

Commentary: Reflections on High Performance, Partnership and the HR Function in New Zealand

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Introduction

This is a personal reflection on more than two decades of involvement in the policy development and implementation side of government measures to promote improved productivity and modernised workplace organization in New Zealand. It began as a member of the Auckland Business Development Board throughout the 1990s, when ISO accreditation was king, and high performance, beyond some exceptional examples, was a topic of cult discussions. That involvement continued in the 1999-2008 governments' productivity agenda. It continues today in the current government's High Performance Work Initiative, and a range of related activities. Over that period, I have also taught regularly on the University of Auckland's HR Diploma course, and have spent a lot of time drumming the high performance message into undergraduates and graduates alike.

There are other roots to this reflection. One is the context in which I arrived in New Zealand in 1988. The "Nissan Way" was the controversial employment relations topic of the day (as I recollect, even more so than, for example, the 1987 employment relations legislation). Unions were split, inter and intra, about the engagement practices embodied in the car assembly industry in New Zealand. There was an understandable concern about a productivity message, which challenged traditional thinking in unions, and which traditionally was associated in unions with greater work intensity and rewards that did not reflect that intensity. One feature of that debate which struck me as an incomer was its "freshness", as if the debate had not been running for years before. Such freshness was also observable in, for example, the activities of Workplace New Zealand. I return to this point later.

Another "root" is personal. I arrived in New Zealand belonging to an intellectual tradition that was cynical about the wave of enrichments and engagements and quality circles that had marked management's 1960s-onwards move from a traditional personnel function to what we now call HRM. I had taught both (my first lecture as a tenured academic was in 1978, on a course entitled "Personnel Management") and despaired of the magic bullet, top-down managerialism that imbued these various waves of PM and HRM strategy. The question of "voice" was already crucial in mine, and others, thinking. If unions and workforces were to be fully engaged in such workplace processes, how would they come to own the process, such that discretionary effort and creativity would be released in return for fair wages and conditions. Much academic debate at the time had rejected that positive-sum model, a critical tradition still alive and well, and the tenor of the debate in New Zealand around the Nissan Way did little to dispel such concerns.

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Yet another is a consideration of the history of employment relations in New Zealand, and its implications for the HR function. As I suggest below, it is arguable that the particular impact of the arbitration model on workplace organisation and employment relations, and on the conjunctural emergence of the modern HR function, carries with it important implications for the development of high performance in New Zealand. Moreover, the substance and timing of employment relations reform is also a factor to be added into the mix. Again, I explain this in more detail below.

Finally, I am going to assert here that building of the high performance paradigm in New Zealand is a difficult and often unrewarding task. My reasons for this assertion are discussed in detail below, but years of engagement on the issue – with union and employer organisations, with layers of middle-level HR managers in training, as chair of the Partnership Resource Centre (PRC) and High Performance Work Initiative (HPWI) advisory boards, and in policy-related research – support this assertion. For reasons that we need to understand better, and despite obvious examples of successful high performance innovation, high performance is difficult to “sell”. It breaks no confidence when I say that leaders of New Zealand’s main business sector organisations have told me simultaneously how much importance they and their organisations place in high performance, and how difficult it is to obtain membership buy-in in a sustained fashion.

A Hypothesis

I will, first, present a simple hypothesis; second, I will develop it in some detail, before, third, suggesting how it might resonate in the contemporary high performance debate.

The hypothesis is this:

- A) a major effect of the arbitration system was the underdevelopment of workplace organization and employment relations, and a particular underdevelopment of the PM/HR function;
- B) the decline and fall of the arbitration system, and its replacement by the ECA model substantially marked the experience and thinking of the HR profession as it came of age in the 1990s
- C) that “coming of age” took place crucially in a long period of economic downturn, involving a pervasive cost-savings approach in management
- D) the ideological context in the 1990s and beyond was, as a result of this conjuncture, primarily unitarist and anti-union
- E) that conjuncture – unitarism, a predominant cost-saving, short-term view of business decision-making, and the dominant experience of the HR profession – militates against the take-up of sustainable high performance models (where sustainability is governed by the degree of ownership by the workforce of the performance model).

