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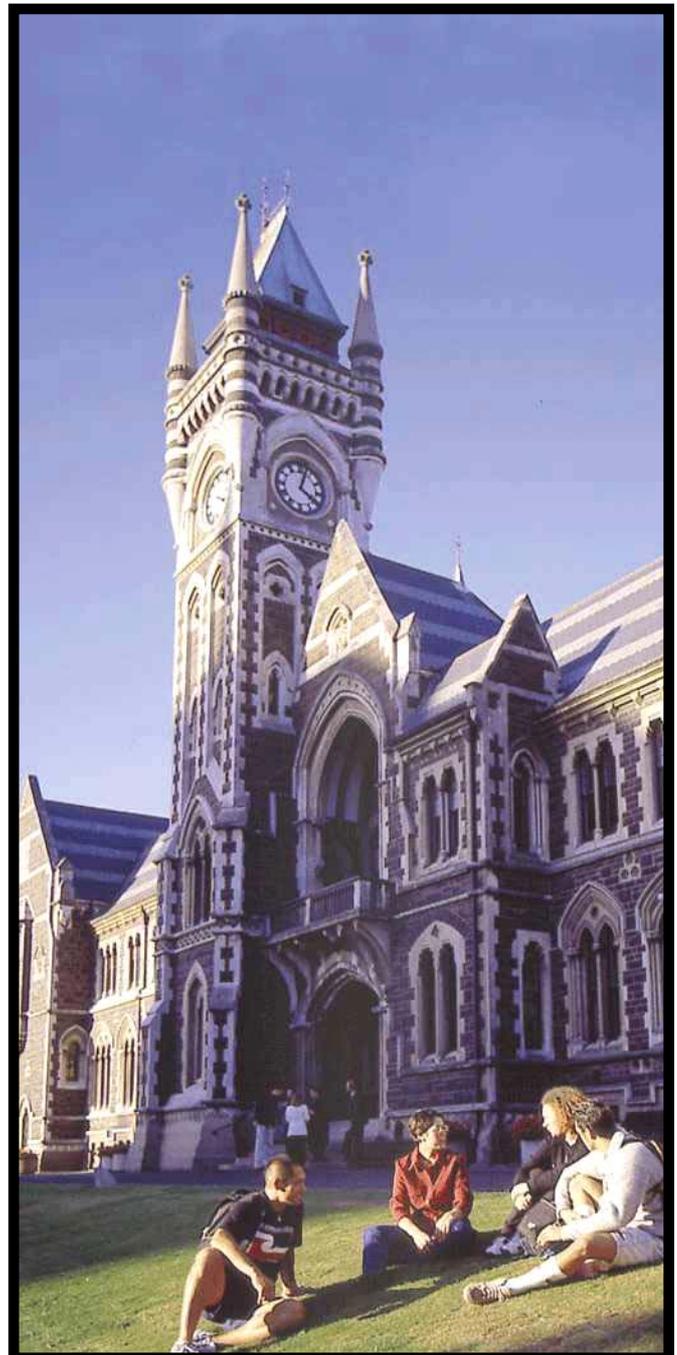
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OTAGO MANAGEMENT GRADUATE REVIEW　　　　　**Volume 1 2003**

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EDITORIAL

This journal is proud to publish some of the best pieces of work by graduate management students at the University of Otago.

The papers in this volume were written by students taking 400 level papers, either for BCom (Hons) or Post-graduate Diploma or for MBus (taught Masters).

Full time students take four, 12 point 400 level papers a year, and would be expected to produce about sixteen essays of around 4,000 – 5,000 words. Some papers accept longer essays, around 8,000 words in place of two shorter ones.

All students at this level are free to submit papers for this Review, subject to the supervising staff member having graded the paper at A or A+.

Alan Geare
Editor

Strategy and the Human Resource Management Function
A Review of Current Practice at a South Island Hospital

Christine Theissen *

Introduction

The SIH is a large public sector organisation that employs approximately 2,300 staff, delivering secondary health care services to a population in excess of 200,000 in the South Island.   Like many hospitals around the country it battles constantly to deliver the highest possible quality health services in an ever-tightening fiscal environment.   People are the organisation's most valuable asset; they are both the organisation's today and its tomorrow and yet sometimes it is evident that their importance is lost in the desire to plan for that future.

This assignment looks at the value the SIH puts on its employees through its investment in and commitment to, the development of strategic human resource management (HRM). How the organisation might achieve the level of 'buy-in' required from the managers charged with implementing both operational and strategic human resource policies and practice is considered. Current literature on strategic HRM is examined in the light of current practice and conclusions and recommendations are drawn from the information gathered.

Aims

The aims of this assignment are:

•   To assess the level of senior organisational commitment to the development and implementation of strategic HRM initiatives from the perspective of the Chief Executive Officer (CEO), Organisational Development (OD) Manager and Human Resource (HR) specialists at The SIH through a series of one-on-one unstructured interviews.

•   To consider the barriers, if any, to successful development and implementation of HRM strategy within the organisation.

•   To consider the relationship between the theory of strategic HRM and actual practice at The SIH.

•   To draw a series of conclusions and recommendations from the information gathered and assessed.

Methodology

A multi-constituency approach using two levels of analysis was used involving a series of face to face, unstructured interviews was held with the following staff between the 23rd and 30th June 2003:

•   The Chief Executive Officer
•   The Organisational Development Manager (previously the HR Manager)
•   HR Specialist
•   The former Industrial Relations Advisor

No line managers were interviewed at this time.

Initially a set of formal questions was drawn up however once discussions got underway I found that conversations evolved to such an extent that the utilisation of the same set of questions would have restricted staff responses and prevented the elicitation of valuable information. The questions asked of each staff member are listed along with their responses in Appendix A.   The following areas however were discussed with all interviewees:

- The structure and role of the HR department at HCO, particularly in relation to the conflicts between operational and strategic functionality
- The significance of the creation of the Organisational Development Manager role
- The level of organisational commitment to strategic HRM and how organisational 'buy-in' to the concept might be achieved
- Key priorities for the HR department in the coming year

Background

Historically the HRM team at The SIH has been small. The organisation employs approximately 2,300 staff across a wide range of disciplines and is supported by a team of five HR professionals. Until June this year the team comprised:

- Human Resources Manager (now Organisational Development Manager) – responsible primarily for the organisation's overall HR function – mainly an operational role.   Recent drive for a more strategic focus
- Industrial Relations Advisor, responsible for leading contract negotiations. (In post for 15 years, in various HR capacities, now working in the Payroll team).
- Two Human Resource Consultants – offering general advice and support on HR issues to managers and other staff (in post for 18 months). Positions were initially designed to include a significant level of strategic involvement. This did not materialise to any significant degree.
- Human Resources Administrator (secretary/reception and general enquiries)

All positions are full time.

The general philosophy for the department has been that managers in each of the Clinical Practice Groups (Service Divisions) would manage all day to day human resource responsibilities including recruitment and selection, appraisals, performance management, salary reviews. Some senior managers in each area would also participate in contract negotiations for the various staff groups such as technical and administrative.   Resident and senior medical officer and nursing contract negotiations are managed centrally and on a national level, led by the Industrial Relations Advisor. The HR department would provide specialist advice and assistance with HR matters such as the disciplinary process, breaches of code of conduct and contract interpretation.

Between March and May 2003 the Department experienced several changes. The Industrial Relations Advisor was transferred to the Payroll team to take on responsibility for rectifying anomalies with the computerised staff rostering system and associated contract interpretations and was not replaced. One of the Department's senior consultants resigned and the HR Manager (an external consultant) completed her contract.

A decision was taken by the CEO to change the HR Manager's title role to that of Organisational Development Manager and create a permanent position. Reporting lines also changed from the Chief Operating Officer to the Chief Executive Officer.

An examination of strategic HRM theory

Defining strategy and HRM

The role of strategic planning is to provide organisations with a clear sense of direction for the longer term by clarifying its values and mission, setting priorities and by identifying goals and objectives. (Johnson and Scoles, 1988; Kane and Palmer, 1995). These in turn should be cascaded down through the organisation, and ultimately reflected in the operational plans of managers within individual service units.

Human Resource Management (HRM) itself may be deemed a strategic activity because it aims to ensure the organisation develops and allocates its human resources in harmony with other strategic plans and corporate objectives (Tompkins, 2002). The Human Resources department plays a strategic role to the extent that its policies and practices support achievement of the organisation's objectives.

The literature is consistent. Strategic HRM incorporates the following features: A coherent approach to the design and management of personnel systems based on a clear employment policy and manpower strategy, often underpinned by organisational philosophy and value systems; and HRM activities and policies matched to an explicit business plan. In an HRM focused organisation the workforce is seen as a special resource not only to be utilised effectively but also to be developed over the long-term. Staff are recognised as a valuable asset and central to the achievement of competitive advantage and organisational success. (Storey, 1995; Hallier and Leopold, 1996; Miller, 1989).

The role of HR managers in strategy development and implementation

The successful implementation of HR strategy requires the full involvement of the HR director at both formulation and implementation stages (Guest, 1987; Pettigrew and Whipp, 1991; Kane and Palmer, 1995). This is necessary to ensure that the strategic initiatives under discussion are evaluated in terms of their implications for human resources. Involvement by the HR director is also necessary so that the HR staff can obtain a better and more complete understanding of the organisation's objectives and the issues confronting line managers ultimately charged with human resource policy implementation.

Dyer and Holder (1988, as cited in Kane and Palmer, 1995) however point out that top managers, as well as being advocates of strategic HRM, can be one of the most powerful forces opposing it. Indeed, according to Kramar (1992) a lack of consistent top management support can lead to policies being at best partially implemented. It is for this reason the organisation needs to take responsibility for communicating organisational goals, objectives and values.

The role of line managers in HRM strategy

Organisations today face a turbulent, quickly changing world full of external and internal pressures that require organisational flexibility and adaptability for survival and success. Accordingly, the ability of the organisation to respond swiftly to such changes ultimately depends on the resources it has available – most significantly its human resources. (Coulson-Thomas, 1991, cited in Skinner and Mabey, 1997). The workforce should be viewed as a special resource not only to be utilised effectively but also to be developed over the long term and recognised as a valued asset.

The President of the UK Institute of Personnel Management and the Institute of Training and Development, Mike Bert, says:

There is growing recognition that the survival and success of organisations depends on their ability to build highly skilled work forces and to realise the full potential of their employees (The Antidote, Issue 1, 1996).

Indeed, Storey and Guest (1989, cited in Hallier and Leopold, 1996) consider that if HRM is to make a difference to business performance it is surely too important to be left in the hands of personnel specialists. In a number of ways it is line managers who are crucial to ultimate HRM success. Sisson (1994) explains the role of managers in the HRM organisation as follows:

Top managers need to be highly visible and share their vision for future success with other employees. Middle managers have a vital role to play through their ability to inspire, encourage, enable and facilitate change by harnessing commitment and co-operation of the organisation's employees. They also see the development of employees as a primary role (1994, cited in Thornhill and Saunders, 1998).

In essence each layer of management has an important role to play in terms of promoting the implementation of an HRM approach within an organisation.

Gaining organisational buy-in to Strategic HRM

Top down communication should be promoted along side bottom-up communication if the organisation is to obtain the level of commitment it seeks. Mallon (1998 cited in Baker, 1999) found that where strategic HRM is imposed purely as a "top down" scientific exercise, the result is likely to be a cynical workforce. Any resistance by line managers charged with implementing HR policy and practice will dilute if not undermine attempts to translate policy into practice (Sisson, 1994). A further examination of the theory is incorporated in the Discussion section below.

Discussion

The CEO, Organisational Development Manager and two HR specialists were interviewed. Each interview lasted around 75 minutes. The data was analysed using a content analysis approach (Cooper and Schindler, 1998) whereby recurring themes are identified and reported.

The following section outlines the findings from these interviews and considers the relevant literature surrounding some of the statements made.

Defining the HR function at the SIH

The CEO considered that the HR department had two distinct functions – operational, offering core HR advice to managers/staff and strategy, incorporating the development of organisational leadership and performance. This was an area that had been given very little attention over the years.

The general philosophy for operational HR, shared by all interviewees, was that HRM should be a devolved function, i.e. that line managers should assume full responsibility for day to day human resource practice. The OD Manager, along with her team would be responsible for designing and implementing HR process and strategy in line with wider organisational objectives, thus providing the over-arching framework for HR practice that was currently missing.

In order for this approach to be successful however it was necessary to place a much greater emphasis on identifying management strengths and weaknesses so that the HR department could facilitate learning in weaker areas.   The HR department has an important role in guiding the direction, action and practices of managers responsible for the HR function. If HR fails in this role, the scope for strategic integration with organisational objectives is likely to be impaired (Guest, 1997; Sisson, 1994 cited in Thornhill and Saunders, 1998).

The need for management development is widely documented in literature regarding HRM strategy.   If the organisation operates with a decentralised HR function it needs to ensure that the managers' responsible have the skills necessary to carry them out. Otherwise the operational issues will return to the HR department thus inhibiting their progress in strategy development and implementation (Cunningham and Hyman, 1995; Storey, 1994).

Although the CEO considered increased investment in the development of managers essential, resources have not yet been identified to support this initiative.

Operational vs. strategic HRM

The HR specialists interviewed indicated that even though they had been appointed for their strategic as well as operational expertise, the strategic component of their role had not been realised. This was for a number of reasons:

- The HR team was very small (four staff for an organisation with over 2000 employees) meaning that they were constantly 'fire fighting'
- The Board team saw HR's role as mainly operational and less significant than perhaps other services such as Finance in determining organisational direction.
- The skill mix of line managers responsible for undertaking HR work was variable across the organisation and had indeed not been formally assessed.
- A lack of knowledge about the long-term impact of HRM programmes and subsequent scepticism of their benefit to organisations by senior management.

These obstacles are upheld by Kane and Crawford (1999).

Furthermore the OD manager considers that the HR department cannot operate effectively at an operational level if it does not have a role in developing HR strategy. This view is supported by the CEO who sees the manager as an essential edition to the Senior Management Team responsible for developing overall organisational strategy.

The OD manager sees her role as both influencing and implementing wider organisational strategy and this means she has to be sure that the HR strategy actually reflects the needs of the organisation. To ensure this coherence, she suggests her role is to develop the

interface between line managers and managers responsible for strategic development, ensuring that all parties share a common understanding of the needs of the organisation before strategy is finalised by the Organisation's Board. Given the pace of change in the Health Sector, this may be difficult to achieve.

