

# Generating change : corporatisation and strategic human resource management in Pacific Power

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**GENERATING CHANGE :**  
**Corporatisation and Strategic Human Resource**  
**Management in Pacific Power**



**LUK Chun Yu Catherine**  
**1996**

**Submitted in fulfilment of the requirements for**  
**the degree of Master of Commerce (Hons),**  
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## **Declaration**

**‘I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which to a substantial extent has been accepted for the award of any other degree or diploma of the university or other institute of higher learning, except where due acknowledgement is made in the text.’**

**LUK Chun Yu Catherine**



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## **Abstract**

Strategic Human Resource Management (SHRM) and corporatisation are two themes which have been widely associated with the transformation of modern organisations. There is, however, little detailed discussion in the existing literature on the validity and applicability of SHRM in the specific context of corporatisation. Nor is there much discussion of the particular linkage between the two. This report seeks to examine this linkage through a qualitative case study of the HRM strategies of a major Australian public sector organisation which has been undergoing corporatisation, Pacific Power (PP). The project's primary purpose is to explore 'successful' models of SHRM and their 'applicability' in public corporations in the light of the empirical evidence.

PP is the chief electricity generation body in New South Wales. For the past ten years or more, it has undergone dramatic changes which provide a textbook example of attempts to put SHRM theories into practice. Significant organisational transformation has been introduced, mainly along the lines of the Stace and Dunphy typology for organisational change. Such changes were highlighted by PP's pronouncement of a new 'corporate identity' and a new 'way of working' in 1992. The senior managers of PP have embraced corporatisation and SHRM as the major vehicles for organisational change.

Nevertheless, as the present study reveals, corporatisation and SHRM are much more complex and problematic notions than they appear. The linkage between the two is also particularly intricate and does not accord readily with the simple assumption of a neat synergy between the two. Three different frames of reference have been employed as analytical devices to examine the specific model of SHRM which PP has adopted. Whilst each frame discerns and assesses SHRM in a distinctive manner, the three are far from being incompatible. Together, they offer a more balanced picture of SHRM. The

relationship between corporatisation and SHRM is also explored at different levels, such that corporatisation is considered as an internal strategy as well as an external contingency in PP's change process. This allows us to identify both the opportunities and constraints that corporatisation poses for SHRM. In this way, the report seeks to provide a better understanding of the significance and implications of SHRM in generating organisational change.

## **CHAPTER ONE: INTRODUCTION**

This project is concerned with Strategic Human Resource Management (SHRM) and corporatisation - two themes which have been widely associated with the transformation of modern organisations. The former notion has its origins in private sector management theories and practices, while the latter derives from public sector management reform policies. Interest in these notions became widespread in the late 1980s but it has been during the 1990s that they have been drawn into a much closer relationship. Notably, SHRM has increasingly been employed by public organisations as part of a corporatisation agenda. There is, however, little discussion in the existing literature concerning the validity and applicability of SHRM in the specific context of corporatisation. There have also been few attempts to examine the particular linkage between the two. This project seeks to examine this linkage by means of a detailed case study on the formulation and implementation of Human Resource Management(HRM) strategies in a public organisation which has been undergoing corporatisation.

The ultimate purpose of this study is to identify and explore 'successful' models of SHRM and their 'applicability' in public corporations by assessing the actual practice of SHRM theory from a number of different perspectives. The organisation studied is Pacific Power (PP), the chief electricity generation body in New South Wales. For the past ten years or more, the organisation has undergone dramatic changes which provide a textbook example of attempts to apply SHRM. Significant transformation has been made in PP's management structure, organisational framework, operating logic and guiding values, mainly along the lines of the Stace & Dunphy typology for change.<sup>1</sup> These changes were

highlighted by the adoption of a corporate name, Pacific Power, and the implementation of a corporate mission statement 'Partners in Performance' in 1992, with the aim of instilling a 'new way of working' throughout the whole organisation. It is clear that the senior managers of PP have seen, and continue to see, corporatisation and SHRM as the major generators of organisational change.

### **Strategic Human Resource Management & Corporatisation - Some Preliminary Considerations**

At the risk of some over-simplification, 'strategy' and 'change' can be seen as the two keywords which summarise the main themes of management theories since the early 1980s. On the one hand, change carries with it the connotation of unpredictability - sources of turbulence which pressurise and endanger the 'normal' operation of an organisation. This perception of change as 'threat' to 'normality' was characteristic of western management thought for much of the post-war boom (i.e. 1945 - 1975). On the other hand, change may imply a conscious process of internal reform, a set of strategies devised in response to external transformations and possibly even to pre-empt anticipated environmental changes. On the basis of the latter perception, it follows that the greater the degree of external change, the more important it is to devise strategies of change to keep an organisation in step with environmental variations. It is this perception which informs much recent management theories and practices.

Strategies, however, cannot be implemented on their own without regard to the essential human element in organisations. So while 'strategic management' has become an increasingly important notion in what is considered to be an era of change, there has also been a growing concern amongst

management theorists and practitioners over how people within organisations can ‘fit’ into the change-strategy linkage. Such an emphasis on the idea of ‘strategic integration’ has given rise to that genre of Human Resource Management (HRM) called Strategic Human Resource Management (SHRM). The strategic thrust of SHRM lies in its attempt to deal with exogenous change (as external contingencies) via the process of planned, internal change (as conscious strategies).

This notion of planned change is the central theme of this project report. In particular, we are concerned with the transformation of HRM strategies within organisations which are undergoing the process of corporatisation. Contained in this report is a case study of PP, an organisation which has adopted an elaborate ‘strategic change plan’ as it moves towards corporatisation.

Corporatisation have been liberally defined in this report as any structural or administrative change which aims to transform a traditional public sector organisation into a private, corporate form with public ownership. This change of form may be effected in a number of ways, such as altering the organisation’s legal-structural set-up or its operating logic and mandate. As a change process, corporatisation has special implications. It differs from other change processes which have taken place in a purely private sector setting both in terms of the nature and the scope of transformation that it involves. Essentially, it seeks to reorientate previous public bureaucracies to a business/corporate mode of operation, yet at the same time keeping them under public ownership. In this sense, it extends the limits of structural change that may be possible in what is still a public sector organisation. In the words of Percy Allan, ex-Secretary, New South Wales Treasury, corporatisation established “an operating environment for appropriate public sector enterprises which replicates the internal and external conditions that successful private enterprises face”.<sup>2</sup>

There are different ways in which corporatisation may relate to SHRM. As a means to enable further reform in a public organisation, it can be conceived as part of a special planned process of administered change in response to changes in the external environment. Following this, if we see HRM strategies as the devices which are to effect organisational transformation, corporatisation may be then considered as the more basic tool through which a public organisation seek to adapt these strategic change devices from the private sector. In this sense, corporatisation might open the way for some public organisations to the adoption of SHRM theories and practices. However, as a political decision made inside the political arena rather than the affected organisation itself, corporatisation can become an additional externality to the organisation. In this way, it may act as a constraint to the working of planned HRM strategies which have been determined within the organisation. Under such circumstances, corporatisation puts the theories and practices of SHRM under a test which is more strenuous than is found in most private sector business operations. The relationship between SHRM and corporatisation is hence an intricate one.

Furthermore, bringing together the themes of SHRM and corporatisation is to seek to marry two notions which are already highly contentious in themselves. Two basic questions arise from this. First, what are the 'successful' models of SHRM devices under situations of change ? Second, are these models applicable to public organisations which are undergoing corporatisation ?

There is no ready answer to the first question. For one thing, while it is generally considered that SHRM have evolved from Personnel Management (PM), its exact meaning is still uncertain. In a generic sense, "HRM" refers broadly to "...the policies, procedures and processes involved in the management of people in work organisations..."<sup>3</sup>. However, it is the specific usage of the term in the notion of SHRM that differentiates it from traditional PM. Since the

late 1980s, a wealth of literature has developed around the notion of SHRM, championing it as the more appropriate response to the increasingly turbulent and competitive market environment. Nevertheless, different authors have different perspectives on what is meant by SHRM. A number of typologies have also been devised, contributing to the presence of various “theories of different strategy types”.<sup>4</sup> The practical and theoretical implications of SHRM have also been questioned by a number of critics.

The notion of corporatisation is also problematic. First, there is a great deal of confusion as to the precise meaning of the term ‘corporatisation’ . Johnson & Rix suggest that a continuum of meanings can be assigned to this term, with those changes which had previously been described as commercialisation at the one end and the extreme versions of restructuring of statutory authorities operating under the accountability provisions of the companies code on the other.<sup>5</sup> Second, the key assumption underlying the corporatisation ethos - that public bodies should and could act like private companies - has been the subject of vigorous debate.

The study of HRM strategies in the process of corporatisation is therefore a controversial and contested issue. There is, nevertheless, very little discussion in the published literature on the specific relationship between HRM strategies and the corporatisation process. Where the topic is raised, it is usually accorded only a cursory coverage. For instance, Wood & Jones briefly discuss the background for developing HR strategies in the commercialisation and corporatisation of government enterprises, but conclude with “no definitive strategies”.<sup>6</sup> In most writings on HRM or SHRM, models/typologies of HR strategies are developed with reference to business organisations. When translated to public sector use , they are often considered as public sector reforms that will “raise the cost-effectiveness in the framework of public law and political



accountability”.<sup>7</sup> Superficial analysis in this genre leaves unanswered more questions than it answers. This project is therefore conducted with the desire to offer some redress for these inadequacies in the existing literature. Through a case study analysis of PP, it seeks to probe into the intricate relationship between SHRM and corporatisation. It is hoped that by looking at the actual implementation of HRM strategies in an organisation undergoing corporatisation, insights can be gained into the theoretical and practical issues involved.

### **Research Methodology - A Qualitative Case Study Approach**

An issue even more fundamental issue to this project is how the study of HRM should be conducted so that relevant knowledge can be generated for both practical and theoretical purposes. Tullar comments that “The field of human resource, being applied and diverse in nature, exists in tension between the arts of practice of Human Resource management and the science of Human Resource management”.<sup>8</sup>

The traditional scientific paradigm concentrates on well defined studies with explicitly stated theories and hypothesis being tested while ‘the arts of practice’ emphasises understanding and interpretation without the strictures of assumed objectivity and rationality. Waterman, for example, criticises the pure structure-strategy paradigm which prevailed in the 1970s as being based on a positivistic and rational economic model of human behaviour and hence inadequate as a means for the building up of “a new consensus” in changing organisations.<sup>9</sup> Various models of qualitative analysis<sup>10</sup> have been proposed as offering a way out of the strictly positivistic models of the quantitative nature. As opposed to the objective, context-free and supposedly value-free methodologies

of the traditional social science paradigm, advocates for qualitative analysis suggest that an understanding of the specific context and values is essential to organisational research. The case study approach which allows detailed inquiry into specific organisation(s) over a period of time has therefore become a popular tool for such research.

One obvious characteristic that distinguishes these hermeneutic approaches from traditional quantitative approach is their emphasis on the social and cultural context of organisations. While they are relatively weak in producing generalised concepts for deductive theorising, they are good at identifying context-specific signals and messages for inductive reasoning. The purpose is to gain better insights into phenomena and dynamics within an organisation by reference to different frames of references that have been adopted within the organisations. The goal is to seek not the absolute truth in objective terms but the subjective reality in the terms of the organisation involved.

The justification for this is that unlike principles in the field of natural science, generalisations and theories relating to the world of work are concepts which have been perceived by the actors involved. Subjectivity is therefore an important element in the context of an organisation, although it has been very much a taboo subject within the positivistic, quantitative approach.

Since the major purpose of this project is to look into the complexities of the process involved in applying SHRM in an organisation undergoing corporatisation, a qualitative approach in the form of a case study is considered as the preferred mode of research. Essentially, in an area where little detailed research has been conducted, a case study approach is more appropriate since what is required to advance our understanding is more inductive reasoning from empirical work rather than a priori reasoning of the deductive nature.<sup>11</sup> As

Pettigrew remarked, “Where we know relatively little we have first to describe, analyse, and interpret”.<sup>12</sup>

However, the emphasis in a qualitative case study approach on the subjective, social construction of meanings gives rise to concerns about the accuracy of analysis and interpretation. A heavy use of images and metaphors towards defining organisational reality is particularly considered by critics as alarming. Keenoy et. al , for example, warn that “...one of the functions of metaphors is that they place everything beyond doubt and explanation...”.<sup>13</sup> Indeed, the relative liberty accorded to qualitative studies in the interpretation of evidence and meanings may lead to undisciplined work. However, quantitative analysis, as much as the qualitative approach, requires interpretations too. Bearing in mind that both of them are only tools for analysis, the possibility of abuse and misuse is open in both as long as they are subject to human manipulation. A ‘proper’ analysis therefore depends not only on the methodology itself, but also in the genuine application of it.

Insofar as a study of the relationship between SHRM and corporatisation is concerned, the qualitative approach does offer a useful perspective. In particular, it allows us not only to judge how effective HRM strategies have been in practical application, but also to inquire into how and why they have been taken up by public organisations under corporatisation. The essence is that the interrelationships between HRM strategies and change are so complicated that they can hardly be tackled by any one approach. The qualitative case study approach therefore provides a complementary, rather than a competing way of generating relevant knowledge and understanding.

In the present project, PP (previously known as the Electricity Commission of New South Wales) is selected as the subject of study. This organisation has been chosen for three main reasons. First, it is one of the major

public organisations in the New South Wales, both in terms of its size and the role it plays. Essentially, it produces more than ninety per cent of the State's electricity and as at 1994, has a total asset valued more than \$1 billion. Second, it is an organisation which has been put under tremendous pressure to change. Since the early 1980s, it has been under constant public scrutiny and review and corporatisation remains high on its agenda. Third, the organisational change strategies which have been put into place in PP are mainly informed by Stace and Dunphy's model for change.<sup>14</sup> In fact, the two have been described as PP's "major architects of change".<sup>15</sup> This conscious adoption of the Stace and Dunphy typology means that the HRM agenda have been guided by a specifically defined approach to organisational change. In effect, the HRM strategies pursued in PP have become an important part of a planned reform program to transform the organisation firstly, through tough and decisive 'Turnaround',<sup>16</sup> and secondly, by means of continuous 'Task-focused Transition',<sup>17</sup> as dictated by the Stace and Dunphy typology. In this way, PP offers an excellent test case of SHRM theories being put into practice.

The research for the project commenced with comprehensive data collection from public record, including primary sources such as government reports and statements, annual reports of the organisation as well as secondary sources like newspapers and journals. Intensive semi-structured interviews were then conducted over a six month period with various personnel within the organisation. These included policy-makers and service providers at the corporate headquarters in Sydney as well as line management and staff at one of the power stations (Mount Piper Power Station in Portland).

While these interviews were focused on the concerns of this project, the questions were devised to be broad and open for tapping as wide a variety of perspectives as possible on what was happening. Unstructured interviews were

also conducted with a number of staff at the 1995 Quality Expo at PP.<sup>18</sup> More documentary material was obtained during the course of the field work and it was used to verify and supplement information solicited from the interviews. In order to preserve the anonymity of the informants, all the interviewees referred to in this report have been given pseudonyms.

Given time constraints and the limited scope of the project, it was not possible to develop a comprehensive longitudinal case study. Nevertheless, by studying the organisation in detail over a period of nearly one year, the researcher has been able to gain considerable insights on the linkage between SHRM and corporatisation. In fact, during this period of research, the organisation continued to be the subject of a major review under the Labor Government, elected to power in New South Wales in March 1995. This has presented some difficulties to the researcher in that people being interviewed were less inclined to make any definite comments on the future. Furthermore, many were obviously preoccupied with the vast amount of work involved in the review and arrangements for interviews took some time. Nevertheless, it is this particular context which makes the organisation particularly worthy of a case study.

### **Structure of the Report**

To background the issues and debates underlying SHRM and corporatisation, Chapter Two of this report considers these two notions in more depth. It explores the meanings of 'corporatisation' and the different frames of reference for viewing SHRM. Critiques of SHRM and corporatisation will also

be examined with a view to identifying the main points of contention and to illuminate key issues.

Chapter Three provides a historical overview of organisational transformation in PP. The historical, political and economic context of organisational change will also be examined. This will enable us to explore change as both a rational strategy and an external contingency and to establish the background for further discussions of specific issues of SHRM and corporatisation.

Chapter Four begins the examination of the transformation of HRM strategies in PP, with particular emphasis on new structures and processes which have been implemented as part of a conscious effort for reform. This chapter focuses on the reorganisation of the bureaucratic structure, the industrial relations system, the traditional reward and career structure and the framework for performance management in PP.

Chapter Five concentrates on HRM strategies adopted by PP which target change through transformation of the operational mindset of its members and the reacculturation of organisational values and culture. The old culture of the organisation will be examined as will specific initiatives directed towards change management and the creation of new organisational vision and values. HRM strategies relating to communication, training and total quality will be examined as tools to effect the desired change.

Chapter Six offers an overall conclusion. The case study is reviewed in relation to the dual themes of this project - that is, SHRM and the issue of corporatisation. In considering the implications of this project on the study of SHRM in theory and practice, SHRM is assessed through three different frames of reference and its complex linkage with corporatisation are explored.

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## ENDNOTES

<sup>1</sup> For details of this typology of change, see Stace D. & Dunphy D. (1994), Beyond the Boundaries - Leading and Re-creating the Successful Enterprise, Sydney, McGraw-Hill

<sup>2</sup> Freeman P. (1993), "Going Corporate: Restructuring The Sydney Water Board", an unpublished case study of the Centre for Corporate Change, Sydney, Australian Graduate School of Management, University of New South Wales, p3

<sup>3</sup> Beer M., Spector B., Lawrence P., Mills D., and Walton R. (1984), Managing Human Assets, New York, The Free Press, p3

<sup>4</sup> Smith K.G., Guthrie J.P. & Chen M.J. (1989), "Strategy, Size and Performance", Organisational Studies, 10(1), p63

<sup>5</sup> Johnson M. & Rix S. (1991), Powering the Future: The Electricity Industry and Australia's Energy Future, Sydney, Pluto Press Australia, p99

<sup>6</sup> See Wood M. & Jones E.H. (1993), "Human Resource Strategies in the Commercialisation and Corporatisation of Government Enterprises", Australian Journal of Public Administration, Vol. 52 No. 1, pp25-30

<sup>7</sup> OECD (1991), "Serving the Economy Better", Public Management Occasional Papers, Paris, OECD, p10

<sup>8</sup> Tullar W. (1991), "Theory Development in Human Resource Management", Human Resource Management Review, Vol. 1 No. 4, p320

<sup>9</sup> Ibid.

<sup>10</sup> Schmitt N. saw that qualitative research was an orientation or approach in doing research which emphasised the importance of doing research that would actually be useful to organisations, for further details, please refer to Schmitt N. (1991), Research Methods in Human Resources Management, Cincinnati, South Western Publications. Dey I. also pointed out that qualitative methods employed a range of techniques including discourse analysis, documentary analysis, oral and life histories, ethnography, participation observation, etc. Dey I. (1993), Qualitative Data Analysis: A User-Friendly Guide for Social Scientists, London, Routledge, p4

<sup>11</sup> Eisenhardt K. (1989), "Building Theory From Case Study Research", Academy of Management Review, Vol. 14 No. 4, p548 supports this point.

<sup>12</sup> Pettigrew A. (1987), op. cit., p425

<sup>13</sup> Keenoy T. & Anthony P. (1992), op. cit., p237

<sup>14</sup> Stace D. & Dunphy D. (1994), op. cit.

<sup>15</sup> Interview with Peter Harris (pseudonym) on 2 May 1995

<sup>16</sup> Stace D. & Dunphy D. (1994), op. cit., p219

<sup>17</sup> Ibid., p105

<sup>18</sup> The Quality Expo 95 of Pacific Power was an event which aimed to give recognition for quality improvement teams within the organisation. Different teams from across the organisation were to make presentations to colleagues and customers around the state over a two week long mobile exhibition.

## **CHAPTER TWO: CORPORATISATION & SHRM - ISSUES & DEBATES**

### **Chapter Outline**

This chapter discusses the dual themes of corporatisation and SHRM in depth. First, we shall look at the development of the agenda of corporatisation in Australia and the meanings that the term 'corporatisation' has come to assume. We shall then proceed to examine two major lines of criticisms against corporatisation as a change strategy for the public sector. These contentions relate essentially to the operating objectives and contexts of public organisations. Second, this chapter will trace the emergence of SHRM as a body of management thought and summarise its major tenets. Three different frames of reference for assessing SHRM will then be outlined. Each of these frames seeks to explore the nature and implications of SHRM in a different manner by seeing the latter respectively as: a management tool; a prescriptive model and a perspective/mode of discourse. Critical comments and observations made within each of these frames will also be discussed. Drawing from the above, this chapter concludes by highlighting some of the major conceptual problems confronting a study of corporatisation and SHRM.

### **The Agenda of Corporatisation**

The transformation of public sector organisations into public corporations has a history of more than one hundred years in Australia. As early as 1883, the Victorian Railways was established as a statutory corporation with a large



measure of managerial autonomy, including authority over the appointment and control of its staff.<sup>1</sup> In the 1970s, there were already discussions of the advantages of statutory corporations which were kept at 'arms' length' from the government. References were made to the freedom that these organisations had from partisan politics and the rigidities of ordinary public service rules.<sup>2</sup>

Traditionally, however, the emphasis in the literature on public administration has been on the distinction between public and private organisations. Some of this discussed the prescriptive differences that should exist between the roles and functions of public and private organisations, whilst some highlighted the practical distinctions between public organisations and their private sector counterparts. Following the above, distinction was also drawn between personnel administration in the public and private sectors. Rosenbloom, for example, pointed out that public personnel policy was "inherently political" and was therefore fundamentally different from Personnel Management (PM) in private organisations.<sup>3</sup>

Since the early 1980s, this public-private dichotomy has come under serious challenge from exponents of the 'New Managerialism', who argue from an economic perspective that public sector organisations should be allowed to manage and operate with the same freedom as their private sector counterparts. In countries like Canada, United States and Britain, there have been increasing calls for the introduction of private sector management strategies for the public sector. In Australia, in face of the general economic downturn and government budgetary restraint<sup>4</sup>, it has been proposed that public sector organisations should follow private sector's pursuit of efficiency, productivity<sup>5</sup> and competitiveness.<sup>6</sup>

In response to these pressures, a significant number of public sector organisations began to import from their private sector counterparts models/packages of corporate and strategic management as a means of improving

organisational performance. While many of these changes occurred within the usual bounds of the public sector, more vigorous efforts were made via the process of corporatisation. At the Commonwealth level, three policy papers released in 1986, 1987 and 1988, respectively, heralded the push for corporate-type structure.<sup>7</sup> In New South Wales, policy papers like “A Policy Framework for Improving the Performance of Government Trading Enterprises” were forerunners to relevant legislation enabling the establishment of State-Owned Corporations.<sup>8</sup> In fact, on his election to Premiership in 1988, Nick Greiner made corporatisation a keystone of his economic policy. Given that the first statutory corporation in Australia had made its appearance more than a century ago, the agenda of corporatisation which emerged in the late 1980s was not as novel and radical as it appeared. What was different in this revival though, was the widespread interest and debate that it attracted throughout Australia.

In a legal sense, corporatisation is defined by the provisions of the relevant legislation. In New South Wales, for example, the State Owned Corporations Act 1989 provides the specific legislative framework.<sup>9</sup> Notwithstanding this, the term corporatisation remains a loosely used label which is often confused with notions like ‘commercialisation’ and ‘privatisation’. According to Johnson & Rix, there are 28 definitions of corporatisation in Australia as created by State, Territory and Federal governments.<sup>10</sup> There are also various ways in which a public organisation may seem to have been ‘corporatised’. These include, among others, a change in the way in which ministerial responsibility is exercised over public bodies; a restructuring of statutory authorities as “companies” or an alteration of the overriding objective of public organisations from budgetary responsibility to a profit-making one.<sup>11</sup> There is hence a “continuum of meanings to the term corporatisation”.<sup>12</sup> As stated in the Introduction Chapter, the term ‘corporatisation’ is used liberally in

this report to include any effort made to transform a traditional 'statutory form' of operation to that of a 'corporate form'. This is to avoid confining the term to the specific conjuncture when a change in legal status is attained. Rather, corporatisation is seen as a continuous process wherein the search for the 'best' public-private mix remains in one form or another.

