The Strategic Positioning of Human Resources Management in a Property Management Company in Hong Kong

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Human Resources Management (HRM) as a strategic tool of organisation development has enjoyed remarkable attention amongst academics and practitioners since the 1980s (Becker and Huselid, 2006). Findings show a perceived organisational performance linking to HR reporting (Pedrini, 2007). However, many corporate executives remain unsure of the strategic positioning of HRM in their organisations (Duan, 2006; Ozcelik and Ferman, 2006) and in some cases HR managers are seen to lack skills and incapable of contributing strategically to the organisation (Becton and Schraeder, 2009; Wright, Snell and Jacobsen, 2004; Ulrich, 1998). With the rise of interest in strategic HRM, it has come a global trend for more HR disclosures, often linked to corporate social responsibility reporting (KPMG, 2008; Moneva, Rivera-Lirio and Munoz-Torres, 2007; PwC, 2007; Baskin, 2006). Many corporations, especially those based in Asia, have been slow to identify and report their intangible assets, including HR (Rimmel, Nielsen, and Yosano, 2009; Singh and Van der Zahn, 2007; Welford, 2005). In this exploratory study we report on the extent to which HRM is identified in a publicly listed medium size property and facility management service provider in Hong Kong. Corporate documents (annual reports, web site, sales brochures, HR documents and strategic plans) were analysed according to a pre set coding system that was constructed by Vuontisjärvi (2006) for a study of HR reporting in Finland. In addition, two key corporate executives, the Managing Director and HR Director of the same company, were interviewed regarding the strategic position of HRM within the organisation. Findings demonstrate limited HR reporting, however, the disclosures were not linked with the company’s strategic direction. These findings reflect conservatism on the part of management, the reluctance to report beyond statutory financial reporting requirements and the focus of the HR division on adopting an administrative role in the organisation. These findings are consistent with larger macro studies of limited reporting of CSR issues in Hong Kong, including human assets (Oxfam, 2008; Singh and Van der Zahn, 2007).

**Keywords:** Hong Kong, Human Resources Management, Human Resources Reporting, Case study, Strategic Human Resources Management

1. Introduction

Strategic Human Resources Management (HRM) originated in large US organisations in which HRM transformed itself from an administrative to a strategic function, moving from day to day personnel issues to longer term human resource development issues (Duan, 2006). Employees were recognised

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as being a source of competitive advantage to the organisations (Guest, Michie, Conway and Sheehan, 2003; Bacon, 2001) since there was evidence of a positive link between HR practices and organisational performance (Huselid, 1995).

There is an increasing demand for transparency and accountability of publically listed organisations (KPMG, 2008). Disclosure is important for developing effective corporate governance mechanisms for social reporting, including environmental and ethical aspects of a business (Balmer, Fukukawa and Gray, 2007; Fuentes-Gracia, Nunez-Tabales and Veroz-Herradon, 2007; Khanfar, 2007). Despite the increasing demand for reporting on broader issues related to the organisation, including human assets, many studies have found that one of the least reported items from corporate documents is employee matters (Zakimi and Hamid, 2005). This may arise since there is a lack of accepted metrics which limits the assessment of efficiency and effectiveness of HRM (Bechtel, 2007; Vuontisjärvi, 2006; Spanos, Zaralis and Lioukas, 2004; Sexton, 2002; Walker, 2001). This is lack of wider reporting is common for Asian organisations who are conservative in terms of presenting information to external parties (Chan and Burgess, 2010; Welford, 2005; Welford, 2004) and in general have less transparency in their operations as compared to European or North American corporations (Eldomiaty and Chong, 2006).

1.1 Research Questions

This paper reports on a case study of HR reporting and the strategic positioning of HRM in a medium sized property and facility management service provider, Property Management Company (a pseudonym, thereafter called the PM Co.) in Hong Kong. The research design follows three rationales: country-based, industry based and data triangulation for non-standardized and context sensitive, dependent on the subjective experience of researchers and respondents (Choudhuri, Glauser and Peregy, 2004). This paper addresses the following questions:

1. What is the extent of HR issues reported in the public reporting of the PM Co.?
2. What are the details of these HR disclosures?
3. To what extent does the HR reporting reveal strategic HRM within the organisation?
4. Do the corporate executives consider that HRM has a strategic role in the organisation?

