

# CLOSING THE GAP BETWEEN CURRENT CAPABILITIES AND FUTURE REQUIREMENTS IN HUMAN RESOURCE MANAGEMENT IN NEW ZEALAND: SOME EMPIRICAL EVIDENCE

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## ABSTRACT

*This paper reports on the perceptions of Human Resource (HR) personnel to identify future trends for businesses in New Zealand, and the need for the HR profession's own competencies and capabilities to change in order to support businesses' future competitive endeavours. Managing organisational change and an increasingly diverse workforce in the global environment will absorb the best efforts of present and future HR practitioners. The literature review reveals that culture, change and diversity considerably influence organisations' approaches to do business significantly. The research reports on the perceptions of New Zealand HR personnel to identify and prioritise five of their present capabilities, competencies and business practices for 2000, and trends for 2010, in order to achieve competitive advantage. From an analysis of the responses from members of the Human Resource Institute of New Zealand (HRINZ), suggestions are proposed which could be of value to businesses for the next decade. The findings indicate that HR practitioners place a high value on international experience, computer literacy and change management, but are less enthusiastic about leadership of the organisation, and attribute little store on the need to communicate in a foreign language. Serious implications are raised for HR management in the light of trends, such as increased international competition. Identified future competencies and capabilities for HR personnel are also discussed. It is concluded that, to remain competitive in New Zealand, organisations need to link HR competencies to business strategy, be sensitive to internal and external change and the needs of the diverse workforce.*

## INTRODUCTION

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For a number of years now, the cliché is that human resources (HR) are an organisation's most important asset: this buzzword certainly applies to New Zealand as well. To gain and maintain a competitive advantage, management must therefore treasure its human resources. To achieve this, organisations rely not only on technology, patents or strategic position, but also on the successful management of their workforce. For the past decade, businesses and other organisations have been facing more crises of organisational challenges, including the need to change the way of doing business, than ever before. Adapting to change and diversity, however, takes many forms, is necessary in order to remain competitive, and requires effective management. Globalisation is also a reality and suggests that the world is becoming borderless and unfettered by national boundaries. The increased movement across borders of people, products, services and capital is one of the driving forces behind the globalisation processes.

Organisations operate world wide in a very dynamic environment. The influence of this fast changing world on the future role of human resource management (HRM) reaches New Zealand as well, and implies an uncertainty both in the role of HR and the best ways for an organisation to develop its staff to enable it to succeed in business. On top of this, New Zealand organisations have to compete not only locally, but globally. Even in this developed country, organisations have to adapt and use their available resources as quickly and as ably as possible. That includes a change and adaptation of the HRM function in the future as well.

In order to help New Zealand organisations to achieve and maintain a competitive advantage, HR practitioners need to possess distinct capabilities. Our investigation reveals a gap between what these capabilities of HR personnel should be and what they actually are perceived to be in practice. This has occurred because many businesses have neglected HRM as a sub-strategy for too long. In other countries there is also a perceived need to close the gap. Australian HR personnel, for example, are encouraged to improve their poor preparation of expatriates for foreign assignments (Stone, 2005). Gomez-Mejia, Balkin and Cardy (2004) similarly exhort US HR professionals to advance their expertise in areas of business understanding and managerial partnerships. The benefits of closing the gap are competitive advantage on a national, if not global, scale, and increased credibility for the HR function.

What the future role and capabilities of HR practitioners ought to be, what the function itself could look like and what the focus of business should be, is the subject of this research, based on a survey in New Zealand in 2000 and a similar study in South Africa in 2002. A theoretical background is the first part of this article, followed by a discussion of five closely related activities in HR and analysis of the results of respondents relating to these activities. The last part of the article includes management implications and possible solutions, with conclusions.

## **THEORETICAL BACKGROUND**

### **Change and competitive advantage**

Human resource (HR) managers who make no attempt to learn and adapt to changes in the global environment will often find themselves reacting rather than innovating. Such businesses will become uncompetitive and will fail. Competitive advantage has been described as the ability of one business to outperform other businesses because it produces desired goods or services more efficiently and effectively than its competitors (Jones and George, 2003). This business is superior in efficiency, effectiveness, innovation and responsiveness to its customers. Organisations are constantly seeking ways to use their resources more effectively and to improve efficiency to stay competitive.

