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The Development of Human Resource Management in New Zealand

Human Resource Management (HRM) has been and continues to struggle to be recognized as a legitimate profession in the business world today. This paper examines the Human Resource (HR) profession in New Zealand, covering both its development from early labor relations to the various contexts that have impacted the advancement of HRM over the last fifty years. The antecedents to the development of HRM in New Zealand are examined in detail, including the history of labor management, legislation, and the impact of the Second World War on the need for an "employee champion." The paradox faced by HR practitioners of role ambiguity is also discussed, as well as the history of that role undertaken by HR professionals in a country where the majority of businesses are classified as small and influenced by the deregulation of the economy by the New Zealand government some two decades ago. The contribution that HRM can make, given the correct contexts, is also examined, with a detailed look at the state of HR outsourcing in the New Zealand business environment. This paper has both a historical and futuristic commentary, and seeks to enlighten the reader on the state of HRM in New Zealand since its establishment half a century ago.

Introduction

This year is the anniversary of fifty years of human resource management (HRM) in New Zealand. Over this period the characteristic features of HRM have been transformed from its beginnings in the 1950s as personnel management to HRM today. This development represents a useful illustration of the evolution of this business function over a relatively short period of time relating to both practitioner and academic communities.

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New Zealand is a country approximately of the same geographic size as the British Isles, with a population of just over four million. It consists of two main islands with an alpine backbone located in the South East Pacific. It is a stable democracy based on the British Westminster tradition, with a House of Representatives in the capital city of Wellington. It is a nation predominately of small business, but does have its share of reasonably large public and private sector corporations. Less than one percent of New Zealand enterprises have 100 or more employees, but this group alone accounts for 47 percent of all New Zealand employees. There are 1.73 million people employed in business (Pink, 2005).

This article will describe and discuss the development of HRM in New Zealand. It will also comment on both its achievements, and its failures in the New Zealand organizational context and also the directions in which it is going. A feature of this development of HRM is the growth of both practice and knowledge and the growing professionalization of practitioners, since the advent of the first personnel specialists in the early 1950s.

The New Zealand Context

The development of HRM in this country reflects the employment relationship that people have with their employers (both private and public sector). It began with an administrative and operational basis, and over a relatively short period has developed into HRM with a strategic perspective. The year 1984 was a watershed year in New Zealand. Literally overnight, New Zealand transformed itself from a highly regulated economy, where the state took a leading role in business, to a free fall into a market led revolution. It was the same year that Fombrun, Devanna, and Tichy (1984) published their seminal work on strategic HRM, emphasizing two points why strategic HRM was necessary: a decline in productivity, and an inability to innovate. These issues were caused by the major contextual factors including the economy, technology, socio–cultural forces, and the political environment. These factors, while based on the American experience, were very relevant to the New Zealand external context.

Given the environment of a small nation where most people have a reasonably equal standard of living and where informality is the norm, one could conclude this environment would provide the scope for enlightened management. However, the facts suggest that the opposite was true. New Zealand managers had been unable to get the best out of the people they supposedly managed. Early anecdotal evidence in this country indicated that schemes like formal worker participation (few as they were), while characterized by an overt show of worker involvement, were really the preservation of managerial prerogatives. The so–called democratic approach of people involvement was, more often than not, a smokescreen for authoritarian control. This dilemma of control was highlighted by

McLennon, Inkson, Dakin, Dewe, and Elkin (1987) who suggested that while New Zealand managers recognized the potential of employees, particularly improving performance through self–determination and self–supervision, they were unable to face up to the loss of managerial control that such changes would entail.

In 1950, New Zealand was essentially Britain's farm, with the third highest standard of living in the world. By the late 1980s, New Zealand rated no better than some third world nations. This was due to a number of changes in the economy. So, the high productivity experienced in the 1950s had declined. Since the 1980s, with the completion of the restructuring and deregulation process, our competitiveness has improved, but there are still a number of systemic issues that affect our productivity as a nation. HRM has had to develop within this context and the heritage of having to change from a stable and dependent relationship with a "mother" country to a new sense of nationhood, independent of its British traditions, and also a renaissance of its own indigenous Maori culture.

Inkson, Henshall, Marsh, and Ellis (1986) identified two major barriers to achieving economic prosperity in New Zealand. The first was a lack of competition, left by a legacy of effortless prosperity from the 1950s, where overseas markets had been assured, and protectionism was a way of life. This legacy bred a generation of business managers who were brought up in an over controlled working environment. The over–regulated economy had created a cohort of managers who were obsessed with controlling the organization and driving out unwanted irregularities. Writers such as Felix Donnelly (*Big Boys Do Cry*) and Gordon McLaughlin (*The Passionless People*) suggested that striving for control in organizations had become a key dynamic of New Zealand males. This resulted in a tremendous cost to the company through industrial unrest, while the principal actors in an over–regulated industrial relations system flexed their muscles for the next round. It is interesting to note that New Zealand boards of directors traditionally were dominated by lawyers and accountants whose very training is rooted in control as a key objective. The second major barrier was a mediocrity mentality bred by the notion that "Jack is as good as his master." While egalitarianism is a good and noble principle to achieve, it is not good if it breeds a national desire not to stand out. New Zealand today still has issues with the so–called "tall poppy syndrome" that is often upheld as a characteristic of many successful economies.

The change in the New Zealand external forces, heralded in 1984, saw the replacement of the protectionism of the 1950s and 60s by a deregulated economy that exposed New Zealand to global competition. In the technological sector, over half of the working population was employed in service, rather than manufacturing businesses, and technology replaced manual workers with service and knowledge workers. Socio–culturally, women were starting to make a significant proportion of an aging workforce. This was a textbook case for Frombrun, Tichy, and Devanna's (1984) study of external contextual change. The year 1984 saw the withdrawal of successive governments from state intervention in the economy.

Antecedents to the Development of HRM

It is against this background that HRM developed in New Zealand. The New Zealand heritage of managing employees was based on the British idea of welfarism (Ransom, 1966). While there has been a definite move away from welfarism in the HRM function and a much closer alignment with business management, many of the welfare activities still reside in HR departments in today's organizations. HRM in this country was also driven by a highly regulated industrial relations system that often stifled the development of some of the more proactive HRM activities. For many years, HRM relied on the Industrial Conciliation and Arbitration legislation in its many revisions to resolve employee–employer relationships. This gave HRM an administrative emphasis.

New Zealand historians, like Keith Sinclair (1980), suggested that tradition exercised a strong influence on what happens in the workplace, based on what we inherited from Britain. Consequently, HRM was strongly influenced by the ideas and solutions developed in the United Kingdom. The British experience of HRM (known as personnel management) developed out of the traditional recognition in Britain that employers were responsible for the welfare and instruction of their employees. The British social structure reinforced this paternalism, so there was a moral obligation, stirred by the excesses of the Industrial Revolution, to look after the employees. The Second World War gave the impetus to some rapid growth in personnel management through increasing sizes of organizations and industrial growth, putting pressure on the amount of labor required. After the War many organizations retained these additional functions. The emergence of well defined company personnel policies required a person to guide and administer them. This saw the creation of a senior administrative position called the personnel manager (Ransom, 1966).