### **Corporatisation as a Change Strategy**

Insofar as it is seen as a means to enable further reform, corporatisation is a special planned process of administered change. Like SHRM, corporatisation can be a deliberate strategic response to environmental changes. Supporters of corporatisation also see that the process of corporatisation as being conducive to SHRM reforms. For example, it is perceived that "management compensation structures can be developed to focus attention on the controllable factors that influence organisational performance"<sup>13</sup> and that 'desirable' changes in the corporate culture of the government owned enterprises<sup>14</sup> can be promoted. It is apparent that in advocating corporatisation as the 'appropriate' strategic choice and the preferred direction of change, its exponents are emphasising the similarities between public and private sector management. The basic assumption here is that public organisations should and could behave like private ones. Two points of contention arise from this.

The first concerns the issue of values and goals; that is, what are seen to be the appropriate objectives of public administration/management. This is essentially a continuation of the debate about public accountability.<sup>15</sup> Opponents to the corporatisation ethos suggest that by seeking to import models of strategic management and its related notions of SHRM from the private sector,

corporatisation involves a drift from the politically-oriented 'public administration' to a more 'efficiency'-motivated 'public sector management'; from concerns for social accountability to that for financial and economic accountability. In HRM-related issues, corporatisation means that considerable emphasis is placed on factors like 'productivity' and 'performance' rather than principles like 'fairness' and 'equity'. To the critics, this is to ignore the fact that public organisations are expected to achieve politically-defined social goals<sup>16</sup> and to maintain a balance between shared public interests and private individual interests.<sup>17</sup>

Since competing value systems lie at the heart of this argument, the issue must remain a controversial one. It is not within the scope of this project to discuss in detail the debate about values. However, a recognition of the ideological underpinnings and competing values underlying the central theme of this project is considered essential for a realistic understanding of how different people perceive the process of change - corporatisation being the change process here. In particular, this difference in perception often generates vigorous political debates as to whether a certain public organisation should be corporatised or the way in which such corporatisation should be implemented.

Closely related to this is the second point of criticism of the corporatisation strategy. This concerns the operating context of the public sector.<sup>18</sup> Drawing on British experience, Batstone et. al. comment that "though they may be encouraged to act commercially, state enterprises pursue politically determined objectives which complicate the process of strategy formulation and implementation."<sup>19</sup> For example, internal processes like the determination of the 'mission' or the human relations strategy are often subject to a higher degree of public scrutiny. Henceforth, private sector models and strategies of HRM may not be totally applicable to public organisations as the latter are by definition

different from pure private and commercialised operations. Another interesting point that Batstone et. al. have made is that the new commercialism related to corporatisation may heighten rather than lessen the salience of the political contingency in public enterprises.<sup>20</sup> This is because parties whose interests have been affected in the process, public sector trade unions for example, may often resort to more extreme political actions in defence.

The argument here is that public administration essentially operates in an environment which is qualitatively different from private sector management. As a change strategy, corporatisation is a drastic reform process for public organisations, since it implies transformation of their traditional framework and logic. While corporatisation is viewed by its supporters as the essential instrument through which private sector models and strategies are projected into the public sector arena, the critics doubt whether it can offer any real solution to problems of organisations which are politically vulnerable. Following on from this, there seems to be an inherent contradiction within the notion of corporatisation. For while being posed as a tool to apoliticise the operations of public organisations, corporatisation is in itself a politically determined instrument conditioned and constrained by political processes outside the organisational arena. Such being the case, corporatisation may become a contingency rather than a rational strategy at the organisational level. This is another essential point which we have to bear in mind when we examine corporatisation as a major theme in this project.

## **From Human Relations to Strategic Human Resource Management**

The other major theme of this research is the notion of SHRM. Essentially, the origins of the concept of 'human resources' may be traced back to the Human Relations school of the early post-war period. As a reaction against the overwhelmingly mechanistic views of organisations that had arisen from the earlier 'Scientific Management' school, the Human Relations school focused on the importance of the human and social context in which organisations operated. McGregor, an exponent of the Human Relations approach, contended that "...the limits on human collaboration in the organizational setting are not limits of human nature but of management's ingenuity in discovering how to realize the potential represented by its human resources..".<sup>21</sup> He also stressed that the capacities of human growth and development were the keys to organisations' survival.<sup>22</sup> Such notions have come to form the basis of the 'soft' version of HRM, wherein employees' participation and human motivation are the centres of attention.

On the other hand, a more pragmatic construction of 'human resources' emanated from Drucker's argument (1954) that human resource should be seen as assets of organisations and also from Schultz's elaboration (1963) of 'human capital theory'.<sup>23</sup> In contrasting 'human resources' with 'human relations', Miles highlighted the former's concerns with people's values and abilities as "...reservoirs of untapped resources..." in organisations.<sup>24</sup> In 1984, Fombrun, Tichy & Devanna first coined the notion of organisational 'fit' as a congruence of strategy, structure and HRM practices.<sup>25</sup> Collins later expounded the 'strategic contributions' of the human resource function by stating that there was a need to integrate human resource strategies with wider or overall business and corporate strategies, so that an 'internal fit' could be achieved to support the organisation's struggle for 'external fit' within an ever-changing environment.<sup>26</sup>

With increasing emphasis on this 'strategic' focus of HRM, the theme of integration transcends the social and psychological confines that 'human resource' related notions were originally grounded on. SHRM then becomes a popular term used to describe the genre of HRM which possesses such a 'strategic' focus.

This growing concern to adjust HRM strategies in the light of externalities, the business environment in particular, implies that in operational terms, a variety of practices may be adopted to suit the situation of the time, from the 'hard' versions emphasising efficiency and cost reduction to the 'soft' ones which focus on the development of values and policies to make full use of the talents of the people in the organisation.<sup>27</sup> While exponents of SHRM consider that there is not simply 'one best way' to deal with the outside world as previously suggested in the 'scientific management' approach, they see that there are regular connections within internal strategies as well as between internal strategies and the externalities. Different typologies of strategies are then presented as "theories of different strategy types".<sup>28</sup> Miles & Snow, for example, have devised a framework that "links product-market strategies and human resource management systems".<sup>29</sup> Dunphy & Stace have constructed a 'model' which posit change strategies as the determinant of organisational HR strategies.<sup>30</sup> This model was subsequently modified into a more elaborate framework which identified detailed prescriptions and conditions for four different approaches to change.<sup>31</sup> HRM strategies relating to leadership style and behaviour, communication strategies, cultural renewal and change intervention have been included as essential elements of this typology.<sup>32</sup>

## **Assessing HRM and SHRM Through Different Frames of Reference**

If SHRM is posed as the ‘new’ model for modern organisations, how does it differ from PM in its manner and capacity in handling the external changes confronted by these organisations? We shall approach this question by assessing SHRM through three different frames of reference, each of which sees its nature in a different light.

First, SHRM may be seen as a management tool for effecting planned organisational change. Some proponents of SHRM note that HRM strategies have become “vital element in the successful repositioning of organisations undergoing strategic change”.<sup>33</sup> Others support the case for SHRM by contributing to a burgeoning of case studies in which organisational transformations are described as an interface between HRM and organisational strategies. In practical terms, this has given rise to growing attention by organisations to the linkage between organisational objectives and performance management, employees’ reward and recognition, skills and competencies development and the like.

Within this context, however, critical observers have queried the practicality and value of SHRM in real life situations. Some of these criticisms attack its credibility as a management tool by pointing to the lack of hard evidence supporting its prevalence and impact.<sup>34</sup> Some question the distinctiveness of SHRM as a strategic tool in view of the diversity of practices and policies that may come under its name<sup>35</sup> and the similarities that many of these policies have with those previously adopted under the PM frame.<sup>36</sup> Others draw on the practical difficulties and problems found in actual cases of application and rise doubts about the instrumental value of SHRM.<sup>37</sup>

In this report, we shall attempt to assess the value of SHRM as an instrument for organisational change in the context of our specific case study.



The focus here will be on empirical evidence of the applications and exhibitions of SHRM practices and policies in the organisation; their practical distinctions with previous management practices and their degree of success in effecting desired organisational change. In this connection, the Stace and Dunphy typology (see Appendix I ), which has been acknowledged as the organisation's blueprint for reform<sup>38</sup>, will be referred to when such assessment is made.

In a second frame of reference, SHRM may be seen as a prescriptive management theory/model for generating organisational change. Amongst supporters of SHRM, there is a general perception that organisations are now in a period of "transformative social change".<sup>39</sup> Hence the need to devise new strategies to accommodate the change. Most of the contingent models in SHRM are then put forth as 'how to' prescriptions<sup>40</sup> that make things easier, as "it helps to simplify the choice when we realize that certain paired combinations of approach have special merit".<sup>41</sup> For example, in the Stace and Dunphy typology, unilateral directive action in restructuring/downsizing and tough industrial confrontation strategies are recommended as elements of a "Turnaround" approach to change, while systems redesign and constant improvement through Total Quality Management (TQM) are proposed as essential links for a "Task-focused Transition".<sup>42</sup> Perhaps to counter the 'irrationality' of external contingencies, 'rationality' remains a hallmark of SHRM frameworks wherein all the means (including organisational structure, systems and culture) are to support a unity of organisational purpose(s).

As a prescriptive model, SHRM has also attracted a number of critiques. First, there are those informed by the positivist perspective, which underpins the prevalent paradigm of academic research in social science. Critics in this camp question the worth of SHRM or HRM as a theory or model for management. Noon, in analysing the conceptual elements of HRM, suggests that "...a theory

must be evaluated against two criteria, plausibility and utility...”.<sup>43</sup> He argues that upon such evaluation, the concepts of HRM fail on both counts.<sup>44</sup> Second, there are those critiques which are inspired by an ideological perspective. At best, SHRM typologies are denounced by these critics as broad normative models used to compare with the failures of the actual management practices.<sup>45</sup> At worst, they have been criticised as indicative of “...ideological and philosophical underpinning, which aligns with (and may be interpreted as a response to) the rise of Thatcherism and the ‘New Right’ in the 1980s...”.<sup>46</sup> Even more, it “provide(s) a legitimacy managerial ideology to facilitate an intensification of work and an increase in the commodification of labour...”.<sup>47</sup> What is at issue here is that HRM-related notions are built upon the unitarist assumption that human needs can and should be integrated with organisational interests. This runs in direct opposition to assumptions made within the dominant Industrial Relations (IR) perspective, which hinge upon the pluralistic view that conflict between employees and employers is inevitable, and hence the need to regulate their relationship within the institutional rather than the organisational setting, and in the public interest.

It is not within the scope of this report to engage in detailed analysis of the unitarist versus pluralist debate. In fact, in targeting the ideological significance of HRM and SHRM, the critics, as much as the advocates, are invoking their own ideological prescriptions. An assessment of SHRM along this line therefore boils down to the ultimate question of ‘value’ and becomes a philosophical debate that is beyond the reach of the present research. Instead, in assessing SHRM as a prescriptive model in our specific case, we shall refer to the internal coherence of the typology upon which HRM strategies have been based on (i.e. the Stace and Dunphy typology) and its feasibility for practical applications. In

particular, the interactions among external contingencies, organisational strategies and HRM strategies will be examined in further details.

Within a third frame of reference, SHRM may be seen as a distinctive perspective/mode of discourse for the pursuance of organisational change. Proponents like Bolman & Deal <sup>48</sup> and Morgan<sup>49</sup> have pointed out that there are numerous ways of looking at organisations, depending on what ‘frame’ or ‘metaphor’ one adopts. By asking managers “...to adopt a different mindset or way of looking at and thinking about their organisation and its environment...”<sup>50</sup>, supporters of SHRM are requesting for the adoption of a distinctive perspective on organisations and its problems so as to facilitate an ‘appropriate’ organisational transformation. For some advocates, this change of perspective requires the building of new “cognitive structures” throughout the organisation via a process of metamorphosis.<sup>51</sup> In practical terms, this accounts for the emphasis that HRM and SHRM have given to the notion of ‘culture’.

SHRM’s concern for the construction of a new perspective has, however, attracted a number of criticisms and even scepticism. For Guest, the popularity of HRM feeds on its reinforcement of “ an ideology which has a strong appeal for many American managers”, one which is described as the “American Dream”.<sup>52</sup> For the more critical observers, HRM is a “meta-narrative locating, informing and legitimizing managerial practice”<sup>53</sup> or even “the wolf in sheep’s clothing”.<sup>54</sup> According to these critics, SHRM aims at attaining ultimate managerial control in organisations through the management of meaning and the construction of a ‘new reality’.<sup>55</sup> Within this context, organisational culture, mission statements, ‘quality’ programs and the encouragement of employee commitment are simply images and metaphors deployed for such purposes. Critical views in this vein then end up by questioning the ethical basis of SHRM. In a less emotive but perhaps equally critical manner, some commentators refer to HRM as a

postmodernist rhetoric or discourse which vindicates the cause of some interest groups.<sup>56</sup> The basic argument is that the articulation of HRM as a new and coherent strategy for modern organisations serves only the sectional interests of these particular groups.

Originally built on some qualitatively defined notions which emphasis the building of meanings and values, a fuller appreciation of the implications and nature of SHRM does, nevertheless, require the adoption of a different paradigm in addition to the strictly modernist and positivist one. The focus here is not on the internal logic of SHRM as a prescriptive model or its practical effectiveness as a management tool. Rather SHRM is to be examined as a phenomenon in its own right such that a further understanding of its existence and impact can be acquired. In essence, each of the three different frames of reference mentioned above has its value as an analytical tool for assessing SHRM.

### **Conceptual Problems in Understanding Corporatisation and SHRM**

Having examined the issues and debates around corporatisation and SHRM, the magnitude of task that lies in front of us becomes apparent. While it is tempting for one to try to find simple explanations and instant solutions, the reality is such that HRM in the context of change is not amenable to easy explication. As Palmer intimated, “...HRM needs to be recognised as *an important but complex area* which deserves the study and attention given to the latest space or biochemical research...” (emphasis added).<sup>57</sup> It is therefore only natural to expect that the picture should be even more complicated in the context of corporatisation.

In seeking to unravel the linkage between SHRM and corporatisation, a number of conceptual problems need to be attended to. The external environment, for example, being the principle determinant in a SHRM model, is difficult to define and predict. Thus Pennings observed that it was often not clear what was meant by environment and which of its variables had explanatory power for structural differences among organisations.<sup>58</sup> SHRM typologies like that of Stace and Dunphy seek to circumvent the problem by making only a general reference to the types of product market environment or organisational environment which determine different strategies in organisations. Specific factors like the external labour market, prevailing government policies and the like are given little attention. There are also no particular SHRM models which expound on the special situational demands on organisations other than purely commercial enterprise.

This is further complicated by the fact that corporatisation as a strategic decision which determines the ultimate direction of the organisation is not decided within the organisation itself. We have discussed in earlier sections the political externalities of corporatisation. From the perspective of the members of the organisation itself, corporatisation may well be an external contingency which has been thrust upon them. A major difference between one's perception of change as an internally devised strategy and change as an external contingency is that the former can be negotiated while the latter cannot. Therefore, in seeking to understand the implications of corporatisation and its related HRM strategies, an examination of their relationship to change at different levels is required.

A concern that is shared by most of the typologies in SHRM is the search for organisational effectiveness. From a prescriptive point of view, effectiveness (irrespective of its definition) is an essential criterion for judging the practical value of HRM strategies in the context of change because it underlines

the rational concern for goal achievement in SHRM models. Despite the centrality of this notion, it remains the most difficult concept to be studied and put into practice. Kahn pointed out that “Empirical studies of variables used as criteria of organisational effectiveness show a discouragingly large number of items and variety of interim correlations, positive and negative.”<sup>59</sup> In the SHRM thesis, ‘fit’ and ‘efficiency’ are often used as the surrogates for the notion of effectiveness. Beer, in elaborating his view of HRM, defined effectiveness as “achieving a fit between the various components and between the system and the environment”.<sup>60</sup> The difficulty with organisational effectiveness so defined is that it makes the notion even more complicated and hard to work with. In a strict sense, the problem of definition has not been resolved. Instead, we are asked to find the answers from the more complex relationships between organisation and the environment. The quest for an operational standard to measure HRM strategies then becomes an extremely difficult task. Another way of approaching the notion of effectiveness is to turn to measurable built-in goals or purposes of organisations. Attractive as this approach may be, it is also not without problems. How do we determine what are the goals of an organisation? Whose goals are we referring to? These questions are particularly relevant when we refer to the broad range of purposes that may be expected of a public body undergoing corporatisation and the various debates involved.

These considerations point to the need to be aware of the different frames of reference and levels of analysis in conducting a qualitative case study of HRM strategies in an organisation undergoing corporatisation. Relevant issues that seem to warrant particular study include, but are not confined to, the following:

- 1) Implementation of new systems and processes of operation designed by new business or HRM strategies;

- 2) The moving away from traditional industrial relations framework to a unitarist approach to employment relations;
- 3) Transformation of the traditional bureaucratic style of work systems and rewards;
- 4) Development of performance management and teamwork as strategies to link employees' performance with the organisation's performance;
- 5) Construction and enactment of new organisational culture and values to enable a 'paradigm shift';
- 6) Cultivation of new corporate ethos or 'skills' for the commercial environment through HRM strategies for communication, training and total quality.

## **Conclusion**

As a planned strategy to generate internal change in public sector organisations, corporatisation is generally seen as conducive to SHRM reforms. Nevertheless, further examination of the notions of corporatisation and SHRM reveals that their relationship is a complex one. First, both of them are controversial notions in themselves. In relation to corporatisation, the major debate is whether private sector models of management are applicable to or desirable for public corporations, given their specific set of operating contexts and objectives. Concerning SHRM, there are highly divergent views amongst management theorists and practitioners as to what SHRM is. Three different frames of reference have been identified as devices which assist an analysis of the nature and impact of SHRM. Each of these frames discerns SHRM in a

totally different light : as a management tool, a prescriptive theory/model or a distinctive perspective/mode of discourse. Each has its own merit in bringing out issues and debates in the assessment of SHRM.

Given the already complicated nature of corporatisation and SHRM, an attempt to explore their inter-relationship becomes a difficult task fraught with conceptual problems. These relate to the definition of basic concepts including the 'external environment' and 'organisational effectiveness'. Therefore, to ensure that a more balanced view of the picture is presented, different frames of reference and levels of analysis will have to be referred to in a case study of these dual themes. In the following chapters, we draw on these frames of reference to analyse and interpret qualitative evidence concerning the transformation of organisational systems, processes and culture in PP, and in particular, to address the six key issues enumerated above.

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#### **ENDNOTES**

<sup>1</sup> Wood M. & Jones E.H. (1993), "Human Resource Strategies in the Commercialisation and Corporatisation of Government Enterprises", Australian Journal of Public Administration, Vol. 52 No. 1, p25

<sup>2</sup> Ibid.

<sup>3</sup> Rosenbloom D. (1985), "The Inherent Politicality of Public Personnel Policy" in Rosenbloom (ed.) Public Personnel Policy: The Politics of Civil Service, California, Brooks/Cole Publishing, p3

<sup>4</sup> Jane Bridge, the Director of Personnel Policy of the Premier's Department of NSW, commented that the present Government went into office in 1988 with the reduction of the cost and therefore the size of the public sector as a major challenge. She quoted that the wages, salaries and associated on-cost account for 70 per cent of the government's recurrent expenditure. See Bridge J. (1992), "Productivity



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and Efficiency in the NSW Public Service: Personnel Policies and Practices" in Coulter J. (ed.) Productivity and Efficiency in the Public Sector Workplace, Sydney, Public Sector Research Centre, UNSW, pp13-14

<sup>5</sup> Bridge J. (1992), op. cit., expressed that "If the public services to meet this pressure (for improved performance and greater accountability) successfully, we must lift the productivity of its human resources or personnel." She also quoted Fred Hilmer's suggestion in 1989 as to the five distinct causes of poor productivity which affected most large Australian workplaces and saw them as applicable to the public sector.

<sup>6</sup> Saliba G. (1993), "Models of Public Sector Management for a Competitive Australia: A Computer Simulation Model for Workforce Planning", Australian Journal of Public Administration, Vol. 52 No. 3 p339 stated the view "...An improvement in Australia's national competitiveness relies on the policies, achievements and practices of both the public and private sectors (the engines of the Australian economy)...the performance of the public sector has direct impacts on both the economy and the private sector..."

<sup>7</sup> According to Guthrie J., the three relevant policy papers were - Kerin J. "Reform of Commonwealth Primary Industry Statutory Marketing Authorities (AGPS, 1986); Walsh P. "Policy Guidelines for Commonwealth Statutory Authorities and Government Business Enterprise" (AGSP, 1987); and Evens G. "Reshaping the Transport and Communications Government Business Enterprises" (AGPS, 1988). See Guthrie J. (1989), "The Adoption of Corporate Forms for Government Business Undertakings: Critical Issues and Implications", Discussion Paper No. 5, Sydney, Public Sector Research Centre, UNSW, p1 & 18

<sup>8</sup> Ibid., p1 cited this policy paper which was a report made by the Steering Committee on Government Trading Enterprises in 1988.

<sup>9</sup> According to the State Owned Corporations Act 1989, the principal objectives of every government owned corporation (GOC) is to be a successful business and it must aim to operate at least as efficiently as any comparable private sector business. GOCs are companies limited by shares with the voting share holders being the Treasurer and one other Minister nominated by the Premier. Separate legislation is required to create each GOC under the Act. For details, please refer to Paton F. (1992), Corporatisation and Privatisation in Australia, Melbourne, Sly and Weigall (Prepared by the National Corporatisation and Privatisation Group of Sly and Weigall), pp93-94

<sup>10</sup> Johnson M. & Rix S. (1993), Water in Australia: Managing Economic Environmental & Community Reform, Sydney, Pluto Press Australia, p174

<sup>11</sup> Johnson M. et. al. (1991), op. cit., p98

<sup>12</sup> Ibid., p99

<sup>13</sup> Johnson M. et. al. (1991), op. cit., p99

<sup>14</sup> Guthrie J. (1989), op. cit., p3

<sup>15</sup> Guthrie J., for example, commented that what was at issue was "the consequences for accountability of GOEs (government owned enterprises) when greater managerial flexibility and commercial objectives lead to the adoption of company formation.". For details, please see Guthrie J. (1989), "The Adoption of Corporate Forms for Government Business Undertakings : Critical Issues and Implications", Discussion Paper No. 5, Sydney, Public Sector Research Centre, UNSW

<sup>16</sup> Batstone E., Ferner A. & Terry M. (1984), Consent and Efficiency: Labour Relations & Management Strategy in State Enterprises, England, Basil Blackwell Publishers, p8

<sup>17</sup> Metcalfe L. (1992), "From Imitation to Innovation", European Institute of Public Administration Working Paper, p9

<sup>18</sup> See Ring P.S. & Perry J.L. (1985), op. cit., 276-286

<sup>19</sup> Batstone E. et. al. (1984), op. cit., p7

<sup>20</sup> Ibid., p279

<sup>21</sup> McGregor D. (1960) The Human Side of Enterprise, McGraw-Hill, p48

<sup>22</sup> Ibid.

