Flexible Human Resource Service Delivery Models in the Australian Public Sector: Implications for Key Stakeholders

A thesis submitted in fulfilment of the requirements for the degree of Doctor of Philosophy

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30 May 2018
Author's Declaration

I certify that except where due acknowledgement has been made, the work is that of the author alone; the work has not been submitted previously, in whole or in part, to qualify for any other academic award; the content of the thesis is the result of work which has been carried out since the official commencement date of the approved research program; any editorial work, paid or unpaid, carried out by a third party is acknowledged; and, ethics procedures and guidelines have been followed.

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30 May 2018
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Finally, I would like to dedicate this thesis to my mother Rayma Clarke who instilled in me a love of learning and always challenged me to be the best I can be.
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<tbody>
<tr>
<td>HRM</td>
<td>Human Resource Management</td>
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<tr>
<td>HR</td>
<td>Human Resource</td>
</tr>
<tr>
<td>AHRI</td>
<td>Australian Human Resource Institute</td>
</tr>
<tr>
<td>NSW</td>
<td>New South Wales</td>
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<td>TCE</td>
<td>Transaction cost economics</td>
</tr>
<tr>
<td>RBV</td>
<td>Resource based view</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>RMIT</td>
<td>Royal Melbourne Institute of Technology</td>
</tr>
<tr>
<td>NPM</td>
<td>New public management</td>
</tr>
<tr>
<td>JUG</td>
<td>Joined-up-government</td>
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<tr>
<td>GFC</td>
<td>Global financial crisis</td>
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<tr>
<td>BCHEAN</td>
<td>Business College Human Ethics Advisory Network</td>
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<tr>
<td>GSE Act</td>
<td><em>Government Sector Employment Act 2013</em></td>
</tr>
<tr>
<td>PSC</td>
<td>Public Service Commission</td>
</tr>
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<td>VPSC</td>
<td>Victorian Public Sector Commission</td>
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<td>PAA</td>
<td><em>Public Administration Act 2004</em></td>
</tr>
<tr>
<td>FTE</td>
<td>Full time equivalent</td>
</tr>
<tr>
<td>SSA</td>
<td>State Services Authority</td>
</tr>
<tr>
<td>OSP</td>
<td>Outsourced provider</td>
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<td>OSC</td>
<td>Outsource client</td>
</tr>
<tr>
<td>IHP</td>
<td>In-house provider</td>
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<tr>
<td>IHC</td>
<td>In-house client</td>
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<tr>
<td>SSP</td>
<td>Shared service provider</td>
</tr>
<tr>
<td>SSC</td>
<td>Shared service client</td>
</tr>
<tr>
<td>KPI</td>
<td>Key performance indicator</td>
</tr>
<tr>
<td>SSE</td>
<td>Shared service employee</td>
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<tr>
<td>IHE</td>
<td>In-house employee</td>
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Abstract

Flexible Human Resource Service Delivery Models in the Australian Public Sector: Implications for Key Stakeholders

The public sector is a large, publicly funded employer in Australia and has an important role to play in delivering on government policy and programs and its importance cannot be underestimated. When compared to the private sector, the public sector is subject to higher levels of focus and monitoring with a broader range of stakeholders and priorities. Continued focus on the cost of the public sector workforce is also evident. One response in the public sector to the focus on continuing fiscal pressure has been the use of alternate service delivery models. The Human Resource Management (HRM) function is not immune from this scrutiny with an increasing number of leaders considering outsourcing or shared services as possible alternate forms of HRM architecture.

This thesis examines the implications of public sector HRM architecture and its impact on HR professionals, senior managers and employees who are integral to service delivery in the public sector. To achieve its objective, conclusions are based on findings from practitioners and employing organisations, in a context of the prominent literature in this field. A mixed methods approach was adopted with 54 semi-structured interviews conducted in case study organisations representing an in-house, shared service and outsourced model of HRM.

Key findings of this study suggest the rationale for the HRM architecture was largely based on perception and ideology. The uncertainty of working in the public sector emerged and raised the question of the attractiveness of the public sector as an employer. For HR professionals, there were variable experiences of a constructive career, prompted by the HRM architecture and broader uncertainty. Those in leadership roles in the HRM function were identified as needing to take a stronger role organisationally and to ensure skill development and career progression of HR professionals. Senior managers and employees were more concerned
about the skills and capabilities of HR professionals to provide high-quality advice as opposed to the HRM architecture. Understanding the insights of stakeholders may enhance those in leadership positions making decisions on HRM architecture in the Australian public sector. This is significant as professionals in the HRM function have an important role in supporting senior managers and employees in the public sector to deliver public services.

This study provides insights into public sector HRM and identifies the architecture in the form of service delivery models as an element to be considered. There are broader contextual challenges that are identified in this study and need to be addressed for there to be significant progress in the HRM area. A key aspect in need of resolution is creating an environment in which frequent change and uncertainty is managed in such a way to minimise the impact on the experience of working in the public sector.

Key words: Human resource management architecture, shared services, outsourcing, public sector.
Chapter 1: Introduction

This thesis examines the implications of public sector Human Resource Management (HRM) architecture and its impact on Human Resource (HR) professionals, senior managers and employees; all integral to service delivery in the public sector. To achieve its objective, conclusions are based on findings from practitioners and employing organisations, in the context of the literature in this field.

The past three decades have witnessed a considerable focus on the changing nature of workplaces. Globalisation and subsequent increased competition have impacted the structure of organisations (Nankervis, Baird, Coffey & Shields 2017; Watson 2017). Other factors impacting on the nature of workplaces include a shortfall in skilled labour and an ageing population (Productivity Commission, 2013). For example, Australia’s population is predicted to continue to grow steadily, with those aged over 75 anticipated to increase by 12 million people between 2012-2060 (Productivity Commission 2013). Coupled with this, labour participation rates are expected to fall in Australia between 2012-2060 from 65 per cent to 60 per cent (Productivity Commission 2013).

As a result of these changing dynamics, many governments face budgetary challenges due to decreasing revenue to fund services and increasing costs in areas such as health and education (Productivity Commission 2013). In Australia, the public sector has an important role to play in delivering government policy and programs and as a large employer. Due to its size and significance, the public sector faces considerable examination of its expenditure (Hughes 2012). Because of this focus, there is continual consideration in the public sector of the most efficient methods of service delivery and the best structure, or architecture, to support its work (Hughes 2012).

The focus of this thesis is to enhance understanding of HRM architecture and the impact it has on HR professionals, senior managers and employees in the public sector. While the
HRM function has not only a role to play in the broader element of organisational change and leadership, it has also been under scrutiny for a considerable time (Reilly & Williams 2003; Armstrong & Taylor 2017; Bratton & Gold 2017; Nankervis et al. 2017). More broadly, with many organisations facing cost pressures, there has been an increased focus on such “support” functions and how to make them more cost effective (Reilly & Williams 2003; Nankervis et al. 2017).

When considering the role of HRM in organisations, in some cases the traditional in-house HRM function is moving from transactional operations towards a more strategic business partner model (Sheehan 2009; Bratton & Gold 2017; Nankervis et al. 2017). There has also been a move to devolve HRM activities from centralised delivery by an HR professional to increased involvement of line managers (Reilly & Williams 2003; Reichel & Lazarova 2013; Sheehan, De Cieri, Greenwood & Van Buren 2014; Op de Beeck, Wynen and Hondeghem 2016). Structurally, there has been an increase in different approaches to HRM architecture such as outsourcing (Greer, Youngblood & Gray 1999; Delmotte & Sels 2008; Nankervis et al. 2017). At the same time a less researched, though growing area of focus, has been HRM outsourcing “internally” through centralising HRM activities and employees to support the organisation in a shared service arrangement (Janssen & Joha 2006; Teicher, Van Gramberg & Holland 2006; Meijerink, Boundarink & Looise 2013).

To meet broader challenges, some leaders in organisations, including the public sector, are rethinking service delivery models in the form of HRM architecture; with an increasing number considering outsourcing or shared services as possible alternate modes (Quinn, Cooke & Kris 2000; Delmotte, & Sels 2008). Outsourcing is a contractual arrangement where specific organisational functions with defined service level responsibilities are shifted to an external provider (Jansen & Joha 2006; Oshri, Kotlarsky & Willcocks 2015). Shared service units are centralised (internally or externally) and provide services to a range of clients from a whole organisation to a geographical region or discrete business division (Cooke 2006a; Redman,

1.1 Rationale for the study

There are bodies of literature examining HRM architecture in the form of outsourcing and shared services in a variety of sectors and countries. However, there is limited evidence of the application of HRM theory in the development of HRM architecture in organisations. Literature is focused more on the rationale for HRM architecture as well as benefits and disadvantages. Very little of the literature considers HRM architecture and theoretical models and is situated specifically in the public sector context in Australia. Factors which warrant a specific focus on the public sector in Australia, as opposed to the private sector, include its place as a significant employer, its ownership, funding and control. The public sector has also experienced change over time due to its shifting role in the delivery of services.

There is also inadequate consideration of the implications of HRM architecture on specific key stakeholder groups such as Human Resource (HR) professionals, senior managers and employees in the Australian public sector context. Research in this area is sparse in parts, making it difficult to assess the implications of HRM architecture in a broader sense, and also the impact on key stakeholders. Understanding the impact of HRM architecture on HR professionals is important as they are promulgating organisational policy and strategic direction. As senior managers are a key mediating layer between HR practices and employees, it is important to understand the impact of HRM architecture on this group. The impact of HRM architecture on employees is important to understand as employee engagement is significant in delivering outcomes for an organisation.

Therefore, the aim of this study is to enhance understanding of the implications of the architecture of the HRM function on key stakeholder groups of HR professionals, senior managers and employees to contribute to enhanced decision making in relation to the
architecture of HRM in the public sector in Australia. Conclusions are based on the information attained from practitioners in the field and employing organisations, combined with relevant literature.

1.2 Research questions

While there were separate bodies of research in a variety of subject areas related to this research, there was limited literature bringing together the issue of the impact of the architecture of the HRM function on key stakeholder groups of HR professionals, senior managers and employees in a public sector setting in Australia. The primary objective of this study is to consider and question HRM architecture in the Australian public sector and the positive and negative implications for key stakeholders.

Research questions to be explored are:

a. What are the driving forces of the adoption of different models of HRM architecture in the public sector in Australia?

b. What is the impact of the HRM architecture on the career of HR professionals?

c. What is the experience of senior managers of different HRM architecture?

d. What are employees’ experiences of such HRM architecture?

1.3 Theoretical basis

This study adopts a social constructivist approach (Creswell 2013). The theoretical basis has been adopted to underpin the study and interpret the research phenomena explored largely through participants and their world view. A social constructivist approach highlights multiple perspectives which contribute to building up patterns, generalisations and broader understandings (Creswell 2013). A deeper understanding of elements being studied is also evidenced through a closer relationship between the researcher and participants (Creswell & Plano Clark 2011). In this study different experiences of the impact of HRM architecture of
outsourcing, shared services and in-house and will be examined and the impact on HR professionals, senior managers and employees in the public sector context analysed.

There are a number of different models of HRM identified in the literature. Conceptual frameworks considered in this study are the Harvard Model (Beer, Spector, Lawrence, Mills & Walton 1984), Storey’s Typology (Storey 1992), the Ulrich and Brockbank (Ulrich & Brockbank 2005) model as well as the Australian Human Resource Institute (AHRI) Model of Excellence (AHRI 2016). The Harvard Model (Beer et al. 1984) was chosen as it was widely acknowledged as an early and leading approach to the consideration of HRM function. Storey’s Typology (Storey 1992) was analysed as it built on the Harvard Model (Beer et al. 1984). Ulrich and Brockbank (Ulrich & Brockbank 2005) was widely acknowledged as a more recent approach to the structure of the HRM function and thus another model to consider. The AHRI Model of Excellence (AHRI 2016) was also considered relevant for analysis in this study as one of few models of HRM architecture developed in an Australian context. The HRM architecture of each case study is compared and contrasted to the leading models.

Along with the four models of HRM, other theoretical underpinnings are examined. The psychological contract, that is the mutual obligation between the employer and an individual (Rousseau 1989), is also considered. This concept emerged as significant in the public sector work environment with its changing demands. The role of HR professionals in mediating the relationship between the employer and individual employees is explored.

1.4 Thesis structure

Chapter 2 contains a literature review starting with relevant models of HRM from the Harvard Model (Beer et al. 1984) to Storey’s Typology (Storey 1992) and the Ulrich and Brockbank (Ulrich & Brockbank 2005) perspective as well as the AHRI Model of Excellence (AHRI 2016). Changes to the HRM function over time are discussed. Then, there is the broader and more fundamental consideration of whether to “make or buy” HRM with different economic models.
There is then a specific focus on outsourcing and shared services as alternatives to the traditional approach of in-house HRM. Specifically, literature will be examined to understand motives for adopting alternative HRM architecture as well as advantages and disadvantages and the impact on stakeholder groups.

Chapter 3 considers literature relating to the public sector. The public sector is the focus of this study and warrants specific consideration due to characteristics that are at variance to the private sector. Differences between the public and private sector are discussed and then the role of government more broadly is explored. International research considering changes in approaches to the public sector over time are examined including the move from public administration with a focus on standardisation and hierarchy to public management and new public management with a focus on efficiency and effectiveness. A more recent move to joined-up-government will also be discussed. Implications of the global financial crisis on the public sector are also examined. Literature relating to the public sector in Australia is then specifically considered as the three case studies were Australian. An overview of the structure of the Australian government provides added context to this study. Characteristics of Australian public sector HRM will then be examined with a focus on the shared services approach as one example of an alternative structure of the HRM function that appears to have increasingly found favour in the Australia public sector setting. Research and data collection questions will then be outlined.

Chapter 4 identifies the research design, strategy and methods adopted in this study. Firstly, the theoretical basis underpinning this research will be discussed. Then, the overall research design to support the conceptual framework is detailed. A case study approach is adopted for this study with three cases based on three different approaches to HRM architecture (outsourced, shared service and in-house). A rationale for the use of multiple case studies is provided. Details of specific research methods of interviews, focus groups and document analysis are examined. Advantages and disadvantages of each method are identified as well
as strategies to mitigate potential disadvantages. Data analysis considerations are then discussed and specifically the use of NVivo as a data analysis tool. Validation and reliability of research approaches and ethical considerations are then considered.

In Chapter 5 the public sector in Australia is considered in detail. The first section of the chapter examines the system of state governments in Australia with a particular focus on the two Australian states relevant to this research: New South Wales (NSW) and Victoria. The second section is informed by documentary analysis and interviews and addresses specific characteristics of each of the three case studies: OutsourceCo, SharedserviceCo and In-houseCo. Details of the structure of HRM function of each case are considered, as well as the nature of service delivery and governance arrangements, along with the relationship more broadly. The People Matter Survey was a survey instrument used regularly in the Australian public sector context to elicit employee sentiment on a range of issues. As all three case study client organisations participated the People Matter Survey during the period of this research, survey results were compared and contrasted. An understanding of elements of each case study provides a context for the findings of this study.

Chapter 6 considers findings and discussion of each case study in relation to the first subsidiary question of the rationale for the HRM architecture. In total, 54 interviews were conducted. Informants related to the provision of HRM services were senior HR managers and HR professionals. Clients interviewed included senior managers as well as HR professionals. Interviews were transcribed and themes identified. Employee focus groups were also conducted in In-houseCo and SharedserviceCo to further understand the impact of the structure of the HRM function on employees and to validate senior manager experiences. The synthesis of themes in this chapter aimed to extend understanding and knowledge in the area of the HRM architecture in the Australian public sector. What was evident was that there was limited questioning or justification of the approach to HRM architecture.
In Chapter 7, findings and discussion of the last three research questions are considered. There is discussion and further integration of themes between cases and respondent groups with reference to the relevant literature. This chapter, similar to the previous chapter, is structured to consider these questions.

Chapter 8 discusses themes and draws conclusions. Themes are identified which extend understanding of knowledge in the area of the HRM architecture in the public sector and implications for key stakeholder groups.

1.5 **Significance**

The aim of a Doctoral Degree is to demonstrate expert understanding of theoretical knowledge and undertake investigation and reflect on theory and practice to make an original contribution to knowledge and/or professional practice (Australian Qualifications Framework 2013). This study is significant as it compares and contrasts three approaches to HRM architecture in a public sector context in Australia. It fills a gap in the literature as it synthesises the driving force behind a variety of approaches to HRM architecture and its impact on senior managers, HR professionals and employees, a novel area of research. It explores issues, tensions and challenges faced in the public sector when contemplating HRM service delivery and the applicability of influential models of HRM to the public sector in Australia. The research should lead to an enhanced understanding of the organisational implications the structure of the HRM function, thus providing opportunities for more informed decision making in relation to HRM architecture in the public sector in Australia.
Chapter 2: Literature Review: Models of HRM and HR Services

2.1 Introduction

A literature review explores prevailing ideas and research relevant to the study and also serves to identify gaps. Consideration of relevant literature also provides a framework for the research design. In this chapter, the changing nature of the HRM function is considered along with various theoretical frameworks. This chapter is structured from the broad to the specific. Different models of HRM from the Harvard Model (Beer et al. 1984) to Storey’s Typology (Storey 1992) and the Ulrich and Brockbank model (Ulrich & Brockbank 2005) as well as the AHRI Model of Excellence (AHRI 2016) are considered. The Harvard Model (Beer et al. 1984) was chosen as it was widely acknowledged as an early and leading approach to the consideration of HRM function. Storey’s Typology (Storey 1992) was a natural antecedent to consider as it built on the Harvard Model and extended consideration of the HRM function. Ulrich and Brockbank (2005) was widely applied in more recent literature as a new approach to the structure of the HRM function and was thus a significant model to consider. The AHRI Model of Excellence, which identifies what HR professionals are expected to know, to do and to be, was relevant for this study as one of few models developed in an Australian context (AHRI 2016). The concept of the psychological contract is then examined to consider the broader issue of how individuals engage in an organisational setting.

This chapter then details and analyses changes to the HRM function over time and consideration of a more fundamental decision of whether to make or buy HRM with particular emphasis on transaction cost economics and the resource based view of the firm. HRM architecture is explored including the more recent phenomena of devolution of HRM to managers. Outsourcing and shared services, as the most prevalent alternatives to the traditional structure of in-house HRM, are then examined. Specific elements of outsourcing and shared services considered are motives, benefits and challenges and the impact on stakeholder groups.
The term Human Resource Management can be used in different ways. Human Resource Management is the term used in this study and is considered to be the ‘convergence of three factors – human beings, resources and management’ (Nankervis et al. 2017, pp. 11). The term Human Resources can refer to the functional work area undertaking human resource related tasks or it can refer to activities undertaken in an organisation or to a group of employees in an organisation. In this study those meanings will be differentiated. Human Resource Management (HRM) will be used to refer to the work function that is undertaken in case organisations. The term Human Resources (HR) will be used when referring to professionals performing the function. Key stakeholders referred to in this study are the three groups upon which the impact of the structure of the HRM function will be considered. Specifically, the stakeholder groups are HR professionals, senior managers and employees. Understanding the perspective of each stakeholder group is significant. As HRM architecture changes, the role and career opportunities of HR professionals are evolving. Over time, there has also been an evolution in the understanding, although not universal, of the skillset required of HR professionals (Davidson, Tsakissiris & Guo 2017). Thus, it is significant to understand this group and the implications of HRM architecture. Senior managers are considered significant as, over time, HRM activities previously undertaken by HR professionals have been devolved to managers. It is relevant to understand employees’ perceptions of the HRM architecture as employees are key contributors in organisations. The extent to which employee perspectives concur with senior managers is important to understand.

2.2 Context of organisations

Both the context of organisations and the HRM function have changed over time. A chronology of the development of the role of HRM in organisations is broadly considered to contain four stages (Lepak & Snell 1998; Cascio 2005; Nankervis et al. 2017). In the early 1900s in organisations there was a focus on employee welfare and administration with functions largely performed by supervisors and line managers (Cascio 2005). Then, in the
1940s, prompted by the Second World War, while there was still a focus on employee welfare and administration, there was the addition of professionalised personnel-related activities such as selection and training (Cascio 2005). From the 1970s, with advances in technology and an increasing acknowledgement the workforce is a valuable asset in achieving organisational goals, there was a move to the notion of Strategic Human Resource Management to play a role in influencing the workforce’s mindset (Beer 1997; Buyens & De Vos 2001; Beatty, Huselid & Schneier 2003; Nankervis et al. 2017). While approaches to the HRM function continue in varying organisational contexts, there are common themes including moving from transactionally focused HRM service provision to an increased role as a strategic business partner and needing to be more focused on responding to broader strategic needs of organisations and building support (Burke & Ng 2006; Sheehan 2009; Ulrich, Younger, Brockbank 2008). The shift in the HRM function is broadly characterised by an expectation that transactional activities are completed faultlessly as well as underpinned by a comprehensive understanding of the business and implementation of strategies that support organisational needs (Lepak & Snell 1998; Cascio 2005; Ulrich et al. 2008).

The HRM function includes a broad range of focus areas. The most likely HRM functions to be outsourced in Australia were not consistently agreed with two important studies providing insights into the complexity of decision making (Sheehan 2009; Susomrith & Brown 2013). Examples of elements of HRM to be potentially outsourced were training, recruitment and selection (Sheehan 2009; Susomrith & Brown 2013) occupational health and safety, payroll and employee benefits (Susomrith & Brown 2013) or HRM information systems, change management and performance appraisal (Sheehan 2009). In this study, elements of the HRM function that will be focused on include payroll, recruitment and selection and policy advice to clients. Excluded from this study is examination of the HRM elements of learning and development, performance, change management, diversity and occupational health and safety.
2.3 Models of HRM

There are a number of different models of HRM architecture identified in the literature. The Harvard Model (Beer et al. 1984) considered the role of HRM, Storey's Typology (Storey 1992) considered the role of HRM and also linked the part HR professionals play. Ulrich and Brockbank (Ulrich & Brockbank 2005) took this further and considered the role of HRM and the part HR professionals play in that as well as a focus on outcomes. The AHRI Model of Excellence considered what HR professionals are expected to know, to do and to be (AHRI 2016). Each model is now considered in more detail.

2.3.1 The Harvard Model

An early approach to conceptualising the role of the HRM function is the Harvard Model, which was developed during the period of transition from transactional personnel management to Human Resource Management, with an increased focus on supporting the achievement of organisational goals (Beer at al.1984). Beer et al. (1984) described the initial emergence of the personnel function to meet the need to pay and employ people in a variety of roles. Over time the personnel function broadened to include other tasks (Nankervis et al. 2017). The lack of coherence of seemingly disparate elements may explain one of the inherent flaws in HRM delivery (Nankervis et al. 2017). Beer et al. (1984) considered the HRM function as a coherent whole only when its activities were clearly linked to the business and senior leadership of an organisation.

The Harvard Model (Beer et al. 1984) (refer Figure 2.1) positions the HRM function as responding to different interests such as management, employees and unions and situational factors or context: either external or internal (Nankervis et al. 2017). These factors are internal such as organisational strategy, workforce characteristics, management style and external including the national or state regulatory context (Nankervis et al. 2017). Taking into consideration these elements, the HRM function then develops appropriate policy approaches
for the workforce (Nankervis et al. 2017). Examples of policy approaches can be in relation to areas such as recruitment, development and managing performance. Policies in relation to rewards and work systems also fall into the domain of the HRM function (Nankervis et al. 2017). These policy approaches can impact upon employee outcomes such as commitment and competence, which then influence organisational effectiveness (Nankervis et al. 2017). Brunetto, Farr-Wharton and Shacklock (2011) applied the Harvard Model to research focusing on nursing in the public sector and highlighted the implications of the Harvard Model where it was suggested HRM policies were not supporting the desired outcome of efficiency and effectiveness as there were nurse and doctor skills shortages. That is, in accordance with the Harvard Model, the HRM policies were not supporting desired organisational outcomes, thus HRM policy choices required changing (Brunetto et al. 2011).

The Harvard Model may prompt the consideration of many factors in developing HRM policy, including challenges, the identification of relevant stakeholders and the outcomes that link closely to policy choices. One of the attractions of this model is its adaptability to different contexts. It also explores an early link between HRM and organisational performance (Beer et al. 1984). Whether this model is applicable to an outsourced or shared services model of the HRM function is unclear.

![Figure 2.1 – Harvard Model](source: Beer et al. 1984, p. 16)
Conceptual models help to demonstrate how activities of the HRM function can contribute to organisational performance and how HRM’s impact is evaluated in an organisational setting. It is also important to consider the functional roles HRM undertake to fully understand the role of the HRM in organisations (Nankervis et al. 2017).

2.3.2 Storey’s Typology

Storey’s Typology (1992) was analysed as it built on the Harvard Model considering the strategic and tactical elements of the HRM function when researching 15 organisations based in the United Kingdom in the late 1980s. There were four key roles played by the personnel function in Storey’s Typology: changemakers, advisors, regulators and handmaidens. These roles were positioned along two dimensions: strategic or tactical and interventionary or non-interventionary. Figure 2.2 details Storey’s Typology.

![Storey’s Typology](image.png)

**Figure 2.2 – Storey’s Typology**

Source: Storey 1992, p. 168

The advisor role was to support line managers as an internal consultant with a low level of intervention (Storey 1992). The handmaiden role was more reactive and dealt with line
managers’ specific requests and was less interventionary whereas the regulatory role covered the employment policies and rules to comply with legislation and was more interventionary (Storey 1992). Changemakers were seen as strategic and interventionary in the role of supporting managers (Storey 1992). Storey (1992) found that only two of the 15 organisations in his research undertook the changemaker role of the HRM function. Generalising from such a small sample signals a need to question Storey’s Typology.

It has been argued that the model posited by Storey no longer fully captures the complexities of the role of the HRM functions with there being less focus on the regulatory role and increased focus on the advisor and change agent elements (Caldwell 2003, Nankervis et al. 2017). Further, compartmentalising elements of the HRM role is also more difficult in the reality of the world of the HRM function than is reflected in Storey’s Typology (Caldwell 2003, Nankervis et al. 2017).

2.3.3 Ulrich’s perspective

Building on the Harvard Model with more focus on outcomes as opposed to input, another model conceptualising the role of the HRM function was suggested by Ulrich (1997) who considered it should be defined not by activities but outcomes. Similar to Storey (1992) and perhaps building on comparable elements, Ulrich (1997) suggested the HRM function can deliver organisational excellence. According to Ulrich, roles to be fulfilled by HR professionals were strategic partner in strategy execution, administrative expert in the way work is organised, employee champion representing employees concerns to management as well as enhancing employee commitment and change agent assisting with organisational transformation. Ulrich’s (1997) model, detailed in Figure 2.3, provides an overview of his perspective on the potential role of the HRM function.
Being a strategic partner involves the HRM function as a key architect of the organisational structure (Ulrich 1997). In circumstances where there is a mismatch between the strategic objectives of an organisation and what occurs in reality, HR professionals adopt the role of rectifying organisation structure and people issues in order to support strategies ultimately aimed at boosting organisational performance (Ulrich 1997). Ulrich’s (1997) model also identifies the functions HR professionals need to consider as priority areas in order to deliver organisational goals; this may involve reskilling HR professionals.

Becoming an administrative expert means that, while ensuring routine work is completed, there needs to be less focus on policy-making and more emphasis on efficiency of the HRM function, which will assist the organisation in reducing costs (Ulrich 1997). For the HRM function this, in turn, may provide an increased scope for it to broaden its impact and become a strategic partner (Ulrich 1997). As employee champions, HR professionals would be
responsible for employee engagement through identifying causes of low engagement and proposing ways in which this may be addressed through line managers, as well as being a voice of employees to senior managers (Ulrich 1997). Becoming a change agent also forms part of Ulrich’s (1997) approach to the functional role of HRM. Ulrich (1997) suggests those in the HRM function should build change capacity in the organisation and lead change as appropriate through the introduction and championing of a change model.

Ulrich (1997) acknowledged this approach may be a shift for HR professionals when compared to what actually exists and that these roles may not all be undertaken in the HRM function. He argued that to foster change, organisational leaders need to support HR professionals by demonstrating that people issues are important and fundamentally matter. Other requirements to move to this model are that HRM deliverables need to be defined and the HRM function held accountable to them (Ulrich 1997). Investment in innovative HRM practices and upgrading HRM professional skills are also necessary to implement this approach (Ulrich 1997).

Elements of Ulrich’s model have been questioned in the literature. In a study of a shared service arrangement in multinational corporations in the UK it was suggested that HRM activities, and the role of HR professionals, cannot be neatly compartmentalised as is represented in Ulrich’s model (Cooke 2006a). Using this model may, to some extent, lead to HRM activities being overlooked (Cooke 2006a).

The work by Ulrich and Brockbank (2005) is significant and considered as part of this study as it extended Ulrich’s earlier model to HRM functional roles and is widely referenced. The revised model is provided in Figure 2.4 and demonstrates a shift from the previous model’s four HRM roles adding a fifth dimension with the model encompassing: strategic partner, functional expert, employee advocate, human capital developer and HRM leader. The former strategic partner and change agent role were transformed into a strategic partner role
supporting line managers to reach their goals as well as facilitating change more generally (Ulrich & Brockbank 2005). A functional expert, formerly known as an administrative expert applies detailed HRM knowledge to issues (Ulrich & Brockbank 2005). The role of employee champion moved to employee advocate, which involved advocating on behalf of employees or being the “voice” of the workforce (Ulrich & Brockbank 2005). Human capital developer was a new role introduced in this model with a focus on aligning employees to the needs of the workforce of the future (Ulrich & Brockbank 2005). The role of HRM leader focused on the HRM function itself as well as considerations of corporate governance (Ulrich & Brockbank 2005). Apart from the new role of human capital developer, perhaps the roles outlined in the Ulrich and Brockbank (2005) model are most accurately seen as new descriptions for HRM roles.

Figure 2.4 – Ulrich and Brockbank’s functional roles of HRM

Source: Ulrich & Brockbank 2005, p. 200
There has been limited analysis or application of the Ulrich and Brockbank model. For example, Sheehan et al. (2014), an Australian study, found that it was a challenge for HR professionals to undertake all the roles identified in the Ulrich and Brockbank HRM model. Caldwell (2010) investigated the HRM and business strategy linkage using survey data from 118 HRM business partners in the private and public sector, in large UK organisations. According to Caldwell (2010) competency models (such as Ulrich’s’) were poor at predicting effective performance in a business partner role, particularly with business partner competencies not universally agreed. HR professionals were successful at building personal credibility albeit with limited impact on business performance. The reworking of personal credibility to credible activist by Ulrich did not adequately cover these issues.

Caldwell (2010) further found the HRM business partner capability was vulnerable to substitution by non-HR professionals and consultants. A strong link between the HRM strategy and the business strategy was through the reduction in transactional HRM allowing HRM business partners to act more strategically. However, many organisations introduced business partnering without a shift in organisational infrastructure of the HRM function, thus limiting the strategic contribution of HRM business partners. Keegan and Francis (2010), in another UK based study of 44 HR professionals from a variety of sectors, found there was a move away from traditional integrated HRM function where goals, priorities and success were defined in HRM and with respect to HRM professional’s expertise. Similar to Caldwell (2010), Keegan and Francis (2010) found limited ability of HR professionals to adopt a business partner role in achieving managerially sanctioned goals although with an acknowledgement that the business partner role provides relief from the marginalisation of HRM work. Keegan and Francis (2010) also found devolution of the HRM function as a core facet of how HR professionals view their roles and the challenges. A further insight was that the role of the HRM business partner may lead to the loss of the employee champion role (Keegan & Francis 2010).
There was limited exploration of Ulrich and Brockbank’s model in varying contexts. An exception was Mamman and Al Kulaiby (2014) in a survey of 780 HR professionals, line managers and employees from public and private sector organisations in Oman. The study found Ulrich’s model was applicable to a non-Western setting with HR professionals performing all roles with the role of strategic partner the least performed. HR professionals in the private sector were more likely to perform all five roles when compared to public sector counterparts. In another analysis of Ulrich’s model in an alternative context, Mamman and Somantri (2014) considered Ulrich’s HRM roles in a state-owned oil and gas company in Indonesia in a survey of line managers and HR professionals using the Ulrich and Connor 40-item HRM role questionnaire. The study found Ulrich’s roles had some validity, even in developing countries such as Indonesia. Mamman and Somantri (2014) found HRM played a more strategic than operational role, which was contrary to Bowen, Galang and Pillai (2002) in a study of Australia, China, Taiwan, Korea, Japan and Indonesia where it was found the status of HRM was mixed with it generally the highest in Australia and lowest in Indonesia.

2.3.4 The AHRI Model of Excellence

The AHRI Model of Excellence (AHRI 2016) is significant to consider as it is situated in an Australian context and provides details of skills required of HR professionals to excel and lead to positive organisational outcomes. The model describes what HR professionals are expected to know, to do and to be. It describes 10 behaviours of HR professionals and focuses on areas HRM professional needs to know such as expert practitioner, being business driven, strategic architect and ethical and credible architect. Finally, in relation to their practice, HR professionals are workforce and workplace designers, culture and change leaders and stakeholders, mentors and coach (AHRI 2016). As a relatively new model, there was no evidence of analysis of the AHRI Model of Excellence. While this model is the most comprehensive in considering the role of the HR professional, one of its limitations is lack of
clarity about how this feeds into the broader organisational structure. The AHRI Model of Excellence is detailed in Figure 2.5.

Figure 2.5 – AHRI Model of Excellence


2.4 Psychological contract

Along with different models of HRM architecture, it is also necessary to consider the broader context and how individuals engage in an organisational setting. The psychological contract refers to individual’s mutual obligations between the individual and the employer such as payment for work and relational obligations including mutual support (Rousseau 1989). That is, the psychological contract demonstrates organisational commitment to employees and
what employees are expected to do in return (Rousseau 1989). This understanding may be driven by the explicit commitments from the HRM function or managers and implicit from colleagues and other less formal sources (Sapienza, Korsgaard & Schweiger 1997). The psychological contract can be broken, particularly when it hallmark elements are not evident. For example, as an employee’s expectation is ongoing employment, the psychological contract can be broken by events such as organisational downsizing (Rousseau 1995; Ahmed & Muchiri 2014). Ahmed and Muchiri (2014) found a breach of psychological contract can lead to turnover and lack of organisational citizenship behaviour such as discretionary effort. Employee engagement is also negatively impacted by a breach of the psychological contract (Lv & Xu 2016).

There has been research on the psychological contract specifically in the public sector. Reinforcing the notion of reciprocity, Coyle-Shapiro and Kessler (2003) studied public sector employees in the UK and the relationship between the psychological contract, organisational commitment and organisational citizenship behaviour of employees. Reciprocity was considered to be at the heart of the psychological contract with an employer’s commitment to employees through pay, job security and career development providing the basis for enhanced attitudes as an act of reciprocity. Employee reciprocity and the psychological contract specifically in the public sector may also be due to the public sector ethos (Coyle-Shapiro & Kessler 2003). In another public sector study of the psychological contract Lindorff (2009), surveyed private and public sector managers in Australia, rated their perceptions of high performance HRM practices, attitudes to work, perceptions of organisational leadership and management and hours worked. The research found high levels of satisfaction of women in the public sector but not of men, perhaps indicative of proactive programs to encourage female participation. Males had less positive experiences and demonstrated elements of a broken psychological contract. In another Australian example, Su, Baird and Blair (2013) examined 500 Australian public sector organisations. This study found employees were exhibiting a relatively high level of commitment in the areas of attachment and involvement. Employees
were more attached and involved in outcome-oriented and less process-driven organisations. Suggestions were provided for higher levels of perceived organisational support and to match employee’s strengths and interests to organisational outcomes. Other insights found attachment and involvement were promoted by increased level of teamwork (Su et al. 2013).

Managers play a significant role in the psychological contract as mediators of what the psychological contract looks like for employees and whether it is maintained or broken (O’Donnell & Shields 2002; McDermott, Conway, Rousseau & Flood 2013). Lindorff (2009) found public sector managers seem to have more negative attitudes toward their job and organisation than private sector managers, perhaps prompted by changes associated with new public management (NPM) and the introduction of high performance HRM policies and practices. Similarly, O’Donnell and Shields (2002) found in their research of the Australian public sector that NPM practices contributed to a breach of the psychological contract.

More recently, questions have emerged about the psychological contract and whether it remains relevant. For example, Kakabadse and Kakabase (2005) in a survey of US, UK and European countries, considered current and future trends in outsourcing and suggested that, given the changing nature of organisational structures, employees no longer desire a social contract between themselves and their employer. Coyle-Shapiro and Kessler (2003) questioned the psychological contract in the public sector today and, in particular, whether the public sector is still a model employer.

2.5 Organisational decision to make or buy HRM

Parallel to the development of HRM frameworks and the underlying psychological contract was the consideration of more fundamental elements of where HRM activities should take place and how they should operate from an economic perspective. The structure of the HRM function may depend on a number of factors. An essential decision for any organisation in relation to its structure is the consideration of whether to make (insource) or buy (outsource).
There are different frames of reference from which the make or buy decision can be considered including transaction cost economics or the resource based view of the firm. These two approaches are now considered.

2.5.1 Transaction cost economics

Transaction cost economics (TCE) is a well-established economics approach from which to make the decision to make or buy. It has been applied in many contexts including decision making in relation to organisational structures. According to TCE the decision to produce internally or externally is based on the cost of production and transactions. In the process, the immediate costs of obtaining a good or service, the longer term costs of monitoring performance, managing contractual arrangements and managing staff are considered in their totality (Williamson 1979). Transaction costs can also include costs generated by opportunistic behaviour of service providers upon whom the organisation has grown dependent. In relation to the HRM function, this may translate to whether to provide HRM activities in-house or to outsource part or all of the function. Organisational decision makers will, according to TCE, choose an approach that minimises total transaction costs and the cost of production (Dickmann & Tyson 2005).

TCE has been used to predict choices made by organisations about governance structures as it has been assumed organisations make logical and market based approaches to minimise transaction costs. One of the challenges of TCE is that organisational decision makers do not always behave as predicted (Klaas, McClendon & Gainey 1999; Cooke, Shen & McBride 2005). For example, cost is not always the sole driver of how to structure the HRM function. Factors including quality and risk, such as decreasing workforce numbers and the ability to externalise issues when things go wrong as well as organisational and personal politics affect the make or buy decision (Dickmann & Tyson 2005).
2.5.2 Resource based view

An alternative framework used for the consideration of whether organisations make or buy HRM services is the resource based view (RBV). According to Barney (1991), when considering options of make or buy, the key focus should be on how to create and sustain advantage through organisational resources. Resources, which can be physical, human and organisational, are fundamental to the RBV. While resources will have varying levels of value in an organisation, to create sustained competitive advantage an organisation should consider retaining resources that are valuable, rare, inimitable and non-substitutable. Valuable resources assist organisations to exploit opportunities or negate environmental threats. Rare resources are those that are hard to access by other organisations. Imperfectly inimitable resources are those that are difficult to copy and non-substitutable resources are unable to be replaced. In applying the RBV, while organisations with valuable and rare resources may have a competitive advantage in the short term, on its own this is not enough; should competitors replicate this any advantage will not be sustained. Thus, there must be no equivalent valuable and rare resource. Coupled with this is the non-substitutability of the resource, which will provide a sustained benefit. If all of these criteria are met, sustained competitive advantage is probable and an organisation is more likely to make resources internally (Barney 1991). The RBV approach suggests organisations should focus on core (rare and difficult to imitate) activities and outsource more peripheral activities (Barney 1991; Cooke et al. 2005; Klaas 2008).

The significance of the RBV for the HRM function is its role in supporting employees and managers in organisations who, in turn, have the capacity to support an organisation to achieve sustained competitive advantage. However, RBV has been criticised as unclear and not predicting how organisational will operate and, ultimately perform (Priem & Butler 2001). It has also been criticised as being explored only in limited empirical studies and as a challenge to operationalise, particularly in the public sector (Truss, Mankin & Kelliher 2012).
2.5.3 Application of TCE and RBV

These approaches provide frameworks for decision making of organisations in relation to the HRM function and can result in structures ranging from in-house to outsourcing or shared services or a hybrid approach. However, there appears to be limited applied research exploring the relationship between economic theories in relation to the structure of the HRM function. Some exceptions are Lepak and Snell (1998), Klaas, McGlendon and Gainey (2001), Dickmann and Tyson (2005), Cooke et al. (2005), Delmotte and Sels (2008), Norman (2009), Nunez (2009) and Sheehan and Cooper (2011).

Lepak and Snell (1998) applied TCE and the RBV when considering how to structure a virtual HRM function to be a strategic business partner. They suggest that for the HRM function to progress in this area there needs to be a change in focus to more value-adding activities. There also needed to be flexibility in the HRM function, willingness to change practices and processes and increased consideration of HRM architecture and how it fits with the needs of the organisation were also required (Lepak & Snell 1998).

One of the few Australian based articles applying the RBV to the HRM function is Sheehan, Cooper, Holland & De Cieri (2007) who examine the relationship between HRM and organisational performance. They surveyed senior HR professionals in a broad range of organisations. In accordance with the RBV, the HRM function was found to have the potential to deliver benefit to the organisation by facilitating the development of employees who can be rare, inimitable and non-substitutable organisational resources (Sheehan et al. 2007). While this study and its approach to RBV does explain the significance of the HRM function to organisational competitiveness, it did not consider how an organisation can develop and support HRM activities, which is arguably needed for sustained competitive advantage (Sheehan et al. 2007). They found that to have the most impact, HR professionals needed to manage the view of key stakeholders. Specifically, those in the HRM function needed to demonstrate value to managers and organisations (Sheehan et al. 2007). One of the elements
to be considered in both the TCE and RBV approach is an understanding of core and peripheral activities. Core functions are those that are done well and closely linked to organisational performance and thus need to be kept in-house or performed very close to the organisation. Alternatively, peripheral functions are those that may have lower impact on organisational performance and thus there is less risk if they are undertaken outside the organisation (Cooke et al. 2005).

2.6 HRM architecture

Debates about how the HRM function is structured are considered in the literature (Nankervis et al. 2017). There are numerous examples of structures adopted in relation to the HRM function and services provided. Examples include a shared services model that can be provided in-house or outsourced, or an embedded model with discrete business units having their own HRM professional based on functional activities such as recruitment and training. Another alternative is geographically based structures, while another is a mixture of these structures (Ulrich & Brockbank 2005).

Ulrich, Younger and Brockbank (2008) conceptualised how the HRM function can deliver value and also the possible outcomes of enhancing capability through structural considerations. They suggested the HRM function should be congruent with the structure of the organisation. For example, smaller organisations might have a single HRM professional to support their business who might be working on HRM activities only part-time (Ulrich et al. 2008). Where businesses are more complex and geographically dispersed the HRM structure may have a central core with locally based HR professionals (Ulrich et al. 2008). This approach focuses on HRM creating value and enhancing capability (Ulrich et al. 2008). To achieve these ends the HRM function and its roles and responsibilities will often fall into five, sometimes overlapping categories of service centres, corporate HRM, embedded HRM, centres of expertise and operational executors (Ulrich et al. 2008).
There are a variety of pros and cons of the different ways the HRM function can deliver value. Service centres, often using self-service technology, which may be provided internally or externally through outsourcing (Ulrich et al. 2008), can provide essential transactional work. Services centres, with a significant focus on enabling technology, can reduce costs, increase standardisation and reduce duplication (Ulrich et al. 2008). When considering Ulrich et al. (2008) there is the risk of too much focus on technology solutions. The channel of delivery solutions should not be confused with the content itself. Relationships can also be overlooked. Another risk of service centres is consideration of data without relevant expertise to provide insights (Ulrich et al. 2008). The corporate HRM role can assist in creating a consistent, organisation-wide culture and identity and shape programs that implement the leadership agenda. It can also align HRM activities to business goals, mediate disputes between other areas of HRM, take primary responsibility for HRM services of corporate-level employees and ensure HRM professional development (Ulrich et al. 2008).

Embedded HRM – sometimes referred to as strategic business partnering - may be particularly found in shared services organisations and has a focus on engaging in and supporting business strategy assessment and review. It may also represent employee interests, translate implications of change and implement HRM practices that most support the delivery of the business strategy, as well as measuring and monitoring performance to assess whether HRM investments actually deliver their intended value (Ulrich et al. 2008). Centres of expertise often have deep content knowledge and, depending on the size of the organisation, may have multiple businesses units using their specialised services (Ulrich et al. 2008). In some cases, a fee-for-service may fund the array of business services on offer (Ulrich et al. 2008). In addition, centres of expertise may create services to support business strategies, support individual cases and recommend courses of action (Ulrich et al. 2008). Centres of expertise may also collaborate with embedded HRM to select and implement the right services to be delivered and enhance HRM services offered (Ulrich et al. 2008).
One of the challenges when structuring the HRM function with a variety of these roles is the lack of clarity and agreement between organisational areas as to who does what (Ulrich et al. 2008). Thus, some activities may not be undertaken or may be relatively neglected (Ulrich et al. 2008). Some organisations respond in different ways to this challenge such as introducing the role of junior business partners, HRM consultant groups or case advisor roles to follow through on employee requests (Ulrich et al. 2008). When considering what shape the HRM function will take, it is important to understand what work is strategic and what work is transactional. This sets a baseline to clarify the channels through which HRM activities are delivered and allows the delivery of HRM activities to be organised in a way that provides the most value to the business (Ulrich et al. 2008).

