

THE IMPORTANCE OF STRATEGIC COMPETENCE IN HRM. EVIDENCE FROM AUSTRIA, CZECH REPUBLIC, HUNGARY AND SLOVAKIA

Barbara Covarrubias Venegas, Katharina Thill, Julia Domnanovich
University of Applied Sciences for Management and Communication in Vienna, Austria

ABSTRACT

Strategic Human Resource Management (SHRM) is vital in order to gain competitive advantage for organisations. Although there is extant literature on SHRM from academia and practitioners alike, looking closer at HR activities in today's organisations, resource allocation is still inclined towards more operational, day-to-day activities. The main objective of this paper is to give a deeper understanding about how the importance of strategic competence in HR might vary depending on the country, the work experience of HR managers and whether it differs between HR and stakeholders HR (namely, middle and top management), or if company size and the organisational life cycle play a role. A quantitative study of HR managers and stakeholders HR using telephone interviews were conducted in Austria and three CEE countries. Findings on the perceived importance of the strategic competence of HRM are presented in detail and suggestions for further research are presented.

Keywords: Strategic Human Resource Management, Strategic Competence, Austria, Czech Republic, Hungary, Slovakia.

DOI: <http://dx.doi.org/10.15549/jeecar.v4i2.145>

INTRODUCTION

Strategic human resource management (SHRM) developed as organisations have identified investments in human resources as a source of competitive advantage and therefore a strategic asset (Beer 1997) and in response to the need to manage employees in a fast-changing business environment (Schuler & Jackson 2005; Boxall & Purcell 2008; Kramar, 2014). It is argued that that multiple roles and competencies required from HR managers make it more challenging comparing them to colleagues from other areas such as finance, accounting, and marketing (Becker & Huselid 2006). Still today, the questions of how well HR managers are prepared to support nowadays

organisations in strategic matters, and if there are differences in the importance ratings of strategic competence in HR contribution to overall effectiveness of the HR department, are not yet answered fully. The subsequent introductory section provides an overview of the term competency in HRM in general. It then goes on to reviewing the literature on SHRM by focussing on the European context and presenting our data on the importance of strategic competence in four selected countries.

The introduction of the notion of competencies to Human Resource Management goes back to McClelland (1973). He argued from a psychological point of view that personnel recruitment being based on intelligence tests, similarly to grades in school was a poor

predictor for success in careers. He claims that the only way to distinguish superior from average workers is through competencies, including motivation, trait, self-concept, attitude or value, expertise in a certain field, cognition and behaviour skills in his concept. He developed the Behavioural Event Interview (BEI) to identify job requirements for a given profession. Following McClelland, Boyatzis (1982) defined competency broadly as an underlying characteristic that could be a motive, trait, skill, an aspect of self-image, social role or knowledge. Seen as such an underlying characteristic, a competency is reflected on different levels. In his approach the contribution competency makes to the success in the job is crucial. As a result, Boyatzis developed the "Model of effective job performance" whereby a fundamental distinction is made between the aspects of the job that can be labelled a competency, and what people need to bring to the job in order to perform the aspects to the required level of competency. To evaluate this, he used a refined version of McClelland's BEI (1973). Following Boyatzis, Spencer and Spencer (1993) adapted the phenomenon of "underlying characteristic" of competencies. They give an extensive definition of how competencies are defined:

"A competency is an underlying characteristic of an individual that is causally related to criterion-referenced effective and/or superior performance in a job or situation. Underlying characteristics means the competency is a fairly deep and enduring part of a person's personality and can predict behaviour in a wide variety of situations and job tasks. Causally related means that a competency causes or predicts behaviour and performance. Criterion-references means that the competency actually predicts who does something well or poorly, as measured on a specific criterion or standard."(p. 9)

In this definition, competencies consist of five variables: motives, traits, self-concept, knowledge and skills. Here "knowledge" and "skills" are visible competencies and seen as changeable characteristics that can be improved easily. In comparison "trait", "motives" and "self-concept" are hidden characteristics and therefore difficult to examine. Although the

work of Spencer and Spencer (1993) became a crucial piece in competency modelling, it should be noticed that their classification appears imprecise: All five characteristics of competencies in general are defined as "underlying" but then again adjusted into "visible" (which are not "underlying") and "hidden". Generally, the Anglo-American approach towards competencies can be summarized in the common abbreviation KSAO which stands for knowledge, skills, abilities and other characteristics (Shippmann et al. 2000; Campion et al. 2011). In this classification, Lawler (1994) introduced the unorthodox style of identifying KSAO based on organizational analysis and effectiveness instead of job analysis and effectiveness. As techniques for evaluation are the same in both approaches, he calls for an assessment of knowledge, skills, and abilities that would allow an employee to successfully perform any number of tasks and jobs – not only one specific.

