HRM function, as a corporate headquarters function, was more effective in its administrative role than in a value-adding function. The difficulty in balancing the dual roles of a corporate headquarter unit, together with the challenges of becoming a strategic business partner to line managers, provided the major impediments to effective strategic HRM.

Keywords Strategic HRM; corporate HQ; commercialization; public sector management; Australia.

Introduction

International competition and economic downturns are among some of the many challenges facing effective management in organizations. A growing body of opinion that public services must be more effective has forced governments to consider new management practices in the public service. During the last two decades, the public sector has implemented a number of changes to its managerial structures, systems and processes, including restructuring, performance auditing, programme management and budgeting, and privatization of State-owned entities (Osborne and Gaebler, 1992; Taylor and Warrack, 1998). Some have termed this development in the public sector the ‘new public management’ (e.g. Kearney and Hays, 1998) and it allows bureaucrats to manage public-sector entities within the competitive market environment. The emphasis is on achieving efficiency, effectiveness and economy in the activities performed by public-sector organizations, and on an ability to compete with private-sector organizations which operate in similar markets. Commercialization has been seen as one of the ways of reinventing the public sector entities to make them more competitive in the commercial market (Clarke, 1994; Commonwealth of Australia, 1993; Osborne and Gaebler, 1992).
OECD countries such as Canada, New Zealand, the UK and the USA began the reform process much earlier than Australia. In Canada, commercialization takes the form of privatization of State-owned entities and is used as a way of relieving some of the government’s financial pressures (Taylor and Warrack, 1998). In the Australian context, the term commercialization is used to describe the situation whereby State-owned entities are allowed to charge the public for the provision of goods and services and to adopt features of the commercial environment (Commonwealth of Australia, 1993). Corporatization is the alternative chosen by the state and federal governments in Australia to commercialize public service. It allows the government to continue to provide broad direction and performance indicators, in terms of key financial and non-financial targets and community service obligations (Commonwealth of Australia, 1995).

Empirical evidence from the United Kingdom (e.g. Colling and Ferner, 1992; Farnham and Horton, 1996) and New Zealand (e.g. Powell and Spicer, 1994) has demonstrated that commercialization and corporatization have a number of HRM implications. These newly structured State-owned entities have adopted new human resource (HR) and industrial relations (IR) strategies (such as development of commercial skills and competencies, downsizing, decentralized enterprise bargaining) to respond to the need to become more focused on performance and accountability in the commercialized environment. There is also an emphasis on performance and accountability in people management, with the move from personnel management to HRM (Farnham and Horton, 1996).

Research on HRM effectiveness has largely emphasized the evaluation of personnel management activities (e.g. Cascio, 1991), with attempts by some researchers (e.g. Tsui, 1987; Straus, 1991) to incorporate ideas from the organizational effectiveness literature. The fundamental philosophy in this field of study treats HR as a critical resource in the strategic management process; thus organizations should manage their HR effectively to provide a source of competitive advantage (Barney and Wright, 1998). However, most research has focused on private-sector entities with little research carried out in commercialized statutory entities. There remains a gap in the empirical research into public sector settings, especially in relation to the changing roles of HRM departments, before and after corporatization. To address the gap, the study reported in this paper was undertaken in a large corporatized public sector entity in Australia. The aim of the study was to examine the effectiveness of the roles of the corporate HR department and the extent of strategic integration between HRM and the strategic management process, before and after official corporatization.

In the first instance, an overview of the literature regarding the function and role of HRM departments is outlined. This is followed by a discussion of the research design, which comprised the triangulation of quantitative and qualitative data collected from multiple stakeholders of the corporate HR department. The results are then reported, together with the implications for practice and future research.

**Commercialization and HRM department effectiveness**

There is a continuing trend in the literature focusing on the diverse models and frameworks to examine the value-adding function of the HRM function in strategic management (Boxall and Purcell, 2000; Ferris et al., 1999). Out of which, there is also an emerging interest in suggesting that HR practices can be used to enhance organizational effectiveness (see Becker and Gerhart, 1996; Delaney and Huselid,
1996). Implicit in this are the status and influence of HRM departments in strategic management (Schuler, 1992).

Traditionally, the roles of HR practitioners may be described as reactive and focused on operational matters (IRS, 1996; Tyson, 1995). The roles of HR practitioners have been focused on maintenance (such as salary and leave processing), reactive (lack of strategic approach) and operational (for example, recruitment and selection). Tyson’s study identifies a number of roles in the UK personnel management function ranging from ‘clerk of works’ and ‘contracts manager’, to ‘architect’ (Tyson, 1995). Storey (1992 cited in Legge, 1995) identified four different roles, ‘champions’, ‘advisers’, ‘handmaidens’ and ‘regulators’. In a recent US study, Ulrich (1997) argues that the changing business environment and a growing focus on strategic management have led to HRM departments gaining status and influence within organizations. Based on a survey of 256 mid- to upper-level HR practitioners, Conner and Ulrich (1996) identify four HRM roles: strategic HR/IR planning and policy, management of change, management of employee welfare and development and provision of administrative and functional services.

