Strategic Human Resource Management in healthcare: uncovering the barriers and challenges

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Abstract: *This paper reports on a large scale survey into people management practices in the Victorian public healthcare sector. We find that although Chief Executive Officers and Human Resource Directors are aware of strategic human management and believe that they are practicing SHRM, functional managers are less optimistic. Overall respondents reported the same barriers to the practice of SHRM including lack of funding and resources, and government support and lack of specialist HRM knowledge and skills.*

Key words: *Human Resource Management, public health sector*

Introduction

Over the past twenty years there has been an international focus by governments on achieving efficient and effective health services through health sector reform. Yet until recently, little attention has been given to human resource management approaches in health care (Bartram, Stanton and Harbridge, 2004), or the impact of government policies and environmental change on the management of the workforce at the organisational level (Bach, 2003). This lack of focus on people management is surprising considering that the industry is labour intensive, highly educated and labour costs account for a large proportion of total costs. Instead, the labour force has been seen as a target for cost savings and government policies have often focused on costs and efficiency (Thornley, 1998) rather than innovation and human capability building (Bach, 2000, Stanton, 2002a). In this paper we report on a large-scale survey into people management practices in the Victorian public health sector. We focus on findings relating to the practice of strategic human resource management and argue first, that although there is a level of awareness at the apex of the organisation, SHRM practices are not always visible at the operational level. Second, we argue that barriers to the practice of SHRM include lack of funding, resources and government support.

Human resource management: conception, rationale, fundamentals and approaches

Human resource management expounds a proactive, integrative series of interventions, which promote 'organisational fit', the integration of organisational strategy, cultural change and dialogue between key stakeholders at the workplace (Walton, 1985). The demand for increased flexibility has been accompanied by the rise in motivation practices to engender commitment in workers (Guest, 1995). In theory, HRM job design and commitment practices provide great promise for people rich organisations and industries (McDuffie, 1995). Walton (1985) calls for a transformation of employee management techniques from 'control' to 'commitment' based strategies where people are viewed as an asset rather than a cost. Human resource management also seeks power equalisation, facilitating trust and collaboration between management and employees. Open channels of communication are also necessary to build employee commitment, employee participation and involvement (Legge 1995).

There is a growing body of research that explores the critical role of human resource management in improving organisational outcomes (Huselid, et al, 1997). They claim that 'scholars have yet to reach agreement', but the consensus is that it involves designing and implementing a set of internally consistent policies and practices that ensure a firm's human capital contributes to the achievement of its business objectives, – via compensation systems, team-based job designs, flexible workforces, quality improvement practices, and employee empowerment. The major thrust of this research has been in the field of Strategic HRM (e.g., Wright and MacMahon, 1992; Huselid et al, 1997) that has been derived from the resource-based view of the organisation (Barney, 1991). A fundamental premise is that organisational competencies that are heterogeneous and immobile form the basis of sustained competitive advantage. Practices that develop these competencies, properly configured to exploit their synergies and complementarities, can help to create a source of sustained competitive advantage, (Huselid, 1995). In theory, a more proactive approach to people management has much to offer the health sector and in a context of fiscal pressures, successful not-for-profit organisations are said to need innovatory service methods with pro-active, multi-skilled workers (Boxall and Purcell, 2003). Given the high skill and labour intensive nature of the health care sector and current challenges, greater investment in HRM may provide a significant opportunity to hospital management, employees and the community.

There is a growing consensus that the effective management of employees is influenced by situational and contextual factors (Bartram and Cregan, 2001). Jackson, Schuler and Carlos Rivero (1989) argue that rather than evaluating the relative effectiveness of one type of practice over another, researchers should examine different ways that organisations manage their resources. They maintain that 'there is no "one best way" to manage an organisation's human resources … over time, organisations evolve practices that fit their particular situation' (1989:782). Therefore, within this paper we approach HRM largely from the 'best fit' approach, however we do acknowledge the importance of the 'best practice' approaches. In line with Boxall and Purcell (2003) we argue that HRM decisions are embedded within societies and industries such as the Victorian public health sector.