There are numerous potential options for HRM architecture. Valverde, Ryan and Soler (2006) in their study of 231 Spanish private sector organisations did not identify a common approach to how the HRM function was structured. However, their research did uncover clusters of similarity in terms of structure with each organisation having a unique HRM structure ranging from a centralised structure to more shared internal functions or partial outsourcing of HRM (Valverde et al. 2006). They found the structure of the HRM function in organisations may not always be contextually determined, but rather a matter of corporate choice (Valverde et al. 2006).

Sparrow, Hesketh, Cooper and Hird (2010) considered how to structure HRM and suggested starting with the business model, then reverse engineering the structure. Sparrow et al. (2010) explored why HRM delivery had only partial success and found it may be due to constant change in the areas of strategy and business models, raising issues of HRM capability, organisational cost cutting and incorrect structures.
2.6.1 Devolution of HRM

As well as the consideration of the HRM architecture, it is also important to understand who undertakes HRM activities. Devolution is exploration of alternative approaches to administer HRM work. Parties other than HR professionals, including employees, line managers and external parties may complete HRM work (Perry & Kulik 2008). The rationale for devolution includes faster and more tailored decisions (Perry & Kulik 2008; Sheehan et al. 2014) and freeing HR professionals to have a more strategic focus (Kulik & Bainbridge 2006; Sheehan et al. 2014).

How much of the HRM function and what is devolved, were considered in the literature, as were implications of devolution. In a study of three UK public sector organisations, there was found to be increased regulation since the mid-1990s. Therefore a need for more knowledge on the issue of devolution was needed, prompting the question of what degree of devolution of HRM responsibilities was organisationally desirable (Harris et al. 2002). Kulik and Bainbridge (2006) in an Australian study of devolution of HRM activities in a variety of sectors found there were more activities that could be transferred from those in the HRM function to line managers. Exploring factors affecting the level of devolution, a UK study of the private and public sector found HR managers were pleased to have reduced HRM activities but wanted to retain control by holding associated budgets with a small number not wanting to relinquish activities as those specialist skills may become lost (Hall & Torrington 1998).

The role of managers in the devolution of HRM activities was considered in the literature. Devolution of HRM activities to managers affects the employee experience of HRM practices. That is, manager’s motivations for introducing HRM practices impact on an employee’s experience of HRM practices (Gould-Williams 2016; Op de Beeck et al. 2016). In the public sector context, Gould-Williams (2016) identified elements such as “red tape” and budgetary forces as a restraining force of manager’s implementation of HRM practices.
In practice, devolution of HRM activities had both positive and negative implications. Devolution can increase individual line manager control resulting in employees being treated inconsistently in the organisation with a greater danger of legal consequence resulting from operational imperative overshadowing the need to follow good practice (Hall & Torrington 1998; Harris et al. 2002). One response from HRM was to provide “ground rules” which were minimum standards as guidance. This is more of a compliance-based approach, albeit protecting the organisation from poor HRM practices (Harris et al. 2002). Another challenge of devolution was less time devoted to HRM issues because managers focus on other business goals (Hall & Torrington 1998; Harris et al. 2002). The devolution of activities added to manager’s workload (McConville 2006; Hockey, Kakabadse & Kakabadse 2005). For example, McConville (2006), in study of the public sector in the UK, found there was an increase in the devolution of HRM activities to middle managers leading to an increased manager’s workload. In another UK study of the public service (Hockey et al. 2005) found with increased devolution of HRM activities, managers were concerned about pressures such as higher workloads and increased HRM responsibilities. Managers also identified lack of capability for HRM activities. For example, employee development needed to be fostered by managers. However, managers’ ability to assess development needs of employees was identified as limited (Hockey et al. 2005).

McConville (2006) indicated devolution benefited people management. However there was little clarity as to how to maximise these benefits. Alternatively, Perry and Kulik (2008), found little research that directly explored the link between devolution and people management effectiveness. The level of devolution also impacts on what the HRM function is required to do, what support would be provided or may be linked to that provided by others. What was evident was that, to support successful devolution of HRM activities, there should be more focus on line managers and HRM and the development in their changing roles (Harris, et al. 2002; Kramer & Steane 2012). However, Kulik and Bainbridge (2006) commented there was scepticism from managers about the level of development they would be provided. Similarly,
in a study of two Belgian federal government organisations, Op de Beeck et al. (2016) found there was a limited shared understanding between HR professionals and line managers of the role, responsibilities and scope of line managers in the devolution of HRM. HR professionals’ expectations also exceed line managers’ experiences. The study highlighted the importance of clarity around the level of devolution of HRM to line managers. One conclusion reached was the devolution of HRM responsibilities was far more complex than assumed (Kulik & Bainbridge 2006). Concerns were also raised about the long-term sustainability of devolution (Harris et al. 2002).

In a broader consideration of who undertakes HRM activities, Meijerink, Bondarouk & Lepak (2016) found HR professionals as the sole providers of HRM activities does not acknowledge the impact employee HRM competencies, built up as consumers of HRM services, have on an employee’s perception of the HRM function. Meijerink et al. (2016), in research on 19 organisations in the Netherlands with HR shared service centres, found that employees’ perception of quality and costs of HRM services was dependent on the employee’s HRM knowledge and skills. Thus, there may be a role not only for managers, but also for employees to be more involved in the production and consumption of HRM services.

When considering the structure of the HRM function, there are at least two alternatives to a traditional in-house approach that have gained prominence in recent years: outsourcing and shared services. These approaches are now explored. Outsourcing will be considered next, including motives to outsource, what to outsource along with the benefits and challenges of outsourcing.

### 2.7 Outsourcing HRM

The concept of outsourcing is based on the premise that expertise can be shared across boundaries or by purchasing externally from vendors who specialise in providing services (Ulrich et al. 2008). Definitions of outsourcing range from broad to narrow. In its purest sense,
outsourcing is a contractual arrangement where a particular organisational function, with defined service level expectations, is shifted to an external provider (Jansen & Joha 2006; Oshri et al. 2015). It has been suggested that outsourcing may be considered as significant a landmark in the world of work as the industrial revolution or the introduction of scientific management (Davis-Blake & Broschak 2009). Lyons and Brennan (2014) describe a variety of forms of outsourcing such as business process outsourcing, knowledge process outsourcing and legal services outsourcing.

At an operational level, outsourcing can impact on what workers do, how work is done, with whom work is completed and what workers are paid (Ulrich et al. 2008). Outsourcing is often initiated in catering, security, logistics or the information technology area in organisations, and is also seen in other functions such as HRM (Cooke et al. 2005). The scope of outsourcing of the HRM function varies considerably between organisations and sectors (Cooke et al. 2005). Models of HRM outsourcing range from the whole of the function being delivered by an external third party to routine administrative elements being externally provided (Cooke et al. 2005; Davis-Blake & Broschak 2009; Oshri et al. 2015).

Offshoring - sometimes characterised as a subset of outsourcing - is the contracting out of business elements to overseas providers. The term offshoring has been used interchangeably with outsourcing but is perhaps not an accurate reflection of either. Outsourcing denotes the provision of goods or services external to the organisation, with location of provider not a key element whereas offshoring specifically refers to an international provider external to the organisation (Olsen 2006; Oshri et al. 2015). Sako (2006) agrees services can be delivered by separate providers but also suggests offshoring can be the provision of services by organisationally owned subsidiaries.

The drive to offshoring is often cost-driven (Olsen 2006). Apart from cost minimisation, other benefits of offshoring can include the provision of high quality roles to developing countries,
which may assist in long term economic benefits (Olsen 2006). There appears to be minimal empirical research in relation to offshoring as a method of outsourcing apart from a modest contribution that is predominantly focused on manufacturing (Olsen 2006; Oshri et al. 2015). As this research focuses on the Australian public sector, case studies are focused on services provided within Australia and offshoring is not specifically considered.

2.7.1 Outsourcing motives

The literature review undertaken has not uncovered research that pinpoints the diverse nature of reasoning underpinning many outsourcing arrangements. However, there are some more commonly acknowledged motives. The decision to outsource is considered from different perspectives in the literature. In a systemic approach to the outsourcing decision, Mohr, Sangupta and Slater (2011) developed a framework to assist clients and service providers make better decisions about whether and when to outsource, and the appropriate outsourcing arrangements. They suggest organisational leaders, in contemplating the outsourcing decision, should not simply consider cost but what critical business processes are a source of competitive advantage, whether the organisation has the resources to perform that function and what cost savings outsourcing may deliver (Mohr et al. 2011). Their view was that organisational decision makers must consider their governance in line with needs, resources and desired organisational outcomes (Mohr et al. 2011). Alewell, Hauff, Thommes and Weiland (2009) suggested triggers for the decision to outsource may be more about the need for the procurement of HRM services; the decision to make or buy and the need to take on new responsibilities. Along with the more systematic approaches to the decision making process, there are a number of commonly considered motives, such as cost, when contemplating the architecture of the HRM function.

Cost is an often-cited reason for outsourcing and can include direct and indirect savings. For example, outsourcing can provide staffing flexibility to deal with business fluctuations (Greer et al. 1999; Klaas et al. 1999; Adler 2003; Cooke et al. 2005; Belcourt 2006; Ulrich et al. 2008;
Lacity, Willcocks & Rottman 2008; Susomrith & Brown 2013). It can also assist organisations when experiencing workload fluctuations and uncertainty (Klaas et al. 1999). Outsourcing can also lower the employee headcount, which can be an important cost and perception consideration, particularly in a public sector context (Belcourt 2006).

Outsourcing can also provide access to specialist expertise (Greer et al. 1999; Cooke et al. 2005; Belcourt 2006; Ulrich et al. 2008; Lacity et al. 2008; AHRI 2015). In a recent study of Australian industry, it was found one of the most common motives to outsource the HRM function was to acquire specialised HRM expertise (Susomrith & Brown 2013). Outsourcing can also enhance the knowledge and skills of the internal HRM function (Cooke et al. 2005; Greer et al. 1999). Another motive to outsource is access to high quality HRM information systems without the up-front costs and longer term maintenance issues (Greer et al. 1999).

Outsourcing of HRM activities can also provide an opportunity for those in the internal HRM function to move away from transactionally based service provision to focus on more strategic, transformational and value-added activities (Cooke et al. 2005; Belcourt 2006; Ulrich et al. 2008; Lacity et al. 2008; Woodall, Scott Jackson, Newham & Gurney 2009; Susomrith & Brown 2013; AHRI 2015). Reichel and Lazarova (2013) in research of HRM developments in private and public organisations employing over 100 people explored the impact of outsourcing and devolution of the role of HRM and found the strategic position of the HRM function was positively influenced by outsourcing non-core activities thereby freeing up time to focus on more strategic activities. They also highlighted the shifting of the right tasks to be outsourced is important as it impacts the position of the HRM department (Reichel & Lazarova 2013). Taking this concept further, other research draws a link between the more strategic HRM becomes, the more likely it is to outsource (Lepak & Snell 1998; Delmotte & Sels 2008; Sheehan & Cooper 2011). Alternatively, however, Teo and Rodwell (2007) in a public sector context, found the more involved HR professionals are in operational activities, the more the HRM function was considered to be strategic and effective. Similarly, in research by Harris
in relation to UK-based public sector organisations it was claimed that many activities being undertaken outside the organisation potentially eroded the strategic input of the HRM function. Lower levels of personal contact reduced the opportunities for HRM staff to build up relationships with both line managers and employees that might help in building employee commitment (Harris 2008). In some ways analogous to outsourcing elements of the HRM function, the internal devolution of HRM functions to managers was seen as weakening the position of the HRM function (Reichel & Lazarova 2013). Reichel and Lazarova (2013) found that while organisations may be in strategic positions, they may not always act strategically. It was acknowledged that devolution can be hard to stop and HR professionals should embrace and be in control of this approach rather than oppose it (Reichel & Lazarova 2013).

Organisational politics may also be bypassed when outsourcing. For example, should there be difficult or unpopular decisions or if a function is not performing, some organisations may consider outsourcing part or all of it (Greer et al 1999; Cooke et al. 2005). This may also be seen as outsourcing to shift the risk (Greer et al. 1999; Cooke et al. 2005; Belcourt 2006; Young 2007; Mohr et al. 2011). Speed, quality of service as well as standardisation of approaches are often key motives in the outsourcing decision making process (Belcourt 2006; Ulrich et al. 2008; Susomrith & Brown 2013). More broadly, Lepak and Snell (1998) suggest a key consideration in making the outsourcing decision was what supports meeting the challenges of efficiency and customer orientation while also undertaking the role of strategic business partner.

The decision to outsource the HRM function can also be determined by certain characteristics of organisations (Klaas et al. 1999). However, there is limited agreement in literature about the relevance of characteristics and their impact on the outsourcing decision. Organisational size can be a factor in the outsourcing decision with suggestions that smaller organisations would benefit from seeking external HRM assistance (Greer et al. 1999). Alternatively, O’Flynn & Alford (2008) in their study of contracting out of public services in Victoria, Australia,
found separation was actually more difficult for smaller organisations because it necessitated duplication of managerial ranks. An alternative perspective was there was no evidence of size impacting the likelihood to outsource (Klaas et al. 2001; Sim, Avvari & Kaliannan 2016). Other characteristics such as age of the organisation, may also impact the propensity to outsource, with newer organisations more likely to outsource where the HRM function may be relatively undeveloped (Greer et al. 1999).

Broader issues may also be considered when making the outsourcing decisions. In a review of 15 years of research of outsourcing, it was identified the outsourcing decision should be based on both internal organisational needs as well as the external factor of the core capabilities of the supplier (Feeny, Lacity & Willcocks 2005). Woodall et al. (2009) found the main drivers for HRM outsourcing in large organisations are history, context and influential senior managers from outside the HRM function. Culture, HRM strategy and HRM competencies can also influence organisational propensity to outsource according to Khatri and Budwhar (2002). Chiang, Chow and Birtch (2010) in their study of the decision-making process for the structure of the HRM function in Hong Kong, found particular external factors impacting on the decision such as whether other organisations were outsourcing and to fulfil legislative requirements. Internal factors appeared to have little influence on the decision making process (Chiang et al. 2010).

The industry sector in which an organisation operates may impact the outsourcing decision. However, once again, evidence was mixed. For example, Sheehan (2009) suggested there was greater outsourcing of recruitment and selection and performance-related pay in the private sector, increased HRM information systems outsourcing in the public sector and external assistance in employee relations in the not-for-profit sector. Whereas Sim et al. (2016) found sector did not impact the decision to outsource. Young (2007), in a review of factors influencing public hospitals in Australia’s approach to the structure of the HRM function, found the decision to outsource was not based solely on cost, but on a range of factors
including political and ideological reasoning. Cordella and Wilcocks (2010) assessed large scale outsourcing of public sector activities in the UK from 1992-2008. They found that moving to outsourcing, while aimed at reducing bureaucratisation and cost, however, at the same time public sector management values of equality, impartiality, communal good and public service may be eroded (Cordella & Wilcocks 2010). Table 2.1 summarises examples of motives for organisations’ outsourcing decisions identified by researchers.

While there are a variety of often-cited reasons for outsourcing, there is not a universal acceptance of the benefits of outsourcing or whether the reasons for outsourcing have been realised. Lahri (2016) in a meta-analysis of 57 studies of outsourcing concluded outsourcing can produce positive, negative and variable impacts on organisations. One of the challenges in identifying impact of outsourcing is the contextual variation for research – sector, scope, time span and level of analysis as well as different measures of organisation performance makes analysis challenging.

In an analysis of outsourcing and the top 10 themes in outsource research and top 10 research questions that have emerged there was limited transfer from “what is” to theoretical frameworks (Busi & McIvor 2008). Going some way towards addressing the dearth of theoretical frameworks, Lyons and Brennan (2014) undertook a review of 52 conceptual frameworks to understand how outsourcing relationships are conceived operates and evolve. Key aspects of the outsourcing relationship that were grouped together were relationship scope, governance, climate, tactics and evolution. The weakest evidence base was in the evolution of the outsourcing relationship during the operational phases of the relationship.
Table 2.1 – Outsourcing motives

<table>
<thead>
<tr>
<th>Publications</th>
<th>Cost</th>
<th>Access to specialist expertise</th>
<th>Bypass organisational politics</th>
<th>Focus on strategic</th>
<th>Access to Technology</th>
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<td>Delmotte &amp; Sels 2008</td>
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<td>Susomrith &amp; Brown 2013</td>
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<td>AHRI 2015</td>
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Contents in Table 2.1 are listed by year of publication.

There appear to be many motives when considering the outsourcing option. However, Greer et al. (1999) noted that most good reasons for outsourcing turned into advantages when the outsourcing relationship was undertaken for an extended period. However, the literature demonstrates that many outsourcing relationships are in the early stage so it is difficult to assess the longer term impacts and whether the motives have emerged based on sound practical experiences (Klaas 2008).

2.7.2 What to outsource

There are divergent opinions in the literature on how best to segment HRM activities and what is most appropriate to outsource (Cooke et al. 2005; Abdul-Halim, Norbani, Geare & Ramayah 2009). Early research in the United States (US) on HRM outsourcing adopted a broad approach in identifying a list of considerations of what and when to outsource. The six key considerations identified were risk of dependency on a supplier, spill-over risks, trust, relative
proficiency, strategic capabilities and commitment versus flexibility with a key focus on HRM contributing competitive advantage (Adler 2003).

While there is a level of consensus in the literature that organisations should perform core functions in house and outsource only non-core functions, what is identified as core and non-core in organisations varies (Cooke et al. 2005; Lilly, Gray & Virick 2005; Young 2007; Abdul-Halim et al. 2009; Lyons & Brennan 2014; Sim et al. 2016; Abdul-Halim, Che-Ha, Geare & Ramayah 2016). Core functions may be considered to be work that creates value for employees, clients and investors whereas non-core work may be more routine and easily replicable (Ulrich et al. 1998). Delmotte and Sels (2008) viewed outsourcing operational work as an opportunity for the HRM function to focus on more strategic activities. While strategic work may often be considered a core function this is not always the case (Delmotte & Sels 2008). Simply categorising HRM activities as core or non-core is not always straightforward. For example, while transactional elements are likely candidates to be outsourced on one hand, it may be argued with changing technology it is a more critical element of the HRM function and thus a less likely candidate to outsource (Delmotte & Sels 2008). Gilley, Greer and Rasheed (2004) describe payroll activities as having a lower strategic importance and, even when performed flawlessly, they do not have the strategic impact of other HRM functions. Payroll activities are transactional and yet must be performed well because service failures can have strong negative effects on employee morale. However, payroll can be performed in relative isolation from other organisational activities and thus easily outsourced (Gilley et al. 2004).

Other contested activities are strategic oriented generalist activities such as performance management (Klaas et al. 1999). It has also been argued that organisations with an explicit HRM strategy, whose activities are closely connected to the business of the organisation, may find it hard to outsource activities (Khatri & Budwar 2002). Activities with explicit and easily documented transactional knowledge may be readily provided more efficiently outside an
organisation (Mohr et al. 2011). The increasing uniqueness of some HRM activities in an organisation may decrease the likelihood of utilising external arrangements due to costs to replicate functions outside the organisation (Lepak & Snell 1998; Klaas et al. 1999). Conversely, Klaas (2008) suggests it may be practicable to outsource areas that are valuable or rare and performed relatively infrequently. Woodall et al. (2009) are supportive of this approach in their considerations of HRM activities most likely to be outsourced including those uncertain activities, such as outsourcing, which may induce the threat of opportunistic behaviour of the HRM service provider due to specificity of the asset, frequency of activities and ease of measurement.

Research specifically considering the five most likely HRM functions to be outsourced in Australia identified training, recruitment and selection, occupational health and safety, payroll and employee benefits (Susomrith & Brown 2013). This differed to the top five functions to be outsourced according to Sheehan (2009) who found training and development, recruitment and selection, HRM information systems, change management and performance appraisal. Caruth, Pane Haden and Caruth (2013) identified a hierarchy of seven levels of HRM activities with the greatest potential to outsource to lowest potential to outsource. Those with the highest likelihood to be outsourced were corporate activities that did not readily fit anywhere else in the organisation and activities such as recruitment and pay and benefits which were also characterised as achieving economies of scale. Specialist knowledge of policy, worker’s compensation were less likely to be outsourced as were areas of specialised organisational knowledge such as succession planning and union relations. Areas unlikely to be outsourced were highly confidential activities such as strategic HRM (Caruth et al. 2013). These important studies provide examples of how complex the notion of what companies should outsource is in relation to HRM functions.

Along with what should be outsourced, how much should be outsourced is another consideration. Greer et al. (1999) noted the HRM function should not outsource so much that
it is left without sufficient resources leading to reduced capability and service. Similarly, Gospel and Sako (2010) suggested when making the outsourcing decision, it is important to consider how best to retain internal capabilities. Based on a review of the literature, while there are multiple considerations of what organisations may outsource, there appears to be limited research with specific focus on the Australian public sector.

2.7.3 Challenges of outsourcing

There are wide ranging challenges on the approach to outsourcing the HRM function. In one of very few longitudinal studies on outsourcing in a variety of sectors, identified challenges in back-office services such as HRM, Finance and Accounting in 500 companies on five continents (Lacity et al. 2008). Challenges included supplier and client incentives not being aligned. On the one hand, clients want as much service as possible for the price paid and on the other hand providers want to obtain as much profit from the arrangement (Lacity et al. 2008).

Another consideration is whether the purchaser has sufficient understanding of the service they need and the knowledge to specify it, especially if those services are provided by others (O’Flynn & Alford 2008). Knowledge transfer between client and provider is another challenge and may be linked to the protection of corporate knowledge (Lacity et al. 2008). If the outsourcing arrangement is with a local organisation, there may be the possibility of transfer of staff to the new provider but this may be more problematic with an international provider. Retention of knowledge in the client base as a result of long term outsourcing and retaining a relationship between the provider and the supplier for the long term was also identified as of broader concern (Lacity et al. 2008). The nature of the outsourced relationship, separation of the purchaser from the provider, may inherently lead to less time spent together and a reduction in trust over time (O’Flynn & Alford 2008). Other challenges to outsourcing include a consultant’s lack of understanding of organisational culture and business context as well as concerns about confidentiality (Khatri & Budwar 2002).
Outsourcing in the public sector faces specific challenges. For example, in Coggburn’s (2007) study of outsourcing in the public sector in the US, challenges arose including the requirement when considering the outsourcing decision in regard to the notion of public interest. In a further public sector example, Auhlich and Hein (2005) focused on information technology and corporate services outsourcing in the Australian context and found a whole of government systemic outsourcing approach was not sufficiently flexible to accommodate agency-specific requirements. Kakabadse and Kakabadse (2001) in their UK, US and European study of a variety of sectors found that there is limited empirical research to demonstrate the worth of outsourcing, particularly in the public sector where there were perceptions of a lack of public accountability, outsourcing was viewed negatively.

A further challenge of outsourcing is that cost benefits may not be realised (Kosnik, Wong-Mingji & Hoover 2006). Bisman (2008) in a survey of the Australian public-sector found the cost-savings, often touted as the reason for outsourcing, were often given a low level of consideration when evaluating the outsourcing decision. Delmotte and Sels (2008) argues that a cost cutting approach, closely linked to transaction cost economics, may be seen as more of a threat or negative approach to delivering a service. Taking the TCE approach, an organisation will base its decision on where to provide the HRM function is based upon the most efficient way to organise the service (Delmotte & Sels 2008). However, in practice, Delmotte and Sels (2008) found organisations with a strong focus on HRM cost-cutting did not necessarily outsource more than organisations with a weaker focus on HRM cost-cutting. In one of the very few studies demonstrating cost savings, Abdul-Halim, Che-Ha, Geare and Ramayah (2016) in a study of Malaysian manufacturing organisations, found outsourcing impacted on reduction in HR labour costs. Sim et al. (2016), went further, in another study of Malaysian firms where more than half of the 145 HR Managers found cost benefits had been realised.
When a decision is made to outsource HRM there may also be resistance from internal HRM staff responsible for the functions being moved to an external provider (Kosnik et al. 2006). There may also be diminished employee morale due to displaced employees (Belcourt 2006). Potentially differing cultures of the organisation and its outsourced provider can also prove challenging and impact negatively on the outsourcing relationship (Cooke et al. 2005). While initially anticipating outsourcing will free up resources, the internal HRM function may lose opportunities to take a strategic focus in the organisation as resources are diverted to contract management. Another challenge is the potential loss of flexibility in service offerings from an outsourced provider when bound by contractual arrangements (Cooke et al. 2005). There may also be loss of quality and skill internally and the disruption of service provision, especially at the beginning of the relationship (Cooke et al. 2005; Belcourt 2006; Kosnik et al. 2006; AHRI 2015).

When outsourcing through the use of contingent employees, those outsourced employees based at the client’s site may have a specific set of challenges. For the organisation providing the employee, role clarity, the provision of meaningful work that will retain the employee and understanding and maintaining connection to multiple organisations were found to be challenges (Fisher, Wasserman, Wolf & Hannan Wears 2008). From the client organisation perspective, having a blended team, managing potential role conflict and managing joint employment relationships was found to be challenging (Fisher et al. 2008).

2.7.4 Managing outsourced relationships

Externalising part or all of the HRM function is not an isolated or finite event. It can be complex and the relationship may require active management (Greer et al. 1999; Simmonds & Gibson 2008). Managing the outsourcing process from the decision to source, negotiations and then transition to monitoring the relationship and performance are important processes (Greer et al 1999; Simmonds & Gibson 2008; Lyons & Brennan 2014).
Contract management skills

Skills in managing an outsourced relationship are also considered in the literature. The roles of control, monitoring and accountability of the outsourcing relationship often fall to junior or middle managers who may require up-skilling (Cooke 2006b; Kosnik et al. 2006; Delmotte & Sels 2008). The balance of power in the supply relationship is important and managing vendors successfully requires a specialised array of skills (Kosnik et al. 2006). Kakabadse and Kakabadse (2003) found successful managing of an outsourced relationship required rearrangement of work practices, focusing on transition, ongoing monitoring particularly for the outsourced provider’s alignment to organisational direction and performance against indicators. O’Flynn and Alford (2008) identified a lack of managerial skills in contracting out which may be addressed over time.

In a comparison of outsourcing in different sectors, Burnes and Anastasiadis (2003) examined the differing approaches to outsourcing of public and private sector organisations in the UK and their relative strengths. They found the private sector could learn lessons from the more structured approach of the public sector in terms of rigorously reviewing which activities might best be outsourced, the tender process and contract specification. However, the public sector could benefit from the private sector’s ability to take a more strategic approach both to what to outsource and how to organise and manage the activity (Burnes & Anastasiadis 2003).

Governance

Lyons and Brennan (2014) found remuneration mechanisms should be considered when designing the contract and establishing governance mechanisms. In research related to the information technology (IT) sector, it was suggested where there is uncertainty and contractual definitions are loose, risk/reward contracts are more positive. Where there is certainty and tight definitions, fixed fee contracts are recommended (Fitzgerald & Wilcocks 2009). However, Vitasek and Manrodt (2012) did indicate that contractual possibilities are reliant on the level of
dependency between client and supplier and the extent to which they can share the added value created from the relationship.

In research with a specific focus on contracting in the public sector in the US, it was found there was less scrutiny of contracts between public sector service partners than for services contracted with private entities (Marvel & Marvel 2008). It was also identified that should governments require contracting arrangements with intensive monitoring; they did not use other government entities (Marvel & Marvel 2008). This research suggested government, when outsourcing, choose to partner with other similar governments or entities because there is likely to be a commitment to public sector values, similar constraints and organisational structures that bonds governments (Marvel & Marvel 2008). However, they do note that a focus on less monitoring and more trust may be ineffectual in an era of increased accountability (Marvel & Marvel 2008). Braun, Pull, Alewell, Stormer and Thommes (2011) studied 1000 German organisations who had procured a variety of HRM services. HRM service quality was generally higher when procured from external providers rather than in-house. The relationship between HRM outsourcing and service quality was stronger if the provided services are complex and if the potential for monitoring an internal provider was low. However, Kulmala, Ojala, Ahoniemi and Uusi-Rauva (2006) found that many public sector organisations lacked systematic cost management tools, which prompted poorly managed and cost-ineffective outsourcing projects. Lievens and De Corte (2008) in their private-sector-based research focused specifically on factors important in the maintenance of outsourced HRM functions. The desire for the relationship to continue (affective based motivations) strengthened the outsourcing relationship as opposed to negative motivations such as broader constraints that almost "force" the relationship to stay intact (Lievens & De Corte 2008). Affective commitment, based on perceived value congruence, was related to the depth and frequency of outsourcing (Lievens & De Corte 2008). They also found organisations with shared values and trust, such as being available and approachable, are indicators of a strong outsourced relationship (Lievens & De Corte 2008).
2.7.5 Impact of outsourcing on key stakeholder groups

The impact of outsourcing on key stakeholder groups has not been widely explored. However, Kakabadse and Kakabadse (2005) considered the impact of outsourcing on employees. They identified a trend of employees moving from in-house to the outsourced provider, usually on unchanged conditions. Limitations of the study included that key informants were senior managers and the study focused on broader outsourcing with HRM activities being one of many functions considered (Kakabadse & Kakabadse 2005). In relation to other stakeholders, Cooke (2006b) investigated the outsourcing of corporate functions such as laundry, cleaning and catering (excluding HRM) in a public sector hospital. In that research it was found there was strong emphasis on contract managers focusing on service providers meeting required targets and there was a need for improved contract management skills (Cooke 2006b). The research also found career opportunities for managers, project managers, operational managers or supervisors were limited by internal and external competition (Cooke 2006b).

Outsourcing is one model of HRM architecture, with another being shared services. There can be a fine line between what is considered to be shared services and outsourcing (Redman et al. 2007). Shared services will now be examined.

2.8 Shared services

There appears to be no agreed approach to, or definition of, shared services (Schulz & Brenner 2010). Models of shared services were initially conceived in the information technology area and then to servicing all back-of-house functions more broadly, including the HRM function (Smith, Vozikis & Varaksina 2006). Shared services models can be characterised in a variety of ways (Cooke 2006a; Janssen & Joha 2006). Examples include shared service centres with either standardised or customised services (Joha & Janssen 2014) or a central business unit delivering HRM functions for the whole organisation to a geographical region or discrete business division (Janssen & Joha 2006). A further example
is a large organisation with an internal business unit providing services to its own clients and externally to a range of other clients; an inter-organisational model (Cooke 2006a; Janssen & Joha 2006). Shared services may also be provided outside the organisation; a notion of “outsourced shared services” (McCracken & McIvor 2013). Shared services may be seen as a hybrid of centralised and decentralised models (Janssen & Joha 2006; Meijerink et al. 2013).

At face value, shared services may appear similar to centralisation of the HRM function; however, shared services do differ with one of the key elements being control resting with the client as the contractor (Quinn et al. 2000; Cooke 2006a; Janssen & Joha 2006; Redman et al. 2007; Farndale et al. 2009). A case study in a Netherlands financial sector company, examined how shared services are evolving as a result of changing technology. For example, shared service centres are becoming more commercialised in their own right and have emerged to become service oriented enterprises or shared service organisations (Janssen & Joha 2006). They suggest becoming a service oriented enterprise or a shared service organisation, a shared service centre needs a staged approach to implementation.

Schulz and Brenner (2010) found differing definitions of a shared service centre between the public and private sector that may not be readily transferable. Consideration also needs to be devoted to different governance arrangements in the public sector (Schulz & Brenner 2010). For example, in a public sector setting, as there may be the same ultimate employer, this might actually be characterised more as an internal client arrangement (Janssen & Joha 2006). An alternative view, in a study of three shared service centres in the Dutch central government found a uniform approach to shared service centres was not recommended as there was such variety of contexts (Knol, Janssen & Sol 2014).

2.8.1 Characteristics of shared services

Joha and Janssen (2014) found there may be a variety of shared services models. Distinguishing features of a shared service relationship, as noted by Reilly (2000), are common service provision platform, often leveraging technology to enhance efficiency and the
client identifying services to be provided. Wang and Wang (2007) similarly described shared services as less of a process function and more of an organisational design issue and suggested it should be more synchronised with technical and infrastructure issues. Borman (2012) supported this, indicating a foundational element of a shared service is an IT platform. In adopting shared services, another common feature is the retention of a small corporate HRM functions to address more strategic HRM activities, which are less encumbered with administrative tasks (Reilly 2000). Shared services arrangements, often operated as a separate unit, have been increasing in prominence in the HRM field with a common focus on internal customers while comparing practices to external competitors (Schulz & Brenner 2010). In an Australian multi-sector study there were broadly consistent attributes differentiating between successful, moderately successful and limited success shared service centres (Borman 2012). A successful shared service centre was found to be one which reduces costs through economies of scale and process improvement of transaction oriented tasks across multiple functions (Borman 2012).

What might be the “ideal” shared services structure in terms of the consolidation of resources and control at a business unit level providing improved HRM service was investigated by Meijerink et al. (2013). They found that shared services improved HRM service delivery in some respects such as standardisation and greater opportunity for strategic partnering, however end users found poor problem solving, longer wait time for issue resolution and an increase in HRM workload (Meijerink et al. 2013). Similarly, Reilly (2000) and Janssen and Joha (2006) identified that centralisation through the consolidation of resources in corporate units can reduce risks and consolidate strategic alignment, it can also be less responsive, whereas a decentralised model can lead to duplication and inefficiency. Lack of standardisation in shared service environments can be problematic. In research of three case studies in the Dutch government focusing on IT systems found the level of customisation could impact on shared service centre success (Joha & Janssen 2014). Less than optimal
standardisation may cause shared service centres to transition into less functioning modes (McIvor, McCracken & McHugh 2011; Borman 2012; Joha & Janssen 2014).

2.8.2 Rationale for adopting shared services

Cost reduction is one of the main reasons identified for adopting a shared services approach to the HRM function. Shared services are often designed to deliver services of the highest value at the lowest cost to clients (Farndale et al. 2009). Anticipated cost benefits may be achieved through reducing duplication, a reduction in staff numbers and a reconceptualisation of key tasks needed to be undertaken. Efficiency can also be enhanced (Reilly 2000; Janssen & Joha 2006; Cooke 2006a; Redman et al. 2007; Farndale et al. 2009; Schulz & Brenner 2010; Ulbrich 2010; Borman 2012; McCraken & McIvor 2013). One opportunity for cost reduction may be by automation of administrative tasks through a HRM information system, possibly offset by a larger number of users (Dollery, Akimov & Byrnes 2009). There was limited evidence of cost saving in the literature however. One example which provided a tentative link between the introduction of shared services and cost savings, albeit with caveat, was in an Australian study of local government (Dollery et al. 2009). The issue of charging for shared services was discussed in Reilly (2000). However, there did not appear to be a consensus in relation to a preferred charging regime. Some organisations had formalised service level agreements or contracts, monitoring service levels and client satisfaction based on the premise that charging for service led to the services being valued (Quinn et al. 2000). Other organisations indicated this could create unnecessary administrative work with the focus moving to monitoring as opposed to supporting client needs directly (Reilly 2000).

Enhanced quality is another reason for organisations to adopt shared services (Cooke 2006a; Redman et al. 2007; Janssen & Joha 2006; Farndale et al. 2009; Ulbrich 2010). Quality encompasses use of expertise and awareness of good practice. Other indicators of quality include improved accuracy, use of escalation procedures, enhanced customer focus through
defining service and measuring and reporting against achievement of those (Reilly 2000; Janssen & Joha 2006; Cooke 2006a; Farndale et al. 2009).

Entering into a shared services arrangement may also free the internal HRM function to be more involved in strategic issues (Reilly 2000; Cooke 2006a; McCracken & McIvor 2013). In a study of a large UK public sector organisation it was found that organisations may benefit from using external vendors to provide HRM shared services arrangements (McCracken & McIvor 2013). However, a key to the success of this structure is that key internal stakeholders are fully engaged in the process (McCracken & McIvor 2013).

Facilitating change in an organisation is another reason to engage in shared services (Reilly 2000; Cooke 2006a; Janssen & Joha 2006; Redman et al. 2007). This may include achieving increased agility for the HRM function in order to align with any organisational restructuring (Reilly 2000; Farndale et al. 2009). There may also be enhanced organisational learning through consolidation of expertise and systems as well as standardisation of processes (Reilly 2000; Farndale et al. 2009). When seeking transparency of systems and practices organisations may move to shared services approach (Reilly 2000; Farndale et al. 2009). 

Adopting a shared services approach may also reposition the HRM function to move from a focus on completion of administrative tasks to more of a strategic partner (Reilly 2000; Farndale et al. 2009).

Shared services can be adopted to highlight the expenditure of resources in the best way to serve the public good (Janssen & Joha 2006). Research on a public sector information technology shared service centre in the Netherlands revealed positive outcomes. Motives such as cost reduction and service improvement were not realised however shared services centres concentrated internally were still considered successful due to the increased focus on core business, transparency of costs and improved staff performance (Janssen & Joha 2006). Ulbrich (2010) in Swedish research, considered more broadly what prompts public sector
organisations to adopt shared services and found that processes, people and policy impact on the decision to adopt shared services. A summary of motives for adopting shared services is provided in Table 2.2.

Table 2.2 – Motives for adopting shared services

<table>
<thead>
<tr>
<th>Publications</th>
<th>Cost</th>
<th>Change</th>
<th>Quality</th>
<th>Increasing internal HRM capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reilly 2000</td>
<td>✓</td>
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<td>✓</td>
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<tr>
<td>Cooke 2006a</td>
<td>✓</td>
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<tr>
<td>Janssen &amp; Joha 2006</td>
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<td>Redman et al. 2007</td>
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<tr>
<td>Farndale et al. 2009</td>
<td>✓</td>
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</tr>
<tr>
<td>Ulbrich 2010</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>McCracken &amp; McIvor 2013</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Meijerink, Bondarouk &amp; Looise 2013</td>
<td>✓</td>
<td>✓</td>
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</tr>
</tbody>
</table>

Contents in Table 2.2 are listed by year of publication.

A key consideration in making the decision to adopt a shared service approach is to understand the distinction between three types of HRM contributions; transactional, professional advisory and transformational and ensuring each element was supported. In a study of the introduction of HRM shared services in the National Health Service (NHS) in the UK, Redman et al. (2007) found HRM shared services functions have difficulty addressing the transformational agenda. Supporting this view, Hofman and Meijerink (2015) found more homogeneous activities are best delivered through a shared delivery approach and more heterogeneous activities best delivered through a non-shared HRM delivery mode. Meijerink, et al. (2013) discussed the difference between transactional and transformational shared services and that each is valued in its own way. Transactional activities are valued for being
cost effective and errorless and transformational activities are valued for implementing training and HRM related policies as intended (Buyens & De Vos 2001).

2.8.3 Challenges of shared services

Potential limitations of HRM shared services include the emotional and financial cost of the structural change, which can overshadow the predicted cost savings (Cooke 2006a). For example, at the commencement of a shared services relationship there may be confusion about where HRM responsibilities sit, creating negative perceptions of the HRM function (Cooke 2006a). Cost savings may also not be realised. According to a meta-analysis of shared service literature, financial consequences of shared services have been considered largely from the perspective of managers with contradictory findings of whether financial savings have been met (Richter & Bruhl 2017). Structural change can be both challenging from a workload perspective for HR professionals and for clients who may not be aware of relevant contact points for the HRM function (Cooke 2006a). Although it is often characteristic of the implementation of shared services, separating the HRM function into strategic, operational and administrative components in readiness for an outsourcing process may be too simplistic an approach as there are often broad, and unrecognised roles undertaken by HRM (Cooke 2006a).

A further challenge is that there may be resistance of previously autonomous HR professionals to consolidation and standardisation of elements of the HRM function (Mclvor & McCracken 2013). The adoption of shared services may prompt the development of shadow structures in which administrative staff; often lacking specialist expertise, outside of the shared services area, are employed to undertake HRM tasks (Ulrich 1997; McCracken & Mclvor 2013). Capital investment for technical infrastructure in the setup phase of a shared service may also be a challenge (Reilly 2000; Cooke 2006a).
There can also be a lack of acknowledgement of previous experience and knowledge of HR professionals which can impact customer service. Lack of local knowledge and loss of face-to-face contact to discuss sensitive issues can also prove problematic from a client perspective (Reilly 2000; Cooke 2006a). Deskilling some tasks, making them unfulfilling or tedious with limited career development can also be a challenge of a shared services arrangement. Removing the administrative tasks from HR professionals in-house and then expecting too much from a strategy perspective can also prove problematic (Reilly 2000; Cooke 2006a).

When considering the transition to HRM shared services, there may be limited internal data and competencies among HR professionals to specify the new service requirements (Farndale et al. 2009). Specifically, implementing and managing outsourced shared services may be problematic due to lack of internal skills in performance measure writing and monitoring, overreliance on vendors to specify requirements may strain the relationship with the vendor (McCracken & Mclvor 2013).

There may also be a change in focus of the HRM function as there is a requirement to deal with contract management and service deliverables (Farndale et al. 2009). Absence of effective accountability mechanisms, lack of local knowledge and loss of face-to-face contact can also be challenging (Reilly 2000; Cooke 2006a). Farndale et al. (2009) in research based in the Netherlands examined established HRM shared services providers in a variety of industries including one government organisation. The authors similarly concluded there was a need for increased focus on monitoring and governance of HRM activities (Farndale et al. 2009). It has been suggested moving to a shared services model required certain preconditions to be met such as the knowledge of the shared services staff to be updated and the need for maintenance of knowledge in the shared services area (Meijerink & Bondarouk & Looise 2013). Knol et al. (2014) found variation in models of shared service centres and challenges varied and that in moving to a shared service environment, context was significant.
Establishment of a shared service may be a precursor to outsourcing (Sim et al. 2016). Gospel and Sako (2010) suggested the creation of an internal shared service prior to outsourcing also leads to greater retention of capabilities in-house. Reilly (2000) suggested a similar notion of shared services centres moving gradually from independent units as organisational cost centres to ultimately independent profit centre covering its own costs. However, there was no broadly agreed transitional approach in the literature.

2.8.4 Managing a shared services relationship

Characteristics of successful shared services included the provider managing end-to-end processes and undertaking all transactional processing activities. Mandating a shared service relationship was also seen as preferable in order to not dilute benefits of a shared service and to ensure standardisation of processes (Borman 2012). An Australian-based case study researched critical success factors in implementing a shared services arrangement. Factors required to successfully implement a shared service were committed senior leadership, a gradual roll out process, appropriate job redesign and provision of comprehensive training. Union and staff relationship management were also identified as significant success factors (Borman & Janssen 2013). From an operating environment perspective, critical success factors were considered to be a simple, unified organisational structure, including flexibility as to how services could be organised and a timely approval and review process (Borman & Janssen 2013). While relevant to the current research, the application of one case to generalise from is questionable.

If planned appropriately, a shared services arrangement can create opportunities to reap the benefits of both centralisation such as economies of scale and decentralisation in the form of responsiveness to local needs (Farndale et al. 2009). McIvor et al. (2011) in their case study research of a UK public sector organisation focusing on creating a shared service environment, noted it lacked the internal capabilities for an internal shared service model and instead adopted an outsourced shared service model. What was required for a successful
shared service model was strong governance of the process, a performance improvement focus as well as strong relationship building internally with staff affected and externally with vendors (McIvor et al. 2011). Policy consistency prior to outsourcing was also important as inconsistency was found to hinder standardisation efforts (McIvor et al. 2011). A strong communication strategy detailing the motives for undertaking a shared services model was another key element for success (McIvor et al. 2011).

2.8.5 Impact of shared services on stakeholder groups

In one of the few articles addressing the impact of a shared services HRM model on different stakeholders, Cooke (2006a) considered the impact on employees, line managers and HRM staff in a multinational corporation with approximately 18,000 employees across the UK. Cooke (2006a) indicated in relation to employees, the implications were lack of face-to-face contact with HRM, lack of employee representation and confusion in relation to functions undertaken by HRM along with HRM information technology problems leading to a negative perception of the shared service provider.

From a line manager perspective, evidence suggested there was increased devolution of some HRM activities to line managers who may not have the competence, interest or training to deal with these activities (Cooke 2006a). From an HRM professional perspective, Cooke's (2006a) research found a two-tier HRM workforce. Tier one focused on high volume calls assisting with routine advice. The second tier of HRM service provision was the HRM consultant role that was more of a business partner and was not located in the organisational centre but moved around geographical locations of the organisation to support clients with more complex issues (Cooke 2006a). Evidence suggested for an HRM professional moving from tier one to the second tier was difficult as those working in tier one had limited opportunities to develop skills to move into alternate roles (Cooke 2006a). Redman et al. (2007) considered the impact of shared services on HRM professional and found few perceived advantages for that group. McCracken and McIvor (2013) also investigated the
implication of a shared services model in the public sector in the UK. They found there was resistance from employees charged with some parts of HRM functionality to standardise practices. There was variable support from senior HR professionals for the new structure as there was the perception of lack of involvement of HRM through the process with many HR professionals interviewed unwilling to support the new HRM architecture or practices (McCracken & McIvor 2013).