The definition established by Shippmann et al (2000) "*a competency is a cluster of knowledge, skills, abilities and other characteristics needed for effective job performance*" is basis of this paper. In line with SHRM orientation, we additionally distinguish between technical competencies, which reflect the knowledge-based requirements of a specific job category (e.g. HR professionals) and behavioural competencies, which are more general and can apply across multiple job categories. Behavioural competencies describe the specific and observable behaviour associated with effective job performance and reflect the ways in which knowledge is applied (Campion et al. 2011; Shippmann et al. 2000).

Strategic HR competencies are proposed in numerous HR competency models which have been documented in the literature since the 1990s (Ulrich et al. 2015; Society of Human Resource Management 2012; Chartered Institute of Personnel and Development 2015; Alfes 2009; Selmer & Chiu 2004; Ramlall 2006; Schoonover 2003). Those competency models also reflect the evolution of HR tasks and activities towards a strategic positioning of HRM (Boselie & Paauwe 2005). It can be seen that the strategic approach is integrated in a majority of competency sets, named as "strategic positioner" (Ulrich et al. 2015), "strategy and solutions" (CIPD 2015), "strategic competence" (Alfes 2009), "strategic contribution" (Ramlall 2006), "strategic labour relations" (Selmer &

Chiu 2004) or “strategic thinking” (Schoonover 2003). We aim to add to the existing literature by answering the following main research question: How important is strategic competence in HRM and what factors influence different importance ratings?

SHRM IN THE EUROPEAN CONTEXT

HRM in Europe is characterized by internal variation among clusters of countries and, at the same time, by external uniformity compared to the rest of the world (Brewster & Larsen 2000; Mayrhofer et al. 2000). Considerable differences exist between the eastern and the western cluster of countries within Europe, including statistically significant differences in how HR is being implemented (Poór 2009a). Prior to the social, political and economic reforms of 1989, the entire CEE region was perceived in the West as a largely homogeneous region (Svetlik, 2010). By now it is clear that this was a simplistic perception. Much more would be gained from considering it a heterogeneous region (Jarjabka, 2010) as some cross-cultural research pinpoints, such as the Globe studies show (House et al, 2004; Thomas & Lazarova, 2014).

Based on the research conducted by the GLOBE project, Austria is described as being part of the Germanic Europe Cluster together with Germany (former West), Germany (former East), the Netherlands, and Switzerland (Szabo et al. 2002), whilst the Cranet study identified a Central Southern Cluster comprised of Germany, Austria, Italy, Spain and Portugal (Svetlik & Alias 2006). Austria will be considered as a Western European country, due to it being a Western democracy since it regained its sovereignty after World War 2, connected to the economic order of the West; while the Czech Republic, Hungary and Slovakia will be considered as Central & Eastern Europe (CEE) countries due to them being People Democracies until the fall of the Iron Curtain (Hill, 2015). Generally speaking, HRM activity in most Eastern European countries, prior to the changes that took place at the end of the 1980s, was under the close control of the Party and state bureaucracy (Pundziene & Bučiūnienė, 2008), though some variability regarding HRM practices among communist countries could be observed at this time as well (Tung & Havlovic, 1996).

This led to the fact that in CEE HR as a specified field of knowledge and a distinctive organizational function in organizations has

been rudimentary, as most HR managers received little or no HR training during their formal or continuing education and lacked support of relevant professional societies (Zupan & Kaše 2005). That has gradually been changing (Brewster et al. 2010; Poór 2009b) with considerable variance across the region (Svetlik et al. 2010) as are the HRM practices within it (Kohont & Brewster 2014a). But still today, SMEs in the CEE region can be described as having rather informal than formal HRM activities (Stangl Susnjar et al. 2016). Although, there is evidence that the importance of SHRM has been evolving steadily in the past decades in CEE countries, we estimate that there is still a difference comparing its importance to Austria. Thus, our first hypothesis is:

H1: There is difference concerning the perceived importance of strategic competence in HR between Austria compared to the CEE countries - the Czech Republic, Hungary and Slovakia.