The OD manager sees her greatest challenge as convincing the Board and the CEO of the need for a staged approach towards strategic HRM implementation. The expectation of the Board is that 'payback' will be relatively quick. However before strategy can be realised the operational component of the department must function well. The OD manager's key priority therefore is to identify what the organisation is actually working with – how many staff, turnover, reasons people stay and the reasons people leave. Strategy will fall out of this to some degree.

Organisational commitment to HRM

The greatest variation in opinion concerned perceived organisational commitment to the HR function, particularly at a strategic level.

Concern was expressed by the HR specialists that that HR strategy had up until now been developed in isolation of the HR team who were very much seen as the 'reactants', responsible for managing the purely operational components of HR. Indeed, they did not know what the HR strategy was and were certainly not involved in its formulation! This led to a feeling of devaluation of the role of the HRM specialist and was perceived to be contrary to the role two of the staff were employed for some 18 months previously.

One incident supporting this was the fact that there was no significant HR representation at a recent organisational planning day which was designed to discuss and agree organisational values, which would then feed into the organisation's strategic plan. It was viewed that this lack of filtering of important information on the direction of the organisation made it incredibly difficult for the staff to feel that they were an integral and valued part of the organisation.

From an HR perspective there has been a fundamental shift in the importance placed on the HRM function, notably the creation of the OD manager role at an executive level. This was a deliberate move by the CEO to indicate the importance of the HR function within the organisation. A shift in role emphasis from operational to strategic has become synonymous with a change in reporting lines direct to the CEO, and by the post-holder's representation on the senior executive responsible for driving organisational strategy.

In essence the benefits of any strategic or operational initiative must be clear to the managers responsible for their implementation. A lack of understanding of the initiative's importance will influence the level of support and commitment to the process (Baker, 1999).

Gaining buy-in to the concept of strategic HRM

The CEO considered that the development of a set of shared organisational values was an important step in gaining staff buy-in and commitment to the organisation. These values would help underpin HRM strategy and would ultimately be reflected in objectives throughout the organisation. For example, if one of the Organisation's values were to be recognised as a learning organisation, one of its objectives would be to demonstrate its commitment to staff training and development by introducing a formal management development programme, auditing its appropriateness. A successful outcome would be recognised by improved managerial practice in undertaking HR functions.

The first steps in this direction are being made with a recent senior management planning day, however a large part of the day was spent discussing how the organisation could cut costs – rather than look at how it could establish a value system. In addition the discussion to date has only taken place at this senior level. Middle managers, charged with implementing strategy (both HR and operational) have to date not been involved in any discussions regarding the formulation of a value system or strategic direction.

All staff interviewed emphasised the need for greater involvement of staff at all levels of the organisation in the formulation of both values and strategy. In particular the Organisational Development manager had a clear view on her own team's involvement:

My team needs to be actively involved in both the initial development and subsequent implementation of HR strategy. If they are to sell the concepts to managers they need to own it first.

Further support for the view that there is a lack of strategic involvement of staff at lower levels of the organisation was found when one of the Clinical Practice Group managers revealed that even at their level they have not been involved in the formulation of organisational strategy. However it is important to note here that for this organisation, the Government largely determines strategy. Put simply, the GOVERNMENT allocates funding for the provision of a range of services and the Board is charged with ensuring it delivers these within the resources available. It is therefore not realistic for all staff to be involved in strategy development. Staff commitment however might be easier to achieve if they at least have an opportunity to input into how the implementation of strategy may be best realised.

There had been no formal assessment as to whether the organisational strategies proposed by the Board even reflected the needs of managers working at ground level. This would require the senior executive to "go and talk to managers to find out". The Organisational Development manager had been proactive in this area however and been talking to departmental managers in relation to HR strategy to make sure she was 'on the right track'.

The Organisational Development manager also stressed the importance of "doing the groundwork first". In essence she considers that a strategy for HRM cannot be developed until the organisation knows what it is working with. This means an assessment of current staff resources, a comprehensive analysis of the factors affecting turnover and absenteeism and an appraisal of the skills and capabilities of managers charged with carrying out day-to-day HR practices.

Size, structure and role of the HR department

Interviewees were generally of the view that the HRM team should remain relatively small (ranging from five to nine in number) as the impetus was on maintaining a specialist skill base with devolved line management responsibility for day-to-day human resource functions. There was some variation in the composition of the team with the existing specialists considering that these roles should be retained. The Organisational Development manager however felt that it was important to build on the skills of existing staff by developing the generalist role rather than that of the specialist. This way each member of the team would be able to provide a comprehensive service to line managers charged with the day to day delivery of HR practice, and the skills of the HR team itself would be strengthened reducing its vulnerability in the event of staff turnover.

The Organisational Development Manager's priority was therefore to immediately recruit two-three HR generalists who can provide immediate support to the existing team of one!   This will help reduce the current service's vulnerability to staff turnover and loss of skills. Investment in HR team skill development was also considered highly important.

Issues, conclusions and recommendations

Achieving operationally and strategically

Issue: *Potential conflict between operational and strategic HRM function*

Conclusions: 1. Strategy cannot be implemented successfully until the
operational   framework (e.g. core policies and procedures) is in place.
Operational   services need to be delivered efficiently before trying to adopt a
strategic   focus (Tompkins, 2000).

2. Successful implementation of HR strategy will take some time to achieve (Cunningham and Hyman, 1995). Need to "run before
we can   walk" – OD Manager.

Recommendations: 1. Define key priorities for operational HR. The first of which will be to develop baseline HR information (e.g. staffing levels, gender and ethnicity data, turnover rates, reasons for turnover etc). This will allow the HR team to clearly identify organisational HR issues and allow for the formulation of an HR strategy (e.g. Workforce planning).

2. The OD manager will need to convince the Board that long-term gains (i.e. successful implementation of HRM strategy) can
only be   realised once the core HR functions are being delivered
effectively.

Gaining 'buy-in' to the concept of strategic HRM

Issue: **Lack of a strategic HRM champion**

Conclusion: Successful implementation of an HRM strategy requires continual investment by the CEO who is willing to oversee the process and demonstrate ongoing commitment.
Recommendations: 1. The CEO needs to 'champion' the cause from the initial concept
plan   right through to measurement of its success. There needs to be
          continuing and numerous interactions between the strategy and
human   resource teams on both a formal and informal basis.

2. Success needs to be measured. This requires the establishment of clear objectives and success criteria.

Issue: *Poorly communicated strategy resulting in lack of organisational commitment at a managerial level.*

Conclusions: 1. Line manager buy-in to organisational strategy can only be achieved
if   there is a top-down, bottom-up approach to communication (Baker,
              1999; Cunningham & Hyman, 1995). At present organisational
values   are determined at the very top of the organisation. Line managers
have   not been involved in these discussions to date; yet they are the ones
who   are expected to lead operationally.

2. The CEO along with the Board determines the framework for organisational strategy. The HR manager consults with employees to
see   what framework they consider is needed. At present there is a limited feedback loop. There appears to be insufficient consultation with managers charged with implementing strategy.   Organisational buy-in can only be achieved if all parties affected are consulted and their
views   taken on board.

Recommendation: The organisation needs to consider ways in which all managers responsible for the implementation of strategy clearly understand the direction the organisation is headed. This will involve the development of communication forums that encourage discussion and debate.

Issue: *Lack of recognition and acceptance of the value of strategic HRM*

Conclusion: Strategic HRM is unlikely to be taken seriously unless it can be demonstrated that like any other new initiative, it is worth the return on investment (Ulrich, 1997).

Recommendation: The OD manager can help to build the credibility of the HR function through consistent practice and the provision of sound advise; by demonstrating an understanding of the business; developing HR strategy and keeping people issues at the heart of business decision making. The HR department should engage actively in negotiation for ownership of the HR agenda. Key influencing factors are the approach the CEO and HR director takes in the organisation.

Issue: *Need for improved HR departmental credibility and visibility*

Conclusion: The integrity of the HR department will be determined largely by the success of the OD manager in her role.

Recommendations: 1. Performance objectives, goals and expected outcomes need to be developed for the OD manager and linked to those of the organisation.
2. The manager needs sufficient power and influence to determine and implement HR strategy. The CEO needs to support her openly in her role at a senior level. Membership of the senior executive that determines strategy is an important step in raising the profile of HR within the organisation

skills

3. The department needs to ensure consistency of advice given to managers.   A move by the OD manager to develop the generalist of the HR team will mean that managers requiring HR assistance will eventually be able to talk to any one of the team rather than relying on the availability of a specialist.

Investment in staff

Issue: *Need for greater investment in staff development as a means of* gaining *commitment and securing a qualified workforce for the longer* term.

Conclusion: Management development is central to the success of HRM given managerial influence on the performance of organisations (Storey,
1994, cited in Cunningham and Hyman, 1995; Hallier and Leopold, 1996).

Recommendations: 1. The capabilities of managers (and other staff) need to be developed so that the organisation can respond to any opportunity or threat appearing on the horizon. It needs to foster employee commitment by improving job satisfaction (by demonstrating how it values staff) so that human capital is not lost to other employers.

in 2. The organisation needs to increase its level of financial investment the development of staff who wish to establish and progress their careers within the organisation.

Identifying, establishing and communicating shared values/goals

Issue: *The organisation's values, goals, objectives and vision in relation to* HR *and wider organisational strategy are not clear to all managers.*

Conclusion: The benefits of any strategic or operational initiative must be clear to the managers responsible for their implementation. A lack of understanding of the initiative's importance may influence the level of staff support and commitment to the process (Baker, 1999).

Recommendation: The organisation needs to give greater consideration to how it involves managers in the development of its value system and organisational objectives, seeking ways in which it can improve communication and participation.

Department structure and responsibilities

Issue: *The current HR department has insufficient staff resource to enable it*
to   *focus effectively on both short and longer term HR initiatives or*
                    implement strategy.

Conclusions: 1. The HR department must develop the capacity it needs to support
                     it is to succeed (Tompkins, 2000). This means it must have sufficient
                    staff employed with expertise in job design, organisational
development,   change management, employee motivation and HR theory.

                    2. Strategic HRM is unlikely to be achieved until managers are formally
                    assigned responsibility for the operational HRM and the HR
department   moves from an 'administrator' of rules and regulations to one of
                        'facilitator' and 'educator'. A team of HR generalists needs to
be in place   to support line managers (Perry, J & Mesch, 1997, cited in
Tompkins,   2002).

Recommendations: 1. Recruit additional HR generalists so the department may
immediately   address operational issues and reduce its vulnerability to
specialist staff   turnover. This is underway.

                    2. Identify the skill level of existing managers charged with
                    implementing HR strategy and introduce training programmes to
address.   This will require greater financial investment than is currently
allocated   to staff development.

Opportunities for further research

On reflection, one of the key things I did not confirm at interview was what each interviewee understood by the term 'Strategic HRM'; nor did I define the term for them.   There is a risk that each staff member had a different perception of the term. Further clarification is recommended.

There are also opportunities to:

•   Review the role of operational and strategic HRM practice with line managers within the organisation.

•   Consider the role and place of 'hard' and 'soft' HRM practice in a not-for-profit organisation and how this compares with the commercial sector.

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APPENDIX 1

Interview with the CEO - Thursday 26th June 03

1. Where do you see the HRM function sitting within HCO?

HR has two distinct components: Administration (operational) and Strategy/Leadership. The strategic element focuses on leadership, performance, organisational values and organisational culture. The focus for many years has been purely operational. That needs to change because it is the people who drive success within the organisation. The Organisational Development manager will play a key role in the determination of organisational strategy, as well as having responsibility for carrying it out.

The HRM team needs to be small and specialist. Day to day functions should be carried out successfully within the Clinical Practice Group structure. The "centre" should be responsible for process and strategy. The CPGs should be responsible for implementation. At the moment there is no over-arching strategy or cohesion. The HR department will be responsible for creating the process. There needs to be a much greater emphasis on identifying management strengths and weaknesses so that HR can facilitate learning in weaker areas. We have a need to develop people; this will help buy-in.

At the highest level we need to determine where we want the organisation to go. HR will help to determine how we are going to get there.

2. For some time there has been no HR representation at a senior level (e.g. on the Executive). Do you see that a change is warranted?

Absolutely. Human Resources, Information Technology and Primary and Integrated care are all under-represented at a senior executive level. We need to move away from focusing purely on The SIH and look more broadly at the whole function of Health Care delivery in Otago. The new executive will consequently have a more strategic or global perspective.

3. Successful strategy formulation and implementation for HR requires senior level buy-in. How would you envisage this being realised?

The Organisation's strategy document needs to ask the question "how are we going to measure performance and develop people?" We need to agree our expectations in relation to values, performance and behaviour and encourage an environment of openness that means people feel comfortable in challenging. Peers will help set the standards expected. Transparency is an important part of this process. For example, if my performance is open to scrutiny by everyone it is very difficult for others not to agree to the same assessment of performance. If people know that their performance is going to open for others to see that in itself will lead to changes in behaviour.

4. What to you would demonstrate successful implementation of HR strategy and what outcomes would you be looking for?

Success will be measured, for the organisation in two ways: through organisational performance and through a change in organisational culture and values. At the moment the organisation lacks a sense of "team". This is occurring at the highest level – even executive management. People are working in silos. How people relate to each other is very important. The organisation is very hierarchical: I want us to move away from this structure.

Status should be achieved through what people achieve not what position they hold within the organisation.   We need to re-look at the importance of people.

5.   There has been a change in the reporting lines for the new HR manager from the Chief Operating Officer to the Chief Executive Officer. What drove this change?

The COO has too many direct reports and this makes it difficult to achieve everything that needs to be achieved in operational management.   The change in reporting lines was done to reduce the number of line reports and allow the postholder more opportunity to drive operational management issues.

6.   How has the role been reoriented and why?

The change in job title from HR Manager to Organisational Development Manager is a deliberate one and signals a change in emphasis for the role from operational to strategic.

7.   When organisations are faced with external pressures (often financial), they tend to view people purely as a commodity instead of an asset to be valued. Can you comment?

No I don't agree. When times are tough investment in people becomes more important. Without them we cannot achieve. We have a responsibility to show our commitment to them. This is achieved through continue investment in their development and by involving them in discussions involving the strategic direction of the organisation.