Walker (2004) suggests that competitive advantage is the goal of strategic thinking and the primary focus of entrepreneurial action. Management's vision and the organisation's future should motivate the managers to keep their competitive advantage. Therefore the organisation must offer value to its customers at a cost that produces economic performance superior to their rivals. The organisation must then defend this

position from the competition. Walker also points out two major elements of competitive advantage: positioning the product line more effectively than the competitors and defending the sources of this market position against rivals. In achieving competitive advantage the organisation produces better economic outcomes compared to rivals. In defending its advantage the organisation must prevent their rivals from copying its core assets and practices and prevent their customers from using comparable or substitute products. The organisation must also protect its products from imitation by competitors. One of the primary goals of HR is to help the organisation to achieve and maintain a competitive advantage. To succeed in doing this across international boundaries, there must be mutual respect and tolerance for other cultures.

## **HR and foreign language capability**

Culture, habits, tradition and frames of reference are factors to bear in mind before any business can implement any change. The future organisation must be global in both culture and focus, and to influence the culture of a business, HR management must have the support of their employees, whose participation in the changes must be effected step-by-step and congruent with the existing culture, to maintain stability. Managing a diverse workforce is one of the many challenges for the contemporary manager. Cultural diversity in New Zealand is a reality and New Zealand businesses have many foreigners in their employ. This raises issues immediately: how many managers can speak a foreign language? Is it necessary for them to be able to speak or at least understand any foreign languages to enhance the communication in their businesses? We address this aspect later in this article.

## **HR and international experience**

Managers must also recognise the performance enhancing possibilities of a diverse workforce, and should take advantage of the skills, knowledge and experience of the different people working in the business, and reward them for their performance (Mirvis, 1997:33-34). Robbins et al (2003) expect a manager to “read” and to attempt to interpret the situational circumstances facing them before they make decisions. Nowhere will a set of rules or principles be found that will be universally applicable to all situations. Stone (2005) supports this concept that corporate decisions are increasingly driven by the dictates of global competition. Because employees in New Zealand’s workforce represent cultures from all over the world, it is argued that international experience for managers is highly desirable. Patrickson and O’Brien (2001) have a similar view that globalisation’s inevitable pressures have led to an increased emphasis on international cooperation and have raised the profile of diversity as a socially constructed phenomenon. Managing across national borders may mean that managers must confront and challenge a different basis for stratification from the one with which they are already familiar. HRM is ideally placed to contribute to satisfy the escalating global demand for personnel with specialised, yet transferable, technical and managerial skills and knowledge.

## **HR and anticipating and managing change**

The need for change becomes evident when there is a gap between organisation, division, function or individual performance objectives and actual performance in the organisation. Some of these indicators are changes to total net profit, sales per employee, labour costs and accident rates (Stone, 2005). These factors can be used to identify performance deficiencies. Nel et al (2004) support this view by stating that change usually takes place as a result of an adjustment to the environment, workplace, customers or worker relationships. Change may dramatically shorten the organisation’s lifespan, therefore change must be managed. Too much change can lead to chaos and too little to stagnation. Change must also be constructive and not disruptive. There are two forms of change: Planned change – where change results from a deliberate decision to alter the organisation, and unplanned change – where alterations may occur as a result of imposed conditions. Change is often resisted because it is perceived as leading to loss. The pressures of change threaten many traditional

and long-held ways of managing and working. Helping the organisation to anticipate change is among the greatest challenges facing HR managers now and in the future in modern day business management. Management can match employees with their jobs, but it is important that a business also satisfy its customers' needs and fulfil their expectations. Jones, George and Hill (1998) refer to a whole set of alternatives that a manager must generate and evaluate before making any decisions. Management should be a logical, orderly and highly orchestrated process, a concerted effort to calculate the best way to use resources to achieve organisational goals. Often, however, managers are overloaded with responsibilities and do not have time to spend analysing every nuance of a situation. They then have to make quick, immediate decisions rather than the deliberate thought and reflection that are both important aspects of managerial actions. The current situation is constantly changing and a decision that seems right today may prove to be wrong tomorrow. Fortunately, HR can facilitate both education and experience to enable managers to recognise and develop the skills they need to put organisational resources to their best use.

People differ in their needs, personalities and attitudes towards their work and management, and therefore managers must frequently deal with many problems simultaneously and must rely on their experience gained throughout their careers to do the job to the best of their abilities. Managers and their subordinates learn both from their successes and from their failures. Once again HRM has the expertise to equip managers to face the challenges of decision making in an uncertain world. To make her point, Keleman (2003) refers to two serious disasters: the Titanic in 1912 and the Challenger space shuttle in 1986. She argues that quality of decision-making is what it is all about, and in both these cases it was this failure that caused the accidents. Quality is not a modern invention: it has always been important to human survival. It is not only employees who want to have quality in their organisation; all the stakeholders want quality service and products and HR can provide the education and training to achieve this.

