# Intrapreneuring - An HRM Success Strategy for the next Millennium

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This chapter examines the role of intrapreneuring as a successful HRM strategy within the large organisation. The need to become more competitive, more responsive to external environmental turbulence and leaner and more efficient has driven many large organisations to downsize. This chapter discusses the use of intrapreneuring as a potential strategy to create the benefits of a small, efficient organisation within a larger one. One argument for creating smaller organisational size cost-centres is that increases in organisational size can lead to progressively stronger resistance to fundamental change (Tushman and Romanelli, 1985) and smaller organisational size is needed because of the turbulent economic climate. The potential advantages of intrapreneurial activity is twofold: the benefits for the employee are financial, professional and personal and for the organisation it is the ability to retain core competencies within the corporate structure while avoiding the inefficiencies inherent in large bureaucracy.

### From Taylor to Drucker – the current HR paradigm

As the world moves into the 21<sup>st</sup> Century large organisations face an uncertain future. The dual impact of information technology and the globalisation of markets promise to create a work environment unlike any previously experienced. Computer-based information systems have already changed the nature of work, removing layers of middle management,

and offering many employees the opportunity to work 'on-line' without leaving home. The opening up of international trade has increased the competitive intensity of many industries and created a workforce that is demographically more diverse than ever (Wooldridge and Wester, 1991).

As the 19<sup>th</sup> Century world moved towards the beginning of the 20<sup>th</sup> Century the rapid pace of industrialisation, which commenced in Britain during the late 1700s, had already transformed the work place in many industrialised economies. It was an era that placed immense confidence in science and technology to improve life for humanity. The industrialisation of the United States over the period 1880 to 1910 brought with it the emergence not only of some of the world's largest corporations, but also management theory as a business discipline (Helfgott, 1987).

Among the most influential management theorists of the early 20<sup>th</sup> Century was Fredrick Winslow Taylor (1865-1915) who inspired the principles of 'Scientific Management' or 'Taylorism'. This considered human resources to be equivalent to other input factors. All work was to be studied at the individual level and divided into measurable, time specific functions with the aim of removing any unnecessary actions (Baker, 1997).

Industrialists throughout the world willingly embraced 'Taylorism'. Wik (1972) chronicles the major influence it had on the Ford Motor Company and Whitson (1997) notes that it was well received by British engineering firms in the years leading up to the First World War. Although these theories attracted much criticism – particularly from the labour

movement – over the course of the 20<sup>th</sup> Century, the legacy of Taylor's ideas continues in the Total Quality Management and 'Reengineering' schemes of the 1990s (Boje and Windsor, 1993). In fact, as Korac-Kakabadse and Korac-Kakabadse (1998: 104) explain using:

"...TQM as a reengineering strategy in the Canadian, British, American and Australian public sector organisations reveals 'contrapreneurship'; the deliberate resistance to implementation".

Some of the reasons for this action are union fears of potential job losses, breakdown in traditional management/union relations and limited active commitment from top management. Many of the decisions to downsize or reengineer are based on economic criterion of productivity (Cascio, 1992, 1993) but the cost saving may in fact be illusionary because the survivors find themselves in a "new, and not necessarily friendly, environment" (Cascio, 1993:95). Under these circumstances their morale may be low, and their commitment to the organisation weakened due to the hiring of new staff or rehiring of previous staff (Savery, Firns and Travaglione, 1998).

Human Resource Management (HRM) emerged in the early 1900s in response to the need for an administrative support function to manage the large employee numbers recruited into the industrial organisation. At first, referred to simply as 'Personnel Management', the earliest recorded department with such a title was that of the National Cash Register Company in 1901 (Losey, 1998).

Following the Second World War (1939-1945) Peter F. Drucker (1955) redefined the role of HRM to be more holistic. According to Drucker the weaknesses of 'Taylorism' were its two 'blind spots'. The first of these was the desire to divide work into constituent physical actions rather than take a holistic view of the worker. The second was the separation of 'planning from doing'. This he blamed on the arrogance of a managerial elite who saw their role as overseeing a labouring class. By separating the worker's activity from the planning of that activity the organisation removed the ability of the work force to control its own productivity and learn new techniques.

For Drucker – writing in the 1950s – the problems of 'Taylorism' were not its fundamental concept but more its implementation or interpretation by management. Particular criticism was reserved for the 'personnel manager'. Drucker viewed the personnel manager as a little more than a 'welfare worker' or 'file clerk' that spent too much time engaged in 'fire-fighting'. The principal focus of the personnel manager was to ensure the smooth operation of the industrial factory system. To achieve this the personnel function was concerned with efficient recruitment and selection, payroll management and the ability to deal with industrial relations issues. For Drucker (1955) the personnel management function was not 'bankrupt' but it was 'insolvent'. What was required was a more effective 'integration' of the entire worker-work relationship. Placing workers in the appropriate job and empowering them by allowing them control over the planning of their own work were key issues to be addressed.