2. Literature Review

2.1 Strategic HRM and Organisational Performance

Traditionally, HRM has a relatively limited and focused role at the operational level (Brewster, Farndale and Ommeren, 2000). Research findings demonstrate
a change in HR functions and responsibilities from the administrative to the strategic role. Strategic HRM is claimed to be a source of competitive advantage to the organisation (Wall and Wood, 2005; Guest et al, 2003; Bacon, 2001; Huselid, 1995). However, the pace and degree of strategic development and application of HRM is uneven across countries, industries and organisations. For example, Nikandrou, Apospori and Papalexandris (2005) compare the 1995 and 1999 Cranet surveys that assess HR strategies, practices and positioning in 18 European countries. Only two third of samples countries were found to have strategically located HRM with more formalised HR policies, more involvement of employees in HR practices and a greater orientation towards the external labour market (Nikandrou et al, 2005). Also using Cranet survey data, Rasmussen, Andersen and Haworth (2009) compare the HR positioning in New Zealand from 1997 and 2004. Findings show that most organisations have formalised business strategies, however, among these strategies, HR strategies have limited development with, for example, the HR division not being consulted in the development of business strategy. Some organisations did not have HR departments and only 40 per cent of HR directors have a place on the board of directors (Rasmussen et al, 2009).

From a major study of 658 CEOs from more than 40 countries, the main strategic HR challenges that were identified were the need to upgrade workforce skills and to develop training programmes; to assist leaders in framing the growth challenges and to shift the mindset of the HR division to a broader strategic direction (Laurie and Lynch, 2007). Asian CEOs highlighted the key HR challenges as encouraging innovation, acquiring top talent and strategic staff management (Laurie and Lynch, 2007). The Boston Consulting Group (BCG) and the World Federation of Personnel Management Associations (WFPMA) (2008) also reported on the future strategic HRM challenges from 4,741 executives in 81 countries.

There is research that suggests that most HR managers fail to promote the status of HRM, especially in strategic functions (Wright et al, 2004). HR managers are seen as performing administrative functions (Tamkin, Reilly and Strebler, 2006; Darien, 2005). They are often excluded from formal strategic planning or are denied leadership roles within organisations (Birchfield, 2003; Bird and Beechler, 1995). It follows that HR managers in many organisations are not recognised as strategic leaders or strategic partners (Hammond, 2006). The HR department is often treated as a cost centre, excluded from strategic planning and not regarded as adding strategic value to an organisation (Chanda, Krishna, and Shen, 2007).

The literature provides a mixed picture regarding the strategic orientation of HRM. On the one hand there is the evidence suggesting that strategic HRM can improve corporate performance and develop intangible assets (Huselid, 1995). On the other hand there is extensive evidence, especially in Asia, that HR divisions perform largely administrative functions and a largely excluded from strategic development within organisations (Chanda et al, 2007). This raises the
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question as to why the strategic positioning of HRM, especially in Asia, appears to be limited.

2.2 HR Reporting for Strategic and Social Purposes

There has been an increasing attention towards corporate social responsibility (CSR) since the 1970s (Carroll, 1999). In the stakeholder view of the firm, an important group of stakeholders is that of employees (Jamali, 2008). The frequently reported HR items are employment creation and average turnover, composition of senior management and corporate governance bodies and the average hours and expenditure on training (Pedrini, 2007). Yet, there has been limited research attempt on the reporting, assessment and measurement of human assets within the organisations (Wyatt, 2008). Some research has suggested that the factors that determine the level and quality of HR reporting include the competency of HR managers, the trust between HR managers and senior managers (Ghazali, 2008).