APPENDIX 2

Interview with Organisational Development Manager 30th June 2003

1.   How did the organisation "sell" the position to you?

Interestingly, the Organisation didn't sell the position to me at all. The interview itself didn't produce the questions I had expected. They were all straightforward questions that didn't stretch me.   I was ready to undertake a new role and was keen to stay in Dunedin for the foreseeable future. Specialist HR roles in the city are rare. And I have a great interest in health care so it seemed the logical choice. The organisation knows approximately where it wants to head although it didn't really articulate that clearly. It was evident that the focus was to be strategic and that's where my interest lies.

2.   What were/are your expectations of the role?

I don't have formal expectations as yet. The "big picture" or "vision" for HR hasn't yet been outlined to me by the CEO. I am meeting with him later this week to discuss it. What I need to say however is that we must set realistic targets. The Board wants to see a speedy impact on HR strategy however I need to temper this by encouraging them to set something more realistic. We need to start from the ground up.

3.   The change in title from HR manager to Organisational Development Manager seems significant. Can you comment?

The change in title signifies an increased awareness of the importance of HR at a senior level of the organisation. The organisation needs to look longer term and the Organisational Development Manager is seen to be a key player in both formulating and implementing strategy. The position has been sold as a "second level" one – i.e. it is a senior executive role.

It is important to say that HR cannot work in isolation from the rest of the organisation. HR strategy follows on from organisational strategy. It needs to be involved with and to seek agreement of the executive team. Wider consultation will follow on from there.

Strategy however cannot be done in the absence of core HR information. For example, you can't begin to plan your future workforce if you don't know what you have to begin with. Before I can even look at strategy I need to get the baseline information established, i.e. the core components of operational HR.

4.   What is your vision for the HR department? How do you see it functioning?

Previously the HR roles have been specialised. This leaves the department very vulnerable if someone leaves – as has recently been the case. It is important to introduce more generalist skills – whilst drawing on the specialist skills that each member has. That way everyone learns, our skill base is strengthened. Ideally I would always like to have a "learner" in the department. This is a fabulous training ground for staff. The reality at the moment however is I need to employ people who can hit the ground running.

As for structure, the initial plan is have four generalists in post. Each generalist would support a group of CPGs, and offer the full range of HR services. If they don't know the answer they will go back to the central HR team, get the information and then return to the manager. I would like the department to be bigger but it's a start.

Our aim is to support managers in what they do. Day to day responsibilities for HR need to be devolved to managers with a greater emphasis placed on teaching managers how to do the HR work – HR should not be a secret!

5. What are the department's key priorities?

At a senior executive level the realisation is already there that we need a longer-term focus because the organisation is vulnerable to staff turnover and there are difficulties in attracting health professionals. Our strategy must be to secure the workforce over a longer period. The first step however is to identify what we've got already. My first priority however is to get a strong team of HR advisors in place. We can't do anything remotely strategic until I have some "bodies" on the ground.

We need to ensure consistency and quality of advice first so core operational HR practices need to be in place. Only then can we really begin to look strategically. However all HR personnel will be involved in both organisational and strategic work – you can't have one without the other.

A core priority for the next few months is "Recruitment". This has been determined for DHBs by national initiatives. This incorporates workforce planning across the entire spectrum of professions. Developing a job evaluation system is also something I believe to be a key priority although it may not happen as soon as is ideal.

6. Success criteria for the HR department?

That in 18 months the policy frameworks are in place for HR function – this includes the areas of planning and policy, Recruitment, employee relations, performance management, remuneration, people development.

7. How are you going to get organisational buy-in to the HR function?

The HR department needs to be more visible and clearly accountable for the work they do. HR professionals need to be out there working along side managers guiding and educating them.   However of foremost importance is the need to provide consistent and sound advise – no matter who in the HR team managers are talking too.

APPENDIX 3

Interview with HRM Consultant – Wed 25th June 03

1. What were your expectations/reality of the role when you joined the Organisation?

I was recruited to undertake a specific management role – Remuneration and Database (benchmarking). There was to be a strategic component – I was to provide a significant input into the remuneration strategy/policy and ensure their evidence in the practice of remuneration.

Both HR consultants were appointed on the understanding that they would make a major impact on organisational human resource management.

In reality the role quickly became an operational one – covering general human resource management issues, industrial relations, participating in working parties for progression criteria for specific staff groups (e.g. Speech Language Therapists), policy development (update/modify HCO policies to include best practice and launch recruitment model).

Job evaluation and benchmarking systems did not exist but there was an opportunity to develop them, however these not seen by Senior Management as the role of the HR Consultant.

2. How does the role of HR add value to the organisation?

Although feedback from managers evidences that they are generally happy with the support received by HR, we are not necessarily seen as adding value to the organisation. We are not currently involved in driving HR policy or function at a senior level. There is no representation there.

3. Is there an intention to change the role/function and if so why/how?

The appointment of the new Organisational Development manager provides a good opportunity for more senior exposure to the HR function, especially strategy – providing the post-holder does not get too involved in operational HR. Her agenda has not yet been clearly articulated. She is still learning about the organisation.

4. Is there senior management commitment to the importance of HR at HCO? How is this demonstrated/how would it need to be demonstrated?

I believe there is a mixed level of commitment to HR at the moment. This is probably best evidenced by the lack of representation of HR in such things as planning days for the organisation and at a senior level. However this is changing, particularly with the appointment of the new Organisational development manager who reports directly to the CEO – the person charged with driving the organisation's vision and future strategy. We certainly need more exposure – people are the cornerstone of the organisation – everything the organisation does/aims to do needs the support of the staff in order to ensure its success. Getting buy-in to the process will be an exciting challenge.

5. There have been some recent changes to personnel in HR. In your opinion what factors have influenced these changes?

The change in reporting lines of the new Organisational Development manager from COO to CEO hopefully signals that HR needs to have a greater involvement in organisational strategy. By having representation at senior executive level the HR team should be in a better position to develop an HRM strategy that reflects the wider organisational goals. It is important here however that strategy is filtered down to all members of the HR team (and other managers) so that expectations are clear.

6. What do you believe the role of HR should be in this organisation and why?

HR needs to maintain its specialist focus. These people will charged with developing strategy and providing support to managers to help implement it. Day to day HR work should be carried out within the CPG structure, with HR playing a leading role in training and development, policy development, performance management, recruitment and remuneration strategies. A lot more work needs to be done on utilising and developing HR information for planning purposes (e.g. workforce planning) and also on communication across the CPGs. At the moment there is no overarching policy on how we should implement HR practice. This has resulted in huge variations in practice throughout the organisation. We need to be developing the strategy and then helping CPGs implement them through training, advice and ongoing support.

Ideally I believe there should be team of up to nine people in the HR team. This team would comprise:

- *Organisational development manager (representative on the Senior Executive).*
- *(Responsible for leading HR strategy development)*

- *Three specialists (Industrial Relations; Recruitment and/or Training/Development, Remuneration and performance management). These people would have a strategic focus but would also participate in operational issues.*

- *Three generalists who provide advise and support to the CPGs*

- *Two HR administrators who undertake data analysis, general queries.*

Within the HR team there also needs to be developmental opportunities, hence the combination of specialists and generalists.

7. Does the HR departmental have its own strategy/goals/values/vision?

The HR department did try and develop its own value system, however it really does need to reflect that of the wider organisation. There is currently no over-arching policy – people work in silos. We all need to be heading in the same direction. HR strategy needs to follow organisational strategy.

8.   How do HCO managers view the role of HR specialists?

Feedback from CPG and other operational management staff has been great. At HCO it takes a while to get known and trusted as experts – it certainly helps if you "get out there". The focus has primarily been on operational, day-to-day issues such as helping with disciplinaries, assisting with interviews and performance management problems, rather than helping implement organisational HRM strategy.

9.   Models of HRM delivery – hard or soft?

Geared I think towards hard. Valuing the contributions of all staff is essential to organisational success. People can feel like commodities rather than valued assets. The culture here is one that people aren't always encouraged to contribute in the way I think they should be.

APPENDIX 4

Interview with former Industrial Relations Specialist Mon 23 June 03

1.   What is the current function of the HR department at HCO?

Purely operational: The capability (in existing HR professional staff) for strategic HR management exists however the emphasis has been on reacting to situations rather than planning for the future.

2.   Is there senior management commitment to the importance of HR at HCO? How is this demonstrated/how would it need to be demonstrated?

In 1995/96 the HR manager role was disestablished and the focus went from strategic (the HR manager sat on all senior level committees) to operational.   The HR team comprised of two staff – an IR specialist and an HR specialist. General managers were introduced and they took responsibility for setting a lot of organisational policy however when these position were disestablished in 1998 a new HR manager was appointed and reported to the CEO along with the Chief Financial Officer.   The creation of the COO position saw a change in reporting lines again for the HR manager and the position has remained relatively operational since that time.

It should be noted that the General Manager role, although effective in terms of achieving major change and bringing the organisation's financials back into the black, the human cost was substantial with many senior staff lost to the organisation and the culture of fear well established.

It is hoped that the change in the HR manager function to Organisational Development manager signifies a much greater investment in human capital.

3.   There have been some recent changes to personnel in HR.   In your opinion what factors have influenced these changes?

In essence the change in reporting lines for the new Operational Development Manager from COO to CEO takes the organisation back a few years when this was the original set up. The current COO has a significant operational focus – the CEO a strategic one. Hence it makes sense to have the Development manager report to the CEO.   The postholder will become an advisor to the wider organisation on HR matters but will also look longer term and hopefully drive the HR strategy.

The change in reporting lines signifies a change in how HR should be viewed within the organisation, i.e. it is important.

4.   Does the HR departmental have its own goals/values/vision/strategy?

The department did develop its own value system and goals however this was done in isolation of the HR manager, (an external consultant) at the time. Her role had not been communicated to the rest of the HR team and she worked separately from them for the eight months she was there.   It was therefore not possible to have any sense of where the organisation was heading.   One of the goals the team set for themselves was to provide each other with peer support, encourage learning and open communication.   This made a difficult time easier to bear.

5.   How does the HR strategy link with the organisation's strategy?

Although formal objectives for the HR team were developed for the 2000-2003 business plan there was no buy-in from the CPGs because they did not assist in its formulation. One of the greatest challenges for the organisation is to ensure that each area's problems are co-ordinated centrally. That way strategy can reflect what the whole organisation actually needs to address, rather than what it perceives to be the issues.

The organisation's business plan is currently developed in isolation from the CPG managers. Senior Executives develop the key objectives but there is no consultation or understanding of key priorities.   There is nothing from the top that drives the process for Human Resources. It is not linked with Service Area business plans.

The strategic plan for HR needs to reflect where the organisation is heading and outline where HR fits. It needs to cover how generic organisational strategies will be implemented as well as outline specific priorities for managers.

6.   What do you believe the role of HR should be in this organisation and why?

For rapid progress I believe we need to have an HR manager that is responsible for HR strategy. This individual would be the proactive member of the team who looks longer term and helps to drive organisational change in HR practice.   The Organisational Development manager (previously the HR manager) will have a key role in managing relationships with managers and staff. Although strategic in focus she will need to manage the welfare of her own HR staff. To support her, she needs an operational team of three to four specialists – these people take on more of an operational focus – they are the reactionaries.

An IR specialist is key in an organisation dominated by powerful unions – this person has a key role in developing and managing positive relationships with the unions. You also need a training and development manager. This person would also have a strategic focus and would look at identifying and enhancing the skill set of current managers – providing good development and learning opportunities will help reduce organisational vulnerabilities as a result of turnover, and will provide an incentive to grow with the organisation.

We also need to look much more closely at why people stay with the organisation and why they leave. Individual managers may capture this data in their own area but at present there is no process for capturing this information for the benefit of the whole organisation.

The current culture of "blame" that is inherent in the organisation needs to change. As a learning organisation it should be okay to make mistakes and go on from there. There needs to be better support structures for managers of all levels.

7.   How do HCO managers view the role of HR specialists?

The organisation's perception is the HR is operational/reactive. This works well however there is a lack of clarity over the value of HR. The previous HR manager worked in isolation from her team and thus it was difficult to understand what role the department was expected to play. The new manager needs to ensure a greater focus on peer review, training and team building. A strong HR team will be able to provide a much more cohesive service to the organisation.

HCO has adopted the term "learning environment" however there is currently very little work done on workforce planning – how many staff do we have, how many do we need; what is

the effectiveness of our recruitment strategies, what is the impact of sick leave, turnover, gender, age on our workforce?

There is currently no over-arching HR plan for the organisation and this means HR practice is uncoordinated.

8. Models of HRM delivery – hard or soft?

A tendency towards hard I believe. The organisation is focusing on the commercial aspects of the business and perhaps is not valuing the contribution people are making. In my opinion the organisation needs to take on board the ideas of the staff working at grass roots level and more openly demonstrate their commitment to their development.

Emotional Intelligence-Based Leadership

Hamish G. H. Elliott *

Abstract

Emotional intelligence is receiving increasing attention from both academic-press and popular-press in its challenges to previously-held normative theories. One developing paradigm is that of Emotional Intelligence-based Leadership that has become popular for identifying potentially effective leaders, and as a tool for developing effective leadership skills. Despite this popularity, there is only limited theoretical discussion and empirical study, and reports are dichotomised between popular-press and academic-press. This paper integrates both the popular and scholarly theories and empirical research of Emotional Intelligence-based Leadership into a comprehensive review.

Introduction

In his highly influential Harvard Business Review articles, Daniel Goleman (1998a; 2000) challenged the fundamentals of the pervading dominant theories of organisational leadership by proposing that "IQ and technical skills are important, but emotional intelligence is the sine qua non[1] of leadership" (Goleman, 1998a, p. 93). Extending the reaches of his top selling book *Emotional Intelligence* (Goleman, 1996) into management theory and its fields of leadership and human capital development, Goleman brought the limelight of the corporate world onto a relatively undeveloped field of psychology, developing it's paradigmatic structure (Goleman, 2001b; Kuhn, 1996). This paper seeks to explore (1) the concepts of emotional intelligence (EI) and the models that encapsulate them; (2) the need for leaders to use emotional intelligence; (3) the model of EI-based leadership; and (4) the empirical support for EI-based leadership.

What is emotional intelligence?