Another of the post-war founders of modern HRM is E. Wright Bakke (1992) who noted that the HR function exists to understand, develop and maintain the effective employment of the people resources of the firm. As such it has no greater or lesser value than any other business functions such as finance or marketing. Despite almost two decades of management theory that emphasised the need for management to empower and enrich the quality of work life, Bakke does not consider HRM exists to make employees happy. Its role is to ensure the most efficient and effective use of people's skills and abilities. Rather than seeking to align the interests of worker and organisation, the HRM function should seek to ensure that their interests are at least not incompatible.

During the 1970s and 1980s the HRM function broadened its role to that of an adviser, providing senior management with specialist skills relating to the complex legal issues surrounding industrial relations, equal employment opportunity and other legislation. Large, centralised HR departments were formed with technically proficient managers. Unfortunately, such departments provided HR Managers with little more power or influence over the strategic direction of the organisation than had been the case during the 1950s and 1960s when Drucker criticised them for being mere 'file clerks' (Fowler, 1994).

The competent HR Manager of the 1990s remains a functional specialist who requires expertise or knowledge of a range of issues including – industrial relations, selection and placement, compensation and benefits, training and development and succession planning (Burke, 1997). This bewildering array of specialised knowledge continues to grow in

response to the internationalisation of the workforce and requirement to meet the needs of ethnic minorities, women, the aged and people with physical or intellectual disabilities (Tung and Miller, 1990; Teasley and Williams, 1991).

HR Managers of the next century will also need to possess a balance between technical competencies and strategic business skills, becoming partners with other key executives (Ulrich, 1989). Faced with rapid environmental change HR Managers within competitive organisations must learn how to link their functional expertise with the broader strategic issues associated with understanding customer, supplier relationships and the impact on the business of technological and social forces (Ulrich and Wiersema, 1989).

## Why the current HRM paradigm is no longer relevant

At a presentation to the American Management Association's 65<sup>th</sup> Annual Human Resources Conference and & Exposition held in April 1994, Drucker noted that when he was born (1909) ninety-seven per cent of all workers were skilled or unskilled manual labourers. By the 1990s forty per cent were 'knowledge workers' (Ettorre and Romano, 1994). This change in the composition of the work force places pressure on HR Managers to re-examine their role and make themselves relevant to the challenges of the next century.

'Knowledge workers' appear to be the key employee for the next century but traditional organisation and management structures are unlikely to suit their needs (Fojt, 1995; Lee and Maurer, 1997). The increasing importance of intellectual capital within organisations

means that knowledge workers are becoming the real assets of the business (Thornburg, 1994). Firms must learn how to value their intellectual capital and allow such employees the freedom to develop intellectual, professional, and personal growth within the organisation (Pickard, 1993).

It is in this area of "knowledge' that there needs to be developed a close link between information technology (IT) strategies and human resources strategies (Korac-Kakabadse and Korac-Kakabase, 1998:104) because as Dodgson (1989:17) says IT "puts a heavy emphasis on organizational forms". Thus, the HR manager must be one of the leaders in the strategic design of the IT applications because as, we point out later, he/she is responsible for the design of the organisation and the obtaining or developing of the skills of the employees.

While both Drucker and Bakke have helped to shape the current HRM paradigm the social and technological changes witnessed in their lifetimes pose a challenge for the next millennium. The value of the 'human resource' as a source of competitive advantage has continued to increase as the economy shifts from an industrial to a post-industrial model (Barney 1991). This was reflected in a survey of senior business executives of information technology departments in Canada. Ninety per cent of respondents viewed their most important challenge was retaining quality staff (Sibely, 1998).

The decade of the 1980s has been characterised as having a strong belief in the 'holiness of technology' (Herzberg, 1987). It was a period marked by rapid growth in the use of

information technology and a confidence that it would transform the work place offering greater freedom and flexibility. While many workers experienced positive change in their quality of work life as a result of the introduction of new technology, a substantial number also became redundant.

Throughout the 1990s the rapid pace of technological change has continued but in a harder and more competitive environment. Any examination of the HRM literature over the past decade highlights the importance that has been placed on 'downsizing', 'right-sizing', 'outsourcing' and 'globalisation'.