There is a particular challenge in Asia, especially in Hong Kong, since reporting and compliance falls behind what is found in Western countries (Welford, 2004). For example, in terms of having a formal written policy on accountability and citizenship, Hong Kong companies were ranked the second lowest from 14 countries studied that had such policies on reporting (Welford, 2005). Asian management style tends to report less and this makes Hong Kong corporate executives adverse to disclosure and reporting (Oxfam, 2008; Welford, 2005). Another study found that in Hong Kong, 67 per cent of the annual reports of 43 listed companies scored zero in terms HR reporting (Oxfam, 2008). A study of top 100 listed companies in Hong Kong illustrated the absence of reporting tools being adopted for external reporting, including HR (Petty, Ricceri and Guthrie, 2008). A study of top twenty listed companies in Hong Kong by Chan and Burgess (2010) show limited HR reporting in public documents (that is, annual reports and on the company web site). Where such reporting did occur it was largely confined to ‘training and development’ issues. Despite there being a few HR managers named as members of the senior management staff, follow up interviews with senior managers revealed a desire for more HR reporting as they expected that increased HR disclosures would improve the branding of the organisation, to increase share prices and to attract talent to the organisation (Chan and Burgess, 2010).

The literature on HR reporting in Hong Kong reveals that in public documents that it is very limited. However, there is a recognition from senior managers of the advantages of increased HR reporting and of the need to take a strategic orientation with HR divisions. This paper will examine the extent and nature of HR reporting and the positioning of HRM in a case study organisation in Hong Kong, PM Co. in order to understand what factors are inhibiting HR reporting and the strategic orientation of the HR division.
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3. Research Methodology

Content analysis was conducted on the 2007 and 2008 annual reports and of the company web page in 2008 together with internal documents that included sales brochures, HR reports and the strategic plan of the PM Co. The coding of all documents was based on the HR reporting system developed by Vuontisjärvi (2006) in a study of HR reporting in Finland. There were follow up interviews with two corporate executives, the Managing Director (MD) and the HR Director (HRD). The interviews were semi-structured, lasted for around 90 minutes, and were directed towards the research questions.

3.1 Case Description

PM Co. is located in a fast growing sector with many property development opportunities being available in China. Since the booming property market in 1990’s, there has been a demand for high calibre employees in the property management industry in Hong Kong; with an increased pressure on HR divisions to take a more strategic position within their organisations in order to retain and attract staff (Mak, 2006). The market value of the company is HK$495 million (HKEx, 2008) and annual business turnover of around HK$300 million and with 5,600 employees in 2009 (PM web site, 2009). It manages over 270 different properties and facilities, which include more than 163,000 residential units, and two million square metres of commercial, industrial and purpose-built properties. It also provides consultancy and management service to developers and real estate investment funds in Hong Kong, Shanghai, Suzhou and Beijing in China (PM web site, 2009).

The MD, male, aged 54, joined the Company in 1997. He is responsible for the strategic planning, business development and overall operations of the company since 2003. The HRD, male, aged 56, joined the Company in 2007. He is responsible for the HR planning and organisation development activities.

4. Findings and Discussions

The findings of the documentary analysis addresses to the first three research questions while the interviews with corporate executives address to the remaining research questions.

4.1 More HR Public Disclosures

The density of the HR coverage is reported in terms of the space or words devoted to HR issues in the various documents. There was 11.6 per cent HR coverage in the 2008 annual report (6.25 pages out 54 pages), but there was not a designated HR page. On the corporate website, there was 9.1 per cent HR coverage with one designated HR section out of a total of 11 sections. There was found to be more HR coverage within this organisation as compared with previous studies of other Hong Kong organisations (Chan and Burgess, 2010;
However, most of the HR reporting was administrative in nature, rather than being strategic. In annual reports, the HR reporting was mainly covered under the section of Management Discussion and Analysis together with the biographies of Directors and Senior Management.