Factors Influencing Strategic Integration of HRM

Research concerned with the integration of SHRM policies indicates various factors that enable or limit its implementation. One of the factors considered to have an impact on successful HRM integration are, naturally, HR managers themselves. It is considered crucial that HR managers have profound operational as well as strategic knowledge of HR and the supporting processes (Beer 1997). This requires HR managers to be prepared for necessary changes and adopt more of a business partner role (Ulrich & Brockbank 2005) concomitant with understanding how HR fits with, and supports, the organisation's processes. Huselid et al. (1997), however, indicate that HR managers may not be meeting the challenge of this new role. They state that most HR managers are highly proficient when it comes to traditional activities, meaning operational tasks, but SHRM capability levels were lower. Likewise, Sparrow and Marchington (1998) found that a majority of HR managers do not understand the demands of this new strategic role and also lack confidence in their ability to be strategic business partners. HR professionals are struggling to make their stakeholders (top executives and colleagues) recognise the value of their work (Lemmergaard 2009). A broad work experience may provide the level of

business acumen necessary to be a credible participant at senior management strategic decision-making level (Beer 1997; Ulrich 1997). This assumption is confirmed in a qualitative study by Sheehan (2005). She found that HR managers are more likely to “get a seat at the table” if they are committed and perform well in understanding the business environment. HR managers who have had experience as line managers have more credibility on the board, compared to HR managers from an exclusive HR background, because the former know how to run a business (Cadwell 2001). Additionally, Losey (1999) points out that the attitudinal changes made by HR managers have to be accompanied by appropriate changes in their skill base. It can be assumed that the development of these skills is enhanced over work life, hence HR managers with a longer work experience do put a higher emphasis on SHRM compared to colleagues with fewer years of work experience. Based on the reasoning presented above, we propose the subsequent hypothesis:

H2: There is a difference depending on years of work experience and the perceived importance of strategic competence in HR.

It seems quite reasonable that the perceived strategic contribution of HR depends on whose views are being investigated (see e.g. Spector 1994 "Using self-reported questionnaires in OB research"). The perspective of HR professionals, canvassed by self-report methods, might differ from a stakeholder's perceptions (Michelson & Kramar 2003), which is a reason why self-report data is often regarded very critically (Spector 1994). One reason for self-reinforcing bias might be that HR managers have a higher interest in seeing the status of HRM increase within their organizations (Michelson & Kramar 2003). Another explanation for differing evaluations could be the assumption that HR managers tend to apply intention towards strategic processes as a criteria, while stakeholders rather rate the actual implementation of HR policies (Khilji & Wang 2006). To set our findings in relation to the stakeholders' perspective, we advance the following additional hypothesis:

H3: There is a difference concerning the perceived importance of strategic competence in HR from the HR managers and stakeholders point of view.

The complexity of HR managers' roles, and expectations of their competencies, increases with an increasing level of internationalization of companies with the key competence to be strategic thinking (Kohont & Brewster 2014b). Furthermore, HRM and in particular SHRM not only differs depending on the perspective but also considering company size. While most papers on strategic HRM are more commonly associated with the study of large organisations, there is a growing body of literature that contributes to a deeper understanding of the role of HRM in small and medium-sized enterprises (SMEs) (Mayson & Barrett 2006; Barrett & Mayson 2007; Richbell et al. 2010; Relations 2001; Zheng 2009; Carraher et al. 2006; Stangl Susnjar et al. 2016). Studies indicate that reproducing HR practices and/or instruments from a big organisations and just implementing them into small organisations is not successful (Cardon & Stevens 2004). Differences in HRM according to organisation size are being found in literature: HRM practices in SMEs comparing it to HRM activities of MNCs are much more informal (Bacon & Hoque 2005; Saridakis et al. 2013) with respectively informal HRM practices (Kok & Uhlener 2014) and ad hoc of nature (Mayson & Barrett 2006). Looking closer at SMEs in the CEE region, they can be described as having more informal activities for staffing, training, performance management and compensation (Stangl Susnjar et al. 2016). This leads to the conclusion that a strategic approach or strategic competence in HRM is not as important in SMEs as in MNCs. Hence, we propose the following hypothesis:

H4: There is a difference regarding the perceived importance of strategic competence between MNCs and SMEs.