- <sup>23</sup> Gardner M. & Palmer G. (1992). Employment Relations: Industrial Relations & Human Resource Management in Australia. Melbourne, Macmillan Education Australia, p203
- <sup>24</sup> Purcell J. (1993), "The Challenge of Human Resource Management for Industrial Relations Research and Practice", The International Journal of Human Resource Management, 4:3 September, p515
- <sup>25</sup> Fombrun et. al. .op. cit.
- <sup>26</sup> Collins R.R. (1987) "The Strategic Contributions of the Human Resource Function", Human Resource Management Australia, Vol. 27 No. 4 pp379-380
- <sup>27</sup> Guest D.E. (1990) "Human Resource Management and the American Dream", Journal of Management Studies, Vol. 27 No. 4 pp379-380
- <sup>28</sup> Smith K.G., Guthrie J.P. & Chen M.J. (1989) , "Strategy, Size and Performance", Organisational Studies, 10(1), p63
- <sup>29</sup> Miles R.E. & Snow C.C. (1984) "Designing Strategic Human Resources Systems" , Organisational Dynamics, 1984 Summer , p37
- <sup>30</sup> Dunphy D. & Stace D. (1990), Under New Management: Australian Organisations in Transition, Sydney, McGraw-Hill, pp112-144
- <sup>31</sup> Stace D. & Dunphy D. (1994), Beyond the Boundaries - Leading and Re-creating the Successful Enterprise, Sydney, McGraw-Hill. For an overview of the four approaches, refer to pp235-243
- <sup>32</sup> This model will be the subject for further discussion in later parts of this report since it is the blueprint upon which management of the organisation being researched (PP) base their change strategies on
- <sup>33</sup> Dunphy D. & Stace D. (1990), op. cit., p132
- <sup>34</sup> In a study conducted in 1989 in Australia, it was concluded that "As yet there is limited reliance on human resource programs as a vehicle for the implementation of strategy". For details, see Gardner M. et. al. (1992), op. cit., pp214-215
- <sup>35</sup> Karen Legge suggests that the 'hard' version of HRM practices are very different from that of the 'soft' version and the two may also be in fact incompatible. See Legge K. (1995), Human Resource Management - Rhetorics and Realities, London, Macmillan Press, pp66-67
- <sup>36</sup> Gardner M., for example, notes that it is difficult to make sharp distinctions between HRM and earlier forms of policy towards employees. See Gardner M. et. al. (1992), op. cit., p204
- <sup>37</sup> In her study of three different organisations, Kramar found that despite management's support, not all the policies of SHRM were implemented. She attributed this failure to tensions between short and long term needs, the influence of social values, the operation of informal networks, and the like. See Kramar R. (1992), "Strategic Human Resource Management: Are the Promises Fulfilled ?", Asia Pacific Human Resource Management, Vol. 30 No. 1 pp1-15
- <sup>38</sup> During an interview on 2 May 1995, a senior executive of PP, Peter Harris (pseudonym), intimated that the process of change in PP was based on Dunphy & Stace model. He also named the two as major architects of the change in PP.
- <sup>39</sup> Stace D. & Dunphy D. (1994), op. cit., p225
- <sup>40</sup> Ibid. p vi describes itself as a 'hands on' and 'how to' book as to how choices about strategic change can best be made, which change technologies best fit different strategies
- <sup>41</sup> Beer et. al. (1984), op. cit., p184
- <sup>42</sup> Stace D. & Dunphy D. (1994), op. cit., pp242-243; 238-239
- <sup>43</sup> Noon M. (1992) "HRM: A Map, Model or Theory ?" in Blyton P. & Turnbull P. (eds), Reassessing Human Resource Management, London, SAGE Publications, pp16-33
- <sup>44</sup> In relation to "plausibility", Noon cites three inherent contradictions noted by Legge within HRM as indicators of its logical inconsistency. They are individualism versus co-operation, commitment versus functional flexibility and strong culture versus adaptability to change. On the question of "utility", Noon concluded that the concepts of HRM had not been adequately tested to model the empirical world, and was henceforth deficient in its theoretical utility Ibid., pp23-25
- <sup>45</sup> Gardner et. al. (1992), op. cit., p205

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- <sup>46</sup> Blyton et. al. (1992) , op. cit., p5
- <sup>47</sup> Keenoy T. (1990), "HRM: Rhetoric, Reality and Contradiction", International Journal of Human Resource Management, Vol. 1 No.3, pp374-375
- <sup>48</sup> Bolman L.G. & Deal T.E. (1988), Modern Approaches to Understanding and Managing Organisations, California, Jossey Bass
- <sup>49</sup> Morgan G. (1986), Images of Organisation, California, SAGE Publications
- <sup>50</sup> Collins R.R. (1987), op. cit., p6
- <sup>51</sup> Lewis G. (1987), "Managing the Process of Strategic Change", Working Paper No. 17, The Graduate School of Management, University of Melbourne, p5
- <sup>52</sup> Guest D.E. (1990), op. cit., p390
- <sup>53</sup> Keenoy T. & Anthony P. (1992), "HRM: Metaphor, Meaning and Morality" in Blyton P. & Turnbull P. (eds), Reassessing Human Resource Management, London, SAGE Publications, p235
- <sup>54</sup> Keenoy T. (1990), "HRM: A Case of the Wolf in Sheep's Clothing", Personnel Review, 19(2), pp3-9
- <sup>55</sup> Keenoy T. et. al. (1992), op. cit., p239
- <sup>56</sup> See Legge K. (1995), Human Resource Management - Rhetorics and Realities, London, Macmillan Press, pp315-324 for a detailed discussion of HRM as a postmodern discourse. The interest groups which are considered as parties to the scramble for power includes academics, line managers and personnel managers
- <sup>57</sup> Ibid.
- <sup>58</sup> Pennings J.M. (1975), "The Relevance of the Structure-Contingency Model for Organisational Effectiveness", Administrative Science Quarterly Vol. 20 p393
- <sup>59</sup> Kahn R.L. (1977), "Organisational Effectiveness: An Overview" in Goodman P. & Pennings J. (eds) New Perspectives on Organisational Effectiveness, San Francisco, Jossey-Bass Publications
- <sup>60</sup> Beer M. & Spector B. (1985) , "Corporatewide Transformations in Human Resource Management" in Walton R. & Lawrence P. (eds) Human Resource Management: Trends and Challenges, p232

## **CHAPTER THREE : PACIFIC POWER - OVERVIEW OF ORGANISATIONAL CHANGE & DEVELOPMENT**

### **Chapter Outline**

This chapter provides a historical overview of the changes which have taken place in Pacific Power (PP). The first part of the chapter outlines the organisational development of PP from its establishment in 1950 to the major restructurings in the late 1980s. The focus is on the background to, and recommendations of, the first review of the Electricity Commission of New South Wales (ELCOM) in 1982/83. Further events which led to massive restructurings in the late 1980s are also discussed. The second part of the chapter looks at organisational transformation within PP in the early 1990s. Although the legal process of formally corporatising the organisation has stalled for political reasons, the organisation was given a new identity in 1992 when executives changed its name from ELCOM to PP. The change of name was accompanied by more drastic revamping of organisational structures and operations. The final section of the chapter describes developments surrounding the most recent review of PP, undertaken in 1995. Presumably, this review will herald another round of significant changes within the organisation. As a summary of the major events which have occurred, Appendix II of this report provides an outline of developments since the establishment of ELCOM.

### **From Establishment in 1950 to Major Restructuring in the Late 1980s**

ELCOM was constituted as a statutory body in 1950 by the Electricity Commission Act. Before its establishment, New South Wales was served by a fragmented electricity supply industry and blackouts were widespread. The Commission was established so as to “bring some focus to the problems of electricity generation and supply”.<sup>1</sup> Under the 1950 Act and the Electricity Commission (Balmain Electric Light Company Purchase) Act 1950-56, the Commission acquired the undertakings of the Southern Electricity Supply of New South Wales, the Electric Light and Power Supply Corporation Ltd. and the Parramatta and Granville Electric Supply Co. Ltd.<sup>2</sup> At that time, its main functions was defined as “the generation and supply of electricity in bulk to Local Government Authorities throughout the State for retail distribution and to the Department of Railways for traction purposes”.<sup>3</sup>

The organisation underwent a major restructuring in 1982 at a time when repeated disruptions of normal power supply had given rise to public concern and disquiet.<sup>4</sup> Under the 1982 Electricity Commission (Amendment) Act, a new structure was set up to separate the roles and responsibilities of the Chairman from those of the Chief Executive Officer of the Commission so that it “more closely parallels the separation of functions found in the private corporations”.<sup>5</sup> This marked the first official attempt to align the Commission more closely with private sector operations.

Under the same Act, ELCOM was required to forward a report to the Minister for Energy and submit recommendations for changes relating to financial management, industrial relations and other matters with a view to improving the Commission’s performance.<sup>6</sup> It was noted in this report (Statutory Report 1983) that subsequent to the above restructuring, there was public controversy over electricity charges in New South Wales. In fact, between 1977

and 1982, the cost of supplying one kilowatt<sup>7</sup> hour rose (in 1982 dollars) from 2.04 cents to 3.04 cents.<sup>8</sup> Cost effective management of the Commission then became a key priority.<sup>9</sup>

As a result, recommendations of the report focused on the means of achieving more effective and efficient utilisation of the Commission's resources - both people and assets. It was recommended that the top-level management structure be changed and management processes be strengthened (especially the setting and monitoring of performance goals and budgets and the like).<sup>10</sup> Initiatives to improve industrial relations were also called for as strikes and work bans were identified as being "the largest single cause of extended outage time".<sup>11</sup> On the other hand, the report also recommended the containment of personnel costs to improve productivity. Essentially, labour costs were identified as being second only to the cost of coal in terms of the scale of price increase over the years.

By 1985, the operation of ELCOM was guided by a charter and a more elaborate set of objectives. In particular, the charter specified that one of the major functions of the Commission was "to provide supply of electrical power...at the lowest practicable cost".<sup>12</sup> Also, the Commission was to set corporate planning targets consistent with the eight objectives which covered the following areas - reliability, costs, tariff policy, financial policies, employee relations, customer relations, public relations and environmental concerns.<sup>13</sup>

However, the changes achieved to that date did not relieve the Commission from pressures for further change. Demands for electricity had levelled off and the massive expansion of power station facilities and staff number in the past became a burden to the organisation. During the mid-1980s, several parliamentary enquiries were held into various aspects of ELCOM's business.<sup>14</sup> Swan noted that in 1986/87, the electricity supply sector of New

South Wales had by far the “worst record” with a capacity factor relative to maximum demand of only 35 per cent and a reserve plant margin of 64 per cent when about 20 per cent was usually considered adequate.<sup>15</sup> In 1987-88, ELCOM lost nearly \$1 billion in historical cost terms.<sup>16</sup> As Stace & Dunphy noted, ELCOM remained an engineering organisation with little commercial focus.<sup>17</sup>

In the words of a senior executive of the organisation<sup>18</sup>, the realisation in ELCOM that further changes was required came only in 1987-1988, after an overseas tour had been made by its top executives to investigate similar organisations in other countries. As well as legislative amendments which resulted in changing the composition of the Board of Commissioners in 1987 and 1989, a number of internal transformations were instituted during the late 1980s. Vigorous internal program performance evaluations and reviews were put into place.<sup>19</sup> Furthermore, program performance evaluation was conducted by a program performance review team which reported to the Audit Review Committee.<sup>20</sup> These were coupled with tight financial discipline and tight control over expenditure programs.<sup>21</sup> Institutionalised overtime and restrictive work practices were eliminated. More importantly, drastic organisational restructuring was implemented. In practical terms, this resulted in the retirement of some older power station plants. In the year 1989 alone, the workforce was reduced by 20 per cent via a program of voluntary redundancies.<sup>22</sup> By reducing staff numbers, productivity in terms of Gigawatt<sup>23</sup> hours of electricity sales per employee improved significantly from 4.01 to 5.08 in one year.<sup>24</sup>

Stace and Dunphy attribute the commencement of these dramatic changes to the directive leadership of the new commercial Board under new Chairman John Conde and General Manager Barry Flanagan.<sup>25</sup> They also see this period as an example wherein a “Turnaround change strategy” with a mixture of coercive and directive style was required to put the organisation back to an

external fit with the new environment.<sup>26</sup> Indeed, the changes strategies of the late 1980s were driven by ELCOM's management with toughness and tenacity. As opposed to the gradual, consultative style of reform in the early 1980s, direct confrontation was made by the executives with long-existing organisational practices and policies. This resulted in rapid and radical changes to organisational structure and operations.

### **Accelerated Change and a New Identity in the 1990s**

As senior management of ELCOM were making these directive changes, political leaders outside the organisation were also drawing their own plans for ELCOM's future. In particular, there were increasing discussions about enabling further organisational changes in ELCOM by transforming it into a public corporation. In fact, since the adoption of the agenda for corporatisation by the newly-elected Greiner Government in 1988, ELCOM had ranked high on the list of organisations which were to be corporatised. Nevertheless, no concrete action towards this direction was taken in the late 1980s. In May 1990, Greiner committed himself again to corporatising ELCOM before the end of 1991.<sup>27</sup> Relevant groundwork was laid by the organisation itself in preparation for a new identity.<sup>28</sup> In 1991, the Greiner Government declared that ELCOM was to be corporatised by October with the new name 'Pacific Power Corporation Limited'.<sup>29</sup>

It is significant that more than four years on, the planned corporatisation has still not taken place. The relevant bill for transforming ELCOM from a statutory authority into a state owned corporation remains shelved. What has intervened in this legal process is not absolutely clear. Some journalists noted that bureaucratic inaction accounted for the lack of progress in the early days,



while disagreement between ELCOM executives and the government as to what the term ‘corporatisation’ involved had caused further delay in the program implementation.<sup>30</sup> A senior executive of the organisation intimated that it was opposition from the environmentalists that stalled the final legislative procedure.<sup>31</sup> Another staff member interviewed suspected that opposition from the Labor Council and the Democrats led to the sidelining of the official plan.<sup>32</sup>

Although formal corporatisation has not been achieved, sweeping changes have been instituted in the organisation. This is perhaps indicative of attempts made by executives of ELCOM to circumvent uncontrollable contingencies by way of giving their own interpretation to the notion of ‘corporatisation’. Since 1992, the organisation adopted ‘Pacific Power’ (without the term Corporation) as its new trading name. Considerable reshuffling has been undertaken “in a climate of structural reform”.<sup>33</sup> The organisation was restructured into a number of separate and decentralised business units, operating in the form of a profit centres with strong commercial focus. In 1994, the Pacific Grid Pty Limited was formed as a separate business entity, taking over the transmission business of PP and its more than one thousand staff. On the other hand, a subsidiary known as Pacific Power (International) Pty. Limited was established to market the engineering skills of the organisation overseas, mainly in the Asia-Pacific region. (See Appendix III for an Operations Overview of PP)

Further, to prepare itself for the opening up of the national grid, a number of changes were introduced to improve the competitiveness and efficiency of the organisation. Since 1992, the three regional production groups (PP Hunter, PP Central Coast and PP Western) have been required to sell their output to an internal wholesale electricity market (ELEX)<sup>34</sup> and compete amongst themselves. Three inefficient plants were decommissioned and one was closed completely.<sup>35</sup>

The adoption of the new name 'Pacific Power' also signifies the organisation's concern to enter into the competitive international market.

In terms of its business outcomes, PP's management has been proud to report spectacular improvements in various areas, including the following:

1. PP was rated sixth in Australia's Top Profit Earners by the Australian Business Monthly(December 1993)<sup>36</sup>
2. In 1994, there was a \$779 million before tax profit (an increase of \$76 million over that of 1993)<sup>37</sup>
3. The real average price of electricity fell from 6.30 cents/Kilowatt Hour in 1992/93 to 5.95 cents in 1993/1994<sup>38</sup>

It is evident that PP has moved into an era where it sees its major concern as being "managing the business".<sup>39</sup> In the words of a senior executive<sup>40</sup>, the period from 1991 to 1992 marked the end of the very first phase of their conscious reform process, a phase which Stace and Dunphy labelled as that of "coercive change" through the "shock of a painful Turnaround".<sup>41</sup> By contrast, the second phase of the change programme which began in 1992 emphasised "rebuilding" the organisation<sup>42</sup> through "Task-focused transition".<sup>43</sup> The emphasis was on the construction of new organisational values and culture in terms of systems and work redesign, and values readjustment. In 1992, the 'Partners in Performance' mission statement declared "a new way of working in PP".<sup>44</sup> Since then, it has become the embodiment of PP's values. New strategies pertaining to performance management, quality improvement and a number of others are all described as realisations of essential principles of this statement.

So although the organisation has not been formally corporatised as was originally intended, the momentum and mechanisms for change towards a private sector mode of operation have been put in place. One senior executive

interviewed commented that they simply did all the things as if they were corporate, although they were not formally corporatised.<sup>45</sup> Indeed, with the new name, the organisation announced that it had adopted “a new ...corporate identity”.<sup>46</sup> In this sense, PP has given a new light to what ‘corporatisation’ may mean and embody. In fact, the efforts which have been made by management of PP to alter the organisation are significant. Since the late 1980s, the executives have continued an often painful process of organisational transformation with a vigour that was lacking in the ELCOM era. As a senior executive put it, in implementing changes in PP, it was important to ensure that you “do it and continue to have the energy of doing it.”<sup>47</sup>

### **Further Reforms Proposed for the Future**

Care should be taken, however, not to overestimate the prerogative that executives of the organisation possess in dictating strategies or policies of their own choice. For while they are endeavouring to “write their own script” for change<sup>48</sup>, there are events in the external environment which remain unpredictable and uncontrollable contingencies for the organisation.

A new Labor Government in the New South Wales and the replacement of John Conde, a close associate of former Liberal premier Greiner<sup>49</sup>, by Fred Hilmer as chairman of PP in early 1995, are amongst some of the developments which are bound to have an impact upon the operation of the organisation. The appointment of Professor Hilmer as chairman is indicative of an attempt of the new government to further push the competition policy in the electricity industry.<sup>50</sup> The agenda for corporatising PP has therefore been revived by the Labor Government, albeit in a different form. This has put the existing structure of PP, which is the result of conscious reconstructions by the organisation’s executives, into question.

As chairman, Professor Hilmer was mandated to review the present structure of PP, taking into consideration the need to bring in a competitive market. The future of the organisation was thrown into uncertainty when Professor Hilmer told the press at the start of his term that he had no preconceptions as to the future shape of PP.<sup>51</sup> The new Premier, Bob Carr, also stated in May 1995 that the Government was “open-minded about the future structure of Pacific Power”.<sup>52</sup> While official announcement of the result of the review was still pending, the pressure for breaking up PP mounted. The Treasury of NSW and the Minister for Energy had plans for ‘carving up’ PP into three separate business entities.<sup>53</sup> In his earlier report on the national competition policy, Hilmer had also argued for the desirability of separating potentially competitive parts of the enterprise (of public monopolies) so that it became several businesses.<sup>54</sup> Further, the Industry Commission has indicated support for such breaking up “as a means of lowering electricity prices through competition”.<sup>55</sup> On the other hand, opponents of fragmentation have argued that this would reduce PP’s ability to compete internationally as well as within the national market when the national grid comes into operation.<sup>56</sup> There has also been strong opposition against drastic restructuring of PP from union leaders and some members of the Australian Labor Party. Attempts have been made to stall the plan for the break-up, although so far to no avail.<sup>57</sup>

For the second half of 1995, PP was entangled in these political debates. The uncertainty caused by this review has inhibited efforts for change within the organisation. As one executive commented: “we are not moving fast enough because of the political environment. We do not know where we are going to be in six months time, so we are holding back until that is cleared”.<sup>58</sup> Furthermore, it is apparent that executives of PP were against the proposed fragmentation. In the 1994 Annual Report of PP, a whole page was devoted to arguing for

preservation of the existing organisation. As the general manager, Ross Bunyon, put it: “ I place considerable importance on the benefits of a strong utility. Our strength has enabled us to produce excellent results... In contrast, a fragmented organisation cannot provide sustained performance at this level...”.<sup>59</sup> Nevertheless, by the end of 1995, the splitting of PP had become very much a *fait accompli*. Instead of cutting it into three separate generating companies, the proposed transformation will break the organisation into two publicly owned companies.<sup>60</sup> Undoubtedly, such fragmentation will bring along more dramatic changes in the future.

## **Conclusion**

The history of PP ( and its ‘predecessor’ ELCOM) reveals that for the past ten years or more, the organisation has been the subject of dramatic change. From the first review in 1982 to the most recent one in 1995, there have been significant transformation in the management structure, organisational framework, operating logic and guiding values of the organisation. For PP, change has been both an external contingency and a conscious means of internal reform. External forces of transition which have impinged upon the organisation include growing public concerns with its performance in the early 1980s; the levelling off of consumer demands for electricity in the late 1980s; and the building up of the corporatisation ethos in the early 1990s. Internal forces for transformation include conscious reforms and strategies instituted by executives to restructure the organisation in the late 1980s, and then to rebuild it in the 1990s. The establishment of a ‘new identity’ for PP in 1992 is a clear example of attempts by these executives to establish their own version of the corporatisation agenda and become real ‘managers’ of organisational change. Nevertheless, the

future of PP has once again become an issue for political debate and its fate remains uncertain. Against this backdrop, we now turn to examine the transformation of human resources strategies in the organisation.

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#### ENDNOTES

- <sup>1</sup> Pacific Power (PP) (1995), Annual Report 1994, Sydney, Emery Vincent Associates, p3
- <sup>2</sup> Electricity Commission of New South Wales (ELCOM) (1962), Report of the ELCOM for the Year Ended 30th June 1962, Sydney, Government Printer, p1
- <sup>3</sup> Ibid.
- <sup>4</sup> There as a short interruption to power supply on 10 June 1981. Thereafter, periods of restriction on the use of electricity amounting to a total of 42 days in December 1981, March and April 1982 were experienced. For details, please refer to ELCOM (1983), The Electricity Commission of New South Wales: Performance and Future Direction Statutory Report to the Minister for Energy, Sydney, Government Printer, p4 and Chapter 2
- <sup>5</sup> Ibid., p4
- <sup>6</sup> This report was submitted pursuant to Section 7 of the Electricity Commission (Amendment) Act, 1982 and according to subsequent agreement between the Minister for Energy and the Commission, should "cover all major areas of activity considered to be of significance in improving the efficiency of the Commission and planning its future directions". Please refer to ELCOM (1983), op. cit., p3
- <sup>7</sup> One kilowatt equals to one thousand watts. A watt is the unit of power.
- <sup>8</sup> Ibid., pp27-28
- <sup>9</sup> Ibid., p39
- <sup>10</sup> Ibid., pp13-14
- <sup>11</sup> See Ibid., pp51-60 for detailed discussions
- <sup>12</sup> ELCOM (1985), The Electricity Commission 1985 Annual Report, Sydney, ELCOM, p3
- <sup>13</sup> Ibid.
- <sup>14</sup> Stace D. & Dunphy D. (1994), Beyond the Boundaries: Leading & Recreating the Successful Enterprise, Sydney, McGraw-Hill, p113
- <sup>15</sup> Swan P.L. (1989), "Corporatisation, Privatisation and the Regulatory Framework for the Electricity Sector", Economic Papers, Vol. 8 No. 3, p55
- <sup>16</sup> Ibid., p67. This is also confirmed by the figures published in the New South Wales Government (1991), Performance of NSW Government Businesses : Microeconomic Reform, p12
- <sup>17</sup> Stace D. & Dunphy D. (1994), op. cit., p113
- <sup>18</sup> Interview with Peter Harris (pseudonym) on 2. May 1995
- <sup>19</sup> This was done, in addition to the regular review by the Internal Audit Division, through a corporate planning process which aimed to ensure that results were obtained in key performance areas. ELCOM (1987), The Electricity Commission 1987 Annual Report, Sydney, ELCOM, p6
- <sup>20</sup> Ibid.
- <sup>21</sup> Stace D. & Dunphy D. (1994), op. cit., p113
- <sup>22</sup> ELCOM (1989), The Electricity Commission 1989 Annual Report, Sydney, ELCOM, p4
- <sup>23</sup> One Gigawatt equals to one thousand Megawatt or one million Kilowatt
- <sup>24</sup> Ibid., p14
- <sup>25</sup> Stace D. & Dunphy D. (1994), op. cit., p113
- <sup>26</sup> Ibid., p114. For summary of the characteristics of turnaround strategy, please refer to pp242-243
- <sup>27</sup> Ibid.
- <sup>28</sup> ELCOM (1991), The Electricity Commission 1991 Annual Report, Sydney, ELCOM, p15
- <sup>29</sup> New South Wales Government (1991), op. cit., p11

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<sup>30</sup> According to Ibid., Mr. John Conde, ELCOM Chairman, saw corporatisation as the legislative formalisation of the commercial approach he has pursued over the last few years, with the organisation staying in its existing form. On the other hand, the government saw it as a chance to break the bureaucracy into separate business units.

<sup>31</sup> Interview with Peter Harris (pseudonym) on 2 May 1995

<sup>32</sup> Interview with Todd McCarthy (pseudonym) on 18 July 1995

<sup>33</sup> Pacific Power (PP) (1992), Pacific Power Annual Report 1992, Sydney, PP, p5

<sup>34</sup> Stace D. & Dunphy D. (1994), op. cit., p114

<sup>35</sup> Ibid.

<sup>36</sup> New South Wales Government (1995), Performance of New South Wales Government Business, p87

<sup>37</sup> PP (1994), Pacific Power Annual Report 1994, Sydney, PP, p1

<sup>38</sup> Ibid.

