

## **Path dependency and the role of HR**

**Geoff Plimmer, Victoria University of Wellington**

**And**

**Ann Parkinson, University of Reading**

### **Abstract**

Path dependency is used to assess the dynamics and evolution of workplace experiences in both the New Zealand Public Sector, and the marginalisation of the HRM function in the United Kingdom. In the New Zealand public sector a controlling management style, but weak leadership and low organisational capability came from the freedom-to-manage and accountability ethos of the new public management reforms. These current features then became entrenched through processes such as: learning effects and reward systems as a new cohort of managers rose through the ranks; managerial norms and implicit theories of human behaviours that included a disinterest in socio-technical concepts and strategic HRM. A controlling management style and weak leadership complimented other behaviours and practices, such as risk aversion, and the rise of Ministerial policy advice at the expense of other practices such as service delivery. In the case of UK HRM managers, the GFC provided an opportunity for the HRM function to escape from its traditional marginalised role. However GFC induced innovations such as the implementation of e-HR and service centres further removed the HRM function from strategic conversations and left them as contract managers. The paper ends with an outline of further planned research on how HRM can shift toward a more strategic function.

In this paper we suggest that path dependency theory provides a lens through which to explore the trajectory of the HRM function as it strives to be less reactive and marginalised, and more strategic and influential. Path dependence provides a framework to understand the role of history and context and from there hopefully how to break free of ingrained constraints.

This paper uses two broad “cases”. The first concerns the consequences of marginalised HRM through an empirical survey of the work environment of the New Zealand public sector, and how it has arrived in a position of being motivated and relatively satisfied, but with weak and not very effective managers and organisations. It outlines how poor working environments and management practices are sustained in many public service agencies despite increasing dissatisfaction from Ministers and other stakeholders. The second phase concerns interviews in Britain on how HRM briefly escaped its dependency and became strategic, and then returned to its traditional reactive and marginalised role.

In path dependence organisations, institutions and systems are products of a past bound up in values and strategies that create corporate memory through culture and social structures, which in turn shapes their response to external and internal stimuli (Sydow, Schreyögg, and Koch, 2009). Once the past has become imprinted on organisations they suffer from *‘increasingly constrained processes that cannot easily be escaped’* (Vergne and Durand, 2010: 736). As a theory, path dependency is still in the emergent phase and is not yet clearly defined. However it is an interesting and useful model because it may help explain why things come to be despite the presence of more rational, or market driven options. The classic path dependency tale is adoption and retention of the QWERTY keyboard despite the presence of the (apparently) vastly superior DVORAK board. By the 1940s the QWERTY key board was unshakeable despite its inefficiency.

Self-reinforcing mechanisms are the core idea behind path dependency. Once something is entrenched, it is easier to co-ordinate with an existing system because existing rules are known and well-rehearsed, existing processes complement other processes and provide economies of scope, and learning new processes is hard. Finally, normative effects, or following the crowd, is comfortable, reassuring and usually no threat to status (Sydow et al., 2009).

In a similar manner, for the past 60 years the HR profession, the function arguably with the most interest in culture and social structures, has maintained *‘the constant worry of all personnel administrators is their inability to prove that they are making a contribution to the enterprise’*

(Drucker cited by Wright et al, 2001). HRM has been locked into a peripheral space in organisations, despite its potential contribution as a business partner.

Globalisation and the Global Financial Crisis (GFC) provide an opportunity for HRM scholars to review the debate about the strategic nature of the HR function, especially as HR processes became more transnational and organisations have to adjust to the loss of markets and changed business models (Sheehan and Sparrow, 2012). These changes also provide an opportunity to explore the 'transformation' of the HR function and to understand through path dependence theory, the limits to transformation and possibly how to overcome them. The GFC was an 'external shock wave' (Zagelmeyer and Gollan, 2012: 3288) that changed the parameters for HR and potentially provided the opportunity to 'shake the system free of its history' (Vergne and Durand, 2010:752). This shock had the potential to jolt HRM out of its previous more reactive role and into a more strategic role as organisations responded to the changed environment. It also provided an opportunity for HRM practitioners to reflect on their complicity, and its consequences, in supporting 'extraordinarily high bonuses' (Martin and Gollan, 2012) and failing to prevent the behaviour in financial institutions responsible for the crisis.