Almost 30 years ago the first findings regarding differences in perception of organisational effectiveness showed changes over the organisational life cycle (OLC) (Cameron & Whetten 1981), namely entrepreneurial stage/start up, expansion/growth, decline and renewal. Looking closer into top-level management priorities, evidence shows that priorities' relative levels of importance change across the stages of organisational life cycles (Smith et al. 1985). Especially small businesses face the challenge of strategic planning in certain phases of the organisational life cycle (Dodge et al. 1994; Dodge & Robbins 1992). Research revealed that use of a simplistic strategy-making process was

found to be positively associated with performance during early stages of organizational development (Lumpkin & Dess 1995). Hence, we conclude that OLC might also impact the importance and perception of strategic competence in HR.

H5: There is a difference regarding the perceived importance of strategic competence depending on the stage of the organisational life cycle of the organisation.

METHODOLOGY

The results reported in this paper are part of a larger study on HR competencies which aims at validating a scale on HR competencies. An explorative, qualitative pre-study was conducted in early 2015, thereafter the online survey in the second half of 2015.

The qualitative pre-study comprised qualitative expert interviews in all four countries aiming at getting deeper knowledge about the HR competency set developed from the literature. The interview sample was designed to reflect the economic structure of each country with 6 interviewees from national organisations, 2 interviewees from MNCs and two local business consultants per country to our sample to provide an additional perspective. In total 40 interviews were carried out. Having analysed the data using thematic analysis (Braun & Clarke 2006) a final set of nine essential competencies could be concluded. Three of them are technical competencies: HR knowledge, business knowledge, and strategic approach. The behavioural competence set is composed of six competencies, namely: leadership, relationship management, consultation, ethical, change, and diversity.

As competencies are to be measured through activities, the items were designed accordingly. For example, the strategic competence was represented by seven items in the final questionnaire (example of the questionnaire used for interviewing HR managers, the items were adapted accordingly when interviewing stakeholder HR):

- A. I take risks related to HR strategic decisions.
- B. I apply only established HR instruments in my work.
- C. I know how to partner with senior and line managers in the strategic process.

- D. I evaluate the organisational environment regarding trends affecting the workforce.
- E. I apply systems thinking in my daily work.
- F. I am able to build an HR strategy based on the organisational strategy.
- G. I measure in a systematic way the impact of HR activities on sustainable business growth.

A five-point Likert-type scale was used ranging from 1=applies fully to 5=does not apply at all.

All the survey materials went through a thorough review by experienced scholars from the partner institutions in Austria, the Czech Republic, Hungary and Slovakia to ensure quality equivalence of the survey items. The original English questionnaire was translated into the four national languages and checked by the cooperation partners to ensure meaning equivalence. The field phase was undertaken by a market research institute using Computer-assisted telephone interviewing technique (CATI) due to the more interactive nature of a telephone exchange. Furthermore, it was assumed that consequent to the telephone distance one can assume that critical questions are being answered more honestly.

Sample

Ten pre-test CATI interviews were carried out in each country followed by a stratified random sampling of business organizations, representative of the business structure of each country. The large majority of respondents belonged to SMEs (70%), while enterprises comprising more than 250 employees, including MNCs, made up the rest.

The resulting data set consists of 528 HR managers (Austria n=130, Czech Republic n=130, Hungary n=131, Slovakia n=137). Overall, HR managers age ranged from 20 to 79 years, with a mean age of 43.87 years (SD = 11,598). 81.3 per cent of the HR managers were female.

Analyses and Results

The following Table 1 presents the descriptive statistics (mean, median, and standard deviation) of HR managers regarding the

perceived importance of strategic competence in HR. A Mann Whitney U test indicated that the perceived importance regarding the presented items was higher in Austria (Mean Rank = 299.41) than in the CEE-countries (249.31), $U = 20268.00$, $p = 0.001$. Consistent with hypothesis 1 the HR managers' rating of the importance is higher in Austria than in the Czech Republic, Hungary and Slovakia, but only slightly. Overall, HR managers rate strategic competence as highly important to very important in all four countries.