2.9 Conclusion

This chapter has explored the HRM function from its move to alternate conceptual models and then the consideration of differing HRM architecture with various options explored. The chapter detailed a variety of models from early concepts of HRM in the Harvard Model (Beer et al. 1984), Storey’s Typology (Storey 1992), Ulrich and Brockbank’s model (Ulrich & Brockbank 2005) to the AHRI Model of Excellence (AHRI 2016). The models have received varying levels of analysis and comparison with issues such as cultural and sector differences not widely explored in the literature. Specifically, Ulrich’s and Brockbank’s (2005) functional roles of HRM and their applicability to the public sector were examined in a limited way. There was little research considering the most appropriate HRM architecture, which elements of HRM should form part of an outsourced or shared services arrangement and how the relationships can be managed. There was also little consensus about the subsequent implications of HRM architecture for key stakeholder groups such as HR professionals, senior managers and employees in the Australian public sector context. The next chapter considers the public sector context, its key trends and relevant HRM practices.
Chapter 3: Literature review: The public sector context

3.1 Introduction

The previous chapter considered different models of human resource management architecture. The Harvard Model (Beer at al. 1984), Storey’s Typology (Storey 1992), Ulrich and Brockbank’s model (Ulrich & Brockbank 2005) and the AHRI Model of Excellence (AHRI 2016) were examined. Alternative approaches to in-house HRM of outsourcing and shared services were then explored. There was limited analysis in the literature of the most appropriate HRM architecture and the implications for stakeholder groups such as HR professionals, senior managers and employees in the Australian public sector context.

This chapter considers the public sector as it is the focus of this study. The chapter contains seven main sections with the first section defining terminology. The second section identifies key differences between the public and private sector. Then, the next section identifies the role of government. The fourth section discusses public sector trends over time. The global financial crisis and its impact on the public sector is then addressed in the fifth section of the chapter. Thereafter the Australian government and public sector HRM will provide added context for this study. The final section of this chapter identifies characteristics of shared services in the Australian public sector context, as an increasingly used approach to HRM architecture.

3.2 Terminology

The terminology of public service and public sector is used in the literature. Public sector is a broader term and encompasses all government agencies and activities (Singleton, Aitkins, Jinks & Warhurst 2013). In Australia, the public sector is a term used to include state owned corporations, public sector entities, hospitals and schools. A key group that forms part of the public sector is the public service (NSW Public Service Commission [PSC] 2014). The term public service is narrower. However it may also have multiple meanings including the actual
services delivered to citizens and the organisational structure of ministerial departments and their employees (Singleton et al. 2013). The public sector consists of departments, executive agencies and separate public sector agencies. Figure 3.1 demonstrates the difference between the broader public sector and the public service. For clarity, in this study the broader term of public sector will be the term used to describe the sector in which all the case study organisations operate.

![Figure 3.1 – Scope of public sector and public service](image)

The terms civil servant and public servant frequently appear in literature when discussing the public sector. The connotation of civil servant may vary in different countries. In many countries the term civil servant refers to those employed directly by the central public sector. An alternative term used in some countries is public service and public servant (Organisation for Economic Cooperation and Development [OECD] 2005). The term public servant has a wider application. For example, it may include teachers or doctors employed in public schools and health services (OECD 2005). In most Organisation for Economic Co-operation and Development (OECD) member countries however, these terms are used interchangeably without discernible differences (OECD 2005). In this study the term public servant will be used.
3.3 Differences between the public and private sector

The economy can essentially be divided between the public and private sector (Hughes 2012). These sectors differ in a variety of ways, however the two sectors are not mutually exclusive and there can be interaction between them (Hughes 2012). Boyne (2002) described the difference between the public sector and private sector in three ways – ownership, source of funding and control. When considering the differences between the two sectors, it becomes apparent the public sector warrants specific attention (Hughes 2012).

3.3.1 Ownership

There are key differences in ownership between the public and private sectors. The public sector, as an arm of government, has universal membership, as all citizens are subject to the laws of the state. Further, the government also has the power of compulsion (Hughes 2012). Neither of these elements are available to the private sector (Hughes 2012).

3.3.2 Source of funding

Public sector agencies are funded by taxation whereas private sector organisations are funded by fees paid (Boyne 2002). Therefore, in relation to managing costs and providing services, private sector organisations can coordinate savings in the way which best suits their organisational interests (OECD 2010). Young (2007) also highlighted the complex nature of decision making regarding service delivery in the public sector with reliance on government funding. When savings are required in the public sector, a common approach is a reduction in operational expenditure or decreasing inputs without changing the level of output expected or services provided, which would generally not be publicly acceptable (OECD 2010). The public sector approach to constrained finances is exacerbated by the need to deal with increasingly complex social problems which can require increased resources (OECD 2005). Further, as public sector decisions may be coercive in nature there is a requirement for them
to perform in a more considered way whereas private sector organisations can be more arbitrary in their approach to factors such as charging (Hughes 2012).

The profit motive is identified by Harel and Tzafir (2002) as a key difference between sectors, with the private sector being focused on profit margins and bottom-line performance and public sector managers and agencies primarily assessed on service provision to their client groups. While the public sector is subject to other pressures, the absence of competitive pressures for public sector agencies is another difference in comparison to the private sector (Boyne 2002). Another dynamic highlighting the difference between the public and private sectors is the usage of services. In the private sector, should there be an increased demand for services, the provider has an opportunity to increase profit. However, in the public sector, increased usage is linked to a corresponding rise in costs as well as prompting the broader consideration regarding how the service is to be provided (Boyne 2002).

### 3.3.3 Control

Taking a broad perspective, the public sector has a focus on public interest outcomes as opposed to private interests (Brown 2004). Public value is very difficult to define and most likely to be based on public sector demonstrating achievement of objectives set by government programs and specifically the delivery of public service to citizens (Boyne 2002; Cordella & Wilcocks 2010). Boyne (2002) suggested public services delivered to citizens can be unclear and difficult to measure as they have multiple and sometimes conflicting roles which are politically and socially driven, rather than financially driven. As a result, there can be difficulties in measuring output or efficiency in production in the public sector (Hughes 2012).

Internal and external structures also differ between the public and private sectors. The legal and constitutional framework in public sector employment differs from that of the private sector (Harel & Tzafir 2002). Organisational structures in the public sector have more bureaucracy and formal procedures for decision making with lower managerial autonomy (Boyne 2002).
Another structural difference is that, in the private sector, employees may perceive they have only one employer, whereas in the public sector employees must respond to executive as well as political pressures that emanate from legislative requirements (Harel & Tzafrir 2002; Hughes 2012). Public agencies also have added complexity as there are a variety of stakeholders who place demands and constraints on managers (Boyne 2002). Changes in policy and short time horizons can also lead to instability in the public sector (Boyne 2002).

3.4 The role of government

The role of government has long prompted debate (Hughes 2012). Hughes (2012) argues there is a role for government, particularly when some goods and services cannot be provided by the market. Where markets fail, governments may also have a role to play (Hughes 2012). Areas such as education, hospitals and defence are examples where it is considered, by some, practical and preferable for government intervention (Hughes 2012). At times there may also be socially desirable reasons for governments to intervene, even if the market can provide the service (Hughes 2012). The level of government intervention has changed over time and is broadly diminishing (Hughes 2012).

In the late eighteenth century western society governments were heavily involved in the economy with a particular focus on regulation and supporting the wealth and power of nations (Hughes 2012). Then, in the nineteenth century, there was a move to minimise state intervention (Hughes 2012). At that time, while living standards improved, challenges remained such as inadequate housing and poor public health (Hughes 2012). In response to these challenges, towards the end of the nineteenth century was the rise of the welfare state to alleviate some of the problems of capitalism and re-establish the state’s responsibility for the wellbeing of citizens in areas such as in healthcare and education (Hughes 2012).

From the mid-1970s, as a result of inherent problems with the welfare state from a financing perspective and the need for reliance on broad based political support, this approach began
to lose favour (Hughes 2012). There was a move away from larger government to a focus on a minimal role for government with interference seen as inherently inefficient (Hughes 2012). The ideological views of Friedman in the mid-1970s began to gain momentum in the US and the UK with the debatable view that privatisation wherever possible led to efficiencies and reduced costs (Klein 2008). Friedman considered it irrational to hold on to the socialist conventions of providing public services (Klein 2008). In the 1980s this free market ideology gained further momentum under the auspices of Margaret Thatcher, Prime Minister of the UK and Ronald Reagan, President of the US with consequences, argued by Klein (2008) that induced added poverty and costs to the state with deleterious impacts on society.

When considering the role of government and mechanisms for intervention, there are a number of differing instruments which can be used (Hughes 2012). For example, governments can directly provide goods and services. Alternatively, goods and services may be provided by the private sector with government assistance (Hughes 2012). Government can also provide goods or services at a cost in the market. Regulation is another instrument available with governments having coercive powers to prohibit certain activities (Talbot 2001; Hughes 2012). When considering which instruments governments use, it can depend on different economic theories, which may vary over time. For example, direct production lost favour in the 1980s and, as a result, there was extensive privatisation of public enterprise (Hughes 2012). Governmental instruments available are persuasion, rules, money and organisation (Hood 1991).

### 3.5 Public sector trends

The role of government has been reflected directly in the public sector and ways in which that has changed over time. When considering the changes in public sector management specifically, there are three broad approaches which have contributed to the public sector today: public administration, public management, including new public management (NPM), and what is sometimes described as 'joined-up government' (Department of Economic &
Social Affairs [DESA] 2005). There is increasingly a focus on government delivering only where other sectors cannot (Pollitt 2013). Along with this was a focus on meeting the needs of citizens as consumers of services and the need to be responsive to their needs (Pollitt 2013). Pollitt (2013) highlighted that transitions to different approaches to public administration, at least in the UK, were not clear cut (Pollitt 2013). The move to NPM and joined-up-government according to Klein (2008) would represent a widespread adoption of Friedman’s economic philosophies. The question is what level of research has been undertaken to support the notion of a stronger focus on the decentralisation of power to the lowest possible level with increases of public services opening to a range of private sector providers. This issue will be addressed in more detail in Chapter 7, the discussion chapter.

3.5.1 Public administration

Traditional public administration is frequently associated with the emergence of public sector systems in countries undergoing industrialisation in the second half of the nineteenth century. Public administration was the dominant approach for most of the twentieth century (Hood 1997; Hughes 2012). In traditional public administration the public service was considered to be the impartial protector of the public interest and symbolising stability and continuity (DESA 2005). Examples of the overarching principles of public administration included organisation by hierarchical bureaucratic principles. Max Weber most clearly articulated these principles (Hughes 2012). This approach was exemplified by strict adherence to detailed documented procedures. Those in bureaucracies would undertake complex activities by breaking them down into discrete functions and then standardising specific tasks being completed in hierarchical structures (Colley 2001; Hughes 2012). Bureaucratic delivery was also prevalent, with not only policy development but also the provision of goods and services (Hughes 2012). Another characteristic of traditional public administration was the public ownership of many elements of society, from retail banking to public housing and delivery of a variety of services.
HRM architecture often mirrored the needs of the public sector in the era of traditional public administration (Hood 1997).

The motivation of the public servant was assumed to be in the public interest as well as being considered neutral with employment tenured and the ability to serve any political “master” equally (Hughes 2012). Employment conditions during the public administration period were exemplified by hierarchical accountability, merit-based recruitment and promotion, security of tenure and the payment of competitive, fixed salaries, usually determined by job-related criteria rather than by market rates (DESA 2005). Rules and procedures were often underpinned by legislation and regulation (DESA 2005).

Pollitt (2013) in one of the few longitudinal reviews of trends in the public sector, considered a series of White Papers in the UK over a period of 40 years. A White Paper is the official narrative of the government of the time. While not always evidence based, these documents can provide a perspective on changes in public administration. Pollitt (2013) assessed themes in five White Papers over the period of 1970-2011, which, it may be argued, mirror public administration trends during that time. In his review of the 1970 White Paper, in keeping with key themes of public administration, there was an identified need for a coordinated approach by government along with greater efficiency of existing services delivered by the public sector (Pollitt 2013).

In Australia, during the period of public administration, public sector employment conditions had a particular emphasis on the provision of significant rights and entitlements to employees; with the public sector often considered a model employer (Colley 2001; Brown 2004). Employment in the public sector was assumed to be based on the notion of a “job for life” with employees recruited at the lower ranks through a competitive examination process and theoretically working their career trajectory to more senior positions, as many have done, in largely internal recruitment processes (Colley 2001; Brown 2004). Tenure was provided to
encourage the delivery of advice without the fear of employment repercussions (Colley 2001). There was also a code of rights and a clear focus on completing complex tasks in a rational and cost effective manner (Colley 2001).

Pollitt & Bouckaert (2017) suggested public administration, with its bureaucratic and standardised approach to employment did address the issue of politicisation and efficiency. However, traditional public administration was also considered unresponsive (Pollitt & Bouckaert 2017). There was also recognition a high degree of job security compared with the private sector and rigid career structures made it difficult to restructure the workforce, even when it was recognised a change was required (OECD 2011).

During the 1970s and 1980s in Australia inefficiency and waste was identified in the public sector due, in part, to lack of competition with change required to limit the role of government (Orchard 1998; Pollitt & Bouckaert 2017). Whether the notion of inefficiency was a reality or more of an ideological stance is unclear from the literature. For example, a literature search was conducted on 8 July 2014 in Melbourne, Australia using the EBSCO Host database on the Royal Melbourne Institute of Technology (RMIT) library website. Terms “inefficiency” and “Australia” were searched as combined concepts to locate scholarly articles between 1994 and 2014. Thirty articles were returned, of which five had very minor relevance, indicating research in this area is sparse.

Also during the 1970s and 1980s in Australia there was a growing management field focusing on organisational improvement in relation to flexibility and innovation, which could be applicable to private and public organisations (Orchard 1998). The size and scale of the public sector were also considered problematic at this time. The public sector was seen as too large and broad in scope with bureaucratic methods also unpopular (Hughes 2012). The public sector’s response to claims of inefficiency and ineffectiveness was a move from administration to management and a broader strategy focused on achieving efficiency, effectiveness and
service quality (Hood 1991; Wallis & Dollery 2002; Brown 2004). What this looked like in practice, according to Pollitt and Bouckaert (2017) was a focus on core business, reducing staff numbers, eliminating duplication wherever possible and simplifying processes.

A number of other factors prompted changes in the public sector. There were variations in economic theories which impacted the need for change. Improvements in technology also prompted a need for change (Hughes 2012). As a result of these pressures, there was a move from public administration in industrialised countries to a more client focused, flexible and decentralised approach (Hughes 2012).

3.5.2 Public Management

In the early 1980s, there was a gradual shift from public administration to public management or the often-used term new public management (NPM) (Morris & Farrell 2007). NPM has been broadly described as emphasising the use of private sector management approaches in the public sector. Characteristics include an increased market orientation with public services disaggregating and retaining a core of their own staff and contracting out, outsourcing or purchasing services from a range of outside public and private sector agencies (Hood 1991; Bach & Della Rocca 2000; Bevir, Rhodes & Weller 2003; Lavalle 2006; Bach & Kolins Givan 2011; Bach & Bordogna 2011; Pollitt & Bouckaert 2017). NPM was seen as markedly different from public administration. For example, a public administrator was rule bound and carried out instructions and followed processes and procedures as well as being only indirectly responsible for the delivery of results. However, public managers were responsible for results and, flowing from public administration, drew on a variety of approaches to assist in carrying out this task (Hughes 2012).

The advent of NPM focused on the use of management practices to improve efficiency and effectiveness. Examples of new approaches were explicit standards and measures of performance and strengthened powers and responsibilities of managers (Hood 1991; Bach &
Della Rocca 2000; Bach & Kolins Givan 2011; Pollitt & Bouckaert 2017). Other elements of NPM were increased automation, particularly in information technology in the production and distribution of public services and the increased focus on public management and policy design (Hood 1991). Internally there was also the focus of separation of policy from execution or implementation and increased delegation of authority to boost autonomy for line managers (OECD 2010). Hood (1991) identified characteristics of how NPM was evidenced in the public sector. Characteristic elements identified were hands on professional management, clearly articulated standards and measures for performance, greater emphasis on output controls, a shift toward disaggregation of units of the public sector, greater competition, private sector styles of management and discipline with expenditure (Hood 1991).

While previously seeking to reduce expenditure through asset sales or program cuts as the focus of governments, with NPM there was a move to increased contracting out of services for efficiency gains (Chalmers & Davis 2001). There was also a smaller role for central regulation (DESA 2005). For government to stay within expenditure limits while continuing to deliver services to meet society’s and citizens’ expectations, the role of the public sector changed from direct service delivery to delivery through increased numbers of private and not-for-profit sector providers (OECD 2005). It has been suggested centralised control on the one hand and the emergence of a decentralised localised bureaucracy on the other has merely reshaped the nature of bureaucracy in public sector organisations rather than actually replacing it (Orchard 1998; Morris & Farrell 2007).

NPM, according to Nunberg (1999), prompted variable reforms in different countries. For example, while some countries made more radical changes such as New Zealand, Australia and the UK, other countries, including the US and Germany, undertook more incremental changes (Nunberg 1995). In New Zealand, Australia and the UK there was significant restructuring of workforces including outsourcing, downsizing and alteration of employment conditions to increase flexibility (Alford & O’Neill 1994; OECD 2011). Mulgan (2008) identified
New Zealand as a leader in NPM. New Zealand had a strong focus on contractual agreements, outsourcing and privatisation and the disaggregation of government departments into smaller, more focused agencies (Mulgan 2008). Outsourcing was adopted in many areas of government with governments retaining responsibility for funding and determining services and therefore remaining accountable for the quality of the service provided. New Zealand's approach to NPM included a relative lack of interest in developing accountability to end users of public services (Mulgan 2008).

The UK exemplified the notion of NPM by contracting out public sectors to private organisations through a series of government initiatives such as compulsory competitive tendering, privatisation and, more recently, public-private partnerships (Cooke 2006a). There was also a corresponding exploration of alternative HRM architecture such as shared services. Over a period of 25 years there was a focus on embedding NPM, often through restructuring organisations and management of the public sector (Bach & Kolins Givan 2011). The narrative of the 1981 UK White Paper examined by Pollitt (2013) focused on improved efficiency, elimination of waste and the provision of the best value to the taxpayer. A move to citizen choice then became apparent along with a focus on value for money and information and openness all evidenced by privatisation, increased competition and contracting out (Pollitt 2013).

Australia’s traditions of governance tend to be pragmatic and blend differing ideologies (Wanna & Weller 2003). These traditions have played a major role in establishing and adapting the public sector and prompting reform. Traditions have been a lens through which the public sector has made reforms and focused activities. Change in the Australian public sector has occurred gradually, often based on its own changing cultures (Wanna & Weller 2003). Australia was also an early proponent of NPM. Similar to the experiences of other countries, increasing costs of government and the need for fiscal restraint, along with increased community expectations of government to respond to structural change meant that
public sector leaders were prompted to look to alternative operating models (Brown 2004; DESA 2005). In Australia NPM was embodied by a move from internal provision of services to contracting out services (Chalmers & Davis 2001). There were attempts to increase efficiency in internal government structures in “back-of-house” functions such as information technology, human resources and finance (Chalmers & Davis 2001).

Improving efficiency through reduction in employee numbers is the most frequently cited benefit of NPM. With salaries and associated costs as the majority of public sector expenditure, NPM supported controlling and, wherever possible, reducing public expenditure (DESA 2005). It may appear that the public sector in some ways followed the lead of the private sector (Schulz & Brenner 2010). However, Poole, Mansfield and Gould-Williams (2006) note that a notion of convergence between public and private sector practices linked to NPM may not be sustainable as ownership and control structures differ significantly. In their longitudinal study of managers in the UK, they found that, in terms of public sector managers’ attitudes and behaviour, the notion of a straightforward convergence towards the private sector is difficult to support (Poole et al. 2006). The challenge of convergence is supported by the OECD (2011), which indicated, as part of structural changes in the public sector there was a move to change the delegations of managers in many OECD countries to adjust the size and composition of their staff. However, it is questionable whether managers possessed the skills and support mechanisms to deal with this changing role (OECD 2011).

NPM has been challenged and it was suggested it may be damaging the public sector while also failing to deliver on its central claim to lower cost per unit of service (Hood 1991). Efficiency was questioned by many (Pollitt 2003; Orchard 1998; Morris & Farrell 2007; Siltala 2013). Another criticism was that those countries that adopted NPM often took a “one size fits all” approach to organisational design and administrative reform processes, which was a frequent criticism of public administration (Hood & Peters 2004). NPM was based on the assumption that less bureaucracy would improve the quality of government action. However,
it was suggested by Cordella and Wilcocks (2010), that crises in public sector administration were prompted by the increased complexity of administrative procedures to provide public services rather than bureaucratisation per se. Siltala (2013) reflected on NPM in a European context and considered it to be underpinned by neoliberalist ideologies without basis. NPM as defined by Siltala (2013) aligns neatly with the definitions espoused by many authors commenting on the concept such as Hood (1991), Bach & Della Rocca (2000), Chalmers & Davis (2001), Bevir et al. (2003); Lavalle (2006), Bach & Kolins Givan (2011) and Bach & Bordogna (2011):

New Public Management (NPM) has meant the transfer of market principles and business-management techniques from the private into the public sector. According to a neoliberal understanding of society and the economics, the NPM tries to slim the state and the municipalities and introduce market discipline into their remaining functions (Siltala 2013, p. 469).

Further, proponents of NPM often espoused evidence based learning however frequently failed to demonstrate this through learning from earlier research and experience, which may be due to the somewhat “ideological” nature of the NPM movement (Hood & Peters 2004; Siltala 2013). For example, there appears to be little consideration of the impact of structural reforms, such as outsourcing, on publicly funded services and how these reforms are best managed with a return on investment being clearly demonstrated (Hood & Peters 2004).

Evidence suggests when governments have been required to decrease public expenditure through restructuring the roles and functions of employees and associated processes and procedures; it did not lead to significant reductions in expenditure (OECD 2011; OECD 2015). Talbot (2001) for example identified that between 1979-2000 in the UK little changed in expenditure, the number of people employed or range of services provided. However, much
had changed on the internal structure, organisation and management of public services (Talbot 2001). Public sector reform aimed at reducing the size of the workforce largely failed and while there was a slowing in the rate of growth, it occurred nevertheless (Hughes 2012). It was found while contracting out of service delivery reduced expenditure in some situations, the amount saved was only the negligible difference between public service delivery and final delivery by contractors (Hughes 2012). Therefore, savings in managerial efficiencies when viewed in terms of economies of scale are almost insignificant. Even small increases in program spending, which, in areas such as health and welfare, can represent hundreds of millions of dollars of government expenditure, make salary expenditure a very small proportion of this (Hughes 2012). This was also evidenced in the developing world where, at the aggregate level, there was no evidence of significant decline in numbers or employment but rather a slowdown in the rate of growth (Marinakis 1994). Talbot (2001) also commented as command and control broke down “external” regulatory mechanisms including audit, standard setting and review were established.

Other challenges of NPM include the potential erosion of public sector system-wide cohesion with the possibility of weakening accountability and the increased likelihood of corruption (Dunleavy & Hood 1994). Supporting this proposition, Chalmers and Davis (2010) found contracting out services had associated challenges. Such challenges included administrative costs increasing from original expectations and policies decided at one level and then implemented at another causing confusion (Chalmers & Davis 2010). A potential lack of commitment by contractors to government goals was an added challenge (Chalmers & Davis 2010). At its most basic level, it was also suggested the competency of the provider to deliver contractually required services could also be in question (Chalmers & Davis 2010). From an HRM function perspective, NPM, with its decentralisation and contracting out, also led to more fragmentation and thus less visibility of the overall picture of HRM practices in government (Colley 2001).
NPM is not necessarily a consistent approach rather, a loose collection of reforms (Bevir et al. 2003). As there was increasing acknowledgment of the need to address some of the failings of NPM, some governments have made changes such as the reintroduction of shared support services (OECD 2010). More recently, there has been a reversal of some of the NPM initiatives in an effort to provide more integrated public services with better value for money (OECD 2011). Hood and Peters (2004) highlight the development of NPM from early general descriptions in the 1980s, then into a phase in the 1990s of exploration, increasing awareness and a modest increase in academic reflection. However, with increasing disillusionment of NPM over time, in the 1990s there was an emerging trend to move away from NPM, according to the OECD (2011), among its member countries. Pollitt and Dan (2013), in a meta-analysis of 519 European-based studies considered the impact of NPM to identify if performance related reforms lead to changes in outputs or outcomes. The analysis found NPM impact was unclear. This may be indicative of a new move to a third wave of a more coordinated approach to government. Those countries that were most immersed in NPM, such as the UK, Australia and New Zealand, then became leaders of the next wave of reforms initially known as joined-up-government or whole-of-government reform (DESA 2005).

3.5.3 The third wave

The waves of change in the public sector cannot be neatly categorised (Pollitt & Bouckaert 2017). Post-NPM there is a less clearly defined next phase of the public sector (Podger 2017). The third wave is described by Pollitt and Bouckaert (2017) as an era underpinned by the prominence of governance, networks, transparency and trust. The third wave has also been described as joined-up-government (JUG) which is less clearly articulated than NPM and is best seen as an overarching group of government responses linked to a perceived increased fragmentation of the public sector and public services and a desire to increase integration, coordination and capacity (Ling 2002; Christensen & Lægreid 2007). JUG has been defined as aligning formally distinct organisations in the achievement of public policy objectives of
government (Ling 2002). Pollitt and Bouckaert (2017) describe JUG as joining up of both policies and in the delivery of services. The JUG approach is applicable to any or all levels of government and can involve groups external to government. It is about joining up at the top, but also at the base, enhancing local level integration, and potentially involving public-private partnerships (Pollitt 2003). It has been suggested the complexity of public policy issues along with increasing expectations of citizens has led to the consideration of JUG (Ling 2002).

Proponents of joined-up-government focused on horizontal and vertical coordination in an attempt to eliminate waste through conflicting policies. The development of synergies by bringing together different stakeholders in a specific policy area and delivering citizens seamless, rather than fragmented access to services, were other elements (Pollitt 2003; DESA 2005). Advocates of JUG suggested adopting this approach where the coordination of activities across boundaries occurs without actually removing boundaries (Ling 2002).

At a practical level, JUG may be demonstrated by a number of changed practices (Ling 2002). Building on NPM reforms to a more integrated approach to service delivery, JUG prompted an increased focus on value for money and service deliverables (Ling 2002). There were also new ways of working such as pooling finances and merging structures. This was often exemplified from a structural perspective with a move to employ fewer people in back office functions, often facilitated by an increased focus on the development of shared services functions (Ling 2002; OECD 2011). JUG was also characterised by new accountabilities such as shared outcome targets and performance measures (Ling 2002). An early reference to the JUG approach was in the narrative of the 1997 UK White Paper which focused on modernisation of government including an emphasis on people as both consumers and citizens (Pollitt 2013). There was a discussion of government as a joined-up approach with a focus on efficient, high quality and responsive services (Pollitt 2013). A 2011 UK White Paper contained a strong focus on decentralisation of power to the lowest possible level as well as
public services being opened to a range of private sector providers with public services remaining accountable to users and taxpayers (Pollitt 2013).

Bach & Bordogna (2011) described the positive aspects of JUG as overcoming fragmentation, encouraging co-operation and restoring a public service ethos. As a response to the difficulty of public policy not able to be delivered by fragmented entities nor a central agency, JUG derives the benefits of both the centralised and decentralised approach (Ling 2002). For the JUG approach to gain broader acceptance however, fundamental changes in accountability systems, dominant cultures and structural arrangements are essential requirements (Pollitt 2003; OECD 2005; Christensen & Lægreid 2007). In the era of NPM, efficiency was the significant guiding principle of governments and service delivery in OECD countries, often with equity not heavily considered (OECD 2015). Thus, refocusing the fundamental values of trust, openness and transparency also forms part of the model (DESA 2005; Christensen & Lægreid 2007). Accountability in the new approach reinforces public servants being politically impartial, socially responsible and also politically aware (DESA 2005; Christensen & Lægreid 2007). Professional and personal ethics may be increasingly paramount (DESA 2005; Christensen & Lægreid 2007).

With JUG as a recent phenomenon, there appears to be little in-depth research on the approach. Hughes (2012) has alternatively suggested e-government may be the wave of reform post-NPM. E-government is technology enabling the delivery of numerous public services in more convenient and cost effective ways. However, it has not been broadly debated whether e-government is a new wave reform or more of an enabler (Hughes 2012; Pollitt & Bouckaert 2017). It appears there is also limited consideration of the impact of JUG on HRM architecture in the Australian public sector context as a search for academic commentary again yielded a sparse return. What the JUG approach may mean for the HRM function and its architecture, such as retaining an in-house function or changing to outsourcing or shared services, is explored in later chapters in this thesis by isolating data from informants.
in the field and added commentary in the discussion chapter. When considering context, Pollitt and Bouckaert (2017) identify a number of public sector trends, which are likely to continue to shape its future direction. These include demographic change, technological change, financial austerity and climate change which will impact on government and public services.

3.6 The global financial crisis

When considering government and the public sector, broader societal context also needs to be understood. The global financial crisis (GFC) in 2008 put many government economies such as the UK, US, Germany, Italy, Greece and Iceland under fiscal pressure (OECD 2011). Pollitt and Bouckaert (2017) commented on the past 30 years and the fact that the link between public sector reforms and financial austerity has been variable and not necessarily closely linked. The GFC boosted government’s involvement temporarily (Hughes 2012). There was a renewed challenge however for public sector leaders to improve efficiency and effectiveness of service delivery to the community and to cut public expenditure (OECD 2011). In some ways this did renew elements of NPM such as contracting out (Pollitt & Bouckaert 2017). Similarly, Colley (2012) in an article that considered one Australian state and its workforce trends from 2006 – 2010 similarly found that governments often take a lead in employment and labour market policies during a recession. Government faces the challenge of stimulating employment and the economy but also reigning in spending amidst falling revenues (Colley 2012; OECD 2015). Five years after the start of the GFC many OECD countries were still introducing austerity measures to restructure and manage public finances (Huerta Melchor 2013). From 2008 – 2013 there was a trend in central government employment of many OECD countries to reduce employee numbers by recruitment freezes, across the board cuts, outsourcing and compulsory termination. However, few countries focused on dismissal of public sector employees (OECD 2015).

With public finances in many countries remaining under strain, the reduction of public sector employee numbers, as a large component of government spending, continues to be an area
of focus (Hughes 2012; OECD 2015). The size of government does vary over time and between countries with the concern over their scale and efficiency leading to questions of the effects of government size on the economy as a whole (Hughes 2012). While the size and associated salary costs are still debated, there appears to be more focus on what governments deliver as there is a move to be less of a producer and more of an enabler (Hughes 2012).

Along with size, ensuring the right number of public sector employees deliver services is a challenge for governments and requires thoughtful consideration of workforce planning (OECD 2011). Almost two-thirds of respondents to an OECD 2010 Strategic Human Resource Survey indicated that numerous public services in member countries such as the US, the UK, New Zealand, Italy France and Greece were either implementing staff reductions (downsizing), budget and recruitment freezes or were on the cusp of doing so. Of those surveyed, no country was intending to increase its government's workforce (OECD 2011). Some countries were, along with administrative staff cuts, focused on realigning workforces with an emphasis on front line service delivery and increased efficiency of administrative support functions through changed structures such as the provision of shared services or outsourcing (OECD 2011). Banks (2014) suggested that into the future, governments are likely to further disconnect from service delivery where others can provide it. Public servants will be required to have business analysis and contract management skills in the role of enabler (Banks 2014). It has been predicted the role of government will be on fostering inclusive growth which requires a new approach to government performance; beyond the traditional parameters of efficiency and effectiveness (OECD 2015).

3.7 Public sector HRM

There are a variety of views in relation to the magnitude of the differences between public and private sector HRM. Teo and Rodwell (2007) argued that there were only limited differences between HRM practices and policies of public and private sector organisations in many countries. Truss (2009) however, considered there were specific differences between the
public and private sectors including the public sector having many stakeholders, central government imperatives and desire for control. Colley, McCourt and Waterhouse (2012) took this further to suggest that public employment is more political in a variety of ways as public services decline in importance as a source of advice for government. Further, devolution of selection and promotion processes allow for more political influence in appointments with governments more prepared to model ideology as major employers.

Ideology is further explored in Boyne (2002) who commented on the fact that public services can have multiple and conflicting roles that are politically and socially driven rather than financially driven. Boyne (2002) also commented that bureaucracy and standardised approaches address the issues of politicisation and efficiency. Colley (2001) in a study of the Australian context of public sector HRM, commented on a decrease in central management of HRM and HRM being devolved to departments or agencies, but still with some control such as target setting. This is perhaps a challenge of public sector HRM being part of a sector that has numerous “masters”. Supporting the research of (Buyens & De Vos 2001; Harris, Doughty & Kirk 2002; Truss 2008) Truss (2013) indicated there was not necessarily a preferred or “best” model of private or public sector HRM given that the HRM function was predicated on a complex range of contextual, historical and structural factors.

Differences between the public and private sector HRM practices and performance were explored in research based on Cranet HRM survey data in Anglo, Germanic and Nordic European societal clusters. It was confirmed HRM and the HRM performance relationship differs between the public and private sector and that sector is a significant influence on this relationship in the more individualistic Anglo world, including Australia (Vanhala & Stavrou 2013). Lavelle (2006) similarly suggested effective public sector HRM was situational and the adoption of particular management practices hinge on an understanding of, and response to, local culture and organisational form.
There were a variety of forms and functions of HRM; with no one predominant model. Many HRM functions, even in the private sector, fulfilled a largely administrative role (Truss 2013). There is a different context between public and private sectors with the public sector subject to higher levels of scrutiny and monitoring and a broader range of stakeholders and objectives and priorities (Harris 2008). Irrespective of the level of difference between the private and public sector, the importance of public sector services cannot be underestimated and the role of people in delivering those services is significant. The level of investment in public services and the need for agencies to maximise this investment makes the input of HRM significant. The scale of the workforce-related challenges of the public sector, including cost-cutting strategies of employee reductions and wage freezes, means there are future challenges for public sector HRM (Burke, Noblet & Cooper 2013).

Approaches to the HRM function in the public sector broadly mirror the trends in the development of the public sector (DESA 2005; Colley et al. 2012). In the public sector this has led to mixed results in the HRM function. Truss (2008) contends that, as new HRM paradigms and broader trends have emerged, public sector HRM functions support the expanding role of strategic HRM without ceasing former compliance-based activities. This is supported by Colley et al. (2012) who indicate changes in the approach to HRM have resulted in a hybrid of old and new practices. They suggest that this translated into the erosion of the image of the public sector with the move to outsource strategic activities to the private sector, salaries falling behind the private sector with agencies having to deal with this on their own rather than with centralised support (Colley 2012).

While HRM reforms were expected to be similar to those in the private sector, the translation of activities from one sector to another is not straightforward. There are differences including public sector workers tend to be older than private sector because they tend to stay longer, have higher levels of unionisation and more closely regulated employment relationships (Truss 2013). Specific HRM reforms over time have included alignment of public sector labour
laws with those of the private sector. This led to a reduction in traditional job security of public servants, delegation of HRM activities to managers, reforms to career structures and classifications, more open recruitment and recruitment of contract staff (Nunberg 1995; OECD 2011; Colley et al. 2012). However, these changes may not always deliver desired results. For example, with the delegation of authority to managers, it is questionable whether they have the required people management skills to deal with the challenges of tightening fiscal constraints and to ensure their work areas are conducive to a high productivity environment for their teams (OECD 2011). Added to this, it is also unclear how restructuring of the workforce impacts upon the delivery of publicly funded goods and services over the long term (OECD 2011). Boyne (2002) also discussed the public sector being the model employer and the more formal, “tougher” HRM was evident in the private sector.

There was limited agreement in the literature about whether centralising or devolving the HRM function to individual government entities was preferable. Centralised systems of HRM policy and strategy were considered to be a neutral approach. Standardised approaches and economies of scale avoided the risk of fragmentation and loss of public service ethos. However, the NPM literature encouraged the devolution of HRM away from central government (Truss 2013). Truss (2013) found it was unclear that NPM led to a clear trend toward decentralisation of HRM decision making to individual organisations. Devolution has occurred, for example, in an OECD (2005) survey of HRM, found transfer of responsibility for HRM from central bodies to departments with the simplification of procedures with overarching policy set at the centre with operational aspects devolved to individual departments. The survey also identified more flexible HRM policies (OECD 2005). Colley (2001), in an Australian study, found there was a reduction in central management of HRM functions and delegation of authority to individual departments or agencies for some functions. Truss (2013) however, found HRM functions were subject to a greater level of control over their activities such as target setting and centralised resource allocation thus the degree of control and scope
for undertaking strategic HRM may be limited compared to private sector. Colley et al. (2012) similarly found a task orientation for the public sector HRM.

Reforming the regulation of employment relationships was reflective of a key characteristic of NPM during the 1980s. For example, changing employment legislation to reflect private sector conditions and elements such as performance pay were introduced. The implementation of these new NPM-led practices to managing people varied in different countries and government systems (OECD 2005; Bach & Bordonga 2011). This impacted on career progression which became more horizontal with fewer internal opportunities and careers driven more by the contractual relationship (Hood 1991; Bach & Della Rocca 2000; Bach & Kolins Givan 2011).

Historically the public sector was characterised by lower pay levels than the private sector but higher levels of job security, assured progression through regular salary increments and generous provisions (Truss 2013). However, implications of NPM for HRM included differentiated pay and promotion based on performance rather than seniority, use of performance appraisals, individualisation of the employment relationship and development of overarching organisational HRM strategies aimed at supporting the general strategic objectives of the organisation (Bach & Kolins Givan 2011). There was also questioning as to whether public sector HRM is equipped to proactively address attraction and retention issues faced as an employer, since the early 2000s (Colley et al. 2012). Public sector managers were less likely to be motivated by financial rewards with a strong desire to serve the public (Boyne 2002).

The public sector remains a significant employer in many countries (Truss 2013). However, numbers are reducing (Bach & Bordogna 2011). Public sector HR managers have attracted charges of inefficiency and ineffectiveness. Today, HR professionals are required to manage change and redundancy programs and at the same time reduce their numbers and improve performance (Truss 2013). The future may be seen as a rising level of expectations in terms
of quality of public sector provision, while increasing fragmentation of public sector delivery mechanisms in a climate of downsizing, combine to create challenges for the public sector (Truss 2013). There was also limited agreement of how best to structure the HRM function. The HRM function appears to have various roles and there is not necessarily a preferred or “best” model of private or public sector HRM (Buyens & De Vos 2001; Harris et al. 2002; Truss 2008). According to Podger (2017), there are challenges to attract and retain employees to the public sector. Podger (2017) also identifies strategic HRM as one of the capabilities that has most suffered through the reform era. The substantial variety of the HRM function was predicated on a complex range of contextual, historical and structural factors (Truss 2013). Understanding public sector trends contextualises this research as does an appreciation of the structure of the Australian government, which is examined in the next section.

3.8 Australian Government

The Australian Westminster system is based on the principles of representative and responsible government (Singleton et al. 2013). Australia is a liberal democracy where the rights of citizens are respected to participate in governing and there is a corresponding responsibility of citizens to work in the system with individual rights protected from abuse of power (Singleton et al. 2013). The liberal element of a liberal democracy is the separation of powers within a state so that no individual group becomes too powerful (Singleton et al. 2013). It is also associated with the rights of the individual, minimal government and a market economy free from government intervention. The subtleties of a liberal democratic approach vary in different countries. Liberal democratic practices in Australia are characterised by a representative democracy where citizens elect parliamentarian representatives to make policy decisions on their behalf (Singleton et al. 2013).

Responsible government supports the concept of representative government by prompting elected representatives to be accountable and responsible to the electors for their actions. In theory, mechanisms, such as elections, ensure elected representatives are accountable for
their actions (Singleton et al. 2013). That is, if elected representatives perform well, they are likely to be re-elected (Singleton et al. 2013). Other elements of responsible government include the relationship between citizens and the state and institutions of government, which is defined by a written constitution. The constitution serves to protect the rights of citizens by limiting the scope of government. Further, the constitution prescribes the framework in which the political system will operate, such as the functions and powers of the state and the role of the judiciary (Singleton et al. 2013).

Federalism is another element underpinning Australia’s system of government. The federal system divides political responsibility between the Commonwealth government and the States (Singleton et al. 2013). Australia’s federation consists of six States (Queensland, New South Wales, Victoria, South Australia, Tasmania and Western Australia) and two Territories (Australian Capital Territory and the Northern Territory) (Singleton et al. 2013). Territories are geographic areas that are administered in a similar way to a State (Singleton et al. 2013). The States maintain autonomy, apart from those powers explicitly granted to the Commonwealth government (Singleton et al. 2013). Each State has legislated to create a third tier of local government to meet community level needs (Singleton et al. 2013).

Australia was federated as a constitutional monarchy in 1901 and has a written constitution with the reigning British monarch as the head of state, represented in Australia by the Governor General (Singleton et al. 2013). The structure of Australia’s federal system is shown in Figure 3.2. Federalism has the advantages of the separation of powers between the States and Commonwealth, thus minimising the potential for the abuse of power. Additionally, States are closer to citizens and in a better position to understand and meet their needs. Further, citizens have the opportunity to vote for representatives at three levels; federal, state and local which provides a safeguard (Singleton et al. 2013). However, it is argued the federal system may be inefficient and duplicate effort as a result of too many layers of government (Singleton et al. 2013).
The Australian Commonwealth government functions under the doctrine of the separation of powers. That is, the three arms of government; the legislature, executive and judiciary operate independently (Singleton et al. 2013). The structure of the three arms of government is shown in Figure 3.3. Each State similarly has its own constitution and legislature, executive and judiciary (Singleton et al. 2013).

Figure 3.2 – Australian federal system

Source: adapted from adapted from Singleton et al. 2013.
Figure 3.3 – The three arms of Australian Commonwealth government

The Commonwealth legislature consists of elected representatives and makes laws in accordance with the constitution. There are two houses of parliament; the House of Representatives representing different geographical regions of Australia and the Senate with members from the States and Territories who consider legislation (Singleton et al. 2013). The executive is the administrative arm of the government containing the public service, which consists of a number of departments and agencies employing public servants. The role of the public service is to provide policy advice, implement policy and provide the administrative machinery to deliver the policies of the relevant department or agency (Singleton et al. 2013). Members of the legislature may also have a ministerial responsibility in a specific area and work as part of the executive (Singleton et al. 2013). Commonwealth public servants are employed under the Public Sector Act 1999 (Singleton et al. 2013). Approximately 16% of the
Australian population is employed in the public sector workforce (Australian Bureau of Statistics 2012, p. 188). An overview of the Commonwealth and State public sector structures are shown in Figure 3.4.

![Diagram of Public Service Organisations]

**Figure 3.4 – Australian Commonwealth and State public service structure**

Source: adapted from Singleton et al. 2013.

The judiciary is separate to the legislature and the executive with its key role to enforce the laws of Australia. The High Court is the peak court in Australia (Singleton et al. 2013).

Key to public sector efficiency and effectiveness are the skills and abilities of employees. In order to meet current and future challenges in a time of limited financial and human resource investment in the public sector, it is argued a more flexible HRM approach is required (OECD 2011). In the next section two shared services experiences in the Australian context will be examined as examples of different forms of HRM architecture in a public sector setting.
3.9 Australian shared services experiences

A number of Australian States have explored a shared service approach, with varying levels of success. In one Australian State, South Australia, the payroll, finance and procurement functions were moved from provision by individual agencies to a centralised shared services centre in 2008 in an attempt to realise efficiencies (South Australia Auditor General 2012). Considering specifically the payroll function, there were many barriers to the consolidation process including different existing legacy systems. Ultimately individual payroll systems and agency employees were migrated to a shared service centre (South Australia Auditor General 2012). Costs of the reform were measured by direct reduction of individual agency budgets. Savings from the reforms had not exceeded costs four years after implementation. An overall finding was that bringing the payroll function together highlighted individual agency differences and appears not to have been progressed as initially planned (South Australia Auditor General 2012).

Another Australian State, Queensland, also adopted a shared services model. The Queensland government initially embarked on a shared services initiative in 2002 that included the provision of back office functions such as transactional human resources (including payroll) and finance to be provided by a shared services agency. There was a “clustered” approach to the provision of services with a small number of providers. The aim of this approach was to obtain high quality and administrative efficiency through economies of scale, standardising of business processes and consolidating technology (Service Delivery & Performance Commission 2007). In a report commissioned by the Queensland Government to review the shared services initiative, challenges identified included lack of cross agency commitment, resistance to change and lack of understanding of shared services leading to scepticism. Other issues included inadequate governance arrangements and systems driving change as opposed to business processes along with a focus on cost savings to the detriment of value and performance delivery (Pricewaterhouse Coopers 2010). In order to address the
previous shortcomings, a new arrangement, under the auspices of Queensland Shared Services, focused on consolidating payroll functions, standardising and improving performance measures (Queensland Government 2011). The shared services approach was then consolidated in a shared services and corporate administration agency providing services to governments departments and agencies other than health and education (Queensland Government 2014).