The consequent financial problems for many types of organisations following the GFC led to pressures at both strategic and operational levels. Labour cost reduction was a common response (Zagelmeyer and Gollan, 2012). This required HR to work at the interface between several critical domains and so, often for the first time, placed HR in the driving seat of organisational strategy. The HR function had already spent much of the previous decade trying to follow Ulrich's (1997) business partner model by moving from a support function through to developing a focus on the business, to in turn achieve HR transformation. The Ulrich model of corporate, embedded and specialist HR roles, with a shared services centre were often accompanied by attempts to reduce transactional HR through shared services, e-HR and outsourcing. In theory, HRM business partners could then concentrate on the more strategic transformational role (Caldwell, 2008; Farndale et al, 2009).

Just as the GFC provided the opportunity to break free from the past, there have been drivers in other contexts that could equally have driven change and release from the 'constrained processes that cannot be easily escaped' (Vergne & Durand, 2010: 736) as illustrated by O'Donnell's et al (2011) description of the evolution of New Public Management (NPM) in New Zealand.

## NEW ZEALAND'S PUBLIC SERVICE

New Zealand was an early and enthusiastic exponent of new public management (NPM), and eagerly embraced the disaggregation of agencies, contractualism and performance measurement that it entails (Pollitt, 2007; Hood and Peters, 2004). It primarily introduced NPM with the State Sector Act 1988, which amongst other things formalised and strengthened Ministerial influence over the appointment of chief executives, and introduced contractual and market based principles between the principal (usually Ministers) and agents (departments and their CEOs). NPM is a loose term but as well as objectifying the relationships outlined above, it also commonly includes a grab basket of other ideas such as a stronger focus on management and managerialism, customer focus and private sector provision and style of management (Lodge and Gill, 2011; Terry, 1998). Efficiency and effectiveness were important goals, with “measures designed to ensure bureaucrats’ accountability for implementing government policies, and to bring salaries and conditions under tight budgetary control” (O’Donnell, O’Brien, and Junor, 2011: 2377). Corporatisation, output budgeting, and performance management fragmented the public service into usually smaller agencies responsible for delivery of specified outputs.

When the reforms were introduced many ambitious managers, and in particular architects of the reforms got religious fervour about their effectiveness (Hughes, 2011). They continued to dominate the public sector system for the next twenty years.

By the early 2000s a new breed of hard driving managers adept at meeting performance targets but poor at outcomes and building capacity had emerged (Schick, 2001: 2):

“The new system brought accountability at the expense of responsibility, contestability was more ideal than reality, strategic capacity was under-developed, managers had a narrow view of their work, transactions costs were high, and most contracts lacked means of enforcement. The model worked, but to what end?”

There was also recognition that service delivery was fragmented, agencies were not collaborating, and low capability in a number of areas including, apparently according to the then Prime Minister, basic tasks like giving advice to government (O’Donnell). Despite a number of failings and various reviews, reforms in the 2000’s were piecemeal and only tinkered around the margins (Halligan, 2007). For many years the consensus amongst the people who ran the public service was that it was

good, and that reforms needed only adjustment around the margins (c.f. Whitehead, 2006). This was despite public service failures and occasional but serious criticisms from the side-lines.

By the late 2000's and early this decade a series of other warning signs had emerged – a prominent case of a CEO allegedly assaulting a staff member, high rates of abusive behaviours being reported in integrity and conduct surveys, and low staff engagement rates. An organisational culture survey summarised the public service as:

“Power, politics and covert criticism prevail. Security is then achieved by retreating into conventions and procedures” (McCarthy, 2009: 295)

Since the GFC a willingness to accept the need for change has taken place amongst public sector and government executives. This was partly driven by a realisation that while public policy issues, wicked problems and public demands got greater, budgets were not likely to (Gill et al., 2011). Some notable failures also occurred, including two seminal events (a mine explosion and a failed payroll project) that led to two inquiries, both concluding that public servants had misrepresented the true state of affairs to ministers (Report of the Royal Commission into the Pike River Coal Mine Tragedy, 2012; Report of the Ministerial Enquiry into the Novopay Project, 2013). The Deputy Prime Minister commented at one point on the shortage of senior public servants who knew their businesses well, had operational as well as policy skills and could manage down as well as up (English, 2012).

The current State Services Commission (SSC) deserves credit for its willingness to face up to these long standing issues. It instigated an enquiry (Better Public Services Advisory Group) that recognised a number of problems. This review system found that the system was very good at “responding to the demands of ministers in the here and now” and “responding to crisis”, and mobilising response; but “much less good” at “thinking about the long term”, and “issues like succession management and talent management” (Rennie, 2013: 2). The SSC has also instituted legislative and HRM style reforms to address these problems, in particular leadership development and making CEOs more accountable for organisational capability, rather than just the production of outputs (Rennie, 2013). The Public Finance Act was also changed to encourage joint departmental initiatives.