**Strategic role effectiveness**

Research in the public sector suggests that the roles of the HR function should change in order successfully to meet the demands of external and internal environments (Powell and Spicer, 1994). After commercialization, practitioners have to relate their activities in a more holistic manner to the business activities in a commercialized environment. The people management function is expected to contribute to the commercialization process by providing strategic and administrative support to senior management (Wood and Jones, 1993).

Empirical evidence has suggested that HR practitioners in commercialized entities have a greater role in the strategic aspects of people management, such as performance-based pay, linking performance management with corporate strategy and decentralized enterprise bargaining activities (e.g. Colling and Ferner, 1992). Under the new public management ethos, this new role is significantly different from the personnel management focus (Farnham and Horton, 1996). HR practitioners can demonstrate their value-adding capacity by providing quality services to both senior executives and strategic business unit (SBU) management (Galang, 1999; Gennard and Kelly, 1997; McConville and Holden, 1999). Therefore, there is an expectation that stakeholders of the people management function in public-sector entities will expect an increase in the effectiveness of the strategic aspects of the HRM function after corporatization.

**Hypothesis 1:** Stakeholders will perceive an increase in the effectiveness of the corporate HR unit in its strategic role after corporatization.

**Administrative and functional role effectiveness**

However, administrative and functional expertise cannot be neglected, as the people-management function becomes more strategic. Empirical evidence demonstrates that, in addition to the strategic component of HRM, practitioners are still performing personnel management activities (Dowling and Fisher, 1997; Conner and Ulrich, 1996). In addition, the influence of trade unions plays an important part in employment relations (Kitay and Lansbury, 1997) in the public sector (Colling and Ferner, 1992). This is of particular relevance in the context of commercialization and corporatization in the public sector, as State-owned entities experienced the impact of organizational restruc-
turing (Colling and Ferner, 1992; Powell and Spicer, 1994). Research has shown that practitioners are involved in ensuring systems and processes are in place to address these employee relations-related issues (Teo et al., 1998). There is an expectation that the level of effectiveness in these administrative and functional support roles will continue after corporatization.

**Hypothesis 2:** Stakeholders will perceive the level of effectiveness of the corporate HR unit in its administrative and functional roles will continue after corporatization.

**Strategic versus administrative and functional role effectiveness**

The literature on corporate HQ has suggested that corporate HQ units play two major roles – value creation and administration (Chandler, 1991; Ferlie and Pettigrew, 1996). From an HRM perspective, the value-adding contribution of HRM is through business partnership roles by providing strategic advice to line management (Galang, 1999; Gennard and Kelly, 1997; McConville and Holden, 1999). Hall and Torrington (1998) conclude that the move in the public sector towards decentralization and devolution of HRM responsibilities to line managers allowed practitioners to devote more time to providing strategic advice to line managers. Therefore, strategic HR role effectiveness is expected to be greater than operational and functional roles as practitioners become more involved in the strategic decision-making process after corporatization.

**Hypothesis 3:** After corporatization, stakeholders will perceive that the effectiveness of the corporate HR unit in its strategic role will be greater than its administrative and or functional effectiveness role.

**Extent of strategic integration**

If commercialization acts as the impetus for public sector entities to adopt a strategic approach to resource management, then the people-management function has an important role to play in the strategic management process. The status and influence of the function is critical in the process, especially in achieving the link between people-management function and the strategic management process (Schuler, 1992; Ulrich, 1997). The extent of strategic integration can be assessed by examining the contributions of the HRM function to the process of achieving strategic integration (Golden and Ramanujam, 1985).

In the Australian context, Robertson’s (1994) study of non-commercialized public service entities indicates that there is a low level of integration between the people-management function and strategic management. Teo’s (1998) study of HR departments in corporatized State-owned entities showed that there was evidence to suggest that the realities of the commercialized market have influenced the extent of strategic integration between people management and organizational strategies. Hence, the following hypothesis:

**Hypothesis 4:** Stakeholders will perceive that the overall level of strategic integration has increased after corporatization.