### **HR and computer literacy**

HR managers are under increasing pressure to become strategic business partners, to help the business better respond to the challenges of globalisation by providing value-added contributions to the success of the business (Stone, 2005). Macky and Johnson (2003) argue that contemporary HR planning needs to take place at both a strategic and an operational level for maximum organisational effectiveness. At the strategic level, they perceive the HR planning focus as analysing the external and internal context within which the management of the business' human resources must occur. The outcomes are HR strategies and policies. At the operational level, the process and techniques of HR planning and forecasting drive the selection of HR practises and the development of the HR action plans for ensuring the human capital needed. The extent to which HR and business are strategic partners can be assessed in terms of the degree to which HRM issues are integrated with the formulation of the business strategies. Objective measures, amongst others, can be HR representation in top management, HR's involvement in the development of corporate strategy and the systematic evaluation of HR in terms of its business impact. This is where information technology can benefit: electronic networks such as personal computers and automated telephone systems can assist HR by giving employees direct access to HR information and services. These networks can then free HR to focus on strategic, value-added work that includes narrowing the gaps between future requirements and current capabilities. In order to achieve this it is therefore important that HR practitioners develop and maintain computer literacy.

### **HR and leadership**

HR management has a vital role to play in leading the organisation. Jones and George (2003) suggest that leadership is the process by which a person exerts influence over other people and inspires, motivates and directs their activities to help achieve the organisational goal. Leadership is the key to creating and sustaining a successful organisation in the twenty first century, according to Kotter (1996). He foresees that new employees will have to have a greater capability for both leadership and management than that of their counterparts in the

previous decade. Nel et al (2004) support this view, but include more than just leadership for a successful business. They propose that the congruence between culture, strategy and managerial style is critical to facilitate organisational efficiency. Clearly, poor leadership leads to losses of businesses, jobs, customers and damaged and derailed financial interests and careers. Therefore, effective leadership increases an organisation's ability to meet all the contemporary challenges, including the need to obtain a competitive advantage and manage a diverse workforce fairly and equitably. HRM can increase their organisation's chance of success by providing ethical and business leadership and equipping leaders who exert influence over their employees to help meet these goals.

## **Conceptual model**

Our conceptual model as derived from the extant research identifies effective leadership, international experience, foreign language capability, computer literacy and the ability to anticipate and respond to change as the five potentially important factors contributing to managerial success in the next decade. We next describe our empirical testing of the model to determine the importance of each factor in the context of the capabilities of managers and HR practitioners in the year 2000, the gaps in future requirements for the year 2010, and the roles of HR and management toward narrowing these gaps.

## **PROBLEM STATEMENT**

In a future New Zealand (2010), the anticipated changes in the business environment and globalisation are of great concern for HR managers, line managers and business owners. The role of HR departments and line managers in organisational development and the management of strategic changes, to stay globally competitive, is the reason for undertaking this empirical research. Some possible solutions are identified and presented in this article.

## **GOAL AND OBJECTIVES OF THIS ARTICLE**

Empirical research undertaken in New Zealand (2000), to identify future changes (2010) of HR in businesses is the main objective of this article. Adler (2003:53-61) states that changes in the broader business environment are affecting nearly every aspect of how businesses manage themselves and must take cognisance of the world of diversity in which they operate, including outsourcing of the HR function. Conflicting pressures in the labour market have also brought the role of HR to the fore. On the one hand current worldwide need for skills has started the so-called war for talent. Looking forward, demographers predict a long-term tightening of labour skills for the advanced economies of the world but the reverse seems to remain the case for third world countries. Mergers and acquisitions are increasingly frequent, creating huge HR and management challenges as well. For New Zealand businesses, managers and human resources practitioners it is vital to know about all these future changes to keep and remain globally competitive.