Another Australian example, based in Western Australia was the implementation of an Office of Shared Services in 2003. One of its key areas of focus was a common HRM, payroll and finance platform. Challenges included complexity and differences in employment terms and conditions. As a result of challenges duplicate systems were used. In 2011 the shared service project was cancelled due to the inability to implement and lack of ability to demonstrate a cost-benefit of completing the project (Kerr 2011). The sparse amount of research in this field makes it difficult to assess its success or otherwise of different HRM architecture in a broader sense and also the impact on key stakeholders.

3.10 Conclusion

This chapter considered the underpinning theoretical basis of the public sector along with key changes in the sector over time. The evolution of the public sector from public administration to public management and NPM were explored. The specific Australian context of government was also outlined. HRM practices in the public sector were also examined and how the HRM practices supported the changes in the public sector over time. Examples of forays into shared services in Australia were discussed. The next chapter focuses on the theoretical framework and supporting methodological approaches and data analysis techniques used to address the research questions of this study.
Chapter 4: Research design, strategies and data analysis

4.1 Introduction

This chapter establishes the most appropriate research design, strategy and methods for this study. Firstly, the theoretical underpinning of this research will be discussed. Then, the overall research design to support the theoretical basis is detailed. The research strategy of multiple case studies is discussed. Research methods of interviews, focus groups and document analysis will then be examined. The rationale for each method will be critically analysed with potential challenges of methods identified and mitigating strategies identified. The final section of this chapter explores the approach to data analysis. Validation and reliability of research is then considered and ethical considerations are discussed.

4.2 Ontological and epistemological foundations

A theoretical basis is a significant underpinning structure and orientation in which research can be positioned (Merriam 2009). This study adopts a social constructivist theoretical basis (Creswell 2013). In adopting this theoretical approach, understanding of the research phenomena is explored largely through participants and their world view, with multiple individual perspectives building up patterns and broader understandings (Creswell 2013). Both the phenomena being considered and the observer have a role to play in constructing meaning with researchers then generating patterns or theories (Creswell 2013). The social constructivist approach highlights multiple perspectives and provides a deeper understanding of elements being studied (Creswell & Plano Clark 2011). In this study different experiences of the impact of HRM architecture of outsourcing, in-house and shared services were examined and the impact on HR professionals, senior managers and employees in the public sector context were analysed.

In conjunction with the social constructivist approach, an inductive process will be used, where analysis of the data including making generalisable inferences is anticipated to lead to the
emergence of concepts and, ultimately, theory (Bryman & Bell 2011; Bryman 2012). An inductive process in this context was fitting as it supports the constructivist approach where conclusions drawn by the researcher are based on information generated through individual semi-structured interviews with informants and focus groups as well as direct observations (Creswell 2013).

4.3 Research propositions - background

To place the research methodology in context, key elements of the literature review are briefly outlined. There have been changes in the nature of workplaces in the last three decades such as a shortfall in skilled labour, ageing populations and more people leaving the workforce than joining (Productivity Commission 2013). Coupled with those changes is the rapid growth or decline of organisations, globalisation and increased competition (Nankervis et al. 2017). The HRM function not only has a role to play in the broader issue of organisational change; it has also been under scrutiny (Reilly & Williams 2003). To meet these challenges there has been a reconceptualisation of the in-house HRM function and a move to different HRM architecture such as outsourcing or shared services (Geer et al. 1999; Teicher et al. 2006; Janssen & Joha 2006; Delmotte & Sels 2008; Meijerink et al. 2013).

This study considers outsourcing, shared services and in-house HRM architecture and the extent to which these approaches impact key stakeholder groups of HR professionals, senior managers and employees in a public sector setting in Australia. The public sector was the sector of focus and was found to have changed over time with a move from public administration to public management and, more recently, a joined-up-approach. The public sector, when compared to the private sector, warrants specific attention due to some of its key characteristics including internal and external structures and the legal and constitutional framework in public employment differing from that of the private sector (Harel & Tzafrir 2002). Public sector employees must also respond to executive as well as political pressures that emanate from legislative requirements (Harel & Tzafrir 2002; Hughes 2012).
4.4 Research design

A first step in research design was the consideration of preunderstanding. Preunderstanding is a researcher’s knowledge, experience and insights of cases prior to commencing the research (Coghlan 2007). A lack of preunderstanding of cases can cause the researcher to spend considerable time gathering basic information and limit the research time with informants in the case study organisation. Particular problems with a lack of pre-understanding include inappropriately attaching weights and priority to the wrong factors and relationships. There is also a risk of choosing a method of access that does not provide the opportunity for the informants to provide the most relevant information. The researcher may also be swayed by trends and a tendency to believe that these are the ‘correct’ methods or solutions. A balance is required between knowledge from first-hand experience and second-hand knowledge through intermediaries (Gummesson 2000). To address the potential challenges of lack of preunderstanding, researchers should be active participants in a process rather than simply interviewers or detached observers (Gummesson 2000). These challenges are addressed in this study through preparation and familiarisation with the case study organisations such as pre-reading in the pre data-gathering phase.

This researcher also has particular insights into the public sector as a manager involved in shared services and in-house HRM in a large Victorian public service department. Therefore, elements of an ethnographic approach are also used. Ethnography encompasses the researcher as a participant observer and involved deeply in a social setting for an extended period, making observations of members of that setting, listening and engaging in conversations, developing an understanding of the culture of the group and the context (Bryman 2012). The research design in this study will provide sequential analysis in different phases of the research with the focus on testing exploratory findings. Details of the research design are provided in Figure 4.1.
4.5 Research Strategy

4.5.1 Case study approach

A case study approach was adopted in this study with semi-structured interviews and focus groups as the main methods for data collection, supplemented by documentary analysis. This approach allows a phenomenon to be investigated in depth in its real life context, particularly when the phenomena and context are not clearly evident. Other characteristics of the case study approach are the ability to capture a number of variables of significance and reliance on
a variety of sources to provide triangulation of data (Yin 2009). A case study approach also includes an opportunity for more compelling evidence to be presented and the capacity to deal with a broad array of information (Yin 2009). The case study approach increases the likelihood of contrasting of results and provides scope for broader exploration of research questions (Berg 2007; Yin 2009). George and Bennett (2005) suggest that both within case and between case analyses provide a vehicle through which inferences can be drawn. Therefore, using a case study approach enables analysis of the impact of various approaches to HRM architecture in order to understand and to compare and contrast within and between each case in relation to the impact of the HRM architecture on HR professionals, senior managers and employees.

The selection of a population of study for a case is a significant step in the process as it can control variations and contribute to the generalisability of findings (Eisenhardt 1989). Given that little research has been conducted on HRM outsourcing and shared services in the Australian public sector, adopting a qualitative approach enabled a deep exploration of the phenomena and the opportunity to synthesise a broad range of findings.

Limitations of the case study approach include the possibility of case selection bias and lack of representativeness of cases chosen (George & Bennett 2005). Case studies have also been criticised as potentially lacking rigour and being time consuming (Yin 2009). Further, an assumption is that theory building from cases can be less objective and rigorous than large scale hypothesis testing (Eisenhardt & Graebner 2007). Other criticisms include the inability to discriminate between competing explanations and the strength of variables. That is, the relative importance of constructs is not necessarily identified in case studies (Eisenhardt & Graebner 2007). To address such limitations in this study multiple sources of evidence were accessed. Semi-structured interviews, focus groups along with observation facilitate a deep contextual understanding and an opportunity to explore issues that emerge during the research. Internal corporate documents, policies, procedures and records relating to the
research sites, staff attitude surveys, annual reports providing historical and background information were also analysed. Data was also accessed from electronic and print media including internet sources.

4.5.2 Selection of cases

Berg (2007) suggested a case study choice be based on an appropriate population, not just one that is easily accessible. Purposive sampling of typical cases, selecting units of study that are most relevant and likely to produce plentiful data, is one of the best approaches in the selection of cases for research (Yin 2009). Cases can be chosen on the basis of similarities or differences. Contrasting cases are likely to demonstrate theoretical replication and contrasting results (Berg 2007; Yin 2009; Bryman 2012).

The number of cases to examine is another element to consider. According to Eisenhardt and Graebner (2007) multiple cases provide more robust theory building as propositions are supported by a variety of empirical evidence. Multiple cases can also provide scope for broader exploration of research questions and theoretical considerations (Eisenhardt & Graebner 2007). Investigating case studies while concentrating on a single issue provides the opportunity to understand the interaction of significant factors characteristic of the institution being investigated (Creswell 2013).

Three cases in this study were chosen to obtain the benefits of more than one case but without taking on too many cases, which may then be difficult to manage the volume of data generated. The cases were also identified on the basis of the model of HRM provision in the public sector in Australia. The public sector in Australia was chosen as there was limited research in this sector and it was an area where there was interest in the use of alternate HRM architecture internationally, largely due to continuing fiscal pressure requiring continual cost minimisation.
A combined total of 54 semi-structured interviews in case organisations were conducted. Interviewees were chosen due to their exposure to the HRM architecture. Senior managers, senior HR managers and HR professionals were interviewed. Analysis of internal corporate documents was also completed. Documents were analysed prior to interviews to ensure adequate preunderstanding and accuracy in terminology and an increased understanding of the organisational context. Employee focus groups were also conducted with In-houseCo employees and SharedserviceCo client employees. The aim of the employee focus groups was to understand the impact of the HRM architecture on employees and to validate senior manager experiences. An employee focus group was not able to be conducted in OutsourceCo. As a result, comments from the HR professionals, also employees of the OutsourceCo client group, were considered as a proxy for an employee focus group. All interviews and focus groups were analysed using NVivo software (Denzin & Lincoln, 2000).

To maintain anonymity, the three case studies have invented titles. Case one, an example of outsourced HRM, will be referred to as OutsourceCo. OutsourceCo in New South Wales (NSW) was chosen as an example of outsourcing of the HRM function in government with its own board of directors and staff employed through a third party. Interviews with OutsourceCo were conducted in 2012. In the OutsourceCo case, there is the OutsourceCo provider of HRM services and OutsourceCo clients. The OutsourceCo client also contained a small HRM function. OutsourceCo clients were interviewed in 2013. Case two, an example of shared services HRM, is described as SharedserviceCo. SharedserviceCo was chosen as an example of an established HRM shared service in the public sector in Victoria. In the SharedserviceCo case there is the SharedserviceCo provider of HRM services and SharedserviceCo clients. The SharedserviceCo client also contained a small HRM function. SharedserviceCo provider and clients were interviewed in 2014. The SharedserviceCo employee focus group was conducted in 2015. Case three, an in-house HRM case study, will be known as In-houseCo. In-houseCo was chosen as an example of a mature and established
HRM service in the Victorian public sector. Inhouseco providers were interviewed in 2013 and clients in 2014. An Inhouse client employee focus group was conducted in 2015.

4.6 Analysing data

An inductive process is used where analysis of the data including making generalisable inferences will lead to the emergence of concepts and, ultimately, theory (Bryman & Bell 2011; Bryman 2012). An inductive process in this context was fitting as it supported the constructivist approach where conclusions drawn by the researcher were based on information generated through individual semi-structured interviews with informants and focus groups as well as direct observations (Creswell 2013).

Analysing data is the key to building theory from case studies however it can be a challenging and contentious part of the process (Berg 2007). Within-case analysis is crucial to manage the volume of data and involves writing detailed case study reports for each case. The process allows the unique pattern of each case to emerge before generalising patterns across cases and also provides an opportunity to increase familiarity with each case, which, in turn, accelerates cross-case comparison (Creswell 2013).

Cross-case searching for patterns is also an integral part of the process. While case studies can create large volumes of data, which may lead to premature or false conclusions as a result of biases, cross-case comparison can address these issues by considering data in a variety of ways. When a pattern from one data source is supported by the evidence from another, the finding is stronger and better grounded. Where evidence conflicts between cases, it may be able to be reconciled through a deeper probing of the meaning of the differences (Eisenhardt 1989). In this research results are contained in individual cases and then analysed through a cross case analysis. Details of the case study approach adopted in this study are shown in Figure 4.2.
4.7 Research Methods

There are various definitions of mixed methods research. Mixed methods have commonly been described as data gathering using qualitative and quantitative approaches (Bryman 2012). However, it has been suggested mixed methods can also be broadened to consider not only assumptions but also the methods of collecting and analysing data (Creswell & Plano Clark 2011). Greene (2008), in what is perhaps one of the broadest definitions, suggests mixed methods is more about multiple ways of seeing and interpreting the world. Humerinta-Peltomali and Nummela (2006) suggest a mixed method study can combine qualitative data collection analysis with quantitative data collection analysis in a single study. They suggest data may be collected either concurrently or sequentially and combined at one or more stages.
in the research process (Humerinta-Peltomali & Nummela 2006). Further, Humerinta-Peltomali and Nummela (2006) propose it is not the data collection method but the form of the data (either quantitative or qualitative) that is decisive. A mixed methods approach with a broad definition was adopted in this study.

A mixed methods approach can improve validity of research through triangulation of data and also results may provide a deeper description of the phenomenon being researched, particularly when used in several phases of the research process (Creswell & Plano Clark 2011). A challenge of mixed methods is the need for the researcher to be familiar with different techniques (Creswell & Plano Clark 2011). That challenge is addressed through the use of a research protocol to increase reliability and the use of consistent procedures.

4.7.1 Interviews

Interviews were one method of data gathering used in this study. Semi-structured interviews involve the use of a number of predetermined questions in interviews. Questions are typically asked of each interviewee in a systematic and consistent order, with interviewers allowed freedom to probe beyond answers to standardised questions (Berg 2007). Interviews are an efficient method of gathering rich, empirical data (Eisenhardt & Graebner 2007). They can also be targeted to research themes (Yin 2009). However, interviews may provoke an immediate and potentially bias reaction due to the impression management and retrospective sensemaking of the interviewee (Eisenhardt & Graebner 2007). There is also the risk of poorly structured questions and possible inaccuracies due to poor recall (Yin 2009). One way to mitigate these challenges is to involve numerous and highly knowledgeable informants who viewed the particular phenomenon from diverse perspectives (Eisenhardt & Graebner 2007).

In this study purposive sampling was used to ensure participants were relevant to the study and had different levels of exposure to the HRM architecture. Interviewees included senior managers, senior HR managers, HR professionals and employees from the three cases.
Face-to-face interviews were conducted, providing the opportunity for interviewees to share insights into the research phenomena.

In total, 54 individuals were interviewed. Providers of HRM services and clients of HRM services were interviewed. From a provider perspective interviewees included senior managers, senior HR managers and HR professionals. Clients interviewed included senior managers and, in some cases where relevant, HR professionals. In the OutsourceCo case, as there was a shadow structure, there were HR professionals in the client organisation. Similarly, in SharedserviceCo, the client organisation contained HR professionals who undertook strategic HRM. Interviews were transcribed and themes identified. Table 4.1 identifies interview informants.

**Table 4.1 – Interview and focus group informants**

<table>
<thead>
<tr>
<th>Case</th>
<th>Method</th>
<th>Informant Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>OutsourceCo</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HRM Service Recipients</td>
<td>Interviews</td>
<td>Senior Managers:1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Senior HR managers: 7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>HR professionals: 2</td>
</tr>
<tr>
<td>Focus Group</td>
<td></td>
<td>No focus group held.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Employee proxy: 2</td>
</tr>
<tr>
<td>OutsourceCo</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HRM Service Providers</td>
<td>Interviews</td>
<td>Senior Managers:6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Senior HR managers:1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>HR professionals: 2</td>
</tr>
<tr>
<td>SharedserviceCo</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HRM Service Recipients</td>
<td>Interviews</td>
<td>Senior Managers: 7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>HR professionals: 2</td>
</tr>
<tr>
<td>Focus Group</td>
<td></td>
<td>Employees: 4</td>
</tr>
<tr>
<td>SharedserviceCo</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HRM Service Providers</td>
<td>Interviews</td>
<td>Senior HR managers: 2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>HR professionals: 7</td>
</tr>
<tr>
<td>In-houseCo</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HRM Service Recipients</td>
<td>Interview</td>
<td>Senior Managers: 9</td>
</tr>
<tr>
<td></td>
<td>Focus Group</td>
<td>Employees: 6</td>
</tr>
<tr>
<td></td>
<td>Interviews</td>
<td>Senior HR managers: 2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>HR professionals: 6</td>
</tr>
</tbody>
</table>
The approach taken to connect with individual interviewees was similar in all case studies. In the OutsourceCo provider, there was an invitation from the Managing Director then direct contact with informants. After access was agreed there was direct communication inviting senior managers, the senior HR manager and HR professionals to participate. OutsourceCo also facilitated an introduction to one of their client organisations, who subsequently agreed to participate. In the OutsourceCo client organisation, the key contact was a senior HR professional who then facilitated direct contact with all participants.

In SharedserviceCo access was gained through direct contact with the Executive Director of SharedserviceCo HR. The Executive Director then facilitated contact with the senior HR manager of SharedserviceCo who remained the key contact point for access to HR professionals and employees. The Executive Director HR also coordinated client access. The researcher then directly communicated with a key client contact to coordinate access to all participants.

In In-houseCo access was gained through direct contact with the Human Resource (HR) Division. The HR Executive Director then made direct contact with client senior managers requesting participation. Thereafter, contact was made directly with client senior managers. Access to senior HR managers, HR professionals and employees was facilitated through the HR Executive Director. Thereafter there was direct contact between the researcher, senior HR managers, HR professionals and employees of In-houseCo.

The duration of interviews with senior managers and senior HR managers was approximately 45 minutes with interviews of HR professionals lasting approximately 30 minutes. Interviews with employees took approximately 30 minutes. Focus group discussions were held for a duration of approximately 30 minutes. Most informants were interviewed once. One senior HR manager in OutsourceCo was interviewed twice.
Interview questions were a starting point for the discussion, with the opening questions aimed at understanding the role of the interviewee in the organisation. The next phase of the interview was discussion of the interviewees’ understanding of the HRM function and the services delivered. There was then discussion regarding the impact of the HRM function on informants. Examples of questions asked are included in Appendix 1. Interviews were audio recorded. Audio recording provided the interviewer with the opportunity to listen, absorb and comprehend what the interviewee was saying and also to probe on relevant areas as required during the interview (Bryman 2012).

4.7.2 Focus Groups

Berg (2007) defined the focus group as an interview style designed for small groups. Focus group sessions usually consist of a small number of participants under the guidance of a facilitator, often with a narrowly defined topic, with the facilitator drawing out information from the participants regarding topics pertinent to the research investigation. The group discussion atmosphere is intended to encourage informants to speak freely about behaviours, attitudes and opinions they possess (Bryman & Bell 2011). Focus groups can provide detailed data with collection focused on the topic of exploration (Carey & Asbury 2012).

Berg (2007) identified that focus groups can broaden the interpretation of previously obtained qualitative results. Focus groups may also facilitate the gathering of a large amount of information from potentially large groups of people in relative short periods of time. Participants are likely to be on a more even footing with each other in a focus group setting with the researcher able to explore related but unanticipated topics as they arise in the course of the group’s discussion (Berg 2007). Focus groups can also give a voice to those who may not have had one previously (Carey & Asbury 2012).

Boor, Frankland, Thomas and Robson (2001) suggested the optimal size of a focus group depends on the characteristics of participants as well as the topic being discussed. Groups
that are too small may inhibit discussion, whereas those that are too large may stifle discussion. Carey and Asbury (2012) suggest groups larger than eight are more difficult to manage. As well as size, the composition of a focus group should be considered. According to Yin (2009) focus group members should have common experience which may be more likely expressed in a group setting than an individual interview. Representativeness of the focus group such as age, gender and class should also be considered to ensure that diverse groups are included (Bryman & Bell 2011). The number of focus groups conducted in research depends on the nature of the research (Bryman & Bell 2011).

There are limitations to focus groups including the researcher having less control over proceedings. Data may also be challenging to analyse due to difficulty in capturing who says what and also the volume of data produced (Bryman & Bell 2011). Blackburn and Stokes (2000) noted that group dynamics do present particular problems including the possible domination of the group by a few strong personalities. Participants may also differ in experience and confidence with group discussions and thus it is the facilitator’s role to guide discussion and be aware of issues that can impact on participation, such as position in organisation and individual level such as experience with the topic (Carey & Asbury 2012). The quality of a focus group interaction can be enhanced by a building of rapport supported by a knowledge facilitator who is respected as legitimate and has the ability to listen and understand (Carey & Asbury 2012).

In this study, focus groups explored key issues that emerged in the interviews. Focus group discussions also focused on understanding employee experiences of the HRM architecture. Employee focus groups were conducted in SharedserviceCo and In-houseCo to provide a representative sample of approximately eight employees, each with exposure to the HRM architecture. Employee focus groups in In-houseCo and SharedserviceCo assisted in further understanding the impact of the structure of the HRM architecture on employees and to
validate senior manager experiences. Questions were open-ended and focused on experience of the HRM architecture.

Initial communication for participation in focus groups was through an intermediary, in this case the head of the HRM function. To mitigate any potential for the intermediary to screen out participants (Boor et al. 2001), supporting information was provided directly to the potential participants to allow them to make an informed decision to participate. The approach to focus group participants in In-houseCo, was an invitation from the head of HR distributed and then direct contact with employees. For SharedserviceCo, the approach was an invitation from a client HR professional key contact then direct contact with employees.

Employee focus groups were not conducted in OutsourceCo as this organisation exhibited a reluctance to participate in a focus group context for reasons unknown. As a result, comments from HR professionals, also employees of the OutsourceCo client group, were considered as a proxy for employee focus groups. Focus group questions were a starting point for the discussion. Initially, discussion in the focus group considered the role of the participants in the organisation and their experience with the HRM architecture. The next phase of the focus group was to discuss the participant’s understanding of the HRM architecture and the services delivered. The discussion then moved to the impact of the HRM architecture on participants.

4.7.3 Documents

Documentary analysis also formed part of the data gathering process in this study. Bryman and Bell (2011) identified that documents can range from those in the public domain to internal documents which can provide background information about the organisation. Official documentary records are produced for specific audiences and often find their way into the public domain. They convey important and useful information that can be used as data in research projects. While not all research questions can be answered through archival data, it
does provide a useful comparison of concepts and comparison to real life experience of employees in an organisation (Berg 2007).

When deciding which documents to consider as sources of information, criteria for assessing documents include authenticity, credibility and representativeness of the document as well as whether it is clear and comprehensible (Bryman & Bell, 2011; Merriam 2009). George and Scott (2005) noted that archival documents are perhaps best acknowledged by understanding the context in which they are released to the public, the author, the purpose and under what circumstances the document was written.

Benefits of using documents as a source of data is that they can be easily accessed and contain information it would take the researcher a long time to collect. Also, documents are stable as they do not change with the presence of the researcher (Merriam 2009). Limitations of documents include that they have not necessarily been developed specifically for research purposes, may also lack rigour and have built in biases. Proving documents authenticity and accuracy may be another challenge (Merriam 2009).

Documents reviewed in this study included representations of the structure and direction of the HRM function, service documents, organisational plans and annual reports. Many documents were analysed prior to conducting interviews and focus groups to assist in preunderstanding and to ensure accuracy in terminology and the organisational context. Table 4.2 identifies documents examined from each case study.
Table 4.2 – Documents analysed

<table>
<thead>
<tr>
<th>Document type</th>
<th>Case 1 OutsourceCo</th>
<th>Case 2 SharedserviceCo</th>
<th>Case 3 In-houseCo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Reports</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>People Matter Survey</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Service Catalogue</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Structural documents</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Internal Reviews</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>External Reviews</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

4.8 Data analysis

A grounded theory approach was taken in this research. Grounded theory is systematic approach to qualitative enquiry to generate theories from the data gathered (Glaser & Strauss 1967). The key element of this approach is that theory is generated by data obtained from participants who have experienced the process. The grounded theory approach prompts the researcher to engage with the data and analyse it iteratively and gradually build from a descriptive level to a conceptual level as themes emerge (Bryman & Bell 2011; Creswell 2013). In this research conclusions and informed evaluations and decisions about the data gathered, based on existing literature and as a result of data collected, supported analysis of the research propositions.

Transcription of data is an important step in the data analysis process. Transcribing data soon after an interaction is important, particularly in each case study, to ensure timeliness and accuracy. Transcriptions from interviews and focus groups will be analysed using computer assisted qualitative data analysis NVivo (Denzin & Lincoln, 2000). Transcripts will be retained in accordance with the RMIT Business College Human Ethics Advisory Network (BCHEAN) requirements.
A key component of grounded theory is coding of data. A code is a short word or phrase that describes an attribute for a portion of language based data. Data is analysed by dividing into smaller segments, such as line-by-line. Grouping too much data together may lead to superficial analysis whereas splitting of data encourages scrutiny of similarities and difference to capture meaning (Saldana 2013). Descriptive or open coding is where words or short phrases are used as the base topic for a passage of data. As was identified in Saldana (2013) this should not be abbreviations of the content but reflect the topic. A code list should be kept with details and a definition of each code to enhance the credibility and trustworthiness of observations (Saldana 2013). There can then be a grouping of similar coded data to reduce the number of codes and sorting into conceptual categories as well as identification of more and less important categories (Merriam 2009). Axial coding can be used to develop categorical or conceptual themes of data analysed (Merriam 2009; Saldana 2013). Selective coding takes a more conceptual approach to the data and links different categories and provides narrative. Codes and categories are grouped into to themes and theory or assertions developed (Saldana 2013). Conclusions can then be drawn about the data gathered to consider the research propositions (Merriam 2009).

Coding can promote a more reliable analysis that reduces the likelihood of imputing researchers’ motives on collected data (Saldana 2013). Coding of data can also more readily facilitate search and analysis of themes (Saldana 2013). However, coding may be seen as reductionist and distancing the researcher from the data. Further, coding may focus on counting and not actually analysing data (Saldana 2013).

To address these limitations, in this study descriptive or open coding was completed initially. Data was broken down, examined for relevance to the research to become themes and categories. Then, axial coding was completed to refine and relate the categories to each other. Thereafter selective coding was undertaken to provide narrative. To support reliability in this study all codes were defined in the computer assisted qualitative data analysis tool
While the researcher coded, the system stored, managed and reconfigured data to enable reflection.

**4.9 Validation and reliability**

Numerous validation strategies can be used in qualitative research. Creswell (2013) describes validation strategies as an approach to support the accuracy of research. Triangulation is an example of a validation strategy and uses evidence from different sources to identify a theme or perspective (Creswell 2013). Further, rich descriptions of the participants or the setting being studied are another validation strategy which allows translation of research to other settings (Creswell 2013). In this research sources of data included interviews, focus groups and internal and external documents. There were also detailed descriptions of each case study enabling readers to determine applicability to alternate settings.

Reliability is the extent to which research findings can be replicated (Merriam 2009). One of the challenges of qualitative research is that it is dealing with human behaviour which is not static. Thus, while replicability in a qualitative study is unlikely that does not mean it is not reliable (Merriam 2009). A detailed approach to data collection also assists in reliability (Merriam 2009). In this study reliability was enhanced from a process perspective by audio recording interviews and focus groups and transcribing the recordings.

**4.10 Ethical considerations**

To address any potential ethical issues during data gathering Yin (2009) suggested researchers use open ended questions, remain neutral, maintain rapport and use a research protocol. A research protocol was developed in this study to increase reliability of the research and to guide data collection from each case. The protocol was a guide to assist in data collection to support a consistent approach to the data gathering exercises.
Informed consent of individuals participating is an exercise of choice, free from any element of deceit, duress or similar unfair inducement or manipulation (Berg 2007). Implied consent can also occur by subjects taking time to participate in the research: for example, affirmative responses and completed interviews imply consent (Berg 2007). While anonymity is preferable, where this is not possible, it is important to provide subjects with a high degree of confidentiality (Berg 2007). In this study, as some informants were already known to the researcher, total anonymity was not practicable but the identities of informants remained anonymous as an aspect of the ethics approval gained from the Royal Melbourne Institute of Technology (RMIT) University. A copy of the Ethics Approval is contained in Appendix 2. The research was considered low or negligible risk by the RMIT University Business College Human Ethics Advisory Network (BCHEAN). The project was monitored annually by BCHEAN. A “Participant Information Sheet” and “Informed Consent Form” were developed and provided to participants prior to their involvement. The Participant Information Sheet contained information including details of the aims of the research, why the participant was approached to participate, what was required of participants and risks or benefits. The Consent Form is provided in Appendix 3. The research does contain underpinning assumptions including participants understanding questions asked, also that responses provided by participants were honest and a true reflection of their thoughts.

4.11 Conclusion

The research strategy and methods examined in this chapter supported gathering data to respond to the research questions. The theoretical basis of this study was social constructivist where the research phenomena were explored through participants and their world view. The social constructivist approach was supported through the research strategy of case studies which investigated phenomena in depth in their real life context. Research methods of interviews, focus groups and internal document analysis used in this study were then discussed. Benefits and limitations of each method were explored. The approach to data
analysis was also examined with the use of NVivo software as a tool to capturing data in preparation for the subsequent within case and cross case analysis.

The next chapter considers broader elements of the public sector and details of each case study more specifically. The system of state government in Australia, with a particular focus on the two Australian states relevant to this research, NSW and Victoria, are examined. Characteristics of each of the three case studies are discussed. Details of the HRM architecture and clients are explored, as is the nature of service delivery and governance along with the relationship more broadly.
Chapter 5: Empirical Description

5.1 Introduction

The previous chapter provided the rationale for the research strategy to support exploration of the research propositions. A multiple case study approach was used to investigate three approaches to HRM architecture: outsourced, in-house and shared services. Research methods for data collection of interviews, focus groups and documentary analysis were also discussed. The methods of data processing were considered with the use of NVivo software identified as a fitting tool to gather data for subsequent analysis (Denzin & Lincoln, 2000).

This chapter is structured to address broader, contextual elements of the public sector and then to consider details of each case study more specifically. The first section of the chapter examines the system of state government in Australia with a particular focus on the two Australian states relevant to this research: NSW and Victoria. OutsourceCo in NSW was chosen as an example of outsourcing of the HRM function in Australia as it was one step removed with staff employed through a third party and with its own board of directors. SharedserviceCo was chosen as an example of an established HRM shared service in the public sector in Victoria. In-houseCo was chosen as an example of a mature and established HRM service in the Victorian public sector.

Characteristics of each of the three case studies are detailed in this chapter as well as the structure of the HRM architecture and clients. The nature of service delivery and governance along with how the provider-client relationship is managed more broadly was explored. An overview of the People Matter Survey is then explored. The People Matter Survey was a survey instrument used regularly in the Australian public sector context to elicit employee sentiment on a range of issues. As all three case study client organisations participated in a version of the People Matter Survey during the period of this research, survey results were
examined. An understanding of elements of each case study provide a context for the preliminary findings of this study, which will be discussed in the next chapter.

5.2 Australian State Governments

Australian states operate under a structure that contains three key elements, the judiciary, the administration and executive, under the auspices of the Governor (Singleton et al. 2013). Figure 5.1 provides an overview of elements of Australian state governments.

![Diagram of Australian State Government Structures]

**Figure 5.1 – Elements of Australian state government structures**

Source: adapted from Singleton et al. 2013.

This research focuses on the executive area of government: the public sector. The primary function of the public sector in Australia’s is to formulate and execute government policy.
5.2.1 New South Wales public sector

At the time of this research, the NSW government was the largest employer in Australia and employed approximately 11 per cent of the workforce in the state, which translated to approximately 328,113 full time equivalent employees (FTE) (NSW Public Service Commissions [PSC] 2014). Full time equivalent was the number of full time employees required to account for all ordinary hours of paid work (NSW PSC 2014). Approximately 62 per cent of the workforce was women with the median age of public sector employees of 45 years (NSW PSC 2014).

NSW government agencies and departments were organised into “clusters” with the aim of enhancing coordination. “Clusters” was not a legislated term but an operational perspective. There were nine clusters in NSW at the time of this research. Each cluster contained a Department, executive agencies and public service agencies (NSW PSC 2014). Public sector employment was governed by the Government Sector Employment Act 2013 (GSE Act). The GSE Act defined the difference between the broader government sector and the public service. Supporting regulations and rules covered employment terms and conditions of public service employees and expectations in relation to recruitment and selection, workplace diversity, performance management and misconduct (NSW PSC 2014). A Public Service Commissioner was supported by a Public Service Commission (PSC), which commenced operation in 2011. The role of the Public Service Commission included the reinforcement of public sector values, encouraging a service culture, strengthening the public sector workforce performance and increasing public confidence in the public sector (NSW PSCa 2012).

The NSW Public Service Commission published the State of the Sector Report in 2014 (NSW PSC 2014). The State of the Sector Report identified that the NSW Public Service Commission’s highest priority was workforce reform (NSW PSC 2014). Another focus was on the implementation of the GSE Act 2013. Recruitment reform, executive leadership development, performance and capability frameworks, cultural change and workplace
bullying, innovation and electronic human resource management systems were other areas of focus (NSW PSC 2014). Collaboration was also a feature (NSW PSC 2014). There was also a focus on high performance with six key areas of workforce capability and diversity, employee engagement, customer focus, relationship strength, culture and behaviour and productivity and innovation (NSW PSC 2014).

Structurally, different approaches to service delivery in back-of-house areas in the NSW public sector were explored for a number of years (Audit Office of NSW 2004). Back-of-house functions were defined as those providing support for non-client facing activities. The Central Corporate Services Unit was established in 1996 to provide services in the human resource, finance, information technology and office services (Audit Office of NSW 2004). Anticipated benefits were not realised due to larger departments being slow to transition to shared services, a lack of consistency in systems and process and a perceived unwillingness to invest in change to facilitate increased consistency (Audit Office of NSW 2004).

A later NSW Commission of Audit Report (NSW Government 2012a) focused on government expenditure including shared services and explored potential future internal efficiency opportunities. It identified a reform program, which commenced in 2006 and resulted in minimal reform with room for further improvement identified in corporate and shared services with potential savings in the order of 500 million dollars a year (NSW Government 2012a). Similar to what was found in 2004, challenges in shared service arrangements were characterised by disparate systems, non-standardised processes and standards. Consolidation of shared services and further exploration of outsourcing were also proposed (NSW Government 2012a). The report identified the need to improve service and reduce costs through consistent policy, modern technology and process improvements (NSW Government 2012a). The official government response to the Commission of Audit Report acknowledged there were opportunities for improvement with internal efficiencies and the possibility of increased streamlining of shared services with each cluster developing business
cases for consideration. This process was anticipated to take approximately two years (NSW Government 2012b). The implications of this for OutsourceCo and their clients were uncertain at the time of this study.

5.2.2 Victorian public sector

In June 2014 the Victorian public sector included more than 1700 employing public entities and 1500 non-employing public entities (Victorian Public Sector Commission [VPSC] 2015). Part of the wider public sector, the Victorian public service (VPS) contained nine government departments and 31 portfolio related authorities and offices at the time of this research (VPSC 2015). The Victorian public sector employed 216,685 FTE in June 2014, which was 8.7 per cent of the Victorian labour force (VPSC 2015). Of that broader public sector workforce 13.7 per cent were employed in the public service and 86.3 per cent were employed by public entities (VPSC 2015). The Victorian public sector was also a major employer in regional Victoria with approximately one third of the workforce employed outside the metropolitan area (VPSC 2015).

The Victorian public service, in June 2014, employed 33,397 FTE (VPSC 2015). The workforce was 60 per cent female and 40 per cent male, with the average age of all employees 44 years (VPSC 2015). Eighty-nine per cent of employees were in ongoing positions and 11 per cent in fixed term or casual roles (VPSC 2015). Twenty-three per cent of the workforce were employed in a part-time capacity (VPSC 2015).

The Public Administration Act 2004 (PAA) was the legislation underpinning employment of public sector employees (VPSC 2015). Fundamental elements of employment of public sector employees under the PAA included merit based employment decisions, fair and reasonable treatment of public sector employees, recognition of equal employment opportunity and human rights, reasonable avenues of redress against unfair treatment and the development of a career public service. At the time this research was conducted, the Victorian Public Sector
Commission (VPSC) (formerly the State Services Authority) was the authority that promoted a responsive and ethical public sector (VPSC 2015). The VPSC came into operation 1 April 2014 (VPSC 2015).

Victoria, more than any other Australian state, had activities previously provided by the public sector, governed by contracts between buyers and sellers either inside or outside the public sector (Alford & O’Neill 1994). Purchaser-provider separation in the Victorian public sector, increased public choice and minimised self-interest of bureaucrats were often referred to as rationales for this approach. However, whether the separation improved results was contested (O’Flynn & Alford 2008). The move away from provision of service by the public sector commenced in the 1980s when there was a shift of production from the public to private sector and a parallel change from being rule bound to results focused. In the early 1990s there was a move to contract out more services. Key elements of this change were the reduction in the numbers employed in the public sector by focusing on core activities of policy setting, resource allocation, standard setting, monitoring and regulating. There was a move for more separate agencies with autonomy in the control and deployment of resources. More activities were also moved to private contractors. Service providers were also subject to increased competition wherever possible (Alford & O’Neill 1994).

Another change in the public sector occurred as a result of the whole-of-Victorian-government Sustainable Government Initiative (SGI) commencing in December 2011. This initiative prompted a reduction in “non front-line” employees in the Victorian public sector over a period of two years. It was reported that the reduction was to be reached through natural attrition, non-renewal of fixed term contracts and voluntary departure packages (State Government of Victoria 2012). There was an 11 per cent decrease in employees between June 2011 and June 2013 (VPSC 2015).
Similar to NSW, system and people issues were challenging in the Victorian public sector. In the Victorian public sector building citizens’ trust in public institutions, developing a more responsive public service, offering more choice while supporting the development of individual responsibility to achieve better outcomes were all identified as challenges. Developing systems and skills to work more effectively with the private and non-profit sectors and engaging across jurisdictions and portfolio structures were also acknowledged (SSA [State Services Authority] & Demos 2008). From an HRM perspective, meeting workforce planning challenges and fostering agility to support a high performing public sector were specifically highlighted (SSA 2006; SSA & Demos 2008).

The Victorian State of the Sector Report was an annual publication providing an overview of public sector data and a consolidated overview of the public sector including employment, leadership and governance (VPSC 2015). The Victorian State of the Sector Report also included the People Mater Survey results which measured public sector employee perceptions of how well the public sector values and employment principles were applied and adhered to in their organisations, as well as workplace wellbeing, employee engagement and job satisfaction. The 2014 survey was conducted across 154 Victorian public sector organisations (VPSC 2015). Sixty per cent of all public sector employees were invited to participate and 19 per cent of all public sector employees responded (VPSC 2015). The level of participation and response was a substantial increase on previous years (VPSC 2015).

5.3 Case 1: OutsourceCo overview

OutsourceCo was based in the Australian state of NSW. OutsourceCo provided HRM transactional services to a cluster of NSW government departments. The focus of this case was on OutsourceCo and one of its clients. OutsourceCo was classified as an outsourced provider as it was “one step removed” from its clients. OutsourceCo was classified as an outsourced provider as it was “one step removed” from its clients. OutsourceCo was a not-for-profit company under the Corporations Act 2001 (Commonwealth). It was incorporated in 2004 with a board of directors of client senior managers (OutsourceCo 2013).
OutsourceCo offered a range of core, transactional and value added services for clients to purchase on a fee-for-service basis in a variety of functions including information technology, HRM, finance and property. The focus of this research was on the HRM function and specifically the areas of payroll and recruitment. OutsourceCo had a client base of approximately 22,000 employees (OutsourceCo 2013).

OutsourceCo’s operating model contained three areas of focus: client engagement, service solutions and service delivery. Support for OutsourceCo clients was provided from each of the streams, depending on the requirements of the specific activity. The majority of client contact occurred through the service delivery stream where call centre employees provided advice on a broad range of services such as HRM queries. More complex queries received by the call centre were forwarded to subject specialists. Call centre employees had a broad range of knowledge in a number of different subject areas with content experts having more depth of knowledge in specific areas, such as HRM. OutsourceCo considered this an efficient model of service provision (Interview OSP1 2012). The structure of OutsourceCo is provided in Figure 5.2.
OutsourceCo commissioned external benchmarking of its services in comparison to the broader outsourcing market in 2012. When taking into consideration the price, services offered and service delivery standards, prices were competitive with 90 per cent of services provided by OutsourceCo at or below market range and considered to be value for money (OutsourceCo 2013).

OutsourceCo employees were not employed directly but through either another government department or a third party supplier (OutsourceCo 2013). Details of the OutsourceCo employee profile in 2012 and then in 2013 are provided in Table 5.1. OutsourceCo public service employees were employed under the Government Service Employment Act 2013 (OutsourceCo 2013).
Table 5.1 – OutsourceCo provider employee profile

<table>
<thead>
<tr>
<th>Category</th>
<th>June 2012*</th>
<th>June 2013**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent</td>
<td>556</td>
<td>487</td>
</tr>
<tr>
<td>Temporary</td>
<td>182</td>
<td>171</td>
</tr>
<tr>
<td>Senior executive</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Casual</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>742</td>
<td>660</td>
</tr>
</tbody>
</table>

Source: *NSW Government 2012c p. 154; ** NSW Government 2013 p. 91

5.3.1 OutsourceCo client characteristics

The OutsourceCo client retained an in-house HRM function and also purchased transactional HRM activities from OutsourceCo. The OutsourceCo client employee profile in June 2012 and June 2013 is provided in Table 5.2. The OutsourceCo client internal HRM architecture is represented in Figure 5.3.

Table 5.2 – OutsourceCo client employee profile

<table>
<thead>
<tr>
<th>Category</th>
<th>June 2012*</th>
<th>June 2013**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent</td>
<td>1541</td>
<td>1436</td>
</tr>
<tr>
<td>Temporary</td>
<td>387</td>
<td>430</td>
</tr>
<tr>
<td>Senior executive</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Casual</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>1942</td>
<td>1873</td>
</tr>
</tbody>
</table>

Source: *NSW Government 2012c p. 154; ** NSW Government 2013 p. 91
In the OutsourceCo client 2013 annual report, key themes of seamless service to clients through more local responses from government entities and encouragement of government employees to work better with other providers were identified. There was also focus on employee engagement through implementation of an engagement plan and development of employees to assist them in supporting increasingly complex client needs (NSW Government 2013).

5.3.2 Service delivery and governance

The relationship between OutsourceCo and clients was governed by a Statement of Intent with services provided on a fee-for-service basis. A range of HRM related services were available from OutsourceCo from transactionally based, payroll and recruitment, to more strategic elements of career management, job design and evaluation as well as policy and procedures and employee management. Transactional services such as payroll had a two-tier activity based charging regime. Tier one covered low complexity activities and tier two higher complexity activities (NSW Government 2006a). Basic recruitment incurred a set fee
for service (NSW Government 2006b). Additional recruitment services were available on a fee-for-service basis (Government of NSW 2006b).

5.4 Case 2: SharedserviceCo overview

SharedserviceCo based in Victoria, Australia, commenced operation in 2010 providing payroll, recruitment and reporting services to two government departments and portfolio agencies on a fee-for-service basis (Interview SSP5 2014). SharedserviceCo was part of the same government department as In-houseCo albeit as a separately funded unit (In-houseCo 2013).

SharedserviceCo employed approximately 11 employees, separated into dedicated teams to support two discrete client groups (SharedserviceCo 2013). Each team consisted of an assistant manager and HR consultants. The HR consultants in SharedserviceCo were expected to be able to respond to a broad range of HRM queries. More complex requests were responded to through an internal escalation process with the original consultant as the main point of contact (SharedserviceCo 2012). The structure of SharedserviceCo is provided in Figure 5.4

![Structure of SharedserviceCo](image)

**Figure 5.4 – Structure of SharedserviceCo**

Source: Internal document
5.4.1 SharedserviceCo client characteristics

The SharedserviceCo client participating in this research was a government department in Victoria, Australia. Table 5.3 identifies employee numbers in the SharedserviceCo client in 2012 and 2013. The SharedserviceCo client had previously outsourced all of its HRM function to a private sector provider. However, in 2010, it moved transactional elements of the HRM function to be provided by another government department (SharedserviceCo provider) and increased its internal HRM presence (Interview SSC7 2014).

**Table 5.3 – SharedserviceCo client profile**

<table>
<thead>
<tr>
<th>Date</th>
<th>FTE Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 2012</td>
<td>675.91</td>
</tr>
<tr>
<td>June 2013</td>
<td>608.83</td>
</tr>
</tbody>
</table>

Source: Victorian Government 2013a, p. 95.

The reduction in employee numbers in the SharedserviceCo client between 2012 and 2013 was as a result of a Victorian whole-of-government sustainable government initiative, similar to what was experienced in In-houseCo. The SharedserviceCo client workforce was male dominated with mostly ongoing modes of employment. Details of the SharedserviceCo workforce gender and employment status are provided in Table 5.4.

**Table 5.4 – Gender and employment status of SharedserviceCo client in 2013**

<table>
<thead>
<tr>
<th></th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ongoing</td>
<td>320.44</td>
<td>288.39</td>
<td>608.83</td>
</tr>
<tr>
<td>Fixed term/Casual</td>
<td>8.75</td>
<td>3.47</td>
<td>12.22</td>
</tr>
</tbody>
</table>

Source: Victorian Government 2013a, p. 95.