Getting to the Hypothesis

Arriving in 1988, one of the first tasks in which I was involved into the 1990s was teaching the Graduate Diploma in HR, then a new programme at the University of Auckland. It was taught in the now much reconfigured School for the Blind in Parnell, and was marked by standing room only. There was a time when we were cramming well over thirty students into a room designed for a comfortable 25. An interesting characteristic of the students was their

breadth of background – from relatively recent graduates with an interest in a career in HR, to some very experienced, seasoned, and occasionally jaundiced practitioners.

The main drivers of this demand were, I think, two. The first was a secular movement towards professionalization in the HR world. There was a changing of the guard in the HR world from the motley origins of the personnel function in New Zealand organisations to a new professional tradition. This echoed similar changes that had taken place in, for example, the UK in the 1970s and 1980s.

Second, after 1990, there was the impact of the ECA. The importance of that measure for New Zealand employment relations and its impact on an emerging professional HR function demands some discussion. We were, rather suddenly, moved from the remains of the arbitration system, which still maintained an award structure, to company level-bargaining, often without union representation on the ground. Companies had to create promptly collective employment contracts (CECs) and individual employment contracts (IECs) to replace pre-existing arrangements. Employers' organisations were swamped with members asking for advice about how to make these changes. Personnel practices at the level of the company were required to become more sophisticated and responsible. Technical personnel skills previous underdeveloped at company level became vital. This was major flux, engendered by legislative change, and providing a further opportunity for the professionalisation of the HR function.

Let me turn to the hypothesis in a little detail. The first element is the legacy of the arbitration system. Here, the key issue is the centralization of bargaining imposed by the post-1894 model. Awards were usually determined far from the company and workplace, by representatives also distant from their constituents' particular interests. Whilst matters settled in awards were restricted, they were vital. "Industrial matters" covered the core issues of wages and conditions. Secondary bargaining provided some flexibility in outcomes.

One consequence of this system was a conditioning of the personnel function, in which key technical processes were excised from the personnel manager's repertoire. The personnel function was, in this sense, incomplete. Moreover, specific personnel roles were limited to larger enterprises, further reducing the professional's presence in New Zealand.

A second consequence was a barrier to the development of more sophisticated workplace organization traditions. A lack of "reach" in the personnel function, coupled with the excision of some key personnel tasks from the personnel professional's repertoire, combined with a relatively unsophisticated industrial structure to capon the workplace reorganisation debate. Scale may be a factor here, and it is instructive to see companies where sophisticated HR practices emerged were few and far between, and, where they did emerge, it was an effect of external forces (e.g. Nissan) or of particular leaderships (e.g. Fisher and Paykel). Limited take-up of new workplace organisation techniques was not just a problem in management development. Unions were backward in this area, too. Islands of innovation existed in, for example, the EPMU, but, even there, the battle for a modern approach to workplace reform was tough. Unions, on the whole, paralleled management. If management, on the whole, failed to develop a modern HR function, unions failed to develop the workplace representation and skills needed to match technological, work organisation and management developments.

In sum, the 1894-1990 arbitration model was a curate's egg. For all its advantages, it may also have substantially obstructed the professionalization of the personnel function, the creation of modern union organization at company level, and the generalization of modern work organization practices.

The ECA replaced the remnants of arbitration with company-level arrangements predicated on individual employment contracts. The intention of the legislation was, in the view of the government, to improve economic performance by matching employment relations outcomes to company needs. It is a moot point whether this outcome was achieved. What is clear is that the ECA halved union membership, particularly reducing union density in the private sector, and significantly shifting the balance of power. Unions have still to recover from this blow to their presence in bargaining. True, in the public sector, union presence held up, as was the case in many of the largest private sector companies, but across the SME and micro-companies, union presence was fundamentally weakened.

Moreover, in the post 1984 period, and in the ideology surrounding the ECA, dominant themes – individualism and unitarism in particular – were a powerful presence. Neo-liberal ideology exalts the individual over the collective, regarding collective action as a threat to individual choice and action. This was seen in the sustained argument that an individual employer and an individual employee met on equal terms – as two equally-powerful individuals seeking to make a deal, from which both could choose to retreat. In such arrangements, the role of the union was not simply unnecessary; it was dangerous, for it allowed the intervention of collective pressure that “distorted” the equal engagement of individuals. In this sense, the ECA might be understood as explicitly anti-union.