## METHODOLOGY

### Questionnaire usage

A very comprehensive HRM questionnaire covering 358 items to identify HRM and management trends was jointly compiled in New Zealand and Australia in 1994: it was used for a survey to identify the future role and quality of HR in those countries for the year 2000 for use by the Human Resource Institute of New Zealand (IPMNZ, 1994). The same questionnaire was modified and refined and used again in 2000 by Burchell (2001) in association with the Human Resource Institute of New Zealand (HRINZ) to determine a future perspective on human resources in 2010 in New Zealand. The minor modification involved updating and scrapping of a section on Human Resource Information Systems, because the questionnaire was too long. Various countries and institutions over the last 10 years subsequently used it to identify the role, quality and perceptions of HR managers, to identify current and future HR and management trends. The final section of the said questionnaire sought to obtain demographic information from respondents.

The same questionnaire was used with permission after minor editorial modifications for an identical survey in South Africa in the last quarter of 2002. The topics covered in the questionnaire included human resource goals, roles and activities, HR organisation and staffing, information systems and data processing technology, HR concepts and practices for gaining competitive advantage, HR implications of changes in the business environment and implications for HR of the Internet, intranet and electronic business. The final section of the questionnaire sought to obtain demographic information from respondents. Due to the magnitude of the survey only a small section is analysed and reported upon in this paper.

In South Africa, the questionnaire was distributed to 100% paid-up members of the Institute of People Management (IPM) of South Africa. It resulted in 1,640 questionnaires being mailed to organisations throughout South Africa employing registered HR personnel.

### Data collection

In New Zealand, a total of 1510 questionnaires were distributed to members of HRINZ and 150 were returned which represents 10% of the sample. The response rate is statistically significant since 150 useable responses could be used for the data analysis. The overall profile of the respondents in terms of organisation size is also representative of New Zealand businesses as well as the types of economic activity being represented. It lends credence to comparisons of their perceptions in terms of the HR profession's representative organisational profile and therefore their perception of the future as well.

The respondents had to identify and separately rank significant changes from provided lists of various categories in the questionnaire, in terms of the current situation (2000), and then for 2010 as well. Examples of aspects covered in the questionnaire were as follows:

- Increased national/international competition
- Influence of business environment on business e.g. legislation
- Employee values, goals and expectations towards organisations
- Cross border application of employee rights
- Effect of culture, change and organisation development on organisations
- Globalisation of the economy and breakdown of trade barriers
- International experience requirements of HR managers
- Implications for HR management in terms of workforce entrants

Ongoing analysis of the results which were received is still taking place, since the magnitude of the survey is such that various analyses of sub-sets are possible and have indeed been reported in various papers and articles over and above the current article's focus.

The questions indicated categories where 1 is highly dissatisfied, 2 is dissatisfied, 3 is neutral, 4 is satisfied and 5 is very satisfied, and it was expected from the respondents to choose one category. Various sections of the questionnaire were used to compile the results. It is further based mainly on the responses with regard to the view of HR practitioners in New Zealand. For the purposes of this article, only the New Zealand's results of the survey were used and only the mentioned categories. The remaining categories are reported on in other papers and articles. For the interest of the reader, comparisons of respondents and organizations are made with those in South Africa from the 2002 survey.

## RESULTS

The completed questionnaires received from respondents were subjected to verification for accuracy before responses were collated and treated statistically using the SPSS program. The statistical analysis was used to obtain responses in terms of the various questions vis-a-vis organisation size, occupation of respondent and so on. Furthermore a comparison of response of the respondents for current (that being 2000) and future (that being 2010) was also recorded.

Results were recorded to reflect the percentage of all respondents selecting a particular alternative for a particular organisation size or occupation in a particular occupation. Note must be taken that only the aforementioned possibilities are given in this article due to the huge research that was done and the rest are reported on in other articles. The responses were compared in terms of the 2000 result and the envisaged importance in 2010. The profile of the respondents is spread over a wide spectrum (refer to Table 1 below) and each respondent has some relation to HR and qualifies to give his/her view as per the questionnaire questions. The fact that 72% of the respondents are HR practitioners in New Zealand makes their opinions for the future role of HR very reliable and valuable. There is basically very little difference between the two countries in this regard.

**Table 1:** Profile of respondents by profession in New Zealand and South Africa

Profession	New Zealand profile	South African profile
Human resources (officer to director of human resources)	72,00%	67,99%
Business (line managers to CEO)	10,00%	11,43%
Consultants	14,00%	9,14%
Academic (all tertiary educational institutions)	4,00%	7,44%
Other	0%	4,00%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

The survey participants also came from different sized organisations. Almost 50% of the respondents are from larger organisations i.e. 500 or more employees (refer to Table 2 below). It is accepted conventional wisdom that the bigger organisations have a more organised and sophisticated approach to HR management. The importance of this information is that most large companies in New Zealand have an HR department. Almost three quarters (72%) of the respondents in this study are HR practitioners, which make their responses very valuable and usable to predict their future role in any changes in organisations.