Table 5.5 details the age breakdown of the SharedserviceCo client workforce and indicates the majority of the workforce was aged less than 54 years (Victorian Government 2013a).
Table 5.5 – SharedserviceCo client age breakdown 2013

<table>
<thead>
<tr>
<th>Age Range</th>
<th>Ongoing</th>
<th>Fixed term/casual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 25</td>
<td>14.00</td>
<td>1.00</td>
</tr>
<tr>
<td>25 – 34</td>
<td>171.23</td>
<td>5.67</td>
</tr>
<tr>
<td>35 – 44</td>
<td>172.73</td>
<td>1.00</td>
</tr>
<tr>
<td>45 – 54</td>
<td>142.27</td>
<td>..</td>
</tr>
<tr>
<td>55 – 64</td>
<td>95.00</td>
<td>3.00</td>
</tr>
<tr>
<td>Over 64</td>
<td>13.6</td>
<td>1.55</td>
</tr>
<tr>
<td></td>
<td><strong>608.83</strong></td>
<td><strong>12.22</strong></td>
</tr>
</tbody>
</table>

Source: Victorian Government 2013a, p. 95.

The SharedserviceCo client internal HRM architecture is provided in Figure 5.5.

![SharedserviceCo client internal HRM structure](image)

Figure 5.5 – SharedserviceCo client internal HRM structure.

Source: Internal document

The clients were part of the Victorian public service and bound by the Victorian Public Service Determination 2012 and the PAA (Victorian Government 2013a).
5.4.2 Service delivery and governance

Details of the HRM services provided by SharedserviceCo were documented in a Service Catalogue. The Service Catalogue described the payroll, recruitment and reporting services available and performance measures included for each service provision area. Performance measures were reported on a monthly and quarterly basis to clients (SharedserviceCo 2012). The relationship was governed by a memorandum of understanding. There was a charging arrangement for HRM services provided on a per capita arrangement rather than a transactional basis. There were performance measures monitored each month with fee-at-risk elements, which were performance dependent (Interview SSC7 2014).

5.4.3 SharedserviceCo client culture

The annual report of the SharedserviceCo client was outcome focused in its language with future challenges of SharedserviceCo task oriented (Victorian Government 2013a). In the annual report there was an acknowledgement of the achievement of capability development in influencing and advisory skills, developing a constructive culture and implementation of a leadership development program (Victorian Government 2013a). Otherwise there was limited commentary on employee related activities (Victorian Government 2013a).

5.5 Case 3: In-houseCo overview

In-houseCo was a government department located in Victoria, Australia. In-houseCo was part of a larger HRM function supporting a government department with approximately 54,718 full time equivalent (FTE) employees in June 2013 (Victorian Government 2013b). The Department consisted of a central office environment and decentralised work locations, locally managed. Along with the decentralised workforce, there was also a more centralised workforce of 2,327 FTE (Victorian Government 2013b). The numbers of centrally located employees in June 2012 and June 2013 are detailed in Table 5.6 (Victorian Government 2013b). The focus of this research was on the central workforce.
Table 5.6 – In-houseCo central workforce profile

<table>
<thead>
<tr>
<th>Date</th>
<th>FTE Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 2012</td>
<td>2831</td>
</tr>
<tr>
<td>June 2013</td>
<td>2327</td>
</tr>
</tbody>
</table>

Source: Victorian Government 2013b, p. 146

The central workforce was the focus of this case study and was supported by the HRM function. The overall schematic of HRM in this case is provided in Figure 5.6. The work area focused on in this case study was part of the Human Resources Division (Victorian Government 2013b).

![Figure 5.6 – Structure of HRM](source)

Source: Adapted from an interview with IHP2 2013

In-houseCo was a largely female workforce with the majority of employees in ongoing employment. Details of the workforce gender and employment status are provided in Table 5.7.
Table 5.7 – Gender and employment status of In-houseCo

<table>
<thead>
<tr>
<th></th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ongoing</td>
<td>599</td>
<td>1618</td>
<td>2217</td>
</tr>
<tr>
<td>Fixed term/Casual</td>
<td>30</td>
<td>80</td>
<td>110</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>629</strong></td>
<td><strong>1698</strong></td>
<td><strong>2327</strong></td>
</tr>
</tbody>
</table>

Source: Victorian Government 2013b, p. 146

Table 5.8 provides the age breakdown and employment classification of the In-houseCo workforce and indicates the majority of the workforce was aged over 35 years (Victorian Government 2013b).

Table 5.8 – Age breakdown of In-houseCo

<table>
<thead>
<tr>
<th></th>
<th>Ongoing</th>
<th>Fixed term/casual</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 25</td>
<td>28</td>
<td>13</td>
<td>41</td>
</tr>
<tr>
<td>25 – 34</td>
<td>433</td>
<td>35</td>
<td>468</td>
</tr>
<tr>
<td>35 – 44</td>
<td>484</td>
<td>26</td>
<td>510</td>
</tr>
<tr>
<td>45 – 54</td>
<td>676</td>
<td>18</td>
<td>694</td>
</tr>
<tr>
<td>55 – 64</td>
<td>544</td>
<td>14</td>
<td>558</td>
</tr>
<tr>
<td>Over 64</td>
<td>52</td>
<td>4</td>
<td>56</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,217</strong></td>
<td><strong>110</strong></td>
<td><strong>2327</strong></td>
</tr>
</tbody>
</table>

Source: Victorian Government 2013b, p. 146

The narrative of the In-houseCo annual report was very outcomes focused. In the people related areas of the report there was focus on ensuring employees were happy, healthy and productive to ensure achievement of outcomes (Victorian Government 2013b). There was a focus on productivity through efficiency and effectiveness (Victorian Government 2013b). The PAA and the Victorian Public Service Determination 2012 underpinned the in-house HR professionals and their clients’ employment conditions (Victorian Government 2013b).
5.5.1 Service delivery and governance

Details of In-houseCo HRM services provided to managers were documented in a Service Catalogue. The Service Catalogue described the services available and performance measures for each service provision area. Achievement of the performance measures was documented on a quarterly basis. Services provided included a broad range of the HRM function such as recruitment and selection, talent management, employee engagement, occupational health and safety and payroll (In-houseCo Service Catalogue N.D). To ensure consistency between cases, the focus of this study was the HRM work area that provided recruitment and payroll services to a central workforce of managers and employees.

HRM services were provided to both employees and managers of In-houseCo with no charging arrangement in place. The In-houseCo HRM function reported through an internal structure (Interview IHP6 2013). The structure of the In-houseCo HRM function delivering payroll and recruitment support is provided in figure 5.7.

Figure 5.7 – In-houseCo HRM function
5.6 People Matter Survey

The People Matter Survey was an employee survey instrument used in the public sector and conducted in many states throughout Australia (NSW Public Service Commission [PSC] 2012a). All public sector departments in NSW and Victoria were invited to participate in the People Matter Survey annually (NSW PSC 2012a; VPSC 2015). Broad public sector wide results of the People Matter Survey were published annually in NSW and Victoria and participating organisations provided with detailed results for their organisation (VPSC 2015). The three case study client organisations participated at least once in the years between 2012 and 2014. Each case study client organisation provided the researcher with access to their most recent People Matter Survey results. The People Matter Survey results provided a comparison point with other public service organisations and the broader public sector, as applicable (NSW Public Service Commission [PSC] 2012b). Results of the People Matter Survey for each case study client organisation are considered below.

While elements of the People Matter Survey were able to be tailored to the needs of the individual client, there were commonly asked questions in each case study client organisation that were comparable for this research. The People Matter Survey, at its core, focused on the employee experience of public sector values and their particular workplace. The survey was structured containing overarching themes. Each theme asked a series of questions with a four-point response scale. Results were reported at the theme level and also for individual questions. There was also an option to survey the overall satisfaction level of employees. This measurement was captured by the number of satisfied and strongly satisfied responses as a percentage of total responses. Another option to include as part of the survey was the engagement of employees through an engagement index (NSW PSC 2012b). Employee engagement, in the context of the People Matter Survey, was considered to be the level of connection and commitment of employees to their organisation and its goals and values (NSW...
PSC 2012b). It was argued employee engagement may lead to an improved customer experience, greater flexibility and efficiency in change initiatives (NSW PSC 2012b). The engagement index was measured by calculating the average score of five engagement items (NSW PSC 2012b).

5.6.1 Case 1: OutsourceCo results

The NSW Public Service Commission coordinated the inaugural People Matter Survey for the NSW public sector in 2012. More than 130 agencies and 60,000 employees participated (NSW PSC 2012b). Survey results were compared between clusters and the whole of the NSW public sector (NSW PSC 2012b). As this was the first time the survey was conducted in NSW, there were no year-on-year comparisons. The response rate for the OutsourceCo client was 51 per cent compared to the broader cluster response rate of 35 per cent and the overall public sector response rate of 16 per cent (NSW PSC 2012b). The low response rates may have been due to 2012 being the first year of the use of this survey tool. Results were however deemed to be statistically representative (NSW PSC 2012b).

OutsourceCo client's highest five responses to questions were employees rating themselves as having the skills to do their job, understanding how their job contributed to organisational objectives, workgroups striving to include client satisfaction, disability not being a barrier to success and being encouraged to report health and safety incidents (NSW PSC 2012b). The lowest scoring questions of employees overall were there being too much work to do and job insecurity. Other low scoring responses were the organisation not involving employees about decisions about their work. Employees indicated they did not feel that change was handled well nor that senior managers provided clear direction for the future of the organisation (NSW PSC 2012b).

When considering OutsourceCo client People Matter Survey results, there were ten responses higher than their cluster comparator (NSW PSC 2012b). In the area of pay and job satisfaction two responses were above the cluster including receiving fair remunerated for the work done
and being happy with the overall benefits package (NSW PSC 2012b). Integrity also rated highly with the organisation having procedures and systems in place to ensure objective decision-making. Managers were also considered good at addressing issues where there may be bias in decision-making and people not showing bias in decisions affecting clients (NSW PSC 2012b). Learning and development opportunities available also rated highly as did the matching of services to client needs (NSW PSC 2012b).

There were three specific questions where the OutsourceCo client was below its cluster - these were individual respondents feeling their job was insecure, having too much work to do and using research and expertise to identify better practice (NSW PSC 2012b). However overall, the engagement index for the OutsourceCo client was 64 per cent with the cluster was 63 per cent and the NSW public sector was 61 per cent (NSW PSC 2012b, p. 8).

5.6.2 Case 2: SharedserviceCo results

The SharedserviceCo client participated in the People Matter Survey in 2012 with a response rate of 52 per cent compared to a 37 per cent response rate of comparator organisations (State Services Authority [SSA] 2012). The 2012 response rate and gender representation of SharedserviceCo client are detailed in Table 5.9.

Table 5.9 – SharedserviceCo client People Matter Survey response rate

<table>
<thead>
<tr>
<th>Gender</th>
<th>Response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>44</td>
</tr>
<tr>
<td>Female</td>
<td>56</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: SSA 2012, p. 7

When compared to its comparator group, areas where the SharedserviceCo client performed in the top quartile were in the ethical-HRM domain such as values, employment principles and work environment. There were strong results in relation to the emphasis on responsiveness
with striving to achieve customer satisfaction, manager commitment to customer service and the organisation matching services to customer needs. The theme of workplace wellbeing was also identified positively in questions relating to support from other members of their workgroup and that respondents felt listened to by their managers (SSA 2012).

Of the ten lowest scoring responses compared to the comparator group, seven questions were related to human rights. Specific responses that were low rating included not being informed about human rights and responsibilities and human rights not being considered in decision (SSA 2012). The SharedserviceCo client overall survey satisfaction rate was 72 per cent with a comparator rate of 66 per cent (SSA 2012).

5.6.3 Case 3: In-houseCo results

Each year the Victorian government, under the auspices of the Victorian Public Sector Commission, offered the opportunity for Departments to participate in the People Matter Survey. In-houseCo participated on alternative years. Results used in this research were from 2013 (SSA 2013). The response rate for In-houseCo was 45 per cent, compared to 40 per cent of comparator organisations and 32 per cent for all public sector respondents (SSA 2013). The gender breakdown of In-houseCo responses for 2013 is provided in Table 5.10.

Table 5.10 – Gender response rates

<table>
<thead>
<tr>
<th>Response rate</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>28</td>
</tr>
<tr>
<td>Female</td>
<td>72</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: SSA 2013, p. 7

The People Matter Survey collected Victorian public service employees’ perceptions in relation to values, employment principles, work environment, satisfaction, engagement and bullying. The score for questions was compared to previous In-houseCo People Matter Survey results.
There was also a comparison with other comparator participant organisations as well as broader public sector participant organisations (SSA 2013).

In contrast to comparator organisations, In-houseCo rated positively in seven questions in the areas of providing help and support to others in the work group and receiving help and support from others in their work group (SSA 2013). Other areas In-houseCo to rate positively were in the areas of accountability by using time and resources efficiently and seeking feedback on performance (SSA 2013). Leadership also rated strongly in encouragement of people in work groups to act consistently with the values of the organisation (SSA 2013).

In 10 questions In-houseCo compared unfavourably to comparator organisations (SSA 2013). Three questions were related to workplace wellbeing including the level of information provided by senior managers during times of change, stress at work and a perceived lack of encouragement to report health and safety incidents and injuries (SSA 2013). Three other areas where In-houseCo rated lower than comparators was in age being seen as no barrier to success in the organisation, the commitment to creating a diverse workforce and disability not being a barrier to success in my organisation (SSA 2013).

The In-houseCo satisfaction level was rated as 65 per cent, which was the same as comparator organisations with the average satisfaction level of all respondent organisations of 75 per cent (SSA 2013, p. 9). The In-houseCo satisfaction rating was lower in 2013 compared to 69 per cent in 2011. In-houseCo engagement index was 57 per cent with the comparator engagement rate of 59 per cent and the average index for all respondents of 64 per cent (SSA 2013 p. 9). These results may reflect the impact of the restructuring that occurred in 2011-2013.

5.6.4 People Matter Survey cross case comparison

Of the three cases, SharedserviceCo had the highest response rate, followed closely by OutsourceCo and then In-houseCo. Response rates are compared in Tables 5.11.
Table 5.11 – Response Rate

<table>
<thead>
<tr>
<th>Case</th>
<th>Response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case 1 OutsourceCo</td>
<td>51%</td>
</tr>
<tr>
<td>Case 2 SharedserviceCo</td>
<td>52%</td>
</tr>
<tr>
<td>Case 3 In-houseCo</td>
<td>45%</td>
</tr>
</tbody>
</table>

SharedserviceCo had a higher satisfaction rate than In-houseCo with OutsourceCo not measuring satisfaction rate. Satisfaction is provided in Table 5.12.

Table 5.12 – Satisfaction Rate

<table>
<thead>
<tr>
<th>Case</th>
<th>Satisfaction rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case 1 OutsourceCo</td>
<td>N/A</td>
</tr>
<tr>
<td>Case 2 SharedserviceCo</td>
<td>72%</td>
</tr>
<tr>
<td>Case 3 In-houseCo</td>
<td>65%</td>
</tr>
</tbody>
</table>

In relation to the engagement index, OutsourceCo rated higher than In-houseCo with SharedserviceCo not measuring the engagement index. Details of the engagement index are provided in Table 5.13.

Table 5.13 – Engagement Index

<table>
<thead>
<tr>
<th>Case</th>
<th>Engagement Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case 1 OutsourceCo</td>
<td>64%</td>
</tr>
<tr>
<td>Case 2 SharedserviceCo</td>
<td>N/A</td>
</tr>
<tr>
<td>Case 3 In-houseCo</td>
<td>57%</td>
</tr>
</tbody>
</table>

5.7 Conclusion

This chapter considered the public sector context in two Australian states in which the three case studies were situated. As clients of each case had participated in the People Matter Survey, results were considered and compared. Individual provider and client characteristics,
structures and governance were examined through a variety of internal and external documents. In-houseCo was supporting the largest client group, with OutsourceCo supporting the next largest client group and SharedserviceCo supporting the smallest client group. The In-houseCo workforce was predominantly female and aged over 35 years whereas the SharedserviceCo workforce was male dominated with an average age less than 54 years. Both In-houseCo and SharedserviceCo clients and providers were public servants. Whereas OutsourceCo clients were public servants however OutsourceCo provider employees were a mixture of public servants and contractors. All three cases had detailed service offerings documented. OutsourceCo’s services document had not been updated since the commencement of the relationship, SharedserviceCo had the most clearly documented current services detailed in a Service Catalogue. In-houseCo services were outlined in a Service Catalogue however its currency was not evident as it was not dated. The annual report of the SharedserviceCo client and In-houseCo were both outcomes focused with the OutsourceCo client annual report client focused. All three annual reports contained a people focus. OutsourceCo highlighted employee engagement, which is of interest and perhaps in contrast to its use of contract employees. SharedserviceCo focused on a constructive culture and In-houseCo was more focused on wellbeing and productivity.

An analysis of People Matter Survey results indicated SharedserviceCo had more positive results with the highest response rate, followed by OutsourceCo and then In-houseCo. SharedserviceCo also had a higher satisfaction rate than In-houseCo with OutsourceCo not measuring satisfaction rate. It may be that the higher satisfaction rate is linked to the SharedserviceCo focus on its culture and, as a result, has higher response and satisfaction ratings. In relation to the engagement index, OutsourceCo rated higher than In-houseCo with SharedserviceCo not measuring the engagement index. When considering other sources, such as service catalogues, evidence further indicates SharedserviceCo demonstrated proactivity by having up-to-date Service Catalogue. OutsourceCo provided an out-of-date Service Catalogue with an undated Service Catalogue available in In-houseCo.
The next chapter examines findings and discussion on the first subsidiary question of the rationale for the HRM architecture. Findings and discussion are based on semi-structured interviews with senior managers, senior HR managers and HR professionals in both provider and client case study organisations.
Chapter 6: Findings and Discussion: Rationale for HRM architecture

6.1 Introduction

The previous chapter provided an overview of the government system in Australia with a particular focus on the two states relevant to this study of NSW and Victoria. OutsourceCo was based in NSW with SharedserviceCo and In-houseCo both located in the Australian state of Victoria. In the preceding chapter the background information and documents provided insights into the practices of the case study organisations involved and the context in which they operated. Results of the People Matter Survey, undertaken by each client in the three cases, were also discussed. In all three cases, characteristics of the provider and client of the HRM function were examined in the context of the research questions.

The aim of this and the next chapter is to examine the range of factors that contribute to the HRM architecture, the impact of the architecture on HR professionals, senior managers as well as employees. The interview questions and data gathered were designed to answer the following questions, as stated in Chapter 1:

a. What are the driving forces of the adoption of different models of HRM architecture in the public sector in Australia?

b. What is the impact of the HRM architecture on the career of HR professionals?

c. What is the experience of senior managers of different HRM architecture?

d. What are employees’ experiences of such HRM architecture?

The data in this and the next chapter consider findings of each case study organisation and discuss those findings. In total, 54 interviews were conducted. The findings are based on data obtained through semi-structured, open-ended questions (see Appendix 1 for questions). Providers and clients of HRM services were interviewed. In each case study provider and clients of HRM services were interviewed. Interviewees included senior managers as well as
senior HR managers and HR professionals. Interviews were transcribed and coded and themes identified. Employee focus groups were also conducted in In-houseCo and SharedserviceCo to further understand the impact of the HRM architecture on employees and to validate senior manager experiences. Employee focus groups were not conducted in OutsourcCo as this organisation exhibited a reluctance to participate in a focus group context for reasons unknown. As a result, comments from the HR professionals, also employees of the OutsourcCo client group, were considered as a proxy for employee focus groups.

As identified in Chapter 4, which detailed research design, strategies and data analysis, all interviews and focus groups were analysed using NVivo software, which provided a structured and comprehensive analysis tool. Comments were analysed from initial coding of categories. The categories formed the basis of a more detailed set of themes. The strength of the relationship was based on the number of source interviewees who mentioned the theme and the number of case studies that the theme is mentioned for each of the subsidiary questions. Key themes emerging from interviews are examined. Details of the themes and their relative strength are tabulated at the beginning of each section. The strength of the themes formed the basis in answering research questions.

The next two chapters are structured thematically based on key findings from interviews and focus groups and captured in the four subsidiary research questions. Material from interviews and focus groups is examined with responses explored from the provider and the client perspective. The analysis of common themes and experience of the HRM architecture within and between case study organisations is detailed in this chapter. Each theme is defined and described how it is linked to the subsidiary question. Findings and discussion are supported by relevant quotes from interviewees. Integration of themes between cases and respondent groups are also compared and contrasted with reference to relevant literature. Appendix 4 provides an index linking the code used as a reference with the position of the interviewee.
The first subsidiary question, considering the rationale for the HRM architecture, is examined in this chapter. This chapter is divided into three sections. The first section considers interviewee attributes. The second section identifies results thematically from each case study. Significant elements that emerged between the commonality and differing themes from interviewees and responses were compared and contrasted to the literature. The final section of this chapter provides discussion on the research question. The following chapter addresses the other three questions of the impact of the HRM architecture on key groups of HR professionals, senior managers and employees.

6.2 Interviewee attributes

The sample consisted of 54 interviews. Of the 54 interviewees 44 per cent were male and 56 per cent female.

Table 6.1 – Interviewee details

<table>
<thead>
<tr>
<th>Case</th>
<th>Respondents</th>
<th>Percentage (%)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>OutsourceCo</td>
<td>19</td>
<td>42</td>
<td>58</td>
</tr>
<tr>
<td>SharedserviceCo</td>
<td>18</td>
<td>44</td>
<td>56</td>
</tr>
<tr>
<td>In-houseCo</td>
<td>17</td>
<td>47</td>
<td>53</td>
</tr>
</tbody>
</table>

The sample also consisted of two focus group discussions and two respondents as proxies for a focus group discussion in OutsourceCo. Of the 12 focus group participants 25 per cent were male and were 75 per cent female.
Table 6.2 – Focus group characteristics

<table>
<thead>
<tr>
<th>Case</th>
<th>Respondents</th>
<th>Percentage (%)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>OutsourceCo</td>
<td>2</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>SharedserviceCo</td>
<td>4</td>
<td>25</td>
<td>75</td>
</tr>
<tr>
<td>In-houseCo</td>
<td>6</td>
<td>17</td>
<td>83</td>
</tr>
</tbody>
</table>

6.3 Results and themes from interviews

This section examines interviewees' perspectives on the rationale for the HRM architecture based on how themes were coded and their relative strength in relation to the number of cases the comments were referenced in.

Table 6.3 – Strength of theme

<table>
<thead>
<tr>
<th>Number of cases referencing a theme</th>
<th>Strength</th>
</tr>
</thead>
<tbody>
<tr>
<td>All three cases</td>
<td>Strong</td>
</tr>
<tr>
<td>Two cases</td>
<td>Moderate</td>
</tr>
<tr>
<td>One case</td>
<td>Weak</td>
</tr>
</tbody>
</table>

This section identifies interviewee's subjective experiences of the HRM architecture and is based on how the themes emerged from interviews. The themes are examined and discussed based on the strength of the relationship as measured by the number of cases in which a theme was commented on.

6.4 The rationale for HRM architecture

The rationale for the HRM architecture varied between cases. Taking into consideration client and provider perspectives, the strongest themes that emerged in relation to the forces leading to the adoption of varied HRM architecture were cost of services, mandating (directing), policy
position, management preference and the desire for control. A summary of the key themes and the case studies in which they were discussed are provided in Table 6.4.

**Table 6.4 – Rationale for HRM architecture**

<table>
<thead>
<tr>
<th>Reason</th>
<th>OutsourceCo</th>
<th>SharedserviceCo</th>
<th>In-houseCo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of services</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Mandated/ policy position</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Management preference</td>
<td></td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Control of HRM function by managers</td>
<td>✔</td>
<td></td>
<td>✔</td>
</tr>
</tbody>
</table>

**6.4.1 Cost of services**

Cost, as considered in this study, was both direct cost of the HRM services and indirect such as the method of charging and apportioning costs, the existence of a shadow structure and the flexible use of resources. The cost of the provision of HRM services was raised in both provider and client organisations in all of the case studies.

**Cost**

In OutsourceCo, costs received mixed comments by the provider and the client. While one of the reasons ostensibly for outsourcing was cost, as claimed by the provider, clients were critical of costs associated with the service provided. From a provider perspective, cost was mentioned, but only in the context of savings, not as part of the rationale for the architecture of HRM. Direct costs of service provision and the cost-effectiveness of the service provision were specifically identified in OutsourceCo by senior managers (OSP1 2012; OSP8 2012). Broader cost issues and unintended consequences of this approach to HRM architecture, leading to increased cost for the provider and clients, were identified by senior managers in OutsourceCo and the client organisation (OSP1 2012; OSC1 2013). Costs of the service were
contentious according to a client senior manager (OSC1 2013). Fifty seven per cent of senior managers of OutsourceCo spoke of the need for cost control (OSP1 2012; OSP3 2012; OSP6 2012; OSP8 2012) as did OutsourceCo client senior managers (OSC10 2012; OSC7 2013). In relation to perceptions of actually managing the costs of their business, OutsourceCo client senior managers had mixed comments. While one indicated having HRM services outsourced was cost effective (OSC8 2013) another commented outsourcing was not cheaper (OSC1 2013). However, there was no evidence to validate whether costs were in fact controlled.

There was an acknowledgement by an OutsourceCo senior manager of the need to maximise return for OutsourceCo to cover their costs while minimising costs for clients (OSP1 2012). A senior OutsourceCo manager indicated there was a constant trade-off between quality and cost with the most efficient approach from an OutsourceCo perspective being a consistent technology platform and system for all clients (OSP1 2012). Too much system customisation for individual clients for example, would not be a profitable approach from the provider's perspective (OSP8 2012). Thus, an emerging tension was OutsourceCo seeking standardisation and clients seeking customisation. One OutsourceCo senior manager noted there was continual pressure to be cost effective and indeed reduce costs and the number of employees delivering the service, which may lead to a diminution of service to clients (OSP8 2012):

> Even though they are directed to come to us as a sole source agency, everything is contestable in the long term and if we can’t demonstrate ongoing cost-effectiveness we won’t stay viable.

This represented only one informant (OSP8 2012) looking at cost in terms of the contribution to the productivity of organisation through effective HR functionality. Due to its significance, this issue is covered in further detail later but is signalled here. A major finding in this research was that of all informants, only one defined costs beyond the fiscal dimension and looked at
quality of service and diminution of service specifically. This represents a concern in terms of how the role of HRM was considered by the informants overall.

OutsourceCo undertook external benchmarking which indicated ‘90% of our services are at average or less than our peer organisations and a reasonable percentage of those are heading towards best practice’ (OSP8 2012). Unlike OutsourceCo, the SharedserviceCo provider and client were both positive about the fiscal costs of the HRM architecture (SSC7 2014; SSP8 2014). In SharedserviceCo, according to a client senior manager, they were seeking value for money and to work within budgetary parameters and indicated they were paying less for the service with SharedserviceCo than they had previously received when their HRM function was totally outsourced to a private sector organisation (SSC7 2014). In SharedserviceCo the service was cost effective according to one senior client manager who reviewed the market prior to starting with the current provider and found the provision of a shared service was value for money ‘It was value for money against the range of services that we wanted which was as close to what we had previously’ (SSC7 2014). No analysis of the performance of HR services was provided in terms of linking performance of people to organisational goals, despite these aspects being the key roles of HRM, as outlined in the Harvard Model (Beer et al. 1984)

However, cost was not an issue mentioned by most senior client managers as an issue of concern in SharedserviceCo. There did not seem to be a desire to provide HRM in-house as the current arrangement was described as value for money and the cost of re-establishing an end-to-end HRM function, including a payroll system, was seen as prohibitive by a senior manager (SSC7 2014). The payroll system was specifically discussed by SharedserviceCo clients and providers. While not a direct cost, such as personnel, it does form part of the overall cost. A SharedserviceCo senior manager acknowledged the system was large and complex and not as nimble as some smaller systems (SSP8 2014). However, there was no charging for system upgrades and enhancements, viewed as a saving for the client (SSP8
Two provider senior managers did convey that clients had to standardise their practices in line with a large system was a challenge (SSP5 2014; SSP8 2014).

In-house HRM was considered by a senior manager to be a cost effective approach as it leveraged off much of the infrastructure such as systems, used to serve a large client group in the organisation (IHP6 2013). A client senior manager indicated that it was almost an expectation that big organisations must have robust in-house support services, including an HRM function (IHC1 2014). Client managers questioned whether there were any additional marginal benefits from shared service as opposed to all the perceived negatives of a shared service (IHC1 2014; IHC3 2014).

Two senior client managers commented that outsourcing or shared services were not always cheaper when factoring in monitoring and contract management of an outsourced or shared service relationship (IHC1 2014; IHC3 2014). One client senior manager (IHC2 2014) indicated:

I guess my view is that outsourcing tends to create problems, because of the lack of understanding … also if it’s outsourced generally it’s done to create savings therefore that outsourcing has to serve a greater number which makes it, I think, less likely to be as responsive …. [I think] it’s really just a shifting of costs not a saving.

Another cost related rationale for in-house HRM was the fact that organisations often do not realise what services are required to be provided and in-house HRM is funded for everything as opposed to specific contractually agreed activities (IHP2 2013). An in-house senior HRM manager indicated that many services delivered were not visible to clients ‘We get funded to do all things, whether the client has thought of them or not’ (IHP2 2013). This may be problematic as it is indicative of clients not being aware of the HRM function and what organisational requirements are.
Charging regime

In OutsourceCo the charging regime was also commented on and appeared to be an important consideration for the provider and client senior managers (OSP1 2012; OSC1 2013). While the charging approach was set for the provision of HRM services in OutsourceCo, there was a negotiated rate with each client with no penalties or rewards built into the charging regime (OSP1 2012). Further, there was a transaction-based charging regime in OutsourceCo. Charging per telephone contact appeared to prompt a number of unintended consequences. For example, clients may avoid calling OutsourceCo in order not to be charged, according to client senior managers (OSC1 2013; OSC2 2013; OSC5 2013). This admission, almost by default, may indicate that the informants considered that the outsourced service was too expensive. As a result, pressing issues may not have been dealt with appropriately, which, in the long run, may lead to escalating costs according to one OutsourceCo senior manager (OCP6 2012). A senior OutsourceCo manager indicated this behaviour might lead to an unintended consequence of OutsourceCo needing to increase the charge for calls to cover their potentially decreasing revenue from telephone contact (OSP6 2012). According to an OutsourceCo senior manager, relying on revenue from telephone contact may also be a deterrent to improving systems and increase automation to decrease telephone contact and associated revenue derived (OSP6 2012). This has implications for the role of HRM as it is unclear to what extent all HRM activities can be automated and may also impact the role of the HRM professional and the HRM profession more broadly.

The SharedserviceCo charging regime was a cost per employee, not a per transaction cost. As part of the charging regime there was also a penalty and bonus approach recognising outstanding performance or under-performance. A senior client manager indicated the mode of charging was due to lack of usage data and fluctuating business demands (SSC7 2014). SharedserviceCo was the only case study that had a penalty and bonus approach incorporated into its charging regime.
Shadow Structure

Other unintended consequences impacting costs were the existence of a “shadow structure” of HRM support in the OutsourceCo client organisation (OSP3 2013; OSP5 2013; OSP8 2013). The shadow structure contained HR professionals or administrative employees, outside the formal structure of the provider, employed by the client to undertake HRM activities. The shadow structure reflected a potential doubling of the cost with two people working on a similar range of HRM tasks. The OutsourceCo provider and their clients, perhaps not surprisingly, had different perceptions of the shadow structure. OutsourceCo provider senior managers reported negatively on the existence of the shadow structure (OSP3 2013; OSP5 2013; OSP8 2013). Senior managers from OutsourceCo expressed concern that a client shadow structure added costs and inconsistency in service delivery and possible duplication of activities (OSP5 2012; OSP8 2012). There was also the perception that shadow structures were indicative of broader resistance to the new structure and a lack of trust (OSP5 2012; OSP8 2012). The shadow structure in the client organisation undertook HRM activities which, according to an OutsourceCo client senior manager, should have been provided by OutsourceCo (OSC1 2013). The OutsourceCo client perception was that shadow structures were a reasonable alternative to avoid the cost of using OutsourceCo and also providing an immediate response to meet senior leader needs (OSC1 2013; OSC8 2013; OSC9 2013). There was no evidence available or provided, to verify whether this cost avoidance strategy was realised for the OutsourceCo client.

Shadow structures, according to Ulrich (1995) and McCracken & McIvor (2013), may be a response to gaps identified which lead to administrative employees undertaking tasks that were expected of the outsourced body. The existence of a shadow structure prompted questioning about the quality of the HRM work and the impact on the HRM architecture and functions according to Ulrich (1995) McCracken and McIvor’s (2013) view. Similarly, a number of informants (OSP5 2012; OSP8 2012; OSC1 2013; OSC9 2013) called into question the
wisdom of outsourcing HRM functions. As indicated in Ulrich and Brockbank (2005) discussion of functional roles of HRM and the AHRI Model of Excellence (AHRI 2016) there are a broad range of skills and abilities required of HR professionals. Administrative employees simply “filling the gap” may not lead to the best outcomes for an organisation or the HRM profession (Ulrich & Brockbank 2005; AHRI 2016). While not overtly stated by informants, in the case of the OutsourceCo client, the shadow structure contained HR professionals and administrative employees, which may have contributed to the apparent career uncertainty for the HR professionals and varied perceptions of the strength of the HRM function by clients. A finding, in the context of the shadow structure, was that it represented added costs that were not commented on in any detail by the client, despite the hidden expense. Perhaps it could be argued that there may be a reluctance to alert anybody to this, including a researcher.

**Flexible use of resources**

In-houseCo was also considered cost-effective by a senior client manager, conceptually in-house HRM was able to identify value-for-money in other ways such as internal HR professionals being redeployed more readily as priorities changed in the organisation (IHC2 2014). However, there was no evidence of this redeployment actually occurring in In-houseCo. In-houseCo client senior managers further asserted the cost-effectiveness of in-house HRM, particularly when compared to shared service operations, which had the cost of managing the service factored into the overall cost (IHC1 2014; IHC3 2014). The In-houseCo provider also commented on the cost-effectiveness of the approach as it provided all In-houseCo HRM activities, negating the need for the client to articulate all HRM service requirements, which can be problematic as clients may not be well enough informed to be aware of what all of their requirements are (IHP2 2013). There was no validation of the claims of the cost-effectiveness of the in-house structure.
Discussion

Cost was raised in commentary within and between cases. In OutsourceCo, clients articulated considerable concern about costs purely from a monetary value perspective. In the SharedserviceCo case, there was a thorough grasp of cost implications of service delivery of the purchased HRM services and cost of the HRM architecture was not an issue of concern identified by informants. In-houseCo provider and clients had limited discussion about cost with assumptions and assertions of cost-effectiveness and a desire to maintain the status quo. One possible reason for the difference between OutsourceCo client and SharedserviceCo perspective is the different charging regime. Costs were not as visible to SharedserviceCo clients, whereas OutsourceCo clients were charged a unit cost for activities, which seemed to raise awareness of charging and involved much administration effort. The shadow structure in OutsourceCo was also visible and presumably an expensive reminder of the costs of the HRM function. In OutsourceCo, costs received mixed comments by the provider and the client. However, there was an inconsistency between comments as the OutsourceCo client did have a shadow structure (OSC1 2013), which may have increased client overall costs. Thus, for the OutsourceCo client, cost emerged as a frustration with the structure of HRM rather than a rationale for the particular architecture (OSC1 2013).

A finding in the context of the shadow structure in OutsourceCo was that it represented added costs and was unlikely to reduce employee headcount, which was not commented in any detail, despite the hidden expense. It could be argued that there may be a reluctance to alert anybody to this, including a researcher. In the three cases, commentary about the cost of HRM architecture, either directly or indirectly such as staffing flexibility, was variable and, at times, non-existent. The literature often considered staffing flexibility as a significant rationale for different models of HRM architecture (Greer et al. 1999; Klaas et al. 1999; Adler 2003; Cooke et al. 2005; Belcourt 2006; Ulrich et al. 2008; Lacity et al. 2008; Susomrith & Brown 2013). However, the cases in this study do not support this. Satisfaction with service provided
may have also impacted on perceptions of cost. OutsourceCo and SharedServiceCo clients demonstrated differing levels of satisfaction with service provided. SharedServiceCo clients were largely satisfied with the services provided and support received, whereas in OutsourceCo there markedly less satisfaction with service. The lack of satisfaction with services provided may have prompted questioning of, and dissatisfaction with, costs. The more satisfaction with services, the less prominent the issue of cost may be, particularly from a client perspective.

SharedServiceCo provider and clients were positive about the costs of the HRM architecture (SSC7 2014; SSP8 2014). Cost was identified by one client as one of the reasons for adopting shared services with the model considered to provide value-for-money (SSC7 2014). SharedServiceCo appeared to adopt a transaction cost economics (TCE) approach of structuring its activities in the most cost-effective manner. When adopting the TCE approach, an organisation bases its decision on where to provide the HRM function in the most cost-effective way to deliver the service (Delmotte & Sels 2008). This approach was more akin to basic personnel management and inconsistent with the roles and functions of HRM when considering the Harvard Model (Beer et al. 1984), Storey’s Typology (1992), Ulrich and Brockbank (2005) and the AHRI Model of Excellence (AHRI 2016).

While the literature asserted cost-effectiveness of outsourcing (Greer et al. 1999; Klaas et al. 1999; Adler 2003; Cooke et al. 2005; Belcourt 2006; Ulrich et al. 2008; Lacity et al. 2008; Susomrith & Brown 2013), costs savings in the OutsourceCo client were not evident, demonstrating inconsistency with the literature. The availability of data to justify the outsourcing from a return on investment perspective was not available, and circumstances indicated it was non-existent. To some extent, the costs may be intangible, but in regard to staff salaries and conditions, office space occupied, computer and utility usage, the figures are not difficult to estimate. The concept of redeployment of resources in In-houseCo supported the benefit of staffing flexibility as identified in the literature (Greer et al. 1999; Klaas

Cost as a rationale for outsourcing the HRM function was raised in a significant proportion of the prominent academic commentary cited in Chapter 2 (Greer et al. 1999; Klaas et al. 1999; Adler 2003; Cooke et al. 2005; Belcourt 2006; Ulrich et al. 2008; Lacity et al. 2008; Susomrith & Brown 2013). Shared service literature also included cost as a rationale, with limited evidence of demonstrable cost saving being realised (Reilly 2000; Janssen & Joha 2006; Cooke 2006a; Redman et al. 2007; Farndale et al. 2009; Schulz & Brenner 2010; Ulbrich 2010; McCraken & McIvor 2013). Evidence in this study was that, while cost was a pervasive force behind the particular model, it was also in some cases a source of frustration. In the three cases, cost appeared hard to measure and compare because of direct and indirect costs encountered. There were also differing levels of evidence and awareness apparent between informants in cases. A prominent issue about cost was that it was not raised in the context of evaluation or return on investment (ROI) as a result of the structure (i.e. outsourcing, shared services or in-house) by any informants, which is unusual but represents a major finding.

Farndale et al. (2009) indicated one of the barriers to successful outsourcing was internal HRM not having the skills to articulate the services and service levels required for external providers. Supporting this research was SharedserviceCo where clients had engaged in outsourcing of HRM services for many years and demonstrated a thorough understanding of what HRM services they required (SSC7 2014). SharedserviceCo client senior managers also appeared to have a thorough grasp of cost implications of service delivery of the purchased HRM services. Awareness of costs by the client also extended to direct and indirect costs such as access to systems with no up-front or maintenance costs (SSC7 2014). This level of insight supports what Greer et al. (1999) identified as a strong motivation for outsourcing.

The In-houseCo commentary on flexibility in resources being redeployed as priorities changed (IHC2 2014) supported the benefit of staffing flexibility as identified in the literature (Greer et
al. 1999; Klaas et al. 1999; Adler 2003; Cooke et al. 2005; Belcourt 2006; Ulrich et al. 2008; Lacity et al. 2008; Susomrith & Brown 2013). Client managers further asserted the cost-effectiveness of in-house HRM, particularly when compared to shared service operations, which had the cost of managing the service to be factored in to the overall cost (IHC1 2014; IHC3 2014). The In-houseCo provider also commented on the cost-effectiveness of the approach as it provided all In-houseCo HRM activities, negating the need for the client to articulate all HRM service requirements, which can be problematic as clients may not be well enough informed to be aware of what all of their requirements are (IHP2 2013). However, there was no validation of the claims of the cost-effectiveness of the in-house structure.

There is also literature questioning the realisation of cost benefits of outsourcing the HRM function (Kosnik et al. 2006; Norman 2009). Cost benefits of particular HRM architecture could be partially proven in OutsourceCo and SharedserviceCo but not in In-houseCo. Bisman (2008) and Norman (2009) found cost-savings were often given a low level of consideration when evaluating the outsourcing decision, which was consistent with OutsourceCo and SharedserviceCo. SharedserviceCo imputed external validation of being cost competitive by participating in a market process in becoming the provider. There was a perception of a commercial approach demonstrated in SharedserviceCo with both the client and the provider comfortable with the charging regime approach. Whereas In-houseCo was perception based about the cost-effectiveness of their approach without citing evidence. In-houseCo also appeared not to have considered the issue more broadly.

Charging regimes in outsourcing were discussed in Reilly (2000) with no agreement about there being “one best way” to charge for services. While OutsourceCo and In-houseCo supported this, SharedserviceCo demonstrated positive features of HRM service charging regime. In OutsourceCo, the charging regime was viewed as inadequate. The introduction of a penalty and bonus approach as part of the charging regime was identified as a way to improve the relationship (OSC8 2013). Although In-houseCo did not have an internal charging
regime, the cost of services was raised by senior managers and HR professionals. A feature of the charging regime in SharedserviceCo, was a penalty and bonus component as well as a charging model that was administratively simple (SSP8 2014; SSC7 2014). SharedserviceCo appeared to have a very well-informed approach to the charging regime. The SharedserviceCo approach of rewarding performance and simplicity in the approach to charging appeared to be significant elements in the approach to charging for HRM services.

It was also identified in the literature that a rationale for outsourcing HRM architecture was a saving in areas such as lowering the employee headcount, which was viewed as particularly important in a public sector context according to Belcourt (2006). In the three cases, the experience of cost and staffing flexibility was both variable and, at times, non-existent. For example, the OutsourceCo client, with a shadow structure, was unlikely to reduce the employee headcount. OutsourceCo also employed public servants and contractors. This circumstance was not commented on in SharedserviceCo. Thus, while cost has been covered, at no stage is there any evidence that a thorough analysis has been conducted to determine the savings, or otherwise, of the specific architecture in the three models. This represents a major finding and new knowledge in this research. When such large amounts of money are deployed to contract out any service it is counterintuitive when no evaluation of the service outsourced was undertaken.

6.4.2 Mandatory approach and policy position

Another driving force for the structure of HRM was where it was mandatory to use a provider from a whole-of-government perspective: a directive approach. A policy position was the expectation that all case study organisations would consider support services being provided externally, without a particular provider or approach identified. Taking a policy approach was not as directive as making the use of a particular service provider mandatory.
Mandatory approach

OutsourceCo client senior managers identified the move to an outsourced model was not a choice but mandated (OSC1 2013; OSC8 2013). OutsourceCo senior managers and HR professionals reported a mandated approach (OSP1 2012; OSP3 2012; OSP4 2012; OSP8 2012; OSP10 2012). There is a fine line between mandating and establishing a new structure and actively encouraging use of the new structure. Regardless of the term used, HRM services were to be provided by OutsourceCo. At a practical level, there were concerns identified by the provider and client senior managers connected with the manner in which the new structure was established and what may be seen as flow-on impacts of the new approach of service provision of HRM (OSP4 2012; OSP9 2012; OSC10 2012). Two client senior HRM managers and an HRM professional commented on the limited “change management” supporting the process with little consultation and consideration of the impact on HR professionals and the broader employee group (OSC10 2012; OSC1 2013; OSC7 2013).

There was also a perception from a client HRM senior manager that variable senior leader commitment was apparent, due to the imprimatur that the HRM structure was to be provided externally, with some clients cross-subsidising due to more significant resource contribution in the set-up phase (OSC1 2013). For example, some client groups committed early to the new approach and provided employees as part of the new outsourced provider. However, not all of the planned services eventuated in the outsourced arrangement. For example, the learning and development function failed to be delivered wholly by OutsourceCo requiring the OutsourceCo client to employ HR professionals to undertake these activities (OSC9 2013). The shadow structure emerged internally, according to one client HRM senior manager, to meet the internal need that was not met by OutsourceCo (OSC1 2013).
Policy position

There appeared to be broad agreement from the provider and clients that this approach was government policy (SSC7 2014; SSP8 2014). According to a client senior manager (SSC7 2014):

…so it was driven by government policy…by a practical reality of resources required to re-establish a service…and ultimately the business case on that basis meant we had to move to another provider and in this case, it was going to be within the government of some nature.