However, New Zealand did not have the same mores built into its social structure. Here the employee was on an equal footing, therefore there was not the same concern for welfare as a moral responsibility of the employer. Instead, it was left to unions through industrial relations to negotiate conditions of employment for their employee representatives. During the 1887–1890 period, the New Zealand recession caused a deterioration in employment conditions, often characterized by rampant exploitation and appalling working conditions. Things became so bad that in 1890, the government set up a Royal Commission known as the Royal Commission on Sweated Labor (popularly called the "sweating commission"), which found cases of gross exploitation. The commission's recommendations included the need to control conditions through factory legislation, and the establishment of a Department of Labor with a system of conciliation and arbitration.

The Factories Act of 1891 and its resultant stream of legislation regulated the conditions of work in factories, but the most significant of the legislation introduced in the lat-

ter part of the 19th Century was the Industrial Conciliation and Arbitration Act, this was the most novel of all the labor legislation (Sinclair, 1980). It was masterminded by William Pember Reeves, who was in charge of the first Labor Department established as a result of the "sweating commission's" findings. This Department was established to administer new labor legislation, to inspect factories, shops, and farming activities, and to generally scrutinize working conditions. After the strike of 1890, suggestions were made that arbitration become compulsory, and in 1894 Reeves introduced the first compulsory system of state arbitration in the world. Essentially, this legislation divided up the country into a number of conciliation boards, whose members were elected by both owners and workers. It was Reeves' belief that the majority of disputes would be settled by these boards. However, if the decision did not suit either party an appeal could be lodged with the Arbitration Court under a Supreme Court judge and two assessors elected by the employers' associations and the unions. An award of this court then became legally binding. The Industrial Conciliation and Arbitration Act was intended to protect unionism, because at that time Reeves considered unions to be too weak to safeguard the interests of employees against their employers.

History has shown that the outcome of this legislation was to pass much of the decision–making over to litigation. As Sinclair (1980 p. 184) suggests "… It seems hardly too much to assert that the structure of industrial relations in New Zealand, and to some extent the structure of the society itself has developed within the framework of this Act. Its influence is all the more remarkable when one considers that at the time of its introduction there was also no demand for it: but for Reeves persistence, it is improbable that it would have been introduced." It is perhaps paradoxical in some people's eyes that it took almost 100 years to undo Reeves' legacy of state arbitration in New Zealand.

By the end of the 19th Century, the principle of government regulation in industrial relations in New Zealand was well established. Hard bargaining, a feature of American industrial relations, was transposed into rules of procedure in New Zealand detailed in Acts of Parliament. However, the major industrial troubles in the early parts of the 20th Century up to the great strike on the wharves in 1951, were indicative of the American influence, particularly when the country saw the establishment of employee associations who opted to exist outside the confines of the legislation.

Up until the war years, there was little thought given to the management of labor within organizations. The depression and its aftereffects meant that there was an abundance of labor, and business units relied on this surplus of labor. Employment conditions and employee–employer relationships were regulated through legislation. Until the Second World War, there was very little scope for HRM as we now know it. The lack of concern about the efficient management of labor was also aggravated by the relatively small size of business units in New Zealand. Employers were almost able to engage and dismiss at will.

The war years changed all this. The mobilization and the requirements in industry meant acute labor shortages. Manpower regulations passed by government curtailed employers' right to dismiss people freely. Therefore, employers had to find other ways of disciplining staff without dismissing them. The increase in female labor resulted in the appointment of welfare officers and industrial nurses. Welfare officers' duties included running canteens, providing first aid services, and controlling absenteeism. Many of the people employed were quite unsuited to the work, and none had been given any training.

In 1942, the Industrial Psychology Division of the Department of Scientific and Industrial Research (DSIR) was founded. Its mission was to provide research into various problems resulting from the wartime industries. The psychologists studied selection, ventilation, heating problems, absenteeism and seating of operatives. Reports were published and made available to industry, and this type of scientific management was becoming accepted. Much of the work pioneered in this unit has been developed by various consultants.

The early years were marked by a lack of training for the management of labor. New Zealand had not really gained from the experience overseas, where institutions like the British Institute of Personnel Management (IPM) had been formed with this very end in mind. To address this, in 1943 the Institute of Industrial Management was formed in Wellington. Some assistance was given by the Australian Institute and the Royal New Zealand Army Education Corps (RNZAEC) by way of courses on foremanship, absenteeism, costing, and personnel management. A division was also formed in Auckland later that year. In 1945, it became the New Zealand Institute of Management (NZIM), with branches in the other main centers.

The main impetus for the establishment of personnel officers in this country (personnel management was the name given that preceded HRM) was from the establishment of larger organizations with headquarters overseas. These firms had their own systems and procedures, to which New Zealand subsidiaries had to conform. A further impetus was the establishment of large–scale public works projects that often consisted of large work forces in isolated areas. Therefore, canteen and accommodation administration, and the provision of recreational facilities, became an additional feature of the employment function.

The continued shortage of labor after the war meant that the duties of personnel officers were restricted to employment and welfare. The shortage of trained personnel officers meant that there were deficiencies in the field. Many of the personnel appointments were people who came from vocations with neither the background, nor the motivation, for the work of personnel managers. This concern led to the launching of the Personnel Managers' Association in Wellington by a small group of personnel managers in 1956. This personnel group was established as part of the Wellington division of the NZIM,

with a clear set of aims and activities to improve both training and standards in the practice of personnel management. This led to the establishment of divisions in other locations, and later became the New Zealand Institute of Personnel Management (NZIPM). In 1985, IPM(NZ) came into existence as an autonomous body, separate from NZIPM.

The Paradox of Personnel Management

Given the beginnings of personnel management in New Zealand's context, early impressions of the role of the personnel practitioner and personnel department were not particularly flattering, as captured in Meyer's famous observation.

"The personnel department has been represented on many organization charts as an orphaned box—one that came from nowhere, and did not seem to fit anywhere. To many businessmen, including many chief executives, the people who worked in personnel seemed to be a bunch of drones whose apparent missions in life were to create paperwork, recruit secretaries who could not type, and send around memos whose impertinence was exceeded only by their irrelevance. Personnel managers, whatever their competence, suffered the image of being good–old–joe types, harmless chaps who spent their careers worshipping files, arranging company picnics, and generally accomplishing nothing whatsoever of any fundamental importance." (Meyer, 1976)

If such an image were only half true then there were serious issues for the early personnel managers in New Zealand. How did this image reflect on the way personnel people saw themselves? Did this image explain why personnel managers and departments were often near the bottom of the company pecking order? Watson (1977), in a sociological study of the personnel occupation in Britain, observed that personnel specialists' work was essentially managerial in nature, involving the acquisition and control of people as human resources in organizations that were becoming increasingly large and complex. This observation was also true in New Zealand. The accent on welfarism in the work of personnel managers led to role ambiguity. With the fundamental conflict between the buyer and seller of labor, the question became, who did the personnel manager really represent? Did he, or she, represent the employer's interests or those of the employees?