The process of downsizing has changed the role of the HR Manager from administrator of procedures or specialist adviser to a more strategic level. Downsizing poses a major challenge to HR Managers in that they must find a way to reduce employment without losing their best people or lowering the morale of the employees who remain (Grossman, 1996). Downsizing has been widely criticised for its short-term focus and lack of long-term sustainability. While it may help to trim costs and lift share prices it can also create a 'hollowed-out' shell with only a superficial impression of success (Haapanieni, 1996).

Successful downsizing appears to be linked with the capacity of the HR Manager to take a strategic approach to the human resource management process (Cameron, 1994). Cutting the workforce to achieve short-term bottom line improvements is likely to be less successful than a more considered approach. Whatever the mechanics of successful downsizing the fact remains that the legacy of the 1990s has been a change in the

workplace. According to Schroff (1994) some of these changes are: employees no longer view their employment as permanent and expect to remain with an organisation for life, and those with marketable skills remain open to regular shifts to rival employers and there is limited loyalty. However, Schroff (1994) suggests that despite this change many HRM practices continue to assume long-term employment.

The established HRM paradigms focus on process rather than strategy. They have positioned the HR Manager as a support function in most organisations undertaking the 'firefighting' and 'file clerk' roles originally identified by Drucker (1955). Even the 'specialist consultant' function adopted by HRM professionals in the 1980s has only served to place them on the periphery of the executive management circle. It could be argued that the HRM paradigms that have existed within management research are now of limited use or at least that the potential of HRM within the 21st Century organisation will remain unfulfilled unless changes occur.

One of the most serious challenges facing the HR Manager in the future will be the threat of the role becoming 'out-sourced' (Mckee, 1997). To avoid this the HRM profession must find a new paradigm less concerned with process and capable of securing a central role within the inner circle of executive management. Achieving this will require the HR Manager to become responsible for the 'human resource core competency' essential to the sustained competitive advantage of the business (Luthans, Hodgetts and Luthans, 1997). The role will be to look after the 'core competencies' of the HRM function. He/she will be

responsible for the maintenance of the procedures even if these are 'out-sourced' or made a line manager's responsibility. As organisations are downsized the routine HRM functions are becoming increasingly passed onto line managers threatening the very existence of the HRM professional. Unless a new more strategic role is adopted the future of HR Managers could be bleak (Heneman, Metzler, Donohue and Frantzreb, 1998).

Schuler (1992) has suggested HR Managers integrate their role into the business through a '5-P Model' incorporating - philosophy, policies, programs, practices, and process. Each of these HR elements needs to be considered in the broader context of how they interact with the same elements for the entire organisation. This strategic approach to HRM requires the HR Manager to view their role as one of managing cultural change within their organisation while adding value. To achieve this, they need to widen their thinking to incorporate strategies for the recruitment, selection, and development of key managers and 'knowledge workers' (Beatty and Ulrich, 1991; Kerr and Ulrich, 1995; Eichinger and Ulrich, 1997).

## **Intrapreneuring HRM**

An important aspect of the increased competitiveness of the 1990s has been the changed role of the CEO in an environment of downsizing. As the organisation 'flattens out' the CEO is forced to become more closely involved with the operational matters of the organisation. This involvement in the daily activities of the business arises as the CEO's position is becoming more dependent on the bottom-line figures and is held accountable for the firm's success by the shareholders more and more on a yearly basis. In such a situation

the CEO is moving from the position of concentrating on strategic thinking of where the organisation will be in five or ten years to a mixture of present-day bottom-line argument and strategic direction.

The HR Manager of the future will need to be a member of the senior executive and be responsible for the skills requirement needed by the organisation in the future (Dowling and Fisher, 1995). It will be his/her role to understand the true value of the organisation's human resources in both financial and competitive advantage terms. The HR Managers will need to be strategically aware and possess the tools to effectively scan the environment looking for legislation or community opinion shifts that could impact, both positively and negatively, on the organisation. It is important, therefore, that the HR Manager becomes 'intrapreneurial', as he/she will need to be aware of the opportunities facing the organisation and adjusting the organisation to meet the new challenges. Kelly and Gennard (1996) suggest that HR Managers ability to achieve this may depend upon their ability to be fully accepted as a key member of the organisation's senior management team. Their relations with the Managing Director or CEO are also likely to be influential in this process.

