

# **Making the best of it? Strategic human resource management in Australian RTOs.**

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## **Abstract**

People are the assets on which competitive advantage is built, whether in the public or private sector, whether in the corporate world or in the world of education. In the words of the latest theory on human resource management, people are an “inimitable” asset. The one thing that competitor organisations cannot imitate is people and their skills. So human resource management and the practices associated with it have become accepted by managers in all forms of organisations as one of the most important strategic levers to ensure continuing success (Boxall and Purcell, 2003). This is true in vocational education and training as much as in any other sector. In recent years workforce development has become a key feature of the management of registered training organisations (RTOs) in the VET sector. This paper will report on the results of a recent project examining the current state of human resource management practice in RTOs in Australia. The project takes a strategic approach, and the research examines the links between human resource management and the strategy of the organisation. The results of the project enable us to better understand the development of human resource management in RTOs and make sound recommendations about how RTOs can benefit from better management of people.

## **Introduction**

People are the assets on which competitive advantage is built, whether in the public or private sector, whether in the corporate world or in the world of education. In the words of the latest theory on human resource management, people are an “inimitable” asset. The one thing that competitor organisations cannot imitate is people and their skills. So human resource management and the practices associated with it have become accepted by managers in all forms of organisations as one of the most important strategic levers to ensure continuing success (Boxall and Purcell, 2003). This is true in vocational education and training as much as in any other sector. In recent years workforce development has become a key feature of the management of registered training organisations (RTOs) in the VET sector. This paper will report on the results of a recent project examining the current state of human resource management practice in RTOs in Australia. The project takes a strategic approach, and the research examines the links between human resource management and the strategy of the organisation. The results of the project enable us to better understand the development of human resource management in RTOs and make sound recommendations about how RTOs can benefit from better management of people.

## **Literature review**

The traditional emphasis of what used to be called “personnel management” was on the regulation of the management of people in organisations (Storey, 2001). This regulatory role was reinforced, particularly in Europe and Australia (less so in the USA) by increasing government regulation of employment conditions through

legislation concerned with the conduct of industrial relations, discrimination, employment rights, health and safety and other employment conditions. In many organisations today, this older notion of personnel administration still holds sway with its emphasis on rules and regulation. Recent research (Palmieri 2003; McNickle & Cameron 2003) has suggested that this tends to be the model traditionally adopted in the public VET system.

But in the 1980s and 1990s, a different concept of human resource management began to gain ground. At the heart of the new approach was the belief that the management of people gives an organisation competitive advantage (Schuler and Jackson, 2005). This leads to a number of distinct differences between human resource management and personnel management. Firstly, human resource management is clearly not simply the province of the human resource manager. Line managers play a critical role in human resource management and, in fact, arguably, they are the main organisational exponents of people management. Secondly, human resource management is firmly embedded in business strategy. Unlike the personnel manager, the human resource manager is part of the top level strategic team in the organisation and human resource management plays a key role in the achievement of business success. Thirdly, the shaping of organisational culture is one of the major levers by which effective human resource management can achieve its objectives of a committed workforce. Thus, human resource management is concerned not only with the formal processes of the management of people but also with all the ways in which the organisational culture is established, reinforced and transmitted (Storey, 2001).

Whilst many organisations within and outside the VET sector have yet to move wholly to this new model of human resource management, there is no doubt that most organisations are making the transition very quickly. Again, research suggests that TAFE institutes are moving this way (Palmieri, 2003; McNickle and Cameron, 2003) and are in something of a transitional state. Some of the key elements of the new human resource management that may be observed in the VET sector include:

- much more careful selection and recruitment
- high level of training and staff development
- teamworking
- better communications between staff and management
- extensive use of teamwork
- introduction of performance management
- encouragement of employee suggestions and innovation.

In more recent years, attention has switched from what practices constitute human resource management to the broader impact of human resource management and its relationship to the strategy of the organisation. All the research evidence now strongly suggests that human resource management has a very positive impact on organisational performance (Ashton and Sung, 2002). A key element in effective human resource management is its alignment with the strategy of the organisation. Researchers now believe that it is not enough to simply implement a series of “best practices” but that human resource management needs to be tailored so that it “fits” with the organisation (Baron and Krepps, 1999). In the VET sector this means making sure that human resource management practices fit with one another – don’t introduce an individually based performance management scheme into an

organisation that runs on teamwork for instance – and that it fits with the strategic position of the RTO. If an RTO competes on the basis of new and innovative programs and modes of delivery, then its recruitment, performance management and staff development system will need to strongly encourage innovative behaviour in staff.