The debate arose from the notion that personnel management was concerned primarily with the contribution of the employees to assist the operation and achievement of organizational goals. It followed that this was a function of all management (including line management). Yet, despite the growth of a professional body, thus justifying an occupation of those employed full–time in personnel management, there were a number of people who specialized in this but did not see themselves as personnel specialists. Examples of these were civil servants, military officers, and local government officers. However, there was a common consciousness among personnel specialists, as opposed to other managers that

deal with human resources. This was the need to establish their status in organizations, and their struggle to become part of the top management team. For instance, NZIPM's 1984 Conference theme was personnel's role in organization effectiveness.

There was the fundamental paradox of two competing rationales underlying personnel management: the welfarist (employee interests) and the technicist (employee effectiveness). These structural problems led to ambiguity and tension. Line managers dumped their people problems on to the personnel manager. Yet, when the personnel manager tried to do something to prevent people problems occurring in the first place, the personnel manager was either ignored or hampered. A study of personnel managers in New Zealand demonstrated this fundamental paradox. Gilbertson (1984) considered three issues associated with personnel managers. First was the issue of professionalism. He found that the key attributes of those engaged in personnel management were that half had no tertiary training or form of professional qualification. Only a minority were female, and half the sample had only two years or less in personnel management. A further half had no experience in other managerial functions. Only one–third reported directly to the chief executive officer. When interviewed, personnel people saw themselves as garbage gatherers, fire–fighters, unable to initiate, or change, major policy. These findings paralleled overseas findings. Consequently in the main, personnel people were the servants of power.

The second issue was the reporting of high levels of role ambiguity and consequential role stress. The key forces underlying this were: the lack of a supportive leader; a lack of personnel expert power; a lack of participation in decision–making; and, a lack of expert power in the supervisor. The outcomes of this role stress were decreased job satisfaction, decreased job performance, decreased commitment, an increased propensity to leave, increased job tension, and increased health problems. The third issue was what to do about it. In Gilbertson's view, this involved a breakout process where personnel managers become professional, reduce the ambiguity of their role, and become strategic in outlook.

Status of and Professionalization of the HRM Function

In Australia during 1981–83, the IPM(A) conducted a series of work shops aimed at trying to determine factors to increase profitability. The main conclusions reached were the need to establish clear personnel objectives and policies, to acquire relevant knowledge and skills, and to demonstrate professionalism and credibility in managerial behavior. Key personnel activities needed to be coordinated within an integrated plan linked directly to the strategic objectives of the business enterprise.

Therefore, in the early 1980s in New Zealand, a frequent analogy of a personnel department was one of it being equivalent to an accident and emergency ward, where em-

ployees were sent when line managers were unable to cope with problems. The role of the personnel practitioner was to "mend" and act as *welfare worker* instead of practicing *preventative medicine* (Rudman, 1985, p. 72). So, despite a growing realization and an abundance of literature that human resources are the key to improved performance (Hanley, 1984), there was relatively little done in almost twenty years to utilize the HR function to capture the true value of human capital in firms.

The popular notions of HR being a key player in any competitive–based company as well as the proposition by many HR advocates that HR was a profession, were not actually borne out in practice. As noted above, the early personnel management research in New Zealand was undertaken by behavioral science researchers, who conducted studies in specific aspects of the personnel function, particularly in the area of personnel selection and placement. Much of this type of activity was pioneered by the Industrial Psychology Division of the DSIR, and was built on by certain academics and consultants. However, there were three major surveys of personnel practices carried out in New Zealand over a period of three decades.

The first, in 1958, was undertaken by the Wellington Personnel Management Group (formed in 1956). This group published a report on the scope of personnel management in New Zealand. The aim was to establish how many organizations of at least 150 employees employed personnel officers and the scope of their responsibilities. The survey was posted to thirty–nine private sector organizations and government departments, which provided coverage of 16 percent of the New Zealand work force. The results showed that 25 percent of the organizations had more than 150 employees, and the personnel function in these organizations emphasized employment and induction, wage/salary reviews, personnel records, personnel counseling, and training. The ratio of personnel officers to employees was 1:145.

The second survey, conducted ten years later by the Auckland Personnel Management Association, obtained the same information as the first, plus a new section on training and the backgrounds of people in personnel management. This time, the survey involved only private sector organizations, government departments were excluded. A total of 195 questionnaires out of 372 were analyzed. The results reinforced the findings of the first survey.

The third survey, conducted in 1978 by the New Zealand Institute of Personnel Management (NZIPM), included government departments, government corporations, and local bodies. The survey was the largest of the three and involved 622 organizations that employed more than 150 staff. It was found that two out of five organizations did not have full–time personnel workers. Females accounted for 22 percent of personnel staffs employed mainly in employment related activities and personal services. It was found that the larger the organization, the more likely it was for personnel function specializa-

tion to be apparent. The survey also reported over the decade significant areas of development including: the establishment of separate industrial relations appointments within the personnel function; an increase in the importance of job evaluation and wage and salary administration; an increase in training and development activities, particularly in the middle of the decade; and, an upgrading of performance appraisal. It was noted with some alarm that the activities most frequently not practiced in the employment area (apart from the use of selection tests) were exit interviews and follow–up interviews. Both these were seen as major contributors to labor turnover control.

Activities related to employee health were not given a great deal of weight in New Zealand organizations. The dominant safety activity for the personnel department was the provision of accident reports and statistics. While personnel departments had a role in prevention, other departments' staffs played a major role. Personnel had the greatest involvement in wage and salaries activities. The responses also reflected the importance of industrial relations in the personnel department. On the other hand, one of the traditional roles of personnel—welfare—no longer required a major allocation of the time of the personnel department. This responsibility now lay with other departments. The main conclusions from this survey were: the role of the personnel department was gaining increasing recognition and acceptance, made evident by greatly increased sophistication and specialist services; and that 40 percent of organizations not employing full–time specialist staff, which was viewed as a matter of some concern.

The 1970s saw a lack of anticipation by personnel managers to alert top management to the issues emerging from the external environment, and the anticipation was that during this decade, personnel managers would become increasingly concerned with longer term strategic resource issues. This would include early warning systems to monitor legislation, demographic, and social and cultural changes. Also, more effective management training programs to eliminate Neanderthal practices given the much more highly educated work forces.

Research by Ransom (1987) undertaken on professional members of IPM(NZ) suggested that involvement with corporate decision–making was becoming a high priority for personnel practitioners in New Zealand, while in the areas of safety and health, the priority was much lower. The incidence of involvement in corporate decision–making confirmed the increasing participation of personnel practitioners in top management decision making. However, in the same research study, Ransom reported that an obsession with industrial relations continued to be a characteristic of many personnel executives.