HRM and its potential for the public health sector: Quick fix or long-term solution?

A labour intensive, highly motivated professional workforce as in the health sector should be an ideal context for the successful implementation of human resource management practices. However, the literature suggests otherwise. First of all the people side of management has often been ignored in the pursuit of health reform both internationally (Bach 2000) and in Australia (Bartram, et al 2004). Second, the health sector is largely government funded and often organised around a public service model focusing on processes rather than outcomes. The experience of HRM in the public sector has not been so encouraging, a report from the OECD (1995) suggesting that the public sector is still 'highly centralised, rule bound and inflexible'. Third, despite the contention from Kessler and Purcell (1996) that government reforms had given organisations such as hospitals more strategic choice at the organisational level, recent evidence suggests otherwise. Bach (2000) in the UK argued that hospital employers were constrained in their actions not only because they were subject to the whims of government policy but also because they sit within a wider framework of powerful stakeholders. Stanton (2002b) found a similar situation in Victoria and that even though Victorian hospitals had more independence than many of their interstate counterparts they still had to work within a wider centralised employment relations framework.

Barnett et al (1996) in a comparative study from the United Kingdom and South Australia on the experience of HRM in hospitals expressed optimism from the UK findings but pessimism from the South Australian experience. In the British case study they found that the HRM department had some success in shaping local factors. Arrowsmith and Sisson (2002) had similar findings in their British case study research. However, in South Australia they argued that the centralised industrial relations framework limited the HRM function. They also noted that there often existed contested ownership within the senior management structures with some hospital managers not willing to allow a strategic role for the HRM department. In fact, Patrickson and Maddern (1996) reflecting on the Australian end of this project found that HRM in South Australian hospitals largely carried out a regulatory 'personnel' function as 'the keeper of the rules'.

Recent studies have highlighted the need for innovation, particularly in the area of HRM within the health sector (Dwyer and Leggat 2002; Stanton 2002b). Growing a highly skilled, talented and innovative workforce is seen as a key objective of human resource management. Gillies, et al (1997) suggest that new models of health care require 'new world' positions with 'new world skills'. Dwyer and Leggat (2002:27), suggest the need for 'greater innovation in support of goals like access, productivity, quality and safety …'.

Likewise, case studies of high-performing organisations have consistently pointed to effective people management as a critical factor in the success of those organisations. One of the issues here is getting support and recognition of this in the healthcare sector. The high performance management literature links people management strategies to performance. A major problem in the healthcare sector is the contentious nature of the measurement of performance.

Two notable studies have attempted to link people management practices to improved patient mortality in acute

hospitals. The 'Magnet' hospitals study in the USA focused on hospitals that attracted and retained good nurses through their people management practices. The study examined the relationship between good nursing care and mortality rates and found that hospitals that were 'magnet' hospitals had lower patient morality rates (Aitkin 1994). West et al (2002) in the UK also focused on patient mortality but included a range of people management practices including appraisal, teamwork and training. Again the researchers found a link between these specific practices and lower patient mortality.

There has been no comparable study in Australia. However, Australian state governments as the major funders and providers of public hospitals are increasingly concerned with the quality and effectiveness of service provision. There is increasing awareness amongst the key stakeholders that an emphasis on people management might offer some direction in this area. Bartram, Stanton and Harbridge (2004) exploring views of key stakeholders in the Victorian healthcare sector found that context impacted directly on HRM practice at the organisational level. This included the impact of government policies, in particular the centralisation or decentralisation of industrial relations, funding arrangements, the lack of resources and support for people management initiatives, and the fact that healthcare organisations exist within a complex web of institutional arrangements and powerful stakeholders which often limited their independence. However, this study did not explore the extent of these claims through systematic research at the organisational level.