There was a further consequence of neo-liberal thinking for employment relations. It combined the “equal engagement” argument with the rights of owners and managers. A theme in the anti-unionism of the ECA was the illegitimate questioning in collective bargaining of the right of owners (or their proxies) to manage what was private property – the business operation. Thus, the equal engagement was between individuals, one of whom possessed the right to manage, the other enjoying the right to be managed. The idea of joint regulation – of industrial democracy – present in collective bargaining was replaced by a unitarist approach in which the employment contract embodied the right to manage on whatever terms were deemed appropriate. Those terms might involve consultation or other forms of engagement, but their initiation was to be determined by managerial power, not by negotiation.

This was the context in which HRM blossomed in New Zealand, driven by the sudden replacement of arbitration by company-level, primarily unitarist responses, under the auspices of a deeply-ideological legislative framework, against which collective bargaining made heavy weather. But that context was compounded by another factor – New Zealand's industrial structure and economic performance from the 1970s.

From the 1960s, the need to diversify the New Zealand economy away from a dependency on trade in commodities had been recognized. Indeed, one could argue that the tradition of import-substitution since the 1930s derived from that need. Post 1984, the model adopted to promote that diversification was a classical “shock” treatment, whereby protections were removed, market forces were unfettered, regulations reduced or abolished, and New Zealand was opened up to global competition. Many manufacturing sectors were adversely affected. Plants closed, jobs were lost. Then, in 1987 and throughout much of the 1990s, the New

Zealand economy faced severe disruption, to return to a growth path only in the 2000s. During the crucial period in which the HR profession came of age in New Zealand, a cost-saving, low-road approach dominated most company strategies and, arguably, continues to this day. High performance models were not the employment relations or work organisation strategies of choice.

The 1990s: a fraught conjuncture

Here, I want to speculate on a particular conjuncture of factors that applied in the 1990s as they might apply to the high performance approach. The conjuncture involved:

- little long-term interest in the high performance approach,
- a strong legislative shift in ER to a neo-liberal approach,
- an extended period of economic downturn after 1987,
- companies facing severe cost pressures,
- an emerging layer of HRM professionals operating in a new company-based ER framework.

This conjuncture offered a particularly infertile environment for high performance initiatives. It was not that the ideas were entirely missing. Some companies experimented with high performance, some in a sustained and successful manner. But, arguably, such companies were few and far between. Moreover, the “Workplace New Zealand” movement, which held two conferences in the late 1980s and early 1990s, worked hard to promote high performance initiatives, but reported at the time that the conditions for success were absent. Also, anecdotal evidence from trainee HR managers at the time reported cost concerns and control, short planning horizons and an essential conservatism in the choice of work organisation strategies.

The impact of the ECA on the union movement should also be considered again at this point. Some of the most sophisticated thinking about high performance in New Zealand in the 1990s lay in the union movement. Three unions in particular – the EPMU, especially in Fisher and Paykel, the Dairy workers in Fonterra, and the PSA in the public sector – adopted high performance approaches and were keen to promote them with “their” employers. However, managerial attitudes towards high performance and unions made approaches difficult to sustain. Reduced power meant that committed unions were less able to drive a high performance approach by means of bargaining.

The 2000s

The Labour-led governments between 1999 and 2008 placed great emphasis on improved economic performance (economic transformation), improved productivity and high performance systems. For example, the purpose of the ERA was to drive improved economic performance on the basis of integrative bargaining. A Workplace Productivity Agenda was developed, focusing on information dissemination around productivity and high performance. New Zealand Trade and Enterprise (NZTE) engaged in some high performance promotion. The Partnership Resource Centre was funded to promote union-company high performance

initiatives. Some regional development agencies (RDAs) also took up elements of high performance, including Lean.