Small organisations are frequently viewed as having greater flexibility and responsiveness to changing environments than the majority of their larger counterparts (Tushman and Romanelli, 1985). The bureaucratic structures that made the large corporations of the 20<sup>th</sup> Century so efficient have emerged to ensure stability, predictability and control (Pryor and Shays, 1993). However, this type of structure also creates barriers to innovation as it may

condition employees to believe that stability and control are the most important attributes of good management. The culture of many larger, bureaucratic organisations is adverse to risks and intolerant of failure. This view is reinforced in the 'lean and mean' organisations of today because making mistakes is seen as wasting precious resources. Thus, in such a climate, spontaneity and new ideas are unlikely to flourish and in the long term, not allowing errors and the consequences of learning from them maybe more costly because of the very fact that it stifles creativity (Korac-Kakabadse and Kouzmin, 1996). As Kelly (1994) argues mistakes and other errors do play an important role in creating a long-term sustainable organisation.

The first few decades of the 21<sup>st</sup> Century are likely to be marked by increased global competition and an acceleration of technology. Innovation and flexibility will be vital qualities for the maintenance of competitive advantage. What is required is the creation of an entrepreneurial culture within the large organisation that will encourage employees to be innovative (Duncan, Ginter, Rucks and Jacobs, 1988).

What essentially distinguishes intrapreneuring from entrepreneurship is the context in which the entrepreneurial act takes place. Entrepreneurs innovate for themselves, while intrapreneurs innovate on behalf of an existing organisation (Carrier, 1996). This difference in context generates a number of other differences for the actors concerned – with regards to autonomy, risk taking, and anticipated rewards. Entrepreneurs select themselves, while intrapreneurs must be selected.

The challenge for HR Managers in the next century will be to create an environment within their organisation that encourages intrapreneurial behaviour and selects and rewards those who undertake it. Pinchot (1987) challenged corporations to reward and encourage intrapreneuring and accept failure as a necessary by-product. It has been suggested that intrapreneuring skills can be taught and even incorporated into job evaluation criteria (Kanin and Davis, 1988).

HR Managers of the future will need to play an important role in managing the intrapreneurial environment. Staff recruitment and selection - both of HR Managers and their colleagues - will need to be undertaken with a view of attracting potential intrapreneurs. They will need to be at the centre of the strategic planning process to provide their input and knowledge to senior management over how best to attract, develop, reward and retain the correct employees. If people are to be the most important core competency or strategic resource available to 21<sup>st</sup> Century organisations it will be essential for HR Managers to assume a strategic role within the organisation.

#### A Framework for Corporate Intrapreneuring

Research into corporate intrapreneuring highlights the need for organisations to encourage risk taking and be tolerant of failure (Stevenson and Jarillo, 1990). Management - particularly scientific management – is oriented towards the removal of failure. The strong focus over the past two decades with the process of Total Quality Management (TQM) is testimony to this desire by corporate management to produce a 'zero error rate'

environment. While this is an admirable goal when seeking to manage a stable and successful process-oriented operation, it is largely intolerant of mutation or deviant behaviour from which many new innovations emerge.

An examination of previous literature into entrepreneurial behaviour within large corporations identifies the importance of five key variables when seeking to encourage corporate intrapreneuring (Hornsby, Naffziger, Kuratko and Montagno, 1993):

- 1. **Rewards** entrepreneurs are motivated by the potential for rewards. Reward systems need to be tailored to encourage innovation and risk taking. To be effective they need to consider such things as goal setting, feedback, individual responsibility, and reward for effort. Adequate reward systems need to reinforce and enhance innovative, creative behaviour. Organisations must be characterised by providing rewards contingent on performance providing challenge, increasing responsibility, and making the ideas of innovative people known to others in the organisational hierarchy (Fry, 1987; Sathe, 1985; Block and Ornati, 1987; Scanlan, 1981; Souder, 1981; Kanter, 1985).
- 2. **Management Support** to achieve a high level of innovation within large organisations it is important for managers to willingly accept the challenge of undertaking such potentially risky ventures. Both middle and senior management needs to be encouraged to accept the challenge of new innovative ideas. Managers and employees must be encouraged to believe that innovation is part of their role within the organisation. It is important to have systems in place to quickly adopt new ideas and

recognise those who contribute such ideas. Support mechanisms for small experimental projects need to be put in place with appropriate seed capital to help get innovative ideas off the ground (Hisrich and Peters, 1986; Sykes, 1986; Soulder, 1981; Sykes and Block, 1989; Macmillan, Block and Narasimha, 1986; Quinn, 1985).