The survey

This paper reports on a survey of the population of public health care facilities in Victoria, including metropolitan health services (Division 1), base (Division 2) and district hospitals (Division 3) and community health centres (Division 4) (130 organisations) in December 2003-April 2004. 536 questionnaires were distributed to the CEO, human resource director and two general functional managers per organisation. A total of 184 questionnaires (34 per cent response rate overall) were returned - 67 CEOs, 35 HRDs and 85 general functional managers (almost 50% response from CEOs and an estimated 90% response rate from HRDs).

There were two survey instruments, one directed at the HR director and the second to the CEO and general functional managers of the organisation. The HR directors survey comprised of the HR functions, such as strategic HRM, diversity management, recruitment and selection, HR planning and a comprehensive set of HR outcomes such as industrial relations outcomes, recruitment and selection and turnover outcomes. The CEO's survey contained a less comprehensive set of the same group of HR functions as well as questions pertaining to the organisational outcomes monitored by their organisation.

Barriers and challenges to the practice of HRM

We only focus here on one aspect of the survey data, that is, the practice of SHRM. The survey questionnaire contained both qualitative scales and quantitative questions designed to understand the current use of and barriers towards the practice of SHRM. The Strategic HRM index was used to capture the use of strategic HRM (see Huselid, 1995). We also explore qualitative responses to three questions from the total sample: what aspects of HRM does your organisation do well? what are

the current barriers to practicing HRM in your organisation? and which areas of HRM could be improved in your organisation?

Three separate one-way ANOVA tests were conducted to ascertain the extent of differences in perceptions of the practice of SHRM across the divisions from the perspectives of the three groups of managers, CEOs, HRDs and functional managers. Tables 1, 2 and 3 provide a summary of results of the one-way ANOVAs. Table 1 provides responses obtained from Chief Executive Officers (CEOs); table 2 provides those from general managers; and table 3 presents the responses from Human Resource Directors (HRDs). The means of each SHRM variable are provided for each hospital division. See Appendix 1 for the list of SHRM items used in the survey.

TABLE 1

ANOVA OF STRATEGIC HUMAN RESOURCE MANAGEMENT FOR CEOS

Variable	Mean (Division 1)	Mean (Division 2)	Mean (Division 3)	Mean (Division 4)	SD	F	Aggregate Mean
SHRM 1	4.38	3.86	3.71	3.90	0.934	1.050	3.88
SHRM 2	3.75	4.00	3.68	3.95	0.924	0.453	3.81
SHRM 3	4.00	3.57	3.54	3.86	1.019	0.667	3.70
SHRM 4	3.13	3.00	2.96	2.67	1.223	0.374	2.89
SHRM 5	4.50	4.14	4.18	4.29	0.642	0.594	4.25
SHRM 6	3.75	3.43	3.21	3.33	1.057	0.537	3.34
SHRM 7	3.75	3.00	3.43	3.43	0.887	0.888	3.42
SHRM 8	3.25	3.71	4.04	3.52	0.996	1.874	3.73
SHRM 9	3.50	3.29	3.11	2.86	0.938	1.047	3.09
SHRM 10	3.75	4.00	4.11	3.81	0.722	0.918	3.95
SHRM 11	4.00	3.71	3.68	3.81	0.831	0.332	3.77
SHRM 12	3.75	3.00	3.39	3.48	0.832	1.059	3.42
SHRM 13	3.88	3.57	3.89	3.86	0.801	0.300	3.84

n = 64
df = 63
* $p < 0.05$
** $p < 0.01$

TABLE 2

ANOVA OF STRATEGIC HUMAN RESOURCE MANAGEMENT FOR GENERAL MANAGERS

Variable	Mean (Division 1)	Mean (Division 2)	Mean (Division 3)	Mean (Division 4)	SD	F	Aggregate Mean
SHRM 1	3.25	3.33	3.86	3.92	0.811	1.050*	3.72
SHRM 2	3.50	3.50	3.77	3.88	0.836	0.927	3.73
SHRM 3	4.00	3.50	3.57	3.35	0.994	1.208	3.55
SHRM 4	2.92	3.25	3.03	3.12	0.961	0.276	3.07
SHRM 5	4.17	4.17	4.03	3.92	0.794	0.385	4.04