This paper reports on the findings of a research project on the current state of human resource management practice in RTOs in Australia. The project takes a strategic approach, particularly in the case study phase of the project where the research examined the links between human resource management and the strategy of the organisation. The results of the project enable us to better understand the development of human resource management in RTOs and make sound recommendations about how RTOs can benefit from better management of people. There is a relative lack of research in this area. In Australia a few national projects have examined human resource management issues in RTOs in recent years but usually in the context of another issue such as professional development or, in the UK, the marketing of VET.

### **Methodology**

Firstly a survey was administered to all TAFE Institutes in Australia and a selection of private providers in October/November 2006. The survey was sent to all (69) the TAFE institutes and to 610 private providers. The sample frame for private providers was taken from the membership database of the Australian Council for Private Education and Training (ACPET). We received 26 TAFE responses (37.7%) and 113 private provider responses (21.3 %). The overall response rate was 20.6 per cent. However, for the purposes of analysis the two samples were treated separately. The responses were entered into an excel database and basic frequencies and some cross-tabulations were analysed.

Stage 1 of the project involved a survey which covered 3 aspects of HRM practices. Firstly, the survey established a baseline by examining existing human resource management practices in RTOs such as recruitment practices, performance management, and work organisation and employee relations. Secondly, the survey examined the general approach or philosophy adopted by RTOs in human resource management and its links to the strategy of the organisation. Thirdly, the survey asked questions about the strategic integration of human resource management and it is on this area that the present paper is focused.

However, the issues of integration of human resource management practices both with each other and with the broader organisational strategy are complex and required a qualitative approach which could explore the ways in which human resource management relates to other aspects of organisational practice. So, Stage 2 of the project involved expert interviews and case studies of RTOs. Together, with the data from the survey, the expert interviews and the case studies have given us a helpful picture of the state of human resource management in Australian RTOs and how much it contributes to improving the performance of organisations. It is anticipated that the project will help to change human resource management practices in the sector and result in better outcomes for staff and for RTOs in general.

Note: you need to indicate how many interviews have or will be conducted, how the interviewees were selected ie were they followed up from the survey?

### Results from the survey

This paper reports on the responses from the survey; specifically those responses relating to the strategic orientation of human resource management in RTOs. The results in the major question areas will be presented as a series of graphs with some commentary.

The survey asked the respondents to rate the increase or decrease in competitive pressure faced by their organisations in the last 5 years. Figure 1 shows the results. Clearly TAFE institutes reported that they had experienced a much higher level of increase in competitive pressure than the private providers. This may reflect a situation in which private providers, typically competing in a small and well-defined niche in the market have come to terms with the competition in that niche. TAFE institutes, on the other hand, are usually providing a far more comprehensive range of services and competing in multiple markets. This might lead to the experience of a much higher level of competitive pressure.