There was in this period much activity, many meetings and seminars, but relatively little shift in management attitudes to high performance models. During the benign economic conditions up to 2007, employment levels grew rapidly, but productivity performance remained relatively poor, suggesting that little was being done to improve the sophistication of production systems. The fear grew in this period that the impact of the 1990s had been to entrench many New Zealand employers in a low-road, labour intensive, low cost model. Again, anecdotal information from HR managers, from senior representatives of business organisations, and from Department of Labour case-studies suggested that the high performance message was understood by many, yet, for a variety of reasons, was seen as difficult, if not impossible, to take up in New Zealand.

I spent much of this period working with the Workplace Productivity Agenda in a number of capacities, and was the chair of the Partnership Resource Centre. In these roles, I spent a lot of time talking with senior managers and boards about the high performance message. There was a consistency in the messages that I was given in these discussions:

- most agree with high performance as an abstract idea; some think it nonsense;
- it is often not understood, or is misunderstood;
- it is complex, expensive, difficult to implement and uncertain of outcome;
- it frequently appears to offer no real advantage over the current model of work organisation
- power sharing is a challenging concept
- it is a good idea for the future, sometime.

Subsequent review of the Partnership Resource Centre initiative puts flesh on these bones. Analysis of PRC interventions suggested that following positive gains from union-based high performance approaches:

- Improved employee relations
- A more positive and satisfying workplace culture
- Greater job satisfaction and more opportunities for personal and career development
- Motivated staff who are able to participate in the decisions that affect them
- Reduced workplace conflict and tension
- Increased confidence, trust and openness in people
- The ability to constructively work through change and conflict
- Greater job security and the potential for wages to rise with productivity
- Easier staff recruitment and increased staff retention rates
- Shared ownership of business outcomes and results
- Increased profits, productivity, innovation and efficiency
- Improvements in work processes and service delivery
- Better business performance and long-term viability.
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Equally, hurdles stood in the way of high performance initiatives. The key hurdles included:

- Establishing the validity of high performance approaches in the company
- Convincing the CEO/board of the concept's viability

- Sustaining the approach through changes of leadership
- HR managers committed, but other management functions not so
- Convincing middle managers of the approach's advantages (where senior managers were committed)
- Costs
- Appropriate scheme design and implementation
- Gaining and sustaining employee buy-in (where the buy-in was based on legitimate, autonomous representation)
- Measurement (and sharing) of success
- Timing

The Partnership Resource Centre was disestablished in 2011 by the post-2008 government, but a High Performance Work Initiative (HPWI) emerged from the ashes, with a different focus and delivery method. The new focus was the promotion of Lean, across all types of workplace (not just unionized locations), and on a “bottom up” basis, that is, scheme “partners” in the regions bid for support to deliver Lean development to a group of companies. The first 18 months of operation of the HPWI have delivered promising results.

Yet, to see the delivery of Lean as a breakthrough in New Zealand in 2012 is telling, for Lean as a concept has been around for over two decades, and the systems upon which it is based for longer still.

Explaining this profile

Most of us involved in the high performance movement ponder regularly on its rate of uptake in NZ. Bias is admitted, yet it is also clear that other observers, from Prime Ministers to the OECD, lament the productivity performance of the New Zealand economy over the last generation or more, and seek ways to reverse it. My experience suggests that we can order the challenges associated with the take-up of high performance as follows:

Management Understanding and Commitment

Contemporary senior managers in their 40s and 50s were in their formative 20s when the ECA was introduced. They have also been employed in a period marked by two downturns, interspersed by one growth phase. Their initial experience was in an economy in which many sectors were restructured by the post-1984 reforms. Cost control and short-term horizons have often been constants in their decision-making. High-road, high investment, high productivity strategies, where appropriate, have not always been possible, or, sometimes, considered. Demonstrations effects of high performance have been muted. They have, on the whole, limited experience of unions and collective bargaining and, with the exception of state sector organisations and some of the larger private sector companies, adopted unitarist ER approaches. Some have upgraded their management qualifications; many have not. Is it unreasonable, given this thumbnail profile, to suggest that there may exist a disjuncture between the high performance paradigm and its requirements and the capabilities and orientation of senior managers in New Zealand? My own experience, and that of other initiatives in the area, suggests that this may be the case.