**Research methods**

In 1998–9, the Australian public sector employed 19.9 per cent of the total workforce of 7,172,600 (Australian Bureau of Statistics, 2000). The majority is employed in the
State public services. Statecorp, a State-owned statutory organization, underwent corporatization in July 1995. In 1998–9, Statecorp employed more than 11,000 full-time-equivalent employees and had operations throughout the state. The corporate HR department was under the direction of a general manager and the department was responsible for the strategic aspects of the people-management (including HRM and IR) function. The case study methodology was adopted to provide an in-depth examination of the changing nature of the people-management function before and after corporatization. Longitudinal data were collected using multiple methods, including semi-structured interviews, document analysis, participant observations and questionnaire.

Data were collected from multiple stakeholders, internal documents (such as annual budgets, annual reports, HR and strategic plans, internal memos and minutes of executive meetings), and articles from professional and academic journals. The longitudinal nature of the study provided the timeframe required for documenting and observing changes in HRM and encompassed thirty-six months, focusing on events before (retrospective reporting) and after corporatization (real time). Data collection was conducted between mid-1995 (just prior to official corporatization in July 1995) and early 1998.

**Questionnaire-based data**

Multiple stakeholders of the corporate HR department were used as primary sources of data, consistent with the multiple constituency approach to HRM, reflecting the influence of these individuals on the strategic HRM process (Tsui, 1987). Furthermore, multiple raters minimize subjectivity and judgement when relying on retrospective reporting (Miller et al., 1997).

Informants were also selected to provide a cross-sectional assessment of the strategic aspects of HRM. Individuals who had little or no budgetary and strategic management responsibilities were excluded from the study. Professional HR employees were included in the sample to satisfy the multiple constituency approach. Junior HR practitioners were excluded because they were mainly employed in operational/personnel administrative functions with little or no strategic input to the strategic management process. This was confirmed by data collected from four junior corporate-level HR practitioners during the exploratory stage.

The survey was conducted in January 1998 and the sample population comprised 300 senior and middle-level managers (including senior HR practitioners at the corporate and SBU level), fifteen non-managerial HR practitioners from corporate and SBU level and ten trade union officials. One hundred and seventy-nine completed questionnaires were received, representing a response rate of 55.1 per cent. The sample used in the analysis (n=126) included only those who were present in the organization during both time periods. The overwhelming majority of managers were male and this was reflected in the breakdown of the respondents: 117 males (93 per cent) and nine females (7 per cent). Most respondents had completed some form of tertiary education. An engineering background was common (40.5 per cent), followed by a background in HRM/IR/psychology (14.3 per cent). Average age was 44.6 years and average length of service was 19.7 years, ranging from 2.7 to 47.4 years.

HRM role effectiveness was measured using Ulrich’s (1997) forty-item HRM Role Questionnaire to measure the effectiveness of four HRM roles. These four roles are strategic partner (ten items focusing on strategy and policy), change agent (ten items focusing on transformation and change), employee champion (ten items focusing on management of employee welfare) and administrative expert (ten items focusing on the
provision of personnel services). In their empirical work, Conner and Ulrich (1996) found support for only three roles since the strategic partner and change agent roles loaded together as one factor. These two roles were also combined in the current study to form the strategic business partner scale as they both dealt with the strategic role of the people-management function (for example, strategic HR policy and organizational change) in the commercialization process (Wood and Jones, 1993). Respondents were asked to rate the effectiveness of the HR roles on a seven-point Likert scale, ranging from 1 = ‘extremely ineffective’ to 7 = ‘extremely effective’ for before and after corporatization.

Strategic integration measured the extent of linkages between HRM and the strategic management process, adopting the scale developed by Golden and Ramanujam (1985) and subsequently used by others (Buller, 1988; Robertson, 1994). This framework provides a definitive way of operationalizing the concept of strategic integration and is consistent with the general features of strategic HRM identified in the literature (see Table 1).

The framework builds on characteristics of the people-management function: for example, reactive versus proactive; integration of people strategies with business strategies; roles of senior HR executives in strategic management. The advantage lies in the identification of four different levels of linkage between people management strategies and the strategic management process: 1) Level I: no linkage (administrative linkage); 2) Level II: one-way linkage (people-management strategies influence business strategies or business strategies influence people-management strategies); 3) Level III: two-way linkage (reciprocal and interdependent relationship between people management and business strategies); and 4) Level IV: integrative linkage (dynamic and multifaceted linkage).