On the web page, HR coverage was included under sections such as About Us, Board/Management, Pursuit of Excellence, Learning and Development Team, Career Development and Staff Development. The ‘Welcome’ page identified employees as being at the core of the organisation’s success and stated “our people make positive contributions to the communities where we work and live”. Most of the HR disclosures were found under ‘Career opportunities’ for talent attraction and talent retention. The HR guidelines illustrated its policies on talent acquisition, development and retention such as “commitment of its staff is the single most important factor in sustaining its leadership position in the market.” and “the Co. has a long tradition of caring for its employees.” Under ‘Pursuit of excellence’, it stated “staff is our important asset and therefore we put great emphasis on their learning and development opportunities.”

4.2 Frequently Reported HR Items

In the annual reports and corporate web page, the most reported item was training. HR reporting in corporate documents, that is, internal HR report, sales brochures and the corporate strategic plan, also focused on the training and development courses. Training was the most reported item is a trend observed in other studies of HR reporting (Pedrini, 2007; Vuontisjärvi, 2006; Othman, Abdul-Ghani and Arshad, 2001).

For other areas of HR disclosure, the reporting in the annual reports and web page varied a lot. In the annual reports, values and principles; and employment policy ranked second; in the web page, pay and benefits ranked second. In annual reports, pay and benefits, participation and staff involvement; employee health and well-being; and measurement of policy ranked third; measurement of policies and employment policies ranked third in the web page. Table 1 summarises the HR disclosures in the annual reports and web page.
### Table 1: HR disclosures in the annual report and web page

<table>
<thead>
<tr>
<th>Theme</th>
<th>Frequency counts in annual report</th>
<th>Frequency counts in web page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Life-long learning or continuous learning</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Development discussions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competence appraisals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pay and benefits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incentive schemes (results, performance etc. including directors)</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Participation and staff involvement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A personnel newsletter</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Values, principles (with or without reference to HRM)</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Values (full statement or summary)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mission (full statement or summary)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee health and well-being</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improving internal communication</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Measurement of policies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retention rate</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Employment policy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Positive employer image</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Traineeships for students</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Security in employment</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Equal opportunities</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Work-life balance</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

In terms of citing HR metrics in its documents, the PM Co. used awards and reported HR related awards such as the Caring Company award; Occupational Safety and Health Award. Other mainstream HR issues such as security in employment, equal opportunities and work life balance were not reported.

The competence based HR system was reported in the sales brochure and in the annual reports. The purpose of this system was to “identify the critical competences and skills required for different jobs in different grades and apply it to all HR processes.”
In the sales brochure, it also stated the importance of HR strategic functions as being “driven by our people, the Co. will be the preferred brand.”

Lastly, the strategic map of the PM Co. stated that the function of HRM is to develop a healthy working environment and an effective HR process in the area of learning and growth by enhancing staff resourcing, reducing turnover and improving staff quality.

4.3 The Lack of Strategic Alignment

Further review on the other aspects of the annual reports showed a lack of strategic alignment of HR functions to the company’s activities. For example, the PM Co. undertook a major acquisition together with negotiating new business contracts in 2008. The Chairman’s Statement in the 2008 annual report also stressed that the acquisition would have significant impact on the Company. It stated “such business integration will greatly enhance PM scope of business and geographical delivery capabilities, and provide significant growth opportunities.” But the only event that reported by the HRD in 2008 was a charitable donation there was no mention of any HR involvement in the acquisition.

When comparing with the annual reports of 2007 and 2008, the report structure was the same as was the limited HR reporting. In terms of the frequency of the word ‘employees’ or ‘staff’ throughout the annual reports, there were 39 words in 2007 and 37 words in 2008; and in terms of content, there was no difference in the detail or content of the HR reporting. For example:

“At 31 December 2008, the Group employed a total of 4,697 (31 March 2008: approximately 5,300) staff in Hong Kong and the Chinese Mainland.” (Annual Report, 2008:15)
At 31 March 2008, the Group employed a total of approximately 5,300 (2007: approximately 4,700) staff in Hong Kong and the mainland of China.” (Annual Report, 2007: 14)

There was no change in reporting of the key HR issues under the Management Discussion and Analysis (2008: 15, 2007:14). They stated:

*Competency based HR system:* “The Group has developed a competence-based HR system which is unique.”
*Remuneration policy:* “The Group has formulated a performance-based reward system with a view to sustaining market competitiveness for attracting and retaining high calibre staff.”