<sup>39</sup> Stace D. & Dunphy D. (1994), op. cit., p114

<sup>40</sup> Interview with Peter Harris (pseudonym) on 2 May 1995

<sup>41</sup> Ibid., p219

<sup>42</sup> Ibid., p104

<sup>43</sup> Stace D. & Dunphy D. (1994), op. cit., p116

<sup>44</sup> PP (1993), PP Annual Report 1993, p14

<sup>45</sup> Interview with Peter Harris (pseudonym) on 2 May 1995

<sup>46</sup> PP (1992), op. cit., p5

<sup>47</sup> Interview with Peter Harris (pseudonym) on 2 May 1995

<sup>48</sup> In an interview with a senior executive of PP, Peter Harris (pseudonym) on 2 May 1995, he commented that as a change manager, he had to write his script to define the strategy and the plan for change. Otherwise, he noted, somebody else would, and that included people like the unions, the government etc.

<sup>49</sup> Weekend Australian, 22-23 April 1995, p2

<sup>50</sup> Professor Hilmer is the author of a famous report on national competition policy. Specifically, he was of the opinion that "...technological changes and other developments have shown that the area of genuine natural monopoly is relatively small and diminishing..." and that "...as far as possible, universal and uniformly applied rules of market conduct should apply to all market participants regardless of the form of business ownership..." See F. Hilmer (1993), National Competition Policy (Report by the Independent Committee of Inquiry), p12 and pxviii

<sup>51</sup> The Sydney Morning Herald, 22 April 1995, p2

<sup>52</sup> The Sydney Morning Herald, 18 May 1995, p6

<sup>53</sup> The Sydney Morning Herald, 26 June 1995, p21

<sup>54</sup> F. Hilmer (1993), op. cit., p215

<sup>55</sup> The Sydney Morning Herald, 16 August 1995, p7

<sup>56</sup> The Sydney Morning Herald, 2 October 1995, p4

<sup>57</sup> Ibid.

<sup>58</sup> Interview with Mark Dixon (pseudonym) on 31 July 1995

<sup>59</sup> PP (1994), op. cit., p10 features an interview with Ross Bunyon, in which the question of "How important is size to Pacific Power's commercial performance?" was put. The quotations are part of the answers given by Ross Bunyon for the case of maintaining PP as a sizeable organisation.

<sup>60</sup> The Sydney Morning Herald, 24 October 1995, p12. One of the companies will have Liddell and Bayswater power stations at Hunter while the other will have Mount Piper, Wallerawang at Western plus Vales Point, Munmorah at Central Coast under one subsidiary and Eraring at Central Coast as a separate subsidiary.

## **CHAPTER FOUR: HRM STRATEGIES - RESTRUCTURING SYSTEMS & PROCESSES**

### **Chapter Outline**

This chapter deals with HRM strategies which have been put in place by executives of PP (and its 'predecessor' ELCOM) to transform organisational systems and processes. This series of initiatives commenced as early as 1987 and attacked the framework of the organisation on a number of different fronts. Many of them were typical of the tools of Stace and Dunphy's 'Turnaround' strategy.<sup>1</sup> Firstly, there were continuous downsizings and subsequent flattening of ELCOM's bureaucratic structure. At the same time, there was a deliberate move away from traditional industrial relations practices. This was pursued mainly through the adoption of a tougher stance against trade unions and 'inappropriate' practices like that of 'expanded' overtime. Following these, attempts have been made since the late 1980s to replace ELCOM's traditional wage and career structure with performance-related pay and competency-based career structures. To consolidate the changes which have been made, the 'Partners in Performance' principles established in 1992 laid the blueprint for the development of a new performance management process and the operation of teamwork in collaboration with such a monitoring procedure. These strategies align closely with what Stace and Dunphy have described as a "Task-focused Transition".<sup>2</sup>



## **Dismantling the “Oversized” Bureaucratic Structure**

As a government organisation, PP inherited from ELCOM a structure with a history of more than forty years. Over the years, the organisation had grown significantly in size. The number of staff rose from around 7,400 in the early 1960s to more than 10,000 in 1984/85.<sup>3</sup> In the 1983 Statutory Report, it was noted that productivity increases in terms of Gigawatt hours generated per person had levelled off from an average of 7.5 per cent per annum for the period 1972-1977 to a mere 1.7 per cent for 1977 - 1982.<sup>4</sup> On the other hand, over the period 1972 - 1982, employees of ELCOM enjoyed a growth in real wages which was greater than the average of New South Wales.<sup>5</sup>

While this report had critically looked at increasing staff numbers and staff costs as issues for concern, no drastic action was taken in the few years to follow. The number of employees remained relatively steady up to 1988. Whether ELCOM did deserve such a large workforce is a matter for debate. The cynical observer might suggest that it is typical of Parkinson's Law<sup>6</sup> at work in a bureaucratic environment. To Swan "...The process by which New South Wales converted from power shortages and brownouts in the early 1980s to massive over-capacity by the second half of the 1980s is almost inexplicable...".<sup>7</sup> An employee who has been working in PP since the late 1970s observed that the organisation was overstaffed in the early 1980s.<sup>8</sup> It was also not uncommon in those days for the government to intervene and asked ELCOM to put on more labourers before the election for political purpose.<sup>9</sup>

The growing size of the organisation had helped to build up its bureaucratic and hierarchical structure. Some dysfunctions that are often identified with such a structure are overconformity to existing norms and standards and development of an *esprit de corps* which tends to defend entrenched interests<sup>10</sup> - all of which present barriers to changes. These factors

perhaps help to explain why the organisation took so long to address problems which had been identified as early as 1983.

In fact, decisive action started only when John Conde and Barry Flanagan assumed control in the late 1980s. From 1987 to 1990, the number of staff was reduced by over 40 per cent through voluntary redundancy programs.<sup>11</sup> The determination to get through such rationalisation was demonstrated by the following comment made by John Conde : “...In terms of financial outcomes and ensuring that the organisation became stronger for the benefit of all continuing staff, the decisions(of retiring older power station plant and thus reducing staff) were relatively straightforward...”.<sup>12</sup> The main concern was to “get the numbers right”.

As a HRM strategy, ‘downsizing’ is a painful process which may appear incongruous to the softer, human relations concepts from which the notion of HRM was originally derived.<sup>13</sup> An executive of PP saw staff reduction not as a particularly HR related policy at all, with the main concern at that time being to cut cost.<sup>14</sup> To one senior executive, this was one of the dilemmas of organisational change because while redundancies had a major impact on morale, ELCOM had “no alternative at that stage”.<sup>15</sup> Presumably, what he had in mind was that the organisation was under severe political pressure to change in view of mounting public concerns for its efficiency and cost-effectiveness. To some extent, this demonstrates the ‘strategic concerns’ of SHRM in dealing with exogenous contingencies. It is also indicative of the ‘hard’ side of HRM which some practitioners would like to disassociate from the notion of HRM. An interesting question that flows from the above is how much freedom of choice did executives of ELCOM have in determining these actions of ‘downsizing’. We have seen in Chapter Three that these executives do not always have control

over exogenous factors like political pressure for reform. Existing models of SHRM also make little reference to such issues.

In any case, the drastic cut in staff numbers had an enormous impact upon people in the organisation. An employee who has been with ELCOM for nearly thirty years remarked that people no longer had a sense of belonging.<sup>16</sup> An executive admitted that such programmes had induced a sense of insecurity.<sup>17</sup> Being aware of possible repercussions, attempts were made to play down its significance when major cuts were over. Barry Flanagan, the manager responsible for implementing these radical changes, was replaced by Ross Bunyon in 1992 when the organisation emerged as “a lean and commercially focused organisation”.<sup>18</sup> On the other hand, some remaining staff at PP noted that the programme of downsizing had changed the way in which employees behaved. Essentially, it had sent a strong message as to what the organisation was prepared to do to achieve its objectives.<sup>19</sup> Security of employment came into play and without dwelling on the ideological debates as to the ‘rightness’ of such actions, the use of such a strategy has tilted the balance of power towards management and left them with greater room for strategic choice in the future.

While getting the numbers of staff down to acceptable levels, the executives were also mindful of the need to secure the ‘appropriate’ personnel and structure for the changing environment. In 1989, Barry Flanagan announced as one of the measures to eliminate previous restrictive work practices, that future appointments within ELCOM would be based on “merit rather than seniority”.<sup>20</sup> An issue which stemmed from this was what was meant by “merit”? For one of the staff interviewed, this meant that you had to endorse the new views and values of the organisation.<sup>21</sup> While this may seem too much of an oversimplification, it is a realistic description in that from the HRM perspective, an organisation does prefer having people who are receptive and agreeable to the

directions of the organisation. This accords well with the unitarist assumptions underlying HRM. Although it is not within the scope of this project to engage in debate on pluralist versus unitarist perspectives on employment relations, it is apparent that as elements of a change programme, HRM strategies in PP have been expected to support a tight and consistent operating structure in the organisation.

It is not known how many people in PP now fall within this category of those who are ready to share the new organisational values.<sup>22</sup> Some were of the opinion that older staff with a long period of service were more likely to stick to the 'good old days' and were hence less receptive to the new ways.<sup>23</sup> Referring to the staff service profile (see Appendix IV), the most common years of service of existing staff was thirteen while the most common age was forty eight. 38 per cent of the staff had more than fifteen years of service, which took them back to the 'heyday' of the ELCOM era. If the view about the relationship of age and years of service to employee attitudes is correct, these figures would indicate that the existing staff profile of PP is not all that favourable to change. Nevertheless, another staff member noted that although a large number of the people of the old ELCOM era remained, many of the 'die-hards' had gone.<sup>24</sup>

On the other hand, the strategic alternative for PP to recruit the 'right' people is constrained by its very limited recruitment programme. A senior executive expressed concern that the turnover rate of PP was too low to enable continual recruitment, which would have a "flushing effect".<sup>25</sup> He confirmed, however, that in the recruitment which was undertaken (mainly for top executive posts), only people with values similar to those of the organisation would be chosen. Presumably, this meant that the appointees have to be receptive to the change agenda formulated by the senior executives of PP.

As far as the structure of the organisation is concerned, the search for a suitable framework has been a long and challenging job. There have been numerous organisational restructurings since 1987. Some of these were more concerned with eliminating redundant structures; others were directed at redefining relationships, which might also have a downsizing effect. That is why in PP, the term restructuring is sometimes seen as a synonym for downsizing. After a series of revampings, including the separation of the transmission business from the organisation, PP is left with a total staff of only 4,300 as at June 1995.

While further details of the new operating structure of PP will be dealt with in later sections, it is worthwhile noting here that in general, PP has replaced the hierarchical structure of ELCOM with a much flatter one resting on the basis of business units. This is made possible by drastic reductions in staff numbers, so that there are only three levels of management in this new arrangement. They are respectively the business unit managers, location managers, and team leaders.<sup>26</sup> A team leader at one power station suggested that with this flatter structure, people now felt much more comfortable talking to managers, who were generally considered as beyond reach in the old bureaucratic structure.<sup>27</sup>

### **Moving Away From Traditional IR Practices**

Insofar as change is a planned process, it is very much about breaking away from the 'old', which is considered as being incompatible with the 'new' environment. For PP, many of its previous employment relations 'problems' stemmed from its operation within a traditional IR infrastructure which was basically adversarial in nature. In the 1983 Statutory Report, industrial disputation was identified as a major cause of ELCOM's problems in the early

1980s. The report also pointed out that stoppages, bans and restrictive work practices were major contributors to extended duration of generating unit outages.<sup>28</sup> In fact, protracted industrial action over wages claims in 1981-82 had led to extensive power rationing in New South Wales.<sup>29</sup> Further, work bans could impose serious hidden costs because they could delay maintenance and overhaul programmes and cause less efficient stations to be used.<sup>30</sup>

The remedies suggested in this report included increased attention to 'motivating factors' like communication, job satisfaction as well as improvement of existing structure like reviewing guidelines for settling disputes and redefining responsibilities for management of IR. The desire to improve IR incrementally was, however, buttressed by the need to effect significant increases in productivity. The "planned and systematic approach to industrial relations"<sup>31</sup>, as called for in the 1983 report, was premised upon the assumption that ELCOM would remain as a large, stable government organisation with a high union membership. Nevertheless, political pressures which built up in the late 1980s were such that quick and drastic action was undertaken to transform the industrial relations scenario in the organisation.

A change in the approach towards IR commenced with the abolition of overtime work in 1987.<sup>32</sup> A line manager in PP observed that overtime in those days was an entrenched practice which was counter-productive.<sup>33</sup> In many cases, work was simply expanded for the sake of getting overtime pay. The fact that Barry Flanagan decided to eradicate this entrenched industrial tradition indicated management's determination to effect change. Decisive change took place, however, in 1988 when a major dispute occurred over an alteration of the shift roster system. A work ban which was imposed by employees was later withdrawn as a result of a management circular warning them that they would

lose their job if the strike continued. A line manager described this as the time when management determined that 'enough is enough'.<sup>34</sup>

As a statutory organisation, ELCOM had been working in a highly political environment without the power to hire and fire. The fact that the then Liberal government had stood firmly behind the tough stance taken by ELCOM's executives in this episode reflected a turnaround in political climate. This had greatly assisted the executives in regaining their autonomy to manage. Indeed, in the years which followed, the organisation was able to sail through a series of reforms, reductions and rationalisations without major industrial disputation.

This is not to say, however, that PP has completely broken its ties with the past. A staff member saw the present separation of the functions of 'Employee Relations' and 'Employee Development and Services' as a perpetuation of the traditional distinction between IR and PM, and the adversarial assumptions behind such a distinction.<sup>35</sup> Moreover, official negotiations with employees in PP are still conducted between 'industrial specialists' within the Employee Relations Section and the unions (through the Labor Council). This is despite the fact that the unions now represent only fifty eight per cent of the staff.<sup>36</sup>

Being a large public organisation employing a wide range of staff, ELCOM had operated under a number of different awards. Such an arrangement fitted in well with its past structure, which was essentially hierarchical and rigid. Following a series of internal restructurings, a single award was introduced for all ELCOM employees in 1991.<sup>37</sup> This was made possible by virtue of the award restructuring exercise that took place on a national level as a result of negotiations between Australian Council of Trade Unions (ACTU) and the government. Stace and Dunphy described the agreement in ELCOM as a "groundbreaking agreement for a public sector organisation"<sup>38</sup>, which enabled ELCOM to break away from the traditional demarcations and distinctions of its

previous salary structure. Notably, the 300 salary points scale was reduced to a 40 point single salary scale.<sup>39</sup>

The significance of the above changes lies not only in the procedural neatness that they produced. More importantly, by removing traditional classifications, the new arrangement represented a challenge to the assumptions which had underpinned ELCOM's previous wage structure. Many of these assumptions were associated with the principles of comparative wage justice and work value<sup>40</sup> - the two traditional notions of equity and fairness in Australian wage determination. Common misgivings about the practical application of such principles were that they gave rise to indiscriminate flow-ons of wage increases and rigidities within wage structures. The fact that ELCOM was a government organisation meant that the applications of such principles were often compounded by bureaucratic considerations like rule consistency and uniformity. The result was a wage structure which remained as massively complex and was controlled more by exogenous institutional factors rather than by internal management concerns. Under the single award system, the old distinctions between various classes of employees were removed. Flexibility, which was commonly hailed as the dominating principle of private sector operation, then became one of the major concerns of the organisation. This was made more evident by the fact that this new award also formally established promotion by merit and introduced the principle of competency-based training for all classifications. Both of these measures were to give the signal that ELCOM was ready to replace previous systems with new ones.

Although the single award system represented a major departure from the previous wage structure, it still rested upon the traditional consideration that people were to be awarded for the job they performed rather than their performance per se. The establishment of the first Enterprise Agreement in 1994,



however, marked a significant shift in strategic focus towards rewarding people for their effort and achievement. As the 1994 Annual Report stated, “The message is that if you work well, you are rewarded”.<sup>41</sup>

This Agreement, which was effective until November 1995, was applicable to all employees covered by nine respective unions.<sup>42</sup> Apart from securing an exchange of a 17.5 per cent annual leave loading in return for a pay increase of 1.35 per cent, the most significant feature of this agreement was the provision made for performance payments for “employees’ contribution to the ongoing performance improvements of Pacific Power”.<sup>43</sup> Under the agreement, increases in pay would be made in four instalments based upon a formula which took into consideration movements in three performance indicators on an organisation-wide basis, namely the operating cost per Megawatt<sup>44</sup> hour, attendance at work in terms of average number of total lost days per employee, and safety standards in terms of consecutive days free of lost time accidents.<sup>45</sup>

It is apparent that the growing use of productivity enhancement measures under enterprise bargaining in Australia provided the climate for such changes in PP. Nevertheless, most of the executives were of the opinion that PP was still hindered by the fact that it was a public sector organisation. As one of them commented, giving money reward in a political environment was extremely difficult because of the possible criticisms it would attract.<sup>46</sup> Furthermore, under the existing framework of PP, the drawing up of an enterprise agreement was an arduous political process which involved months of negotiations with the Labor Council. The first Enterprise Agreement took about fifteen months to negotiate.

In fact, despite the above agreement, PP had not directly linked wage rises to the specified performance indicators. Instead, results of the performance measures were made known to employees through internal memorandum only as regular reminders of the possible connections that could be made between the

organisation's performance and the employees' rewards. No specific reasons have been given for this implementation gap, but some executives expressed the view that PP was still in a process of learning in respect of performance pay and was hence moving rather conservatively.<sup>47</sup> They also emphasised that other forms of rewards and recognition were used as motivators, including public acknowledgement or formal recognition of good performance.<sup>48</sup> It was admitted, though, that people in the organisation were increasingly concerned about receiving 'appropriate' reward for their efforts towards improved performance.<sup>49</sup> Exactly how should the 'appropriate' reward be determined remains undecided. There are concerns that the use of current indicators may result in seasonal fluctuations in pay levels.<sup>50</sup> One line manager expressed a lack of confidence in performance-based pay as a means of rewarding the right people unless it work on a general profit-sharing basis.<sup>51</sup> All in all, this is a HRM issue which is highly relevant to the strategic repositioning of PP and yet it remains one of the most intractable issues of all.

As a contracting organisation with a relatively low labour turnover rate (especially for its technical staff), PP is also limited in its ability to give recognition through promotion. An executive of the organisation agreed that there was very little room for movement in terms of true career development. Instead, employees' development in PP begins to take the form of horizontal movement through multiskilling and job enhancement. The notion of multiskilling had germinated in the organisation in 1989, when the TEAM (Training, Efficiency and Multiskilling) Plan was introduced by the management.<sup>52</sup> This was, in fact, an implementation of principles of structural efficiency and award restructuring as set down by the Industrial Relations Commission in the late 1980s. Unions were involved in the negotiation process through their participation in the sub-committees set up for the various trade groups.<sup>53</sup> The result of the plan, as

ELCOM announced in 1990, was the adoption of the single award system which remove traditional barriers amongst different job categories.<sup>54</sup> In this sense, 'multiskilling' was conceived by the executives as more of a tool to combat the structural limitations of traditional job classifications and hence to increase the strategic autonomy that the organisation could exercise in its deployment of staff.

The issue of multiskilling is given a further fillip in PP when competency identification and development become part of a national agenda for reform of vocational education and training. A steering committee consisting of the Labor Council, the major unions<sup>55</sup> and PP has been formed to oversee the establishment of competency standards within the organisation. This time, a more consultative approach has been adopted by the management and extensive negotiations have been held with unions on the working of the project. In itself, the process is an elaborate one which commenced in March 1995 and is estimated to take more than one year to complete. The approximate cost of the project for PP is \$1.5 million. That PP has invested so much in this project is probably made possible or even necessary by the fact that it is still one of the biggest public sector employers in New South Wales.

However, it is one thing to identify competencies and another to make it a strategic tool for employees' development. The concept of 'skill', which has underlined the traditional notion of work value, can remain a static notion unless special attention is given to its relationship with change both as an external contingency and an internal reform process. For example, the increasingly competitive environment means that high quality, quick response and high value-added decisions<sup>56</sup> are required from PP's employees. Nevertheless, a member of PP's training staff suggested that most of the skills that were acknowledged in PP were the hard skills(the technical know-how) and not the soft skills (like

leadership, communication and management skills) which were important for the changing environment.<sup>57</sup>

Furthermore, although job enhancement through multiskilling may increase job satisfaction and act as a motivating factor, 'hygiene factors' like salary and working conditions are still crucial to the avoidance of dissatisfaction.<sup>58</sup> As Mathews has pointed out, the establishment of wage premium structures and career development structures which are connected with competency development provides recognition for contributions made by employees towards upgrading and expanding their own skills.<sup>59</sup> In the case of PP, this might be a strategic alternative for motivating people to work towards what would otherwise be a dead-end career structure. However, little progress has been made in that direction so far. Only one power station (Mount Piper) has adopted a competency-based career path. In PP as a whole, the competency project concentrates on the detailed identification of competency standards. Although some executives expect that PP can benefit from this nation-wide project, exactly how the latter will serve the specific purposes of the organisation remains uncertain. No agreement has yet been reached on the removal of career barriers and the direct linking of pay with competencies as a result of the project. An employee being interviewed expressed concerns about the formality and descriptive details associated with project. How far PP can effect real change in this direction therefore remains unknown.

### **Building Processes and Structures for 'A New Way of Working'**

Apart from changing the systems with which the organisation is working, PP's planned reform is also concerned with altering structures and processes in which actual operations of the organisation took place. Most of this restructuring

started in 1992, when the emphasis switched from doing away with the old to building the new. In 1992, PP established what was labelled as “a new way of working” through ‘Partners in Performance’.<sup>60</sup> ‘Partners in Performance’ as a statement of values and principles has its symbolic significance, which will be discussed in greater details in the next chapter. The focus of this section is on those processes and structures which have been established in an attempt to realise the principles contained therein.

Most of these processes and structures have been put into place to rectify the ‘ills’ of the operating systems that PP inherited from its past existence as a public sector bureaucracy. The 1983 Statutory Report noted that the general manager of ELCOM was too heavily committed to the daily running of the organisation while other managers were not clearly accountable for their operating costs, staff numbers and capital expenditure.<sup>61</sup> One long time employee described ELCOM as an engineering organisation in which people did things according to what was considered the best engineering practice to do so, without worrying about the costs incurred.<sup>62</sup> Another staff member suggested that in the past, the focus on excellence was embedded in the ‘high bureaucracy’.<sup>63</sup> The overwhelming concern for total risk aversion meant that decisions were confined to the upper levels of the hierarchy. Ordinary employees did only what they were told and had little control of their daily operations. This accounted in large part for the organisation’s slowness in decision-making.<sup>64</sup>

In an attempt to increase the accountability of managers for organisational performance, while simultaneously giving ordinary staff members more discretion in their daily performance of work, executives of PP have sought to achieve delegation and empowerment via a new performance management process. This whole process commences with the development of the strategic and business plan of PP. This is followed by the determination of business group

and team business plans which are meant to align with the strategic direction of PP. Individual performances are then directly connected to the organisation/group/team business plan through respective individual contracts or programmes in which Key Results Areas (KRAs), performance standards and individual development plans are negotiated. Senior executives employed on a Senior Executive Service (SES) contract are covered by Performance Agreements in accordance with a Corporate Performance Guidance. For team leaders, managers and administrative officers, a Performance and Development Program (PADP) is prepared along the lines of the business plan. Other employees are covered by the team PADP.

A senior executive described this performance management process as “the centrepiece of PP’s HRM strategy” in which people obtained ‘ownership’<sup>65</sup> of the work they did.<sup>66</sup> This sense of ownership is developed through participative planning and active negotiations during the formulation process and through subsequent quarterly reviews. Indeed, the encouragement of open discussion in this new performance management process offers a stark contrast to past practices when people were merely told what to do by their managers. In some cases, though, team leaders find that their managers simply present as *a fait accompli* sample performance agreements, thereby defeating the purpose of the exercise.<sup>67</sup> In fact, the actual operation of this process relies heavily on the behaviour and attitude of managers and team leaders, since they are responsible for monitoring the performance contracts of staff who work under them. An overwhelming concern with cost on their part may inhibit staff initiatives to make improvements in areas which are not directly related to the cost-effectiveness of the unit, like that of occupational safety and health.<sup>68</sup> In this sense, a narrowly defined performance contract may limit the possible contributions that staff can make within the organisation. Nevertheless, as far as the realisation of the

organisation's strategic intent is concerned, the system appears to have worked quite well. By connecting individual performance closely with the achievement of business objectives at different levels, accountabilities are kept under strict surveillance. The notable improvements that PP has made in various areas of organisational performance, as detailed in Chapter Three, seem to demonstrate the efficacy of this new system.