The Golden and Ramanujam framework comprises seven items and, within each, there were four categorical statements each describing a particular feature of integration between HRM and strategic management. Each of these statements was then assigned a value from ‘1’ (Level I) to ‘4’ (Level IV). Respondents were requested to choose the

Table 1 Summary features for the four levels of strategic integration

<table>
<thead>
<tr>
<th>Types of strategic integration</th>
<th>Statement rank and points</th>
<th>Features of strategic integration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type I: administrative linkage (0–0.99 points)</td>
<td>A 1 point</td>
<td>No linkage between HRM and organizational strategies; people-management function has a traditional role, dominated by day-to-day administrative concerns</td>
</tr>
<tr>
<td>Type II: one-way linkage (1.00–1.99 points)</td>
<td>B 2 points</td>
<td>A one-way linkage between people management and strategic planning, either people management taking a more active role or strategic planning taking a more active role in the integration process</td>
</tr>
<tr>
<td>Type III: two-way linkage (2.00–2.99 points)</td>
<td>C 3 points</td>
<td>A reciprocal and interdependent relationship between strategic planning and people management</td>
</tr>
<tr>
<td>Type IV: integrative linkage (3.00–3.99 points)</td>
<td>D 4 points</td>
<td>Dynamic and multifaceted linkage based on an integrative relationship between people management and strategic management process</td>
</tr>
</tbody>
</table>
statement which best described the state of strategic integration at Time 1 and Time 2. A composite scale, strategic integration, was calculated by averaging these scores.

Two statistical analyses were conducted to examine the questionnaire data: 1) comparison across time using paired-samples t-test and 2) comparison between groups using independent samples t-test. There were ten outliers in the sample when it was tested for normality and they were included in the analysis as there were no statistically significant differences in the results by excluding them.

**In-depth qualitative data**

Most of the semi-structured interviews were conducted in 1997, relying on retrospective reporting for pre-corporatization data. Limitations associated with retrospective reporting by senior managers (Miller et al., 1997) were minimized by data triangulation (including survey, analysis of organizational documents and published records). Interview questions were designed not to discover issues relating to the distant past in order to minimize the limitations associated with retrospective reporting (Miller et al., 1997). On average, the semi-structured interviews lasted between 45 minutes and one hour in length. The questions were derived from the literature to ensure content validity. The interviewing technique is considered to be ‘useful for understanding the vocabulary of an industry or business . . . and therefore can enhance the validity of measurement studies’ (Snow and Thomas 1994: 471–2). Informants were requested to reflect upon the strategic HRM process, evaluate the effectiveness of the corporate HR unit and the extent of strategic integration before and after corporatization.

The response rate was 100 per cent for the semi-structured interviews. The majority of these informants, mostly senior managers, were located in the metropolitan region due to easy accessibility and convenience. The selection of informants was completed when no additional data could be found that would add to the development of the categories used in the analysis. In total, ninety-seven semi-structured interviews were conducted. Key informants (n=25) were interviewed twice because of their involvement in the strategic HRM process.

A coding paradigm was used to flag identifiable portions of the qualitative data (Miles and Huberman, 1994: 56). The coding paradigm included factors affecting strategic integration (e.g. Golden and Ramanujam, 1985) and the roles of HRM in strategic management (e.g. Ulrich, 1997) in public-sector entities (e.g. Wood and Jones, 1993).

**Results**

In the first instance, results from the survey of multiple stakeholders of the corporate HR department will be reported. Data collected from the semi-structured interviews will then be used to explain the results of the questionnaire. Finally, factors impeding strategic integration will be discussed.

**Between-group analysis**

**HRM role effectiveness** Between-group analysis was carried out to examine the differences in perceptions of multiple stakeholder groups. The three HRM role scales had a high level of reliability (Time 1 $\alpha$: administrative expert $= 0.88$, employee champion $= 0.93$, strategic business partner $= 0.88$; Time 2 $\alpha$: administrative expert $= 0.92$, employee champion $= 0.95$, strategic business partner $= 0.97$). However, due to the differences in sample size between stakeholder groups, the data were re-coded.
across the degree of involvement in strategic HRM. Two new categories were formed: ‘senior management’, which combined group general managers with general managers (n = 26), and ‘strategic HR’ which combined managers from corporate HR and SBU HR units (n = 11). The analysis was then carried out by comparing the perceptions of ‘strategic HRM’ with those of ‘senior management’ and ‘group management’ (n = 78). Contrary to previous research (Tsui, 1987; Straus, 1991), there were no statistically significant differences in perceptions for the four variables across time.

However, there were slight differences in the assessment between groups. During Time 1, ‘senior management’ was the most critical of the three groups as they consistently rated HR role effectiveness variables the lowest (administrative expert mean: 3.51; employee champion mean: 3.20; strategic business partner mean: 3.22). This trend continued into Time 2, with the exception of strategic business partner, in which HR managers rated themselves to be lowest (mean: 3.54).