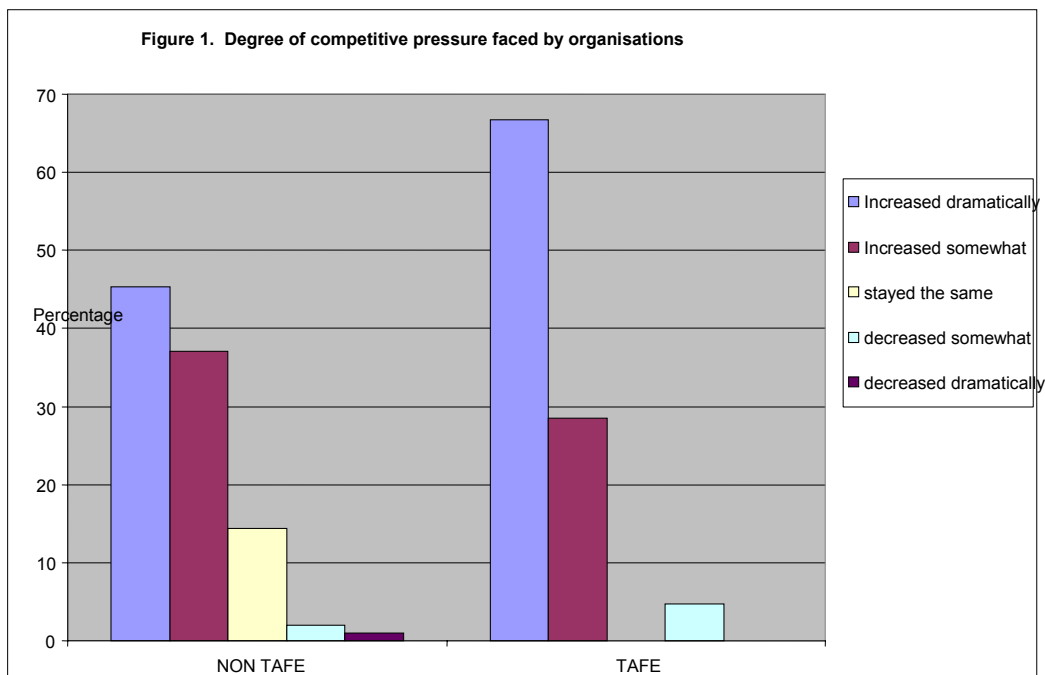
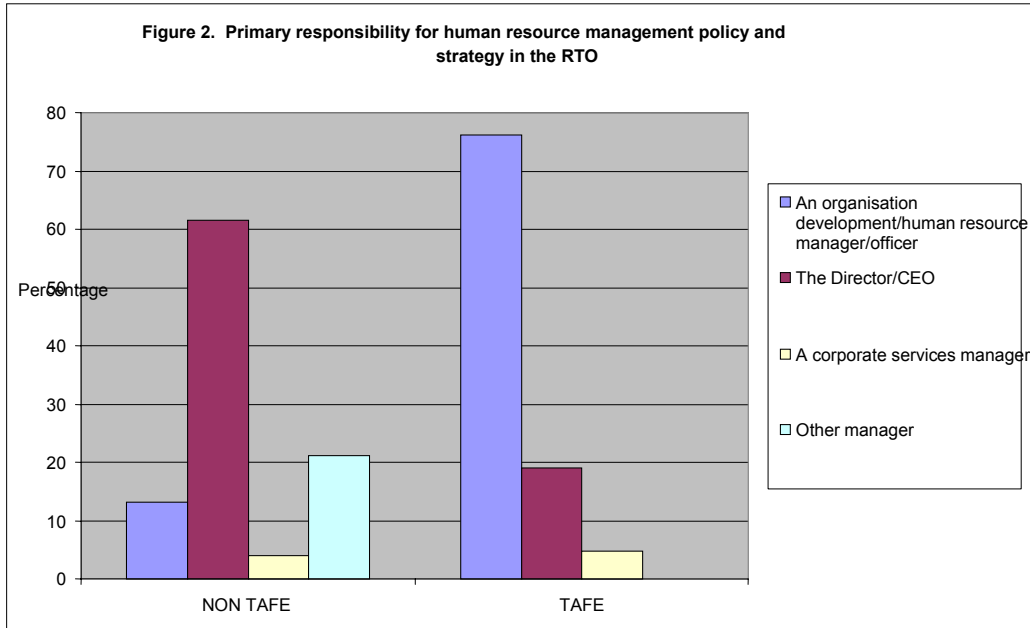
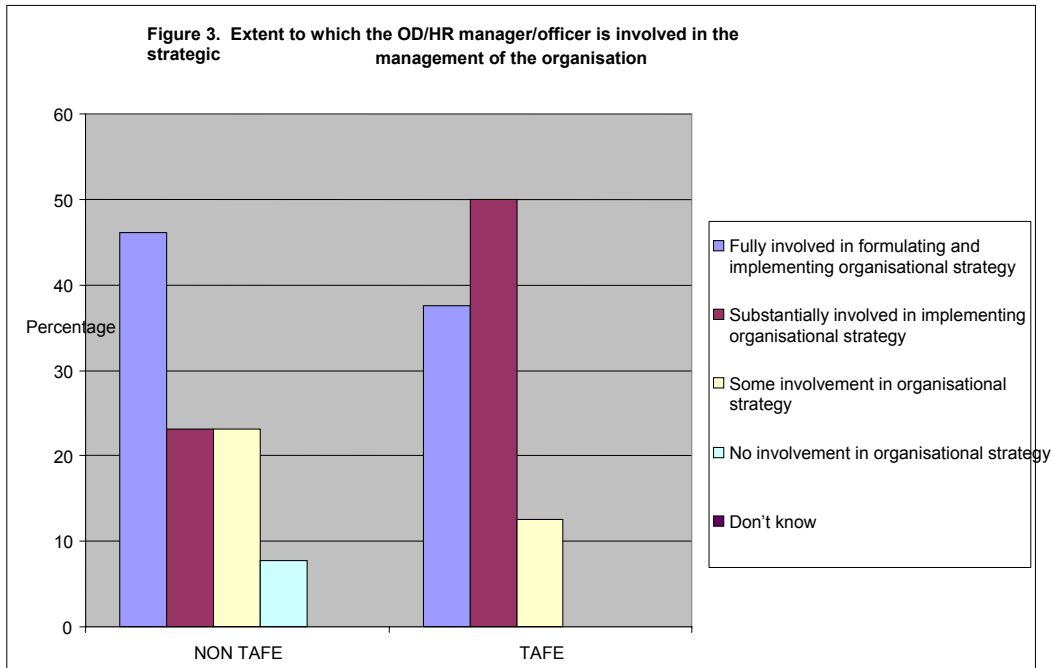