The Restructured Economy (or The New Zealand Experiment)

Mid–1980 heralded the beginnings of major restructuring in New Zealand organizations, deregulation of the state sector, and the embracing of free market economics. The term human resource management started to appear in organizations, and personnel managers were being renamed human resource (HR) managers. Nonetheless, the Institute of Personnel Management (New Zealand) did not officially recognize HRM in its title until April1999 and this was by popular demand of the membership of HR practitioners. This was, in a sense, a reflection of the traditional ties that IPM(NZ) had with the UK IPM. Also, the term *human resource manager* did not have universal acceptance within the profession and in academic circles. To an extent, the term HRM got tarnished by the more negative effects of rapid restructuring, which in many circles was a polite way of getting rid of people. Anecdotally, at the time many HR managers, who were involved in the implementation of restructuring decisions, were seen by the workforce as being completely untrustworthy. In retrospect, the association of the term *HRM* with rapid downsizing of both public and private organizations in the 1980s and 1990s, did more damage in the long term with respect to the trust factor. This problem of trust has also been reported in the United States and Australia (Kochan, 2004; Lansbury and Baird, 2004). Today, many HR people are not trusted, and are often perceived as "lackeys" of management or corporate clones! In the UK, the term HRM was rejected by the professional Institute and academic circles who preferred to speak of HR management as people management. The British Institute renamed itself the Chartered Institute of Personnel and Development (CIPD).

While strategy and value were not generally synonymous with the role of the personnel practitioner, there was a growing realization that for the function to survive it was necessary to address this. This surfaced at a conference of IPM(NZ) held in Wellington in 1984. The general consensus at this conference was that if personnel management was to become a meaningful function in terms of business, it needed to demonstrate its contribution (or value) to the well being and strategic direction of the enterprise. Practitioners themselves needed to demonstrate credibility and also professionalism in their advice to the organization. This was further reinforced by the economic restructuring of the 1980s and deregulation of the labor market in the early 1990s. This resulted in a realization for the need for personnel to take on a more strategic role in order for companies to remain competitive (Boxall, 1989; Stablein, and Geare, 1993; Danley, 1995, 1997, as cited in Brown, Gilson, and Wagar, 2000). Key questions on the direction and role of personnel–cum–human resources practitioners in New Zealand were being posed (Hanley, 1984; Rudman, 1985; Boxall, 1989).

The diverse and often conflicting roles that personnel practitioners experienced be-

came the focus of debate (Hanley, 1984). The personnel role was seen as being fraught with ambiguity, and that its true value potential to organizations was unclear (Hanley, 1984; Boxall 1989a). The "business manager – personnel execut*ive*" needed to stress the importance of personnel issues to top level management and to be actively involved in human resource planning, as well as other significant business activities (Hanley, 1984, p. 54). This theme was to be reiterated on numerous occasions over the next two decades.

Gilbertson (1984) had suggested a number of strategies for the personnel/HR practitioner to gain credibility in organizations, including the professionalism of the personnel/HR functions to be integrated into the path of organizational effectiveness. He had come to the conclusion that a personnel profession did not exist in New Zealand in the 1980s. Hanley (1984), an early advocate of personnel becoming a profession, stressed that personnel practitioners needed to be competent professionally to provide consultant advice to management. Boxall (1989) called for the strategic development of the HR function, and for a proactive role to be developed for HR practitioners in organizational contexts. To combat low productivity, he argued for a match between organizational culture and fit, as well decentralizing the HR function and adding value to the organization through strategic activities.

Yet, research by Gilbertson, Fogelberg, and Boswell (1987, cited in Stablein and Geare, 1993) found that in a large sample of personnel staff in New Zealand organizations, many regarded personnel and industrial relations activities as areas that did not require professional experience, skills, and knowledge. These researchers suggested that it may be unwise for New Zealand to endeavor to construct an HRM profession. Alternatively, they proposed that training and analytical services for general managers should be provided through rotation through HRM functional positions in organizations.

Despite the calls for new directions in the roles of personnel and HR practitioners in organizations, the practitioners themselves were slow to respond. The problem was not only other managers' views of them, but also their own self–image of their professional roles as being merely "fire–fighters" and "garbage–gatherers" (Gilbertson, 1984; Boxall, 1989). Boxall (1989a) went so far as to suggest that personnel practitioners should not wait for senior management to recognize their value, but to personally confront the issues that face the dubious perceptions of personnel/HR management. On reflection of the actual developments over the last two decades, these authors were quite accurate in describing the change in role of HR practitioners to follow.

The Importance of Contribution of HRM

The emphasis on being able to evaluate HR practice and the activities of the HR department was also given prominence by the work of Fitz–enz (1984), Fitz–enz (1990), Cascio

(1991), and Fitz–enz and Phillips (1998). These emphasized the importance of measuring what the human resource function can deliver to the organization in terms of adding benefits and value, particularly in financial terms. This particular aspect of HRM had its roots in industrial/organizational psychology that added the dimension of being able to evaluate HRM is business metric, rather than in non–financial terms that were often meaningless to other business managers. New Zealand was certainly receptive to this emphasis in the late 1980s and early 1990s, with Cascio being a keynote speaker at two major conferences.

Theoretical Developments

The 1990s saw the rise of literature relating to theoretical frameworks and ideologies of HRM in response to the conjectures framed in the 1980s. These were often optimistic and insightful about the important role that HRM potentially could play strategically within organizations (Wright and Snell, 1991; Boxall, 1992; Porter, 1996). In the New Zealand context, McMorland (1990) identified theoretical issues such as the ideological orientations among practitioners. She also referred to the types of organizations that were most likely to acknowledge the strategic importance of an HR department, and the level of authority that is assigned to HR managers in the 1990s.

However, McGregor (1991) noted that despite its countless duties and responsibilities, the HR function was still being downsized or completely eliminated in many New Zealand organizations. This was due to the lack of value placed in the role of HR practitioners by middle and senior management. Furthermore, Gilbertson and Fogelberg (1991) found that HR staff spent much of their time on internal administrative duties, seldom reporting directly to the CEO, therefore their function was not placed within the top management group, thus causing frustration and a lack of motivation among HR practitioners. This perception of a shallow power base and an inability to directly report to the CEO led practitioners to believe that their roles and profession were of little value to senior management levels. Gilbertson and Fogelberg (1991) suggested the existence of a "catch 22" situation. The self–perception of a lack of organizational power and influence, meant that practitioners identified themselves as victims, with an inability to effectively change their position in the organization. Likewise, in the UK, a study of 100 participants in large organizations identified that one of the greatest challenges was raising the status and credibility of the HR function, as well as seeking recognition by senior management (Gowling, 1994). So, despite the call made in the 1980s for HR practitioners to step up and become proactive and assume a new strategic role, almost two decades later the majority of HR practitioners continued to remain in a state of learned helplessness.