The size of the organisations represented by the number of employees employed in 2000 in New Zealand and in 2002 in South Africa is presented in Table 2 below.

**Table 2:** Profile of respondents by organisation size in New Zealand and South Africa

Number of employees in organisation	New Zealand profile	South African profile
Fewer than 10	1,00%	2,5%
10 – 49	4,00%	6,2%
50 – 99	9,00%	8,1%
100 – 499	40%	15,7%
500 or more	46%	67,5%
<b>TOTAL</b>	100%	100%

A total of 46% of the participants represent organisations, in New Zealand, which employed more than 500 people and 40% employed between 100 and 499 employees. Thus, 86% of the participants represented organisations that employed more than 100 people, which certainly present high-power influence regarding New Zealand’s future.

### **Confidence in the results in terms of the respondents’ view**

The following question was posed in the background and demographic section of the questionnaire: “How confident are you of your human resources vision for the future?” A total of 72.28% of the respondents (N = 150) were confident, 22.27% were somewhat confident and only 5.45% were not confident of their human resources vision for the future. This carries significant weight regarding the results of the survey’s future value and forecasting significance.

## **ANALYSIS OF THE RESULTS**

Due to the huge research project, it is impossible to discuss the results of all the sections and categories in one article. For the purpose of this article, the results are presented in terms of the selected categories. The five closely related issues on the topic of future priorities and current capabilities are discussed in this article. (As mentioned before, the other categories and issues are discussed in other papers and articles). The changes anticipated by the respondents for 2010 as opposed to the current situation in 2000, is reflected in this article. The respondents were asked to indicate the extent to which HR staff currently possess certain capabilities and attributes and the extent to which these will be required in the future. Five categories that are relevant to the topic are selected for analysis and discussion. They are: *international experience; foreign language capability; computer literacy; leadership of the HR function and the organisation; and anticipating internal and external changes*. The connection between these factors will be discussed later.

The respondents were asked to indicate the current capabilities and the extent to which these would be required in the future. The specific questions that were asked to the respondents will be dealt with in each of the five different sections below. The results also reflect the respondents’ views on who takes full responsibility for the above mentioned issues in the organisation as well as the strategies. Due to the amount of questions and categories, the selection criteria were the *4 & 5 group only*, in other words *satisfied* and *very satisfied* for 2000 and the *4 & 5 group only* i.e. *priority* and *top priority* group for 2010.



## **International experience.**

This category had the largest increase (88%) in this section of the survey, rising from 2% who felt that HR staff had this attribute in 2000, to 90% who maintained that HR staff would require this by 2010. It can therefore be deduced that the respondents definitely want more employees, including managers, with more international experience in their organisations, due to globalisation. By having more internationally experienced employees in an organisation, national differences can be overcome to establish a successful global business or to keep the competitive edge. Businesses competing in global markets typically vary in where they locate their activities across countries (Walker, 2004).

It is evident that there is an increasing trend toward global integration of markets and technology, according to Walker (2004). Not only do customers worldwide buy similar products made by global firms, but also these firms develop their ideas and manufacture their products wherever the results are best. An organisation can experience these opportunities and pressures simultaneously, making participation in international markets necessary and strenuous. Macky and Johnson (2003) refer to organisations that send their staff overseas to gain international experience. These experiences can be extremely expensive taking into account not only travel and relocation costs but also the 'down time' it takes for people to relocate and get settled.

This view is supported by Solomon (1994:11), who argues that HR professionals in the increasingly global market must get cross-cultural training, and international assignments help to provide this. Employees in global companies need to have an appreciation and respect for different cultures, must have cross-cultural communication capability and work well with individuals from multinational backgrounds. It is reported that there is a growing trend of female as well as male expatriates (Tyler, 2003:7-8). The HR practitioner needs to be able to provide input for strategic decisions the company is going to make in order to be able to speak intelligently with colleagues. Factors that help to make these international assignments successful include not only the individual employee's personal desire for international experience, but also comprehensive pre-departure preparation and ongoing support while living abroad (Mortensen, 1997:4).