SHRM 6	2.83	3.00	3.20	3.19	1.051	0.449	3.12
SHRM 7	2.75	2.58	3.29	3.54	0.866	5.228**	3.19
SHRM 8	3.00	3.00	3.60	3.77	0.868	4.028**	3.48
SHRM 9	2.25	2.33	2.83	3.15	0.891	4.469**	2.78
SHRM 10	3.58	3.42	3.46	3.54	0.946	0.096	3.49
SHRM 11	3.50	2.83	3.43	3.88	0.946	3.833*	3.49
SHRM 12	2.83	3.08	3.20	3.77	0.939	3.854*	3.31
SHRM 13	2.83	3.50	3.43	3.88	0.946	3.833*	3.49

n = 85
df = 63
* p < 0.05
** p < 0.01

TABLE 3

ANOVA OF STRATEGIC HUMAN RESOURCE MANAGEMENT FOR HUMAN RESOURCE DIRECTORS

Variable	Mean (Division 1)	Mean (Division 2)	Mean (Division 3)	Mean (Division 4)	SD	F	Aggregate Mean
SHRM 1	3.89	4.40	4.00	3.86	0.767	1.050	4.00
SHRM 2	3.67	4.00	4.00	4.29	0.857	0.680	3.97
SHRM 3	3.67	4.80	3.57	4.00	1.115	1.728	3.86
SHRM 4	2.78	3.60	2.71	2.86	1.022	0.978	2.89
SHRM 5	4.22	3.80	4.21	3.86	0.919	0.440	4.09
SHRM 6	3.44	2.60	3.43	2.57	1.216	1.326	3.14
SHRM 7	3.11	2.20	3.50	3.00	0.832	3.820*	3.11
SHRM 8	3.78	4.00	3.86	3.29	0.886	0.831	3.74
SHRM 9	2.11	2.20	2.57	2.57	1.006	0.494	2.40
SHRM 10	3.89	3.40	3.79	3.86	0.942	0.306	3.77
SHRM 11	3.89	3.00	3.86	3.43	0.838	1.815	3.66
SHRM 12	3.11	2.60	3.43	3.00	1.004	0.908	3.14
SHRM 13	3.56	3.60	3.93	3.43	0.900	0.586	3.69

n = 35
df = 63
* p < 0.05
** p < 0.01

Given the organisational size, availability of resources and geographical differences it was expected that the larger the health services, the more likely we were to find the practice of SHRM. This proposition is in line with contemporary scholarly research that suggests that SHRM is more likely to be practiced in larger organisations, with greater financial resources, as well as specialised human resource managers (Bartram, 2004; Guest 1995). Moreover, Church and Waclawski (2001) purport that different levels of management may indeed be reflective of very different perspectives on working in organisations (e.g., use of strategic HRM).

Whilst there were some differences between the means of strategic HRM variables across the four different divisions for the CEOs responses, these differences were not statistically significant. Therefore, CEOs across all four divisions held the view that their organisations were practicing SHRM - that is integrating human resource management functions with organisational

goals. The HRDs seemed to have similar views concerning the practice of SHRM across the four divisions, however, the HRDs were less optimistic than CEOs in Division 1 and more optimistic than CEOs in the other divisions. There was also a statistically significant difference between the divisions with regards to SHRM7 *'this organisation matches the characteristics of managers to the strategic plan of the organisation'*. Whilst the means of SHRM7 for Metropolitan Hospitals (Division 1), District Hospitals (Division 3) and Community Health (Division 4) are all greater than 3, HRDs in Base Hospitals (Division 2) reported lower mean scores.