From the analysis, stakeholder groups had the same perceptions of HRM role effectiveness and the overall level of strategic integration throughout corporatization. The results supported the effectiveness of the organization-wide HR role clarification project as it had improved corporate HR’s visibility within the organization, evident from the maintenance of the level of effectiveness of the department.

Across-time analysis: before and after corporatization

Across-time analysis was conducted to evaluate the changes to the HRM variables before and after corporatization. After corporatization, there was a significant increase in the effectiveness of the strategic business partnership role (Time 1: mean = 3.47, s.d. = 0.83; Time 2: mean = 3.79; s.d. = 1.10; t = −3.43 at p < 0.05). In Time 2, a number of organizational processes were in place to make the people-management function more strategic. For instance, the workforce planning framework was revised to ensure closer links with the corporate planning time frame and a formal HR planning forum was reconstituted for corporate and SBU HR managers to engage in HR strategy formation.

Although there was support for hypothesis 1, the level of strategic role effectiveness was moderate, around mid-level on a seven-point Likert scale. As commented by a number of respondents, this strategic role was more organizational rhetoric than a reality. The corporate strategic planning group pointed out that the corporate HR department was too involved with compliance-related activities. There was insufficient evidence to support the successful repositioning of the corporate HR department, as it was still being considered as a support function, playing second fiddle to other corporate core functions.

Administrative and functional role effectiveness was measured by two scales, namely administrative expert and employee champion. In comparison with Time 1, there was an increase in the effectiveness of the administrative expert role (Time 1: mean = 3.73, s.d. = 0.82; Time 2: mean = 4.03, s.d. = 0.93; t = −4.29 at p < 0.05). However, the rating was close to the mid-range of a seven-point Likert scale. Effectiveness of the employee champion role also increased after corporatization (Time 1: mean = 3.49, s.d. = 0.98; Time 2: mean = 3.94, s.d. = 1.10, t = −5.57 at p < 0.05). However, the effectiveness ratings for both scales were around the mid-range. In this instance, there was support for hypothesis 2.

A number of factors contributed to the above results. Before corporatization, the corporate HR department performed tasks with an emphasis on compliance with public
sector management systems, policies and legislation. The administrative role continued after official corporatization. As Statecorp embraced public-sector reform and formalized its decentralization and devolution of HRM responsibilities to the line managers, there was an increase in the number of people management policies. In addition, corporate HR was given the responsibility of providing information to line managers regarding changes in government initiatives, policies and training programmes. There was a convergence of opinions among line managers as they expressed a sense of overservicing by the corporate HR department with corporate-level policies.

Most of the informants were dissatisfied with the outcome (such as the HR policy manual). In both Time 1 and Time 2, line managers commented on the irrelevance of this manual and its length. A small number of informants argued that the corporate HR department should form a partnership with line managers in order to provide relevant services for their business operations.

A number of informants criticized the corporate HR department for being too intrusive. There was a perception that organizational systems and processes were not developed effectively to assist managers with the process of devolution. These line managers did not have the appropriate people-management skills required to manage their staff. A senior manager commented, ‘so you ended up with different sides of the fence, constantly trying to shuffle back responsibilities and nobody taking any responsibility’.

Although there was a convergence in the perceptions of the employee champion role effectiveness, there was a sense of dissatisfaction among HR practitioners that senior management did not put sufficient emphasis on the long-term nature of HRM. In Time 1, the emphasis was on short-term fire-fighting and operational IR-related activities such as the resolution of industrial conflicts. The employee champion role was consistent with the CEO’s desire to minimize industrial activities as Statecorp experienced a period of industrial and workforce re-adjustment as a result of commercialization (Statecorp, 1995–6).

**Strategic versus operational and functional role effectiveness** Before corporatization, the level of administrative expert role effectiveness was significantly greater than the strategic business partnership role ($t = 8.14$ at $p < 0.01$ level). After corporatization, effectiveness of the administrative expert role ($t = 5.41$ at $p < 0.001$ level) and of the employee champion role ($t = 3.00$ at $p < 0.05$ level) was significantly greater than that of the strategic business partner role. This finding indicated that the corporate HR department was more effective in performing its administrative and functional roles than its strategic role. Hypothesis 3 was not supported.

**Overall level of strategic integration** The strategic integration scale had a high level of reliability in both time periods (Time 1 $\alpha$: 0.77, Time 2 $\alpha$: 0.83). Before corporatization, the overall level of strategic integration could be categorized as Type II: one-way linkage (mean = 1.66, s.d. = 0.57; $t = -3.43$ at $p < 0.05$ level). After corporatization, it improved to Type III: two-way linkage (mean = 2.62; s.d. = 0.73; $t = -13.38$ at $p < 0.05$ level), characterized by a reciprocal and interdependent relationship between strategic planning processes and the HR function. Hypothesis 4 was therefore, supported.