## **Foreign language capability**

Regional advantage is based on the unequal geographical distribution of resources. Some regions are well endowed and others less fortunate. This does not apply to industries whose major inputs are intangible, or where there is little need to locate near raw material sources, according to Walker (2004). In terms of issues relating to foreign language capability there is not much difference between what the respondents regard as important in 2000 and what the requirement should be in 2010. Only 2% more (2% to 4%) of the respondents were of the opinion that HR staff should be able to understand or speak a foreign language. It can be deduced that the respondents did not foresee that by establishing a nascent business it could grow into a major location of industry activity. One obvious reason businesses locate in a region is to benefit from the local pool of workers whose skills are most probably specific to the needs of the business. The employees will therefore be locals who can speak the local language and it is not necessary to have the capability of a foreign language although it can always be an advantage.

Researchers have different views on foreign language capabilities. Tyler (1998:12) is of the opinion that organisations in the past may sometimes have given English as a second language training to non-English speaking workers who came into the country, but it is unusual for English speakers to learn a foreign language to communicate with immigrants. However, in this global economy, there are many benefits of this approach, including improved organisational safety and morale, and it is immensely useful for working overseas as well as for marketing and communicating with non-English speakers. Nevertheless, it is important to be realistic: with a large influx of immigrants from the Pacific Rim, it would seem that Chinese would be the new language of choice, but Asian languages are reported to be the most difficult of all to learn (Tyler, 2003:8). It is apparent from this survey that few HR staff in New Zealand will make an effort to learn to speak or understand a foreign

language in the next decade. This reluctance may inhibit the first aim of developing international experience. Another view is from Patrickson and O'Brien (2001) who are saying the bridging of languages can be addressed initially through training, exposure and goodwill. Multilingual communication and additional time for validation to ensure that the meaning is communicated as well as the words should supplement it.

## **Computer Literacy**

De Cieri et al (2003) are convinced that human resource information systems (HRIS) will automate several processes of HRM. Following from this is e-HRM that is changing the way that HR departments develop and plan. Information technology is used to allow faster access to information and decision making. Computerisation of HR activities may streamline operational aspects of HRM and reduce much of the administrative burden of this functional area. A total of 58% of respondents indicated that they believed HR staff possessed the capability of computer literacy. This figure increased to 83%, who indicated that HR staff would be required to be computer literate by 2010. It can be deduced that the HR practitioners amongst the respondents all supported the importance of computer literacy in organisations because they are well aware of the advantages thereof as described by De Cieri et al, above. A further reason can be that managers foresee that organisations will become more computerised in 2010 than they are already in 2000.

This is supported by a study by Lengnick-Hall and Moritz (2003:1-3), who predicted that HR's responsibility would shift from hands-on, face-to-face, service delivery to system design and maintenance functions. Consequently, HR professionals will need more information technology knowledge and skills than they have had in the past. Providing e-HR will enable HR to play a more consultative role with line managers and take a more active role in the organisation's strategy formulation and implementation. Thus, HR professionals with knowledge and skills in both HR and information technology will be uniquely positioned to make the HR function a value adding contributor to their organisations

## **Leadership of the HR function and the organisation**

Only 9% of the respondents in 2000 felt that HR exhibited leadership for the HR function and the organisation. On the other hand, 40% predict that HR would require this capability for 2010. This indicates that most HR practitioners see themselves as offering a supportive role at present, and that less than half aspire to leadership positions in the future. This is unfortunate, as human resource professionals may often be in leadership positions that allow them to have a broad impact on organisations, and may be tapped for their advice and expertise on the strategic organisational changes that are necessary for competitive advantage. As a result, it is important that they are knowledgeable about how various factors may directly or indirectly impact an organisation's reputation, customer loyalty, skill sets, growth potential and even its bottom line (HR Magazine, 2004:10). However, in many organisations, HR devolves from business strategy: it does not determine which way the company goes or how the company is going to expand into different areas (Hailey, 2001:179). In spite of this, there are many HR departments that are consciously repositioning themselves from 'personnel' type departments to strategic business partners (Hutcheson, 2004:212; Millar, 2004:1). Rudman (2002) suggests that HR managers could add considerable value to an organisation's effectiveness by exerting leadership beyond their 'staff' role in the organization. Effective leaders exert the influence over employees to achieve the organisation's goals. On the other hand, ineffective leaders' influence does not contribute to achieving goals but detracts the employees from goal attainment. There are different leadership styles to effective leadership.