Although confirming the efficiency or other gains of NPM has been very difficult (Pollitt and Dan, 2013), some aspects do seem better than in the past. Productivity (of outputs) improved markedly in some areas (Whitehead, 2006). In New Zealand, in particular the focus on results and freedom from

capture by interest groups has been positive. The Christchurch earthquake found that parts of the state sector were very good at crises management – possibly arising from the command and control management that arose following NPM.

Although there have been worrying signs that NPM has led to negative effects, an alternative could have also taken place. Specifically, NPM could have encouraged more focussed organisations with greater autonomy, and so should have created jobs that are meaningful and satisfying, rewarding of merit and free of the politics that comes with ambiguity in organisations. The focus on managerialism could have led to managers taking their management responsibilities seriously, and so ensuring that organisations were well managed.

### **The State Of The Public Service**

This section of the paper reports on a large-scale survey of members of New Zealand's largest trade union representing workers in the public services – the Public Service Association (PSA). It also seeks to report the results more generally of the Workplace Dynamics Survey of New Zealand public servants, carried out through the Public Service Association (n=15,764). Most questions (except when otherwise stated use a Likert scale from 1 to 5, with 1 being strongly disagree, 3 meaning neutral, and 5 meaning strongly agree).

### **Results, In A Nutshell**

#### *Public Sector Workers ... Are Committed And Motivated*

- Most agree they are motivated (M = 4.04, SD = .54).
- And are relatively committed to their organisation (M = 3.59, SD = .88).
- But more to making a difference to society (87.9%) or their job (84.5%) than their org (67.9%)

#### *...Do Pressured But Decent Work*

- 51.3% say they work more than their contracted working hours (M = 6 hours per week) but report reasonable levels of workload (M= 3.01, SD .78)
- 51.5% of women report extra working hours
- 83% not compensated

- 42% say never seem to have enough time to get everything done
- 47.2% indicate “too much work for one person to do”

*Experience High Rates Of Bullying, And*

- Almost a third of participants reported being bullied in the last six months, with 6.2% experiencing bullying frequently.

*Have Reasonable Authority, Information, And Knowledge To Do Their Jobs, But Feel Unrewarded And Have Limited Voice Outside Their Immediate Jobs...*

- Authority/autonomy – M =3.57
- Information – M = 3, SD .79
- Rewards – M = 2.64, SD .90
- Knowledge – M= 3.16, SD .70

*Although Organisational Goals Are Clear(Ish), The Systems And Processes To Achieve Them Are Weak*

- Org goal clarity – M = 3.56, SD .81
  - 58.1% can “clearly explain the direction (mission, values, mission) of this organisation”
- Communication and co-operation M = 2.73, SD .92
- Innovation – M= 2.81, SD .86
- Processes M = 3.27, SD .87
  - Clear policies procedures – 55.3%
  - Efficient and well designed – 37.1%

*Furthermore, There Is A Weak Social Climate For Performance*

Managers are rated as having limited capabilities, being risk averse and not overly trustworthy. They are also not strong on development

(M = 3.12, SD = .95)

*... And So Not Surprisingly Workers Rate Their Organisations Poorly*

- Organisational performance rated poorly (M = 2.79, SD = .81). An example item is “This organisation is achieving its full potential.”
- Adaptability – also poor (M = 2.90, SD = .88). E.g. “The management systems in this organisations are flexible enough to respond quickly to changes”
- Alignment – slightly better (M = 3.04, SD = .79). E.g. “My organisation wastes resources on unproductive activities”