Interestingly, responses to the statement "I know how to partner with senior and line managers in the strategic process" (item C, table 1) - a key aspect of HR's strategic integration according to the literature, range from 1.6 to 2.34, indicating a perception of a quite developed HR integration. Noticeable is the Austrian score, which suggests that HR managers in this western European country seem less secure of their strategic positioning than their colleagues in the CEE countries.

As outlined before there are several reasons why one might assume that HR competence relates to the work experience of an HR manager. Huselid et al. (1997) state that most HR managers are highly proficient when it comes to traditional activities, meaning operational tasks, but SHRM capability levels were lower. Sparrow and Marchington (1998) found that a majority of HR managers do not understand the demands of this new strategic role and also lack confidence in their ability to be a strategic business partner. A broad work experience may provide the level of business acumen necessary to be a credible participant at senior management strategic decision-making level (Beer 1997; Ulrich 1997). This assumption is confirmed in a qualitative study by Sheehan (2005), who found that HR managers are more likely to "get a seat at the table" if they are committed and perform well in understanding the business environment. If not, their contribution is devalued accordingly. HR managers who have had experience as line managers have more credibility on the board, compared to HR managers from an exclusive HR background, because the former know how to run a business (Cadwell 2001).

Hypothesis 2, a longer work experience enhances the perceived importance of strategic competence in HR, is not supported by our data (table 2). A Kruskal-Wallis H test showed that there is no statistically significant difference, $\chi^2(2) = 1.641$, $p = 0.200$, with a mean rank of importance of 157.23 for HR employees with less than three years work experience and 171.60 for HR employees with more than ten years work experience in this professional field. Hence, the years of work experience of HR managers do not influence the perception of strategic competence in HR.

Furthermore, we hypothesized that there might be a difference depending on the perspective, namely whether one asks HR managers or stakeholders HR about the importance of SHRM. Contrary to the literature, no difference between HR managers and stakeholders HR were found. A Mann Whitney U test indicated that there is no statistically significant difference between HR professionals and HR stakeholders regarding the perceived importance of the presented items, $U = 120081.00$, $p = 0.018$.

Differences regarding strategic competence depending on company size could be confirmed. A Mann Whitney U test indicated that the perceived importance regarding the presented items was higher in companies with more than 250 employees (Mean Rank = 286.16) than in companies between 50 and 249 employees (247.51), $U = 36128.50$, $p = 0.003$.

Our last hypothesis concerned the organisational life cycle of an organisation affecting the perceived importance of strategic competence to the effectiveness of the HR department in an organisation. Contrary to our reasoning we could not find a statistically significant difference. A Kruskal-Wallis H test showed that there is no statistically significant difference, $\chi^2(2) = 1.478$, $p = 0.478$, with a mean rank of importance of 77,79 for the entrepreneurial stage/start up, 99,33 for the stage of expansion/growth and 92,28 for the organisational life cycle-stage of decline. The stages of the organisational life cycle do not influence the perception of the strategic HR competence.

TARGET GROUP STAKEHOLDER															
	Austria				Czech Republic				Hungary			Slovakia			
	N	Mean	Median	STD	N	Mean	Median	STD	N	Mean	n	STD	N	Mean	STD
Take risks related to HR strategic decisions	125	2,96	3,00	1,132	122	2,05	2,00	0,861	117	3,03	3,00	1,141	123	2,33	0,938
Don't apply only established HR instruments in their work	123	3,19	3,00	1,027	123	3,51	4,00	0,900	120	3,54	4,00	0,952	126	3,73	0,907
Know how to partner with senior and line managers in the strategic process	124	2,45	2,00	1,054	123	1,98	2,00	,762	121	1,88	2,00	0,896	123	2,20	,920
Evaluate the organisational environment regarding trends affecting the workforce	122	2,64	3,00	1,053	123	2,22	2,00	0,825	120	2,63	3,00	1,013	126	2,21	0,854
Apply systems thinking in their daily work	129	2,10	2,00	,999	123	1,80	2,00	,796	123	2,16	2,00	1,027	124	2,10	,831
Are able to build an HR strategy based on the organisational strategy	128	2,28	2,00	1,143	122	2,16	2,00	,833	121	2,52	2,00	0,976	125	2,20	,833
Measure in a systematic way the impact of HR activities on sustainable business growth	123	3,11	3,00	1,103	122	2,53	2,00	1,100	120	3,11	3,00	1,151	123	2,31	1,009
Regarding the items we have discussed in this section Strategic HR as a part of HR work, please rate their importance to the effectiveness of the HR department in your organisation.	129	2,20	2,00	,979	123	2,05	2,00	,798	124	2,26	2,00	,845	125	2,22	,771