Indeed, what is significant in this performance management process is its concern for 'rational' control by top decision-makers of the organisation. Perhaps to counter the lack of rationality in the external environment (particularly the political contingencies in the case of PP), 'rationality'<sup>69</sup> is one of the hallmarks within SHRM's thesis of 'strategic fit' between internal capability and external opportunity.<sup>70</sup> Hence, within this rigorous process, all the means are linked to the ultimate end, that is, the achievement of the business/corporate objectives of the organisation, albeit in a context where the irrationality of the 'external' environment remains in place.

The other means by which PP is attempting to deal with the dual issue of accountability and discretion is to develop teamwork so that people can work together "in teams and as partners".<sup>71</sup> Teamwork, as an increasingly popular notion in HRM, can assume different forms and shapes in practical applications, depending on the relationship that teams are supposed to maintain with the management and also with their counterparts. Where the notion of self-managed teams is pushed to its limits, the desired outcome is 'bossless teams' which can solve complex problems, increase productivity and heighten creativity on their own accord.<sup>72</sup>

In PP, the notion of teamwork is closely related with the performance management process, which is premised upon the idea that the team is a small business within the bigger business of PP. Each team is therefore required to

have its own business plan, although a strict alignment with the wider strategy of the organisation is expected. In this way, the management of performance is cascaded down throughout the whole organisation. The development of a supplier-customer relationship within PP also helps to establish the concept of partnership and has the effect of giving business units a greater discretion as well as responsibility in the management of their own affairs. Functions such as training, employee relations, payroll administration and the like are restyled as the service providers and henceforth become internal competitors for service provision. Business units which are involved in the generation of electricity are reckoned as the core units within the organisation and become their customers. Adding to the vigour of the system, an internal billing system has been set up so that service contracts carry their nominal monetary value. Business units may also approach outside providers if the service they desire are not provided in-house. Apart from raising cost awareness within the organisation, such a system has the potential of strengthening the integrity of individual teams since functions which were previously commanding a directing role are supposed to serve merely as an advisor or provider.

In practice, however, the working of the team-based approach is a more complicated matter. Firstly, there have been many petty arguments amongst teams as to what constitutes the appropriate price for the service rendered. One line manager noted that the service providers were reluctant to say what they were actually providing for the nominal value and how the calculations for costs were arrived at.<sup>73</sup> Even a manager of a service providing unit admitted that the system did not work very well, especially at the outset.<sup>74</sup> Secondly, the flexibility for teams to purchase outside services is limited by concerns about the future income of service teams. Customer units are therefore not allowed to procure outside service unless they can prove that there is no compatible service



in-house. As such, some of the teams consider themselves not sufficiently empowered to act autonomously.<sup>75</sup>

The official emphasis on the functional structure of teams also means that PP is only turning old 'teams' (which, as a senior executive related, had already been in existence but were seldom thought as teams in the past<sup>76</sup> ) into new ones. In some cases, people appear to have slipped back into their previous ways of doing things in their old functional models. A team leader of a service providing unit intimated that he did not think his section had had much of a role to play in the strategic repositioning of the organisation.<sup>77</sup> Another team leader also expressed that at the power station, the division of staff into different 'shift' teams had made the development of a real team spirit on a station-wide basis difficult.<sup>78</sup> Further, the linking of the team structure with performance management and internal customer systems has turned teamwork into a formal, structural notion more concerned with organisational performance than with behaviour and relationships at the team/group level. As such, beyond the functional levels, the application of "teamwork" within PP has been quite uneven.

## **Conclusion**

It is apparent that the change programme which started off in 1987 in PP began with massive assault on its previous bureaucratic framework. Radical changes were implemented by senior executives to dismantle ELCOM's bureaucratic structure, mainly through a number of redundancy and restructuring programmes . By adopting a hard line and playing on fears about the security of employment of their staff, PP's management also sought to move the

organisation away from traditional industrial relations practices which were considered 'problematic'. Since the late 1980s, management has also sought to establish new systems and processes to replace the old ones. Attempts have been made to develop a pay structure that is related to organisational performance and a career structure that encourages multiskilling and is competency based. The 'Partners in Performance' principles introduced in 1992 have produced a performance management system and a teamwork approach which emphasises management accountability (as opposed to political accountability) within PP. Although the formal process of corporatisation has not been proceeded with, the executives of PP have pursued a programme of drastic reform in their own terms, with HRM strategies being a key element of this programme. Many of these change strategies are characteristic of Stace and Dunphy's 'Turnaround' and 'Task-focused transition' approach to change. Evidence on the actual implementation of the programme, however, indicates that there are limits as to what has been achieved in PP so far. What this might suggest about the practicability and validity of the SHRM paradigm is an issue to which we shall return in Chapter Six.

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#### **ENDNOTES**

<sup>1</sup> Stace D. & Dunphy D. (1994), Beyond the Boundaries: Leading and Re-creating the Successful Enterprise, Sydney, McGraw Hill, p114

<sup>2</sup> Ibid., p116

<sup>3</sup> New South Wales Government (1991), Performance of New South Wales Government Businesses, p12 recorded that the employment figure for the year 1984/85 was 10996

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- <sup>4</sup> ELCOM (1983). The Electricity Commission of New South Wales: Performance and Future Direction Statutory Report to the Minister for Energy. Sydney, Government Printer, p70
- <sup>5</sup> Ibid., p71
- <sup>6</sup> According to Parkinson, "the number of the officials and the quantity of the work are not related to each other at all". Instead, there was a law of growth which was based upon factors like the number of staff seeking promotion through the appointment of subordinates, the difference between the ages of appointment and retirement, etc. For details, please refer to C. N. Parkinson (1957) , Parkinson's Law and Other Studies in Administration. Boston, Houghton Mifflin, pp1-13
- <sup>7</sup> Swan P. L. (1989). "Corporatisation, Privatisation and the Regulatory Framework for the Electricity Sector", Economic Papers, Vol. 8 No. 3 , p60
- <sup>8</sup> Interview with Tony Smith (pseudonym) on 13 September 1995
- <sup>9</sup> Same interview
- <sup>10</sup> Merton R. K. (1940). "Bureaucratic Structure and Personality" in Shafritz J.M. & Hyde A.C. (eds.) (1987), Classics of Public Administration, California, Dorsey Press, p111
- <sup>11</sup> Stace D. & Dunphy D. (1994), Beyond the Boundaries : Leading & Recreating the Successful Enterprise, Sydney, McGraw-Hill, p113
- <sup>12</sup> ELCOM (1989), ELCOM 1989 Annual Report, p4 Chairman's Statement
- <sup>13</sup> These include the themes of human growth and development in organisational environment as expounded by people like Herzberg, Maslow and McGregor.
- <sup>14</sup> Interview with Jeff Roberts (pseudonym) on 23 May 1995
- <sup>15</sup> Interview with Peter Harris (pseudonym) on 2 May 1995
- <sup>16</sup> Interview with Todd McCarthy (pseudonym) on 18 July 1995
- <sup>17</sup> Interview with Christine Goldberg (pseudonym) on 3 August 1995
- <sup>18</sup> PP (1992), Pacific Power Annual Report 1992, p5
- <sup>19</sup> Interview with John Wright (pseudonym) on 7 August 1995
- <sup>20</sup> ELCOM (1989), op. cit., p12
- <sup>21</sup> Interview with Todd McCarthy (pseudonym) on 18 July 1995
- <sup>22</sup> The results of an employee survey done some one and a half year ago may shed light on how people in PP viewed the changes so far. Unfortunately, detailed information of this survey are kept confidential within the organisation and the author has not been able to gain access to such information.
- <sup>23</sup> Interview with Andrew Davis (pseudonym) on 13 September 1995
- <sup>24</sup> Interview with John Wright (pseudonym) on 7 August 1995
- <sup>25</sup> Interview with Peter Harris (pseudonym) on 2 May 1995
- <sup>26</sup> PP (1993), Pacific Power Annual Report 1993, p14
- <sup>27</sup> Interview with Andrew Davis (pseudonym) on 13 September 1995
- <sup>28</sup> ELCOM (1983), op. cit., p57
- <sup>29</sup> Rosenthal S. & Russ P. (1988), The Politics of Power - Inside Australia's Electric Utilities, Victoria, Melbourne University Press, p118
- <sup>30</sup> Rosenthal S. et. al. (1988), op. cit., p111
- <sup>31</sup> ELCOM (1983), op. cit., p58
- <sup>32</sup> ELCOM (1987), ELCOM 1987 Annual Report, p2 stated that "overtime hours were reduced to 30 % of the 1985/86 figure as a result of the introduction of shift work and the streamlining of management practices."
- <sup>33</sup> Interview with Tony Smith (pseudonym) on 13 September 1995
- <sup>34</sup> Same interview
- <sup>35</sup> Interview with Todd McCarthy (pseudonym) on 18 July 1995
- <sup>36</sup> Information provided by PP in writing on 14 August 1995
- <sup>37</sup> PP (1993), op. cit., p14
- <sup>38</sup> Stace D. & Dunphy D. (1994), op. cit., p114
- <sup>39</sup> Ibid., p115

<sup>40</sup> In the history of centralised wage fixation in Australia, comparative wage justice and work value had emerged as two of the most important principles which were adhered to. In essence, both of the two notions are connected by the common theme that "like cases are to be treated alike, and different cases are to be treated differently in accordance with their differences". See Provis C. (1986) "Comparative Wage Justice" in Journal of Industrial Relations, Vol. 28(1), pp24-39

<sup>41</sup> PP (1994a), PP Annual Report 1994, p9

<sup>42</sup> PP (1994b), PP Employees Enterprise Agreement, pp1-2, S1.2 and S2.2 -2.4. Please note that the Senior Executive Service and Treasury Officers were not covered by this agreement.

<sup>43</sup> Ibid., p3 S3.4

<sup>44</sup> One Megawatt equals to one thousand Kilowatts

<sup>45</sup> PP (1994b), op. cit., pp4-5 detailed the definition of the three performance indicators and the method of calculation.

Essentially, PERFORMANCE PAYMENT = (A + B + C) x base rate of pay

where A = 0.5 x percentage change in operating cost per Mwh/100

B = 0.25 x the change in the average number of total lost days per employee per year/100

C = 0.25 x the change in the average number of consecutive days free of lost time accidents/100

<sup>46</sup> Interview with Jeff Roberts (pseudonym) on 23 May 1995

<sup>47</sup> Interview with Peter Harris (pseudonym) on 2 May 1995 and interview with Mark Dixon (pseudonym) on 31 July 1995

<sup>48</sup> Interview with Jeff Roberts (pseudonym) on 23 May 1995 and interview with Christine Goldberg (pseudonym) on 3 August 1995

<sup>49</sup> Interview with Christine Goldberg (pseudonym) on 3 August 1995

<sup>50</sup> Notes of a telephone meeting between Gary Owens (pseudonym) and Nicole Schifter (pseudonym) on 12 July 1995

<sup>51</sup> Interview with Tony Smith (pseudonym) on 13 September 1995.

<sup>52</sup> ELCOM (1989), op. cit., p12

<sup>53</sup> Staff members of ELCOM were broad-banded into six different groups - Professional Officers, Administrative Officers, Trades' Persons, Power Workers, Engineers and Operatives. Trade unions took place in negotiation of their respective trade group. Telephone interview with Mary O'Connor (pseudonym) on 24 January 1996

<sup>54</sup> ELCOM (1990), ELCOM 1990 Annual Report, p12

<sup>55</sup> Major unions like Electrical Trades Union, Automotive, Metals and Engineering Union, Federated Ironworkers Association of Australia are all regular participants in the committee. Telephone interview with Mary O'Connor (pseudonym) on 24 January 1996

<sup>56</sup> Mathews J. (1993), "The Industrial Relations of Skills Formation" in The International Journal of Human Resource Management, Vol. 4 No. 3, p593

<sup>57</sup> Interview with Billy Newell (pseudonym) on 9 June 1995

<sup>58</sup> Herzberg F. (1966), "The Motivation-Hygiene Theory", Work and the Nature of Man, World Publishing Co., pp71-91

<sup>59</sup> Mathews J. (1993), Catching the Wave: Workplace Reform in Australia, Sydney, Allen & Unwin, p65

<sup>60</sup> PP (1993), op. cit., p14

<sup>61</sup> Rosenthal S. et. al. (1988), op. cit., p12

<sup>62</sup> Interview with Tony Smith (pseudonym) on 13 September 1995

<sup>63</sup> Interview with Mark Dixon (pseudonym) on 31 July 1995

<sup>64</sup> Same interview

<sup>65</sup> PP (1994c), Partners in Performance (official information leaflet)

<sup>66</sup> Interview with Peter Harris (pseudonym) on 2 May 1995

<sup>67</sup> Interview with Andrew Davis (pseudonym) on 13 September 1995

<sup>68</sup> Informal interview with Chris Reid (pseudonym) during the Quality Expo on 3 August 1995

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<sup>69</sup> "Rationality" in this context is economic rationality, one which emphasises the link between means and end. According to Simon H.A., "Behavior is substantively rational when it is appropriate the achievement of given goals within the limits imposed by given condition and constraints" Simon H.A. (1985) "From Substantive to Procedural Rationality" in McGrew A.G. & Wilson M.J. (eds.) Decision Making: Approaches and Analysis, Manchester, Manchester University Press, p87

<sup>70</sup> Dobson P. & Starkey K. (1993), The Strategic Management Blueprint, Oxford, Blackwell Business, p6

<sup>71</sup> PP (1994c), op. cit.

<sup>72</sup> Barry D. (1991), "Managing the Bossless Team: Lessons in Distributed Leadership", Organisational Dynamics, Summer, pp31-47

<sup>73</sup> Interview with Roy Jones (pseudonym) on 13 September 1995

<sup>74</sup> Interview with Jeff Roberts (pseudonym) on 23 May 1995

<sup>75</sup> Interview with Roy Jones (pseudonym) on 13 September 1995 and interview with Andrew Davis (pseudonym) on the same day

<sup>76</sup> Interview with Peter Harris (pseudonym) on 2 May 1995

<sup>77</sup> Interview with Todd McCarthy (pseudonym) on 18 July 1995

<sup>78</sup> Interview with Tony Smith (pseudonym) on 13 September 1995

## **CHAPTER FIVE: HRM STRATEGIES - REACCULTURATING ORGANISATIONAL VALUES & CULTURE**

### **Chapter Outline**

This chapter is concerned with the reacculturation of PP's values in line with principles enunciated by senior executives of the organisation. While Stace and Dunphy have described this process in PP mainly in terms of behaviour alignment through systems redesign<sup>1</sup>, we shall also look at the use of SHRM in the organisation as a means to shape perceptions and attitudes. The first part of the chapter describes the inception of the process between the late 1980s and 1992, when it began to assume growing importance in the organisational development of PP. This was essentially a time when the formulation of new organisational values and culture by PP's management was underway as exemplified by the adoption of a new corporate name and the release of the 'Partners in Performance' value statement. The second part of this chapter will look at the continuation of the reacculturation process since 1992, during which executives of PP have sought to transmit their conception of organisational culture and values on an organisation-wide basis so as to effect a 'paradigm shift'. The major tools employed for this purpose have been HRM strategies relating to communication, training and total quality. The chapter concludes with a brief case study of reacculturation at Mount Piper power station. This serves to illustrate what can be done in terms of cultural redesign in PP.

## **Formulating New Values and Culture**

Throughout the early history of ELCOM, values and culture seldom featured as issues of concern. As a statutory authority, the values and objectives of ELCOM were those politically determined by its legislative mandate. Its identity as a public sector organisation also carried with it some common expectations of how it should behave.<sup>2</sup> Further, organisational culture is a social construct which is associated with the “HR frame”.<sup>3</sup> In the days when the old model of PM prevailed, management of people in ELCOM was purely a structural, bureaucratic matter. Little conscious attention was given to the notion of ‘culture’. The stability of the external environment also meant that the guiding logic of the organisation was left relatively unchallenged.

The 1983 Statutory Report was the first major review which subjected some of ELCOM’s basic assumptions to critical examination. As a result of this review, in 1985, ELCOM established for itself a formal charter and a set of objectives(see Appendix V). These were in addition to those primary functions prescribed by the 1950 Act of Parliament.<sup>4</sup> Although traditional public service considerations like statutory obligations, community service, just and equitable remuneration for employees were included in this set of objectives, concerns for notions like financial viability and cost effectiveness began to make their appearance. Thereafter, the “soul-searching exercise” continued. In 1989, ELCOM established another new set of objective statements. A mission statement and a value statement were also developed(Appendix VI). Insofar as these statements were pronouncements of intent and purpose, they marked a growing concern by ELCOM’s management with issues of attitudes.

Stace and Dunphy are of the view that during the early stage of strategic turnaround in ELCOM (i.e. from 1987 to 1991), the internal reform process was not dependent upon attitudinal changes across the workforce. Instead, structural

and systemic changes were considered crucial to the demolition of the old.<sup>5</sup> Nevertheless, strategic repositioning does require a transformation of attitude in the form of a cognitive change in at least some people within the organisation. The attempts made towards redefinition of goals, values and mission since the mid 1980s are in fact demonstrations of early efforts made by executives of ELCOM to find a new cognitive structure for the organisation.

The search for attitudinal change in ELCOM commenced with a form of incremental adaptation.<sup>6</sup> Redefinition of objectives were premised upon existing assumptions with minor expansions here and there. Also, the new cognitive structure existed only in the minds of key decision-makers and was not shared commonly throughout the organisation.<sup>7</sup> Significant changes took place only when ELCOM entered into the process of rebuilding. As Stace and Dunphy comment, the building of a new business culture was essential at this stage to sustain commitment of the people at large.<sup>8</sup> Drastic transformation commenced in 1992 with ELCOM adopting 'Pacific Power' as its new trading name. For the organisation, the new name was emblematic of its intention to break away with the past, after significant replacement of previous structures had been effected. As John Conde declared: "Because of these important changes (of the structural and commercial outlook) and achievements, we have adopted a new name and corporate identity".<sup>9</sup> This is despite the fact that in a formal legal sense, the identity of PP remained unchanged as the proposed corporatisation procedure was aborted.

Bearing in mind that attitude and perception are the major issues here, it is often abstract symbolism that is at work. The name 'Pacific Power', for example, aptly captures the international outlook that the organisation wants to assume. It is also a label which, unlike its old name of ELCOM, does not remind people of its statutory origin, and indeed anything of its history. A senior



executive described the change of name as a change of “organisational theatre”, which was accompanied by the change of logos, symbols, icons and the like.<sup>10</sup> The purpose was to enable PP to put its past behind, so that a different mindset could be established. Another executive expressed that the new name was also a signal to the external environment that the organisation would be operating in a different way - a sign of new culture.<sup>11</sup>

This building of the new has been accompanied by the breaking down of the old. There has been a conscious attempt on the part of the new management team to associate the old Commission with an unwanted bureaucratic past. The image that has now become rather prevalent is that of a male-dominated, white Anglo-Saxon, change-resisting, technocratic and autocratic organisation.<sup>12</sup> A young employee of PP said that when people talked about the ‘good old days’, it was about the lack of work they did and how they came to work with a fishing rod in their hands.<sup>13</sup> All in all, the tendency is for people to attribute undesirable attitudes or behaviour as part of the old Commission culture.

It is difficult at this stage to assess the role of such symbolic changes in effecting a real cultural transformation. Some front line staff of PP suggested that changes in little things did have their impact. An interesting example given was that the use of a single colour scheme in uniforms for both workers and team leaders was seen to have assisted the building an organisational identity.<sup>14</sup> On the other hand, there are still employees who continue to look favourably on the past. As a matter of fact, the majority of the people who were in the old Commission, and hence were participants in the old Commission culture, are still employees of PP. Indeed, executives of PP admit that in spite of the new name, the past is not dead at all.<sup>15</sup> As many of those being interviewed indicated, the change of name on its own would not have made much of a difference without other forms of change being pursued as well.<sup>16</sup>

So while the adoption of a new name furnished the appearance of change, it is the construction of a set of new cognitive structures via statements of vision, values and principles which constituted the substance of attitudinal change in PP. On its “establishment” in 1992, PP announced a new set of principles - “Partners in Performance: Total Quality at Work”.<sup>17</sup> This in turn resulted in the setting up of new systems and processes for performance management, teamwork and the like. Although one senior executive suggested that it was mainly through structural and process interventions<sup>18</sup> that PP went about changing people’s attitude<sup>19</sup>, the symbolic value of the Partnership Statement should not be overlooked.

Compared with the statements of mission, values and objectives of ELCOM in the late 1980s, “Partners in Performance” is a totally different form of instrument. For one thing, it invokes positive, emotive images, metaphors and concepts and is consciously value-laden. This has become even more the case as the principles have evolved over time. A comparison of one of the statements made in 1992 and its 1994 amended form makes the difference very apparent:

*“to encourage sense of ownership of business through performance management and business planning”<sup>20</sup> (1992 version)*

*“Ownership of the business*

*We share a common purpose, understand our role and how our contributions are related to the business objectives of our business unit. We accept responsibility for delivering value to our customers”<sup>21</sup> (1994 version)*

The other three ‘Partnership Principles’ are depicted as “working together”, “enable and recognise initiative” and “excellence through pride and contribution” (see Appendix VII ).

Indeed, the management of PP stresses that it is through 'Partners in Performance' that the organisation is transformed into a "value-driven organisation".<sup>22</sup> What is particularly significant though, is that while it is officially claimed that 'Partners in Performance' is based on values and that it expresses the vision of the organisation, it is essentially a normative HR prescription as to how people *should* perform their work. The values contained therein are only those related to people and organisational issues, and yet it is hailed as *the* guiding statement for the entire organisation. This is indeed telling of the central role that HRM has assumed in the strategic repositioning of PP.

A question that naturally flows from the above is what are the ultimate values and objectives of PP ? Indeed, the notion of corporate value has been given so much emphasis in PP that it has made its appearance in a number of different contexts. For example, in the 'Strategic Vision 2020' statement released in 1993, it was envisaged that there would be an "integration of personal values of people and the community with the values of the workplace and business" in PP. In a recent 'Partners in Performance' document, PP announced that it valued "our people; continual improvement, teamwork, our community, our environment, success and integrity".<sup>23</sup>

Not only are values being strongly driven at the organisational level, they constitute an important building block of strategic planning at the business unit level. Business units in PP are expected develop their own set of values, which are to be displayed prominently at the front of their Business Plan and distributed to all staff. Managers and team leaders of business units are required to reinforce values within the unit. The organisational values of PP Western, for example, include "continual improvement, people, community and environment, safety, financial responsibility and business ethics".<sup>24</sup> It becomes increasingly clear that the term "values" had been used in such an encompassing manner in PP that

it includes many different things in different contexts. As “a conception, explicit or implicit, distinctive of an individual or characteristic of a group, of the desirable which influences the selection from available modes, means, and ends of action”<sup>25</sup>, ‘values’ can operate at different levels and be interpreted in different ways.

The values that have been discussed so far relate more to the means rather than the ends of PP. When asked about the vision of the organisation, a senior executive replied that it was simply to be the best utility in the world.<sup>26</sup> On the face of it, this statement can mean almost anything. Nevertheless, the very elusiveness of such value statement means that the goals, strategies and directions of the organisation may be translated with the simplicity and vigour that facilitate their adoption. As values and culture appeal to personal beliefs and frames of mind, they do not necessarily feed on scientific logic and comprehensive rationality.

In fact, the maintenance of ‘external fit’ with an ever changing environment may require PP to constantly modify its objectives and directions. This is especially so since PP is still a public organisation working in a highly political environment. Furthermore, specific objectives, when posed as corporate values, may easily become issues for political debate since the question of priorities would then come into play. The fact that PP is a half-way house in the private-public continuum is an added complication.<sup>27</sup> Given the fluidity of the external context, it is not easy for PP’s executives to act on a static and concise set of values and objectives. Instead, the values promoted in the organisation are more concerned with the maintenance of organisational survival through strategic notions of ‘internal fit’ and ‘external fit’.

## **Transforming Values and Culture - Communication, Training & Total Quality**

Within the process of reacculturation, the demolition of old cognitive structures and the formulation and articulation of new ones constitutes only the early phases of the change process.<sup>28</sup> After that, new values have to be vigorously communicated to enable a process of transformation throughout the organisation. Transmitting something as vague as 'values' and 'culture' was something quite foreign to ELCOM.