*Pointing To Generally Rigid Organisations With Low Organisational Capability*

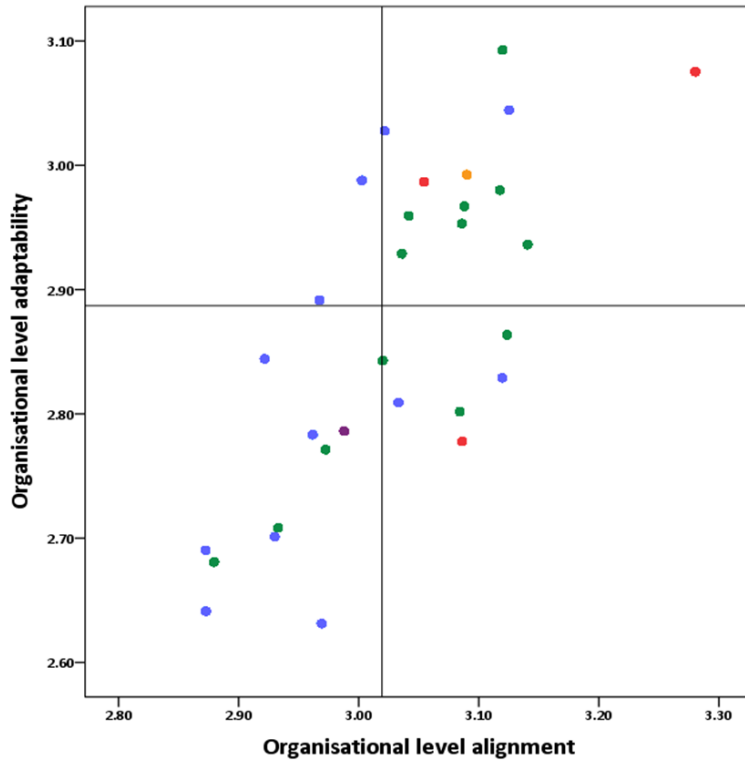
When adaptability and alignment come together, organisations are “ambidextrous” (Raisch, Birkinshaw, Probst, & Tushman, 2009). Although earlier writings considered the dilemma between alignment and adaptability unsolvable, recent researchers have been more optimistic, defining ambidexterity as concerning “organizations that are simultaneously exploiting existing competencies and exploring new opportunities” (Raisch et al. 2009: 685). Not surprisingly, organisational ambidexterity is usually associated positively with organisational performance.

Ambidexterity is the ability to explore new ideas and relationships well, and to also exploit existing resources well. There are several pathways to ambidexterity - such as alternating between adaptability and alignment, or having different business units assigned to one or the other and then integrating their work at the executive level. Contextual ambidexterity, however, may be particularly relevant to government because of the co-produced nature of many of its services. Gibson and Birkinshaw (2004) describe contextual ambidexterity as the “behavioural capacity to simultaneously demonstrate alignment and adaptability across an entire business unit” (p.209) that can be achieved by a context that “encourages individuals to make their own judgements as to how best to divide their time between the conflicting demands of alignment and adaptability” (p.211). In such organisations, workers focus on both delivering value to customers and looking out for changes in the environment (Turner, Swart, and Maylor 2013; Raisch and Birkinshaw 2008). Ambidexterity occurs by creating a context within organisations, through carefully crafted systems and processes, which allows “the meta-capabilities of alignment and adaptability to simultaneously flourish” (Gibson and Birkinshaw 2004: 210).





New Zealand government organisations are not very ambidextrous. Large central government organisations seem the least, whereas those further away from the 'centre' have a higher chance of being ambidextrous.



**Organisational sectors**

- Community public services
- District health boards
- Local government
- Public services
- State

**The Path Dependency Of The Public Service**

Although the radical reforms that came from the introduction of NPM provided some initial good results, they appear to have evolved into a path that is very closely focussed on pleasing the Minister but poor at implementing complex policy or service delivery (such as health and safety regulation or

complex pay role systems). The system has become very effective at delivering outputs, but poor at delivering outcomes (Wevers, 2011). It seems poorly placed to tackle the particularly demanding emerging problems that stem from more diverse stakeholders with more intractable harder to reach problems. This reflects weak internal capacity which seems to be characterised by poor HRM experiences (such as low autonomy), high rates of bullying and untrusted managers that are risk averse and poor at developing their people (Plimmer et.al., 2013). This aggregates to quite limited organisations. Despite pressure to change, why did the public service resist change so well?

Sydow et al (2009) identify four self-reinforcing mechanisms that diminish the scope of action and that eventually becomes rigid. Learning effects seem to have particular explanatory power. The “more an operation is performed, the more efficiency will be gained with subsequent iterations” (Sydow: 700). Practice leads to faster, better more efficient operation with lowering costs. This applies at all levels. At the individual level, a strong controlling management style, that might at times be bullying becomes self-reinforcing as a means of getting things done, be also be socially learnt by and from peers, and be rewarded by performance and rewards systems. At the organisational level it can be effective for exploitation, but may be ineffective for the exploration needed for longer term development. The twenty plus years of learning from the output based new public management reforms seem to have created some core rigidities (Leonard-Barton, 1992).