- 3. **Resources** achievement of any innovative activity requires application of resources in the form of finance, physical and human capital and time. Allocation of scare resources to competing projects with different levels of risk and return is a major task of an organisation seeking to encourage corporate intrapreneuring. Employees must be encouraged to make best use of scarce resources and learn to adapt and improvise. The fostering of new and innovative ideas requires that individuals have time to incubate these ideas. Organisations must moderate the workload of people, avoid putting time constraints on all aspects of a person's job, and allow people to work with others on long-term problem solving (Sathe, 1985; Souder, 1981; Sykes, 1986; Hisrich and Peters, 1986; Katz and Gartner, 1988; Kanter, 1988; Sykes and Block, 1989).
- 4. Organisational Structure the structure of an organisation and its relationship to strategy has been the subject of much debate in management literature (Robbins, 1987). The creation of an intrapreneurial environment within an organisation is likely to require the creation of new corporate structures. These should seek to reduce bureaucracy and enhance the flow of resources, management support and rewards. Employees should be encouraged to look at problems from outside their own narrow

job perspective. Organisations should avoid having standard operating procedures for all major parts of jobs and should reduce the dependence on narrow job descriptions and rigid standards of performance (Sathe, 1985; Hisrich and Peters, 1986; Sykes, 1986; Burgelman, 1983; Schuler, 1986; Bird, 1988; Sykes and Block, 1989).

5. **Risk Taking** – it is essential for any successful intrapreneuring process to create an environment that encourages risk taking by managers and employees. Achieving a balance between controlled risk taking to achieve innovative success and harmful excessive risk taking is a major challenge. The creation of an organisational culture that is tolerant of controlled risk taking is an essential step. This needs to be supported by organisational structures that permit managers to undertake risk taking within prescribed limits (Macmillan, Block and Narasimha, 1983; Schuler, 1986; Bird, 1988; Sykes and Block, 1989).

The HR Manager is well placed to assist the process of encouraging corporate intrapreneuring through the application of HRM principles to these five areas. However, to do so he/she will need to change his/her function from 'file-clerk' to 'strategist'. Figure 1 shows the relationship between common HR functions and the five key variables required for the creation of corporate intrapreneuring.

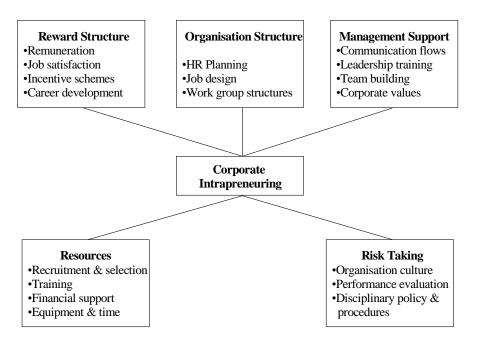


Figure 1: HRM framework for corporate intrapreneuring

## The Views of HR Managers – a three country perspective

To assess the current status of HRM within an international context a series of focus groups were held in Australia, Hong Kong and Singapore with HR Managers from large private and public sector organisations. A total of four focus groups were held with 20 managers. All participants were selected through their respective HRM professional associations in each country. While a small number the sample represented a wide cross section of HR Managers from both government and private sector organisations, in a range of industries and in three countries. This provides a fairly representative sample of HR Managers.

The aim of these discussions was to canvass the views of practicing HR Managers to see what their experiences might indicate about the current state of HRM and where its future could be.

Discussions within the three countries revealed some country-specific issues. For example, in Hong Kong the impact of the former British colony's return to Chinese authority was beginning to be felt. Further, when the discussions with Hong Kong and Singapore managers took place the economic downturn in East Asia was already starting to have an adverse impact on these two former 'Tiger' economies. Rising unemployment and tightening budgets were forcing many of these HR managers to take on the role of a 'cost cutter' seeking ways to downsize staff and extract the most productivity from those who remained.

The HR Manager from a large U.S. company based in China and Hong Kong described how he was charged with the task of replacing expatriate American and British managers with locals. Such people worked for substantially lower wages and were better adapted to handling the local workforce. His company had a policy of providing training and support to all managers regardless of their nationality and had well established practices and policies for allocating such HR development to employees.

By comparison another Hong Kong-based HR Manager from a Chinese owned manufacturing firm described how the allocation of training and development time was conducted in a totally ad-hoc fashion. Who received training and development was left

entirely up to the discretion of the HR Manger and CEO with patronage and favoritism being the order of the day. The Chinese mainland-based firms were experiencing as many difficulties in adapting themselves to the Hong Kong environment as did the non-Chinese firms in adapting to China. One Hong Kong-based HR manager described how difficult it had now become for Hong Kong employees who were fluent in Cantonese and English to 'get-on' in Chinese owned firms where Mandarin was the chosen language of senior management.