Prior to corporatization, the low level of strategic integration was caused by a number of factors. There was a low level of motivation among public-sector managers for incorporating people management issues with organizational strategies. This was caused partly by interference from the state government’s political processes, which affected the internal management of commercialized entities. For example, redundancy
strategies in non-productive regions could not be implemented, as politicians were concerned about local community reaction in the State election. In addition, stakeholders often questioned the role of the corporate HR department in the planning process, as they perceived it as the line’s responsibility to develop their HR requirements.

The low level of HRM role effectiveness also influenced the overall level of strategic integration. Senior managers were critical of the contribution of the corporate HR department in the strategic management process. A corporate finance manager commented that, prior to corporatization, the contribution of corporate HR was to provide workforce planning figures into the planning process. This was not an isolated view: another senior line manager commented that the HR strategies developed by the corporate HR department were predominantly reactive. There was a perception among stakeholders that ‘strategic HRM’ was all about getting the workforce planning figures right.

There was a breakdown in relationship between the corporate HR and its stakeholders. This is a significant finding as it is essential for corporate and line HR units to work together to ensure the link between corporate- and business-unit-level people-management strategies and organizational strategies (Schuler, 1992; Ulrich, 1997). A senior corporate HR practitioner commented that:

> the organization does need to have a central pivot that can direct a central policy for the organization [in Time 2]. ... Statecorp is the only organization in the industry in the state but if you sit back and have a look at Statecorp we’re actually about sixteen industries in one ... which all have different wants and needs.

The breakdown in relationship between corporate and SBU HR units was in part caused by the lack of communication between units. In addition, there was a great deal of role confusion between corporate and SBU HR units. Most of the SBU-level HR informants criticized the corporate HR department for performing some of the SBU HR’s roles in areas such as recruitment and selection, and implementation of personnel policies. Although a role clarification exercise was undertaken in 1996, some of the informants were uncertain of their expected roles in the organization. This dysfunctional relationship in Time 1 (and to some extent also existing in Time 2) was in part caused by the lack of trust between corporate and SBU level HR units during Time 1, as commented by a senior executive.

There was a reluctance among members of the strategic HR planning meetings (comprising corporate and SBU HR managers) to discuss strategic matters. The situation was similar in Time 1, during the HR managers’ meetings. SBU HR managers were much more comfortable discussing operational issues. In general, members of the forum were dissatisfied with the lack of progress in using the strategic HR planning meetings as a forum for discussing HR strategy-related issues. Other comments indicated that a background in personnel administration contributed to an emphasis on functional issues rather than a strategic focus. The corporate HR department was perceived as ineffective in satisfying the needs and demands of its stakeholders. Line managers commented on the lack of business knowledge in corporate and SBU HR units while corporate HR practitioners commented that those occupying SBU HR positions lacked strategic orientation.

There were a number of examples to demonstrate the lack of a higher level of integration with the corporate planning process. For instance, the environmental scanning exercise conducted during the annual HR planning day was attended only by corporate and SBU-level HR managers, with no input from line business managers. In addition, there was some confusion among senior members of the HRM function over
the relationship between the strategic HR planning meetings and the corporate planning process. The behaviour was not consistent with a high level of linkage with the business planning process.

Discussion

HRM role effectiveness

The results from the organizational survey and semi-structured interviews indicated that there was an increase in the effectiveness of HR roles performed by the corporate HR department following corporatization. The commercialization process had provided an opportunity for public-sector HRM departments to adopt a more strategic focus in their roles and functions. A number of factors, such as the importance of the people-management function and the formalization of the strategic HRM process, had given the corporate HR department the legitimacy to be more strategic. The role of the people management function played an important part in ensuring an upward shift in the strategic integration level. This upward shift implied the beginning of a shift from personnel management to a HRM (or strategic) approach.

Results indicated that the effectiveness of the strategic role of the corporate HR department was still lower than the effectiveness of the operational and functional roles. The finding may be explained by the centralization of the IR unit within the corporate HR department, instead of decentralizing to SBU HR line units. Similarly to other corporatized entities (Colling and Ferner, 1992; Powell and Spicer, 1994), Statecorp encountered various challenges with IR implications (such as the closure of workplaces and downsizing) during commercialization. From the perspective of the line managers, their day-to-day business operations were highly influenced by the stability of the IR climate. However, the line managers did not have the ultimate responsibility to deal directly with the trade unions. As a result, they had to rely on the corporate HR department for functional IR advice and input. As such, there was a feeling that the decentralization and devolution of people-management responsibility had not been carried out completely. From the perspective of the HR function, strategic HR projects had to be put on hold in order for corporate-level practitioners to resolve the day-to-day operational IR issues.