In contrast responses collected from general managers across the four divisions tell a somewhat complex story relative to the CEOs and HRDs. There are a number of significant differences between the means of the items across the four divisions. Statistical differences were found among six items – SHRM1, SHRM7, SHRM8, SHRM9, SHRM11, SHRM12, and SHRM13. In relation to SHRM1, 'human resources strategies are effectively integrated with the organisation's strategy', metropolitan and base hospitals reported the lowest means, 3.25 and 3.33 respectively. 'This organisation matches characteristics of managers to the strategic plan of the organisation' (SHRM7), metropolitan and base hospitals both displayed mean scores of less than 3 (2.75 and 2.58 respectively). The metropolitan and base hospitals further reported lower means relative to district and community health centres concerning 'this organisation identifies managerial characteristics necessary to run the firm in the long term'. Community health services reported the highest mean of 3.15 concerning the statement, 'this organisation modifies the compensation systems to encourage managers to achieve long term strategic objectives'. Base hospitals reported the lowest mean for the statement (2.83), 'this organisation evaluates key personnel based on their potential for carrying out strategic goals', SHRM11. Finally, in terms of SHRM12 'job analyses are based on what the job may entail in the future' and SHRM13, 'development programs are designed to support strategic changes', metropolitan hospitals reported the lowest means, 2.83 and 2.83 respectively. In other words functional managers across the whole of the public health sector were less positive about the use of strategic HRM than either CEOs or HRDs. However, functional managers did think that HRM would become more important in their organisations in the future and functional managers in division 1 hospitals thought that HR personnel have a key influence in setting HR strategy in their hospitals.

Tables 4, 5 and 6 show the frequencies for the responses to the open-ended questions in the survey. Responses have been aggregated. Respondents were asked three open-ended questions concerning the aspects of HRM that their organisation does well, barriers to practicing HRM and which areas of HRM could be improved. Ninety-five respondents completed this section of the questionnaire (see Table 4). Thirty per cent of respondents perceived that their organisation performed well in the area of participation and empowerment. Twenty percent agreed that human resource development was also practiced well.

TABLE 4

Aspects of HRM that your organisation does particularly well at

HRM Function	Number of Respondents

^^

Participation and empowerment	28
Human resource development %	19
Recruitment and selection *	13
Leadership and Management #	13
Employment Relations **	10
Performance management and appraisals ^	8
OH&S	4

TABLE 5
Barriers to practicing HRM in your organisation

Barrier	Number of Respondents
Inadequate funding	32
Inadequate HR specialist staff	26
Limited resources	26
Skill base of management staff	13
Lack of commitment to HR	9
Time constraints	8

TABLE 6
Which areas of HRM could be improved?

HRM Function	Number of Respondents
Human resource development %	55
Strategic approach	25
Participation and empowerment ^^	22
Recruitment and selection *	19
Performance management and appraisals ^	18
Almost all	9

Please note that the above functions also include the following categories:

* induction

^ remuneration; reward and recognition

management of culture; change management; staff supervision; policy; leadership and management development; collaboration between staff and management

** grievance handling; consultation with unions

^^ access to information; staff support; workforce wellness; Employee Assistance Program; staff satisfaction surveys; Equal Employment Opportunity; flexible working conditions; communication; teamwork

% training and development; youth employment; credentialing; improved skill mix; mentoring; human resource planning; HR specialist staff; HR information systems

The most significant barriers to practicing HRM within the public health care facilities from the perspective of the aggregated sample were (in sequential order) inadequate funding (28 per cent), inadequate HR specialist staff (22 per cent) - particularly the case for the district hospitals and limited resources (22 per cent) (see Chart 2). Respondents further identified areas of HRM that could be improved (see Chart 3). The main function that respondents noted that could be improved was human resource development. Fifty-five of the 148 responses (37%) identified areas such as training and development; mentoring and

management development and improvement in specialist HRM training as areas that could be further improved in their organisation. This was also reflected in the quantitative data in which variables concerning management development scored poorly. This next important area of improvement was by practicing a more strategic approach to human resource management in the organisation (17 per cent).