As a traditional public bureaucracy, ELCOM worked by explicit rules and regulations. The hierarchical structure with graded authority set up a firmly ordered system<sup>29</sup> in which explicit control was the essential tool for management. Furthermore, bearing in mind that ELCOM was very much an engineering organisation, the operating mindset was bounded by a scientific and positivistic outlook in which values and culture could find little role to play. Overt standards and procedures were supposed to determine not only people's behaviour, but also their attitudes, values and views. It was noted in an inquiry in 1981, for example, that the atmosphere in ELCOM was not conducive to open discussions of opinions, particularly dissenting ones.<sup>30</sup> The viability of such a mode of operation came under serious challenge as the external environment of the organisation underwent dramatic transformation from the mid 1980s onwards. As restructuring of the organisation began, the guiding principles and rationale of the ELCOM era could no longer stand. The opening up of values and culture as important dimensions of the organisation reflected the fact that a change of approach was deemed necessary as part of the reform process.

The switch from a 'public personnel administration' frame of reference to a 'HR' frame also accounts for the adoption of an approach which gives more attention to the attitudes of the workforce. An executive explained that since the organisation was close to fully optimising its capital and financial resources, any

further gains had to be made by maximising the contribution of its people.<sup>31</sup> Taking into consideration the fact that rationalisation in the late 1980s had significant demoralising effect on those who left behind, PP had to make extra effort towards recreating trust and a positive employment relationship. Under such circumstances, values and culture became the additional devices through which internal reform could be pursued.

One of the important tools which PP has used in cascading organisational values and culture to various levels within the organisation is communication. Traditionally, however, communication within PP had been a major problem. In the 1983 Statutory Report, inadequate communication within the organisation was identified as a major dysfunction.<sup>32</sup> The remedies recommended in that report were mostly procedural. It was suggested, for example, that better systems of communication be developed, regular occasions for consultations be introduced and that the frequency for visits by senior head office personnel be increased.<sup>33</sup> The focus of improvement was hence on aspect of quantity and not that of quality. Little attention was given to questions like how communication should be conducted, what should be communicated, and how internal communication should be related to the strategies and directions of the organisation.

Communication became a more sensitive and important issue as restructuring began in earnest in the late 1980s. A senior executive saw good communication as one of the reasons accounting for the relative lack of industrial dispute in these years of turmoil. He described the tactic as one of “no surprise”, such that people were always kept abreast of what the management was going to do. This approach seems to resemble what Stace and Dunphy depict as a military campaign type of communication - one which is directive, concise and forceful.<sup>34</sup>

That communication is reckoned as a crucial part of PP's strategy towards culture-building is evidenced by the fact that officially, a corporate policy of communication had been formulated for "developing a spirit of partnership ...through well directed communication processes".<sup>35</sup> Communication within PP, however, is still concerned mainly with getting management's message across, as is typical of the top-down strategies in a "Task-focused Transition".<sup>36</sup> This involves the establishment of various formal channels to facilitate the process. There is, for example, a series of cascaded meetings across and within business units to pass information from the executive to staff at all levels. An electronic mail system has also been installed to enable instantaneous communication from the top to all staff within the organisation.

However, increasing attention is being given to how communication should be conducted to convey the message of change. Notably, there has been a growing emphasis on the use of images and metaphors, which are explicitly acknowledged as powerful tools for "communicating complex ideas and creating an environment for intelligent discussion and debate".<sup>37</sup> A good example is the "truck metaphor"(a diagram depicting relationships within a trucking business) used to illustrate the new group relationships within PP. More and more, PP relies on soft HR tools such as language and other communication techniques to construct a new version of the subjective reality within the organisation.

It is difficult to make an accurate assessment of the effectiveness of these communication strategies. One executive confided that communication was still one of the major areas identified by PP as needing improvement.<sup>38</sup> In particular, people are more positive about communication within teams or business units than those at the organisational level. The results of an internal employee survey reveal that most respondents felt that their team leader or manager had adequately communicated with them on matters of importance and that their team

leader was open to suggestions.<sup>39</sup> However, communication at the organisational level is a different matter. It appeared to be still very much a channel through which the executives seek to drive their pre-determined values and principles across. When representatives of employees are asked to participate, they are normally expected by their managers to clarify distorted information and pass on the 'correct' message to their colleagues. This emphasis on communicating the correct "mindset"<sup>40</sup> has made organisation-wide communication more of a one way street. Furthermore, concerns for political and commercial sensitivities constrain the timeliness of such communication. All these fall short of the growing expectations of employees, who have been increasingly exposed to a new rhetoric which proclaims people as the "most valued resource" of the organisation.<sup>41</sup>

In addition to communication, training is one of the functions that is accorded a central role in the internal reform process of PP. In fact, training has always been reckoned as an important function in the organisation, even in the ELCOM era. However, its main function then was to serve the technical interests of the organisation. It was, as one staff member commented, controlled mainly by technocrats and bureaucrats. The major focus was to ensure that people had the skilled qualifications for a specific post. Technical training was basically a filter through which people could secure a job. This approach fitted in well with the rigid job classifications that the organisation possessed at that time.

The emphasis that executives of PP have given to training in the period of change is evidenced by the investments made in terms of people and money. A centralised training group of about twenty five persons has been formed. This is despite the trend common in other organisations towards the devolution of the training function. The training expenditure for the financial year of 1994 amounted to more than eight per cent of total wages and salaries, which was



substantially higher than the minimum training expenditure of 1.5 per cent as required by the Training Guarantee Act.<sup>42</sup> A corporate target is set which requires managers to provide ten days training per year for each member of their staff. A senior executive stated explicitly that training was now undertaken not for its own sake, but as “a major (driver) of change”.<sup>43</sup> In particular, training begins to play an increasing role in effecting cultural transformation. The training group, for example, provides consultancy support on programmes relating to quality improvement, leadership and teamwork. An executive intimated that the training group assisted in the interpretation of the ‘Partners in Performance’ document and also continued “to talk it out” since its inception by means of numerous presentations.<sup>44</sup> Apart from giving direct expression to the values of ‘Partners in Performance’, training is supposed to assist in the building up of a ‘learning culture’. This is to be done through challenging some traditional assumptions of the training function itself. One executive felt that learning should be the strategy and training should become part of learning.<sup>45</sup> Formal classroom training will have to be supplemented by other ways of active learning, including mentoring, networking, secondment and the like. There is, henceforth, a changeover from past focus on conferring techniques and skills to the new emphasis on the development of individual and team capability in coping with changing jobs and situations.

To a certain extent, such developments reflect a ‘soft’ HR concern for people’s development and motivation at a time when PP is constrained in its ability to financially reward its people. On the other hand, it also indicates that training has become part of a wider organisational strategy for building an ethos, which as Stace and Dunphy noted, “makes change a way of life”.<sup>46</sup> For learning implies a never ending process in which external feedback remains a constant

reminder for further modifications. The 'learning culture' is therefore very much about moulding behaviour and attitudes which are adaptive to continuous change.

Executives of PP admitted that constructing this culture for change was not an easy task. There are still people who are not enthusiastic about efforts for change within the organisation. They observed that some of the staff members found it difficult to come to terms with the radical changes which had been put into place.<sup>47</sup> Some of them had also queried the rationale for such drastic transformation.<sup>48</sup> An executive suggested that the uncertainty and fear created by ongoing change had led to an increase in the attrition rate.<sup>49</sup> Another staff member noted that change had become so frequent in PP that some had simply become disinterested.<sup>50</sup> Under such circumstances, pursuing 'learning for the future' on an organisation-wide basis is much easier said than done.

Another mechanism which PP has used to transform values and culture through a 'soft' approach is the pursuance of 'quality'. In itself, 'Quality' is a vague and loose concept. In the words of one executive, quality in the ELCOM era strictly meant statistical control, and was in fact seldom referred to.<sup>51</sup> Instead, cost-effectiveness and productivity were the common terms used as performance standards of the organisation then. Quality has come to assume a new range of meanings in PP as it has become associated with 'Total Quality', which is put forth as PP's 'holistic' value system. We have already seen in previous sections how the principles of 'Partners in Performance' are hailed as the total quality statement of PP, signifying an emphasis on HRM strategy as the agent of a planned process of change. An executive of PP explained that the quality concept came from notions of quality circles and quality improvement teams, all of which were related to work improvement generated by people within organisations.<sup>52</sup>

In PP, the principles prescribed in 'Partners in Performance' are essentially process principles through which quality is to be achieved. The actual focus on quality itself can be problematic in practice. In fact, for many members of the organisation, there remain the question as to what 'quality' essentially is in PP. An executive attributed the absence of clarity to undisciplined applications of the term in different contexts.<sup>53</sup> The ascription of different values and concepts to the term 'quality' by different units has made a uniform transformation of organisational values and culture very difficult. There are thus concerns among the executives that previous emphasis on processes alone has failed to establish a clear and central focus within the organisation. In an effort to sharpen the focus on 'quality', a Quality Services unit was set up in 1994 to give guidance in the implementation of total quality in PP. Members of this unit began their task by giving their own definition of 'quality'. For them, quality means only one thing - and that is business improvement. This is to be achieved through the use of the quality principles of 'Partners in Performance', which are intended to work towards effective utilisation of the people resources. As formal recognition for improvements made in this direction, the Quality Service unit stages an Annual Quality Expo in which quality improvement teams share their achievements with colleagues and customers.<sup>54</sup>

At the time of writing, this new 'quality movement' is very much in its infancy and no accurate assessment can be made as to its effect on the organisation. Nevertheless, this attempt to refocus on 'quality' as a value illustrates two key problems which have arisen in the process of transforming values and culture within PP. First, it is difficult for executives in PP to formulate a well defined set of values and culture for the organisation as a whole. Despite the struggle for rational planning amidst the turbulent environment, the ability to plan for the future is often bounded by cognitive limits as well as contextual

constraints. As a value in itself, 'quality' has evolved from a set of processes and structural guidelines to all-encompassing notion which covers virtually every aspect of PP's operation. In the words of one PP executive, business improvement should include the adding of values to shareholders, customers and people within the organisation as well as to society at large.<sup>55</sup> The expansion of 'quality' into such an all-embracing term exemplifies the demands which have been placed on PP by the highly competitive and yet politically-charged environment. The practical question to which no definite answer has been given as yet is how these different dimensions of 'quality' are to be prioritised in situations where different values come into conflict .

Second, given the vagueness of concepts related to values and culture, it is difficult to ensure that meanings and purposes within the organisation converge during the process of transformation. Empowerment of business units to define their own objectives and vision can lead to possible diffusion of organisational values, as different units had different interpretations of the latter. The dilemma is that while it is the elusiveness of organisational values and culture which make them important instruments for enabling a 'paradigm shift', it is the very same characteristic which makes related concepts difficult to regulate. On the one hand, metaphors and images help the formulation and perpetuation of meanings<sup>56</sup>; on the other hand, they expound on the abstract, subjective dimension of the organisation and therefore may open up even more ground for contention.

### **Mount Piper - The Greenfield Site for Cultural Redesign**

Notwithstanding the difficulties involved, the executives of PP are keen in their attempts to shape organisational culture, values and attitude. The reforms which have been instituted at Mount Piper are an excellent illustration of what have been achieved in this respect.

The Mount Piper power station is the newest generation plant that PP has commissioned. It came into operation in 1992, the year when PP acquired its new name and executives of the organisation began their vigorous organisational rebuilding. Mount Piper therefore became an obvious target of the organisational reform programme. Enormous efforts have been made towards building it into a 'leading edge' station. The station is constructed with an excellent ergonomic and technological environment. All the staff working in this station are hand-picked. Selection is made on the basis that the people working there should possess the 'right' attitude towards change. In return, the management gives them much greater liberty to manage things on their own and to revamp old work practices. As a result, the station comes up with a number of initiatives which deviate from the systems and processes of a traditional power station. These include the breaking down of old barriers through setting up a competency based structure and the development of self-managed teams. As management has declared, Mount Piper has become "a benchmark in terms of people and practices".<sup>57</sup> In terms of technical performance, Mount Piper is one of the high performing stations. Within the western region, it is seen as a leader. Many private sector organisations make visits to the station and view it as the model to follow.

Indeed, people working at Mount Piper take pride in what the station has achieved in the past three years. Most of them see Mount Piper as the 'best'

amongst power stations in PP.<sup>58</sup> It is significant that many have attributed its success to the development of a special culture in Mount Piper. They describe this culture as one of trust and innovation. One example cited is the reliance on a self-monitoring bar-coding system for store management in the station rather than on the centrally monitored storekeeping system of the past.<sup>59</sup> Another example cited is the granting of access to telephone facilities (which are equipped with STD connections) to all staff members at the station. A team leader interpreted this as a change in management attitude in which trust in employees was displayed.<sup>60</sup> When reflecting upon his own role at the station, this team leader depicted himself as a coach whose job was chiefly that of a mentor or facilitator.<sup>61</sup> Communication within the station was considered as frequent and informal.<sup>62</sup> A staff member observed that the culture which had been built up in Mount Piper was totally different from that of Wallerawang, a nearby station which had a much longer history.<sup>63</sup> As this staff member related, a fellow worker who was recently transferred from Wallerawang to Mount Piper had suffered from a 'cultural shock' upon his first arrival.<sup>64</sup>

All in all, the strategy which is adopted in Mount Piper resembles that of 'Developmental Transition' in the Stace and Dunphy framework<sup>65</sup>, in which traditional HR concerns like employees' commitment and participation become one of the major strategic focuses. Essentially, Mount Piper is a case in which the exercise of cultural redesign has been pushed to its limit. It has to be noted, however, that Mount Piper operates in a circumstances which is quite uncommon in the organisation. As a newly-commissioned station, it has the benefit of having a clean start, without the burden of the past. There is also a conscious effort on the part of corporate management to reinforce its internal fit by the careful selection of the workforce. In a sense, its freedom for action is allowed under a highly controlled environment, in which many of the variables are subject to

careful manipulation. It is therefore difficult to tell how far will and can these strategies be put into place in the rest of this organisation or in other organisations.

## **Conclusion**

Within PP, deliberate efforts have been made by the management towards transforming previous cognitive structures and attitudinal frameworks of the public bureaucratic regime, which are considered inappropriate for the changing environment. Instead, the values and culture which executives of PP want to build up are those of the 'best practice' found in private sector corporations. This requires the adoption of an operating mindset which transcends not only the past geographical confine of ELCOM as a state electricity supplier, but also its original politico-cultural parameter as a public service provider operating in a non competitive market. This process of reacculturation started off with incremental 'soul-searching' in the late 1980s. By 1992, the executives have developed their own 'picture' of the future corporate direction. This is embodied in the 'Partners in Performance' statement and the new name of the organisation - PP.

Since 1992, HRM strategies pertaining to communication, training and total quality have become important tools for normative and cultural transformation. What is more important, though, is that PP's executives are actively resorting to images, language and the like for the building up of a 'new' perspective. The case of Mount Piper is a good illustration of efforts made by them to experiment with a new culture of work and employee relations. In PP as

a whole, however, the cultural transformation is as yet incomplete. Built upon human perceptions and attitudes, organisational values and culture are more resistant to change than systems and processes. While 'soft' HR tools may be employed as instruments for change, it is the substance rather than the form associated with them that determines their effectiveness. Apart from practical problems that associate with the use of such tools, the political difficulties in formulating a precise set of values for PP and the inherent vagueness of the notion of organisational culture also inhibits the efforts for reform. The overall implications of this for SHRM in a public corporation will be considered in the final chapter.

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#### **ENDNOTES**

<sup>1</sup> Stace D. & Dunphy D. (1994), Beyond the Boundaries: Leading & Re-creating the Successful Enterprise, Sydney, McGraw Hill Book Co, pp238-239

<sup>2</sup> Stace D. & Dunphy D. (1994), Beyond the Boundaries: Leading & Re-creating the Successful Enterprise, Sydney, McGraw Hill Book Co., p36 pointed out that Australian in the past had tended to believe that large public or private sector organisations should have an obligation to provide jobs.

<sup>3</sup> Bolman L.G. & Deal T.E. (1988), Modern Approaches to Understanding and Managing Organisations, California, Jossey Boss

<sup>4</sup> According to the Electricity Commission Act 1950, the main functions of the Commission are the "generation and supply of electricity in bulk to Local Government Authorities throughout the State for retail distribution and to the Department of Railways for traction purposes." ELCOM (1962), Report of the ELCOM of NSW for the Year Ended 30th June 1962, Sydney, Government Printer, p1

<sup>5</sup> Stace D. & Dunphy D. (1994), op. cit., p104

<sup>6</sup> Ibid., p3

<sup>7</sup> Ibid., p5 described this as a second phase of the metamorphic transformation process.

<sup>8</sup> Stace D. & Dunphy D. (1994), op. cit., p104

<sup>9</sup> PP (1992), PP Annual Report 1992, p5

<sup>10</sup> Interview with Peter Harris (pseudonym) on 2 May 1995

<sup>11</sup> Interview with Jeff Roberts (pseudonym) on 23 May 1995



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- <sup>12</sup> A rather similar description of the old ELCOM was found in interviews with Peter Harris (pseudonym) on 2 May 1995, Billy Newell (pseudonym) on 9 June 1995 and Christine Goldberg (pseudonym) on 3 August 1995
- <sup>13</sup> Interview with Andrew Davis (pseudonym) on 13 September 1995
- <sup>14</sup> Before that, workers had grey and green uniforms while the foremen were in a different colour. Interview with Mark Maroon (pseudonym) on 13 September 1995
- <sup>15</sup> Interview with Christine Goldberg (pseudonym) on 3 August 1995
- <sup>16</sup> Same interview; interview with Jeff Roberts (pseudonym) on 23 May 1995
- <sup>17</sup> PP (1993), PP Annual Report 1993, p14
- <sup>18</sup> Stace D. & Dunphy D. (1994), op. cit., p133
- <sup>19</sup> Interview with Peter Harris (pseudonym) on 2 May 1995
- <sup>20</sup> PP (1993), op. cit., p14
- <sup>21</sup> PP (1994c), Partners in Performance (official information booklet)
- <sup>22</sup> PP (1994a), PP Annual Report 1994, p28
- <sup>23</sup> PP (1994c), op. cit.
- <sup>24</sup> Extracted from PP (1994e), PP Western - Group Profile(an internal document), p13
- <sup>25</sup> Kluckhohn C. (1962), "Values and Value-Orientations in the Theory of Action: An Exploration in Definition and Classification" in Parsons T. & Shils E.A. (eds.) Towards a General Theory of Action, New York, Harper & Row Publishers, p389
- <sup>26</sup> Interview with Peter Harris (pseudonym) on 2 May 1995
- <sup>27</sup> So while some executives of PP saw positioning of PP in the competitive market and possibly in the international market as important concerns, some staff being interviewed had queried whether selling power overseas was in fact part of PP's original statutory responsibilities.
- <sup>28</sup> Lewis G. (1987), op. cit., p5
- <sup>29</sup> The description made by Weber of characteristics of bureaucracy is an applicable description of a typical bureaucracy like ELCOM. See Weber M. (1922), "Bureaucracy", Shafritz J.M. & Hyde A.C. (eds.) Classics of Public Administration, California, Dorsey Press, pp50-53
- <sup>30</sup> Rosenthal S. & Russ P. (1988), The Politics of Power - Inside Australia's Electric Utilities, Melbourne, Melbourne University Press, p35
- <sup>31</sup> Interview with Mark Dixon (pseudonym) on 31 July 1995
- <sup>32</sup> ELCOM (1983), The ELCOM of New South Wales: Performance and Future Direction (Statutory Report to the Minister for Energy, p59
- <sup>33</sup> Ibid.
- <sup>34</sup> Stace D. & Dunphy D. (1994), op. cit., p157 described this type of communication strategies as those required in organisational turnarounds.
- <sup>35</sup> Extracted from an internal document (Pacific Power Western - Group Profile), p29
- <sup>36</sup> Stace D. & Dunphy D. (1994), op. cit., p239
- <sup>37</sup> Ibid., p30
- <sup>38</sup> Interview with Christine Goldberg (pseudonym) on 3 August 1995
- <sup>39</sup> Same interview. Detailed results of this employee survey which was conducted some one and a half years ago, however, was considered confidential within the organisation.
- <sup>40</sup> Collins R.R. (1987), "The Strategic Contributions of the Human Resource Function", Human Resource Management Australia, Vol. 25 No. 3, p6
- <sup>41</sup> PP (1994a), op. cit., p28
- <sup>42</sup> PP (1994d), Training Expenditure Report (internal document), p2
- <sup>43</sup> Interview with Peter Harris (pseudonym) on 2 May 1992
- <sup>44</sup> Interview with Billy Newell (pseudonym) on 29 May 1995
- <sup>45</sup> Interview with Mark Dixon (pseudonym) on 31 July 1995
- <sup>46</sup> Stace D. & Dunphy D. (1994), op. cit., p116
- <sup>47</sup> Interview with Peter Harris (pseudonym) on 2 May 1995
- <sup>48</sup> Interview with Christine Goldberg (pseudonym) on 3 August 1995

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- <sup>49</sup> Same interview  
<sup>50</sup> Interview with Todd McCarthy (pseudonym) on 18 July 1995  
<sup>51</sup> Interview with Mark Dixon (pseudonym) on 31 July 1995  
<sup>52</sup> Same interview  
<sup>53</sup> Same interview  
<sup>54</sup> New South Wales Government (1995), Performance of New South Wales Government Businesses 1995, p90  
<sup>55</sup> Interview with Mark Dixon (pseudonym) on 31 July 1995  
<sup>56</sup> Dunford R.W. (1992), Organisational Behaviour, Addison-Wesley, p166  
<sup>57</sup> PP (1993), op. cit., p14  
<sup>58</sup> Interviews with Mark Maroon, Tony Smith, Andrew Davis and Roy Jones (pseudonyms) on 13 September 1995  
<sup>59</sup> Interview with Roy Jones (pseudonym) on 13 September 1995  
<sup>60</sup> Interview with Andrew Davis (pseudonym) on 13 September 1995  
<sup>61</sup> Interview with Andrew Davis (pseudonym) on 13 September 1995  
<sup>62</sup> Interview with Mark Maroon (pseudonym) on 13 September 1995  
<sup>63</sup> Same interview  
<sup>64</sup> Same interview  
<sup>65</sup> Stace D. & Dunphy D. (1994), op. cit., pp236-237

## **CHAPTER SIX : CONCLUSION**

### **Chapter Outline**

This chapter rounds up the whole project report by analysing the wider implications of the empirical evidence from our case study. First, we shall assess SHRM through the three different frames of reference we have identified in Chapter Two. Drawing on the case study evidence presented in Chapters Three to Five, we shall examine how SHRM fares as a management tool, a prescriptive model and a distinct perspective/mode of discourse. Second, we shall explore the linkage between corporatisation and SHRM, taking into consideration the way in which corporatisation of PP has developed as a political agenda and a management change agenda. As an overall conclusion, the major findings of the research will be reiterated and referred back to two key questions: first, what the ‘successful’ models of SHRM devices under situations of change are; and second, whether these models are applicable to public organisations which are undergoing corporatisation .

### **Assessing SHRM in PP**

Bearing in mind that there are various ways in which SHRM may be conceived or perceived, we shall attempt to assess the HRM strategies in our case study through the three different frames of reference that were discussed in Chapter Two.

We begin by looking at SHRM as *a management tool* in PP. Empirical evidence from our case study indicates that the executives at PP have made conscious attempts to put SHRM into practice as an instrument of internal reform. It is through this explicit emphasis on its role in their organisational change agenda that SHRM becomes a ‘new’ tool for management. In fact, considerable importance has been placed on such a tool, as demonstrated by the large amount of investment made in the HRM function. There is a heavy emphasis on the maintenance of a centralised group which, in the words of an executive, serves as “a critical mass of people to drive organisational change”.<sup>1</sup> In terms of actual numbers, the Employee Development and Services Group, together with Services Quality Unit and Employee Relations Group, employs a total of nearly 200 staff out of PP’s existing total of 4,300.

The ‘tool box’ of this instrument for change is essentially the Stace and Dunphy typology for change. In particular, the ‘Turnaround’ approach and ‘Task-focused Transition’ approach have been resorted to. We have seen in earlier chapters that drastic organisational transformation commenced in the late 1980s with radical organisational restructurings through the use of directive and confrontational strategies (i.e. ‘Turnaround’). Since 1992, systematic organisational redesign has been introduced through improvement of structures and processes and the orchestration of a new vision via HRM strategies on communication, training and quality improvement (i.e. ‘Task-focused Transition’). When we juxtapose what has happened in PP with the Stace and Dunphy typology, it becomes apparent that it is a textbook example of how deliberate efforts have been made to put a SHRM model into practice. Nevertheless, care should be taken not to conclude on the universality of SHRM or their framework on the basis of this one case alone. While Stace and Dunphy

were PP's only external consultants, it has to be born in mind that their typology constitutes only one of a number of competing models of SHRM.