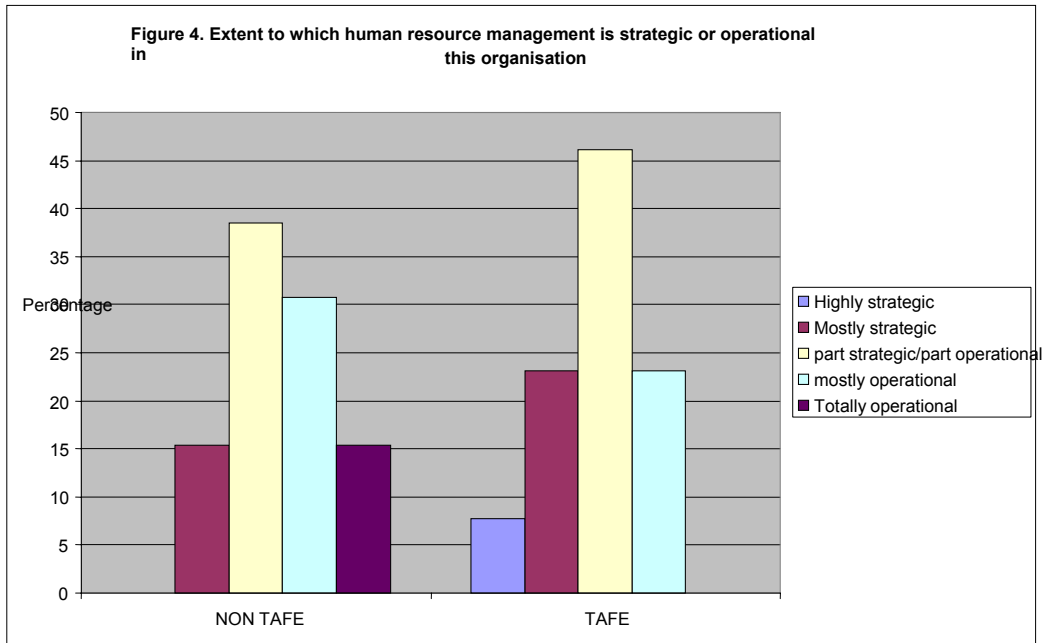
Figure 2 shows that there is a distinct difference in the location of responsibilities for human resource management in TAFE and private providers. 76 per cent of TAFE respondents answered that a human resource manager or equivalent was responsible for human resource management in their organisations. In private providers 62 per cent of respondents claimed that the Managing Director or CEO had this responsibility. This reflects the size of the responding organisations. TAFE institutes typically have a large and well-supported human resource management organisation whereas private providers are small and the specialist functions of management are often under the direct control of the CEO.