Leadership defines what the future should look like and motivates and inspires people with that vision to make things happen. To be effective, HR needs to be linked to all levels of general business. It is the operational level that determines line and functional manager action in the everyday organising, controlling and management of work and employee performance. Contemporary HR management therefore needs to take place at both a strategic and an operational level for maximum organisational effectiveness (Macky and

Johnson, 2003). Strategic HR planning is one of HR's activities to add value to the functioning of organisations, but has little value if line managers are not involved in it. Unfortunately, say Gomez-Mejia, Balkin and Cardy (2004), top management sometimes regard strategic planning as their domain, with other managers (including HR) merely responsible for its implementation. It is therefore necessary to have leaders with a specific leadership style in charge in organisations that have a broader perspective and a greater influence in the strategic planning phase on the link between HR's and business's goals to perform at the expected level. Kotter (1996) says that the twenty-first-century managers will need to know more about both leadership and management than did their counter parts in the past. It is one of the roles of the HR department to narrow these gaps between expectations and performance

HR functions have often taken the initiative in developing and introducing development planning and career development processes for managers and for employees in other company functions. However, in order to be seen as credible, HR managers need to vigorously develop their own capabilities. On a survey of 100 US companies, it was seen that development of HR leaders was accomplished by a variety of techniques, the most common being by handling diverse and increasingly challenging assignments, often in different areas of the business (Walker and Stopper, 2000:44). There could be links with international experience and foreign language capability here.

## **Anticipating the effect of internal and external changes in the organisation**

It may happen that people sometimes become suspicious of the motives of those pushing for transformation. It is because in most such cases they have been through a painful, difficult and unsuccessful change. Kotter (1996) suggests that managing change is a set of processes that keep a complicated system of people and technology running smoothly. It includes planning, budgeting, organising, controlling, staffing and problem solving. He maintains that the attention of managers sometimes turns inwards and then they have difficulty seeing the forces that present opportunities and threats.

Kotter offers an eight-stage process to manage change:

- Establishing a sense of urgency
- Creating the guiding coalition
- Developing a vision and strategy
- Communicating the change vision
- Empowering broad-based action
- Generating short term wins
- Consolidating gains and producing more change
- Anchoring new approaches in the culture.

The first four steps help defrost a hardened status quo. If change were easy one would not need all the effort. Steps five to seven introduce a number of new practises and the last stage 'cement' the changes in the corporate culture. Implementing this model could improve the capability of HR managers to manage change.

In our research, only 12% of the respondents indicated that HR is capable of anticipating the effect of internal and external changes on the organisation. This figure grew to 71% who felt that HR should require this capability for 2010. HR strategy should be based on a sound business case (Walker, 2002:215), but HR managers do not have the luxury of operating and performing in a stable, predictable environment, as political, social and economic changes are affecting all organisations and their human resource management activities. Changes in an organisational environment result in new kinds of opportunities and threats. Any organisation has a set of skills, capabilities, competencies and resources. Managers need to use their competencies and managerial skills to make certain decisions. Managers must recognise the need for decisions and must act proactively but more important is that they must respond timely and in an appropriate way.

Managers as change agents planning to implement change must predict resistance to these changes as well. Resistance to change is a common human behaviour. Usually they misunderstand the changes and its

implications; they do not want to lose something valuable and the fear for the unknown. According to Nel et al (2004) one key to managing resistance is to plan for it and to be ready for it with a variety of strategies to help employees to negotiate the transition. HR managers should therefore treat resistance as an opportunity to re-evaluate a proposed change and to identify and deal with the real barriers to change. Knowledge and anticipation of change is therefore critical for HR managers in ensuring the success of business ventures (Schuler, 2001:57), and is therefore an important strategic HR tool, which can support innovative behaviour to enhance competitive performance. Searle and Ball (2003:48) found that, unfortunately, their surveyed organisations in the UK failed to translate the importance of innovation and change into coherent HR policies. It can therefore be deduced that the HR manager of the future will develop a greater capability of the awareness of internal and external changes, and strive to proactively influence the organisation to respond positively to those changes.

**Table 3:** Summary of HR capabilities for competitive advantage

	2000 %	2010 %	% Increase
International experience	2	90	88
Foreign Language capability	2	4	2
Computer literacy	58	83	25
Leadership of the HR function and the organisation	9	40	31
Anticipating internal and external changes	12	71	59

## MANAGEMENT IMPLICATIONS

These five factors may appear on first sight to be random, but closer inspection of the findings reveals a link between them, with useful implications for HR professionals. HR managers aspire to play a more strategic role in organisations, and this should lead them to take cognizance of two major trends. The first is that, like many countries, New Zealand’s market place is beyond its shores: at least the Asia-Pacific regions if not global. The second is that that increasing change is bringing increasing diversity to the New Zealand workforce. Harnessing the power of this diversity will be a strategic challenge for HR, and a successful response to this will enable organisations to become more competitive than ever in the global market place. In order to achieve this, HR professionals will have to take the lead in managing change, and the starting point should be HR itself.