There was no documented evidence available to confirm the existence of this policy approach – again representing new knowledge emanating from this research. A SharedserviceCo client senior manager stated that the HRM function had previously outsourced all of its activities to a private sector company as part of an earlier government policy approach (SSC7 2014). According to a client senior manager the current shared service model commenced as a result of a change of government policy preference for support services such as HRM, to be “insourced” to the public sector (SSC7 2014). Public sector shared service options were examined and a provider chosen by the client. According to a senior manager, while government policy was instrumental, it was also neither practical nor cost-effective to re-establish an in-house service to provide HRM services (SSC7 2014). However, according to a SharedserviceCo senior manager there was a lack of clarity of the overall government policy perspective where payroll functions are best delivered (SSP8 2014). A senior manager of SharedserviceCo outlined that their involvement in the provision of shared services was strategic as there was likely to be a decision to move to shared services in government, it was considered better to be a leader in this context (SSP8 2014).

There was no apparent desire from SharedserviceCo client senior managers to change the architecture except perhaps to expand services externally where they may be provided more
efficiently (SSC4 2014; SSC7 2014). One pressure noted by a senior client manager was that after new senior managers start in the client organisation it can take a lot of effort to explain and defend the specific HRM architecture in the face of scepticism and previous negative experiences of shared services senior managers may have experienced (SSC7 2014).

Discussion

The practical difference between mandating (directing) an approach to HRM architecture and a policy decision in this study was that mandating process identified the provider, whereas a policy approach was more principled with the organisation able to choose its provider. The policy approach of SharedserviceCo was positively received when compared to the mandating experience in OutsourceCo. The policy rationale was not problematic from the perspective of the provider or client as it provided the client with more control over the decision-making process. In this study, it was evident the ongoing difficulties that appeared to flow from mandating of HRM architecture whereas taking a policy approach provided more freedom and choice to change from the service provider should that be necessary. Mandating of HRM architecture was more rigid and directive and did not necessarily support high-quality service delivery as evidenced by the OutsourceCo experience. In-houseCo provided no evidence of consideration of either a policy or mandatory approach in their HRM architecture. This could represent an acceptance of an ideology akin to neoliberalism regarding HRM architecture with an absence of questioning by government and HR professionals on whom structural issues impacted directly.

The literature was sparse about adopting a mandatory or policy approach as a rationale for the HRM architecture, thus reflecting the observations of Norman (2009). The notion of a mandatory approach, or a policy position was identified more in the public sector related body of literature. Borman (2012) postulated that mandating a shared service relationship was preferable in order not to dilute its benefits and to ensure standardisation of processes. Neither of these elements was reflected in OutsourceCo. In SharedserviceCo a preference
for the ultimate end-state while not stipulating “the only approach” was the hallmark of a policy approach.

There was limited and, at times, conflicting coverage in the literature of this theme as a rationale for HRM architecture. Hood and Peters (2004) commented on taking a "one size fits all" approach to organisational design and administrative reform processes as a frequent criticism of public administration. While the term ideology was not reported, the mandatory and policy approach appeared to support the approach of new public management (NPM) as described by Chalmers & Davis (2001) moving from the internal provision of services to contracting services out to increase efficiency in government “back-of-house” functions such as HRM and financial services.

The issue of the lack of knowledge about the actual role of HRM was apparent. HRM was not recognised as a key driver of productivity and performance in the case study organisations which is at odds with the academic view of the HRM role as reflected in the Harvard Model (Beer et al. 1984), Storey's Typology (1992), Ulrich and Brockbank's model (2005) and the AHRI Model of Excellence (AHRI 2016). The fact that informants did not enunciate this link is an added key finding in the context of the role of HRM in this research. While many HR professionals had undertaken an undergraduate degree in the HRM field none of the informants commented on the significant departure of the HRM function in contrast to the theoretical models they had previously studied.

6.4.3 Management preference

Management preference was characterised as the HRM architecture based on managers’ previous experience and perceptions rather than evidence or business requirements. It was a rationale for the HRM architecture raised by SharedserviceCo and In-houseCo. In SharedserviceCo client senior manager’s preference was to retain the approach and expand services externally where they may be provided more efficiently (SSC4 2014; SSC7 2014). In
In-houseCo there were very strongly held positions on the HRM architecture. Forty-four per cent of client senior managers directly indicated their preference for in-house HRM was due to previous negative experiences with either shared services or outsourcing in this organisation or with other organisations (IHC1 2014; IHC2 2014; IHC3 2014; IHC7 2014). According to one client senior manager ‘I am not a fan of shared services. I have not had really strong direct experience of shared services but I've had indirect experience and … I don't think I can think of a successful one’ (IHC1 2014). Another senior manager client of the inhouse service commented ‘I haven’t seen a lot of organisations where they’ve outsourced their HRM and had it successfully outsourced as the whole …I’ve not seen that work successfully’ (IHC7 2014). Thus, In-houseCo demonstrated a preference for in-house provision of services and a negative perception of services provided externally, without a sound evidence base for these assumptions evident.

**Discussion**

Management preference for in-house HRM architecture was prevalent in In-houseCo. SharedserviceCo client senior managers also identified a preference for shared service approach to HRM architecture. By implication, OutsourceCo demonstrated a preference for in-house HRM as the client retained an internal shadow structure of the HRM function. Preference, similar to ideology, is not based on a solid theoretical foundation as it did not reflect the theoretical models.

The perception - specifically the negative perception of outsourcing - was not explored extensively in the literature. However, perception was supported by the cases and indicated, even if the business case was persuasive, there were pre-conceived notions that affected the choice of the HRM architecture. These perceptions may also affect the approach of the HRM function in the longer term, which is more demonstrative of a personnel management model that permeated industry and government in the 1960s to 1980s as opposed to a more strategic HRM model championed by theory and practice form the mid-1980s to contemporary times.
(Nankervis et al. 2017). The only informant group with a positive perception of a non-in-house model of HRM were SharedserviceCo senior managers who reported a positive experience of outsourcing. Perhaps supporting this positive perspective was a higher level of awareness of governance and KPIs in SharedserviceCo compared to the other two cases. The client relationship and service in SharedserviceCo was also more positive when compared with OutsourceCo and In-houseCo, thus representing a more positive experience of their HRM architecture in general.

The concept of management preference for HRM services to be outsourced was not broadly explored in the literature; it was addressed more by inference. Kakabadse and Kakabadse (2001) claimed that there was limited empirical research to demonstrate the benefit of outsourcing, particularly in the public sector where, in view of perceptions of lack of accountability to the public, outsourcing was viewed negatively. Norman (2009) reflected this earlier view. A search of more current literature has not uncovered any tangible academic commentary that outlines a cost benefit analysis being undertaken in regard to outsourcing HRM in the Australian public sector.

Woodall et al. (2009) found the main drivers for HRM outsourcing in large organisations were history, context and influential senior managers external to the HRM function. Of the three cases, this was supported by In-houseCo where management preference was a driving force for the HRM architecture. In SharedserviceCo it was acknowledged that management preference could play a part in the future when making decisions about the HRM architecture. This represents new information as the HRM architecture was based on an ideological view as opposed to a demonstrable financial position to justify such actions (Dollery et al. 2009). The literature fails to provide compelling substance to show a positive fiscal rationale for outsourcing (Norman 2009): nor do any of the informants interviewed in this research.
The architecture of HRM in its various forms was an area that had a counterintuitive link between the study and the literature. Neither the informants nor the literature in the field exhibited intense questioning of the return on investment or specific ways it could be measured. The negative perception of outsourcing was not something explored broadly in the literature. This is supported by the case studies, which indicated that, even if the business case was persuasive, there may be pre-conceived notions that the impact on the choice of architecture may also have a residual bearing on the perception of the HRM function in the longer term.

6.4.4 Control of the HRM function

Control of the HRM function was defined as the level of direction that was exercised over HRM activities. While direct comments about control of the HRM function were not evident in the rationale reported by OutsourceCo clients, an OutsourceCo senior manager did comment on the need in government broadly to control all resources and activities (OSP1 2012). According to a senior OutsourceCo provider manager, ‘From a public sector perspective, a lot of the long-term public sector perspective is control, control, control’ (OSP1 2012). Senior managers commented the outsourced approach might be seen as at odds with the traditional public sector architecture as services are provided externally and thus control is through the use of contract management, rather than direct employment (OSP1 2012). Similarly, it was evident from an HR professional senior manager’s perspective that lack of control was frustrating from their perspective (OSC10 2012). This was different to SharedserviceCo where client senior managers were amenable to having services provided outside the organisation, with the overriding focus on services to be provided where they most efficiently and effectively could be delivered (SSC4 2014; SSC7 2014). That is, the fiscal cost appeared to override the issue of control for SharedserviceCo. SharedserviceCo senior managers appeared more aware of support available and the organisational structure than senior managers in OutsourceCo or In-houseCo.
There was a perception from an In-houseCo senior manager perspective, that an in-house service provided more control with internal services having a management structure that was in the control of the organisation, whereas externally provided services were more contractually driven (IHC1 2014). A senior HRM manager did identify that while there was an in-house HRM service, there were many constraints set by external forces such as the balance between whole-of-government expectations compared to an internal preference for a more flexible way of managing employment (IHP2 2013). Thus control, even for in-house HRM, was not unfettered and was not an approach that provided absolute flexibility according to a senior manager (IHP2 2013). HRM assisted with outcomes and had the vantage point from which to see the whole picture, even if clients were not aware of this as indicated by a provider senior manager (IHP2 2013): ‘We actually get to help them to put together the final bits of the puzzle, the HRM bit of the puzzle…and when the business doesn’t do that we end up with poor HRM practice.’

Discussion

There was a more significant need for control identified in OutsourceCo and In-houseCo compared to SharedserviceCo. The level of control exerted on the HRM function was identified; albeit not overtly in all cases. In OutsourceCo, according to a senior manager, the fact that this model did not provide control was a perceived frustration for clients (OSP1 2012). In other words, a view was expressed that the OutsourceCo client was powerless in attending to the HRM service required as the service was limited (OSP1 2012). This was different to SharedserviceCo where client senior managers were amenable to having services provided outside the organisation, with the overriding focus on services to be provided where they most efficiently and effectively could be delivered (SSC4 2014; SSC7 2014). That is, cost appeared to override the issue of control for SharedserviceCo. SharedserviceCo senior managers appeared more aware of support available and the organisational structure than, for example, senior managers in OutsourceCo or In-houseCo.
For In-houseCo, while there was general acceptance of control as the service was in-house and perceived as able to provide an end-to-end service, there were comments about other constraints such as whole-of-government activities from a senior manager perspective (IHP2 2013). This supported Auhlich and Hein (2005) who highlighted a whole-of-government outsourcing approach was not sufficiently flexible to accommodate agency-specific requirements. Providing services to clients, even if they were not aware of the need for them, may make managers less sophisticated in their understanding and usage of HRM services. For In-houseCo, identifying control as their rationale for in-house HRM were not evidence based.

In OutsourceCo and In-houseCo there was a desire for HRM to be readily accessible for senior managers with a desire for the structure to support intervention by this management structure. OutsourceCo supported a shadow structure which provided direct support and In-houseCo retained an internal structure. SharedserviceCo appeared not to have the need for as much direct support; perhaps this was due to having had HRM services supplied externally for more than 10 years and less expectation of direct HRM support. The approach of SharedserviceCo appeared more mature, with evidence of issues being dealt with more strategically. The OutsourceCo and In-houseCo preference for in-house HRM may be reflective of a handmaiden approach (Storey 1992). That is, having the HRM function available to provide support as needed but not necessarily as a strategic partner. While both these structures were in place, there was not strong evidence of increased satisfaction with the HRM support provided in OutsourceCo and In-houseCo, whereas SharedserviceCo was considered responsive.

The issue of control of the HRM function was evident in the literature as highlighted by Boyne (2002) who identified there was often less autonomy in the public sector due to the legislative framework in which it operated as organisational structures reflected more bureaucracy and lower managerial autonomy. Truss (2009) also identified the variety of stakeholders jostling
for control and adding to the confusion. From a public sector perspective, Truss (2013) found HRM functions were subjected to a greater level of control, so the degree of control and scope for undertaking strategic HRM may be limited. The concept of control or the level of direction that was exercised also has a relationship with the notion of devolution of HRM activities. If HRM activities are devolved, there may also be less control. Devolution received mixed treatment in the literature. Hall and Torrington (1998) and Reichel and Lazarova (2013) identified control and loss thereof as a common theme highlighting the potential weakening the position of the HRM function. Harris et al. (2002) found challenges in the increasingly regulated and specialist area of HRM with managers hesitant to take on the role and not giving increasingly complex issues adequate time and attention. Perry and Kulik (2008) however were positive about devolution, when supported by training.

The issue observed is that the issue of controlling the HRM function was not identified as worthy of concern or extensive commentary by informants evoking a notion of acceptance, it could be argued there was a diluted HRM service. As neither of the three models of HRM architecture reflected any of the theoretical frameworks identified in the literature, it could be argued that HRM has lost “control” over its own role with a degradation of the impact it is permitted to perform in the bureaucracies it is supposed to serve.

### 6.4.5 Applicability of leading models of HRM as a rationale for HRM architecture

**The Harvard Model**

The applicability of leading models as a rationale for HRM architecture was limited. The Harvard Model (Beer et al. 1984) positions the HRM function as responding to different internal and external interests to develop policy approaches which can then impact upon employee outcomes which, in turn, influence organisational effectiveness (Nankervis et al. 2017). When considering the applicability of the Harvard Model (Beer et al. 1984) to OutsourceCo, SharedserviceCo and In-houseCo, there was little evidence of its applicability. As stated
above, but important to reiterate, there were no comments about the impact of the HRM function on the broader organisational outcomes. The focus from informants was on operational elements and deliverables. The Harvard Model positions the HRM function and its professionals as contextually aware (Beer et al. 1984). In the three cases studied there was a level of contextual awareness however, limited acknowledgment of the role HR professionals and the function more broadly could play in impacting on this context or indeed shaping it.

**Storey’s Typology**

There was also limited demonstration of consideration of the range of roles of Storey’s Typology (1992) in the three cases. The handmaiden role was the most prevalent in the case organisations. According to Storey (1992) a handmaiden role is reactive and deals with manager’s specific requests. OutsourceCo HR professionals and client HR professionals demonstrated the handmaiden role; reactive and responding to manager’s perceived needs and demands. Senior managers supported this through commentary and concern about responsiveness (OSC1 2013; OSC8 2013; OSC9 2013) and advice quality (OSC8 2013) suggesting elements of expected subservience as opposed to objective advice. In SharedserviceCo, client HR professionals more clearly demonstrated characteristics of the advisor role with more linkages and consulting support to managers. As commented by a senior client manager (SSC7 2014):

> So I think that it’s worked really well because of those two factors we are clear as to what we want and both parties understand it and work together to resolve issues as they arise... I think our relationship is very strong and very positive and it’s very open and credible and trusting....

A client HRM professional similarly commented: ‘It’s a good relationship in terms of being able to get things done being able to call up and chase things up and very responsive’ (SSC2
A provider senior manager echoed these sentiments, ‘It’s a close relationship we have particularly in my role have key senior clients who are very you deal with on a regular basis’ (SSP5 2014). In-houseCo HR professionals, were similar to OutsourceCo in the applicability of Storey’s Typology (1992), and most accurately characterised in the handmaiden category, evidenced by a client senior manager, ‘I think they’re more process focused’ (IHC2 2014). Another senior client manager indicated ‘Good transactional advice limited advice in other HRM areas’ (IHC4 2014). Supporting this mindset were two In-houseCo HR professionals who indicated the relationship was dependent on the competency of the consultant (IHP6 2013; IHP7 2013). Perhaps best summed up by a senior manager, ‘They [HR professionals] are used to being gatekeepers rather than client managers’ (IHP2 2013). This is indicative of HR professionals adopting a regulator role. The role of changemaker was not evident in the HRM support provided in any of the cases.

**Ulrich and Brockbank**

The applicability of the Ulrich and Brockbank model (2005) in the three cases was also explored with limited demonstration of the range of roles identified in the model evidenced. In the OutsourceCo provider, comments indicated HR professionals were functional experts according to a senior manager, ‘When they’ve been critical pieces of work you know I generally had very positive results’ (OSC4 2013). According to another senior manager (OSC5 2013):

> They don’t actually know the answer to the question up front unless they have been there a while and they can answer a quick one for you, so they are not all specialists in the area, so they don’t all know the business, they are like a call centre you know, you refer to your handbook.

Other roles in the Ulrich and Brockbank model (2005) were not evident in the OutsourceCo provider HR professionals. OutsourceCo client HR professionals demonstrated elements of being a strategic partner and functional expert as evidenced by an HRM professional ‘Advice
to management or very senior management would be more my go’ (OSC1 2013). In neither provider nor client HR professionals in any of the cases was the role of employee advocate or HRM leader commented upon.

In the SharedserviceCo case the functional expert role was demonstrated with service considered positive and responsive by client and provider senior managers and senior HR managers (SSP5 2014; SSP8 2014; SSC3 2014; SSC3 2014; SSC4 2014; SSC5 2014; SSC6 2014; SSC8 2014; SSC9 2014). The strategic partner role was also demonstrated by SharedserviceCo with seventy-one per cent of client senior managers indicating that having an external provider allows clients to be more strategic (SSC3 2014; SSC5 2014; SSC7 2014; SSC8 2014: SSC9 2014). Similarly, there was evidence of the strategic partner role according to a SharedserviceCo provider senior HR manager, with commentary indicating strategic advice and support was provided (SSP5 2014).

In In-houseCo senior managers commented on activities HR professionals were actually performing in the role of functional expert with limited evidence of other roles identified in the Ulrich and Brockbank model (IHC2 2014; IHC4 2014).

AHRI Model of Excellence

The AHRI Model of Excellence (AHRI 2016), identifying what HR professionals are to know, to do, and to be, was also applied to the three cases. In the OutsourceCo client organisation senior manager HR professionals identified there was limited application of the role of the HRM professional, with most focus on what the HR professionals were actually performing (OSC4 2013; OSC5 2013). Similarly, in In-houseCo senior managers identified most focus on what HR professionals were delivering (IHC2 2014; IHC4 2014). This was at odds to the roles and functions in HRM as outlined in the AHRI Model of Excellence (AHRI 2016). A SharedserviceCo provider senior manager HRM professional and client HRM professional considered what HR professionals are expected to do and to know (SSC2 2014; SSP5 2014).
with little around what they are to be. In none of the cases was there any strategic thinking demonstrated, by either the HR professionals or clients, of the broader role of HRM and what they can know, do and be, and the positive implications that HRM could develop for the organisation. HR professionals in particular did not demonstrate support for the broader organisation direction.

6.5 Conclusion

The rationale for the HRM architecture varied between the three cases. The cost of service delivery was the only rationale raised in each of the three case studies. However, there were differing levels of evidence and awareness of cost apparent. There was also inconsistency in commentary. For example, OutsourceCo clients indicated how important cost control was and yet were part of a shadow structure. This study has uncovered a lack of academic or institutional commentary justifying the economic merit of providing services internally or externally in general and HRM specifically. What is noteworthy is that the informants’ commentary and observations pertaining to the fiscal return on investment was limited and contradictory to some extent. Firstly, there was limited questioning by the informants of the issue of costs of services when organisations fully or partially outsource HRM services. For some, this may be counter-intuitive given that a core issue that underpins government policy is the justification of costs. Secondly, the academic commentary or justification by government institutions was sparse in this area.

Making the specific structure of the HRM architecture mandatory was a strong theme in the OutsourceCo architecture; and not positively received by the client. The policy approach was identified as another rationale from SharedserviceCo and was broadly accepted by informants. While not evidence based, certainly a strong theme was the concept of management preference as a rationale for the HRM architecture of In-houseCo and, to a lesser extent, SharedserviceCo. Management preference was based more on previous experiences and perceptions rather than the reality of current practice. The desire for control
of the HRM function was another rationale that was identified; albeit not overtly in all cases. Control appeared to be more focused on process rather than outcomes or deliverables. With limited consideration of the rationale for the architecture of the HRM function and little questioning evident in any of the three cases, themes relating to the rationale for the HRM architecture that did emerge were more perception than evidence based.

What was evident from the three cases was the lack of consistency about the forces for deciding on a particular HRM architecture. While a variety of forces were evident, none seemed to support the leading models identified in the literature, nor did the architecture of any case study organisation appear to be deeply considered. There seemed to be more of a perception based approach and acceptance of the HRM architecture with limited evidence of reviewing decisions. Thus, while the conceptualisation of architecture of HRM appears to have progressed in the literature of HRM as more of a strategic partner, the practice of public sector HRM seems to have stalled and to a degree regressed. Nor has the perception of clients of the HRM function have evolved:

New public management (NPM) has fitted public services into quasi-market models and introduced punishments and rewards to produce better services with lesser staff. Instead of having freed energies and creativity of the employees formerly shackled by their bureaucratic turfs, NPM reforms have bound energies into theatrical audit performances at the cost of work and killed creativity in centralizing resources and hollowing out the professional autonomy (Siltala, 2013, p. 469).

In the public sector literature there was discussion about organisational structures more generally. For example, as part of NPM the theory was increased market orientation and a move from direct employment to more contracting out or indirect employment for back-of-house functions, which may be exemplified by the increased focus on the development of shared services (Hood 1991; Bach & Della Rocca 2000; Chalmers & Davis 2001; Bevir et al.
Whether this actually made a positive impact and reduced expenditure in some situations, the amount saved was only the negligible difference between public service delivery and final delivery by contractors (Hughes 2012). The benefits of outsourcing HRM partially, fully or not at all is difficult to determine as there is no data that can be used as evidence to gauge to overall impact. From an HRM function perspective, NPM, with its decentralisation and contracting out, also led to more fragmentation and thus less visibility of the picture of HRM practices in government (Colley 2001) which further clouded the formulation of tangible conclusions.

Siltala (2013) reflected on NPM in a European context with considerable antipathy and considered it to be underpinned by neoliberalism ideologies without basis. NPM as defined by Siltala (2013) aligns neatly with the definitions espoused by many authors commenting on the concept such as Hood (1991); Bach & Della Rocca (2000); Chalmers & Davis (2001); Bevir et al. (2003); Lavalle (2006); Bach & Kolins Givan (2011) and Bach & Bordogna (2011):

New Public Management (NPM) has meant the transfer of market principles and business-management techniques from the private into the public sector. According to a neoliberal understanding of society and the economics, the NPM tries to slim the state and the municipalities and introduce market discipline into their remaining functions (Siltala, 2013, p. 469).

Proponents of NPM espoused evidence-based learning however frequently failed to demonstrate this through learning from earlier research and experience, which may be due to the somewhat ideological nature of the NPM movement (Hood & Peters 2004; Siltala 2013). For example, there appears to be limited consideration of the impact of structural reforms, such as outsourcing, on publicly funded services and how these reforms are best managed with a return on investment being comprehensively demonstrated (Hood & Peters 2004).
Elements of NPM were evident in OutsourceCo and SharedserviceCo structures. This may have been supported in practice by the funding of a shadow structure, which contrasts with the notion of minimisation of costs as part of NPM. Characteristics of NPM include an increased market orientation with public sector disaggregating and retaining a core of their own staff and contracting out, outsourcing or purchasing services from a range of outside public and private sector agencies (Hood 1991; Bach & Della Rocca 2000; Bevir et al. 2003; Lavalle 2006; Bach & Kolins Givan 2011; Bach & Bordogna 2011). When considering the rationale for HRM architecture, it is useful to consider the extent to which a problem-solving model is used. A problem-solving model is a model of identifying complexities and possible solutions, evaluating each solution, selecting an optimum solution, planning and then implementing and evaluating to see if the original problem was addressed (Delahaye 2011). There was no evidence of closing the problem-solving cycle through a systematic evaluation using something akin to Delahaye’s (2011) planning model to ascertain the merits or otherwise of outsourcing HRM functions and to establish if the perceived original problems were solved. While OutsourceCo was validated on a cost-of-service basis, there was no evidence of quality of service demonstrated. SharedserviceCo, by implication indicated review of cost and quality; however, there was not a strong evidence base asserted by the informants. Therefore, there was limited evaluation of the cost of the model broadly, or quality the quality of service.

The literature identifying structures and strategic approaches to HRM architecture for a successful HRM function in the public sector was limited. The literature did identify the context and subsequent challenges facing the public sector that were of limited relevance to the private sector. For example, Young (2007) highlighted the complex nature of decision making regarding service delivery in the public sector with reliance on government funding. Public agencies also have added complexity as there are a variety of stakeholders who place demands and constraints on managers (Boyne 2002). Another structural difference was that, in the private sector, employees may perceive they have only one employer, whereas in the public sector employees must respond to executive as well as political pressures that emanate
from legislative requirements (Harel et al. 2002; Hughes 2012). This was evident in OutsourceCo and SharedserviceCo with the mandatory approach and policy direction respectively for their HRM architecture.

Ideology was another factor relevant to the architecture of HRM in the public sector. The structure and functions of staffing the public sector may be driven by ideology as well, however this was not raised by informants. Boyne (2002) commented that the public sector has multiple and conflicting roles which are politically and socially driven rather than financially driven but subsequent more contemporary literature is lacking. The exception to this was Truss (2013), who identified there was not necessarily a preferred or “best” model of private or public sector HRM given that the HRM function was predicated on a complex range of contextual, historical and structural factors.

There were mixed forces underpinning the rationale for the architecture of HRM in the three cases. The evidence on multiple levels was conspicuous due to the absence of comments by the informants and the literature. There were inefficiencies reported by informants and it was clear HRM arrangements were not performing optimally with hidden costs and limited identifiable impact on productivity given the broad confusion that existed about the provision of HRM services. HRM is considered by Ulrich et al. (2008), Stone (2007), Nankervis et al. (2017), Armstrong and Taylor (2017), Bratton and Gold (2017), among many other HRM scholars, to be the driving force of productivity through effective recruitment, training and development, performance management and talent management, reward systems and strategic human resource management, to name a few of the hallmarks of HRM. Coupled with this, Guest (1987) articulated the difference between personnel management and human resource management. Personnel management was a short-term approach that was compliance driven, bureaucratic and imbued with specialised roles plus a focus on cost minimisation (Guest, 1987). Conversely, the human resource management approach has a long-term perspective, commitment driven, devolved and a focus on maximisation of human
resources as assets (Guest 1987). None of the informants raised this issue of the broader perspective of HRM functions as demonstrated in the various HRM models (Harvard, Storey, Ulrich & Brockbank and AHRI).

Overall there was not an explicit voice seriously questioning the HRM architecture. There was limited discussion more broadly of the role of HRM in any of the case studies and the contribution HRM may make to organisational effectiveness, productivity, or the impact of new technology and automated tasks. There was also no questioning of the approach provided by the informants. In the context of this study, HRM in the public sector, in practice, appeared to be less mature and coordinated as the literature might indicate and functioning more in the personnel management sphere rather than human resource management. One of the challenges for HRM in the public sector is to develop in this area. The next chapter examines the impact of the HRM architecture on the three stakeholder groups of HR professionals, senior managers and other employees.
Chapter 7: Findings and Discussion: Impact of HRM architecture on key stakeholder groups

7.1 Introduction

The previous chapter examined the first question of the forces shaping the HRM architecture. The structure of this chapter will be based on examination of the other three questions. Specifically this chapter considers the impact of HRM architecture on the key stakeholder groups of HR professionals, senior managers and employees. Findings and discussion for the three groups will be considered in separate sections of this chapter. Each stakeholder group will be considered separately. When considering each stakeholder group, the first section will examine findings from each case study and the significant elements that emerged as well as commonality of themes within and between cases. The second section will compare and contrast findings to the literature. The final section answers the subsidiary research question.

7.2 The impact of HRM architecture on the career of HR professionals

When considering HR professionals’ experiences of the different models of HRM architecture on their career, a number of themes emerged. HR professionals were employed in both provider and client organisations. Therefore, in response to this question, both provider and client HR professionals’ responses from each of the three cases will be considered. Themes from the OutsourceCo, SharedserviceCo and InhouseCo provider and client HR professionals were varied. While the focus of interviews was to elicit the impact of HRM architecture on the career of HR professionals, a range of issues emerged and were worthy of additional consideration. Overall, HR professionals identified variable career experiences. More broadly, other themes that emerged from discussions were the different levels of understanding of managing the relationship as well as the experience of transitioning to a new provider. Environmental uncertainty was prominent as was consideration of the experience...
of working in the public sector. Each of these themes is explored in the following discussion.

A summary of the key themes is provided in Table 7.1.

Table 7.1 – Impact of architecture on HR professionals

<table>
<thead>
<tr>
<th>Reason</th>
<th>OutsourceCo</th>
<th>SharedserviceCo</th>
<th>In-houseCo</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Provider</td>
<td>Client</td>
<td>Provider</td>
</tr>
<tr>
<td>Variable career</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Positive career</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Managing the relationship</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Transition to a new provider</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Environmental uncertainty</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Perceptions of public sector as a workplace</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

7.2.1 Variable career opportunities

Variability in career opportunities was defined as differential (both positive and negative) career experiences due to the impact of structural changes such as uncertainty and limited opportunity for promotion and career development. From an HR provider perspective, there were few positive opportunities identified for HR professionals in OutsourceCo prompted by structural changes, uncertainty and limited opportunity for promotion. The context of these comments was that the management structure in OutsourceCo had been reduced by almost half by a variety of means including natural attrition of employees according to a senior OutsourceCo manager (OSP1 2012). This reduction led to uncertainty about career opportunities with mixed responses from managers and those in HRM more generally. Those in senior HRM positions in the OutsourceCo structure were positive about opportunities and considered they had been provided with opportunities to develop their careers (OSP1 2012;
OSP7 2012). A provider HRM professional indicated managers were supportive of their career albeit with caution due to broader organisational constraints and limitations (OSP7 2012). OutsourceCo senior managers considered the structure provided them with the opportunity to be strategic in their focus (OSP4 2012; OSP9 2012; OSP10 2012). Whereas for HRM professional there were ‘not good career opportunities in practice’ (OSP10 2012).

In the OutsourceCo case, for client HR professionals, there were also contrasting perspectives. According to the views of the OutsourceCo client HR professionals interviewed, there was limited recruitment due to broader organisational and whole-of-government recruitment freezes thus inducing fewer opportunities for HRM generalists to advance their careers externally (OSC1 2013; OSC2 2013; OSC5 2013). ‘The recruitment freeze has meant good opportunities for those already employed’ (OSC5 2013). However, as a result of the recruitment freeze there were increased internal opportunities to fill vacancies which resulted in many people acting in roles for a fixed period of time, albeit with limited prospects of permanent appointment to those roles (OSC2 2013; OSC5 2013). While an HRM professional indicated this was a short term benefit, it did not provide longer term stability in relation to the role performed in HRM (OSC2 2013). Internal opportunities were perceived as positive from a career development perspective however attraction to roles was impacted by advertising fixed term, rather than ongoing (permanent) roles (OSC6 2013). There was also broader questioning about opportunities available with the mix of public servants and contractors mentioned as a possible area of tension impacting HRM professional’s career opportunities (OSP10 2012). Whole-of-government directives such as recruitment freezes and expectations of reduced employee numbers appeared to have more significance impacting HR professionals than the architecture of HRM (OSP8 2012).

Commentary from an OutsourceCo client HR professional was that HRM was a “dead end” with lack of clarity of what roles would exist into the future, foreshadowing a view of what lay ahead for people aiming to work in this field (OSC2 2013). A senior manager supported this
view through the comment that HRM may not be a good career option (OSC5 2013). There were some broader contextual issues which affected career opportunities such as the shadow structure with the long-term viability of those roles being "questionable" according to numerous senior manager HR professionals (OSC1 2013; OSC2 2013; OCS3 2013; OCS5 2013). Another factor potentially impacting careers according to an HRM professional was the perception of HRM in the organisation: ‘HRM is a low priority in the organisation’ (OSC3 2013). A supporting statement was made by an OutsourceCo client senior manager who suggested one of the effects of providing a support function; was that internal employees were accorded a lower priority compared to those providing services to clients (OSC10 2012). An alternate perspective of client HR professionals was that career opportunities had been very good, signalling a hindsight perspective (OSC6 2013; OSC7 2013).

The career opportunities were also varied in In-houseCo and appeared to depend on an individual’s position in the organisational structure. Similar to the OutsourceCo provider and client HR professionals, two more senior In-houseCo HR professionals commented they had good opportunities but understood difficulties experienced for subordinate HR professionals (IHP3 2013; IHP7 2013). Having limited opportunities to progress to higher classification levels or a career path was a difficulty expressed by HR professionals (IHP1 2013; IHP4 2013; IHP5 2013; IHP8 2013). All In-houseCo HR professionals commented there were limited opportunities as those in leadership positions were stable (IHP1 2013; IHP4 2013; IHP5 2013; IHP8 2013). When opportunities for promotion did arise it was considered to be very competitive, leading to HR professionals leaving the organisation for other career opportunities, according to an HR professional (IHP1 2013):

For myself I want to grow within my career, I want to grow within human resources, I enjoy where I am and what I do … but in terms of moving beyond my current role, the opportunity is not there until they retire.
Limited career opportunities supported the variability of career experience for HR professionals (IHP1 2013; IHP3 2013, IHP4 2013). The structure and classification of the HRM team was mentioned by HR professionals in In-houseCo and the SharedserviceCo provider HR professionals. In InhouseCo, the classification of roles was commented on by three HR professionals, specifically that the expectation of the work performed was of a higher level than currently provided in the classification structure (IHP4 2013; IHP5 2013; IHP8 2013). Also, there was a need for more specialist roles, classified at a higher level (IHP1 2013; IHP4 2013; IHP5 2013; IHP8 2013). Two HR professionals indicated that while it was not always about classification, opportunities to develop were also important (IHP1 2013; IHP8 2013). Linked to the perception of few opportunities for HR professionals, were comments about the limited movement of employees and some employees being stale with a “job for life” mentality (IHP7 2013). One HRM professional considered that those employed in the public sector for longer periods had a different perspective than more recently employed HR professionals (IHP1 2013):

I feel like the longer public servants are pretty stagnant, but I think the new generation that’s coming, I feel that I am part of that new generation, want to achieve more in terms of growing within their position. I personally don’t want to be stagnant or stale.

In SharedserviceCo there was also commentary relating the need for the HRM structure to be reviewed to support career pathways better (SSP1 2014; SSP2 2014; SSP3 2014; SSP4 2014; SSP7 2014; SSP9 2014).

Discussion

The variability of career perspectives was consistent with the literature, which identified career progression in the public sector as more horizontal with fewer internal opportunities and careers driven more by the contractual relationship (Hood 1991; Bach & Della Rocca 2000;
Bach & Kolins Givan 2011). Comments from informants suggesting lack of organisational support were perhaps signalling a breach of the psychological contract due to a lack of reciprocity, supporting Rousseau (1995). It is unclear whether this led to reduced organisational citizenship behaviour such as discretionary effort, as proposed by Ahmed & Muchiri (2014). Elements such as whole-of-government directives and expectations of reduced employee numbers and the flow on implications of these decisions appeared important factors affecting client HR professionals and their career as opposed to the HRM architecture in and of itself.

An issue also identified in the literature was the concept of removing administrative tasks from in-house HR professionals and then expecting too much from a strategy perspective proving problematic (Reilly 2000; Cooke 2006a). This was supported by OutsourceCo where administrative elements were removed with limited evidence through commentary or documentation of the remaining HR professionals being strategic. In reality, in OutsourceCo there was more of an internal focus and questioning about whether the HRM multiple functions were valued and what a career in HRM might look like in the future (OSP10 2012).

### 7.2.2 Positive career opportunities

Positivity in relation to career opportunities was defined as opportunities for progression and development was strongest in SharedserviceCo. While previously indicating challenging career opportunities above, conversely, there were positive career opportunities commented on as well (SSP1 2014; SSP2 2014; SSP3 2014; SSP5 2014; SSP7 2014; SSP8 2014; SSP9 2014). Seventy-eight per cent of SharedserviceCo provider HR professionals indicated they had opportunities to learn (SSP1 2014; SSP3 2014; SSP4 2014; SSP6 2014; SSP7 2014; SSP8 2014; SSP9 2014). There were also comments from provider HR professionals about having good development opportunities more broadly (SSP1 2014; SSP2 2014; SSP3 2014;
One HR professional acknowledged the experience in SharedserviceCo had provided them with the opportunity to develop good skills that they may ultimately use elsewhere (SSP4 2014). Unlike In-houseCo, where having to move out of the organisation was seen negatively, in SharedserviceCo the need to move was viewed positively by HR professionals as there was an acknowledgement that people had been equipped with the skills to progress (SSP4 2014). Similar to In-houseCo, there were comments from managers and HR professionals about the classification structure requiring a review to provide progression opportunities (SSP1 2014; SSP2 2014; SSP3 2014; SSP4 2014; SSP7 2014; SSP9 2014). While there were limited opportunities to progress specifically in the HRM area in SharedserviceCo, there were other opportunities in the organisation more broadly (SSP6 2014). HR professionals may have to leave the organisation for career advancement according to an HR professional who commented (SSP5 2014): ‘We are hamstrung with the structure that we initially started … that was because we needed to bring key personnel over … from [the] previous provider.’

SharedserviceCo client HR professionals interviewed were positive about the HRM architecture and the impact on their career (SSC1 2014; SSC2 2014) and acknowledged the opportunity to be more strategic as transactional activities were completed by SharedserviceCo (SSC1 2014; SSC7 2014). SharedserviceCo client HR professionals reported opportunities to learn (SSC1 2014; SSC7 2014; SSC9 2014). Having a shared service provider was an opportunity for internal HRM to connect more with clients at a strategic level according to a senior manager (SSC7 2014):

What it’s done is create a more interesting and challenging environment and our staff I think based on you know people who have left and taken up other opportunities get a very good grounding in the sort of high end strategic work and the more challenging work so they’re more marketable or employable as a consequence of that.
The HRM architecture provided SharedserviceCo client HR professionals with access to additional expertise and a sounding board as well as being considered an extension of their team, according to SharedserviceCo client HR professionals (SSC1 2014; SSC2 2014; SSC9 2014). There was also the opportunity to learn from the provider and each other and an opportunity to leverage experiences from each other (SSC1 2014; SSC7 2014).

Discussion

The commentary of SharedserviceCo client HR professionals in relation to the opportunity to be more strategic was consistent with the literature (Cooke et al. 2005; Belcourt 2006; Ulrich et al. 2008; Lacity et al. 2008; Woodall et al. 2009; Rachel & Lazarova 2013; Susomrith & Brown 2013). This indicated outsourcing of HRM activities can provide an opportunity for the internal HRM function to move away from transactionally based service provision to focus on more strategic, transformational and value-added activities (Cooke et al. 2005; Belcourt 2006; Ulrich et al. 2008; Lacity et al. 2008; Woodall et al. 2009; Rachel & Lazarova 2013; Susomrith & Brown 2013). Taking this concept further, other literature drew a link identifying that the more strategic HRM became, the more likely an organisation was to outsource more HRM activities (Lepak & Snell 1998; Delmotte & Sels 2007; Sheehan & Cooper 2011). Once again, this was supported by the SharedserviceCo findings. Other literature, including Teo and Rodwell (2007) in a public sector context, found the more involved HR professionals were in operational activities, the more the HRM function was considered strategic and effective. That is, lower levels of personal contact reduced the opportunities for HR professionals to build up relationships with line managers and employees that might help in building employee commitment and erode strategic input of the HRM function (Harris 2008). Contrary to Teo and Rodwell (2007) and Harris (2008) in SharedserviceCo, client HR professionals had limited interaction on operational activities, and yet the HRM service was viewed positively.
7.2.3 Managing the relationship

Important elements of managing an HRM relationship are having clear governance and key performance indicators (KPIs). Governance, in the context of this study, was defined as the structure underpinning the interaction between the provider and client and how the relationship was managed. Key performance indicators were specific measures of the delivery expectations of HRM services. Awareness of governance and KPIs was considered significant as it was linked to how the HRM function operated in the organisational context of the theoretical models. There were different levels of awareness of governance and KPIs evident among HR professionals.

Governance

From an HR professional provider perspective, OutsourceCo HR professionals did not emphasise governance. SharedserviceCo provider HR professionals indicated governance was positive (SSP7 2014; SSP8 2014). In-houseCo provider HR professionals commented and demonstrated an awareness of the governance structure (IHP2 2013; IHP6 2013). From a client perspective however there was an awareness of governance (OSC1 2013; OSC4 2013). In SharedserviceCo there was awareness of and positivity towards governance (SSC1 2014). There was no commentary from clients of the HRM service in In-houseCo demonstrating an awareness of governance structure or any expectations.

KPIs

OutsourceCo provider HR professionals did comment on KPIs that were involved with the monitoring of the service they provided (OSP4 2012; OSP5 2012). The existence of KPIs was seen as a positive guide to manage work according to SharedserviceCo provider HR professionals (SSP2 2014; SSP6 2014; SSP9 2014). All SharedserviceCo HR provider professionals were aware of services provided and client feedback mechanisms, which were used as an improvement opportunity (SSP1 2014; SSP2 2014; SSP3 2014; SSP4 2014; SSP5
There was a perception among provider SharedserviceCo HR professionals that in-house HRM was less accountable (SSP4 2014):

I think it helps us...because when you are in in-house ... you get to almost tell your clients what to do ... when you're in our situation you learn to how to take no and how to take criticism and how to take negative feedback.

There was also a strong awareness of KPIs (88 %) in the In-houseCo provider (IHP1 2013; IHP2 2013; IHP3 2013; IHP4 2013; IHP6 2013; IHP7 2013; IHP8 2013). In relation to responsiveness and feedback, 50 per cent of HR professionals reported there was no client feedback opportunity (IHP4 2013; IHP6 2013; IHP7 2013; IHP8 2013).

From a client perspective, awareness of KPIs was reported in both OutsourceCo and SharedserviceCo and not evident in In-houseCo. In OutsourceCo there was awareness by client HR professionals and senior manager HR professionals of KPIs (OSC1 2013, OSC4 2013; OSC9 2013; OSC10 2012). SharedserviceCo client HR professionals were aware of, and positive about, governance (SSC1 2014; SSC7 2014; SSC9 2014). SharedserviceCo clients HR professionals were also positive about the service and its responsiveness and client feedback mechanisms (SSC1 2014; SSC2 2014).

Discussion

From the provider perspective, HR professionals in all three case studies were aware of relevant service measures for their deliverables, such as KPIs, as would be expected. Client HR professionals were also aware of governance in OutsourceCo and SharedserviceCo. SharedserviceCo HR professionals appeared to be most structurally aligned and aware of how their functions and performance measures supported organisational needs (SSP1 2014; SSP2 2014; SSP3 2014; SSP4 2014; SSP5 2014; SSP6 2014; SSP7 2014; SSP9 2014). According to SSP5 2014:
Every service line has a performance measure; there are eight agreed measures that are measured and reported on a monthly basis and that eight can be varied at any time by our clients so that's measured and reported on a monthly basis.

The significance of HRM professional’s awareness of governance and KPIs may be evidence of their awareness of the organisation and its needs. This may demonstrate the maturity or level of expertise of HR professionals and their understanding of the organisation. The relevant theoretical models support this such as the AHRI Model of Excellence (AHRI 2016) and the Harvard Model advocated by Beer et al. (1984). Nankervis et al. (2017) identified the significance of those in the HRM function being fully conversant with organisational needs, goals and strategic targets and providing support through initiatives that would concentrate staff in their work having appropriate skills and competencies.

However, what was evident from interviews was that OutsourceCo and In-houseCo HR professionals were aware of governance and KPIs, in reality they were more focused on internal and structural issues and less concerned with client and service delivery issues. According to IHP8 (2014) ‘I feel that the whole unit as a whole generalising, don’t have that appreciation about what everyone out there is really doing’. This study did not evidence a high level of maturity in broader organisational awareness from an OutsourceCo or In-houseCo perspective. While there was some awareness identified in SharedserviceCo, it was only to a limited extent and did not provide evidence of a strong level of organisational awareness. While provider and client HR professionals were aware of governance and KPIs which was positive, this did not translate to a positive perception of the HRM function or HR professionals more broadly from a senior manager and employee perspective and will be discussed in the next chapter.
7.2.4 Transition

Transition was defined as the process of the movement of HRM services between one provider and another for example from in-house to outsource or from one outsourced provider to another. An OutsourceCo senior HR manager indicated transition from in-house provision of HRM services to an outsourced provider was not a positive experience and took a long time to improve the client relationship as a result of that process (OSP4 2012). There was an acknowledgement of many mistakes in the transition phase from a client senior HR manager perspective (OSC5 2013; OSC10 2012) and took some time to remediate during the life of the service arrangement (OSC10 2012). One provider HR professional noted there had been a loss of knowledge in the transition and there were assumptions that all systems and operating models could be readily consolidated which had not eventuated (OSP10 2012). Another challenge during transition identified by an OutsourceCo HR professional was the lack of consistency with systems and a minimal understanding of processes leading to some activities not being provided (OSP10 2012).

In SharedserviceCo, the transition was not as problematic. From the provider HR professional perspective in SharedserviceCo, while there was a comment that there was a long recovery from transition (SSP2 2014). This was not a source of apparent concern from SharedserviceCo client HR professional perspective (SSC2 2014). Initially, transition was a challenge, from which the relationship has since recovered according to one HR professional (SSC2 2014): ‘It was quite a challenge for the first six months then we got over some hurdles, and you know 18 months two years down the track everything is down and embedded.’