Adaptive expectation effects, which concerns the “interactive building of preferences”, may provide another partial explanation (Sydow et al., 2009: 700). Others influence our preferences. These effects the need for social belonging, and to be on the “winning side” (Sydow: 700). This norm making process operates through processes like signalling and legitimacy seeking. Managers’ implicit theories of human behaviour can be strengthened through this self-reinforcing process, where for instance, belief in the apathy or lack of staff initiative elicits such behaviour and the need for ever tighter management control. In the case of the public service, strong management was rewarded, bullying was tolerated (or even supported), and a strong emphasis on risk avoidance (not being on the front page of a major newspaper) could have been very powerful in shaping management behaviours and deciding who gets ahead, and in turn the behaviours of staff.

Complementary effects concern synergies with other practices. In economic terms, it concerns economies of scope, where “the cost of producing or selling two or more different goods or services is lower than the cost of producing or selling them separately” (Sydow et al., 2009: 699). Fordism, for

instance, is a complimentary cluster of HRM, operations and organisational systems that all reinforce each other and for at least a period of time could be a source of competitive advantage. In the public service, a cluster of synergistic practices and beliefs seem to have emerged. The first concerns a strong focus on accountability, defined fairly narrowly as keeping the Minister happy (Plimmer, Norman, & Gill, 2011). Ministers are, or have been, very influential in CEO performance appraisals and hence reward and reappointment decisions. A strong focus on innovation stifling risk avoidance seems to accompany this. A second cluster concerns tight control of staff and the use of rules and processes to ensure Ministerial satisfaction (McCarthy, 2009). A third cluster concerns use of restructuring as the prime change lever which reinforces compliance and risk-avoidance, rather than speaking up, innovation and incremental service improvement (Norman & Gill, 2011). A fourth cluster concerns promotion and appointment decisions within the organisation, where Minister pleasing policy skills were valued more than operational management skills (Plimmer et al., 2011). A final cluster concerns “cost savings”, including devolution of HRM to line managers, underinvestment in training and development, and marginalisation of HRM.

In sum, the public sector has developed a cohort of managers with limited skills and poor behaviours. These (controlling) behaviors have often been effective in the short term but are harmful for long term organisational capacity. They have also been normalised and in many cases rewarded. It has also been well suited to the pre-eminent product of the public service – papers for Ministers – even if that neglects the good service delivery that many public servants aspire to, that the public expects and which outside of the beltway is what serving the public is all about.

Public sector work environments are ‘suboptimal’ and poor consideration of HRM factors may have been a cause. More specifically, the rigid beliefs that surrounded the New Zealand reforms of letting managers manage, but holding them accountable does not seem to have created the incentives to care about “people factors” and this has made it rather hard to manage for outcomes and tackle wicked problems. Possibly its path dependency evolved from two core beliefs that were effective in getting early wins but then became very constraining:

- The belief that what people want from government can be objectified into formal contracts (and that Ministers see themselves as contract holders and that public servants see themselves as contracted providers). This means outputs are met but the transactionalism

crowds out, or conflicts with, the purpose of much public sector work and concentrates power in formal hierarchies.

- A strong belief in hard accountability versus socio-technical reforms such as leadership, trust and engagement (Hartley, Sørensen, & Torfing, 2013).

## **THE STRATEGIC ROLE OF THE HRM FUNCTION IN THE UK**

If, as path dependence theory suggests, organisations are products of their history, it is important to examine the past before understanding the role of HR and suggestions of dissatisfaction amongst organisations with their HR or personnel function (Glaister and Parkinson, 2013). Over the years there have been a number of challenges to the abilities of HR/personnel, epitomised by Skinner's 'Big hat, no cattle' article (Guest and King, 2004) and Hammonds 'Why we hate HR' (2005). This was compounded by continual disparagement (Guest, 1998) and reflected by Storey (1989:21) claiming remoteness from business need and a lack of credibility of the function building on Tyson and Fell's (1987:136) earlier suggestion that HR had no right to be involved in strategy.

At the very least the HRM function is in an ambiguous position as as it also responsibilities to employees as its 'champion' (Ulrich, 1998). Also, the contribution of the HRM function to organisational performance is uncertain, particularly when much of it is devolved to line managers.

This has been underpinned by research that reported line managers rate HR as less effective than HR think they are (Wright et al, 2001: Payne 2010) and explained by Legge (1978; 1995) in her early work on the ambiguities and vicious circles that HR constantly find themselves in. Guest and King (2004) confirmed that her vicious circles were still visible and impact their ability to take up the roles that 'Ulrichisation' suggests (Keegan and Francis, 2010). Legge's three vicious circles concern:

- firstly the lack of status so that any talent is not able to see career progression and leaves, leading to lack of skills and consequently lack of status;
- secondly the uncertainty of success criteria leads to poor prioritisation and strategic focus, thus becoming involved in reactive tasks, therefore trapping them in another vicious circle as line managers give them more reactive work (Guest and King, 2004); and
- the final circle of not being involved in decision making, results in firefighting and stop gap measures, leading to an impression of being reactive and thus line management are reluctant to involve HR strategically.