An important tool to help them accomplish this along the way will be the use of computer applications, especially in the day to day operational HR work. It is therefore a priority for HR professionals to develop their computer knowledge and skills, which will enable the operational work of HR to be affected smoothly and efficiently. With this part of the business ticking over, this should free HR to devote their energies towards the human side of the enterprise. The world has been changing more rapidly than ever before and it is expected from managers and employees to perform at much higher levels. Part of the human condition is differences. These differences have an impact on how individuals perceive their environment, interpret information and resolve their problems. These differences can be seen as an asset or a liability for an organisation. Liabilities will result in a disruption of the development of the organisation. Assets can stimulate and enhance development in the organisation and they can be part of solving problems.

Nineteen years ago Beckhard and Harris (1987) said that the world in which organisations exist, and will be operating in future, is continuously in change. It changes in relationships among nations, institutions, business partners and organisations; changes in the makeup of the ‘haves’ and the ‘have nots;’ changes in dominant values and norms governing societies. It also changes in the character and culture of business or wealth-producing organisations; changes in how work is done and changes in priorities. The core dilemma for leaders and managers is how to maintain stability and at the same time provide creative adaptation to outside forces, change assumptions, technology, working methods, roles, relationships and the culture of the organisation. Today, these changes are still taking place and there are still more changes to come in the future, as Beckhard and Harris (1987) envisaged.

Diversity has become an increasingly important factor in New Zealand's organisations as the workforce and general population has become more heterogeneous in ethnicity, age, gender and so forth. Diversity presents particular challenges for the future managers. Employees from a broad range of cultures and different backgrounds are present in the New Zealand workforce owing to the waves of migration and they have a significant influence on the cultural, economical and societal changes in communities and organisations (Patrickson and O' Brien, 2001). Not only should HR departments be staffed with qualified people representing the ethnic diversity of the country, but the predominantly European-oriented HR professionals should intensify their efforts to develop their skills in managing across cultures. This would involve first of all learning about other cultural groups, their attitudes towards work and their styles of working. For example, Pacific Island and other Third World cultures are predominantly collectivist, and this should be utilised by HR in developing team work in their organisations. Learning the language of these ethnic groups would be a second step, at least greetings and simple phrases. As leaders of their organisations, HR could encourage members of their organisations to also communicate simply in the diverse languages. Different cultures have different styles of decision-making as well and HR could encourage ethnic groups to understand each others' preferred practices. This will require exceptional change management skills to gain the commitment of managers and employees.

The greatest challenge would be to become proficient in communicating in a language of a major overseas customer. As has been noted, an Asian language like Chinese would seem to be an obvious although daunting choice for many English-speaking managers. From a strategic perspective however, HR managers should consider the careful selection of people for foreign assignments, and promote the development of suitably trained personnel to become proficient in a foreign language. It is the aim of many Chinese students to deliberately study abroad to improve their English language skills, and China will reap immeasurable benefits from this. The effective HR professionals of the future should be both highly computer literate, and proficient in understanding the cultures and speaking the languages representing the diversity of their country and overseas markets.

## **CONCLUSIONS**

These five factors that have been examined are linked together and have useful implications for HR professionals. Increasing change is bringing increasing diversity in the New Zealand workforce. In order to utilise this diversity, HR managers could accumulate valuable international experience and the capability to communicate in a relevant foreign language. Computer literacy can enable HR to free itself to focus on the strategic aspects of managing organisational change and handling the diversity it brings. These factors could enhance the effectiveness in HR in exercising leadership of the organisation.

It is important that HR managers should not only keep up with the pace of business, but also be part of the leadership of the organisation (Walker, 1999:147). While computer literacy is embraced, and international experience is highly prized, foreign language capability is played down by the respondents. This is possibly because traditionally English speakers have expected others to learn their language, and also because advancements in information technology have been in the medium of English. However, many foreign countries, like China, are growing rapidly as leading world markets. The challenge to HR is to come out of its 'comfort zone' and proactively respond to these changes: the future may depend upon it.

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