Ulrich (1997) declared the necessity of HR professionals to change their focus on "doables" to "deliverables." In other words, rather than demonstrating how busy they are, HR practitioners needed to demonstrate what they will deliver to the achievement of organizational goals. To change this mentality necessitated demolishing many of the myths associated with HRM that kept it from being professional. Ulrich's message was well received by the professional Institute HRINZ, and it was starting to develop its own professional development program for its members, including a certification process. Yet there were still several problems surrounding the position of HR practitioner. These included a lack of experience; coming into the role from other occupational backgrounds; generally offering very little of practical value to an organization; relationship problems with line managers; and physical and psychological distance from the actual pool of human capital (McGregor, 1991). The suggestion was that HR practitioners had taken themselves too seriously, and therefore would fail to deliver tangible results in the market and organization. Rudman (1999) agreed with this rather ungenerous stance, and suggested that HRM has not only done a disservice to the people who work in organizations, but also to the traditional personnel specialists, by no longer being concerned for the well being of their employees—a key attribute of earlier practitioners!

Brown, Gilson, and Wagar (2000) disagreed that HRM was on the decline. Their study of HRM and industrial relations practices in New Zealand from 1995–1999 reported a significant occurrence of bundles of HRM practices, evidenced by an increase of firms use of more formal practices (performance appraisals, employee attitude surveys, and employee orientation programs). Also within this time, an incidence of HR departments in New Zealand organizations rose from below 50 percent in 1995 to 58 percent in 1999, a contradiction to the assumption that HR was going to be under–utilized and forgotten in the 1990s. However, this did not imply that the role of HR practitioner had shifted to a top–level status. Nonetheless, there was other evidence supporting a low level of professional development in HRM, despite an increasing number of HR specialists in New Zealand (Stablein and Geare, 1993).

HRM as a Profession

The 1990s, in summary, brought little to it in the sense of a true development of HRM as a profession in this country, despite the rhetoric of the professional Institute and reported rises of HR practices being utilized. Research surveys suggested that the HR practitioner remained far from the target of being considered valuable to the organization, or gaining a professional status among the top management.

Since this time, however, there have been some advances. Cleland, Pajo, and Toulson, (1999) concluded that HRM, like many occupations, had been relentless in

their pursuit of professional status. Since the late 1990s, some progress has been made relating to the debate on whether or not HRM is a profession, and where the position of HR manager should lie within an organization. Stablein and Geare (1993) noted that the HR profession in New Zealand was at a critical juncture. They recognized the next few years would determine its integrity and recognition. Six years later, the HR profession was still waiting for this to happen, as shown in the Institute of Personnel Management (IPM) survey results, where 76.6 percent of respondents expressed a desire for HRM to be identified as a genuine profession (Cleland, Pajo, and Toulson, 1999). Those outside the vocation still failed to view HRM as a profession, and, the role of an HR manager as valuable, as shown by the Training Network (2000) survey where figures demonstrated the industry is less than stable.

One of the main areas of concern for those who resist HRM as a profession is the lack of entry requirements and qualifications required to practice as an HR specialist. While the medical, legal, and accountancy professions have stringent entry requirements and processes, the HR profession does not (Marshall, 2002). The HR profession has unrestricted entry through career change, internal promotion, or a career choice after tertiary education. Qualifications in HRM did not actually enter the university curriculum until the late 1970s (Stablein and Geare, 1993). To be seen as professionals, HR practitioners needed to up skill via formal education (i.e. relevant degrees, diplomas, certificates) and to be affiliated with professional memberships (McGregor, 1991). In fact, in a study of twenty–four large organizations (1000 employees plus), Hunt and Boxall (1998) found that HR specialists are more likely to have tertiary qualifications complemented by experience within and outside the HR function. However, graduates with non–HR majors were still being accepted into the role above those trained in the area, adding to the continual perception of HRM being a non–specialist vocation. With this concern in mind, HRINZ submitted a report to the Tertiary Education Advisory Commission stating that New Zealand is not keeping up with the standards of overseas HR management education, and proposed that a professional development program of HR professionals in New Zealand be facilitated (Human Resources Institute of New Zealand, 2000). Since then it has now finalized an educational pathway to becoming certified members of the Institute. This pathway includes both tertiary qualifications in HR and its own educational short course programs. However, certification itself is not a precursor to an appointment as an HR practitioner or manager.

Another important concern with the label of HRM as a profession related to the issue of ethical standards and conduct. While HRINZ has a code of ethical conduct, because membership of the Institute is unobligatory, it leaves the code of conduct applied to the HRM vocation of limited utility. If an HR practitioner acts in an unethical way in an organization, there is no professional sanction as such, merely the sanctions of employ-

ment law. A practitioner may still significantly damage an individual while staying within the letter of the law. That is often why the HR practitioner relies on legislation to make ethical judgements in such situations. The ethical issues that exist surrounding HRM are such that it is more possible to put it into a professional frame as opposed to other functions like production or marketing (Marshall, 2001). The issue of ethics had not gone unnoticed by the HR practitioner. In an IPM(NZ) survey, 70 percent of respondents noted that ethical improvement was required, and there was also a desire for ethical codes of conduct to be reinforced and made more enforceable (Cleland *et al.*, 1999).

The Role of HR Professionals and SHRM

Despite the lack of controlled entry and an obligatory code of ethics, the HR practitioner does endeavor to act professionally. HRINZ does have a code of professional ethics for HR practitioners, to which members will subscribe. Yet many in HRM roles are not members of the Institute. The argument of semantics between HR being a profession versus HR practitioners being professional has already occurred (Cleland, Pajo, and Toulson, 1999).

Despite HRM not reaching the elevated status of a *bona fide* profession, the question remains whether HR professionals are attempting to ensure that their roles are considered as being strategically important as purported in the HRM literature. As Foster–Brown and Marshall (2003, p. 10) observe: "Strategy – a word that blows the hair back on many an HR practitioner" may reinforce the idea that being strategic is a fallacy. Despite the growth of strategic human resource management (SHRM) as a sub–discipline since the mid–1980s, the evidence of its effect on the practice of HRM in New Zealand remains problematic. Boxall and Purcell (2000) suggest that "strategic" is an overworked adjective applied to HRM that often means nothing at all. However, when used in theoretical literature it generally implies a concern in which HRM activities are important to organizational competitiveness. Fields (1998) extends this with the notion that the HR consultants are both strategic and operational partners to the organization. It is through HR activities that their value is realized as facilitators of sustained competitive advantage through the pool of human capital. The notion of sustained competitive advantage is that the human capital pool in the organization cannot be easily copied by competitors and provides uniqueness. In other words, it is the employees who make the difference and HRM enables the required behaviors. Ulrich (1997) expands this notion in a four–pronged approach to HRM practitioners becoming true business partners. He suggests that they have to be not only strategic partners, they also have to be change agents, administrative experts, and employee champions. He argues that it is not a matter of selecting one role and leaving behind or outsourcing the others. HRM is involved in all

these roles, and HR professionals must make decisions on the prominence of each role in particular situations.

If the primary strategic role for HRM is the development of the pool of human capital to meet organizational goals (Gowling, 1994), then it follows that HRM should plan for key knowledge and skills in a competent way. Effective and proficient recruitment and training strategies are required for this particular strategic function to be of use to the competitive advantage of the organization (Hamilton, 2002). By translating the organizational goals into recruitment and selection strategies, HR practitioners get closer to representing the role of strategic partner in an organization. The most noteworthy role for HRM is at the business strategy level where the HR practitioner should understand the character of the business and its core value drivers, as well as assisting with the execution of business plans that will deliver the business strategy (Fields, 1998). For an HR manager to fully satisfy the stakeholders' needs and contribute to the competitive advantage of an organization, they should ensure that they have the relevant knowledge of the business, including the revenue–earning activities of the organization, its competitors, its suppliers, and its stakeholders (Hamilton, 2002).