Emotional intelligence is "the ability to perceive emotions, to access and generate emotions to assist thought, to understand emotions and emotional knowledge, and to reflectively regulate emotions so as to promote emotional and intellectual growth" (Caruso, Mayer, & Salovey, 2002, p. 56). Essentially, EI refers to one's ability to recognise and regulate emotions in oneself and others (Goleman, 2001a). George (2000) defines the term 'emotion' by distinguishing the difference between emotion and mood as intensity. Moods are more pervasive and generalised feeling states that are relatively independent of the events or circumstances that may have caused the mood in the first place and are low intensity feelings that do not interrupt activities (George, 2000). Conversely, emotions are high intensity feelings that are triggered by either internal or external stimuli, demand attention, and interrupt cognitive processes and behaviours.

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* This assignment was for MANT407, Advanced Human Resource Management.
  Supervised by Associate Professor Graham Elkin

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[1] An essential condition or element; an indispensable thing

While, this intensity causes them to be more fleeting than moods, they are generally the underlying causal factor of moods. Once the emotional intensity has subsided because the individual has cognitively or behaviourally dealt with the cause, the emotion can linger on in a less intense feeling or mood (George, 2000).

While the sampling provided here is brief and indicative of a wider theory, it can be concluded that, feelings and emotions are intimately connected to the human experience and are intricately bound up in the ways that people think, behave, and make decisions (George, 2000)[2]. The abilities to manage these emotions are categorised into emotional abilities and competencies by two dominant models of EI, Salovey and Mayer's (1990) Ability model and Goleman's (1996) Competency (Mixed) model and their refined versions.

Salovey & Mayer's ability model of emotional intelligence

The Ability model of EI was first constructed by Salovey and Mayer (1990) and begins with the idea that emotions contain information about relationships and whether these relationships are actual, remembered, or imagined, they coexist with emotions - the felt signals of the relationship's status (Mayer, Salovey, Caruso, & Sitarenios, 2001). Salovey & Mayer's four branch Ability model of EI facilitates an ability to recognise the meanings of emotions and their relationships, and employ them to enhance cognitive activities (Mayer et al., 2001). The Ability model divides EI into four branches: (1) perceiving emotions, (2) using emotions to facilitate thought, (3) understanding emotions, and (4) managing emotions in a manner that enhances personal growth and social relations (Dulewicz & Higgs, 2000; Mayer et al., 2001; Salovey & Mayer, 1990). The model has undergone continual improvement since its construction and the most recent version is offered by Caruso, Mayer, and Salovey (Caruso et al., 2002), represented in Table 1.

The *Perceiving* branch addresses the perceptual skills of self-identification of emotions in thoughts, identifying emotions in other people, accurate expression of emotions, and the ability to differentiate and discriminate between accurate/real and inaccurate/phoney emotions (Caruso et al., 2002). The second branch, *Using Emotions*, advocates their use in prioritising thinking by directing attention to important events/factors, to generate emotions that assist judgement and facilitate decision making, to utilise self-mood swings to change perspective, and to use different emotional states to promote different means to problem solving (Caruso et al., 2002).

The third branch, *Understanding Emotions*, is based on the ability to understand complex emotions and emotional 'chains', the transition of emotions through stages, the ability to understand relationships among emotions, and interpret the meanings emotions convey (Caruso et al., 2002). The fourth branch, *Managing Emotions*, encompasses the ability to reflectively monitor emotions and stay open to them, and the ability to engage or detach from emotions. The branch also advocates the ability to determine whether an emotion is clear or typical, and the ability to solve emotion-based problems without necessarily suppressing the negative emotions (Caruso et al., 2002).

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[2] With specificity to this paper and the EI paradigm, it must be acknowledged that EI is distinct from predispositions to experience certain kinds of emotions related to the personality traits of positive and negative affectivity (George, 2000). It must also be noted that the term 'emotional' is used broadly to refer to moods as well as emotions, and that EI covers the extent to which people's cognitive capabilities are informed by emotions and the extent to which emotions are cognitively managed (Dulewicz & Higgs, 2000; George, 2000).

Table 1 The Ability Model of Emotional Intelligence (Caruso et al., 2002, p. 57)

Ability	Skills
Perceiving	Identify emotions in thoughts Identify emotions in other people Express emotions accurately Discriminate between accurate and inaccurate feelings
Using	Prioritise thinking by directing attention Generate emotions to assist judgement Mood swings change perspective Emotional states encourage problem solving
Understanding	Label and recognise relations among emotions Interpret meanings emotions convey Understanding complex feelings Recognise emotional transitions
Managing	Stay open to feelings Engage/detach from an emotion Reflectively monitor emotions

Goleman's emotional competencies model

In Goleman's (1998b) book, *Working With Emotional Intelligence*, he builds on his first book (Goleman, 1996) and provides the first concrete and authoritative fusion of emotional intelligence and the organisation. Where psychological theorisation has defined EI in terms of individual traits, emotions, values, and behaviour (Dulewicz & Higgs, 2000), Goleman (1998b) aligns psychological and organisational management theory by using Boyatzis' (1982) concept of competency: an underlying personal characteristic such as motive, trait, skill, self-image, or knowledge, that one uses for performance.

Goleman (1998b) defines *emotional competence* as a learned capability based on emotional intelligence that results in outstanding work performance. Goleman's (1998b) competency theory of EI includes 25 competencies that were grouped into five categories similar to his earlier work: (1) *Self-Awareness*: emotional awareness, accurate self-assessment, self-confidence; (2) *Self-Regulation*: self-control, trustworthiness, conscientiousness, adaptability, innovation; (3) *Motivation*: achievement, commitment, initiative, optimism; (4) *Empathy*: understanding others, developing others, service orientation, leveraging diversity, [socio-]political awareness; and (5) *Social Skills*: influence, communication, conflict management, leadership, change catalyst, building bonds, collaboration and cooperation, team capabilities. The theory postulates that the more competencies one has, the more emotionally intelligent they are.

In Goleman's latest publications, *The New Leaders* (Goleman, Boyatzis, & McKee, 2002) and *An EI-Based Theory of Performance* (Goleman, 2001a), he presents a new version of his original model that is more organisationally aligned to provide a means of EI-based performance, and specifically for leaders, as demonstrated in Table 2. The change reflects statistical analyses (Boyatzis, Goleman, & Rhee, 2000; Goleman et al., 2002) that supported collapsing the twenty-five competencies into twenty competencies and the five domain groupings into four domains (Goleman, 2001b). These four domains are further categorised into *Personal Competence* and *Social Competence* (Goleman et al., 2002).

Table 2 The Competency Model of Emotional Intelligence (Goleman, 2001a, p. 28)

	Self Personal Competence	**Other** Social Competence
Recognition	Self-Awareness Emotional self-awareness Accurate self-assessment Self-confidence	Social Awareness Empathy Service orientation Organisational awareness
Regulation	Self-Management Self-control Trustworthiness Conscientiousness Adaptability Achievement drive Initiative	Relationship Management Developing others Influence Communication Conflict management Leadership Change catalyst Building bonds Teamwork & collaboration

Personal Competence capabilities determine how we manage ourselves and is categorised by two domains and their associated competencies: (1) *Self-Awareness*: emotional self-awareness, accurate self-assessment, self-confidence; and (2) *Self-Management*: emotional self-control, transparency: honesty/integrity/trustworthiness, adaptability/flexibility, achievement/drive for performance, initiative, optimism (Goleman et al., 2002).

Social Competence capabilities determine how we manage relationships and is contained within two domains: (1) *Social Awareness*: empathy towards others, awareness of organisational-level currents, decision networks and politics; service to others; and (2) *Relationship Management*: inspirational leadership, influence tactics, developing others, change catalyst, conflict management, building bonds, teamwork and collaboration/cooperation (Goleman et al., 2002)[3].

Evaluation of the Emotional Intelligence Models

Both models have been empirically validated and have been empirically tested with regard to leadership, which will be examined later in this review. The Ability model is narrower in scope than the Competency model and, as presented academically, it does not postulate as a complete theory of workplace management. It is a model of a type of intelligence, and is purported to coexist with, supplement, and clarify existing models of intelligence, and especially, leadership (Caruso et al., 2002). Comparatively, the Competency model is described as mixed as it includes a multitude of traits, is wide in scope, covers most of the current theory on effectiveness, and is an amalgamation of many of the standard competency models in use by Human Resource practitioners (Caruso et al., 2002).

While Caruso, Mayer, and Salovey (2002) are purportedly biased in their comparative review of both models and temptingly dichotomous in their comparison towards their Ability model, it is evident that the Competency model is equally as dominant in the academic theorisation. The majority of the empirical testing of emotional intelligence's effect on leadership use both

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[3] It must be acknowledged that both models reviewed in this paper are based on neurological and neuropsychological empirical studies that demonstrate the brain's physical responses and functions and their underlying basis of emotions. Neurological analysis, however, is well beyond the scope of this review. For further information see: Caruso et al. (2002), George (2000), Goleman (1996; 1998b), Goleman et al. (2002)

Goleman's (1998b) competency model[4] and Salovey and Mayer's (1990) model as the basis for their studies. To provide a more-encompassing model of EI for testing some studies have combined the models as they are not so seemingly dichotomous, but with further testing, perhaps complementary. However, their proponents attribute both models to effective leadership. For this review, the notion of complementarity is strongly concurred with and is demonstrated through the use of the separation of the models to explain two different but complementary questions: (1) Why do leaders need emotional intelligence? (2) How do leaders use emotional intelligence?

Why do leaders need emotional intelligence?

The Ability model of EI provides a suitable medium for examining why leaders need emotional intelligence through asking why leaders need to be able to (1) identify, (2) use, (3) understand, and (4) manage emotions.

Caruso, Mayer, and Salovey (2002) report that studies have found that the ability for a leader to identify emotions and feelings within themselves also allows them to accurately identify the emotions of peers and groups, to express emotions accurately, and to differentiate between honest and phoney emotional expressions. Empathy, the ability to understand and experience another person's feelings or emotions, is an important component of EI and facilitates a leader's social support and positive inter-personal relationships (George, 2000). In their study comparing emotional and cognitive competencies as a basis of subordinate-perceived effective leadership, Kellet, Humphrey and Sleeth (2002) report that empathy (a substantial EI component) bore the strongest correlation with perceived effective leadership. This suggests that perceiving others' feeling and empathising with them may establish an affective bond that is beneficial for leadership.

Leaders use of emotions can enhance cognitive processes and decision making (George, 2000), and allows leaders to understand and motivate others by making emotions available, engaging in multiple perspectives that facilitate more flexible planning, and more creative, open-minded, and broader thinking and perspectives (Caruso et al., 2002; George, 2000). George (2000) reports research findings that when people are in positive moods they tend to be more optimistic and have more positive perceptions and perspectives, compared with negative moods, that result in the converse of pessimism and negativism.

Understanding EI provides functional insights into human behaviour and perceptions. This understanding includes the ability to recognise relationships between emotions, determine emotions' underlying meaning, comprehend complex feelings and recognise and accept emotional fluctuation (Caruso et al., 2002). Identification, use and understanding of emotions facilitates effective management of emotions. In a longitudinal study of 382 team members comprising 48 self-managing teams, Wolff, Pescosolido, and Druskat (2002), found that empathy is the foundation for the cognitions and behaviours that support the emergence of leadership. Overall, they conclude their results suggest that emotional intelligence, particularly empathic competency, is a dominant factor of the leadership emergence in self-managed teams.

Managing emotions allows leaders to dissipate and alleviate the effects of negative events and provide redirection and focus towards more positive events and moods (Caruso et al., 2002; George, 2000), termed by Mayer and Salovey (1997, cited in George, 2000) as meta-regulation of mood. Lewis (2000) reports that her laboratory study found that the emotional tone of a CEO level leader has a significant effect on follower affect and perception of leader

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[4] No empirical testing has been published on Goleman et al.'s (2002) model yet.

effectiveness. Indeed EI leadership prescribes not just the ability to manage self-feelings and moods, but ability to manage moods and emotions of others (George, 2000).

In a field study on the emotional dynamics of 20 self-managed groups, Pescosolido (2002) reports that emergent leaders within groups adopt the role of managing the group's emotional state. They use their emotionally intelligent behaviour, (empathy, emotional perception of self and others, emotional management of self and others, emotional expression, emotional communication, inspirational leadership, role modelling) to communicate messages to group members regarding group performance and contextual events. Resultantly, group members read their leader's behaviour and crafted emotional interpretations of the situation, which then guided their own behaviour.

This empirical evidence has demonstrated the strong relationships between emotional intelligence and performance, the existence of a relationship between emotional intelligence and leadership style, and the need to combine emotional intelligence abilities and competencies with leadership skill. Goleman et al. (2002) provide this linkage with the EI-based model of leadership.

How do leaders use EI? - The EI-based model of leadership

EI-based leadership is based around the concept of emotional contagion (see Hatfield, Cacioppo, & Rapson, 1992; Hatfield, Cacioppo, & Rapson, 1994; Neumann & Strack, 2000; Wild, Erb, & Bartels, 2001), which refers to the 'contagiousness' of emotions where moods and emotions of one individual are transferred to nearby individuals (Caruso et al., 2002; Goleman et al., 2002; Kelly & Barsade, 2001). Through relatively automatic and unconscious mimicking and synchronisation of facial expressions, vocalisations, postures, and movements with those of another person (Kelly & Barsade, 2001), emotional synchronisation (Goleman et al., 2002) occurs. Newcombe and Ashkanasy's (2002) study of subordinates' perceptions of leaders found that a leader's positively expressed emotion led to higher member ratings of the leader, and that members' perceptions of leaders are associated with the level of congruency between the leader's verbal message and their nonverbally expressed emotion. Subordinates' level of positive affect was highly influenced by leaders' emotional and affect expression (Newcombe & Ashkanasy, 2002).

Based on this concept of emotional contagion, Goleman et al. (2002) propose that due to a leader's authoritative position, they become the role model from which subordinates synchronise and attune their behaviour because they look to their leader for stimulus. The positivity or negativity of the leader's affect, moods, and emotions is detrimental to the moods of their subordinates, and consequently, their performance. However, they do acknowledge that because not all leaders are emotionally intelligent, the role of emotional leader may fall to a de-facto leader who provides the emotional support for a group (Goleman et al., 2002).