In Singapore the economic crisis within Asia was resulting in a major downsizing of large firms. The HR Managers with whom we spoke expressed concerns over the ability of Singapore's management elite to cope with these changes. They offered the view that Singaporean managers had become too accustomed to the 'good times' and lacked the capacity to adapt to difficult circumstances. This was expressed in terms of a lack of entrepreneurial drive or willingness to innovate. One HR Manager, who had worked in Thailand and Indonesia, noted how managers from these countries were used to inferior working conditions, inadequate equipment, and poorly trained staff. When faced with difficulties they improvised and got by. Singaporean managers expected ideal conditions. Too much expectation had been placed within Singapore on Government assistance to remedy problems. Questions were now being asked about whether such assistance was really able to solve all problems.

Within Australia the long period of corporate downsizing in the 1980s and 1990s had already created a very 'lean and mean' environment within both private and government sectors. Led by governments with 'economic rationalist' models the public sector had become a frontier of change where HR Managers were tasked with downsizing and outsourcing as many functions as possible in the interests of greater efficiency.

In one case the Australian HR Manager of a large public sector organisation engaged in engineering work described the reduction over a three-year period of his work force from 3,300 to 1,600. Future plans indicated further staff reductions to around 500-600 by the end of the century. The impact of this dramatic downsizing was to transform the entire core competencies upon which the organisation was based from design and construction of entire engineering projects to planning, coordinating and financial management. For example, it now outsourced such tasks as design and construction tasks to sub-contractors while its role had shifted to a central core responsibility of management of large engineering tasks.

Faced with this rapid change the HR Manager found himself in a crisis. Skilled employees were leaving the organisation to take up more financially attractive employment in the private sector. New HRM processes had to be found to retain the key staff. One strategy that achieved success was the introduction of workplace agreements. These enabled the use of innovative and flexible remuneration and benefits structures that satisfied the needs of workers in different geographic areas and job roles. New HRM strategies were necessary in

order to cope with the changing composition of the organisation's workforce – from one comprising engineers and construction workers to one consisting of administrators and planners.

Overall, these multi-country discussions revealed a general acceptance that the role of HRM needed to move from one of processing routine functions such as payrolls and leave entitlements to a more strategic one. However, the majority of these managers – regardless of their country of origin or industry sector – indicated concern over the ability of the HR manager to be fully recognised as an integral part of the strategic management team. As one HR Manager in Singapore put it:

"I think HR Managers really have to prove themselves. The senior management may recognize HR Managers as one of them, but you must really prove that you can do it by your involvement in the business decisions. We are the link back to the people they bring in, which is why it is important that a certain type of person is selected to fit in between the firm's strategies, policies, and issues. HR has become a consultancy within the company."

An important role these HR Managers saw for themselves in the future was that of cultural change agent able to assist the organisation and its employees to set new directions. The importance of human capital in achieving enhanced outcomes for the organisation was also recognised. As one Australian HR Manager expressed her views:

"I think you can be a key driver of cultural change. I mean as long as all the hoops are lined up in terms of having CEO support and working in partnership with line managers, because we know from the research that money is overstated as a motivator...When I talk to CEOs their most important thing is people management ... they recognise that people management issues are the most important and take up the most time when they go wrong, having the right people with the right skills in the right job is what they need."

HR Managers in Singapore echoed these views noting that HRM should be more than 'personnel practice' and should involve shifting the organisation culture, structure and assisting the workplace environment to 'fit the management philosophy'. HR needed to break free from its narrow functional constraint and adopt a 'multi-holistic' role. Some of the skills required by HR Managers to full-fill such a role were leadership, networking and entrepreneurship.

Australian HR Managers were responding to the pressures imposed upon them by rapid downsizing and outsourcing. Despite this reduction in employees these managers found themselves shifting from the role of processing pay rolls and leave benefits to corporate strategist. One Australian HR Manager gave the example of how his firm had regularly offered scholarships for trainee engineers who upon graduation would work for several years in his company. However, during a period of surplus engineering graduates the firm had decided to abandon this scheme in the interests of cost cutting. A year or so later the

company was facing an acute shortage of engineers and spending substantial sums of money recruiting fully trained and experienced engineers from throughout Australia at substantial extra cost. He gave this as an example where the HRM function should have been allowed to guide the company policy to ensure that continuity of supply of such a vital human resource was not adversely affected due to short-sighted planning.

To be a really effective HR Manager was to be a strategist able to ensure the organisation had the correct match between its human capital and competencies and its corporate mission. This view was summed up by one Australian HR Manager who advocated the creation of a management culture and capability with the organisation whereby managers were able to 'run their own human resources show', taking on the responsibility to 'foster their own good performers, doing something about their poor performers'.