Discussion and conclusions

At the level of the organisation it is clear that CEOs and HRDs are aware of and concerned with SHRM practice. However, the responses from the functional managers suggest that in reality such practices are not so visible. It appears particularly in the metropolitan and base hospitals that general functional managers, do not share many of the same strategic HRM experiences at the operational level of the organisation. This may result for a number of reasons. Given the large scale of these organisations some managers may not be privy to many of the strategic HRM plans and strategies developed at the apex of the organisation. Moreover, many of the HRM plans and strategies may not be fully operationalised at the lower levels of the metropolitan and base hospitals. In contrast, given the smaller size of the district hospitals and community health centres, those managers that develop strategic HR plans and policies may also implement them on the ground. Finally, the discrepancies in responses from the general functional managers and CEOs and HRDs may also be a related to a lack of specialist human resource management knowledge of the general functional managers.

The role of HRM within the organisation needs to be addressed. Our earlier research suggests (Bartram, Stanton and Harbridge 2004) that employers are very aware of the human resource challenges facing them if they are to improve organisational performance and outcomes for patients. The results of our open-ended questions reveal that inadequate funding, lack of specialised human resource staff, inadequate management development and a lack of commitment to human resource management are regarded as the most significant barriers to the practice of HRM in the Victorian public health care facilities. In order to do all of these things the HRM function needs to have decision-making authority at the highest level within the organisation. Our earlier research also suggests that this may involve developing and harnessing managerial skill in order to maximise the success of cultural change. Building partnership and trust between the employer, trade union and employees is essential to the effective management of hospitals. In the highly unionised health sector a key component of effective management is the ability to manage the trade union/management relationship. Until the facilitating and enabling role of HRM is improved, and express links made between HRM and patient outcomes, HR will continue to be seen as an administrative function vulnerable to financial restraint in difficult times.

Our research suggests that a major impediment to developing and harnessing the potential of human resources within the health sector is the lack of resources. Approximately 51 per cent of respondents suggested that ‘inadequate funding’ and ‘limited resources’ were seen as the major impediment to the practice of strategic HRM in the Victorian public health sector. A fundamental aspect of developing the promise of HRM is to ensure that it is properly resourced.

Despite qualitative and quantitative results indicating that there is some knowledge and adoption of strategic HRM,

particularly at the strategic apex of the organisation, the practice of strategic HRM does suffer from a number of barriers and challenges. A number of areas have been identified by the field for further improvement. To realise the 'promise' of HRM several new directions for research and practice have been identified in this paper. Continual research of the relationship between layers of management concerning the practice of strategic HRM within public health facilities is vital. The public health care system is an integral and valuable institution within in our community. As academics and practitioners it is our duty, not only to better understand the role of people management practices in the effective provision of health care, but also to challenge ineffective practices, structures, roles and relationships.

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APPENDIX 1:
Definitions of Variables

Variable	Definition
SHRM 1	Human resource strategies are effectively integrated with this organisation's strategy
SHRM 2	Human resource practices are integrated to be consistent with each other
SHRM 3	Human resource personnel are a key influence in setting HR strategy
SHRM 4	Human resource strategy is distinct from the business strategy
SHRM 5	Human resource management strategy will become a more important influence on this organisation's strategy in the future
SHRM 6	Human resource strategy has an insufficient input-influence on this organisation's general strategy
SHRM 7	This organisation matches the characteristics of managers to the strategic plan of the organisation
SHRM 8	This organisation identifies managerial characteristics necessary to run the firm in the long term

SHRM 9	This organisation modifies the compensation systems to encourage managers to achieve long term strategic objectives
SHRM 10	This organisation changes staffing patterns to help implement business or corporate strategies
SHRM 11	This organisation evaluates key personnel based on their potential for carrying out strategic goals
SHRM 12	Job analyses are based on what the job may entail in the future
SHRM 13	Development programs are designed to support strategic changes