Taking this notion of synchronisation and attunement, Goleman et al. (2002) extends it into the concept of resonant and dissonant leadership. The term *resonance* is defined in the *Oxford English Dictionary* as "the reinforcement or prolongation of sound by reflection or by synchronous vibration". In simple terms, *resonance* is used in EI-based Leadership to describe when synchronous vibrations of emotions occur – that is they are on the same wavelength emotionally; what can be described as *in synch*, e.g. we both share the same goals and values and are together happy in working towards them (Goleman et al., 2002).

A group would be described as resonant when they are a reflection of their leader's enthusiasm and dedication to the task. When a group of people are resonant, there are less negative emotions and ill feelings, which result in greater cohesiveness (sticking together)

and better results. The resonant group will share ideas, energy levels, enthusiasm, dedication, values, norms, motivation and a mutual comfort level (Goleman et al., 2002)

Conversely, the word *dissonance* is a musical term for an unpleasant, harsh sound – a lack of harmony. Dissonant leadership produces groups that are emotionally discordant; that is, they share no bond, togetherness or cohesion. Therefore they share unproductive goals, values and norms, low motivation, dedication, and satisfaction, and produce poor results (Goleman et al., 2002). A dissonant leader is critical, negative, rude, uninspiring, arrogant, selfish etc. etc. – the list is endless. Basically, a dissonant leader utilises *position* as their dominant *power base* (see Yukl, 1994) and ignores the other power bases for gaining respect and leading. The effect of this is a disharmonious team. There is no unity, motivation, happiness, pride, self-development, hard work etc. The group atmosphere is very negative and unenjoyable, and consequently resultant lower or poor performance (Goleman et al., 2002).

Continuing the musical analogical interpretation, I propose the metaphor of the orchestra to demonstrate the effective ideal of EI-based leadership. Atik (1994) provides an empirical and functional study of leadership within an orchestra, but doesn't explicate the true potential of this forum for leadership theory. An orchestra is a micro-example of an organisation as it consists of differentiated but interdependent sections of specialised instrumentalists that use different tools, skills, and means of production (e.g. bow on strings versus blowing brass or woodwind), and have sectionalised leadership. Each section plays different notes in different melodies and rhythms but with the objective of contributing their differentiated sectionalised parts together in a totally synchronised and interdependent fashion that results in resonance and idealistically, harmony. Each part is interdependent, for with a part missing, there is a harmonical gap in the sound.

At the core of this orchestration is the conductor. Underlying the whole concept of music is the expression of emotion. The conductor literally leads the orchestra in an emotionally contagious fashion so that the various sections become emotionally synchronised and feed off each other's emotional output – the quality and emotionality of their playing. The result is a glorious nirvana of resonant harmonious sound that is both literally and figuratively in synch. Without an effective leader/conductor, the differentiated sections will play their notes and rhythms in accordance with the notated music, but struggle to keep in tune or in synch – in effect, they become dissonant. Hence, why orchestras have conductors.

To be an effective, competent and resonant leader and promote harmony and resonance over dissonance, EI-based leadership promotes the understanding and development of emotional competencies (Goleman et al., 2002) that are reflected in a repertoire of leadership styles. Research drawing on data from a Hay/McBer study of 3,781 executives (Goleman, 2000) leads Goleman (2000; 2001a; Goleman et al., 2002) to categorise the role of EI competencies in leadership effectiveness into a typology of six distinct styles of EI-based leadership outlined in Table 3. The visionary, affiliative, democratic, and the coaching styles, generally drive organisational climate in a positive direction. Conversely, the coercive and pacesetting styles tend to negatively effect organisational climate, however, in the appropriate situation, they can reap positive benefits (Goleman, 2001a).

Visionary leaders possess the emotional competencies of self-confidence, empathy, change catalyst, and visionary leadership. The affiliative leader is empathic and competent in building relationships and conflict management. The democratic leader is a strong communicator and listener, and encourages teamwork and collaboration. And the coaching leader is empathic and emotionally self-aware, and competent in developing others' potential into skill (Goleman, 2000, 2001a; Goleman et al., 2002).

Table 3 EI-Based Leadership Typology. Adapted from Goleman (2001a) and Goleman et al. (2002)

			Leadership Style			
	Visionary	**Coaching**	**Affiliative**	**Democratic**	**Pacesetting**	**Commanding**
How It Builds Resonance	Moves people toward shared dreams	Connects what a person wants with the organisation's goals	Creates harmony by connecting people to each other	Values people's input and gets commitment through participation	Meets challenging and exciting goals	Soothes fears by giving clear direction in an emergency
Impact On Climate	Most strongly positive	Highly positive	Positive	Positive	Often Highly Negative (Because frequently misused)	Highly Negative (Because frequently misused)
When Appropriate	When changes require a new vision, or when a clear direction is needed	To help an employee improve performance by building long-term capabilities	To heal rifts in a team, motivate during stressful times, or strengthen connections	To build buy-in or consensus, or to get valuable employee input	To get high-quality results from a motivated and competent team	In a crisis, to kick-start a turnaround, or with problem employees
EI Competencies	Self-confidence; empathy; change catalyst; visionary leadership	Developing others; empathy; emotional self-awareness	Empathy; building bonds; conflict management	Collaboration; team leadership; communication	Conscientious-Ness; drive to achieve; initiative	Drive to achieve; initiative; emotional self-control

The commanding leader relies on a position power base (see Yukl, 1994) where autocracy dictates conformance to their commands. The commanding leader may be strong in achievement drive, initiative, and emotional self-control, these are countered by a lack of empathy. The pacesetting leader's objective is performance and exemplification to an exceptionally high standard. While the pacesetting leader may be highly conscientious, achievement-oriented and highly initiative, they are generally highly critical and tend to micromanage or take over from subordinates instead of helping them to reach the high standard (Goleman, 2000, 2001a; Goleman et al., 2002). The most effective leaders integrate four or more of the six styles regularly, switching to one that is most appropriate for the situation (Goleman, 2001a). This presents the question of how do these leadership styles fit within the current leadership theory?

EI-based leadership's fit within current leadership theory

Neither Goleman et al., (2002) nor Caruso et al. (2002) specifically align their EI-based leadership models within the commonly accepted leadership models such as those presented by Yukl (1994), Burns (1978), and Bass (1990). Caruso et al. (2002) consider EI as an underlying component of leadership functions that facilitates effective leadership practice. George (2000) proposes that from an ability model position, EI-based leadership is based on no specific leadership theory, but instead has its roots in a variety of theoretical traditions. However, Goleman et al.'s (2002) model of EI-based leadership draws the

strongest explications towards particular leadership theories, specifically, the transformational/transactional leadership model.

The complementary transformational/transactional leadership model (Bass, 1990) is the general framework used for examining the empirical relationships between emotional intelligence and effective leadership (Gardner & Stough, 2002). Burns (1978) distinguishes the transformational leader as one who raises the needs and motivations of followers and promotes change/development in individuals, groups and organisations, and the transactional leader as one who meets subordinates' current needs by focus on extrinsically-motivated based exchanges (Gardner & Stough, 2002). Bass (1990) defines the transformational leader as "one who arouses awareness and interest in the group or organisation, increases the confidence of the individuals or groups, and attempts to move the concerns of subordinates to achievement and growth rather than existence" (Gardner & Stough, 2002, p. 68).

Bass's (1990) concept of transformational leadership is fundamentally driven by a leader's emotional intelligence as each factor represents the emotional competencies of Goleman's (1998b) models, and the abilities of Caruso et al.'s (2002) model. Bass (1990) proposes that transformational leadership is characterised by four factors termed the "four I's": (1) idealised influence; (2) inspirational motivation; (3) intellectual stimulation; and (4) individualised consideration (Bass, 1990; Sivanathan & Fekken, 2002). Applying the transformational leadership model to Goleman et al.'s (2002) typology of effective EI-based leadership styles, it is evident that the visionary, affiliative, democratic, and coaching styles are the most complicit within transformational theory. Contrastingly, transactional leadership theory (see Bass, 1990; Burns, 1978; Yukl, 1994) which proposes a leader-member exchange relationship of need fulfilment for performance, is most strongly complicit with the commanding and pace-setting styles of Goleman et al.'s (2002) leadership typology.

Empirical research supports the current hypotheses surrounding the superiority of transformational versus transactional models and Bass (2002) reports that extensive empirical evidence finds significant correlations between 'transformational' leadership theory and the 'traits' of emotional intelligence. McKoll-Kennedy and Anderson (2002) found that employee perceptions of a highly transformational leadership style are positively correlated to directly increasing a subordinate's optimism, and consequentially, indirectly increasing their performance. Comparatively, subordinate's perceptions of a low level of transformational leadership are related to high levels of frustration and negative influence on the workers' performance. Pirola-Merlo, Hartel, Mann and Hirst (2002) report from their study of leadership influence on affective events, team climate and performance, that transformational leadership through effective management of the teams' affective climate (based on EI skills) is positively correlated to positive team performance. They conclude that leaders need to focus on developing emotion management skills, demonstrating emotional awareness, regulation, and intelligence, and in doing so, may exact superior performance from their teams.

While empirical evidence supports Gardner and Stough's (2002) proposition that transformational leadership style is considered to be more effective than transactional style, Goleman et al.'s (2002) final proposition that the emotionally intelligent leader integrates four or more of the leadership styles and operates them based on the situation, is largely reflective of the transformational/transactional paradigm's extension to the situational approach to leadership (see Bass, 1990; Burns, 1978; Yukl, 1994). Fundamentally, based on this premise, Goleman et al.'s (2002) theory is that the emotionally intelligent leader's ability to effectively perceive, use, manage, and understand their own and their followers emotions, consequentially facilitates their reading of the situational factors and subsequent leadership style adjustment from one of the six types, will determine the effectiveness, or resonance, of

their leadership. Effectively, they have the ability to use the positive factors of both transformational and transactional styles.

Empirical evidence and support

A growing body of empirical support is building for the case of emotional intelligence and its positive relationship with leadership. In a study on competence models drawn from 121 organisations worldwide by Goleman (1998b), it was found that 67 percent of the abilities regarded as essential for effective performance were emotional competencies. In a similar study, Chen, Jacobs and Spencer (1998, cited in Fatt, 2002) found that emotional competencies were 53 percent more frequent in organisational 'star performers' than other competencies, such as cognitive competencies, which only rated 27 percent.

Cavallo & Brienza (2000) conducted a study on 358 managers across the Johnson & Johnson Consumer & Personal Care Group globally to distinguish leadership competencies of successful performers from low performers. 1400 employees were also surveyed to measure perceived successful leadership competencies, particularly those of emotional intelligence. A strong relationship was found between superior performing leaders and emotional competence, which suggests that emotional intelligence is a distinguishing factor in effective leadership (Cavallo & Brienza, 2000).

Recent empirical studies (Barling, Slater, & Kelloway, 2000; Gardner & Stough, 2002; Palmer, Walls, Burgess, & Stough, 2001; Sivanathan & Fekken, 2002) have all demonstrated that EI-based leadership is most strongly related to effective transformational leadership style and that emotional intelligence is a fundamental causal-factor of effective transformational leadership.

Barling et al. (2000) and Palmer et al. (2001) suggest that the higher the level of emotional intelligence a leader has, predisposes them to use transformational behaviours. Based on the concept of idealised influence from Bass (1990), these authors suggest that because leaders act as role models for their followers, the leaders ability to understand and manage their emotions and display self-control strongly effects the followers' trust and respect. Barling et al. (2000) and Palmer et al. (2001) also propose that leaders who are competent at understanding emotions are more likely to have better perceptions of followers' expectations, and thus more effective at using inspirational motivation (Gardner & Stough, 2002). Thirdly, an emotionally intelligent leader's ability to manage emotions and relationships results in greater individualised consideration as they are more able to understand and react to followers' needs (Barling et al., 2000; Gardner & Stough, 2002; Palmer et al., 2001).
In their study of 49 managers, Barling et al. (2000) found that emotional intelligence is positively related to three components of transformational leadership (idealised influence, inspirational motivation, and individualised consideration) and one component of transactional leadership, contingent reward. Further supporting the case for emotional intelligence's relationship with transformational leadership, they also found that EI is not a component of *laissez-faire* leadership (see Yukl, 1994) or the two other components of transactional leadership: management-by-exception active and management-by-exception passive (Barling et al., 2000; Gardner & Stough, 2002). Emotional intelligence and inspirational motivation were the most strongly correlated and suggests the importance of the EI dimension in understanding emotions for effective leadership (Barling et al., 2000; Gardner & Stough, 2002).

Palmer et al.'s (2001) study of 43 managers found that the leaders' ability to both manage and monitor their own and others emotions were both significantly correlated with the inspirational motivation and individualised consideration components of transformational leadership (Gardner & Stough, 2002; Palmer et al., 2001). Significant correlation was also

found between the ability to monitor own and others' emotions with the transformational leadership components of idealised attributes and idealised behaviours, which when combined reflect charisma (Gardner & Stough, 2002; Palmer et al., 2001).

Extending Palmer et al's (2001) methodology and studying 110 senior level managers, Gardner and Stough (2002) found that EI correlated highly with all components of transformational leadership and the strongest correlation was found between individual consideration and understanding emotions external (Gardner & Stough, 2002). A positive relationship between contingent rewards and emotional intelligence was found, but no correlations were found between other components of transactional leadership and emotional intelligence (Gardner & Stough, 2002).

They conclude that leaders with the ability to manage positive and negative self, and others' emotions are more able to articulate a strategic vision, talk optimistically, provide encouragement and meaning, stimulate in others new ways of doing things, encourage expression of new ideas and resolve problems constructively (Gardner & Stough, 2002). In sum, a leader's emotional intelligence is important in enabling them to take advantage of and use their positive emotions to facilitate and induce organisational performance (Gardner & Stough, 2002).

A major criticism of these three studies is that they all used self-reported data as the basis of their studies. Sivanathan and Fekken (2002) address this issue by using self-other reporting where subordinates and superiors rated leadership behaviours and effectiveness and emotional intelligence was rated by the leaders themselves. Supporting their hypotheses, Sivanathan and Fekken (2002) found that leaders reporting greater emotional intelligence were perceived by the subordinates as displaying greater transformational behaviours, and additionally, as more effective. These findings replicate Barling et al.'s (2000) and Palmer et al.'s (2001) findings and supports Goleman's (1996; 1998b) propositions (Sivanathan & Fekken, 2002).