As a strategic partner in contemporary organizations, HR practitioners need to be readily adaptable to a role that is continuously evolving (Cleland, Pajo, and Toulson, 2000). The question is whether or not HR practitioners can remain professional and ethical in their HR activities, while continually adapting to a changing business environment in a strategic capacity. A number of commentators suggest that this is quite possible (Fields, 1998; Dyer and Holden, 1988, cited in Hunt and Boxall, 1998; Slade, 1998). For the strategic partner role to successfully eventuated, the HR manager needs to be both proficient in all aspects of HRM, and other areas of business (Cleland, Pajo, and Toulson, 2000; Ulrich, 1997).

However, in New Zealand, there is an alternative view that the strategic partner role is not ideal for HR practitioners, and the function of HR practitioner should be a concern for diversity, individuals, and human beings—not human resources. The argument here being that the unitarian stance incorporated into the ideal of "strategic partner," is one that is not reflecting the modern pluralistic world (Rudman, 1999). Rudman (1999) suggests that HRM has failed to provide the strategic and integrated approach to the management of people in New Zealand organizations, because it has failed to provide HRM practitioners with a body of knowledge and practice, and consequently the outcomes of HRM have not matched its promises.

Bretherton (1997) believes that HR practitioners have been so preoccupied with achieving a strategic position and appearing professional, that they have neglected to make any substantial contribution to organizational success. Support for this is from a survey by Burchell, Carswell, Bathula, and Beaver (2001). They suggest the reality of

the strategic role for HRM is less than realized and the role of HRM forecasted in the literature represented an ideal, rather than an actuality. The survey showed a low satisfaction rating by the respondents in the activities that had been achieved (Burchell, Carswell, Bathula, and Beaver, 2001). Another survey that showed similar results was carried out by Marginson, Armstrong, Edwards, and Purcell (1993, cited in Hunt and Boxall, 1998) where they also failed to find an existing link between HRM and business strategies in the majority of large companies surveyed. HR practitioners themselves also showed a lack of motivation towards strategic planning within the organization, elevating other non–strategic functions such as governmental legislation above this, showing the continuing reluctance to the orientation towards a proactive role (Gilbertson and Fogelberg, 1991). Lyons (1995) concurs with description of the outcomes of a survey done by the New Zealand Institute of Management and Wevers and Company, where the quality of HR practice was described as "dismal."

The Crossroads: Outsourcing the HRM Function?

The evidence suggests that in New Zealand, practitioners have been preoccupied with being a profession and gaining status through a strategic partnership, at the expense of the fundamentals of HRM. For HRM to shine, it needs to get the fundamentals right. By focussing on its fundamentals, status and recognition will eventuate. The suggestion has been made that HRM is at yet another crossroads (Anderson 2000). Much of the transactional work of HRM will become the responsibility of information technologists and outsourced agencies. In an attempt to focus on the strategic aspects of the job, HR functions are being devolved to line managers, and outsourced to consultancy firms. Accountability is being forced downwards or outwards, supposedly leaving sufficient time for the HR manager to become more clearly focused on the organization's business objectives and improve the quality of its services (Lyons, 1995; Gowling, 1994; Harkins, Brown, and Sullivan, 1997). McEwan (2002) suggests that there is a strong business case for drastic change within the HR function. With greater demands placed on the fast and efficient delivery of administrative HR duties, coupled by the need for specialist HR consultants in specific areas (Harkins *et al.*, 1997), as well as the rising interest of top–level management in cost reductions, the lure of outsourcing HRM work is tempting. Prince (2003) observes that the prevailing attitude of many employers now is what to outsource. Given the small size of New Zealand organizations, HRM consultancy services are often used for particular HRM needs, rather than in–house HRM activities.

While it is sometimes difficult to distinguish outsourcing from contracting out (Burgess and Macdonald, 1999, cited in Hall, 2000), the difference may be described by the following: outsourcing is a long–term relationship and agreement that is established

between the vendor and the recipient, where risks are shared between the two parties; on the other hand, contracting out is a short–term relationship between an outside supplier and the organization, where the contracts are stipulated on a job–by–job basis (anon., 1995a, cited by IRS Employment Review, 2003; Lankford and Pars, 1999, cited in Kakabadse and Kakabadse, 2003). Devolution of HR functions to line managers describes the decentralization of the HR department duties to other levels of the organization. This trend is worldwide, and involves line managers taking greater responsibilities for the human resource management of their workforce (Griffiths, 1993, cited in Lawson, Mouly, and Dakin, 1999).

With the realization that outsourcing is a way to remove HR administrators from behind their desks and into the boardroom, the trend for outsourcing HR functions has taken the world by storm (Johnson and Mouly, 2002). Facing greater cost demands and the increasing pressure of providing value to their customers, organizations are turning to outsourcing in response to these challenges. Various new forms of "hybrid" organizations are developing that have formed strategic alliances or partnerships with other firms (Kakabadse and Kakabadse, 2002). Third parties, such as outsourcing consultancy firms, are often seen as business partners in these new joint ventures. According to a survey cited by Johnson and Mouly (2002), more than three–quarters of organizations outsource at least one area of their HR functions. Compared to reports that showed only 47 percent of companies were outsourcing HR functions in 1996 (Berta, 2003), the outsourcing industry has experienced immense growth. Additionally, a separate survey (Greer, Youngblood, and Gray, 1999) showed that 53 percent of respondents intended to outsource more in the future. Comparative international surveys show that both North American and European companies are increasingly outsourcing their HR practices (Kakabadse and Kakabadse, 2002; McEwen, 2002). US companies are particularly interested in cost management and the achievement of best practices through outsourcing, while European companies are interested in the cost savings and cost discipline that outsourcing offers them. Both European and American companies have reported greater than expected satisfaction with the results of outsourcing (Kakabadse and Kakabadse, 2002).

In New Zealand, there is relatively little information about the extent of outsourcing practiced here, however, in the few surveys that have been done a slow but steady growth is recognized. Stablein and Geare (1993, cited by Johnson and Mouly, 2002) found that the outsourcing of HR functions was only at a low to average rate in 1990, while by 1997 a survey by the Institute of Personnel Management New Zealand (IPMNZ) showed that some respondents believed that outsourcing would significantly increase in the following years.

In a survey conducted by Klaas, Mcclendon, and Gainey (1998) it was found that those firms that perceived their HR department as adding unique and positive value, were less likely to engage in the outsourcing of HR functions. Timms (2002) points out

that, depending on its strategic direction, a company will decide to either in–source or outsource the HR function. Greer *et al.* (1999) agree.