Although the functional and operational aspects of people management (such as recruitment and selection, training and development, and processing of sick leave applications) had been decentralized, line managers were reluctant to change. These line managers were unwilling partners in accepting people-management responsibilities, as in the UK experience (Hall and Torrington, 1998; McConville and Holden, 1999). It was not an effective decentralization and devolution process because line managers saw people-management responsibilities as taking too much of their time from the business. In addition, organizational processes were not put in place to build this responsibility into the performance of these managers (McGovern et al., 1997).

Extent of strategic integration

Evidence from this research supports the framework of strategic integration in HRM proposed by Golden and Ramanujam (1985). After corporatization, there was a significant improvement in the overall level of strategic integration. A number of organization-wide initiatives, such as the strategic HR planning meetings, revision of the workforce planning methodologies and restructuring of the people-management function, supported the repositioning of the corporate HR department.
In Time 1, Statecorp’s experience was typical of traditional public-sector entities. As in previous research into public-sector HRM (Robertson, 1994; Teo, 1998), most non-commercialized public-sector entities had a low level of strategic integration, with little input by the people-management function into the strategic management process. The function was considered to be reactive to organizational demands. Practitioners were perceived to be personnel experts, despite representation at the strategic planning committee together with other senior functional executives.

**Impediments to strategic HRM effectiveness**

Data from the semi-structured interviews provided an additional source of information for explaining the survey findings. The findings suggest that the corporate HR department was on its way to becoming a key player in Statecorp’s strategic management process. With the number of HR issues arising out of the public-sector reform (such as rationalization of smaller port authorities, redundancies and retraining), there was an increasing awareness by senior management about linking HR strategies with organizational strategies.

However, the shift from being operational and functional experts to taking a strategic HR role is not easy. There will be an ongoing struggle of identity for the corporate HR function (e.g. Hall and Torrington, 1998). Practitioners are expected to possess business acumen and technical knowledge. The reputational effectiveness of the HRM function can provide the opportunity to market the professionalism of the people-management function.

An important change to public-sector HRM has been the decentralization of the HRM function to line managers (Farnham and Horton, 1996; Hall and Torrington, 1998; McGovern *et al.*, 1997). A key reason for decentralizing HRM to line managers is that HRM is too important to be left to personnel management specialists. Decentralization of HRM in the public sector may create several challenges for the HR function. For example, in Statecorp, the line managers consistently complained about the administrative burden placed on them for people management. Line managers must possess the skills and expertise in HRM functions previously performed by HR practitioners. Decentralization may be difficult as line managers may not have the right skills to manage their employees (Colling and Ferber, 1992) or appropriate knowledge for adherence to policies (IRS, 1996).

Research has also shown that the decentralization of HRM has not reduced the influence of HR practitioners (Gennard and Kelly, 1997). Instead, HR practitioners can adopt a general business management approach to HR issues by becoming flexible business managers. Again, this description of a flexible business manager is consistent with that of HR champions and supports the proposition that the people-management function is becoming pivotal in organizations (Schuler, 1992; Ulrich, 1997).

The above findings contribute to the literature on corporate HQ functions (Chandler, 1991; Ferlie and Pettigrew, 1996). The dual functions of the corporate HQ unit in value creation and administration (Chandler, 1991) have introduced a level of complexity for HR practitioners. In order to add value to the strategic decision-making process, the corporate HR department had to ensure that short-term goals (such as administrative and functional roles) were accomplished effectively. They had to achieve a balance between strategic (value creation) and operational/functional (administration) HR activities. This continued balancing of short-versus long-term performance outcomes introduced an additional level of demand on the corporate HR department.
Conclusion

The purpose of this study was to examine the effectiveness of the corporate HR department, as a corporate HQ function, before and after the corporatization of a public-sector entity. Multiple data collection methods were used to evaluate HRM effectiveness from the perspectives of multiple stakeholders. The result indicated that the role of the corporate HR department had changed, after official corporatization, from a personnel specialist functional one to that of a strategic function. In addition, there was an increase in the overall level of strategic integration between HRM and the strategic management process.

However, several factors affected the effectiveness of the repositioning of the corporate HR function. The need for corporate HR to balance the value-adding (or strategic) and administrative functional roles of a corporate HQ unit affected the overall level of HRM effectiveness. Although there was an improvement in the relationship between the corporate HR department and its many stakeholders, the level of conflict continues to have an impact on the status and influence of the department. Lastly, the credibility of the HR practitioners was another factor in explaining the moderate level of HRM effectiveness.