That Legge's observations were published over 35 years ago and are still observable suggests an inability to escape from constraints (Vergne and Durand, 2010). The exogenous shock needed to provide HR with the opportunity to make changes to achieve the strategic role it sought was provided by the GFC. The research reported below took the opportunity to understand the role of HR as it responded to the more urgent requirements of them in the wake of the crisis and again 18 months later when it initially seemed that the recovery was starting and the context changing again.

### **HR In The Context Of The Global Financial Crisis**

The initial interpretive studies had two phases 18 months apart starting in the middle of the GFC in 2009. It involved 13 organisations and 26 interviews with senior HR managers. The second phase also involved 13 organisations, 20 senior HR professionals and 10 senior line managers. Some people and organisations were in both studies. Overall the two studies included telecommunications, charity, media, pharmaceutical, financial services, publishing, software consulting, consumer electronics and energy sectors. The interviews were analysed using Atlas-ti and the interpretations were presented and discussed with a group including several of the participants.

### **Findings**

The impact of recession and the extent of recovery varied across organisations. Changed business models, restructures and mergers were common. Some participants reported that the rhetoric of the recession at the time was worse than the reality *'it's like a phoney war, lots in the media, but we haven't seen the signs ... need to keep it in perspective (HR)'*, but not others *'I'm as lean as I can possibly be (Line Manager, (LM)) to 'I want more from HR as in a recession there are opportunities (LM)'*.

For some, the 'recovery' turned out to be a false dawn: *'see moments when things are turning around and then we are back in the middle of it'(LM), 'sense of cautious recovery ... but are we in for a double dip'(HR) to 'now in the upturn ... we have a huge recruitment drive'(HR)*. Until asked the question many participants had not reflected on lessons from previous recessions. Those who had either used their experience to take positive actions to avoid previous problems or remained cautious.

The impact of the recession was that HR felt busy. Many HRM functions had restructured and downsized to demonstrate their contribution to the business so that the line felt *'HR are spread very thin'* (LM) and wanted *'people who are experienced and additive rather than another round of well-intentioned juniors'* (LM). 18 months later this had increased *'all really stretched as we are very lean'* (HR) and *'reduced HR resource so HR has less time to talk and listen to individuals ... we have no time, increased distance and we have standardised'* (LM).

During recession many HR professionals felt their reputation was high: *'a lot of value, they bring an objective insight that those of us close to the business get too close'* (LM) *'there has been a very positive response to the way HR is helping to address business needs in recruitment, development and resourcing.'* (HR) but where they had restructured *'you can't give that to the kind of factory function HR's got'* (LM). Once into recovery leaving the reactive role seemed difficult - *'in a recession we are very agile in an area of comfort but not so comfortable in new areas.'* (HR).

The activities focussed on in recession were carrying out the 'hard' tasks but with a mix of soft practices: the expected tightening of performance management, adjustment of rewards and restructuring/downsizing, which could be seen as a maintenance role, with focus on costs, headcount and doing more with less. They were also required to take an 'underpinning' role including people stewardship to support change management, communication and engagement. The concerns in recovery were dealing with the consequences of the hard actions *'potential loss of trust is an issue. There is less binding of an employee to a company when you are getting no pay rise'* (HR) *'erosion of benefits, things being withdrawn and pay freezes. Not sure if they are business or HR decisions but people tend to associate them with HR'* (HR). This required a restoration role picking up the pieces and rebuilding trust; and being ready to build new where the upturn meant a need for new capabilities and programmes including supporting change, leadership development and coaching.

In many organisations HR was seen as doing the 'hard' stuff for organisations and valued for it, especially with retrenchment, finding alternatives to keep people employed. However once recovery seemed on its way they found it harder to leave the reactive role and were uncomfortable with a strategic role. Whilst the line had been appreciative of the administrative role they needed HR to be more strategic. They had been good at the difficult measures that organisations felt they had to take, but now had to deal with the consequences such as loss of trust and engagement but

also in supporting change, leadership development and coaching. *'HR needs to be challenging the thinking – are you pipelining the right talent'* (LM). The organisations where HR directors had been involved at a strategic level seemed to have weathered the recession better and it proved to be a 'phoney war', however the HR functions that had focussed internally, lacking awareness of the external context, found the recovery more of a 'false dawn'.