Conclusion

The emotional intelligence paradigm is relatively new and its transposition into management theory provides some exciting areas for future study, especially within the realms of human capital development, and specifically, leadership development. Leading on from this paper, this author considers two areas of study for future consideration: a thorough review of the concept of emotional contagion and its normative implications for management theory, and a comprehensive literature survey examining the fit of EI-leadership competencies within those already held as fundamental within current leadership theory. It must be noted that the empirical support for EI-based leadership is still only minor and further rigorous and wider study is required before it can be fully considered a dominant model of leadership.

However, the empirical evidence offered in this review does provide support for the contention that EI-based leadership is proving to be more effective than other models of leadership and is resulting in better performance. This paper has brought the EI-based leadership model within the bounds of current leadership theory by demonstrating the empirical relational linkage of its traits/competencies/abilities with the practices of transformational versus transactional and laissez faire leaders. Both the Ability model and the Competency model provide thorough and rigorous models for examining EI and its empirical effects, relationships and consequences. By possessing or gaining the emotional intelligence abilities and competencies, and using them as the basis of organisational leadership, it is proposed that these leaders will be more effective.

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Does the Glass Ceiling Exist in Hospitality?

Selena Dowling *

Abstract

The New Zealand hospitality and tourism environment is recognised for its importance to the national economy. It is a booming industry, yet there is very little research that focuses on the specific issues affecting those working in it. Based on employees perspective this case study looks at the issue of the glass ceiling, and whether it exists in the hospitality environment. The case study focuses on the Food & Beverage department of a hotel in a large city in New Zealand, and ponders why there is a lack of women at higher levels in the organisational structure. The lack of research into the hospitality, and more specifically the hotel industry, in the New Zealand environment is perplexing because it is predominately female, yet at management levels these women are not equally represented. There are a number of implications for the industry if elements of the glass ceiling do exist. Therefore it is imperative that more research is conducted in the hotel industry related to money spent on training, turnover of women and whether gender affects their opportunities to reaching management positions.

The glass ceiling phenomena is not new, yet its causes are not universally agreed upon either. The hospitality industry is beginning to recognise that some of the attributes considered to relate to the glass ceiling in other industries, may also relate to them. However, research is only at an exploratory stage in the hospitality industry, and there is still much to learn. This essay aims to draw the reader's attention to some of the reasons why it is thought that a glass ceiling may exist in the hospitality industry, and to indicate some of the issues that this creates.

The glass ceiling is a term that refers to "invisible, generally artificial barriers that prevent qualified individuals – in this case, women – from advancing within their organisation and reaching their full potential" (Knutson & Schmidgall, 1999, p.64). The Federal Glass Ceiling Commission goes further suggesting that the barriers for women reflect "discrimination…a deep line of demarcation between those who prosper and those left behind" (Federal Glass Ceiling Commission, 1995, a: iii cited in Cotter, Hermsen, Ovadia & Vanneman, 2001, p.656). The glass ceiling is the "…unseen , yet unbreachable barrier that keeps minorities and women from rising to the upper rungs of the corporate ladder, regardless of their qualifications or achievements" (Ibid). In the hospitality context there is recognition of a similar "occupational and vertical segregation of women" (Maxwell, 1997, p.230).

The hospitality industry is very important to the economy of New Zealand. "By the year 2006 it is expected that tourism's contribution to global GDP will increase to 11.4 per cent and that the industry will be responsible for the creation of 385 million jobs" (Collier, 1999, p.63). As a major subset of the Tourism industry, hospitality operations, accommodation and food services to domestic and international guests alike. The focus of the essay is on hospitality as it relates to hotels rather than restaurants because most of the increasing focus on internationalisation of hotels and hospitality operations. Before discussions can start on how the glass ceiling affects hospitality, one must have a clear idea about what working in hotels means.

The hotel environment is characterised by an organisational structure incorporating different departments. Depending on the size of the hotel, one may see slight variations on the descriptions offered below. However, it is likely that most med-large hotels will have: Food & Beverage Department (staff from bars, restaurants, cafes, room service, chef positions, and kitchen hands or stewards); Front Office Department (staff from concierge, housekeeping, reservations, reception, telephonists, and cashiers); Guest Support Department (staff from accounts, maintenance, marketing, business development and administration); and Staff Support Department (staff from payroll, training and development, and human resources). Each of these departments have supervisors and managers, and the organisational chain works upward through two or three levels of upper management to the General Manager (GM). Depending on whether the hotel is stand-alone or part of a chain will influence if there is a board or parent company that the GM reports to. Traditionally hotels have large hierarchies, often because of high numbers of staff and guest responsibilities in such a people orientated industry. The hierarchy of the hotel that the case study has been based on can be found in the Appendices. For ease of discussion only one department was examined, this was the Food & Beverage Department, which includes restaurants, bars and the kitchens.

The industry itself is characterised by long hours, shift work, a predominately part time / temporary and causal labour force, it is seen as a "life-style" choice, an industry for young people, stereotyped as "a job, not a career", an industry that suits "people people", a good choice for single or divorced people, an industry that is notorious for low wages, and as an industry where people don't stay in the job for long – they are often on the move within a couple of years. When relating the hotel industry to the glass ceiling phenomena, one may already encounter some problems. Because the research completed in this area is largely exploratory, one cannot realistically discount the very nature of the industry as a reason why women do not reach the top levels of management.

As an attempt to better understand the environment in a hotel situation, an organisational chart of the Food & Beverage Department of the Hotel XYZ was constructed. This hotel has 300 plus rooms and is based in a large city in New Zealand. This chart is based on a snap shot of the staff, their positions and gender during 1995. The organisation chart shows two pictures – one of the Front of House staff (Appendix A), and one of the Kitchen staff (Appendix B). The charts clearly show the staff and management structure, and the gender of those groups. The author does not presume to suggest that the gender pattern which shows high levels of female staff in entry level, a lesser number in supervisory positions and no female staff in the upper management level can be attributed to the glass ceiling model, rather that it provides a framework within which to challenge why the staffing may be like this.

There are a number of documented reasons of why the glass ceiling exists. This section will introduce the reasons raised in the literature and relate them to the hospitality environment. One of those raised in the literature was stereotypes, which prevent women from occupying certain positions or working in particular occupational roles. Perhaps one of the most obvious in hospitality would be that of gender separation in the kitchen environment. Literature suggests this is based on a "lingering prejudice against women in kitchens" (Knutson & Schmidgall, 1999, p.67). The organisation chart seems to reflect this. Of the thirty-eight staff working as chefs, only three were female and there were no females in a supervisory or management position. Another stereotype raised in the literature involved what sex people believed CEOs to be. Research showed that peoples overwhelming perceptions were that CEOs were male, not just that they had male characteristics (Fawcett & Pringle, 2000, p.254). This is also evident from the organisation chart (the CEO was male). Finally, literature pointed toward gender stereotypes for "female" type jobs. As with male dominance in the kitchen, the literature suggests there is female dominance in human resources and marketing (Knutson & Schmidgall, 1999, p.66). Although the author has not included either of

these departments in the organisation chart, it is interesting to note that of the five staff that worked in these two departments, all were female.

Perhaps one of the most common causes of the glass ceiling for women (as identified in the literature) was a conflict between work and family. It has been suggested, "the profound challenge is the effort to balance work and family" (Ibid). It has also been suggested that there are certain work practices that "actively deter females from participating in senior management" (Maxwell, 1997, p.233). Her research suggests "the personal cost to highly successful female managers in forfeiting a wider life outside work is evidently high, if of course, a more routine home life is desirable for them" (Ibid). It has been suggested that societies expectations of women may be causing or exacerbating this problem. One General Manager commented, "…societal expectations of women have not kept pace with reality. Women find it more difficult to combine and balance career goals and family needs. Success in the industry usually involves long hours and frequent geographical moves, and it is difficult to meet these needs and still satisfy family needs" (Mann, 2003, p.38). Three supervisors / managers had children, and of these, two had adult children. There were many more staff at entry level that had children. This is a typical picture for the hospitality industry. Most of those who get to the top are either single (no family) or divorced, and some women in the industry see this "lifestyle decision" as a necessary evil (Maxwell, 1997, p.233). It has been recognised however, that this is an issue that requires much more attention, considering factors like: "is the glass ceiling effect…greater for married women with children than for single women"? (Cotter, Hermsen, Ovadia & Vanneman, 2001, p.678).

The different attributes demonstrated by males and females have also been identified in the literature as a potential factor with the glass ceiling. There is literature emerging, which suggests that men and women have quite different attributes and these appear to be predominately gender specific. Studies on culture have shown the 'masculine dimension' to be: "the promotion of independence, autonomy, hierarchical relations, competition, task-orientation and the establishment of status and authority" (van Vianen & Fischer, 2002, p.318). They suggest that a feminine culture can be described as "the promotion of a relational self, maintaining balance in life activities, participation, and collaboration within the organisation" (Ibid). These two different types of culture may play an important part in how people fit into an organisation and whether there is perceived or actual role / culture congruence. There is a lot of literature which suggests men and women have different values and characteristics, yet there seems to be plenty of debate whether appropriate characteristics for being a good manager are male or female, or whether these traits are "independent from their biological sex" (Ibid).

There does also seem to be some indication from industry that women have issues with the masculine and feminine attributes that they are stereotyped into. One woman suggested "one of the biggest challenges women face is how to be tough (in a male-dominated industry) without being difficult" (Worcester, 1999, p.29). Another indicated it was hard when women were typed as 'pushy', yet men were called 'leaders' under similar circumstances (Jackson, 2000, p.32). It has been found that women "who achieve senior management positions usually resemble men in their personality and behaviour characteristics" (van Vianen & Fischer, 2002, p.318). See also Hare, Koenigs & Hare, 1997; Melamed & Bozionelos, 1992; Steinberg & Shapiro, 1982). Yet perhaps some of these attributes can be changed. For example one journal suggests "women who want to make it to the top should be sure to speak up" (Savage, 2002, p.50). This socialisation issue may be further exacerbated by the continued existence of the 'old boys network' (see Knutson & Schmidgall, 1999; Maxwell, 2000).

Another issue regarding the glass ceiling that follows on somewhat from the gender differences relates to the networking and socialising aspects of management positions. In a

number of organisations there is an expectation that management will play a role in 'entertaining' or socialising with clients. In the literature this experience often includes such activities as playing golf, attending sporting fixtures and drinking (Knutson & Schmidgall, 1999). Take golf for example, estimates based on Fortune 500 CEO's suggests that 90% are golfers. It is the opportunity to socialise and network informally with clients that non-golfers miss out on. The same can be said about other socialising experiences and women find it difficult to juggle long hours, socialising and family commitments (Maxwell, 1997). See also Fawcett & Pringle, 2000; Jackson, 2000). This issue can be somewhat addressed if necessary at the recruitment and selection stage. If women are aware of a potential clash between an organisations culture and their own, then there is research to suggest that they will reject the job (van Vianen & Fischer, 2002). There has also been research into the importance of self-selection where people are more likely to be attracted to an organisation that has similar goals (Schneider, 1987). If this is the case, then women who are unhappy about a particularly masculine or sporting orientated culture can choose to avoid this. The hospitality industry is notorious for its late nights entertainment of clients and associated drinking whilst attending these occasions. This may also impact on the difficulties women experience 'fitting in' at management levels.

Firstly one must consider the construct of the glass ceiling in hospitality. Is it really there, or is it constructed by women and held up as an excuse? There is literature to support both sides of the argument. The previous section was devoted solely to perceived issues around the glass ceiling, yet the other side must also be presented. The literature about this is indicative of its relatively new status. Do women create their own barriers? Some women suggest that they "limit their own advancement because they are reluctant to self promote the way many men do" (Knutson & Schmidgall, 1999, p.69). A female hotel owner suggests "I think any time I have felt it (the glass ceiling), I put it there myself. I sometimes think women expect it to exist, even when it doesn't (Worcester, 1999, p.29). Others suggest it is "women's low aspirations" (Lynch & Post, 1996 cited in Cotter, Hermsen, Ovadia & Vanneman, 2001, p.679), and this was backed up also by van Vianen & Fischer (2002).

More research needs to be conducted into the glass ceiling that is specific to the hospitality industry. Because of the enormous pressures all staff (male and female) are under due to the very nature of the industry (as mentioned earlier), this unique industry may have different characteristics which will potentially affect the glass ceiling phenomena. At this stage one must caution the reader to err on the side of conservatism until more research is conducted. Any links that are made between other industries and hospitality are unreliable and hazardous.

Unfortunately for the aspiring female hotel general manager, the majority of information on how to achieve a position in the highest echelons of management is anecdotal (see Knutson & Schmidgall, 1999; van Vianen & Fischer, 2002). Yet there are some advances in countries like New Zealand that are slowly making it "easier" to reach positions at the top. Equal Employment Opportunity (EEO) and anti discrimination legislation make it illegal to discriminate against a person because of their gender. And the author knows of a few hotels that are slowly introducing EEO policies into their recruitment and selection practices. However, this only helps those women who really want to get there. If one is to truly to solve the glass ceiling mystery, one must first differentiate between those women hiding behind it, and those honestly knocking on it.

The aim of this essay was to provide the reader with some insights to the glass ceiling phenomena through a hospitality example. Although the organisation chart and the information presented on it was only there to provide a working example from which to recognise some areas where potentially the glass ceiling was operating, it is far from conclusive. One of the most important conclusions is that much more research is necessary.

There needs to be studies focusing purely on the hospitality industry and whether there are other 'industry' factors that may influence the glass ceiling. Also whether the glass ceiling as proposed in the literature actually exists, or whether it is only in the minds of women who don't quite make it?

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SHRM Best-Practices & Sustainable Competitive Advantage:
A Resource-Based View

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Abstract

Three dominant perspectives have emerged within Strategic HRM: the Universalistic, Contingency, and Configurational perspectives. The Universalistic perspective, as espoused particularly by Pfeffer (1994a; 1995; Pfeffer & Veiga, 1999), proposes that a universal set of HRM best practices can be employed to attain and sustain competitive advantage. Using the principles of the Resource-Based View of competitive advantage, this paper critiques the universalistic perspective and proposes that HR practices cannot by themselves be a source of sustained competitive advantage, as it is virtually impossible for HR practices to be rare, inimitable, and non-substitutable. Instead, the Configurational perspective is proposed as a more theoretically valid and tenable approach to strategically managing human resources for sustainable competitive advantage. This is because the Configurational approach promotes a system of HR practices that are customised to suit a particular firm's competitive strategies, and internal practices, policies, and resources – it provides both vertical and horizontal fit. It is also found that human capital is the foundation of HRM and competitive advantage.