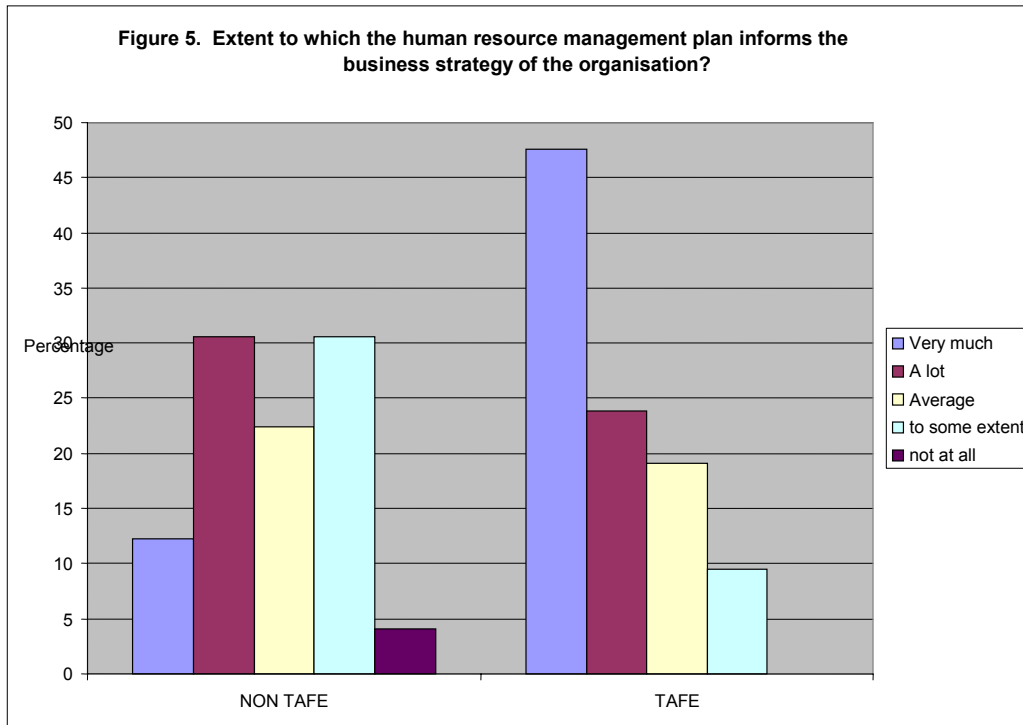
This also impacts on the place of human resource management in the organisation. Whereas 85 percent of private providers responded that the person responsible sits on the senior management committee of the organisation, only 44 per cent of TAFE institutes reported that their human resource manager had this level of access to the top of the organisation. Thus, despite the well established position of the human resource manager or equivalents in TAFE, it is more than likely that the human resource manager does not report directly to the CEO or sit on the top management committee of the organisation. This will clearly have implications for the strategic effectiveness of human resource management in TAFE. In another measure of the formalisation of human resource management in TAFE, 95 per cent of TAFE respondents claimed that their organisation supported a written human resource management plan compared to only 47 percent of private providers who had a specialist human resource manager. However, the degree of formalisation of human resource management processes is not necessarily a good marker for strategic involvement.



When asked about the strategic involvement of human resource management in their organisations, (Figure 3) the differences between TAFE and private providers (those which reported that they had a human resource manager) were not so pronounced. However, it is noticeable that the majority (50%) of human resource managers in TAFE institutes feel that their main involvement with the strategy of the organisation is at the implementation stage rather the formulation of strategy. In private providers, 46 per cent of respondents felt that they had an input directly into the strategic processes of the organisation. Confirming the lack of access to the senior strategic councils of the organisation and the likelihood of their involvement in strategy only at the implementation stage, human resource managers in TAFE regarded human resource management as primarily an operational rather than a strategic function in their organisations. Figure 4 shows that 69 per cent of human resource managers in TAFE regarded their functions as totally or partly operational, only 31 per cent responded that their functions were highly or mostly strategic.



A similar picture prevailed amongst private providers with only 15 percent responding that human resource management was strategic in their organisations. Nevertheless, despite the evidence that human resource management does not occupy a strategic position in either TAFE institutes or private providers, Figure 5 shows that human resource managers in TAFE regard their functions as having a significant impact on the business strategy of their organisations – 72 per cent of TAFE respondents replied that human resource management informs the business strategy of the organisation. This feeling is not shared by human resource managers in private providers where only 43 per cent responded positively to this question.