The findings demonstrated the persistence of Legge's ambiguities, vicious circles and the double bind of trying to implement the latest thinking by focussing on the bottom line and then finding themselves worse off. The focus on costs has led to implementation of e-HR, service centres and outsourcing, which in turn led to barriers to conversations between HR and the line so that *'some VP's think they don't need HR because they are not having the strategic conversations (HR)'*. HR frequently did not see themselves as part of the strategic process and had not recognised the impact of HR transformation in cutting HR off from the business. This is epitomised by the language of separation, 'aligned to', 'close to' but not part of the business.

This also suggests that path dependence as a potential explanation for how the role of HR returns to a preference for the reactive administrative role in organisations which allow their HR functions to retain an inside-out approach (Wright et al. 2004) rather being involved at a strategic level. Success seemed to come when both line and HR work together *'the role HR plays is good but the answer cannot come only from HR. The role of the leader and communication is critical'* (LM). HR still came in for criticism but HR directors also work at a business level *'very close to the business ... they understand the market and challenge the business to ensure they are thinking about people'* (LM).

Recent practitioner research highlighted the expectations that CEOs had of their HR Directors in providing basic functional expertise but more importantly the ability to be a general board member, be prepared to hold the Board to account over people and have integrity as they provide the 'eyes and ears' of the CEO in the organisation (Holley,2014)

### **Overall Lessons: An Opportunity Missed**

In the UK the GFC provided HR the opportunity to be valued and to follow it through by taking a more strategic view of the lessons. Many HR functions failed to grasp this opportunity through remaining internally focussed and then exacerbated this by establishing barriers through the very transformation that was intended to support them becoming more strategic and in touch with the

business. Ten years on from Guest and King (2004). It would appear Legge's ambiguities still exist and lessons from the past have not been learned in many functions.

### **Future Research**

This will explore the roots of possible path dependence and the contextual factors that impact on the role that the HR function takes through examining the external shocks and inescapable constrained processes that potentially prevent HR from contributing at a strategic level. It will take as its main premise that path dependency exists, as Legge explained through her vicious circles and these studies in the New Zealand public sector and UK have demonstrated. New Zealand has similar models of HR to the UK but in a different Asia Pacific context, with a different experience of GFC, and as a smaller country can be more flexible and faster in response, equally in addressing constraining factors, as demonstrated by a history of being more radical in privatisation and in the public sector.

The proposed study over this summer would take a constructivist approach to explore the experience of both senior HR managers/directors and their line equivalents to be able to understand the state of the function, a view of effectiveness, gaps in credibility/ capability (Schwandt, 1994). We are particularly interested in examples of good practice and what works to build influence.

The questions will explore the external and internal context (social structures and culture), lessons from the past, the prevalence of HR and Legge's ambiguities and their impact on HR practices and effectiveness. The intended outcomes would build on the work to date to be able to understand the role of the HR function, its practitioners, what is required of them, their relationships within the organisation and the extent to which the context influences that role.



## References

- Caldwell, R. (2008). HR business partner competency models: Re-contextualising effectiveness. *Human Resource Management Journal*, 18(3), 275-
- English, B. (2012, Tuesday, October 2, 2012 - 16:30 ). Creating Better Public Services: What can the UK learn from New Zealand (and vice versa)? , from <http://www.instituteforgovernment.org.uk/events/creating-better-public-services-what-can-uk-learn-new-zealand-and-vice-versa-0>
- Farndale, E., Paauwe, J. & Hoeksema, L. 2009. In-sourcing HR: shared service centres in the Netherlands. *The International Journal of Human Resource Management*, 20, 544-561.
- Glaister A., and Parkinson A., (2013), HR Transformation or Path Dependent Rigidity, full paper presented at BAM, September
- Guest, D. & King, Z. 2004, "Power, Innovation and Problem-Solving: The Personnel Managers' Three Steps to Heaven?", *Journal of Management Studies*, vol. 41, no. 3, pp. 401-423.
- Halligan, J. (2007). Reintegrating government in third generation reforms of Australia and New Zealand. *Public Policy and Administration*, 22(2), 217.
- Hammonds, K (2005) Why we hate HR: you're great at administrivia and wasteful. *Leadership Excellence*, 23 (2), 20
- Hartley, J., Sørensen, E., & Torfing, J. (2013). Collaborative Innovation: A Viable Alternative to Market Competition and Organizational Entrepreneurship. *Public administration review*, 73(6), 821-830.
- Keegan, A. & Francis, H. 2010, "Practitioner talk: the changing textscape of HRM and emergence of HR business partnership", *International Journal of Human Resource Management*, vol. 21, no. 6, pp. 873-898.
- Legge, K., (1978), *Power, innovation, and problem-solving in personnel management*, McGraw-Hill Book Company (UK) Ltd