Over the last twenty years the field of human resource (HR) management has undergone immense paradigmatic growth and broadening by popular interest from both academics and practitioners (Delery & Doty, 1996; Wright, McMahan, & McWilliams, 1994). In effect, what were micro-perspective personnel management practices have transformed into a macro or strategic perspective by academic' desire to demonstrate the importance of human resource practices for organisational performance (Delery & Doty, 1996).

The basic premise underlying what is termed strategic human resource management (SHRM), is that for competitive advantage, firms pursuing a particular strategy require HR practices that are different from those required by firms pursuing alternative strategies (Barney & Wright, 1998; Boxall, 1998; Coff, 1997; Delery & Doty, 1996; Jackson & Schuler, 1995; Mueller, 1996; Schuler, 1992; Schuler, Dowling, & De Cieri, 1993; Schuler & Jackson, 1987a, 1987b; Tichy, Forbrun, & Devanna, 1982; Wright & McMahan, 1992; Wright et al., 1994). Human resources are defined as the pool of human capital under the firm's control in a direct employment relationship, and HR *practices* are the organisational activities directed at managing the pool of human capital and ensuring that the capital is employed towards the fulfilment of organisational goals (Wright et al., 1994).

Delery and Doty (1996) suggest that if this fundamental assumption is true, then it would account for variance in HR practices as attributable to differing firm' strategies, and that firms possessing greater congruency between their HR practices and strategies should enjoy superior performance. Paradoxically, however, some HR practitioners and academics are strong proponents of the recent contrasting concept of *best practice HRM*, which is grounded on a seemingly Tayloristic assumption that there is one best way of managing human resources for effective performance. Within the SHRM paradigm various perspectives have grown around the concept of HR practices.

Strategic human resource management perspectives

Ferris, Hochwarter, Buckley, Harrel-Cook and Frink (1999) and Delery & Doty (1996) report that the academic theorising of SHRM is relatively trichotomous in that three perspectives have emerged: the *universalistic perspective*, *contingency perspective*, and *configurational perspective*. SHRM authors who ascribe to the universalistic perspective advocate a *best practice* approach to SHRM and propose that some HR practices are always better than others and that all organisations should adopt these practices (Brockbank, 1999; Fitz-enz, 1997; Geringer, Frayne, & Milliman, 2002; Hitt, Hoskisson, Harrison, & Summers, 1994; Huselid, 1995; Martin & Beaumont, 1998; Pfeffer, 1994a, 1994b, 1995; Pfeffer & Veiga, 1999; Terpstra, 1994; Truss, 2001).

A second group of researchers ascribe to a contingency perspective and argue that for a firm to be effective, its HR practices and strategy must be aligned with other aspects and strategies of the firm (Arthur, 1994; Sanz-Valle, Sabater-Sanchez, & Aragon-Sanchez, 1999; Schuler & Jackson, 1987a; Sparrow, Schuler, & Jackson, 1994; Youndt, Snell, Dean, & Lepak, 1996). Adopting the concept of synergy, Schuler & Jackson (1987a) propose that if HR practices are not synergistic or consistent with firm' strategies, then they can be more competitively disadvantageous than advantageous by inhibiting both individual and firm performance.

A third group of researchers ascribe to a configurational approach to SHRM, proposing that it is the pattern of HR practices that contribute to firm performance and goal attainment (Brockbank, 1999; Delery & Doty, 1996; Ferris et al., 1999; MacDuffie, 1995; Wright & McMahan, 1992). In order to be effective, configurational theorists propose that firms must develop an HR system that achieves both horizontal and vertical fit (Delery & Doty, 1996). Horizontal fit is achieved when there is internal consistency between the firm's HR policies and practices, and vertical fit depicts the level of congruence of the HR system with other firm characteristics, especially firm strategies (Delery & Doty, 1996).

With specificity to the fundamental assumption of SHRM, the trichotomous nature of the paradigm poses a paradox that both Delery and Doty (1996) and Ferris et al. (1999) report is receiving strong criticism for its theoretical deficiency and lack of empirical validity. Wright and McMahan (1992) and Wright et al. (1994) address this issue from the configurational perspective by reminding us of the *strategic* component of SHRM and its paradigmatic lineage from strategic management theory, by advocating a strategic-theoretical analysis of the competitiveness of SHRM through the resource-based view determinants of competitive advantage.

The resource-based view of the firm (Amit & Schoemaker, 1993; Barney, 1991; Collis & Montgomery, 1995; Conner, 1991; Grant, 1991; Hall, 1992; Peteraf, 1993; Wernerfelt, 1984) differs from the more environmentally focused strategy paradigm of the *industry structure view* (e.g. Porter, 1980, 1985) as it is firm-focused and emphasises the links between the firm's idiosyncratic resources, its strategy and its performance (Wright et al., 1994). Firstly, internal resources and capabilities are viewed as the key competitive sources of a firm's strategy; and secondly, the majority of the firms superior returns are derived from these (Barney, 1991; Chamberlin, 1962; Collis, 1991, 1994; Collis & Montgomery, 1995; Conner & Prahalad, 1996; Grant, 1991; Peteraf, 1993).

While there is unanimous agreement that firms sustain competitive advantage from many different and unique resources and strategies[5], it is evident that the majority of leading firms have one unique resource in common – people (Barney & Wright, 1998; Pfeffer, 1995; Wright et al., 1994). Within the SHRM paradigm, there is significant support of the resource-based view as a tool of competitive advantage analysis of human capital (Barney & Wright, 1998; Becker & Gerhart, 1996; Boxall, 1996, 1998; Coff, 1997; De Saa-Perez & Garcia-Falcon, 2002; Jackson & Schuler, 1995; Khatri, 2000; Lado & Wilson, 1994; Mueller, 1996; Schuler et al., 1993; Swiercz & Spencer, 1992; Wright & McMahan, 1992; Wright et al., 1994).

This paper adopts the resource-based view as its tool of analysis and through its determinants of competitive advantage, supports the configurational perspective's rejection of the universalistic perspective of SHRM by proposing and demonstrating that a universal typology of HR best-practices offers no competitive advantage to a firm. Instead, it is proposed that firms should take a configurational approach to SHRM and develop an HR system that achieves both horizontal and vertical fit within the firm and fosters sustainable competitive advantage from the firm's human resource capital pool.

With specificity to the configurational perspective of HR practices, the RBV is more idiosyncratically focused as opposed to an externality focus. However, intuitively, a firm's value creation emanates from the fit of internal capabilities to the strategy pursued, and its relationship with the competitive environment (Spanos & Lioukas, 2001). Barney & Zajac (1994) propose that competitive strategising with resources and capabilities cannot be understood independently of strategy content and the external environment (industry structure) within which the firm exists, and it is on this assumption that this paper is based. Schuler et al. (1993), Huselid (1993), Schuler & Jackson (1987b), Boxall (1996; 1998), and Jackson & Schuler (Jackson & Schuler, 1995) present discussions more related to the industry structure-based fit of HR practices with competitive strategy. While the configurational perspective promotes both internal and external strategic fit, the resource-based view, as evidenced, provides a stronger conceptual framework of analysis and is thus utilised in this paper.

First, the notion of HR best-practice within the universalistic perspective is examined. Second, a summary of the resource-based view of sustained competitive advantage is presented and then competitive advantage of human resources is examined. Last, the notion of universal best-practice is examined within the resource-based view framework of competitive advantage.

HRM & performance: The universalistic perspective

Within the body of HR research, there is significant empirical evidence linking certain HR practices to firm performance and recent research suggests that bundles, or systems, of HR practices are more influential than individual practices working in isolation (Arthur, 1994; Huselid, 1995; MacDuffie, 1995; Youndt et al., 1996). Arthur (1994) found that HR practices that focused on enhancing employee commitment (e.g., decentralised decision making, comprehensive training, salaried compensation, employee participation) were related to higher performance. In a similar study, Huselid (1995) found that investments in HR activities such as incentive compensation, selective staffing techniques, and employee participation, developed employee skills and motivation and resulted in reduced turnover, increased productivity, and increased firm performance (Youndt et al., 1996). MacDuffie (1995) found

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[5] For example: Quality Customer Service, Innovative Research & Design, Lean Manufacturing etc.

that flexible production plants with team-based work systems and *high-commitment* HR practices (such as contingent compensation and extensive training) consistently outperformed mass production plants and that bundles of practices result in higher performance.

Further empirical studies support the links between HR practices and firm' performance (Boselie, Paauwe, & Jansen, 2001; Boxall & Steeneveld, 1999; Fey, Bjorkman, & Pavlovskaya, 2000; Gratton, Hope-Hailey, Stiles, & Truss, 1999; Huang, 2000; Huselid, Jackson, & Schuler, 1997; Richard & Johnson, 2001; Sanz-Valle et al., 1999; Truss, 2001). Founded on these empirical studies, the universalistic perspective proposes that some HR practices are always better than others and that all organisations should adopt this *best practice* approach to SHRM (Brockbank, 1999; Fitz-enz, 1997; Geringer et al., 2002; Hitt et al., 1994; Huselid, 1995; Pfeffer, 1994a, 1994b, 1995; Pfeffer & Veiga, 1999; Terpstra, 1994; Truss, 2001).

Table 4 Best-Practice Approaches to SHRM

Arthur (1992)	Pfeffer (1995)	Huselid (1995)	MacDuffie (1995)	Pfeffer & Veiga (1999)
Broadly defined jobs	Employment security	Personnel selection	Work teams	Employment security
Employee participation	Selectivity in recruiting	Performance appraisal	Problem-solving groups	Selective hiring
Formal dispute resolution	High Wages	Incentive compensation	Employee suggestions	Self-managed teams and Decentralisation
Information sharing	Incentive Pay	Job design	Job rotation	Comparatively high compensation contingent on organisational performance
Highly skilled workers	Employee ownership	Grievance procedures	Decentralisation	
Self-managed teams	Information sharing	Information sharing	Recruitment & Hiring	Extensive training
Extensive skills training	Participation and empowerment	Attitude assessment	Contingent compensation	Reduction of status differences
High wages	Self-managed teams	Labour/management participation	Status differentiation	Sharing Information
Salaried workers	Training and skill development	Recruiting intensity	Training of new employees	
Stock ownership	Cross-utilisation & cross-training	Training hours	Training of experienced employees	
	Symbolic egalitarianism	Promotion criteria (seniority vs. merit)		
	Wage compression			

	Promotion from within			

Leading the case for the universalistic perspective, Jeffrey Pfeffer (1994a; 1994b; 1995; Pfeffer & Veiga, 1999), proposes that while the exact number is arbitrary, there is a set of interrelated HR practices that characterise achieving competitive success through HR management (Pfeffer, 1995). However, from a scholarly perspective, Pfeffer's broad utopian claims seem unsubstantiated and lacking in empirical validity, drawing criticism from Purcell (1999), Guest (1997), and Becker & Gerhart (1996). His statement that the practices emerge from "extensive reading of both the popular and academic literature, talking to numerous people in firms in a variety of industries, and the application of some simple common sense" (Pfeffer, 1995, p. 57) does not lend itself to the scholastic rigour of empirical validity. However, in a later paper, Pfeffer & Veiga (1999) present a stronger empirical case, based on several empirical studies, and propose seven HR practices of successful organisations. Further empirically based universalistic cases are presented by Arthur (1992), Huselid (1995), and MacDuffie (1995). A summary of these HR best-practices is provided in Table 1.

Pfeffer (1995) makes the bold statement that these practices do not necessarily need to be contingent on a firm's particular competitive strategy, yet he also asserts that this set of best practices will lead a firm to competitive advantage. It is ambiguities and contradictions such as this, that from a strategic HRM theoretical position, belie the universalistic perspective as being confused and rather unempirically utopian. Pfeffer (1994a; 1994b; 1995; Pfeffer & Veiga, 1999) argues that universal practices will result in competitive advantage, yet makes no interconnection with commonplace competitive strategy theory. Sparrow et al. (1994) do utilise a competitive strategy foundation by using Porter's (1980; 1985) competitive strategy paradigm to propose inter-relatedness of the universalistic and contingency perspectives in firm competitive strategy. However, while universalistic proponents espouse resultant competitive advantage and self-classify as being strategic, what this perspective lacks is congruence with the dominant resource-based view of competitive advantage.

Sparrow et al. (1994) along with Huselid (1995), Youndt et al (1996), and Truss (2001) all define and mention the importance and existence of the resource-based view of competitive advantage, yet fail to utilise it to conceptualise their proposed best-practice theory within its framework. From reviewing the literature it is evident that those strategic HR scholars who fully understand the resource-based view of competitive advantage realise the inconsistencies and anomalies between it and the universalistic perspective of HR practice, and it is these scholars who instead propose the configurational perspective of HR practice.

The resource-based view of competitive advantage

Over the last twenty years, protagonists of the resource-based view of competitive advantage have produced an increasing amount of empirical research substantiating their espoused theories that the resources and capabilities of the firm are the foundation for its long-term strategy because of two premises. First, internal resources and capabilities are viewed as the key competitive sources of a firm's strategy; and secondly, the majority of the firm's superior returns are derived from these (Barney, 1991; Chamberlin, 1962; Collis, 1991, 1994; Collis & Montgomery, 1995; Conner & Prahalad, 1996; Grant, 1991; Peteraf, 1993).

The resource-based view defines *competitive advantage* as when a firm is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors (Barney, 1991). This assumes a firm's competition includes all current competitors, but also, potential competitors. Within this definition, a firm can create short run competitive advantage or first-mover advantage (Barney, 1991). However, it is not sustainable because other competitors may be able to imitate or purchase the sources of the advantage (Amit & Schoemaker, 1993; Barney, 1991; Collis & Montgomery, 1995).

Sustained competitive advantage is achieved when a firm is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors *and* when these other firms are imperfectly able to imitate the benefits of this strategy (Barney, 1991).