Table 1. Importance of strategic competence in HRM in Austria, Czech Republic, Hungary, Slovakia

DISCUSSION

Our data suggests that although academic literature and practitioner articles alike are discussing intensively the importance of SHRM we still see that the majority of the resources of HR departments are being invested in operational, day-to-day activities. This leads to the question, what are the reasons for this development (or non-development critically saying). HR departments have to fulfil a variety of tasks and although many HR activities nowadays are being undertaken by line managers the released resources are not being used for engaging more into SHRM. On one hand this can be due to the fact that HR still is not being seen as a strategic partner with the necessary competencies to support business strategies or just because HR departments in many organisations comparing them to finance or marketing are still smaller and therefore lacking resources. Furthermore, we looked closer at the differences between Austria and the Czech Republic, Hungary and Slovakia. Although we found slight differences, it is reassuring to see that the gap between how important SHRM is, has been closed. A starting point for further analysis might be the questions whether there are differences if one looks closer at SMEs vs. MNCs in the different countries. One important aspect we wanted to address through our analysis is the importance (or not) of the organisational life cycle. Data from SMEs show that HR work is rather informal and ad-hoc, hence lacking elements of strategic planning or work, whilst this might be one of the reasons why start-ups and SMEs are struggling with their activities. Interestingly, our data did not show any difference in how important SHRM is being perceived from organisations in the different stages of the organisational life cycle. We are aware that the limitation of our analysis is that a perceived importance of SHRM consequently does not mean that SHRM is being used or that the strategic competence in HRM is that well developed in order to add value to business strategy

Whilst we could confirm that country and company size do play a role in our sample of Austria, the Czech Republic, Hungary and Slovakia we could not find statistically significant differences due to work experience of HR managers, or even between HR and stakeholder HR and the organisational life cycle.

CONCLUSION

The initial findings of this study reported here partly supported the hypotheses forwarded. Overall, SHRM practices are highly appreciated in Austria as well as in the three CEE countries. The anticipated difference indicated in the extant literature between eastern and western European countries therefore seems to have been eliminated. SHRM 'has arrived', in the sense that it is now seen as a HR unidirectional trend. Nevertheless, caution should be heeded since we know that aspirational thinking clouds reality. Lawler and Boudreau's (2009) longitudinal study of HR managers worldwide reveals a consistent over-appreciation of strategic competence and over optimistic projection of the future in this regard. We see little to no change in how HR spends its time, namely rather operational activities than strategic tasks.

The main objective of this paper was to give a deeper understanding about how the importance of strategic competence in HR might vary depending on the country, the work experience of HR managers, whether it differs between HR and stakeholder HR (namely, middle and top management), or if company size and the organisational life cycle play a role. While we could confirm that country and company size do play a role in our sample of Austria, the Czech Republic, Hungary and Slovakia we could not find statistically significant differences due to work experience of HR managers, or even between HR and stakeholder and the organisational life cycle.

The "black box" of SHRM (see a review Becker & Huselid 2006) regarding what is being done exactly and which SHRM instruments are more successful or add more value to the effectiveness of organisations and particularly how those instruments might differ between organisational types, organisation size and OLC are still unclear.

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ABOUT THE AUTHORS

Barbara Covarrubias Venegas, email:
barbara.covarrubias@fh-wien.ac.at

Barbara Covarrubias Venegas is a researcher and project leader at the Department for Human Resources & Organization at the University of Applied Sciences for Management and Communication in Vienna (Austria).

Katharina Thill is a research associate at the Department for Human Resources & Organization at the University of Applied Sciences for Management and Communication in Vienna (Austria).

Julia Domnanovich is a research assistant at the Department for Human Resources & Organization at the University of Applied Sciences for Management and Communication in Vienna (Austria).