Implications for practice

This study provided an opportunity for the HR practitioners within Statecorp to evaluate its success in adopting the strategic role. Reputational effectiveness of HR practitioners depends on the extent to which they are perceived to be effective by their stakeholders. If this is the case, practitioners must acquire competencies which include business acumen, financial management and a focus on the bottom line, in addition to HRM technical skills (Teo et al., 1998). This is reflected in the multiple roles required of HR practitioners in the corporate HQ function.

Decentralization and devolution are difficult processes if strategies are not established to manage the transition (McConville and Holden, 1999), as was the situation at Statecorp. In addition, HR practitioners should ensure that line managers are appropriately trained in the functional and operational aspects of people management. The day-to-day IR function should be decentralized to the SBU HR units to enable the corporate HR department to focus more on the strategic and change management aspects of people management. Given the influence of trade unionism in the Australian public sector, training should be given to line managers to ensure success in the devolution of HRM and IR. The strategic aspects of people management should then be left to a core group in the corporate HQ. This requires line managers’ acceptance of people-management responsibilities in order to relieve the corporate HR department of functional and operational activities.

Implications for future research

Sample size  There remains a need to expand the sample to include organizations in other jurisdictions and countries to extend the validation of the findings. There is a need to establish whether differences exist between those entities operating under the commercial market economy (such as telecommunications and financial services) and those remaining in the public-sector environment (such as community service), and those which have already been privatized. This would enable generalization about the adoption of a strategic approach by HRM departments in the wider public-sector context.
Statistical measures  If this larger study is to be carried out, a number of steps should be incorporated to control for recall errors in retrospective reporting by informants (Miller et al., 1997). One of the issues in relying on retrospective reporting is over-reporting (Conner and Ulrich, 1996) which may be resolved either by data triangulation using semi-structured interviews or by including questions requesting evidence about strategic HR systems and processes (Delaney and Huselid, 1996).

The evaluation of HRM should be undertaken by examining measurable performance indicators. For instance, in addition to indicators such as turnover and HR budget per employee (Cascio, 1991), financial performance indicators such as returns on equity and assets, sales growth and perceived performance have also been proposed (Becker and Gerhart, 1996; Delaney and Huselid, 1996; Ferris et al., 1999). However, financial performance indicators are appropriate only for those organizations already operating in the commercial market because the mechanisms for the distribution of goods and services in most public service organizations do not follow the market model, as argued by Guthrie and English (1997). Therefore, echoing the suggestion by researchers (see Clarke, 1994), future research should endeavour to identify an appropriate set of performance indicators for evaluating public-sector HRM functions, taking into account the methodological issues discussed in Becker and Gerhart (1996).

Implications for future research

Research methods  One suggestion is to adopt sequential analysis in data collection as a means for soliciting data from multiple stakeholders regarding their perceptions of the HR department. Sequential analysis is appropriate for studying organizational change, in relation to the effect of time on organizational phenomena (see Abbott, 1990). It can then be combined with discourse analysis techniques to understand the perceptions of the HRM roles from the perspective of multiple stakeholders. This approach will be able to explain further whether the convergence in the assessment of HRM effectiveness between different stakeholder groups is due to any methodological weaknesses in the research instrument.1

As discussed previously, due to the small sample size of trade union respondents, the analysis did not consider their perceptions. As highlighted in previous research, IR-related variables such as trade union membership (Galang, 1999) could impact on organizational effectiveness. Therefore, the inclusion of these stakeholders in future studies should provide a clearer assessment of HRM effectiveness.

A social network approach could be adopted to examine the extent of relational ties among stakeholders. Commentators and researchers such as Schuler (1992) and Ulrich (1997) have advocated the centrality of the people-management function in organizations. As such, social network analysis could be used to analyse the centrality of the HRM function in the strategic management process. Future studies could use network questions to collect relational data between the corporate HR department and its multiple stakeholders. Advice networks could be used to study the use of strategic dialogue and conversations as a means to sharing goals in strategic management (Wooldridge and Floyd, 1990).

In conclusion, this study contributes towards the literature on the role of corporate HQ units in the strategic decision-making process. There is evidence to suggest that public-sector HRM departments have begun their repositioning by adopting a strategic role in the process of commercialization and corporatization. The findings in this study indicated that the challenges of the open market, business goals and employee needs had provided practitioners with the stimuli to advance the effectiveness of the people-
management function. Future studies could usefully adopt a multi-disciplinary approach to analyse the intra-organizational relationships and interactions between HRM and its stakeholders so as to establish the extent of social capital.

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Note

1 The author would like to acknowledge the anonymous reviewer for suggesting this particular point.

References