Johnson and Mouly's (2002) New Zealand study suggested that outsourcing is most likely to be used for HR functions like recruitment and selection, industrial relations, occupational safety and health, and training and development. This may reflect the current availability of a number of small consultant companies made up of principals who used to work in their specialities in organizations, but decided to go it alone during the large scale restructuring in the 1980s and 90s when large layers of middle specialist managers were offered redundancy. Outsourcing has decreased in the areas of recruitment and selection, and industrial relations in recent years. Also, with the decrease of organizational sizes, outsourcing to external consultants is also reported to have shown a decrease. The literature varies in its description of who is actually outsourcing, or who benefits mostly from outsourcing HR functions, however, it does agree that outsourcing is a phenomenal trend that has swept the globe and is unlikely to go away.

It appears that companies choose to outsource their administrative functions, while retaining the focus on the strategic ones themselves. By choosing not to outsource the strategic (core) tasks, companies are ensuring that overall control is retained of the HR function (Timms, 2002). Certain strategic functions are also being outsourced, particularly those that require expert advice and understanding. For example, specialists should be utilized in important issues such as employment relations, particularly those that have a great deal of knowledge of governmental legislation, *i.e.* the Employment Relations Act, or the Human Rights Act (Lawson, Mouly, and Dakin, 1999). Internal HR managers tend to be generalists, and may not have the expert knowledge of each specific area to do the company justice. In New Zealand, where it is not unusual for an organization to be without an HR manager (let alone an HR department), rapid growth may call for an emergency examination of its HRM systems. Outsourcing to vendors would be a more viable option rather than having to establish an HR role from scratch.

The most commonly cited benefit for outsourcing HR functions is the alleviation of costly HR transactions (Atkinson, 1999; McBain, 1999; Sahdev, Vinnecombe, and Tyson, 1999; Ceriello, 2000; Klaas *et al.*, 2001; Timms, 2002; IOMA, 2003). Prince (2003) suggests that outsourcing is the result of employers wishing to reduce expenses relating to HR administration. The capital investment involved in maintaining an internal HR department can be constricting to many businesses. Outsourcing allows organizations to access a flexible labor force and specialist knowledge without attracting a permanent cost (Timms, 2002; IOMA, 2003). Particularly for specialized functions such as training and development, where generalist HR administrators may not be able to deliver quality services, outsourcing provides a way to benefit from training through a less costly route than hiring a permanent training specialist (Moody, 1999).

One should also consider that outside, HR vendors are not only able to bring flexibility, but also a degree of objectivity and clarity to the HR system, which may have previously been missing (Fields, 1998; Greer *et al.*, 1999). Having access to HR specialists is a major benefit of outsourcing HR functions (Csoko, 1995, cited in Klaas *et al.*, 2001). Livingston (2002) agrees and suggests that having access to specialized skills and an outside perspective is one of the main reasons that respondents in a survey cited when choosing to use external HR providers. All these arguments reinforce the initial attractiveness of outsourcing as a way ahead.

In New Zealand, in–house specialization in particular HR areas is not as common as in other countries due to the small size of firms (Lawson, Mouly, and Dakin, 1999). It is for this reason that New Zealand organizations often use outside vendors to supply their specialist HR needs. In a 2001 New Zealand survey, respondents indicated that they felt outsourcing assisted them in gaining a competitive advantage by providing access to specialist skills, as well as alternative resolutions and viewpoints (Timms, 2002). However, a long–term relationship needs to be created with an outside vendor to fully benefit from the use of outside specialist knowledge, so that the vendor may understand the organization's culture and gain institutional knowledge, which may not be feasible with short–term providers of HR services (Livingston, 2002). It follows that to completely profit from outsourced vendor participation, a relationship must remain in effect for an extended time (Greer *et al.*, 1999).

The prevalent argument for outsourcing is cost savings. However, cost is also an argument for not entering an outsourcing agreement. In some cases choosing to outsource to an outside vendor can be more costly than keeping the HR functions internally serviced (Greer *et al.*, 1999; IOMA, 2003). The perception that cost as a benefit of outsourcing often fails to recognize that short–term savings do not necessarily equate to long–term savings. By focusing on the short–term gains of outsourcing, a company is short–sited because it is neglecting to consider the potential long term costs (Hall, 2000).

HR practitioner's tacit knowledge is not the only thing that will be lost with outsourcing; other skills and knowledge are also viable casualties. By relinquishing the administrative functions of their roles, HR managers are allowing themselves to become "rusty" in their hands–on experience and internal proficiency may become diluted (Hall and Torrington, 1998; Timms, 2002). It is also suggested, that by relinquishing control of the visible administrative HR functions, the less visible functions remaining for the internal HR managers may not be recognized (Hall and Torrington, 1998).

Fields (1998) argues that the only reasons companies would want to outsource HR functions are because they have no realization of the true value that internal HR staff may provide to them, or because they feel they can obtain greater value from HR outsourcing vendors. An insightful argument presented by Field (1998) raises the valuable point of

why other administrative services such as marketing are not being outsourced to the same extent as HR functions? It is perhaps because the value that the marketing department brings to an organization is better understood than that of which HRM conveys.

Part of the problem is that HRM and labor are treated as expenses rather than as assets. There is an interesting line of research being conducted in New Zealand currently looking at the whole issue of valuing human resources in contemporary organizations. Part of the issue is a measurement one, but also the traditional notions of labor built into current financial reporting systems being reported as costs to the organizations. The traditional paradigm dictates that costs are to be minimized. If HRM and HR are treated predominately as costs, then one can speculate that the lure of outsourcing is a very attractive proposition, particularly in organizations, as many are today, facing pressures to improve their bottom–lines. Yet, outsourcing does not, in our view, necessarily ensure the development of human capital in an organization to provide for a sustained competitive advantage in the longer term.

The picture that we are left with when considering an HR department coping with its functions being outsourced is one of a lost dog trying to find its way home to its owner. HR professionals have to search for new roles in order to justify their existence, declare Lawson, Mouly, and Dakin (1999). Furthermore, as already discussed, little evidence of HR practitioners assuming more strategic roles has been found (Lawson, Mouly, and Dakin, 1999), despite it being one of the main reasons cited for outsourcing in the first place. Internal HR practitioners are also able to provide competitive advantage to their organization because the policies and strategies they devise are not accessible to the competition, as may be those basic administrative functions that the majority of firms outsource, which provide no differentiation among them (Greer *et al.*, 1999).

In addition, for companies where employee relations are exceptional and customer relations outstanding, HR is most probably already valued (Atkinson, 1999). It is rather those other companies where HR should be adding more value, and behaving more professionally that outsourcing may become an attractive idea.

HRM in New Zealand: The Future?

In reviewing the development of HRM in New Zealand over the past fifty years, we speculate that the immediate future will be for HRM practitioners to continue to pound the path for professional recognition, and to have a voice that is heard from other business professionals and senior management alike. It is unlikely that outsourcing will eventuate in large corporations, particularly those with core strategic business relationships associated with HRM. Nonetheless, there is an increasing call by small to medium sized businesses to call on the services of HR professionals, particularly in terms of employ-

ment legislation and also other HR activities, given the relatively high degree of compliance that is required by New Zealand governments.