Firm resources are defined as including "all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable it to conceive of and implement strategies that improve its efficiency and effectiveness" (Daft, 1983, cited in Barney, 1991, p. 101). These are categorised as physical capital resources, human capital resources, organisational capital resources (Becker, 1964, Williamson, 1975, Tomer, 1987, cited in Barney, 1991), and financial resources, technological resources, and reputation (Amit & Schoemaker, 1993; Grant, 1991).

To sustain competitive advantage from a firm's idiosyncratic resources, Dierickx & Cool (1989) propose the notion of asset stock accumulation. They argue that if resources are freely available on an open strategic factor market, as proposed by Barney (1986b), then anyone can attain the resource and potentially use it to achieve the same/or better results, unless the resource is limited by supply. Conversely, a more favourable approach to sustainable competitive advantage is the use of intangible (or tacit) resources that are generally built rather than bought (Dierickx & Cool, 1989).

Strategic assets are the cumulative result of adhering to a set of consistent policies over a period of time, that is, strategic asset *stocks* are *accumulated* by choosing appropriate time paths of *flows* over a period of time (Dierickx & Cool, 1989; Hall, 1992, 1993). For example, a reputation for quality may be built (rather than bought) by following a consistent set of production, quality control etc. policies over some period of time (Dierickx & Cool, 1989). It is proposed that human resources are a strategic asset capable of providing or contributing to a firm's competitive advantage (Barney & Wright, 1998; Becker & Gerhart, 1996; Boxall, 1996, 1998; Coff, 1997; De Saa-Perez & Garcia-Falcon, 2002; Jackson & Schuler, 1995; Khatri, 2000; Lado & Wilson, 1994; Mueller, 1996; Schuler et al., 1993; Swiercz & Spencer, 1992; Wright & McMahan, 1992; Wright et al., 1994). To have the potential of sustained competitive advantage, the resource-based view proposes that a firm must have four attributes: (1) valuable resources; (2) rare resources; (3) imperfectly imitable resources; and (4) non-substitutability of resources (Barney, 1991; Collis & Montgomery, 1995; Conner & Prahalad, 1996).

Sustainable competitive advantage and HR

Before the competitive advantage of HR practices can be examined, the sustainable competitive advantage potentiality of human resources must be established. This is provided within the resource-based framework.

Human capital resources as valuable

Firstly, in order for human resources to be a source of sustained competitive advantage congruent with Barney's (1991) criteria, they must provide value to the firm. Steffy and Maurer (1988) provide an economic-based theoretical proposition that both the demand and supply of labour are heterogeneous in that firms require different jobs that require different skills, and that individuals differ in both the types and level of their idiosyncratic skills. Thus, there is variance in individuals' contribution to the firm and consequently, the ability for human capital to provide value (Wright et al., 1994).

Human capital resources as rare

Secondly, a resource must be rare if it is to be a source of sustained competitive advantage (Barney, 1991). Contradictory to the notion of the rarity of human resources, it could be argued that the labour supply pool is in fact homogenous due to the existence of unemployment, which consequentially, suggests an excess supply of labour (Wright et al., 1994). However, strategic HRM scholars propose that the rarity of human capital is derived from their skill and competency level, and based on the assumption that skills, competencies, and capabilities are normally distributed through the population, high quality and ability workers/resources are thus rare (Wright et al., 1994).

Human resources as inimitable

Thirdly, a resource must be inimitable to be a source of sustained competitive advantage (Barney, 1991). Firstly, for human resources to be imitated, competitors must be able to identify the exact source of the human capital pool that provides the advantage. Secondly, the competitor must be able to duplicate exactly both the relevant components of the human capital resource pool and the circumstances under which these resources function (Wright et al., 1994). Congruent with the resource-based view of competitive advantage paradigm, SHRM scholars propose that high quality human resources can be imperfectly imitable due to the existence of three requisite concepts: unique historical conditions, causal ambiguity, and social complexity. It is through the combination of these concepts plus imperfect resource mobility that sustained competitive advantage can be attained and value created (Wright et al., 1994).

Firstly, the firm's human capital pool must have *unique historical conditions* (Amit & Schoemaker, 1993; Barney, 1991; Grant, 1991) that have developed over time as the firm has developed (Barney, 1986a; Fiol, 1991), are aligned with the firms' strategy (Wright et al., 1994) and been influenced by the values, underlying assumptions, culture, and unique personalities of the organisations' leaders (Kotter & Heskett, 1992).

Secondly, the link between the firm's human capital pool and competitive advantage may be *causally ambiguous* (Amit & Schoemaker, 1993; Barney, 1991; Grant, 1991; Peteraf, 1993; Prahalad & Hamel, 1990; Wright et al., 1994) in that the firm itself knows the link and is able to sustain competitive advantage, but other firms cannot identify or ascertain, and thus, cannot imitate.

Thirdly, the human capital pool may be *socially complex* in its social networks, inter-relationships, and functioning (Amit & Schoemaker, 1993; Barney, 1991; Grant, 1991; Prahalad & Hamel, 1990; Wright et al., 1994), and hence virtually impossible to imitate and replicate. Thus, theoretically, competitive advantage derived from human capital may be imitable, but only if a competitor can identify and replicate the exact historical conditions, causes, social network structures, interactions, inter-relationships, and personalities that exist within the firm and contribute to its competitiveness. However, due to the many organisational contingencies that exist within firms, this is realistically highly improbable (Wright et al., 1994).

Further, to sustain competitive advantage, human resources must also be imperfectly mobile (Amit & Schoemaker, 1993; Grant, 1991; Peteraf, 1993) in that they cannot be traded. Their non-tradability renders them less valuable to other users so they cannot be readily coerced from their employer through financial means. While human resources as individuals can be traded, the human capital as an entity cannot be traded. Because this is produced by a mix

of organisational culture, firm capabilities, and integrated firm' strategies and HR strategies, the advantage derived from human capital remains bound to the firm and available for use over the long run because of its unique historical conditions, social complexity and causal ambiguity, and therefore, cannot be traded (Dierickx & Cool, 1989; Peteraf, 1993; Wright et al., 1994). Firm-specific resources that cater for specialised needs, such as human resources trained in firm-specific skills, may be tradable, but are of greater value to the firm that currently employs them than to others (Dierickx & Cool, 1989; Peteraf, 1993).

Human capital resources as non-substitutable

Fourthly, if a resource is to derive sustained competitive advantage it must not have substitutes (Barney, 1991). Imperfect substitutability, requires that there must be "no strategically equivalent valuable resources that are themselves either not rare or imitable" (Barney, 1991, p. 111). If alternative resources are either not rare or imitable, then other firms will be able to conceive and implement similar strategies from the resource, nullifying the existence of competitive advantage (Barney, 1991). The strongest advantage of human resources is the fact that in terms of predisposed genetic uniqueness, no two people are exactly identical and thus they are a heterogeneous resource (Fiol, 1991) and capable of sustaining competitive advantage (Barney & Wright, 1998; Pfeffer, 1995; Pfeffer & Veiga, 1999; Schuler & Jackson, 1987a; Wright et al., 1994).

This resource-based framework of analysis has provided the theoretical conceptualisation of how human resources can provide a firm with, or contribute towards, sustained competitive advantage. It has provided a theoretical structure to underlie the empirical findings indicative of this link. However, within this framework, how do we then theorise the role and the competitive advantage potentiality of HR practices? The universalistic perspective advocates a *best practice* approach, proposing that some HR practices are always better than others and that all organisations should adopt these practices. However, are these practices far too common and well known to constitute a form of advantage, lacking the requisite resource-based view determinants of sustainable competitive advantage (Boxall, 1996; Wright et al., 1994)?

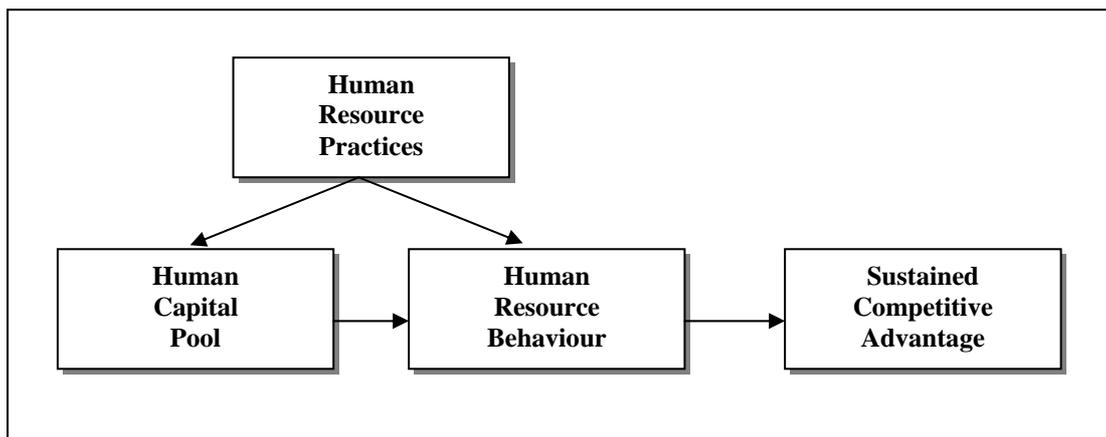## Human resource practices and sustained competitive advantage

So far, this paper has established and recognised both the theoretical and empirical links between HR practices and positive performance results, and the importance and value-creation capability of HR practices within a firm. However, from a resource-based view, it is proposed that HR practices cannot by themselves be a source of sustained competitive advantage, as it is virtually impossible for HR practices to be rare, inimitable, and non-substitutable. For example, training programmes, performance evaluation systems, and compensation systems are readily available to be purchased on what Dierickx & Cool (1989) propose are strategic factor markets. Thus, from a resource-based perspective, HR practices, theoretically, have little potential for being a source of sustained competitive advantage (Wright et al., 1994).

Therefore, the *source* of sustained competitive advantage lies in the human resources themselves, not the practices used to attract, utilise, and retain them (Boxall, 1996; Wright et al., 1994). Therefore, the universalistic perspective of HR practices is theoretically inadequate and untenable. However, this is not to ignore the importance of HR practices in developing human resources as a source of sustained competitive advantage. Instead, it is proposed that the configurational perspective of HR practices is a more theoretically valid and tenable approach to strategically managing human resources for sustainable competitive

advantage. This is because the configurational approach promotes a system of HR practices that are customised to suit a particular firm's competitive strategies, and internal practices, policies, and resources – it provides both vertical and horizontal fit.

In support of Wright et al. (1994) and Boxall (1996), it is proposed that although HR practices are not themselves sources of sustained competitive advantage, their role in developing sustained competitive advantage from human resources is still fundamental. The universalistic perspective's notion of *best practices* is perhaps more of a set of guiding principles, or a systemic architecture (Becker & Gerhart, 1996), while the specific policies and practices that underlie a guiding principle may be more situational-based (Stroh & Caligiuri, 1998). Becker & Gerhart (1996) suggest that a best HR system architecture may exist, but for superior performance, the bundles or configurations of practices and policies implemented in a firm must be aligned both vertically and horizontally within the firm. That is, they must be aligned with each other as well as the firm's competitive strategies and other functional policies and practices.

This approach to utilising HR practices is more congruent with the resource-based view of competitive advantage as the practices are used systemically to develop and control the human resource pool, and moderate the relationship between this pool and sustained competitive advantage by effecting HR behaviour. This is depicted in Figure 1 as proposed by Wright et al. (1994).

Figure 1 A Model of Human Resources as a Source of Sustained Competitive Advantage (Wright et al., 1994)

With specificity to Figure 1, firstly, managers can develop the human capital pool by utilising HR practices such as the development of selection, appraisal, training, and compensation systems to attract, identify, and retain high quality employees (Wright et al., 1994). Secondly, HR programmes such as extensive recruitment systems and attractive compensation packages, can be used to attract and retain employees with the highest ability, quality and best organisational-fit (Wright et al., 1994). Thirdly, training programmes aimed at increasing and developing individual's skills and competencies provide continuing skill development of a firm's human capital pool (Wright et al., 1994).

From Wright et al.'s (1994) model, the next aim of HR practices is to influence individual behaviour that is supportive of the firm's competitive strategy. Schuler (1992) proposes that this can be achieved by developing reward systems, communication systems, training programmes, and socialisation systems which encourage employees to act in the interest of the firm. This is imperative, as the potential of human resource capital is realised only to the

extent that the individual employees choose to allow the firm to benefit from the capital through their behaviour (Wright et al., 1994).

This resource-based view provides support for the case for a configurational approach as this moderating role may explain the wide variance of high and low success and performance achieved by firms who adopt common HR practices such as selection, training, and knowledge-based pay. Firms can take a universalistic perspective and imitate practices that appear to make other firms successful, but it is only through the configurational use of these human resource practices in a unique context that human resources can be developed as a source of sustained competitive advantage (Wright et al., 1994).

Wright et al. (1994) suggest that the source of differential success of the same HR practices between firms results from differing human capital pools existent within the various firms. Some role behaviours require superior human capital, and if the required HR system does not support this, then the required behaviours will not be elicited and no sustainable competitive advantage cultivated. This is again illustrative of the proposition that the relationship between HR practices and competitive advantage is contingent upon the human capital pool, not the practices themselves.

Thus, from a resource-based perspective, firms desiring competitive advantage cannot expect to purchase or imitate sustained competitive advantages through the acquisition of a universalistic set of best practices. A firm must take a configurational perspective and create a system of HR practices that are customised to suit a particular firm's competitive strategies, and internal practices, policies, and resources – provide both vertical and horizontal fit. That way, advantages may be found in the rare, imperfectly imitable, and non-substitutable resources already controlled by the firm (Dierickx & Cool, 1989). Wright et al. (1994) conclude that the role of the HR manager then, is to recognise, develop and exploit the resources within the firm through the application of HR systems that develop the human capital pool and elicit employee behaviour supportive of a firm's competitive strategy.

Conclusion

This paper has examined the propositions of the SHRM perspectives of HR practices and their contribution to sustainable competitive advantage. The link between HR practices and firm performance has been established and from a resource-based view, it has been demonstrated that human resources can potentially be a source, or contributor, of a firm's sustainable competitive advantage. On the theoretical factors of rareness, inimitability, and non-substitutability, the universalistic ideal of HR best practices cannot provide a sustainable competitive advantage. From this framework, it has been demonstrated that the configurational perspective provides a more theoretically valid and tenable approach than the universalistic perspective for using HR practices to develop the human resource capital pool into a source of sustainable competitive advantage.

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