In many respects, PP has emerged as a very different organisation. We have seen in Chapter Three that apparent improvements have been made in terms of its financial performance. All the interviewees agreed that the conscious process of internal change had transformed the organisation significantly in the past few years. It is however not easy for us to make, from a positivist point of view, an accurate assessment of the 'effectiveness' of such HRM strategies as a tool in this case. Even within the bounds of Stace and Dunphy's stated goals of change - compliance to radically redefined behavioural goals, norms and performance standards ('Turnaround') and compliance to an internally consistent progressive redefinition of task performance systems ('Task-focused Transitions') - appraisal is difficult as the exact degree of such compliance can hardly be ascertained within an organisation as large as PP. Furthermore, other factors may have a part to play in determining the 'effectiveness' of the tool. For example, the will and power of those who employ SHRM may affect its degree of success. It is noted that as a stark contrast to the half-hearted and incremental efforts which had been made towards altering ELCOM in the early 1980s, the strategies of change are driven this time with persistent energy and will on the part of PP's executives. The fact that the corporatisation ethos since the late 1980s has been conducive to such changes also facilitates the operation of SHRM in a public organisation like PP.

As a management tool, SHRM has its constraints and limitations. In Chapter Four, we noted that in PP, the concern to improve financial performance and cost-efficiency has limited management's liberty in recruitment and in implementing a truly competency-based career structure. Despite SHRM's general orientation towards reducing the role of trade unions, as evidenced by

ELCOM's earlier confrontational strategies, trade unions continue to play a part in PP's change process, particularly through the Labor Council. The fact that PP remains a public organisation is also reckoned by executives as a significant 'handicap' to the introduction of performance pay. Indeed, the inability of actually linking pay in PP with performance indicators agreed in the first Enterprise Agreement demonstrates both the practical and political problems involved here.

We now proceed to look at SHRM as a *prescriptive model*. Informed by Stace and Dunphy's typology for change, the HRM strategies formulated by PP's management are essentially prescriptive in nature. The main concern of these prescriptions, as in the case of most SHRM models, is to establish and maintain an internal as well as external 'fit' within organisations. It is however the internal coherence and logic of such a 'strategic fit' that attract the most problems in a normative SHRM model. In the case of PP, we have seen in Chapters Four and Five that tremendous efforts have been made by PP's executives towards constructing an 'internal fit'. The HRM strategies which they put into place towards building new structures and recreating new values in the early 1990s were consciously contained within the 'Partners in Performance' package to maintain a strong sense of coherence of purpose. To ensure that the past did not contaminate the present, a new set of visions, values, processes and structures were established and capitalised under the new name of PP in 1992. The Organisational Development (OD) unit, which had been located within the Corporate Strategic Group in the past, was recently moved to the Employee Service and Development Group (see Appendix VIII) to facilitate incorporation of the strategic side with the actual operations of HRM.

However, 'internal fit' is often more complicated than it appears. On the theoretical side, a very basic question is how to define and assess internal fit in

operational terms. Different typologies of SHRM have diverse interpretations as to what constitutes the right mix of HRM strategies and practices for different situational types. Some aim at changing the system; others the person.<sup>2</sup> Within a plethora of competing models and maps, there is still a lack of agreement amongst HRM theorists as to what constitutes a general framework for SHRM. Henceforth, the general validity and applicability of the Stace and Dunphy model has not been proved beyond doubt. In practical terms, even within the limits of our present case, a number of problems have been observed by the researcher. For example, some HRM strategies, when being implemented, prove to be internally incompatible and do not necessarily add up to a coherent or rational set of strategies with a unity of purpose. A directive, top-down approach on communication strategy in PP, for example, seems incongruent with the collegial values propounded in 'Partners in Performance'. The business strategy on cost containment also limits PP's ability to improve the system of reward and undercuts possible efforts of change in areas like training and development. A complete synthesis of HRM strategies is therefore not invariably possible. It is interesting to note that as revealed in Chapter Four, some executives tried to resolve the incompatibilities within SHRM by labelling some strategies (downsizing, for example) as non-HRM strategies.

Furthermore, well *planned* strategies do not always *work* well. Implementation is always a crucial yet difficult part of the process. Most of those being interviewed admitted that despite the improvements made in the performance of PP, the organisation was still far from reaching the ultimate destination of its change programme.<sup>3</sup> Specifically, it is noted that the impact of the planned change is uneven on different parts of the organisation.<sup>4</sup> Insofar as the seven different power stations operated by PP are concerned, there are vast differences as to how well they can and have carried out the strategies for

change determined at the corporate level. This relates to an often noted tension within PP between centralisation and decentralisation.<sup>5</sup> An issue which remains unsettled is whether a centralised function (e.g. HRM function) should perform a controlling or co-ordinating role. Here, the concern for tight internal integration clashes with the concern for flexibility.

A further problem with the principle of 'internal fit' relates to its assumption that while an organisation is at the mercy of its external environment, it has ultimate control over its internal one. There are, nevertheless, numerous factors which may affect the actual outcome of change efforts. These include the inherent nature and characteristics of the workgroup and its leaders, historical relationship between management and staff, and the like. Lengnick-Hall & Lengnick Hall argue that models which focus only on the matching of HRM to corporate/business goals, people to strategies and the organisation to environment, unduly limit the direction in which an internal fit should be attained within an organisation, making the integration process at best a partial one.<sup>6</sup> A fundamental issue which underlines the above is whether an organisation should change its people to suit its business/corporate strategies or vice versa. In the case of PP, the executives had clearly chosen the former approach. Nevertheless, while systems and processes may be manipulated, there are limits as to how far the attitude, behaviour, inherent skills and capabilities of people can be changed. As Chapter Five of this report demonstrates, reacculturation at PP remains a difficult and incomplete process.

On the other hand, SHRM's emphasis on 'external fit' is also riddled with problems. Fundamental to the notion of 'external fit' is an assumption that management of an organisation has the ability to make correct assessment of the present and possibly the future external environment. Unfortunately, there is little discussion of this point in existing models of SHRM. Many proponents



simply start off by drawing out some generalised pictures of different situational types and then proceed to develop their proposed strategies based upon these situational types. Stace and Dunphy go into further detail by emphasising the importance of scanning the environment - which they see as being composed of strategic scenarios analysis, customer analysis, critical strategic issues analysis<sup>7</sup> - but dwell no further upon the problems involved in such an exercise. Despite the apparent neatness of SHRM typologies like that of Stace and Dunphy , which offers a one-to-one linkage between strategies and different conditions for use, practical applications of these typologies often prove to be much more complicated. It is difficult to translate conflicting signals and categorise an often complex and transient environment into the straight jacket of a specific situational type. Even more difficult is to make an entirely accurate prediction of future environment otherwise than with the benefit of hindsight ! In Chapter Three of this report, we noted the intricate process of corporatisation in PP. This serves as a vivid illustration of the complex external environment that organisations have to operate in. More so, it demonstrates the important role that political factors play in affecting public sector organisations. In none of the existing models of HRM, including Stace and Dunphy 's , have political factors been explicitly dealt with. For one thing, these models are basically developed from and for private sector operations, which are often considered as apolitical. Furthermore, even within the public sector, the recent tendency is to give more attention to economic rather than political considerations.

We have indicated earlier in this report that we will not engage in ideological debates as how public corporations should operate or what SHRM should be. Nevertheless, in assessing SHRM as a prescriptive model, we observe from the evidence of our case that given the complicated realities of organisational environment (both internal and external), a heavy emphasis placed

by SHRM theories on economic rationality in terms of internal and external fit will undermine rather than enhance the validity of the model.

We shall now move on to explore SHRM in the frame of reference which sees it as *a new perspective/mode of discourse*. Given that this frame of reference is in itself concerned with the subjective existence rather than the practical utility or objective validity of SHRM, an assessment made along this line involves a construction/deconstruction of meanings, intents and purposes. As Legge demonstrates, SHRM may be 'deconstructed' as a postmodernist discourse in which rhetorics rather than realities are the real issues.<sup>8</sup> Indeed, what strikes the researcher throughout her conduct of the case study in PP has been the language which executives of the organisation used in relating their perception of HRM issues, which is marked by an extraordinary level of consistency. Some of the images/metaphors commonly deployed by these executives during interviews are: 'customer', 'restructuring', 'partners', 'performance', 'flexibility' and 'quality'. Even amongst staff members in the Mount Piper Power Station, a similar mode of discourse has been discerned, although Mount Piper's own icons of 'greenfield site', 'trust' and 'initiative' tends to be more frequently referred to. We have also seen in Chapter Five how executives of PP seek to transform the organisational culture and values through the active use of the symbolism of images and language. The name of PP and the 'Partners in Performance' statement are clear examples of linguistic symbolism assuming a pivotal role in organisational change. A striking example of SHRM strategies and practices being turned into a language game in PP is the scramble made by the Quality Services Unit for redefinition of 'quality' in its own terms, an episode already mentioned in Chapter Five. The fact that the management talked of PP as a corporation and "did all the things as if we're corporate"<sup>9</sup> even though the

organisation has not yet been formally corporatised, also illustrates the power of rhetoric in shaping 'reality'.

Insofar as it seeks to examine the nature of SHRM, this third frame of reference does offer a new vantage point upon which further understanding of the issue can be obtained. In particular, it brings out starkly the subjective dimension of organisational behaviour and phenomenon. Although culture and organisational values have been topical issues in HRM, in the Stace and Dunphy typology, there is little recognition of the central role they have played in organisational transformation, especially in the 'Turnaround' and 'Task-focused Transition' approaches. This is despite the fact that tremendous efforts have been made by PP's management towards transforming organisational values and culture, as evidenced in Chapter Five. Amongst members of PP, culture is generally acknowledged as an important dimension of the changeover from ELCOM. For those working at the Mount Piper Power Station, a new culture is seen to contribute to the station's 'success'. Nevertheless, as this third frame of reference warns us, such perceptions constitute only 'a' subjective reality that have been consciously constructed by executives of the organisation. Therefore, when management of PP announces that it has made employees "feel as if they own part of the business and can take pride in the results of their contribution"<sup>10</sup>, we should be aware that this represents only one perspective of the issue. Since the management has ultimate control over official channels of communication within PP, as evidenced in Chapter Five, the apparent pervasiveness of such rhetoric should be regarded with considerable caution.

By the same token, care should be taken not to assume that such postmodernist view accurately represents the 'objective reality' of SHRM. For one thing, this frame of reference constitutes a specific perspective or mode of discourse in itself. Therefore it seems only fair that we view this frame of

reference with as much caution as it views SHRM. By nature of its own theoretical perspective, this frame of reference seems to suffer from a same 'weakness' as SHRM - that it is something which cannot be proved or disproved. When pushed to its limits, such a frame of reference can give rise to a form of reductionism conducive to conspiracy theory. With due care taken, however, the special merit of this frame of reference lies in its ability to discern some of the phenomenological realities of SHRM. Moreover, it alerts us to the different ways in which SHRM can be perceived and conceived by different parties, management practitioners and academics in particular.

So far, this project has raised at least as many questions as it has answered. Bearing in mind that this is essentially an exploratory study which attempts to look at the working of HRM strategies in an organisation under corporatisation, the main objective is not to find a magic solution or a quick fix. In fact, SHRM originated as a reaction against the 'one best way' mentality which had dominated many management fads and fashions that preceded it. Hence the need to develop different strategies for different situations. However, in generalising and typologising the linkage between different situation types and different strategies, many models run the risk of falling back into the old trap of the 'one best way' by adopting an unduly restricted view of SHRM either as a ready-to-use tool or as a prescriptive model which is rationally comprehensive.<sup>11</sup> Such a tendency is understandable enough because of the need for management of organisations to provide meaning and direction in an increasingly turbulent environment. In the absence of a holistic view of SHRM, many of these questions remain unanswered. Still more questions arise when we examine the linkage between SHRM and corporatisation in PP.

## **Linking SHRM with Corporatisation**

Notwithstanding the confusion as to its definition and the debate as to its efficacy, 'corporatisation' is widely considered as a rational response by governments to the changing external environment of the public sector. In this sense, corporatisation constitutes a conscious strategic choice made by the government of the day at the political level. Things become a little different, however, when we take the analysis to an organisational level.

Chapter Three of this report illustrates that for PP, corporatisation has been an issue which waxes and wanes, mostly outside the control of the organisation. As early as 1988, ELCOM was declared a target for corporatisation. Interestingly enough, the push to put ELCOM outside the mainframe of public sector operation came at a time when there was increasing public concern that the government had insufficient control over the operation of the Commission. In fact, in 1987, under the previous Labor Government, new legislation was passed to enhance government oversight of the organisation.<sup>12</sup> The coming into power of the Greiner government, which had corporatisation as one of its major political platforms, accounted for the sudden switch towards a corporatisation agenda.

Within ELCOM, the option of corporatisation was not officially endorsed until 1990. This was despite the fact that considerable restructuring had already taken place in the organisation since 1987 with a view to making the organisation more commercially oriented. This is indicative of either ELCOM's unpreparedness for the process or the for the lack of agreement between ELCOM and the government as to what 'corporatisation' meant. The move towards corporatisation was finally ratified by the organisation in 1990 when it announced that corporatisation would "give us greater freedom in our operations and enable us to become a more competitive business enterprise".<sup>13</sup> A committee

was set up to prepare for the transition and in 1991, the essential groundwork had been laid for the imminent process of corporatisation. By then, the organisation was at a point when it declared that it was all ready for this “major transformation”.<sup>14</sup> As we have seen in Chapter Three, developments then took another sudden turn and the formal corporatisation procedure was suspended.

Throughout, it appears that PP itself has had little control over the agenda of corporatisation. In fact, after all the uncertainties, people in the organisation began to look at corporatisation with caution and care. One executive being interviewed anticipated that the government planned to corporatise PP in the future, but was not sure what that might mean.<sup>15</sup> Another staff member saw corporatisation as a lost cause, and PP as a name associated with changes that did not really happen.<sup>16</sup> In both cases, the formal process of ‘corporatisation’ was perceived as an ‘irrational’ externality which impinged upon the organisation rather than a rational change strategy which opens up the way for SHRM. As a politically-driven process, corporatisation has the potential to become more of an additional contingency to the affected organisation than an endogenous change strategy.

More fundamental to the above is an inherent tension within the corporatisation agenda itself that renders its linkage with SHRM theories a problematic one. As an agenda for change, corporatisation seeks to transform the mode of operation of public organisations to suit their changing environment.<sup>17</sup> In this sense, its major concern is congruent with the theme of ‘external fit’ of SHRM. At the same time, however, corporatisation assumes that the private sector way of operation is superior to that of public administration. Hence the need to change the environment in which public organisations operate so as to ensure that “...on both efficiency and equity grounds ...businesses competing in the same market (should) face the same rules governing competitive

conduct...”.<sup>18</sup> Here, the political and economic environments are accorded different treatments. Organisations are supposed to be kept immune from the former while they continue their struggle in the latter. Quite interestingly, in helping public organisations to cope with the changing economic environment, corporatisation seeks to transform the political environment of these organisations. Within such a context, ‘external fit’ is about keeping an alignment with the economic instead of the political. What this involves is not only a change in the working environment but also an ideological shift in public sector operations as economic concerns took precedence.

Irrespective of the ideological debates as to how public organisations should operate, the story of PP suggests that in reality, it is not easy to ‘do away’ with the political factors which impinge on the operation of corporatised organisations. Essentially, their status as half-way houses in the private-public continuum carries an inherent dilemma which cannot be easily resolved. On the one hand, corporatisation seeks to relocate the target organisations to the private sector domain, so that they can be kept immune from political interventions. Presumably, this will set up an environment which is conducive to SHRM reforms. On the other hand, as corporatisation brings private sector management models into organisations which remain publicly owned, it puts SHRM under an exacting test, whether as a tool or a prescription for organisational change. In PP, although economic and social forces of the late 1980s had generally dismantled “bureaucracies of the past”<sup>19</sup>, we have seen in the present case that “political interference” is still commonplace in different forms. An employee working in a power station cited political interference as one of the future obstacles that PP had to face.<sup>20</sup>

In fact, as this project report concludes, the future of PP remains far from settled. In particular, the corporatisation agenda has been revived in yet another

form - this time it is coupled with a proposed split of the organisation for the sake of driving electricity prices down. Despite the economic justification for such a proposal, it has to be born in mind that the ultimate decision(whatever it is) is in essence a political choice made outside the organisation - yet another external contingency which can hardly be controlled by management of the organisation. The implications of these further changes are that they will not only affect the legal status of PP, but will also impact upon the type of market in which the organisation will operate. An executive remarked that if such a split was to proceed with, PP's successors would have to alter their long term objectives from being a high value added producer to that of a low cost producer competing in a cut-throat market.<sup>21</sup> Another staff member saw that a change in this direction would reduce HRM to a basic line function.<sup>22</sup> All these apparently run counter to the strategies that PP has just taken pains to build up in the last few years. A team leader in a power station even lamented that politicians were always taking away what had once been successful.<sup>23</sup> If anything, this serves as a vivid demonstration of practical difficulties imposed by corporatisation upon an organisation's effort to maintain an 'external fit' within the SHRM thesis. Instead of apoliticising PP, corporatisation has in fact heightened the salience of the political contingency.<sup>24</sup>

Notwithstanding these caveats, however, we need to remain mindful of the potentials of corporatisation in an organisation change process. First, the case of PP is an excellent example of how the management of an organisation struggled to maintain its freedom to generate organisational change by resorting to corporatisation. Despite the abandonment of the formal agenda of corporatisation by government, executives of PP simply went on with their own version of 'corporatisation' towards dismantling the old and building the new, thereby opening up the way for SHRM as a major tool for this internal reform. Referring



to the postmodernist perspective, this may be representative of an attempt by PP's executives to scramble for organisational power and control. Furthermore, there is another dimension to which few have attended to - this relates to the relative autonomy that a public corporation may enjoy over its private counterpart in formulating SHRM strategies. In relation to this, an executive of PP spoke of the restrictions that private sector organisations had to face and pointed out that public corporations had generally more autonomy and supporting resources to establish what were hailed as 'best practices' in HRM.<sup>25</sup> Indeed, the recent development of a 'greenfield' site at Mount Piper, as evidenced in Chapter Five, is illustrative of the attempts made by PP to push its HRM strategies to its limits.

All in all, the relationship between SHRM and corporatisation is an extremely intricate one. On the one hand, the corporatisation ethos is marked by a concern to transform public sector organisations in face of the changing environment and is thus aligned to SHRM's pursuit of 'strategic fit'. As a strategy, corporatisation seeks to modify the operating context of these organisations by exposing them to the rules and principles of private sector operations, hence making the environment conducive to the practice of SHRM. On the other hand, corporatisation as a process is inherently political in nature and therefore runs counter to the economic rationality of SHRM theories. By retaining corporatised organisations under public ownership, corporatisation keeps these organisations under constant political surveillance and reduces the autonomy that their management possess in their pursuance of their SHRM reform agenda. It is under the above circumstances that corporatisation puts SHRM under a peculiar situation which is quite unknown in a purely private or public context.

## **Conclusion**

In concluding this report, we return to the two fundamental questions which have been posed at the outset, that is: What are the 'successful' models of SHRM devices under situations of change ? Are these models applicable to public organisations which are undergoing corporatisation ?

As a single case study in itself, this project cannot and does not aim to offer a general answer to these questions. Nevertheless, it is hoped that as the story of PP unfolds, we can achieve a better understanding of what corporatisation and SHRM entail in the real world of employment relations. Earlier in this chapter, we sought to assess SHRM through three different frames of reference and consider its linkage with corporatisation on the basis of empirical evidence obtained in our case study. The major findings are summarised as follows:

- a) SHRM has been used as a management tool in PP to effect an internal reform agenda and it is through the emphasis that management practitioners place on its role in their organisational change agenda that SHRM becomes a 'new' tool for management in PP;
- b) It is difficult to appraise in a positivist manner the effectiveness of SHRM as a management tool in PP, given problems in ascertaining the attainment of defined goals and the influence of a number of other factors;
- c) As a management tool, SHRM has various constraints and limitations;
- d) The SHRM model adopted by PP (the Stace and Dunphy typology for change) is prescriptive in nature and requires the

organisation to maintain an 'internal fit' and an 'external fit' in face of the turbulent environment;

- e) Problems related to the internal logic and coherence of these notions affect the validity of SHRM as a normative model;
- f) Some problems observed in relation to the notion of 'internal fit' are: internal incompatibility amongst different HRM strategies, practical difficulties in implementing planned strategies and the intervention of factors beyond the control of the management;
- g) A major problem in relation to the notion of 'external fit' is management's difficulty in making correct assessment of the complex environment, especially that of the political externalities;
- h) SHRM can be viewed as a distinct perspective/discourse which is developed by PP's management through active use of image and language games;
- i) Although useful for discerning specific phenomenological realities of SHRM, this perspective is something which cannot be proved or disproved because of its own subjective premises;
- j) The relationship between SHRM and corporatisation in PP has been an intricate one which is quite unfounded in pure private or public organisations;
- k) On the one hand, corporatisation as a special version defined by PP's management opens up the way for the adoption of SHRM policies and ideologies;
- l) On the other hand, corporatisation is a political process and it creates public corporations which operate under private sector

mode but within a political context. The fact that political interventions remain an uncontrollable external contingency put SHRM theories and practices under severe test in organisations like PP.

Referring to the above two questions, it seems that there is no ready answer to either of them. It can be argued that the crux of the matter is that of 'values', since it is values which determine what is meant by 'successful' SHRM and their 'applicability' in organisations undergoing corporatisation. Nevertheless, in most theories of SHRM, little or no distinction is drawn between the prescriptive and the descriptive. Some of these models are broad normative models which are used to highlight the failures of actual management practices, without according due recognition to the complexities of the real world. Many others draw on examples and episodes of "success stories" and covert them into universal 'best practices', without acknowledging the philosophical, ethical and ideological issues involved. There is also a general confusion between rhetoric and reality in SHRM theories, such that management's perspective becomes the all-pervasive reality. In all these cases, SHRM is reduced to a management fad which is ill suited to the complex environment of organisations under corporatisation. By according special attention to the different frames of reference for assessing SHRM and to the intricate linkage between SHRM and corporatisation, this report has highlighted the need for an integrated approach to assessing the 'success' of SHRM in generating organisational change.