We surmise that the HRM function is alive and well today and is represented by a currently vibrant energetic professional Institute of a current membership of 2,950. This figure represents an annual growth rate over the past three years of 20 percent. Of this, current membership, 10 percent are certified. This means that those certified members are full professional members of the Institute and have qualified through a rigorous certification process that is conducted by the HRINZ the National Council. The growth in membership represents the fact the HRM is every business manager's concern, not that solely of the HR professional. HRINZ has suggested to us that the current membership represents 42 percent of its potential target market of some 6,900 line managers in New Zealand (Personal communication with HRINZ 17 July 2006).

The emphasis or focus on being a strategic business partner over the past few years has often been at the expense of the other important HRM roles. It is well for New Zealand HRM to heed Ulrich's (1997) warning that for adding value and delivering results. HRM activities need to have multiple roles from both the strategic and operational dimensions of the organization. HRM involves both processes and people. The HR professional not only executes strategy and creates a renewed organization, but also has to build an efficient infrastructure and help develop employee commitment and capability. It is in this last role that HRM in New Zealand has failed to deliver, given the low levels of trust that are often reported in large organizations concerning the HRM function, and HR practitioners in particular, by the employees. This is much a legacy of the wide scale restructuring that has occurred over the past twenty years in New Zealand, but also the call by HR practitioners themselves to be firmly identified with management. Perhaps the drive to be accepted by other business managers and be "strategic" has been at the expense of trust by the employees themselves—prevalent in the United States and Australia. We suggest that the resolution of this problem lies in the hands of the HRM profession itself and it needs to take action to rebuild the trust factor in organizations. This is a challenge because it will not be easy. The role ambiguity that human resource professionals often find themselves facing in organizations (Gilberston, 1984), we suggest, will remain in the function. Perhaps it is a truism that the management of people is really about the management of ambiguity. Unlike other business professionals, such as accountants, there is no one way of solving HRM problems in organizations. While best practice is a useful yardstick in order to measure HR activities, the literature on best practice suggests that what is appropriate for one organization may not be so in another. What the human resource management professional has to do, is to identify within the organizational context, and to figure out the bundle of practices that enable the function to deliver the goals of the organization, while aligning these with the goals of the individual employees. No mean task in our view!

Underlying all of this is the need for HRM and HR practitioners to demonstrate their value to the organization. This has been a persistent feature in the development of HRM and the HRM department. The issue is that HRM is often perceived as a cost rather than an asset. Fitz–enz (1990) refers to this as the cost–center mentality of HRM. While people are often referred to as assets in the organization, and quite rightly so given their role in creating a sustained competitive advantage, they are often treated as expenses to be minimized. In the development of HRM, there has been the development of human resource accounting (HRA). Exponents like Fitz–enz suggest that to survive the HRM function needs to be measured in business metric, *i.e.* dollars and cents, just like any other business function. The issue here is that in trying to measure HRM purely in financial terms has its own limitations. Human beings as assets defy the very laws of accounting! However, their inherent value lies in the fact that they leverage their activities with other value contributing parties such as customers and suppliers (Sveiby 1998). In some recent research by Toulson and Dewe (2004), in a cross–sectional survey of three groups of professionals: human resource managers, accounting and finance managers, and senior managers including directors, it was found that despite all three groups agreeing that the ability to measure and evaluate human resource management was either important or very important to the organization, there were a number of barriers that prevented measurement of human resources in organizations. Some of these barriers had already been identified in the work of Fitz–enz (1984). They also reported that there were differences between the three groups as to how they view human resource management and its ability to evaluate itself.

On the academic side, the discipline of human resource management is now developing its own theoretical basis with a development of theories of human resource management as part of the knowledge base. There is still a big divide between the human resource management academic community and their research programs, and the practitioner community and their research needs (Toulson, 2002). The professional Institute has recognized this gap and is taking steps to address this to try and close the gap by encouraging research that is also of practical use to practitioners in organizations.

Conclusion

The development of HRM in New Zealand over past fifty years has been within the context of substantial changes in the New Zealand economy and in legislation. New Zealand is a nation where the majority of businesses are small, with a very small proportion of large business enterprises employing a substantial proportion of the New Zealand workforce. HRM as such has, therefore, developed mainly within the confines of the larger business enterprises and government corporations.

The antecedents for the development of HRM were the introduction of employment legislation in the later part of the 19th century. This gave rise to a legalistic framework, within which early personnel management developed. The development of rapid mobilization and large workforces, during and in the immediate postwar years, and the need for the employment of a specialist person to manage workforce problems was realized. The image of the personnel manager's role in the earlier years left unflattering impressions due to role ambiguity and also the image that personnel people failed to contribute anything of fundamental importance to business goals. The role ambiguity arose from the welfarist tradition of looking after people and the technicist position of getting people to do things in the interest of the organization. The other major feature of HRM in New Zealand was that personnel practices were seen as being reactive to the environment, like the ambulance at the bottom of the cliff. The early 1980s saw the call from HR practitioners themselves to contribute to the business in proactive rather than in reactive ways.

The restructuring of the New Zealand economy, initiated in the mid 1980s and early 1990s had, in our view, a negative impact on the acceptability of HRM to many employees in New Zealand because HRM was often linked to the more painful and drastic measures of restructuring. HRM practitioners were often viewed by unions and employees alike as the villains of the business not to be trusted. Yet, at the same time, the question was often asked how HR people contributed to the development of the business.

For the past twenty years in New Zealand, HRM specialists have had two things uppermost in their minds. The first was to gain credibility as business managers by contributing to business strategy and to gain professional recognition. This quest to gain status and a professional role in organizations led to HRM practitioners nailing their colors to becoming business partners, rather than the rather ambiguous role of personnel management. It was believed that by behaving strategically, they would gain credibility, like other business professionals. Paradoxically, though, while HRM literature emphasized a strategic outlook, often the theory was not met by practice within New Zealand organizations. The de–layering of specialist managers in organizations, as a result of restructuring, put increased pressure on organizations to consider the outsourcing of many specialist functions, including HRM. Given the small size of many New Zealand business organizations, outsourcing often became the only viable option.

The immediate future of HRM in this country will be marked by a continued quest by HRM practitioners for professional recognition, and also to be accepted on a equal footing with other business managers in enterprises. The move towards professionalism has been marked in recent years by the positive developments in the professional Institute, HRINZ, in terms of membership growth and the pathways towards professional membership and certification. The move to gain acceptability as business managers may be more circumspect. Since this may be done at the expense of other vital components of

good HRM, namely trust, efficient processes and procedures, and leading change to value people in organizations, as opposed to treating labor simply as costs.

There is no doubt in anybody's mind that the value of HR (*i.e.* people in organizations) in the contemporary economy is very high. It therefore follows that effective systems of HRM and practices should also be inherently valuable. The challenge is going to be to develop appropriate ways to measure this value in terms that are both credible and acceptable to both business managers but the major stakeholders in New Zealand business and government. That is the challenge for the HRM profession itself to address.

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