- Legge, K., (1995), *Human Resource management: Rhetoric and Realities*, MacMillan Business
- Leonard-Barton, D. (1992). Core capabilities and core rigidities: A paradox in managing new product development. *Strategic Management Journal*, 13(S1), 111-125.
- Martin, G., & Golan, P. J. (2012). Corporate governance and strategic human resources management in the UK financial services sector: The case of the RBS. *International Journal of Human Resource Management*, 23(16), 3295-3314.
- McCarthy, S. (2009). *The leadership culture and performance connection: Transforming leadership and culture in the state of nations*. Wellington: Human Synergistics International.
- Norman, E. J. R., & Gill, D. (2011). *Restructuring: An Over-used Lever for Change in New Zealand's State Sector?* : Institute of Policy Studies.
- O'Donnell, M., O'Brien, J, Junor, A., (2011), New public management and employment relations in the public services of Australia and New Zealand, *International Journal of Human Resource Management*. Vole 2, no11, 2367 - 2383
- Payne, M. 2010, "A Comparative Study of HR Managers' Competencies in Strategic Roles", *International Management Review*, vol. 6, no. 2, pp. 5-12.
- Plimmer, G., Norman, R., & Gill, D. (2011). Skills and people capability in the future state: Needs, barriers and opportunities. In B. Ryan & D. Gill (Eds.), *Future State: Directions for Public Management in New Zealand* (pp. 281 - 305). Wellington: VUP.
- Plimmer, G., Wilson, J., Bryson, J., Blumenfeld, S., Donnelly, N., & Ryan, B. (2013). *Workplace Dynamics in New Zealand Public Services*. Wellington: Industrial Relations Centre, Victoria University of Wellington.
- Report of the Ministerial Inquiry into the Novopay Project*. (June 2013). Wellington: New Zealand Government.
- Raisch, S., Birkinshaw, J., Probst, G., & Tushman, M. L. (2009). Organizational ambidexterity: Balancing exploitation and exploration for sustained performance. *Organization Science*, 20(4), 685-695.

- Rennie, I. (2013). *Speech of Head of State Services and State Services Commissioner Iain Rennie at the Institute of Public Administration New Zealand (IPANZ) State sector legislation launch*. Wellington.
- Schick, A. (2001). Reflections on the New Zealand model. *Lecture Notes based on a lecture at the New Zealand Treasury in August*.
- Sheehan, M., & Sparrow, P (2012): Introduction: Global human resource management and economic change: a multiple level of analysis research agenda, *The International Journal of Human Resource Management*, 23:12, 2393-2403
- Storey, J. (Ed.). (1989). *New Perspectives on Human Resource Management*. London: Routledge.
- Sydow, J., Schreyögg, G., & Koch, J. (2009). Organizational path dependence: Opening the black box. *Academy of Management Review*, 34(4), 689-709.
- Tyson, S. & Fell, A. 1987. *Evaluating the Personnel Function*, London, Century Hutchinson Ltd.
- Ulrich, D. (1997). *Human Resource Champions: The next agenda for adding value and delivering results*. Boston, Massachusetts: Harvard Business School Press.
- Vergne, J. P., & Durand, R. (2010). The missing link between the theory and empirics of path dependence: conceptual clarification, testability issue, and methodological implications. *Journal of Management Studies*, 47(4), 736-759.
- Wevers, M. (2011). *Better Public Services Advisory Group Report*. Wellington: New Zealand Government Retrieved from [http://www.ssc.govt.nz/sites/all/files/bps-report-nov2011\\_0.pdf](http://www.ssc.govt.nz/sites/all/files/bps-report-nov2011_0.pdf).
- Whitehead, J. ( 2006). The Imperative for Performance in the Public Sector *Apec Viet Nam - Seminar on Public Sector Governance*. Da Nang, Vietnam.
- Wright, P.M., McMahan, G.C., Snell, S.A. and Gerhart, B., 2001, Comparing line and HR executives' Perceptions of HR effectiveness: services, roles, and contributions, *Human Resource Management*, Summer 2001, Vol. 40, No. 2, Pp. 111–123



Research  
Forum.

Zagelmeyer, S., & Gollan, P. J. (2012). Exploring Terra Incognita: Preliminary Reflections On The impact of the global financial crisis upon human resource management. *International Journal of Human Resource Management*, 23(16), 3287-3294.