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## ENDNOTES

- <sup>1</sup> Interview with Peter Harris (pseudonym) on 2 May 1995
- <sup>2</sup> Ibid., p222
- <sup>3</sup> Jeff Roberts (pseudonym), an executive of PP, admitted during interview on 23.5.1995 that PP probably had still a long way to go in making necessary changes. Christine Goldberg (pseudonym), another executive staff, expressed concerns during an interview on 14 June 1995 about a gap in between HR policies and business strategies.
- <sup>4</sup> In an interview on 18 July 1995, Todd McCarthy (pseudonym) commented that for those who were working outside the Sydney headquarters, there was no corporate policy. While this may represent a rather extreme view of things, the inconsistency of SHRM applications in PP is confirmed by Roy Jones (pseudonym), a staff of a power station during an interview on 13 September 1995.
- <sup>5</sup> Billy Newell (pseudonym) related during an interview on 29 May 1995 that PP had moved between centralisation and de-centralisation in the past years because of problems noted in both and has recently re-centralised with a customer-supplier focus
- <sup>6</sup> Lengnick-Hall C. & Lengnick-Hall M. (1988), "Strategic Human Resources Management: A Review of the Literature and a Proposed Typology", Academy of Management Review, Vol. 13 No. 3, p460
- <sup>7</sup> Stace D. & Dunphy D. (1994), Beyond The Boundaries - Leading and Re-creating The Successful Enterprise, Sydney, McGraw-Hill Book Co., pp60-65
- <sup>8</sup> Legge K. (1995), Human Resource Management: Rhetorics and Realities, London, MacMillan Press, pp321-325
- <sup>9</sup> Interview with Peter Harris (pseudonym) on 2 May 1995
- <sup>10</sup> PP (1995), Annual Report 1994, Sydney, Emery Vincent Associates, p8
- <sup>11</sup> According to Simon H.A., "Behaviour is substantively rational when it is appropriate to the achievement of given goals within the limits imposed by given conditions and constraints." Simon H.A. (1985), "From Substantive to Procedural Rationality" in McGrew Anthony G. & Wilson M.J. eds., Decision Making : Approaches and Analysis, Manchester, Manchester University Press, p87
- <sup>12</sup> The 1987 Electricity Commission Amendment Bill put ELCOM's planning under strict external scrutiny "requiring ELCOM to prepare a 30 year generation development and fuel sourcing plan for review every three years by the Department of Energy, and approval by the minister..." See Prout K. (1988), "Barry Flanagan: 'ELCOM into the 1990s'", Electrical Engineer, Vol.65, p48 for details.
- <sup>13</sup> ELCOM (1990), ELCOM 1990 Annual Report, p5
- <sup>14</sup> ELCOM (1991), ELCOM 1991 Annual Report, p15
- <sup>15</sup> Interview with Christine Goldberg (pseudonym) on 3 August 1995
- <sup>16</sup> Interview with Todd McCarthy (pseudonym) on 18 July 1995
- <sup>17</sup> In an official submission, the Department of Transport and Communications argued for greater flexibility of operation for government owned enterprises (GOE's) as "many of them (GOE's) were facing a much more hostile international trading environment, growth of global corporations, more open and less regulated economies with which they were competing, a more integrated and sophisticated financial system..." Department of Transport and Communications, Official Hansard of the Senate Standing Committee on Finance and Public Administration, p437
- <sup>18</sup> Hilmer F.G. (1993), National Competition Policy (Report by the Independent Committee of Inquiry), p 130
- <sup>19</sup> Stace D.& Dunphy D. (1994), op. cit., p4
- <sup>20</sup> Interview with Mark Maroon (pseudonym) on 13 September 1995
- <sup>21</sup> Interview with Mark Dixon (pseudonym) on 31 July 1995
- <sup>22</sup> Interview with Todd McCarthy (pseudonym) on 18 July 1995
- <sup>23</sup> Interview with Andrew Davis (pseudonym) on 13 September 1995
- <sup>24</sup> Batstone E., Ferner A. & Terry M. (1984), Consent & Efficiency: Labour Relations & Management Strategy in State Enterprises, England, Basil Blackwell Publishers, p279
- <sup>25</sup> Interview with Christine Goldberg (pseudonym) on 3 August 1995

## **APPENDIXES**

- Appendix I..... Extract of Stace and Dunphy's "Four Approaches to Change"**
- Appendix II..... Chronology of Major Events Since the Establishment of ELCOM**
- Appendix III..... Operations Overview of PP**
- Appendix IV..... Total Service Profile & Staff Age Profile**
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- Appendix VI..... Aims & Objectives of ELCOM**
- Appendix VII..... Partnership Principles**
- Appendix VIII..... Organisational Chart of Employee & Commercial Services, PP**

**Overview of Turnarounds & Task-focused Transitions**  
 (Extracts from Stace and Dunphy's Four Approaches to Change)

	<b>Turnarounds</b>	<b>Task-focused Transitions</b>
<b>Conditions for use</b>	use when the business environment changes dramatically and when the organisation is not aligned with its environment. Organisational change strategies must break redundant and ineffective frameworks of thinking, refocus the organisation on fundamentally new strategies and seek a new fit for the organisation in a changing business environment	use when markets/products/services are undergoing major change and 'niche' exploratory strategies are prevalent. organisational change strategies must deliver the capacity for rapid structural, systems, skill and cultural changes. Strong emphasis on business unit autonomy, maximum devolution, rightsizing and outsourcing, workforce redesign
<b>Goal of change</b>	compliance to radically redefined behavioural goals, norms and performance standards	compliance to an internally consistent progressive redefinition of task performance systems
<b>Change strategy characteristics</b>	<ul style="list-style-type: none"> <li>• rapid, radical redefinition of the core business</li> <li>• divestment of non-core business areas</li> <li>• successive corporate and workplace restructure, downsizing and retrenchments</li> <li>• restructuring/abolishing traditional systems</li> <li>• chief executive welds together a strong top team</li> <li>• decision making is decentralised</li> </ul>	<ul style="list-style-type: none"> <li>• constant improvement and relentless mid-range change</li> <li>• executive leadership which operates on a decisive /strongly directional basis</li> <li>• business unit leadership is mostly consultative, but within a strong framework of well-organised systems</li> <li>• focus on improving structures and systems</li> </ul>
<b>Change leader type</b>	<ul style="list-style-type: none"> <li>• commanders</li> </ul>	<ul style="list-style-type: none"> <li>• captains</li> </ul>

	<b>Turnarounds</b>	<b>Task-focused Transitions</b>
<b>Leadership behaviour</b>	<ul style="list-style-type: none"> <li>• unilateral direction action</li> <li>• strategic and structural initiatives</li> <li>• radical new vision imposed or negotiated</li> <li>• use of positional power and sanctions</li> <li>• reference to and infusion of new role models</li> </ul>	<ul style="list-style-type: none"> <li>• directed interaction around key system changes</li> <li>• strategic initiatives come from the executive; technical initiatives are delegated</li> <li>• vision is planned and systematically orchestrated</li> <li>• use of positional power and technical/task expertise</li> </ul>
<b>Change intervention tools typically used</b>	<ul style="list-style-type: none"> <li>• strategy and market segmentation analysis</li> <li>• merger/acquisition/divestment of non-core businesses</li> <li>• restructurings/downsizing/rightsizing/forced retrenchments</li> <li>• reconstruction and development of the top team</li> <li>• cultural and industrial confrontation strategies</li> <li>• radical business process redesign</li> <li>• human resource strategy redesign</li> </ul>	<ul style="list-style-type: none"> <li>• systems redesign</li> <li>• workforce planning/rightsizing</li> <li>• job redesign/business process redesign/re-engineering</li> <li>• productivity measurement and improvement</li> <li>• strategic and process benchmarking</li> <li>• objective setting/mbo/performance contracts/appraisal</li> <li>• strong technical skills training</li> <li>• management and team leadership development</li> <li>• TQM, continuous improvement</li> </ul>
<b>Communication strategies</b>	<ul style="list-style-type: none"> <li>• aim is to communicate a sense of organisational crisis, rationale for change and cost of non-compliance</li> <li>• communication put on a 'wartime' footing, frequent, total and forceful</li> <li>• top-down communication</li> <li>• use of selected change leaders as key communicators</li> <li>• emphasis on formal, authoritative communication</li> </ul>	<ul style="list-style-type: none"> <li>• aim is to gain behavioural alignment with the vision and key executive initiatives</li> <li>• use of line relationships for communication</li> <li>• primarily top-down communication with built-in feedback</li> <li>• use of technical expertise to advise teams</li> </ul> <p>emphasis on formal communication, e.g. instructions, memos, e-mail</p>



	<b>Turnarounds</b>	<b>Task-focused Transitions</b>
<b>Cultural renewal</b>	<ul style="list-style-type: none"> <li>• power-coercive strategy</li> <li>• emphasis on remoulding behaviour as approach to value change</li> <li>• radical challenge to existing values</li> <li>• recasting and reforming of core values</li> <li>• use of extrinsic rewards and coercive sanctions</li> </ul>	<ul style="list-style-type: none"> <li>• empirical /rational strategy</li> <li>• competence enhancement through retraining</li> <li>• focus on changing systems as a means of encouraging behaviour modification</li> <li>• constant adjustment of norms to match changing strategies</li> <li>• use of intrinsic and extrinsic rewards related to the task</li> </ul>

Source: Extracted from Stace D. & Dunphy D. (1994),  
Beyond the Boundaries: Leading and Re-creating the Successful Enterprise  
Sydney, McGraw-Hill, pp238-239, 242-243

### Chronology of Major Events Since the Establishment of ELCOM

<u>Year</u>	<u>Operating Conditions</u>	<u>Strategies for Change</u>
1950	Establishment of ELCOM	
:		
1960	Rapid growing demand for electric power; continual decline of real cost and real price;	
:		
1970	ELCOM had grown to become a very large enterprise in NSW	
:		
1980		
1981	Plant failures at Liddell and huge increase in bulk and retail prices led to public concern	
1982	Total staff number went up to 11,300; periods of power restriction experienced in March & April led to further public discontent over its operation	New structure established to separate the role & responsibilities of the Chairman & the CEO so that it more closely resembled the operation of private corporations
1983		Recommendations were made in a Statutory Report to the Minister of Energy for improvement of its performance
1984	ELCOM's worst year in terms of days lost due to industrial action since 1977	
1985		<i>Development of a charter &amp; a more elaborate set of objectives</i>
1986	Commission of Inquiry into Electricity Generation Planning noted that ELCOM's progress in IR programmes was slow	

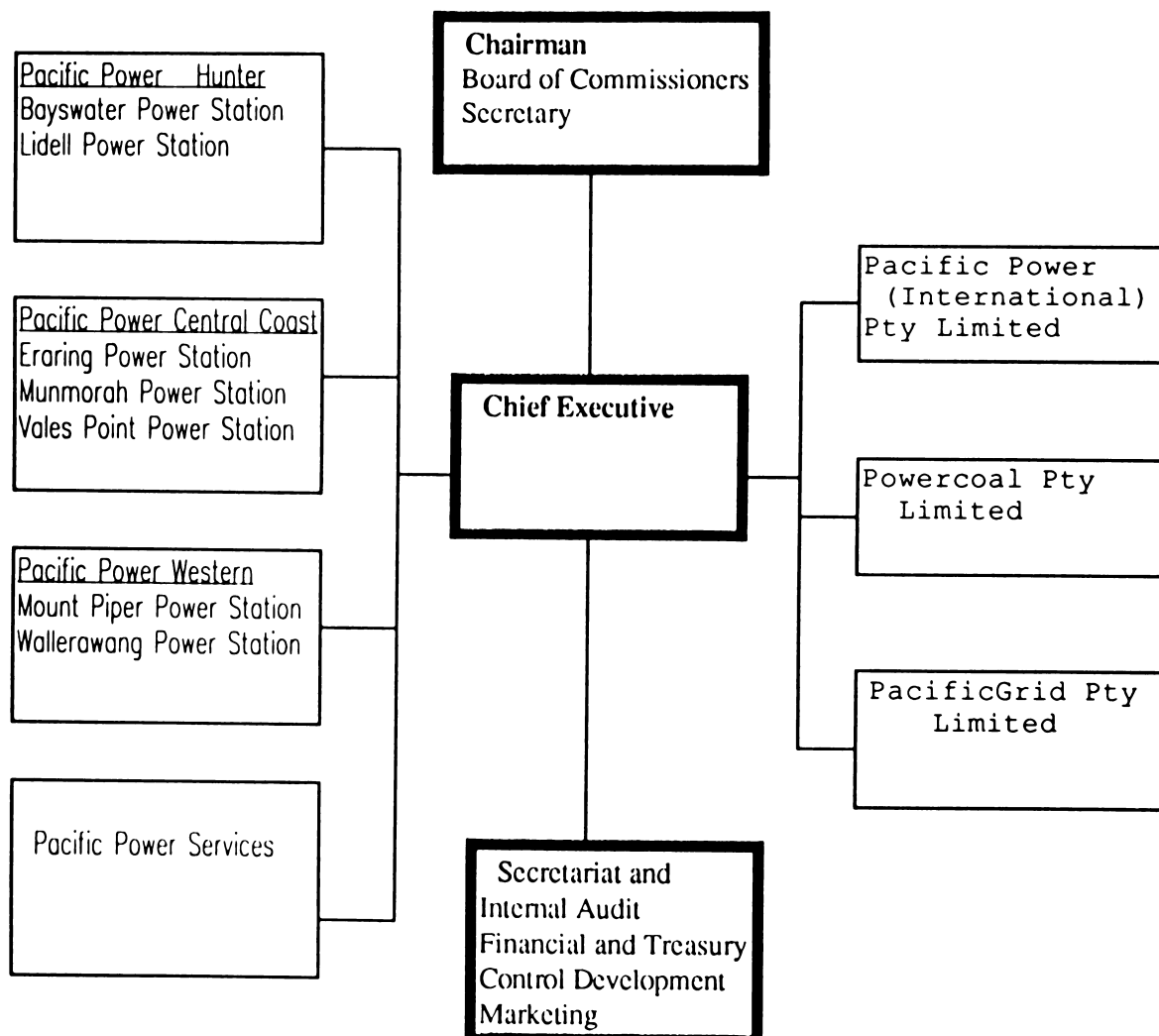
<u>Year</u>	<u>Operating Conditions</u>	<u>Change Strategies</u>
1987	John Conde became Chairman & Barry Flanagan became CEO	“Turnaround change strategy” began as institutional overtime was abolished Vigorous internal evaluations were put into place
1988	Election of the Greiner Government carried with it the agenda for corporatisation	ELCOM’s management began adopting a tough stance against trade unions and industrial actions
1989	Staff numbers reduced from 10,488 to 8,296; inefficient plants at Tallawarra, Vales Point and Wangi were closed down	Massive restructuring & downsizing resulted in a reduction in staff numbers by over 20%; Introduction of the TEAM(Training Efficiency and Multiskilling) Plan to remove previous restrictive work practices; Announcement that future appointments would be by merit rather than seniority;  <i>A new corporate plan set out new mission ,values &amp; objectives</i>
1990	Greiner committed that ELCOM would be corporatised Inefficient facility at Vale Point was decommissioned Staff numbers went down from 8,296 to 7,283	Further ‘downsizing’ of staff numbers through voluntary redundancy programmes; A multiskilled classification structure was developed as a result of the TEAM Plan
1991	Government declared that ELCOM would be corporatised by October	Replacement of previous awards by one single award; Preparations made for complete structural change as the new ‘corporatised’ Commission came into being; Development of a corporate management process; business plans began to form the basis of performance agreements

<u>Year</u>	<u>Operating Conditions</u>	<u>Change Strategies</u>
1992	<p>Despite the sidelining of the formal procedure for corporatisation, ELCOM was given a new name - PP and the management announced that it had adopted a new corporate identity</p> <p>Ross Bunyon replace Barry Flanagan as the CEO</p>	<p><i>Commencement of "Task-focused Transition" with the change of name to PP, accompanied by change of logos, symbols, icons and the like;</i></p> <p><i>"Partners in Performance: Total Quality of Work" was established as a new set of principles;</i></p> <p><i>The new Mount Piper power station was established as a 'greenfield site';</i></p> <p>Restructuring of the organisation into six separate and decentralised business units, the generation units were to bid to supply in an internal spot market;</p> <p>The performance management process was consolidated as part of the "Partners in Performance" programme;</p>
1993	<p>PP (International) Pty Ltd. was formed as a subsidiary of PP to market PP's skills in the international market;</p> <p>Staff numbered at 5,870</p>	<p>Restructuring of the organisation into three levels of management;</p> <p>Enterprise bargaining was initiated</p>
1994	<p>Pacific Grid Pty Ltd was formed as a separate business and PP became solely a generator of electricity</p>	<p>Establishment of the first Enterprise Agreement with the inclusion of performance pay as part of the agreement;</p> <p>Development of internal customer relationships among business units;</p> <p>Increased emphasis on teamwork;</p> <p><i>New version of the "Partners in Performance" principles established with increasing use of image &amp; metaphors;</i></p> <p><i>Increased emphasis on training and communication issues;</i></p> <p><i>Setting up of the Quality Services Unit and staging of the first annual Quality Expo;</i></p> <p><i>Employee survey conducted in April</i></p>

<u>Year</u>	<u>Operating Conditions</u>	<u>Change Strategies</u>
1995	<p>Election of the Carr Government led to ascendancy of the “competition policy”;</p> <p>Fred Hilmer replaced John Conde as Chairman of PP;</p> <p>Review of PP conducted by Hilmer;</p> <p>Continual political debates on the future direction of PP as the review was underway;</p> <p>Number of staff as at August was 4,297;</p> <p>Breaking up of PP into two announced in October</p>	<p>Setting up of competency standards underway as a first step towards an organisational competency based classification;</p> <p>Further initiatives for organisational changes were withheld pending the outcome of the review</p>
:		
:		
:		

**Operations Overview of Pacific Power**

(Source: PP (1994), PP Annual Report 1994,  
Sydney, Emery Vincent Associates, pp12-14)



## TOTAL SERVICE PROFILE AS AT 8/8/95

Appendix IV

TOTAL SERVICE	TOTAL
0 - 5	715
6 - 10	705
11 - 15	1250
16 - 20	805
21 - 25	284
26 - 30	285
31 - 35	149
36 - 40	84
41 - 45	17
46 - 50	3
<b>TOTAL STAFF</b>	<b>4297</b>

\* AVERAGE TOTAL SERVICE = 14YEARS

MOST COMMON YEARS SERVICE = 13 YEARS

## STAFF AGE PROFILE AS AT 8/8/95

AGE	TOTAL
16 - 20	157
21 - 25	386
26 - 30	456
31 - 35	604
36 - 40	654
41 - 45	665
46 - 50	632
51 - 55	427
56 - 60	240
61 - 65	75
66 - 70	1
<b>TOTAL STAFF</b>	<b>4297</b>

(information provided  
by PP)

\* AVERAGE AGE = 39 YEARS

MOST COMMON AGE = 48 YEARS

## **Charter and Objectives of The Electricity Commission of New South Wales**

### ***Charter***

- ◆ to provide a safe, reliable and adequate supply of electrical power to the people of New South Wales, and to industrial and commercial undertakings throughout the State, at the lowest practicable cost;
- ◆ to promote and encourage the development and use of the natural resources of the State in connection with the generation of electricity;
- ◆ to undertake coal mining operations with the objective of reducing the cost of electricity to the State's consumers;
- ◆ to co-operate in the development of the State's water resources for their application to hydro- electric and pumped storage power stations and thermal power station cooling requirements.

### ***Objectives***

#### **1. Reliability**

To plan, develop, build, operate and maintain the electricity system in New South Wales so as to ensure that at all times the Commission is able to meet acceptable standards of service and reliability of supply.

#### **2. Costs**

To ensure that consistent with its other objectives, the Commission provides supply to electricity consumers in New South Wales at minimum cost.

#### **3. Tariff Policy**

- a) To set tariff levels to provide revenues which, whilst having regard to the Commission's other financial objectives, provide for orderly movement in the level of tariffs and which, as far as practicable, contain any increase year-on year to less than movement in the Consumer Price Index.
- b) To ensure that tariff structures are such as to promote the most efficient utilization of the generating and supply system.

#### **4. Financial Policies**

To pursue financial policies in the determination of revenue requirements which meet the Commission's statutory obligations and reasonable standards of commercial prudence having regard to the maintenance of a financially viable statutory authority through the use of appropriate financial ratios, the preservation of adequate levels of reserves and liquidity, and having regard to the need to remain competitive.



## **5. Employee Relations**

Recognising the importance of good employee relations to the attainment of other corporate objectives, to develop and strengthen a good relationship employees including proper attention to better communication and consultation, to job satisfaction, safety in the workplace, and just and equitable remuneration.

## **6. Customer Relations**

To maintain good relations with electricity consumers, and to improve understanding by all parties of their respective needs and intentions.

## **7. Public Relations**

To improve and maintain good communications with the public generally and with government and local government agencies. In particular to promote an understanding of the Commission's policies and plans, and to consult with relevant community groups on matters of specific concern to them.

## **8. Environmental**

To ensure that the Commission minimises, as far as practicable, any adverse impact of its operations on the environment, but having regard to the social and employment consequences of its development. Divisions and Branches have been required to prepare objectives, targets and action plans consistent with the above objectives.

(extracted from ELCOM (1985) , The ELCOM 1985 Annual Report, p3)

## **Aims and Objectives of The Electricity Commission of New South Wales**

### ***Mission***

To safely provide reliable, low cost, competitive electricity for customers.

### ***Values***

Customers come first.

People have real jobs.

Assets are used effectively.

Overall importance of the environment.

### ***Objectives***

Optimise the economic use of resources.

Enable our people to maximise their contribution.

Cost effectively expand our share of the energy market.

Achieve an appropriate return on assets.

Support the economic development of New South Wales.

Ensure that protection of the environment is a key consideration in all developments.

(extracted from ELCOM (1989) , ELCOM 1989 Annual Report, p10)

## **Partnership Principles**

### **Ownership of the business**

*We share a common purpose, understand our role and how our contributions are related to the business objectives of our business unit. We accept responsibility for delivering value to our customers.*

### **Working Together**

*All our contributions are enhanced by working together in teams and as partners. Our true potential is realised when we support one another. Through participative planning we identify valuable ideas of team members and create ownership and commitment.*

### **Enable and Recognise Initiative**

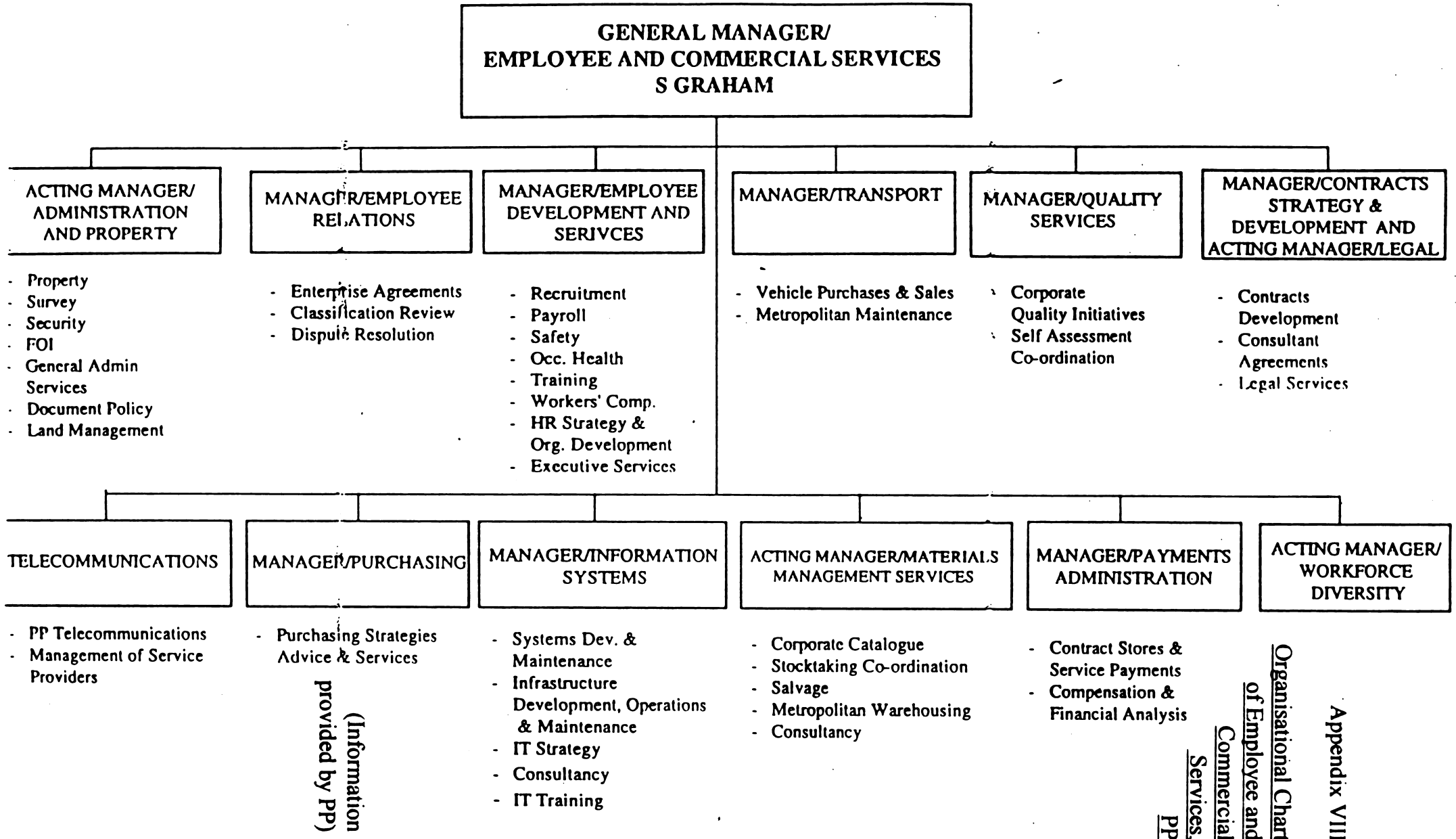
*Encourage individuals and teams to take initiatives which contribute to the achievement of business objectives. Valuable contributions of individuals and workteams are appropriately recognised.*

### **Excellence Through Pride and Contribution**

*Build on our strengths to develop our business, apply best practice, and be innovative in meeting customer needs. We build pride in our organisation by ensuring our people are able to develop and contribute.*

(extracted from PP (1994), Partners in Performance,  
an official information leaflet)

16th March, 1995



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