## Towards a new HRM paradigm for the next millennium

To meet the challenge facing corporations in the next century HR Managers will need to become strategic planners rather than process workers. Currently HRM remains mired in the technical details associated with its many routine functions. Although the management of large organisations requires efficient systems for handling recruitment, selection, remuneration, training, performance appraisal and grievance procedures, these functions are only part of a much wider strategic HR framework.

A major dilemma facing HRM within the large organisation is the relative weakness of the HR function. Managers tasked with financial, marketing or production functions have the ability to demonstrate direct 'bottom line' relevance. By contrast the HR function has been less able to demonstrate its capacity to influence the 'bottom line' performance of the organisation. As a result, it has been relegated to the role of support function.

If the future of the corporation in the 21<sup>st</sup> Century lies with its ability to develop an environment where intrapreneuring flourishes, HR Managers will need to change their role. Of critical importance will be their ability to assume responsibility for creating and sustaining the distinctive human resource core competency for sustained competitive advantage (Luthans, Hodgetts and Luthans, 1997; McKee, 1997). The HR Manager will need to learn how to become a team builder and leader. It will be his/her role to obtain new staff or develop existing employees who are equipped with the necessary skills required at the right moment when the organisation requires them. The HR Manager must be at the centre of the strategic planning process. His/her input and knowledge of the skill and experience levels of present staff and the amount of money required to up-date or obtain the new skills required will be important, as will be the length of lead time needed to obtain the skills.

It will be necessary for the HR Manager to learn how to take a broad perspective of the organisation's future strategic direction. He/she will need to appreciate the roles of the other executive managers and be capable of bringing HRM planning into alignment with

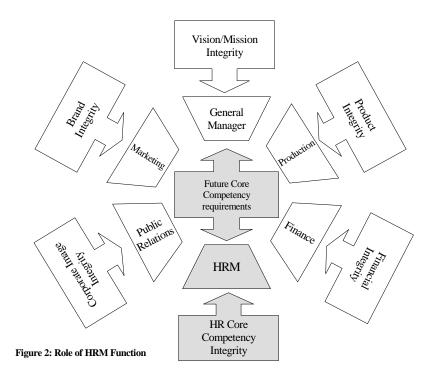
the strategic directions set by these other functional areas. At the same time HR Managers of the future will need to learn how to market themselves within their organisations. New tools for measuring the 'bottom line' performance of HRM to the organisation will assist them to achieve this.

In a future where permanent employment and corporate loyalty may be absent, but human capital is the key ingredient to sustainable competitive advantage, the need for flexibility in HRM planning is essential. HR Managers may encounter an environment of high turbulence in which continuous restructuring becomes a feature (McNerney, 1996). New approaches that focus on the development of partnerships between employees and the organisation will be required. For example, corporate intrapreneuring will require the constant assessment of the relevance of the organisation's structure with the management of a network of autonomous organisational nodes surrounding a central, coordinating core (Barnatt and Wong, 1992). Many innovations will require the acquisition of human resources on a temporary basis or with only a tenuous link to these employees. The substantial growth of sub-contracting throughout the developed economies in the 1990s is an example of this trend. Such an environment will require the development of human resources not as employees but as alliance partners who may view themselves as independent and equal rather than dependent and subservient.

Such an environment will see the HR Manager being responsible for the human resource core competencies required by the organisation to achieve competitive advantage. The

acquisition, training and retention of a corporate skill base that can meet the challenge of current and future organisation requirements will be the key task of the HR Manager.

As shown in Figure 2 the HR Manager will be tasked with the maintenance of the integrity of the organisation's human resource skill base in a similar way that the marketing function is tasked with the responsibility of ensuring the integrity of product brands. The HR Manager will work closely with the General Manager to identify the future core competencies required by the organisation. Appropriate HR Strategies can then be developed to ensure that an adequate skill base is acquired and prepared.



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The new paradigms for the HR Manager in the next millennium will be that of a strategic planner tasked with the maintenance of the core competencies associated with human resources. To be capable of offering a sustainable competitive advantage these core competencies will need to have the following qualities (Barney, 1991):

- Valuable they must be able to either reduce costs or add value in such a way as to
  encourage customers or potential customers to choose you over competitors or even pay
  a premium price. They should enable your firm to exploit opportunities or neutralise
  threats.
- Rare they should not be commonly possessed by your competitors or potential competitors.
- **Difficult to imitate** they should be unable to be copied or duplicated by competitors.
- **No strategically equivalent substitutes** they should not be easily matched by competitors with substitutes that can perform a similar function.