Discussion

The transition process was not positive in OutsourceCo and was more positive in SharedserviceCo and not relevant in In-houseCo. The issue of transition was not a clearly identifiable body of work in the literature. The literature did not examine in-depth an agreed approach or model apparent to the transitioning of HRM from an in-house model to an
outsourced service. Reilly (2000) and Gospel and Sako (2010) suggested a gradual transition from in-house to retain HRM expertise. In relation to the timing of the transition, neither OutsourceCo nor SharedserviceCo took a particularly gradual approach in moving the HRM function from internal to external provision. SharedserviceCo appeared to have more stability in HR professionals during this period of transition than OutsourceCo and while OutsourceCo appears not to have recovered, SharedserviceCo does appear to have stabilised. The loss of quality and skill internally and the disruption of service provision, especially at the beginning of the relationship was commented on in literature to a limited extent (Cooke 2005; Belcourt 2006; Kosnik et al. 2006). Farndale et al. (2009) commented on transitioning to HRM shared services, and the lack of internal data and competencies among HR professionals to specify the new service requirements. This was supported by McCracken & McIvor (2013), who went further and commented that implementing and managing outsourced shared services may be problematic due to lack of internal skills in performance measure writing and monitoring and an overreliance on vendors to specify requirements may strain the relationship with the vendor. HR professionals provided limited commentary on the lack of skill levels to manage contracts. One SharedserviceCo provider senior HR manager did comment on the client not being aware at the beginning of the relationship of what they needed (SSP5 2014). Perhaps this was also mirrored by a senior In-houseCo HR manager in the comment that services were provided, even when the client was not aware of what they needed (IHP2 2013). There was no evidence of this issue being considered in OutsourceCo.

7.2.5 Environmental uncertainty

Environmental uncertainty was characterised as the constant organisational change occurring including with internal structures, the employee headcount increasing or reducing and also external, whole-of-government changes. One of the implications of environmental uncertainty was lack of security for employees. Environmental uncertainty was commented on in varying degrees mainly by OutsourceCo, less so by In-houseCo and SharedserviceCo.
OutsourceCo provider HR professionals commented on the prevalence of environmental uncertainty (OSP4 2012; OSP5 2012; OSP10 2012). One example from a provider OutsourceCo HR professional perspective was uncertainty from a whole-of-government perspective in relation to what might happen structurally to OutsourceCo as a service provider (OSP1 2012; OSP10 2012). According to one OutsourceCo HR professional, ‘It’s just like everything has been thrown up in the air, and we are not sure where it is going to land’ (OSP10 2012). Sixty per cent of OutsourceCo client interviewees commented on the difficulty of environmental uncertainty (OSC1 2013; OSC2 2013; OSC4 2013; OSC5 2013; OSC6 2013; OSC9 2013). OutsourceCo client senior HR manager specifically acknowledged they were part of a shadow structure and therefore the long-term viability of their roles was questionable (OSC1 2013; OSC2 2013; OCS3 2013; OCS5 2013). OutsourceCo client senior HR managers commented on environmental uncertainty as a concern and a negative impact on their careers (OSC1 2013; OSC2 2013; OSC4 2013; OSC5 2013; OSC6 2013; OSC9 2013).

For In-houseCo, environmental uncertainty was not a strong theme, with one HR professional commenting (IHP2 2013). Unlike OutsourceCo, of the SharedserviceCo HR providers, there were no comments directly on environmental uncertainty. While both OutsourceCo and SharedserviceCo are fee-for-service, SharedserviceCo was not impacted by any requisite staff reductions. That is, there was stability at SharedserviceCo as employee numbers were not impacted by broader organisational restructures (SSP8 2014). SharedserviceCo client HR professionals reported a level of uncertainty, but it was not a prevailing theme (SSC1 2014; SSC2 2014).

Discussion

Environmental uncertainty was commented on very strongly as a challenge about impacting provider HRM and their careers in OutsourceCo (OSP4 2012; OSP5 2012; OSP10 2012). While environmental uncertainty was a theme emerging from the case studies, it was not a concept deeply explored in the literature, which would appear to be counter-intuitive. Boyne
(2002) commented on the implications of short time horizons leading to instability. Burke et al. (2013) indicated cost-cutting strategies of employee reduction and wage freezes as challenges. Environmental uncertainty could also be underpinned by the prospect of staff members becoming unemployed in the transition process which raises the issue of insecurity and breach of the psychological contract. This is consistent with Rousseau (1995) who indicated the psychological contract could be broken by events such as organisational downsizing. There was no further exploration of the impact of uncertainty evident.

7.2.6 Perceptions of the public sector as a workplace

Perceptions of the public sector as a workplace was defined as the experience of HR professionals working in the public sector with both positive and negative elements. The ability to attract and retain employees was another measure of the attractiveness of the public sector as a workplace. When asked about their experience working in their organisation, many comments of HR professionals were linked to working in the public sector more broadly, rather than their specific organisations in which they were currently employed.

Perceptions of working in the public sector were reported in the three case study provider HR professionals. In OutsourceCo a senior HR managers and a senior manager, stated there was negative commentary about working in the public sector (OSP5 2012; OSP4 2012). In part, this may be due to the impact of changes and restructuring in OutsourceCo. Similarly, OutsourceCo provider HR professionals had minimal commentary about attraction and retention. This may have been due to their staffing structure, which was a mix of public sector employees and contractors. Client senior HR managers stated that employee retention was positive (OSC1 2013; OSC2 2013; OSC6 2013; OSC10 2012), however, attraction was a challenge (OSC1 2013; OSC5 2015; OSC6 2013). The notion of the whole-of-government imperative was reported by OutsourceCo HR professionals and senior manager HRM professional clients as a challenge (OSP8 2012; OSC1 2013; OSC2 2013; OSC5 2013). This
supported the senior manager theme related to instructing or directing the approach to HRM architecture.

In SharedserviceCo, while attraction and retention were positive according to a senior HR manager (SSP5 2014). Positive elements reported by provider HR professionals were good employee retention (SSP1 2014; SSP2 2014; SSP7 2014; SSP8 2014) and good working conditions (SSP2 2014; SSP3 2014; SSP4 2014; SSP9 2014) and job stability (SSP3 2014; SSP4 2014; SSP9 2014). HR professionals acknowledged that there was a positive team environment (SSP2 2014; SSP4 2014; SSP7 2014). The positive culture, according to HR professionals, may be attributed to being solutions focused when problems arose (SSP2 2014; SSP4 2014; SSP7 2014; SSP9 2014). These positive attributes may contribute to attraction and retention. According to one HR professional shared service HR professionals seemed more aligned to their team rather than the public sector (SSP2 2014):

I think the relationships between the teams ... is really good...I think people really enjoy each other’s company. Everyone who's in there also is very team focused most people are more than willing to help out each other...there's not a blame mentality if things go wrong ...That’s sort of helped with retention rather than I guess the opportunities to progress, so it’s sort of a bit of a balancing act.

From an In-houseCo HR professional perspective, flexible working conditions were identified as a strength (IHP1 2013; IHP5 2013). The relative stability of public sector employment was also acknowledged (IHP7 2013). However, similar to SharedserviceCo, In-houseCo HR professionals commented it was not necessarily a role in the public sector that attracted them, rather the HRM role itself (IHP3 2013; IHP5 2013; IHP8 2013). According to a senior HR manager: ‘I think the business is attractive conceptually. I’m not sure HRM does anything special to attract and retain people’ (IHP2 2013). There was the ability, according to an HR professional, to attract and retain staff particularly in a labour market where there were higher
unemployment rates. However, if there was a move into a labour market with more employment opportunities available it may be more difficult to attract employees (IHP2 2013): ‘We do seem to be able to attract and retain people. One of the problems is we may not get enough turnover in key roles so that we get sort of refreshment.’

An In-houseCo HR professional and senior HR manager suggested a negative implication of having internal HRM was dealing with more staffing issues compared to outsourced HRM architecture where potential staffing issues were one step removed (IHP6 2013; IHP7 2013). This was commented on in the context of In-houseCo HRM having the same structure for many years and a perception that many longer term public servants were not considered as high performing in some instances, compared to more recent recruits who were employed through a merit selection process (IHP7 2013).

Discussion

Working in the public sector prompted mixed responses from provider HR professionals. Comments were neutral or negative with more alignment appearing to be to teams rather than the organisation. In OutsourceCo according to a senior HR manager and a senior manager, there was negative commentary about working in the public sector (OSP5 2012; OSP4 2012). In SharedserviceCo there was positivity about the team culture and support (SSP2 2014; SSP4 2014; SSP7 2014; SSP9 2014) with limited commentary about the public sector more broadly. An In-houseCo HR professional commented upon benefits of working in the public sector including stability (IHP7 2013). It was also as a negative as there was limited movement and career progression for HR professionals (IHP1 2013; IHP4 2013; IHP5 2013; IHP8 2013). The ability to readily attract and retain employees was explored as an indicator of the attractiveness of working in the public sector. In OutsourceCo there were no comments on attraction and retention for their organisation despite this being a core HRM function. SharedserviceCo identified that attraction and retention were mostly positive (SSP5 2014). For In-houseCo, according to a senior HR manager, attraction and retention in the public
sector were viewed positively at the time of the interview. However, this was largely driven by broader economic factors rather than the specific roles and industry (IHP2 2013).

These findings link to the literature around what it means to work in the public sector. In Australia, during the period of public administration, the public sector was often considered a model employer (Colley 2001; Brown 2004). Over time this changed as old practices were retained and new practices brought on board (Colley et al. 2012) with former public sector employment conditions eroded (Truss 2008; Colley 2012). This circumstance does prompt the question as to whether the public sector is still a model employer. In this study, there was a notable absence of strong support for the notion that the public sector is a model employer.

It was equally surprising that neither In-houseCo nor SharedserviceCo informants spoke of quixotic circumstances. For example, the HRM function was recruiting staff with the promise of working under good conditions with a measure of security when the HR professionals for In-houseCo themselves may have their roles either fully or partly outsourced. This trend may intensify for SharedserviceCo staff in HRM. As discussed in Siltala (2013), the NPM ideology was damaging to staff morale, organisational culture and played havoc with the psychological contract among staff. The data obtained from informants supported this malady for HR professionals.

7.3 Conclusion of the impact of HRM architecture on HR professionals’ career

Responses were considered from the provider and the client HR professional perspective. When considering the impact of the architecture on HR professionals, some issues emerged from interviews with informants with similarities and differences between provider and client HR professionals in the three case studies. OutsourceCo provider and client HR professionals had the least satisfaction with career opportunities. In OutsourceCo mixed opportunities were primarily driven by changes such as diminishing numbers in management roles as well as the mixture of public servant roles and contractor roles. In-houseCo HR professional’s commentary indicated variable satisfaction with career opportunities. There were a variety of
perspectives contributing to variability in career opportunities such as stability in the HRM leadership in InhouseCo and thus other HR professionals having to explore elsewhere for upward career progression. Limited training and development opportunities may have also impacted careers of HR professionals. SharedserviceCo provider and client HR professionals identified most career satisfaction, albeit with inconsistencies identified. Lack of satisfaction with career opportunities may be as a result of the dispersed nature of the HRM architecture. However, HRM architecture does not explain why In-houseCo HR professionals, who were more centralised, also had limited satisfaction with career opportunities.

Other issues that emerged from interviews with HR professional informants included awareness of governance and KPI measures as commented on by the three case studies. The significance of the awareness of governance and KPIs might be indicative of having an awareness and understanding of the business and, in many models, positive HR professionals. Awareness of governance and KPIs was demonstrated in all cases however SharedserviceCo provider and clients demonstrated the strongest awareness of and positivity towards governance and KPIs. The HRM function can have a significant impact on experiences in the workplace. Further, the HRM function can set policies and be an important intervening factor in the development of policies, which is then provided to managers who implement these HRM initiatives. A high level of organisational awareness is compatible with the Harvard Model (Beer et al. 1984) and the AHRI Model of Excellence (AHRI 2016). Both of these models provided detail of the skills required of HR professionals to excel and lead to positive organisational outcomes. The significance of provider HR professional’s awareness of governance and KPIs may superficially represent a level of awareness of the organisation and its required outputs but does not represent a deep understanding of organisational outcomes and may demonstrate lack of maturity of HR professionals in this area.

Provider HR professionals indicated environmental uncertainty as a challenge in relation to careers in OutsourceCo, manifesting in a variety of consequences and subsequent variability
in career opportunities for HR professionals. There was no commentary of environmental uncertainty in SharedserviceCo HR provider and limited comment in In-houseCo. Client HR professionals commented on environmental uncertainty in OutsourceCo and SharedserviceCo. The environmental uncertainty reported by the OutsourceCo client HR professionals was supported by the People Matter Survey results indicating there was a perception of job insecurity and employees commenting they did not feel that organisational change was handled well (OutsourceCo client NSW PSC 2013). Shadow structures can also impact uncertainty and may also deskill HR professionals and associated functions according to Ulrich (1995) and McCracken & McIvor (2013). This view is supported by the OutsourceCo and In-houseCo experience where there was questioning of the quality of HR professionals (IHP6 2013; IHP7 2013; IHP8 2013; OSC8 2013).

The link between environmental uncertainty and a distorted notion among the informants to the underpinning issue of a psychological contract was not articulated with clarity by HR professionals, particularly in OutsourceCo. However, the issue of environmental uncertainty and the concern this caused to HR professionals about career opportunities is consistent with the literature on the psychological contract, which highlighted uncertainty as a cause of the potential breach of the contract (Rousseau 1995; Nankervis et al. 2017). This prompts consideration of whether the public sector is a model employer (Colley 2001; Brown 2004).

Perceptions of working in the public sector were also commented on in the three case studies by HR professionals with mixed perceptions within and between case studies. OutsourceCo provider HR professionals were negative about the public sector with SharedserviceCo HR professionals identifying variable comments, as did In-houseCo HR professionals. There were seen to be largely positive career opportunities in SharedserviceCo. SharedserviceCo client HR professionals were positive about their career as the HRM architecture provided strategic opportunities. SharedserviceCo provider and client HR professionals reported limited commentary on environmental uncertainty and working in the public sector.
SharedserviceCo provider and client HR professionals were positive about their roles, the work they did and their team. Working in public sector was not the attraction, the work and team were. The SharedserviceCo client People Matter Survey satisfaction rate was 72 per cent, which was lower than comparator rates (SSA 2012). In-houseCo HR professionals were mixed about working in the public sector and indicated variable career experiences with limited commentary on environmental uncertainty. Supporting this was the In-houseCo People Matter Survey engagement index, which was lower than comparator engagement rates and the average for all respondents (SSA 2013).

### 7.4 What is the experience of senior managers of HRM architecture?

When considering their experience of HRM architecture, there were consistent themes reported by senior managers in all three cases. This section aims to present an understanding of the range of impacts for senior managers of the HRM architecture. Themes from interviews with senior provider and client managers are detailed and structured on the key themes emerging in each case study. A summary of the themes is provided in Table 7.2. The more significant themes identified by interviewees were key performance indicators and governance, a level of structural confusion and insights into the public sector as a workplace. Other commentary was focused on a variety of elements that emerged from interviews.
Table 7.2 – Senior managers experience of HRM

<table>
<thead>
<tr>
<th>Reason</th>
<th>OutsourceCo</th>
<th>SharedserviceCo</th>
<th>In-houseCo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance &amp; KPIs</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Structural confusion</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Public sector as a workplace</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Inconsistent HRM support</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Leadership support of HRM architecture</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Client relationship &amp; service variable</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Client relationship &amp; service positive</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Environmental uncertainty</td>
<td>✓</td>
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<tr>
<td>Transition</td>
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</tbody>
</table>

7.4.1 Key Performance Indicators and Governance

KPIs and governance were defined as how the relationship was formally structured, measured and managed between the provider and client. It may be argued an understanding of KPIs and governance were indicators of an understanding of the role of the HRM function in the broader organisation. While governance and KPIs were identified by HR professionals as significant, they were also commented on by all three case study senior managers. However there were mixed views and variable levels of understanding of what governance and KPIs represented and how they were demonstrated in each case study.

In OutsourceCo KPIs and governance prompted a variety of comments. At its highest level, each key OutsourceCo client was represented on the board of OutsourceCo (OSP1 2012). OutsourceCo client senior managers commented that governance was problematic (OSC1 2013; OSC8 2013). An OutsourceCo client senior manager reported a concern about this structure as potentially leading to lack of cohesion as each board member may advocate for
their own organisation (OSC8 2013). At an operational level, a client senior HR manager reported they were aware of measures, however they were not regularly provided to the manager level (OSC1 2013). An OutsourceCo client senior manager also commented on the absence of service level agreements or clear delineation of a purchaser-provider relationship, led to a lack of clarity in the relationship between services provided and client needs (OSC8 2013). The absence of penalties and rewards for service was identified as one way to improve the relationship according to a client senior manager in OutsourceCo (OSC8 2013). It was also noted process maps and information booklets detailing services had not been updated since the beginning of the relationship, signifying inefficiency (OSC1 2013). OutsourceCo provider senior managers reported an awareness of KPIs and monitoring (OSP1 2012; OSP3 2012; OSP5 2012; OSP8 2012; OSP9 2012). OutsourceCo senior managers also considered KPIs and governance as positive (OSP1 2012; OSP3 2012; OSP5 2012).

In SharedserviceCo there was a memorandum of understanding (MOU) detailing services to be delivered and performance measures between SharedserviceCo and their clients. Of SharedserviceCo client senior managers, there was an awareness of the governance structure (SSC7 2014; SSC9 2014), and the same informants thought it was a positive aspect of the arrangement (SSC7 2014; SSC9 2014). According to a client SharedserviceCo senior manager, service measures needed to be clearer at the commencement of the relationship (SSC1 2014). A client SharedserviceCo senior manager commented performance measures were regularly reviewed internally to assess if they were comprehensive and relevant (SSC7 2014). There were fortnightly work in progress meetings with clients and quarterly meetings to deal with any MOU issues and emerging trends. However, service standards were not communicated to managers in general (SSC1 2014). According to a client senior manager, the governance structure was an essential component that could be invisible when things were working well in the relationship. The senior client manager indicated the relationship thus far had been stable and constructive (SSC7 2014). From a provider perspective, senior
managers from SharedserviceCo were very clearly aware of the governance structure (SSP5 2014; SSP8 2014).

In the case of In-houseCo there was mixed evidence of a formal approach to managing governance and KPIs. While provider senior managers were aware of the governance structure (IHP2 2013; IHP6 2013) client senior managers indicated there was no governance or KPIs they were aware of (IHC1 2014; IHC4 2014; IHC5 2014; IHC9 2014). A provider senior manager stated KPIs were captured. However these measures were not communicated to the internal team or more broadly to clients (IHP6 2013). Fifty-six per cent of client senior managers noted there were no structured meetings or client feedback mechanism (IHC1 2014; IHC2 2014; IHC5 2014; IHC6 2014; IHC7 2014). Two provider senior managers commented there appeared to be an element of complacency with less pressure on in-house HRM to deliver results (IHP6 2013; IHP7 2013). This may be indicative of less rigour around in-house HRM services. While one HR professional indicated a laissez-faire approach to client feedback ‘clients are satisfied because they come back for advice’ (IHP1 2013), a senior client manager appeared to be focused on performance indicators (IHC1 2014): ‘So maybe you can with an outsourced supplier be … more strident about meeting particular performance considerations because if they don’t, you can withhold payment.’

In-houseCo was also contrary to the literature as all activities were undertaken internally and yet the HRM service was considered functional at best (IHC3 2014; IHC5 2014; IHC7 2014). According to a client senior manager, ’…the governance structure is an essential component; it’s less visible in one sense when things are really going well’ (SSC7 2014). In In-houseCo a senior manager reported that HRM also varied according to the support provided by individual HR professionals (IHP2 2013).
Discussion

OutsourceCo and In-houseCo client senior managers were less aware of governance and KPIs and less positive about it. In SharedserviceCo client senior managers were more aware and positive about governance and KPIs. To place the comments of the senior managers in perspective, in OutsourceCo and In-houseCo there were structures to govern the relationship however their communication to clients more broadly was not evident. SharedserviceCo had a much stronger awareness of and reliance on governance structures and KPIs. This may be because they were paying for the service. However, awareness of governance and KPIs was not as strong in OutsourceCo, which also had a fee-for-service arrangement for their HRM services, as mentioned earlier. There was, however, choice of provider for SharedserviceCo evident, which indicates a point of difference between OutsourceCo and SharedserviceCo. Governance and KPIs were not explored deeply in the literature.

7.4.2 Structural confusion

Structural confusion was reported as lack of structural clarity of the HRM function and responsibility for the performance of specific tasks. Structural confusion was commented on by senior managers in all three cases. In OutsourceCo a client senior HR managers indicated there was lack of structural clarity (OSC1 2013) and a challenge of the relationship was that the client did not always know what they wanted or needed with little foresight or long-term planning in the HRM area (OSC2 2013). According to client senior HR managers there was a general disconnection between provider and client as well as confusion regarding clarity of who undertakes specific HRM activities (OSC1 2013; OSC2 2013; OSC3 2013; OSC6 2013). One client senior HR manager noted the structure was too complex for employees to understand how HRM works (OSC1 2013). While OutsourceCo provider senior managers were aware, their challenge was to ensure service offerings were understood by all levels of the client organisation (OSP1 2012; OSP8 2012). However, there were no solutions or alternatives offered.
In SharedserviceCo among client senior managers there was a lack of clarity regarding which group delivered which HRM services. Client senior managers commented there was, on occasion for new users of the service, a lack of clarity about the difference between what was delivered by the shared service and internal HRM (SSC4 2014; SSC6 2014; SSC8 2014). A client senior manager also identified there were grey areas about which team delivered what elements of the HRM function such as performance management administration (and further commented (SSC7 2014):

> Strategic and operational is a convenience but you have to look at the content and you see whether the operational component should still sit within your area because of the consequences which you may need to deal with as that process goes from operational to strategic or to higher end.

Internal HRM had to ensure it was continually proving its value to the organisation and reinvent themselves according to one senior manager (SSC8 2014). A client senior manager (SSC8 2014) indicated there was a risk when functions, such as HRM, were broken up and delivered from a variety of areas as they would not have a critical mass and face the possibility of an erosion of capacity (SSC8 2014):

> Everybody recognises that you have to pay people so those all of those functions are valued. The functions that our internal staff perform are more discretionary and they are the sorts of things that have an impact on what sort of a place this is to work but if we…stopped running a culture survey … or any of those things it would take a while for the impact to be seen.

In In-houseCo, client senior managers indicated a lack of understanding by clients of what services HRM provided and where HRM services were delivered from; particularly since the splitting of HRM in an organisational restructure in 2013 (IHC2 2014; IHC4 2014; IHC6 2014; IHC7 2014). Clients did not understand how HRM was structured or what services HRM
offered with no clearly articulated boundaries according to one senior client manager (IHC7 2014): ‘I think there’s a definitional issue so I the other interesting thing is I think if you said to if you had five people and you said define HRM you’d get five different answers.’ Another comment by a senior manager on challenges faced by the HRM function (IHC7 2014): ‘The challenge for HRM it’s a service that’s provided to the organisation and in some ways if it’s working really well we are not aware of it.’ Once again, no solutions or alternatives were proffered.

Discussion

Structural confusion was a theme identified in all three cases by senior managers. There was confusion about the structure of HRM and whose role it was to undertake which activities in In-houseCo and, to a lesser extent, in OutsourceCo and SharedserviceCo. OutsourceCo providers were confident of services provided and structures (OSP1 2012; OSP8 2012) however one client senior HR manager was less confident (OSC1 2013). Client senior managers in SharedserviceCo reported a lack of clarity of service provision for new managers (SSC4 2014; SSC6 2014; SSC8 2014). A SharedserviceCo client senior manager also indicated activities might fall between the provider and the client and thus be overlooked (SSC7 2014). In-houseCo senior managers were least clear in all the case studies of the structures about what services HRM offered (IHC2 2014; IHC4 2014; IHC6 2014; IHC7 2014). According to one senior manager ‘You wonder whether the both hands know what the other hand is doing’ (IHC5 2014). This comment was consistent with Cooke (2006a) who found there may be limited awareness of relevant contact points for the HRM function as a result of structural change. From a whole-of-HRM function, NPM, with its ideology of decentralisation and contracting out, also led to more fragmentation and thus less visibility of the overall picture of HRM practices in government (Colley 2001). This appeared a risk for HRM functions in all three case study organisations.
The commentary by one senior client manager in SharedserviceCo raised the risk faced by the HRM function about the fragmentation of HRM which might lead to erosion of HRM capacity (SSC8 2014). This concurred with Caldwell and Storey’s (2007) concept of fragmentation of HRM work as a challenge for HRM profession. Greer et al. (1999) and Gospel and Sako (2010) also commented that should the HRM function outsource too much it may be left without sufficient resources leading to reduced capability and service thus supporting the essence of the role of HRM as outlined in the AHRI Model of Excellence (AHRI 2016). To place these comments in perspective, as outlined by informants, there was a lack of clarity of what was provided and by whom, which could lead to activities being overlooked and overall fragmented service provision.

7.4.3 Public sector as a workplace

Working in the public sector was defined as the perception of what it was like for employees to work in their organisation. Comments captured related to working in the public sector and perceptions of positive and negative elements as well as the ability to attract and retain employees. The experience of working in the public sector was also commented on by HR professionals. There were mixed comments about the public sector as a workplace according to informants. In OutsourceCo, a provider senior manager commented there was a negative perception of working in the public sector (OSP5 2012). While there was not a strong theme evident, an OutsourceCo client senior HR manager indicated performance management was difficult and there was a political impact of working in the public sector (OSC10 2012). However, a client senior HR manager also commented on good working conditions (OSC3 2013). There was also a comment from a provider senior manager that the public sector was not an impediment to achievement (OSP1 2012) with the implication that this is not the norm.

SharedserviceCo provider senior managers made limited comments about working in the public sector. However, SharedserviceCo client senior managers indicated there were good working conditions (SSC5 2014; SSC6 2014) with employees making a difference (SSC8
The in-house client senior manager comments were mixed and with limited feedback. In In-houseCo a provider senior manager and client senior HR manager indicated there were good working conditions in the public sector (IHP6 2013; IHC5 2014). However, according to another senior manager, performance management and termination were challenging in the public sector (IHC1 2014).

**Discussion**

In all three case studies senior managers reported a mixed experience of working in the public sector. While good working conditions were reported, similar to HR professionals, the notion of the public sector being a model employer was not a strong theme reported by senior managers from any of the case study organisations. This represents a complexity. Recruitment and attraction of capable staff is a cornerstone function of HRM but the prevailing view from well-placed informants was that the public sector was not necessarily an attractive employer. This makes the key tasks of HRM (attracting, developing and sustaining employees) more complex and may well have an overall negative impact on morale again linking to a breach of the psychological contract. Podger (2017) does refer to the difficulty of the public sector to attract and retain employees.

**7.4.4 Inconsistent support**

Inconsistent HRM support was described as support, which was of variable quality as experienced by client senior managers. There were differing views from providers and clients of the HRM support provided. Inconsistency in HRM advice and support was a challenge from the client perspective in OutsourceCo with a client senior HR manager commenting on its impact on provider credibility as important (OSC1 2013). An OutsourceCo provider senior manager commented that stakeholder management was an important part of the process (OSP1 2012). According to a client senior managers and senior HR manager, the benefits of an outsourced service were diverse and contemporary opinions and good use of systems and longer-term planning for the use of technology (OSC1 2013; OSC8 2013). However, continuity
of information and depth of support from OutsourceCo was a problem with the perception that OutsourceCo did not delve into problems because of inadequate resources, according to a client senior manager and senior HR manager (OSC5 2013; OSC8 2013).

An element affecting the perception of support was the method of contact, which was a concern for client informants. For example, there was frustration at having to use a contact centre as reported by client senior HR Managers (OSC1 2013; OSC3 2013; OSC4 2013). A contact centre is the use of a central telephone number where callers are connected to the first available operator to respond to their query. In OutsourceCo the operators were generalists dealing with HR and other administrative tasks, and for any more complex queries, forwarding to subject matter experts according to a provider senior manager (OSP8 2012). A client senior HR manager, however, did not wish to use the contact centre and instead expected direct contact with HRM (OSC1 2013). This was supported by comments by other client senior managers and HR managers that there were problems with communication more broadly with the agreed protocol of client communication not at the right level and thus limiting information filtering through the client organisation (OSC1 2013; OSC2 2013; OSC6 2013; OSC8 2013). It was also identified by a client senior HR manager that different language was used by OutsourceCo as compared to the client which confused those in the client organisation thus affecting the perception of support provided (OSC2 2013).

In SharedserviceCo a client senior manager indicated that while the structure seemed functional, much depended on the right individuals being in specific roles (SSC7 2014). Client senior managers in SharedserviceCo found access to the service through email and the telephone convenient but a little impersonal having to use a central telephone number for contact (SSC6 2014; SSC8 2014). One client senior manager commented that services on occasion were a little disjointed and less strategic as there was a need to go through one contact point (SSC7 2014). It was identified there was more self-service and manager involvement in HRM activities (SSC1 2014). This was seen as both positive and a negative.
One client manager considered one positive was the payroll system was easier and more automated, which meant there did not need to be as much face-to-face contact (SSC7 2014). Another client manager indicated increasing automation was a negative and would sometimes lead to a lack of the personal touch (SSC4 2014).

In In-houseCo, change in contact for clients in the last few years, according to senior client managers had posed challenges (IHC5 2014; IHC6 2014). One senior manager stated (IHC5 2014):

> And look, on the odd occasion when I’ve had to get that level of advice look I think it’s difficult with people moving in and out because you can’t have that same sort of trust and rapport probably that we had under that previous model.

Client senior managers also noted advice was not always provided to meet the needs of specific circumstances (IHC1 2014; IHC3 2014; IHC5 2014; IHC7 2014). One senior client manager acknowledged the challenges of being part of in-house HRM (IHC7 2013):

> Maintaining objectivity whilst you are working as part of an organisation and as affected by whatever is happening in the organisation when you are working in HRM but you’re in fact there to be providing advice so I think there is conflict potentially there because you yourselves may be impacted.

Perhaps supporting this comment, 50 per cent of senior client managers indicated the client relationship was HR professional dependent (IHC1 2014; IHC3 2014; IHC5 2014; IHC7 2014; IHC8 2014). The HRM function was viewed as largely having an administrative focus with good transactional advice. A mismatch appeared as clients were looking however for higher level advice which was not provided (IHC1 2014; IHC3 2014; IHC5 2014; IHC7 2014). This was reinforced by a provider senior HR manager who indicated not all HR professionals had a good understanding of what was happening in the business, thus affecting the quality of the
service delivered (IHP6 2013). Further, HR professionals were very compliance focused when commenting that managers frequently wanted to “bend the rules” and disregard policy (IHP6 2013). There was also commentary by a senior HR manager there was a compliance mindset in the HRM function (IHP2 2013). According to a provider senior HR manager there was an acknowledgement that HR professionals were compliance focused: ‘They are used to being gatekeepers rather than client managers’ (IHP2 2013). While support was viewed as inconsistent by some, accessibility was viewed positively as there was a perception of it being easy to telephone an HRM professional and not having to use a contact centre. Client senior managers did note there was more customer service now than in the past due to increased automation (IHC4 2014; IHC6 2014). However, it was also suggested there could be even more visibility of HRM in the organisation as less involvement in some activities may be detrimental to the relationship (IHC7 2014).

Discussion

Inconsistent support and reliance on the expertise of specific HR professionals was evident among the three cases. Support was raised in the literature, however, more in the context of the disruption of service provision (Cooke 2006a; Belcourt 2006; Kosnik et al. 2006; AHRI 2015). Access to HRM support and specifically the use of a call centre and communication more broadly was a difficulty from an OutsourceCo and SharedserviceCo client perspective (OSC1 2013; OSC3 2013; OSC4 2013; SSC6 2014; SSC8 2014). In these observations, the view of HRM may be best described as a service where senior managers are disgruntled.

7.4.5 Leadership support for HRM architecture

Leadership support of the HRM architecture was characterised as leaders demonstrating an understanding of the HRM architecture and support for the activities at a strategic and operational level. Support from organisational leaders was identified as important particularly in the future direction of the HRM function. In OutsourceCo the importance of leadership support in relation to structural issues and supporting direction was raised by 40 per cent of
the provider senior managers (OSP3 2012; OSP8 2012). A client senior manager and client senior HR managers indicated leadership support was important (OSC1 2013; OSC8 2013; OSC10 2012). There were differing levels of commitment to the new approach and limited apparent senior leader commitment to the architecture according to a senior manager and senior HR managers (OSC1 2013; OSC8 2013; OSC10 2012). A client senior manager and senior HR manager indicated a commitment to the outsourced model was questionable and a stronger strategic direction was needed (OSC8 2013; OSC1 2013). OutsourceCo provider senior managers and a senior HR manager noted that without senior-level commitment it was harder to provide good services (OSP1 2012; OSP3 2012; OSP4 2012; OSP8 2012). According to a client senior HR manager, there was also internal client cynicism about how outsourcing was represented and that it would have been better to clarify that this approach was adopted as a cost cutting method and to provide the rationale for that, rather than framing it as a quality improvement focus. That is, the rationale for outsourcing was not clear (OSC1 2013).

In In-houseCo in relation to leadership, a client senior manager did comment on the importance of leadership both in the structure and in their teams as there was devolution of the HRM function (IHC1 2014). There was no specific commentary relating to the importance of leadership support for the HRM architecture in SharedserviceCo.

**Discussion**

The lack of leadership support for the architecture and the role of HRM was a theme in OutsourceCo and In-houseCo. There was limited further exploration of the role of senior managers or specifically the leadership expected of them about the HRM architecture. The issue of leadership was not identified by informants in SharedserviceCo. When considering the relevant literature, Ulrich (1997) suggested fostering change organisational leaders need to support HR professionals by demonstrating that people issues are important and fundamentally matter. Commentary indicating senior support was not evident in the three
cases, which may infer there were elements of degradation and a lack of respect for the inherent functions HRM could perform.

### 7.4.6 Variable client relationship and service

The client relationship is described as the quality and accuracy of interaction between the provider and the client. Service captures issues of responsiveness, consistency, and accuracy of the services provided to clients. In relation to formal client feedback, 60 per cent of the OutsourceCo provider’s senior managers noted the existence of formal client feedback (OSP1 2012; OSP5 2012; OSP6 2012). Client feedback was sought approximately every 18 months through a formal satisfaction survey. There was limited awareness of previous results among OutsourceCo client interviewees according to a client senior manager, signifying an added communication problem between the provider and client (OSC8 2013). However, the client had not initiated their own survey to gauge staff perception on the quality of the outsourced service. OutsourceCo was not identified as a partner in the business of delivery of the HRM function as a whole according to a senior HR manager (OSC5 2013). An OutsourceCo senior manager indicated OutsourceCo employees were a mix of public sector employees and contracted employees (OSP1 2012). The perception of service responsiveness by clients was mixed. Experiences of senior HR managers ranged from a positive experience of a 24-hour service turnaround response (OSC5 2013) to concerns about a 10-day turnaround time for queries (OSC1 2013; OSC4 2013).

In OutsourceCo, based on the comments from informants, the relationship between OutsourceCo and their clients did not appear to signify either closeness or trust. One OutsourceCo client senior manager noted that the provider and client had grown apart over time (OSC8 2013). It was noted by an OutsourceCo client senior HR manager that OutsourceCo employees were often “blamed” when things went wrong, sometimes unfairly (OSC1 2013). Another client senior manager commented OutsourceCo was used for as little as possible (OSC8 2013). There did not seem to be aligned thinking between the client and
OutsourceCo according to one client senior HR manager (OSC4 2013). Another client senior manager suggested OutsourceCo ‘did not know them’ and was not visible (OSC8 2013).

Loss of control was also identified as a problem for the client (OSC4 2013). From a provider perspective, OutsourceCo senior managers also indicated there was client focus (OSP1 2012; OSP5 2012; OSP8 2012). While OutsourceCo senior managers did not comment on responsiveness specifically, there were comments by all on a focus on process improvement (OSP1 2012; OSP3 2012; OSP5 2012; OSP6 2012; OSP8 2012). Client expectations were also raised in the context of the relationship. One of the challenges of the relationship was that the client did not always know what they wanted or needed with little foresight or long term planning in the HRM area according an OutsourceCo client senior HR manager (OSC2 2013).

In In-houseCo the client relationship, how it was managed and monitored and its significance were not strong themes commented on. Client senior managers provided a variety of insights that, at times, were conflicting. For example, 70 per cent of senior client managers indicated the relationship was functional rather than close (IHC2 2014; IHC3 2014; IHC4 2014; IHC5 2014; IHC7 2014; IHC8 2014; IHC9 2014). Fifty per cent of the in-house client senior managers indicated one of the benefits of having in-house HRM was that it was readily accessible (IHC1 2014; IHC3 2014; IHC4 2014; IHC5 2014; IHC8 2014). Alternatively, and somewhat to the contrary, senior client managers also commented that HRM was not visible (IHC6 2014; IHC7 2014; IHC8 2014). Client senior managers also indicated responsiveness and good service provision (IHC1 2014; IHC2 2014; IHC3 2014; IHC4 2014; IHC6 2014; IHC8 2014; IHC9 2014). However, client senior managers commented that processes were onerous (IHC1 2014; IHC7 2014; IHC9 2014). According to HR professionals, relationship management was very important. Two provider senior HRM managers spoke about building a relationship with clients in a business partner model with the desire for HRM to get things done and not be seen as a blocker (IHP2 2014; IHP6 2014). However, this was not the
experience of clients with a senior manager comment that HRM was reactive rather than proactive (IHC5 2014). The HRM function, according to client senior managers, was at risk of being too inwardly focused with connections to be mostly through email (IHC4 2014; IHC5 2014; IHC6 2014), while communication between provider and client could be enhanced (IHC2 2014; IHC6 2014; IHC7 2014). According to a client senior manager (IHC7 2014):

> The support overall was quite good but again it was … in most cases I felt I had to ask for the advice rather than it was provided and that was probably as much about I wasn’t probably wasn’t aware of what the menu was of services versus … you know the it being an approach you know a proactive approach made by the division.

**Discussion**

In OutsourceCo the provider reported very little about the relationship and responsiveness of the service. However, there was a strong emphasis by provider senior managers on process improvement (OSP1 2012; OSP3 2012; OSP5 2012; OSP6 2012; OSP8 2012). This was not supported by an OutsourceCo senior client manager and senior HR manager who had contrary views about the relationship or responsiveness in relation to the concept of client relationship and service (OSC4 2013; OSC8 2013). In-houseCo client senior managers characterised the relationship as functional rather than close (IHC2 2014; IHC3 2014; IHC4 2014; IHC5 2014; IHC7 2014; IHC8 2014; IHC9 2014). This was consistent with Caldwell (2010) who found there can be challenges of business partners fulfilling their ultimate aim. HRM appeared very compliance focused, unwilling and unable to move beyond that approach (IHP6 2013). Pollitt and Bouckaert (2017) also reported on the compliance based focus of public administration. The In-houseCo approach to HRM activities appeared to support this view. Again, it would appear that the potentially wider functions of HRM were subsumed in cautious approaches to administration and compliance. The mixed perception of the governance structure, indicated previously in OutsourceCo and In-houseCo may be linked to
service levels, which were also perceived as mixed with variability in their value in OutsourceCo and In-houseCo. Senior client managers commented that In-houseCo HRM was accessible but not visible (IHC 6 2014; IHC7 2014; IHC8 2014) and at risk of being too inwardly focused with connections to be mostly through email (IHC4 2014; IHC5 2014; IHC6 2014). These comments were consistent with the literature, which indicated lack of local knowledge and loss of face-to-face contact to discuss sensitive issues could also prove problematic from a client perspective (Reilly 2000; Cooke 2006a).

7.4.7 Client relationship and service positive

A positive client relationship demonstrated high quality and timely interactions between the provider and the client to support client needs. SharedserviceCo provider senior HR managers indicated how important the relationship was (SSP5 2014; SSP8 2014). SharedserviceCo provider senior managers considered the service responsive (SSP5 2014; SSP8 2014). This was supported by 86 per cent of client senior managers (SSC3 2014; SSC4 2014; SSC5 2014; SSC6 2014; SSC8 2014; SSC9 2014). SharedserviceCo client senior managers (71%) reported the relationship positive (SSC3 2014; SSC4 2014; SSC5 2014; SSC7 2014; SSC9 2014). Fifty-seven per cent of senior SharedserviceCo client senior managers indicated there was good service (SSC4 2014; SSC5 2014; SSC6 2014; SSC9 2014).

The only commentary challenging a positive relationship with the provider was one client senior manager indication that relationships may be person dependent and if queries were abnormal, they could present challenges with the quality of responses (SSC4 2014). Provider senior managers in SharedserviceCo indicated that turnover of staff in their client organisations affected the relationship (SSP5 2014; SSP8 2014). A SharedserviceCo client senior manager noted the relationship with the current provider was better than previously experienced with other providers (SSC4 2014). There was also an appreciation of the stability and trust of the relationship according to a client senior manager (SSC7 2014):
I think you’ve just got to accept is there’s a degree of trust in all of this as well KPIs help to sort of mitigate the risk of the thing not coming to pass but … in terms of a provider being able to deliver to the quality you expect you have to trust that they’ve got recruitment practices and development processes which actually ensure that they’ve got staff who are able to deliver.

Seventy-one per cent of SharedserviceCo client managers indicated the having an external provider allows clients to be more strategic (SSC3 2014; SSC5 2014; SSC7 2014; SSC8 2014: SSC9 2014). Insights relating to the client relationship were mixed in OutsourceCo and In-houseCo, but positive in SharedserviceCo.

While the relationship was largely positive, there were challenges. It was acknowledged by three client senior managers that there was a loss of flexibility in local arrangements when moving to a shared service relationship (SSC3 2014; SSC4 2014; SSC6 2014). Changing client expectations were characterised by the immediacy of fulfilling variable expectations and the challenge posed for providers. According to a SharedserviceCo senior HR manager, clients expected information immediately, and the service needed to be able to meet those demands as well as providing advice and support that was more than transactional (SSP5 2014). However, one client manager saw this as meeting needs when issues were not clear-cut (SSC5 2014):

Directors will always try to get a ruling which interprets the rules flexibly…we’ll opinion shop on that front to try and get an outcome which is closer to what we want.

A SharedserviceCo provider senior HR manager acknowledged that client expectations were constantly growing and they have responded to that (SSP5 2014). Relationships were considered positive and service responsive in SharedserviceCo by client and provider senior
managers and senior HR managers (SSP5 2014; SSP8 2014; SSC3 2014; SSC3 2014; SSC4 2014; SSC5 2014; SSC6 2014; SSC8 2014; SSC9 2014).

Discussion

The SharedserviceCo relationship was commented on as positive. While there were areas needing improvement, the relationship appeared positive and demonstrated high trust. A high trust relationship as well as availability and approachability were indicators of a strong outsourcing relationship according to Lievens and De Corte (2008). The SharedserviceCo case supported this concept.

7.4.8 Environmental uncertainty

Environmental uncertainty was characterised as the constant change occurring including internal structural changes, employee headcount increase or reduction and also external, whole-of-government changes. The implication of environmental uncertainty was lack of security for employees. Environmental uncertainty arose as an issue with senior managers, in both the provider and client structure, similar to HR professionals. Environmental uncertainty of senior managers of OutsourceCo and a client senior HR manager was apparent (OSP1 2012; OSC10 2012). An OutsourceCo client senior HR manager commented that individuals did not feel secure in their roles; with one commenting there was a realisation that internal HRM was a shadow structure and unlikely to remain (OSC1 2013). Organisational uncertainty and continual change for OutsourceCo client senior HR managers and senior managers was an issue raised (OSC1 2013; OSC2 2013; OSC4 2013; OSC5 2013; OSC8 2013). Uncertainty caused anxiety in OutsourceCo and the client organisation.

There were comments from In-houseCo client senior managers about organisational change and restructuring (IHC2 2014; IHC7 2014). While not a pervasive theme, there were comments about constant change and downsizing in the organisation, and the negative impact this had on the workforce more generally and HRM specifically. A provider senior HR manager
indicated downsizing seemed to be a constant state in government more broadly (IHP2 2013). Client senior managers indicated there had been significant downsizing and structural change in the past few years (IHC1 2014; IHC3 2014; IHC5 2014; IHC7 2014). A client senior manager commented ‘Government seems to do these changes in big events, but any organisation is just continually changing ‘(IHC7 2013).

Discussion

Similar to comments of OutsourceCo HR professionals, environmental uncertainty was raised by the OutsourceCo provider senior manager and client senior HR manager (OSP1 2012; OSC10 2012). An In-houseCo provider senior HR manager and client senior managers did comment on uncertainty however, less than OutsourceCo (IHC2 2014; IHC7 2014; IHP2 2013). This was not surprising as In-houseCo staff may yet be exposed to outsourcing whereas OutsourceCo were already working in a model external to the public sector employment regime. As commented insightfully by one In-houseCo senior HR manager (IHP2 2013):

My problem is that was restructure number 427, and in your life cycle you will have downsizing that seems to go on constantly in government, and then you secretly grow yourself back again and then because you have grown yourself back again you’ve got to be downsized again. The trick though is as you downsize you do it in a way that you don’t think you are asking unreasonable things of people who are left.