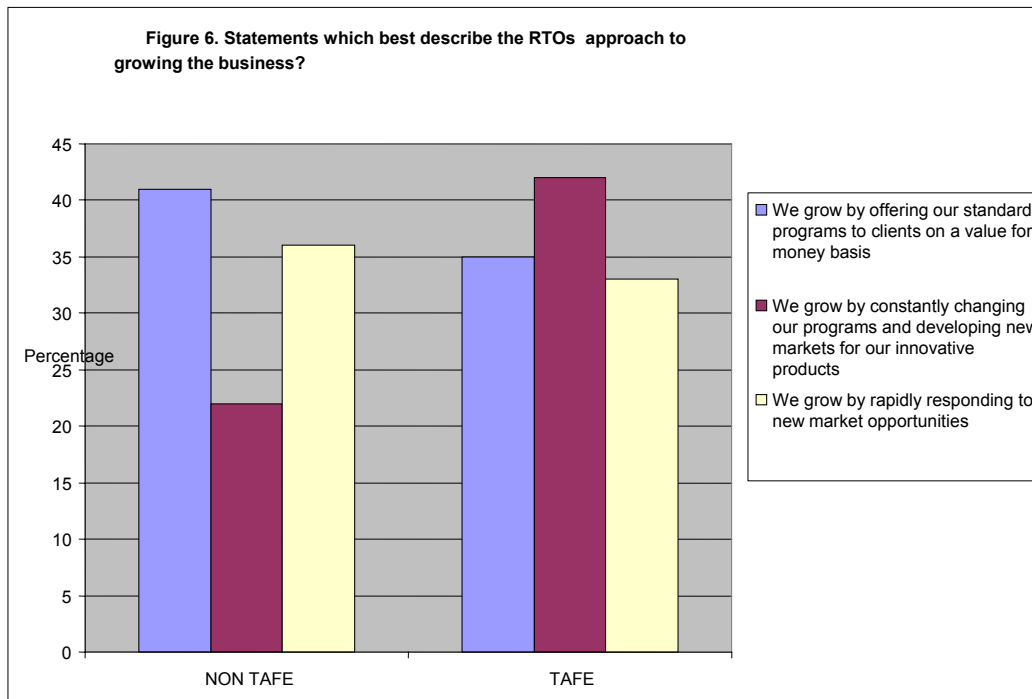


Finally, respondents were asked to classify the business strategies of their organisations, using a standard three way classification developed by Miles and Snow (date). This offered respondents there possible business strategies:

1. Offering the highest quality at the lowest cost
2. Differentiating product through innovation
3. Focusing on a niche in the market.

Figure 6 indicates that the private providers' niche strategies were obvious with 42 per cent of private providers opting for the niche market strategy whilst TAFE institutes overwhelmingly favoured the high quality/low cost, comprehensive strategy (58%).





## Discussion

Palmieri (2003) and McNickle and Cameron (2003) noted that human resource management seemed to be in a state of transition. The findings from this survey confirm this picture.

Human resource management is in a process of transition amongst RTOs in Australia. Although there are some differences between private providers and TAFE Institutes, notably the location of responsibility for human resource management, generally the strategic nature of human resource management is very similar. Human resource managers in private providers, where they exist, may have more access to the senior decision making bodies of their organisations but this is generally a function of the small size of these organisations. In large, comprehensive TAFE Institutes, human resource management has been a specialised function for some time and is often supported by a human resource management department. However, human resource managers in TAFE do not generally sit on the top management committees of those organisations. They may report to a manager other than the CEO – typically an administration or corporate services manager – and they will not usually have a seat on the senior executive of the institute. As a result, human resource management in both private providers and in TAFE is regarded as still a largely operational issue. Human resource managers see their strategic involvement as one of implementation rather than strategic formulation. They are more positive about the impact of human resource management. This is seen as quite strategic for the organisation but this optimism about what human resource management has to offer organisations is not matched by the actual role and involvement of human resource managers.

## Conclusion

Human resource managers in both the private sector and in TAFE are convinced about the importance of their practice to the strategic well-being of the RTOs but they are not in a strategic position yet. As the perception of competitive intensity and the

diversity of strategies adopted by RTOs increases it might be the case that human resource management will, in the future, begin to fulfil a more strategic role in RTOs. But it's not there yet.

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