Employee understanding and commitment

Employees in the private sector are likely to be working in a non-union environment, often in a small workforce. There is some evidence that they are reasonably content in their circumstances, but comparative data suggest that they are often relatively low paid, work longer hours than are worked in other OECD economies, often with relatively low capital investment. They may have experienced changed circumstances in the 1990s or after 2007. Unemployment or casualization may be an imminent concern. They may enjoy training and up-skilling opportunities; many do not. In larger firms, they will be subject to a formal HR regime; in many, the HR function is rudimentary. Some will have been the object of top-down engagement or productivity initiatives, sometimes on multiple occasions. “Voice”, such as it is, will be configured by a top-down initiative, or by informal interaction in a small workforce. For the majority of employees, high performance is a closed book, and one which is owned by the employer

Technical capacity in design, support and implementation

The apparatus of high performance is weak in New Zealand. Trend setters with networked power (such as Toyota in Japan) do not exist. Companies with high performance aspirations rarely network assiduously with suppliers and customers. Skilled resources to train managers in high performance methods are few, and of mixed calibre. Some of the offerings on the market – for example, the Lean Lite models – are poor quality. The temptation to buy a system “off the shelf” remains high. Networks of specialists and companies providing mutual support for high performance are rare (the HPWI is an exception to this, as is the NZTE work). Production-based training (in universities and elsewhere), where it promotes improved performance, often eschews the “human” side of performance, preferring instead to focus on “technical” design issues. There is little of an underlying culture of high performance.

Contextual drivers

Above all, the New Zealand economy continues to perform poorly and is looking at perhaps another 5-7 years of adjustment to the effects of the 2008 GFC. Longer term vision will be blunted, costs concerns will remain high, capital investment will be carefully scrutinized (especially with abundant supplies of cheap labour), productivity improvements will be modest, if observable at all. For many companies, not all, the medium term is challenging. Generalised shifts of thinking, radical breaks with management’s past performance, are unlikely. Rather, companies operating in niched, competitive markets will be more likely to grasp the nettle of high performance on an individual basis.

What does this mean for HR managers?

I have already used a “coming of age” metaphor to describe the emergence of the HR function in New Zealand in the 1990s. It is an important starting point in thinking about the HR function and high performance. That coming of age took place against a background of:

- At best, patchy economic performance,
- A dominant business model based on cost control and short-term horizons;
- Major restructuring as an effect of structural adjustment measures,
- significant decline in some key sectors of the pre-1984 economy,
- a dramatic shift to company-level ER,
- major de-unionisation in the private sector,
- powerful neo-liberal policies and ideological settings, especially in the ECA.

I have suggested that this context did little to promote successfully high performance models. It follows that the HR professional, even if attuned to the high performance message, would find it difficult to “sell” that message at company level. Moreover, I suggest that in New Zealand managerial practice in general, the role and status of the HR function remains underdeveloped. Hence, the ability to promote high performance is further diminished.

And, in my experience, the HR professional is, today, attuned to the message. Year in, year out, I have asked my post-experience HR class about their response to high performance and their ability to introduce or support it in their companies. There is a general positive response to the message of high performance, usually coupled with issues about its implementation in particular sectors and circumstances. The minority will then report that they are experimenting with, or are committed, to high performance. Often, the minority comes from the “usual suspects” list of high performance innovators. The majority will suggest that, for a variety of reasons, it won’t work in their companies. The explanations vary – cost, senior management objections, failed previous experiments, size of operation, the belief that it may work in manufacturing but not in other sectors, and so on.

So let me conclude with a challenge. Alan Bollard, when Governor of the Reserve Bank, argued that New Zealand’s route out of the crisis post-2008 was through trade and productivity. In other words, we had to produce better, high-quality, high-priced goods and services that the world wanted. His was a call for the high road, including a shift to a high performance model, where possible and appropriate. In the intervening four years, we have seen little to give us confidence that his message has been wholeheartedly adopted. Perhaps there is a mission for the HR profession and HRINZ in taking Dr Bollard’s message and giving it teeth.