Environmental uncertainty was not something reported by the senior managers in the SharedserviceCo provider or client, perhaps as its employee numbers were stable and not affected by restructures or other changes occurring more broadly in the organisation. Adding to environmental uncertainty was the transition process as reported by OutsourceCo and SharedserviceCo.
7.4.9 Transition

Transition referred to the movement of HRM services between one provider and another. This is an issue raised by HR professionals as well as senior managers. Therefore, the same definition will be used. The term transition was defined as the process of the movement of HRM services between one provider and another, for example from in-house to outsource or from one outsourced provider to another. In OutsourceCo the transition to an outsourced model was problematic according to client senior HR managers and a provider senior manager due to inadequate time and preparation (OSC10 2012; OSP9 2012; OSC1 2013; OSC5 2013; OSC8 2013). One client senior manager commented that skill levels of those establishing the service were long-term public servants with limited experience in creating a shared service or outsourced service provider (OSC8 2013). The same client senior manager suggested the transition to outsourcing was not well conceived, leading to problems (OSC8 2013): ‘It should have worked…OutsourceCo had the opportunity to use the best bits of government and the best bits of private to make it a great service; they used neither, and we got stuck.’

An OutsourceCo senior manager acknowledged the model of service delivery received a lot of negative focus especially as it may be seen as at odds with the traditional public sector model that is very much about control. In this model, clients may have less control than an in-house model (OSP1 2012). Legacy systems and processes from client organisations differed at the time of transition. These systems and contracts needed to be “unwound” which was very time consuming and costly according to a provider senior manager (OSP8 2012).

In SharedserviceCo the period of transition from the previous provider to the current provider was not a strong theme. A senior manager indicated that there was a changed architecture of HRM more broadly with more HRM activities provided internally and increased reliance on devolving HRM activities to managers. The client organisation retained an internal HR team that undertook strategic HRM activities (SSC7 2014). According to a SharedserviceCo senior HR manager (SSP5 2014) at transition there was a lack of clarity as to what was to be
provided. A client senior manager suggested, as they had a level of maturity in relation to outsourcing the HRM function, they were very clear on what they were seeking (SSC6 2014):

I think because the service has been out to tender a number of times I think that actually a lot of the low-value activities have been taken out as a result of people putting in competitive bids to run the HRM service.

A client senior manager indicated transition was positive (SSC9 2014). None of those senior client managers interviewed suggested a move to change the model as it was arranged at the time of this research.

**Discussion**

OutsourceCo appears to have experienced the most difficult transition and, at the time of this study, had not recovered a positive relationship. SharedserviceCo had a less difficult transition to OutsourceCo and appeared to have no vestiges of negativity as a result. However, the service and relationship were more positive in SharedserviceCo compared with OutsourceCo, perhaps this has “erased” the transition process. According to the literature, when adopting shared services, a common approach was the retention of a small corporate HRM functions to address more strategic HRM activities which were less encumbered with administrative tasks (Reilly 2000). A small internal function was retained in OutsourceCo and SharedserviceCo. However, SharedserviceCo appeared most congruent with Reilly (2000) and this was not evident in OutsourceCo. Difficulties in transitioning HRM services were raised in the literature. For example, Cooke (2006a) suggested at the commencement of a shared services relationship there may be confusion about where HRM responsibilities sit, creating negative perceptions of the HRM function. While this was consistent with the OutsourceCo experience, it was less so for the SharedserviceCo experience.
7.5 Conclusion of the experience of senior managers of HRM architecture

Senior managers’ experience of HRM was mixed. Governance and KPIs were commented on by all three case studies senior managers. SharedserviceCo identified the strongest and most positive awareness from a provider and client perspective, OutsourceCo had a strong awareness from a client perspective. In-houseCo senior client and provider managers were least clear on the governance and KPIs and subsequent management of the relationship. While there was awareness of governance and KPIs in the case organisations, usage of KPIs about performance improvement was only reported in SharedserviceCo. Penalty and reward components were absent in OutsourceCo and In-houseCo, unlike in SharedserviceCo. The difference in experience may be explained by the fact that, while in all cases HRM support was paid for in one form or other, OutsourceCo and SharedserviceCo cases were more commercial in their charging. Thus, it may have been logical to consider that commercial arrangements were more closely managed. Had that been the case, however, there would have been stronger awareness of governance in OutsourceCo, which was not demonstrated. One possible explanation for the difference between OutsourceCo and SharedserviceCo was that SharedserviceCo had a penalty and reward system and, unlike OutsourceCo, had a choice in their HRM service provider and a positive relationship ensued.

In relation to structural confusion, not surprisingly, providers were aware of the structure and HRM activities with clients commenting on mixed experiences. Structural confusion was strongest in In-houseCo and then in OutsourceCo with least structural confusion with SharedserviceCo. The case study with the most confusion about the HRM structure was In-houseCo, which is counter-intuitive. While none of the case study structures were representative of theoretical models outlined previously, contractual arrangements applied in limited scope to HRM roles rather than a fully functional array of HRM functions as demonstrated in the AHRI model of Excellence (AHRI 2016) for example. The importance of clarity of roles is also significant in order for HRM activities to be undertaken in the most meaningful way.
While working in the public sector provided some positive benefits however there were also challenges reported. There was not strong evidence of the public sector necessarily being an attractive employment option. Again this prompted the question, as with HR professionals, whether the public sector was a model employer. Perceptions of the client relationship and service were variable in OutsourceCo and In-houseCo. In In-houseCo the relationship was described as functional and OutsourceCo reported difficulties in the client relationship and service. Support provided by HR professionals was person reliant and more transactional rather than strategic. Alternatively, relationships were considered positive and service responsive in SharedserviceCo. In InhouseCo and OutsourceCo leadership support of the HRM architecture was identified as an important element of a constructive relationship. Similarly, inconsistent HRM support was a theme for OutsourceCo and In-houseCo senior managers. Linked to support, the need for leadership support was another theme commented on in OutsourceCo and In-houseCo.

Further, environmental uncertainty was commented on extensively by OutsourceCo and InhouseCo provider and client senior managers. Related to uncertainty, the transition process was reported negatively by OutsourceCo and largely positively by SharedserviceCo. When considering the application of different models of HRM architecture, from the senior manager’s perspective, there was limited evidence of strategic support provided by the HRM function. When applying Storey’s Typology (1992), in OutsourceCo and In-houseCo HRM appeared to fulfil the handmaiden role. From a SharedserviceCo perspective there appeared to be more of an advisor role fulfilled by the HRM function. In relation to the application of the Ulrich and Brockbank (2005) model there was no evidence of the employee advocate or strategic partner or human capital developer or HRM leader being fulfilled in any case organisation. The applicability of the AHRI Model of Excellence (AHRI 2016) to the case organisations and specifically what HR professionals were expected to be was not strongly demonstrated. There was little evidence of HR professionals, in either the provider or client organisations, demonstrating the roles articulated in the AHRI Model of Excellence (AHRI 2016) of workforce
and workplace designers, culture and change leaders and stakeholders or mentors and coaches. This is consistent with the consideration of the HR professional’s commentary on the role fulfilled by HR professionals.

There was little commentary from any of the senior managers about devolution of HRM or the manager’s role in undertaking HRM activities. There was similarly a dearth of literature in the area of devolution of HRM activities commenting on the role of managers. Overall, the three models of HRM architecture represented a detachment and impersonal HRM service leaving many HRM staff and clients disgruntled. Once again, this indicates that HRM services were losing ground with the theoretical models of Harvard (Beer et al. 1984), Storey (1992), Ulrich & Brockbank (2005), and the AHRI Model of Excellence (AHRI 2016) with no plan to arrest the slide. There were no suggestions of a remedy for understanding the HRM architecture.

In relation to consideration of working in the public sector, all three case study senior managers reported variable experiences. Senior managers identified a variety of challenges in interacting with the HRM function. Senior managers commented on mixed experiences of the HRM function and subsequent support. Strong leadership commitment to the structure of the HRM function was not strongly evidenced or reported. Environmental uncertainty was strongest in OutsourceCo and then in In-houseCo and least evident in SharedserviceCo. The issue of environmental uncertainty for senior managers was similar to what was experienced with HR professionals, and it raised the issue of potential breach of the psychological contract, as identified by Rousseau (1995).

7.6 Employees’ experiences of HRM architecture

Client organisation employee’s experience of the HRM architecture was explored. The main aim of interviewing client employees was to validate senior managers’ responses. Focus groups with employees who were clients of the HRM function were conducted in SharedserviceCo and In-houseCo. In the OutsourceCo case, as employees did not participate in a focus group, the employee cohort represented in these findings were OutsourceCo client
HR professionals as proxies. Employee’s experience of the HRM architecture was mixed and identified a lack of clarity and understanding of the HRM function. While not universally commented on, environmental uncertainty was also discussed, as was the experience of working in the public sector. There was sparse literature evident to address employee experiences of HRM architecture. Similar to earlier sections of this chapter, findings are structured based on the key themes emerging in each case study. A summary of the themes in relation to employee’s experience of the HRM architecture is provided in Table 7.3.

Table 7.3 – Employee’s experience of the HRM function

<table>
<thead>
<tr>
<th>Reason</th>
<th>OutsourceCo</th>
<th>SharedserviceCo</th>
<th>In-houseCo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable experience of HRM architecture</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Lack of clarity of HRM architecture</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Environmental uncertainty</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Public sector as a workplace</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

7.6.1 Variable experience of HRM architecture

The employee experience of the HRM architecture was characterised as perception of HRM service and systems. There were positive elements as well as challenges reported by employees in all three case studies. In OutsourceCo, the experience from a client employee perspective was that the provider was one step removed from clients and response time was too long (OSC9 2013). Similar to OutsourceCo, a SharedserviceCo client employee indicated that the provider was one step removed and client communications channels challenging (SSE1 2015). Another SharedserviceCo client employee commented on the challenge of fitting in with large systems of a provider (SSE3 2015). Alternatively, according to a SharedserviceCo client employee, there were benefits of the HRM architecture including cohesive and efficient service (SSE4 2015). Comments from in-house employees in relation
to the HRM architecture were also variable. Eighty-three per cent of focus group employees commented on the onerous HRM processes (IHE1 2015; IHE2 2015; IHE3 2015; IHE5 2015; IHE6 2015). There was commentary on inconsistent support (IHE1 2015; IHE5 2015; IHE 2015). Both of these comments reinforced senior manager’s experience of the HRM architecture. However there were also positive comments that internal HRM had a superior understanding of the business (IHE2 2015; IHE4 2015; IHE6 2015).

7.6.2 Lack of clarity of HRM architecture

Lack of clarity was characterised as confusion about what HRM tasks were undertaken by whom and how. OutsourceCo, SharedserviceCo and In-houseCo employees commented on the lack of clarity of the HRM architecture. Specifically, the employees' experience of the HRM architecture was best described as a circumstance where confusion was prevalent in terms of what was delivered by HR professionals and how to access such services. In OutsourceCo there were challenges identified in relation to how the HRM function was structured (OSC9 2013). Also, it was identified there was little collaboration either within the provider or between the provider and the client (OSC9 2013). For example, provider and client communication did not appear strong according to one informant who commented provider HR professionals demonstrated a lack of awareness of client policies (OSC9 2013). In SharedserviceCo, there were client employees’ comments indicating a variable perception of an externally provided service (SSE1 2015; SSE4 2015). For example, one employee commented on access difficulties (SSE1 2015): ‘HR shared services I don’t know can I call them? I probably can, I’m not sure if it will be … straight forward.’

Another employee commented on disjointed internal and external HRM service provision (SSE3 2015). An alternative perspective was based on the assumed economical approach of a shared service approach to HRM architecture was provided (SSE4 2015):

Ideally, you would have everything sitting within a department because you have that more personal touch and you've got ... more limited interface
issues. But from an efficiency and value point of view, it doesn’t stack up really. Like across the systems and duplication of roles and things like that, it’s difficult to justify that... for a small organisation like SharedserviceCo that approach could potentially work, but I don’t think ... it’s justified in terms of the extra cost that that would incur. I think you would lose a whole lot of synergies and benefits that we are currently getting through the system and through improvements for that.

One employee commented that, while the impact of HRM varied, despite this HRM was respected as a provider of services (SSE1 2015). The strongest theme evident for In-houseCo employees was structural. Sixty-seven per cent of in-house employees interviewed indicated they experienced a lack of clarity concerning the HRM architecture (IHE1 2015; IHE4 2015; IHE5 2015; IHE6 2015). There was also a lack of understanding of actual HRM services delivered (IHE1 2015; IHE5 2015; IHE6 2015).

Lack of structural and role clarity was evident from informants in each of the three cases. This experience was consistent with Cooke (2006a) who found the lack of clarity of the HRM function deliverables as a common issue for employees.

7.6.3 Environmental uncertainty

Environmental uncertainty was described as change occurring including internal structural changes, employee headcount increase or reduction and external and whole-of-government changes. The implication of environmental uncertainty was lack of security for employees. This concept was discussed in both the HR professional and senior manager sections. It was also evident among employee commentary in OutsourceCo and InhouseCo employees. OutsourceCo client employees identified environmental uncertainty as a challenge (OSC9 2013). While not a frequently referenced theme in In-houseCo, there was commentary on environmental uncertainty according to one employee (IHE5 2015). Employee comments
supported the experience of senior managers. No employees in SharedserviceCo spoke of the environmental uncertainty, broadly similar to the senior manager’s experience and commentary.

7.6.4 Public sector as a workplace

Working in the public sector was similar to the concept discussed by HR professionals and senior managers. That is, employee’s experience of working in their organisation and the ability to attract and retain employees. The issue of being employed in the public sector arose in the InhouseCo focus group. There was commentary in In-houseCo on the different experiences working in the private sector compared to the public sector (IHE6 2015). One employee commented on the perception of an external provider not being able to understand the intent and goals of the public sector and the roles of employees in the absence of the profit motive (IHE6 2015). This coincided with senior manager’s commentary of working in the public sector.

There was limited commentary from any of the three case study employees on the ability to attract and retain employees. This lack of commentary does point to the question of whether the public sector more broadly fulfils the role of a model employer. The dearth of comments also points to a circumstance where the staff do not recognise that the core functions of HRM involve recruitment to an organisation that may be attractive to job applicants. The gap in the comments gleaned from informants also calls into question the degree to which HR professionals understand the role of HRM, their own roles, and the broader context of HRM. An overarching consideration is what has happened in HRM as this study has uncovered a detachment of the role of HRM and their functions to the client.

7.7 Conclusion of employee’s experience of HRM architecture

There were mixed perspectives of the HRM architecture by client employees in all three case studies. Employee experience was most negative in OutsourceCo and In-houseCo and most
positive in SharedserviceCo, which was consistent with what was reported from senior managers’ experience of the HRM function. Challenges identified by employees and senior managers, such as environmental uncertainty, highlighted the possibility of a breach of what the psychological contract theoretically represented (Rousseau 1995; Nankervis et al. 2017) and called into question, again, whether the public sector was a model employer. There was a limited discussion in the literature of the impact of specific HRM architecture on employees. Cooke (2006a) did consider the impact of shared services HRM on employees. Implications of shared services were found to be lack of face-to-face contact with HRM, limited employee representation and HRM information technology problems leading to a negative perception of the shared service provider (Cooke 2006a). Employee commentary in SharedserviceCo supported Cooke (2006a) where technology problems, in particular fitting in with large systems, was problematic, inducing disillusionment among employees.

7.8 Conclusion

This chapter considered findings of interviews and focus group discussions of informants from the three case studies. Both providers and clients of HRM services were interviewed. Provider and client HR professionals were interviewed to understand the implications of HRM architecture on their career. Senior managers provided their experience of the HRM architecture. Client employee perspectives on HRM architecture were also explored to validate senior manager’s experience.

As highlighted in this chapter, HR professionals demonstrated variability in career experiences, with a variety of issues prompting this. The HRM architecture impacted career opportunities of HR professionals however other issues such as the stability in the HRM leadership and limited development opportunities also impacted the career of HRM professionals. There was very limited evidence of the application of the Harvard Model (Beer et al. 1984), Storey’s Typology (1992), the Ulrich and Brockbank’s Model (2005) or the AHRI Model of Excellence (AHRI 2016). From a senior manager’s perspective, their experience of
the HRM function was variable. What emerged was that there was a lack of understanding of HRM roles and responsibilities. There were also a variety of challenges in interacting with the HRM function with the provision of more transactional advice evident with inconsistent support identified as a challenge for senior managers. Employee’s experience of the HRM function supported senior manager commentary.

When considering the three stakeholder groups and HRM architecture, the issue of the psychological contract was relevant. The psychological contract is underpinned by the informal and unwritten set of expectations of the employment relationship (Nankervis et al. 2017). It is separate from the formal legality of an employment contract (Nankervis et al. 2017). When merged, the employment contract and the psychological contract forms and defines the employer-employee relationship with a theoretical robustness (Bratton & Gold 2017), which was not evident in the three models. Low morale was evident in all three cases to an extent as indicated by environmental uncertainty and that multiple leading HRM models cited in this study were not evident in the work area supposedly charged with attracting and retaining talented recruits. Fundamentally, the study points to real concerns with the HRM architecture in all case studies and the loss of a defined and enunciated role for HRM.

The final chapter of this study considers the contributions to theory and knowledge. Practical and managerial implications are also identified. Limitations of the study will be considered as well as opportunities for future research identified. The chapter will end with concluding remarks.
Chapter 8: Conclusions

8.1 Introduction

The main aim of this study was to enhance the understanding of the impact of flexible HRM service delivery models on key stakeholder groups. The rationale for HRM architecture and its impact on key stakeholder groups in the public sector in Australia was explored. There are bodies of literature examining flexible HRM architecture in the form of outsourcing and shared services in a variety of sectors and countries. However, there was limited evidence of the application of theoretical HRM models in the development of HRM architecture specifically in the public sector in Australia. There was also an inadequate consideration of the implications of flexible HRM architecture on key stakeholder groups of HR professionals, senior managers and employees in the Australian public sector context.

Conclusions are based on findings from practitioners and employing organisations, in context with the literature in the field. The study examined three cases with contrasting models of HRM architecture in the Australian public sector context. Findings suggest varied experiences of the HRM architecture of outsourcing, shared services or in-house HRM adopted by the case study organisations, measured by the rationale for the HRM architecture as well as by the experience of HR professionals, senior managers and employees.

The aim of this study has been achieved by determining the key rationale for HRM architecture was based on both objective and subjective elements, which were not highly evidence-based. In consideration of the different models of HRM architecture on key stakeholder groups, a varied picture emerged. For HR professionals and the impact of the HRM architecture on their careers, there were variable experiences that appear to be common and not linked closely to HRM architecture. Senior managers demonstrated a mixed experience of the HRM architecture. Their understanding of the KPIs and governance of the HRM relationship and the client relationship was varied. There was also a level of confusion about the structure of
HRM architecture. A level of uncertainty in relation to the broader context pervaded the commentary from senior managers, which, in part, can be linked to comments relating to working in the public sector. Senior manager’s experience of the HRM function was dependent on the individual HR professional skill level. This may be due to the ad hoc nature of the structures and less use of good practice and researched theoretical structures, leading to the reliance on the individual skills of the HR professional. To what extent this is a causal relationship is unclear. Employee’s experience of the HRM architecture supported the senior manager commentary.

This chapter contains five parts. It will begin by answering the research questions. The first question related to the rationale for the HRM architecture. The three questions addressing the specific stakeholder groups of HR professionals, senior managers and employees are also considered. The second part of the chapter provides a discussion of theoretical and knowledge contributions. Part three of the chapter identifies practical and managerial implications of this study. While there may not be “one best way” to structure HRM, this study does expose elements of what is relevant in the public sector in the development of HRM architecture, especially as part of the implication for the public sector and HR professionals. The next part of the chapter focuses on limitations of the study and opportunities for future research. Finally, the chapter summarises conclusions of this study.

8.2 The driving forces for the adoption of the different models of HRM architecture in the public sector in Australia

This study demonstrates the varieties of HRM architecture which exist in the Australian public sector are quite different from the landmark models that are so prominent in the discourse in the HRM literature. Objective elements of cost and more subjective rationales of ideology, preference and control were the key factors identified in the three case studies contributing to the structure of the HRM architecture.
The cost of HRM architecture was identified as a significant rationale for the choice of HRM architecture: however at what cost in terms of service quality? The articulation of cost as a key rationale supports the literature. While earlier literature was limited in its commentary on the success of cost savings as a result of HRM architecture, two more recent outsourcing studies provided evidence of savings delivered by changes in HRM architecture. This illustrates the limited commentary in this field, which highlights the contribution of this study.

Where this study departs from the literature is that, while the architecture of HRM is a major cost, there was little evidence of analysis to justify the functional delivery of services in any of the cases researched. While providers of HRM services suggested their service was efficient and cost-effective, there were only varying degrees of evidence to support this assertion. The evidence and actual measures on multiple levels were conspicuous due to the absence of comments by the informants.

Cost in the cases was also focused on direct costs. There was no evidence of cost being considered in relation to broader organisational impact and the overall return on investment through productivity with well-implemented HRM functions. This represents another key finding through this research. The broader approach to cost was not the definition of cost as perceived by the informants. In the context of this study, informants focused on cost as only the direct monetary figure for purchased services and staff payment for their labour and associated items such as superannuation and annual leave and other costs of employment. However, this is only one measure of the cost. This illustrates the disassociation between HRM and the productive returns that HRM can provide when all of the functions are taken into account from a strategic perspective. There were no comments about the overall impact on productivity and savings from a department budgetary perspective in any of the three case studies. Cost driving decisions about HRM architecture, with little or no analysis, signifies that public expenditure was not evaluated to determine efficiency on a broad basis with neither the
informants nor the literature exhibiting much questioning of cost or the return on investment or specific ways it could be measured.

Ideology was another element to impact on the rationale for HRM architecture. While informants did not specifically identify the term ideology, commentary was inclusive of ideological elements. Commentary on NPM ideology was evident with a market orientation reflecting elements of neoliberalism. Adopting a mandatory or policy approach to the HRM architecture were ideological approaches, albeit not identified as such by informants. When considering the rationale for the HRM architecture, ideology was a strong influence with little evidence of assessing the benefits of the HRM architecture. It is a basic tenet of strategic planning to evaluate what has occurred to identify if benefits are realised and, if not, to review the process to ensure productive outcomes (Delahaye 2011). This was not apparent in the three cases with any rigour with limited evidence of business benefits being considered. Taking an ideological view as opposed to a demonstrable evidence-based position to justify the HRM architecture refines the literature in the field.

Arguably linked to ideology, management preference and control of the HRM function were identified as prominent considerations as the rationale for the choice of HRM architecture. This was not much explored in the literature, particularly in the Australian context. The aim for control of the HRM function is also linked to devolution of HRM activities. Devolution of HRM activities is not broadly explored in the literature. In this study, senior managers demonstrated both structural confusion and a desire for control. Senior manager confusion about the HRM architecture was counterintuitive as, due to devolution they might be expected to be more familiar with HRM activities and structures. This highlights the dearth of knowledge of the HRM function and its architecture and a potential gap in the communication of HRM activities. Case study organisations appeared willing to sacrifice HRM as they were not aware of the contribution HRM can make to organisational productivity. The link between devolution and control is one that needs further exploration.
Leadership support of the HRM function and leadership in the HRM function was not identified as worthy of much commentary by informants. Based on this research, HRM appears to have has lost “control” over its own role and the role managers play leading to a degradation of the impact the leadership role HRM can play in an organisation as a key enabler of performance. As a rationale for the HRM architecture, the implication that HRM must be “controlled” rather than being an organisational leader is indicative of the standing of HRM organisationally and a finding of this study.

8.3 The impact of HRM architecture on stakeholders

The HRM architecture impacted on HR professionals, senior managers and employees in a variety of ways. The implications for each group will now be considered.

8.3.1 HR professionals

HR professionals identified variable career experiences. While HRM architecture was a factor, there were other elements that affected the career of HR professionals, not aligned to a particular architecture. The variability of perspectives on the careers of HR professionals in the three cases may be due to a variety of factors including broader morale and satisfaction issues. For example, organisational environmental uncertainty may impact on the variability of career options of HR professionals. Internal and external change was evident and impacted on career stability for HR professionals. Employment terms and conditions also affected the experiences of HR professionals. That is, being employed as a public servant or as a contractor affected career experiences. Implications for contractors included higher pay in the short term but a form of employment that can be precarious. To what extent these differences significantly affected the career opportunities of HR professionals is unclear.

Another factor affecting the career of HR professionals was the linkage to the various models. There was minimal use of theoretical models of HRM architecture and only limited evidence of the roles espoused in the models demonstrated in the three case studies. The HRM
architecture appeared to have been structured more by chance than design with little input or leadership by HR professionals supporting the notion of HRM not playing a leadership role. This represented a surprising finding as the majority of informants held tertiary qualifications in HRM.

HR professionals did not demonstrate organisational leadership. Further, while HR professionals were expected to provide support to employees, HR professionals did not appear to be supported organisationally. This is an important finding and links to the psychological contract of HR professionals. While HR professionals may develop strategies to encourage talented people to apply for positions in their organisation, the morale of the HR professionals interviewed in this research was not optimal as they were aware of the ideological preference at the top of organisations to outsource, which affected the perceptions of security. Some considered that their employment was precarious.

New knowledge, broader than the HRM architecture, was uncovered as a result of this research. HR professionals expressed varied perceptions of working in the public sector. There was little compelling evidence of the public sector being an attractive employment option for HR professionals. This finding confirms the literature suggesting the erosion of the notion of the public sector as a model employer. For this situation to improve there is a need for HR professionals to take a leadership role as a significant intervening force and to articulate and implement what needs to occur.

8.3.2 Senior managers

Senior managers discussed variable experiences of the HRM architecture and also commented on issues broader than the HRM architecture. The Harvard Model (Beer et al. 1984) and Ulrich and Brockbank’s (2005) model claimed that one of the defining features of a positive HRM function is the relationship with the business. While there was a level of awareness of governance and KPIs, senior managers in all cases demonstrated a degree of
confusion about the actual HRM architecture, albeit to varying degrees. Another factor causing structural confusion may have been the devolution of HRM activities. Lack of role clarity between what was provided by HR professionals and what was devolved to managers can lead to structural confusion and is detrimental to successful achievement of HRM outcomes. The lack of role clarity and structural confusion demonstrated a communication failure. There was also a risk of fragmentation of the HRM function and erosion of HRM capacity. With the HRM function too fragmented, activities may not be completed, leading to a diluted reflection of an appropriate HRM architecture. In this context, however, there was little commentary from any of the informants about devolution of HRM or the manager's role in undertaking HRM activities. There was similarly a dearth of literature on devolution of HRM activities commenting on the role of managers or the issue of how to devolve a full or partial model of HRM.

Another factor commented on, which was broader than the experience of HRM architecture, was commentary related to working in the public sector. Senior managers raised variable perceptions of the public sector as a workplace and there were also differential experiences of HRM services provided. The client relationship and service provided was variable according to informants. One of the challenges of the relationship was that clients did not always know what they wanted or needed with little evidence of foresight or long-term planning in the HRM area. Linked to working in the public sector was the concept of constant change and uncertainty. Environmental uncertainty was not a concept deeply explored in the literature, however, it affected the experience of senior managers and was evident in all three cases to a varying extent. Environmental uncertainty may be linked to the public sector not being considered a model employer and contribute to a breach of the psychological contract (Rousseau 1995).

Leadership of the HRM function in the broader organisational context was identified as important in the literature (Ulrich & Brockbank 2005) and was not evident from senior manager
informants. The lack of HRM leadership may be a possible rationale for the less positive perception of the HRM function from a senior manager perspective.

8.3.3 Employees

Operational employee’s experiences of the HRM architecture reflected senior manager's commentary. That is, employee’s experience of HRM architecture was mixed. There was also evidence of issues broader than HRM architecture’s impact on employees. Employee’s satisfaction levels with services provided was variable. Employees in all cases commented on the lack of clarity of HRM architecture. This highlights the need for the HRM function to demonstrate and communicate further its function and leadership role organisationally. In doing so, HR professionals should acknowledge employees are not an homogeneous group with their perspective affected by socio-economic, professional and other factors. Thus, any approach of HR professionals needs to recognise similarities and differences in the employee cohort. As identified in the Harvard Model (Beer et al. 1984), HRM policy can impact employee engagement, which can then impact organisational performance (Nankervis et al. 2017).

Broader environmental uncertainty was evident in all three cases. As discussed previously, this was consistent with senior manager commentary of environmental uncertainty linked to the questioning of the public sector as a model employer. Thus, while the experience of the HRM architecture was variable for senior managers and employees, broader contextual issues, sometimes outside of the control of HR professionals, appear to play a part and influence the experience of senior managers and other employees.

8.4 Contributions of the study

This study contributes to the research on HRM architecture. The contribution identified that HRM in the context of these three case studies has departed significantly from the key academic models of HRM and reflects an older type of personnel management function more closely aligned to Storey’s (1992) model last century. The research also aimed to generate
knowledge in relation to further elements of the rationale for HRM architecture, the need for a thorough analysis in terms of cost, efficiency and the importance of HRM and organisational impact. Despite this study being set in the context of the public sector, it can contribute knowledge in the areas of HRM architecture and its impact on the career of HR professionals as well as the experience of senior managers and employees. The data contained in this study may have an impact on evaluating the ideological propensity to outsource without measuring the overall benefits or disadvantages. The following sections discuss the contributions to knowledge as well as the practical and managerial implications of this study.

8.4.1 Knowledge contributions

Environmental uncertainty

This study identified an emerging issue of environmental uncertainty. While there was a lack of literature addressing the issue of uncertainty, it emerged from informants in this study. Constant change and uncertainty in the form of external pressures, internal restructures and changing priorities affected HR professionals, senior managers and other employees in different ways and contributed to insecurity in terms of employment and a breach of the psychological contract. Prevalence of commentary by informants on environmental uncertainty, its impact and the lack of coverage of this issue in the literature is a novel contribution of this study.

Working in the public sector

There were many comments from informants concerning the mixed experiences of working in the public sector. While there was positivity among some informants, there was also a strong element of uncertainty and questioning about internal forces such as restructures, and other changes including whole-of-government expectations prompting changes in direction and subsequent insecurity. These observations represent a contribution of new findings in this field of research of HRM in the public sector. The issue of whether the public sector is a model
employer and able to attract and retain employees was brought into question and reinforces literature on this point. Thus, while HRM architecture may have played a part in individual experiences, other issues apart from the HRM architecture also affected the experiences of informants.

**HRM architecture not representative of theoretical models**

Context is vital in consideration of the optimal approach to HRM architecture. As the literature stated there is not “one best way” for HRM architecture to function, given the broad range of organisational contexts in which HRM operates. This study demonstrated that the three cases did not reflect the theoretical models. Based on these cases, leading models in the literature do not readily apply to the public sector. In considering the application of different HRM architectures, HRM did not fulfill the full range of roles identified in any of the theoretical models. There was an unquestioning acceptance of the architecture with limited evidence of HR professionals taking a leadership role and demonstrating consideration of good practice approaches to the HRM architecture. This is linked to another finding as many of the HR professionals interviewed possessed tertiary qualifications in the field yet did not comment that the HRM functions fell short of the espoused theoretical models. One argument for this may have been the dilution of the HRM function due to its devolution or external provision of services leading to diminution of its status organisationally. In essence, there was limited evidence of HRM fostering innovation and demonstrating a strategic approach: the question is why?

There was little evidence available to justify the choice of HRM architecture, such as the impact on productivity and savings from a budgetary perspective. It is a basic tenet of strategic planning to evaluate what has occurred to identify if the business benefit is achieved and, if not, to review the process to ensure productive outcomes. This did not happen in the three cases with any rigour. There was only limited evidence of business benefits being considered with a largely ideological and subjective view as opposed to a demonstrable financial position.
to justify the HRM architecture. It is of concern that a key function of an organisation that has significant input into employee engagement can be structured in a way that fails to take into consideration good practice examples and what is needed to support the needs and direction of the organisation.

**HRM architecture versus skills of HR professionals**

What also emerged was that the level of service provided and skills of individual HR professionals was more significant than the HRM architecture. While the importance of individual interactions between HR professionals and their clients is understandable, the lack of reference to the HRM function more broadly is representative of a lack of consideration of HRM from a strategic perspective. Neither the informants nor the literature in the field exhibited intense questioning of the return on investment from the HRM architecture or specific ways it could be measured. This study contributes to knowledge of HRM by highlighting the importance of the HRM function demonstrating professional and functional leadership.

**HRM leadership**

The theoretical models referred to in this study considered the importance of the role of HR professionals in demonstrating leadership. There was a limited demonstration of HR professionals leading, either internally to demonstrate HRM expertise and a “voice” for the HRM profession, and little development of HR professionals. Development of HR professionals would ensure a pipeline of experience and expertise to support the HRM activities and enhance the perspective of HRM development and career opportunities. The lack of leadership of the HRM function was also demonstrated with minimal questioning of the HRM architecture. A key finding was that the informants were so unquestioning of the role of HRM from a broader organisational perspective in terms of what HRM roles and functions should perform and why HRM architecture was structured in such a way. There appeared to be a mindset of the handmaiden (Storey 1992) concept for HR professionals and a lack of
confidence to be part of the organisational strategic dialogue. HR professionals are the key mediating layer between the organisation as a whole and individual employees. Those HR professionals interviewed in this study demonstrate limited leadership in their professional field and in the organisational context more broadly, which appears to have diluted the HRM impact organisationally. Nor do HR professionals appear to be “allowed” to demonstrate leadership – given the diluted form of HRM in which they operate. This is a key finding in the context of the role of HRM in these cases albeit not enunciated by the informants.

8.5 Practical/managerial implications

The aim of this study was to enhance understanding of the implications of HRM architecture on HR professionals and their careers, senior managers, and employees. Another aim was to make a contribution to decision making in relation to HRM architecture in the public sector in Australia. The implications considered below draw together the literature and findings from informants of case study organisations and provide insights for HR professionals and the public sector.

8.5.1 Take an evidence-based approach to the design of HRM architecture

This study has highlighted the lack of evidence-based decision making in relation to HRM architecture. Context is vital in consideration of the optimal approach to HRM architecture. Taking an evidence-based approach, with a focus on organisational requirements and strategic direction, will increase the likelihood HRM architecture is fit-for-purpose. Supporting the HRM architecture are the knowledge, skills and abilities of HR professionals as significant determinants of the success of the HRM function.

8.5.2 Clarity of roles and responsibilities between HR professionals and others

A key outcome of this research is that the informants were unquestioning of the role of HRM. As structural confusion permeated stakeholder’s experience of the HRM function, ensuring
role clarity is significant. Clarity is necessary regarding what activities HR professionals undertake and what is devolved to managers enabling them to facilitate increased client support and outcomes. Where elements of the HRM function are devolved to managers, it is also necessary for managers to be provided with a clear understanding of their role and development to support capability building in the area of HRM expertise.

8.5.3 HR professionals to take a leadership role in the HRM function and the broader organisation

The study has highlighted the need for HR professionals to take a stronger role in the development of the skill and experience of all HR professionals. The development of internal HRM capability to support consistent quality and professionalism of HRM services would be consistent with the “HR Leader” role in Ulrich and Brockbank (2005). Taking a leadership role organisationally should include advocating good-practice HRM approaches. Leadership in the HRM area would also include a demonstration of the contribution of the HRM function and the value-add HRM can provide to the broader organisation. This added awareness of the HRM contribution could also assist where devolution of HRM activities occur beyond HR professionals.

8.5.4 Public sector consideration of the implications of environmental uncertainty

Environmental uncertainty and significant amounts of change led to challenges in the case study organisations including a negative impact on career opportunities for HR professionals as well as senior managers and employees reporting variable perceptions of working in the public sector. A focus on more controlled and purposeful management of change in the public sector may assist in rebuilding the public sector to be considered a model employer. This will affect the ability of organisations in the public sector to attract and retain employees.
8.6 Limitations and future research

Given this study specifically focuses on HRM architecture in the Australian public sector between 2012-2015, it may be questioned whether the findings can be generalised more broadly in the context of the Australian public service, and domestic industry sectors or beyond Australia’s borders in the private and public industry sectors. As there were individual case examples of three different models of HRM architecture, there may also be questions in relation to the size of the sample. An increased sample size may have elicited additional insights or further validated findings. A further limitation was in the area of employee feedback. In this study employees were interviewed in two of the three cases. One limitation was the number of employees interviewed in the two cases. Further, there was not the opportunity to conduct focus group discussions with OutsourceCo client employees. Had the additional focus groups been conducted, further insights may have been identified.

Future research in the area of HRM architecture could focus on exploring additional models in the public sector in other states in Australia, which may induce additional insights. This could also provide the opportunity to explore senior managers understanding of HRM architecture as well as HR professionals. Models of HRM in the public sector in other countries such as Canada or New Zealand, could also be examined to elicit further understanding. Another area for future research is a deeper exploration of the public sector and its former status as a model employer. Causes for the change in perspective and proposals for rebuilding this perception would be beneficial areas of study. The breach of the psychological contract for HR professionals and the subsequent impact on the HRM service provided are also possible areas of focus. While HR professionals develop strategies to encourage talented people to apply for positions in their organisation, the morale of the HR professionals interviewed in this research was not optimal. In considering the breach of psychological contract, there may also be insights into ways in which to rebuild the relationship between HR professionals and the organisation to deliver outcomes that are more positive. As the three
cases demonstrate limited involvement in strategic HRM, future research could also consider to what extent HRM can play a strategic role in the organisation. Taking a mixed methods approach to future research would strengthen and enhance validity to elicit a deeper description of the strategic role of HRM.

8.7 Conclusions

The rationale for HRM architecture in the three cases in this study was inconsistent, often ideologically formed with little evidence-based decision making. Neither senior leaders in the case study organisations nor HR professionals demonstrated a deep consideration of the rationale for the HRM architecture or the contribution HRM can make to organisational effectiveness and productivity. Leading theoretical models were not directly applicable to the HRM architecture in the public sector. There are opportunities in the public sector for the HRM architecture to be reconceptualised, based on the context, which could affect the experience of HR professionals, senior managers and employees. For HR professionals, this will provide the opportunity to re-frame their approach, level of professionalism and career opportunities. Taking an evidence-based approach to the HRM architecture, leading to more positive outcomes, may also provide an improved experience for senior managers and employees of working in the public sector. HRM architecture in the public sector, in whatever form, is a cost to the public purse as it is public money. While the need to conduct a broad scale analysis on the return on spending of public money would seem to be non-controversial, this research found no evidence of the practice.

Insights from the HRM architecture and implications for key stakeholders in the Australian public sector demonstrated similarities, as well as variability for different groups. One of the overarching issues that was demonstrated in commentary of the three key groups of HR professionals, senior managers and employees was environmental uncertainty. This was one of the challenges of working in the public sector, with environmental uncertainty also affecting HRM services and support provided to clients and perceptions of HRM by senior managers.
and employees in the case organisations. For HR professionals, there were variable experiences for their career. However, the extent to which the HRM architecture was a key determining factor was unclear when compared to broader context such as environmental uncertainty. What is missing among those in leadership roles is the HRM function taking a stronger role to ensure career development opportunities to support skill development and career progression of HR professionals. This will serve the dual purpose to enhance client support and increase HR professional engagement.

When considering the experience of senior managers and employees, while the HRM architecture was a consideration, of more significance were the skills and capabilities of HR professionals to provide high-quality advice and support to clients. Those in HRM leadership roles need to demonstrate strong leadership organisationally to ensure a clear understanding, at all levels of an organisation, of the role HRM can play in an organisation. Overall, HR professionals have a significant opportunity to reposition the HRM functions to reinvigorate the role and contribution of HRM in order to support the productivity of organisations. The other opportunity for HR professionals is to develop the skills of managers as a significant group in the application of HRM practices in organisations.

In conclusion, this study identified that HRM architecture in the Australian public sector was ideologically driven and not based on evidence. Broader contextual challenges such as uncertainty emerged as significant challenges for stakeholders. With HR professionals as a key mediating group in organisations, this study points to a need for deeper consideration of HRM architecture and leadership by the HR profession. A strong HR presence in the public sector will ultimately support senior managers and other employees in the public sector to deliver public services effectively.
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Appendices

Appendix 1: Interview questions

1. What is your position in the Department?
2. How long have you worked for this Department?
3. How long have you been in this position?
4. What is the size of your Department?
5. Which HRM functions does your department outsource?
6. What were your Department’s reasons for outsourcing HRM functions?
7. How long has your Department been outsourcing HRM functions?
8. Why was your outsourced provider chosen?
9. What is the governance structure of the outsourced arrangement?
10. What are the critical elements in managing the HRM outsourced relationship from your perspective?
11. In your view, what have been the major challenges in managing the outsourced relationship?
12. What roles and competencies are required in your Department to manage an outsourced relationship?
13. How is your organisation placed to fill those required roles and competencies?
14. What performance indicators do you use to measure and manage the performance levels of the outsourced provider?
15. What about your Department’s client satisfaction, how does it compare to that of other Department’s that do the same kind of work?
16. What impact has the use of outsourced HRM by your Department had on your internal HRM services and level of satisfaction related to HRM services?
17. To what extent has the outsourcing of HRM impacted on the strategic role of the in-house HRM function?
18. What are the most/least appropriate HRM activities to be outsourced?
19. What are the lessons for this approach to HRM in terms of positive, negative and unintended consequences?
20. Any other comments?
Appendix 2: Ethics approval

Notice of Approval

Date: 23 May 2012

Project number: 10040385

Project title: Flexible Human Resource Service Delivery Model in the Public Sector: A Pathway to a High Performing and Sustainable Public Sector

Risk classification: Low Risk

Principal Investigator: Dr Alan Maiting us

Supervisor: Ms Dale Clarke

Project Approved: From: 22 May 2012 To: 19 July 2018

Terms of approval:

1. Responsibilities of the principal investigator

   It is the responsibility of the principal investigator to ensure that all other investigators and staff on the project are aware of the terms of approval and to ensure that the project is conducted as approved by BICHAN. Approval is only valid while the investigator holds a position at RMIT University.

2. Amendments

   Amendments must be sought from BICHAN to amend any aspect of a project including approved documentation. To apply for an amendment, submit a request for amendment form to the BICHAN secretary. This form is available on the Human Research Ethics Committee (HREC) website. Amendments must not be implemented without first gaining approval from BICHAN.

3. Adverse events

   You should notify BICHAN immediately of any serious or unexpected adverse effects on participants or unforeseen events affecting the ethical acceptability of the project.

4. Participant information and consent form (PICF)

   The PICF must be distributed to all research participants, where relevant, and the consent form is to be retained and signed by the investigator. The PICF must contain the RMIT University logo and a complaint clause including the above project number.

5. Annual reports

   Continued approval of this project is dependent on the submission of an annual report.

6. Final report

   A final report must be provided at the conclusion of the project. BICHAN must be notified if the project is discontinued before the expected date of completion.

7. Monitoring

   Projects may be subject to an audit or any other form of monitoring by BICHAN at any time.

8. Retention and storage of data

   The investigator is responsible for the storage and retention of original data pertaining to a project for a minimum period of five years.

Regards,

Professor Rodney Russell
Chairperson
RMIT BICHAN
Appendix 3: Consent form

RMIT BUSINESS COLLEGE HUMAN ETHICS ADVISORY NETWORK

COLLEGE OF Business

SCHOOL/CENTRE OF Management

Name of Participant: ____________________________

Project Title: Flexible Human Resource Management service delivery models in the public sector: a pathway to high performance and sustainability?

Name(s) of Investigators:

(1) Dale Clarke Phone: ____________________________

(2) Dr Alan Montague Phone: ____________________________

(3) Professor Fang Lee Cooke Phone: ____________________________
1. I have had the project explained to me, and I have read the information sheet

2. I agree to participate in the research project as described

3. I agree:
   - to be interviewed
   - that my voice will be audio recorded

4. I acknowledge that:
   (a) I understand that my participation is voluntary and that I am free to withdraw from the project at any time and to withdraw any unprocessed data previously supplied (unless follow-up is needed for safety).
   (b) The project is for the purpose of research. It may not be of direct benefit to me.
   (c) The privacy of the personal information I provide will be safeguarded and only disclosed where I have consented to the disclosure or as required by law.
   (d) The security of the research data will be protected during and after completion of the study. The data collected during the study may be published, and a report of the project outcomes will be provided to my organisation. Any information which will identify me will not be used.

Participant’s Consent

Participant __________________________  Date: __________________________

(Signature)
Appendix 4: Interview codes

Interviews: OutsourceCo Client

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<tr>
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Interviews: OutsourceCo Provider

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**Interviews: SharedserviceCo Client**

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### Interviews: In-houseCo Client

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Focus Groups: In-houseCo Client Employees

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Focus Groups: SharedserviceCo Client Employees

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Focus Groups: OutsourceCo Client Employees

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