Among the core competencies that HRM can address are the key intangible assets that are elements of developing a competitive advantage via corporate intrapreneuring. These relate to the organisation's culture, skills, ideas, leadership base and capacity to learn. Table 1 outlines a framework of HRM core competencies that should be addressed by HR Managers to assist their organisations to achieve and sustain a competitive advantage.

**Table 1: HRM Core Competencies** 

<u>Culture</u>	Skills Base	<u>Ideas Base</u>	<u>Leadership Base</u>
•Stories •Routines & rituals •Symbols •Organisational •structure •Control systems •Power structures	Training levels of staff     Performance assessment systems     Recruitment & selection process     Career path counselling     Use of out-sourcing & sub-contracting	•Number & source of ideas/innovations being considered •How these are assessed •New product development process	•Involvement of senior management •Vision for future •Staff development policies •Responsiveness to change •Strategic awareness and environmental scanning by senior managers

It will be the responsibility of HR Managers to monitor these core competencies and ensure that they are consistent with the general strategic direction being followed by their organisations. HRM practices, procedures and techniques will continue to be used to implement these strategies and ensure that the appropriate competencies are developed and retained. However, the primary focus of HRM professionals of the next millennium will be to guide and shape the overall development of these critical success factors within the wider strategic context of their organisations.

There will be a need to develop staff to meet the next millennium and HR managers will be required to arrange courses and more importantly, assignments that will allow the employees to be exposed to the new conditions. Much of the staff development has, until recently, been based on getting Universities and other training deliverers to offer courses in a broad range of management subjects. This approach is now being questioned by the more progressive companies who appear to believe that training is a more personal thing and that different people learn at different rates, have different previous experiences and may not wish to do either courses for a formal award or for interest. It appears that offering the opportunity to do a project within the enterprise and see it through to completion including presentation to the Board is much more rewarding and learning experience. It is much more costly in training money, but the advantage is that it is directed learning in perceived weaknesses of an individual.

One area that the HR Manager will need to train superiors will be in performance appraisal of their subordinates. This process will be necessary because it will identify those areas where a person is weak and the training that is necessary. This means that the HR Manager will have to be well versed in names of training providers who can deliver the required training and it may mean contracting providers from other regions or countries and not just from the local area. Thus, the HR Manager must promote learning in the organisation, he/she must nurture a learning culture where people are not scared to ask for training and have the confidence to make decisions. The HR manager will also be responsible for organisational design and will need to provide vision and define the job content and

outcomes for the senior positions within the organisation. It is designing the outcomes so that they meet the vision and targets set for the organisation by CEO, for the long-term, that will drive the HR Manager's job.

Korac-Kakabadse and Korac-Kakabadse (1998:235) suggests that conceptualising the restructuring of the organisation so that "the appropriate quality of interfacing in newly designed structure, is a conceptual challenge". They suggest that "being knowledgeable as to the different blueprints of organisation structure, their strengths and weaknesses and how to configure an organisation to achieve its purpose" are part of the top team's responsibility. We do not disagree with this but would suggest that HR Managers will be responsible for designing the new structures which will need to be more organismic rather than the traditional mechanistic approach (Burns and Stalker, 1968)

In tomorrow's organisation, and maybe even today's, there will be a need for a commitment to continuous learning by all the members and the learning organisation will be necessary if the organisation is going to survive. But commitment by an individual is also improved by good communication and small organisations are better than this than large ones. Managers in smaller organisations will be closer to the shop floor and know the individuals within the enterprise. Since the workers and managers will know each other the chances are that communications are both heard and understood. Thus, the HR Manager must, when designing the organisation structure make sure that many communication channels as possible are available and open between peers and up and down the hierarchy.

Open use of communication channels will only occur when there is a visioning culture which is based on trust (Kiesler, Siegel and McGuire, 1984) where people can share ideas, no matter how outrageous they appear, without the fear of ridicule. The visioning culture will lead to visioning which Korac-Kakabadse and Kakabadse, (1998) argue is important because it is the platform from which the enterprise is helped to model strategic plans.

#### **Conclusions**

Over forty years have passed since Drucker (1955) made his initial criticisms of HR Managers as too obsessed with process. While the external environment surrounding the HR profession has altered dramatically since the 1950s there appears to be little evidence that HR Managers have themselves shifted their thinking or behaviour. This is not to say that the past four decades has seen no change in HRM, but it is debatable whether sufficient progress has been made towards the development of a new paradigm.

In the 21<sup>st</sup> Century the HR Manager will need to become an integral part of the senior management team tasked with the responsibility to protect the intellectual capital of the organisation and its human core competencies. With intellectual rather than physical capital likely to be the most important asset within most organisations of the next millennium, it is critical that HR Managers assume this function.

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