4.4 Views on HR Reporting and Strategic HR Functions

Both the MD and the HRD considered the HR functions as being strategic to the organisation. This can be witnessed by the fact that the HRD was listed as part of management team in the annual reports and on the website.
The MD was satisfied with the HR’s performance. There was involvement for HR functions in the strategic process and the HRD attended the company’s strategic meetings. The MD provided the researchers with PM’s Strategy Map. Out of the nine objectives stated in the PM’s Strategic Map, HRM is one of the departments to develop a healthy working environment and an effective HR process in the area of learning and growth by enhancing staff resourcing, reducing turnover and improving staff quality. He stated:

“I’m satisfied with the performance of HR. HR department has achieved the staff satisfaction rate at 85 per cent and staff turnover rate is around 25 per cent that matches the norm of industry.” (MD)

The HRD was quite proud to say that he was involved in the strategic meeting and assisted the Line Department in the business operation. He said:

“A strategic HR function should enable productivity gain to achieve competitive advantage. Recently, the Line Department has invited me to give HRM presentation that demonstrates HRM’s values.” (HRD)

However, both corporate executives considered that the existing HR reporting was restricted. The lack in linking HRM with corporate strategic direction was acknowledged. Both respondents agreed that the annual reports and corporate web pages performed a limited role in demonstrating the strategic positioning of HRM. The MD claimed that investors were not interested on reporting that focused on training or turnover figures.

“Currently, we have not done much reporting on the HR issues because investors do not want the HR figures.” (MD)  
“Investors prefer HR information in addition to the financial data. But the HR department lacks an observable result on HR activities.” (HRD)

The HRD wanted to report more information but said the HR department was not ready to report their activities for strategic purposes. In addition, the HRD failed to present strategic information to such meetings and seemed quite indifferent to HR reporting.

“It is rarely found that companies report their HR initiatives through their corporate documents. I prefer not to spend time on writing HR reporting in the website or the annual report.” (HRD)

The MD expressed his concern regarding the lack of inability of the HRD to develop a strategic role.

“The HR director is sometimes unable to translate the vision into action and should facilitate the Line Managers in staff management.” (MD)
The HRD suggested that what limited the strategic focus of the HR division was an emphasis on performing administrative functions and adherence to a Chinese culture of harmony.

“HR functions in Hong Kong are rather administrative in nature. Small medium enterprises do not have the resources while the HR professionals in major corporations usually do not have the credential to speak up in the strategic meetings. I have joined the Company for a few years and better not to report so much to avoid confrontation.” (HRD)

Despite the restricted HR reporting and lack of strategic alignment, the corporate executives expect increased HR reporting to develop strategic values in the organisation. It was expected that more extensive HR reporting could lift corporate performance.

“HR reporting is necessary to the different stakeholders as people are one of key success factors.” (MD)

“The investors or other stakeholders want to know how an organisation performs on its people management.” (HRD)

In addition, support from the Management is an important factor for adequate HR reporting and the development of strategic HRM.

“Support from top management is the driving force. The investors or financial analysts can investigate the quality of employees through HR reporting in annual reports.” (HRD)

5. Conclusions

This study examined the HR reporting and strategic HR positioning in Hong Kong. In terms of the research questions, findings showed that for the case study organisation that:

1. The coverage of HRM was higher than found in previous research on HR reporting in Hong Kong.
2. However, the HR disclosures predominately focused on the training and the number of trainees, and this reflects a traditional HR administrative function.
3. There was recognition of the potential strategic contribution of HRM to the organisation, but this was not translated into the HR reporting.
4. The interviews suggested that strategic HRM was recognised as being important, but that it has not been developed or applied. The MD was eager to develop strategic HR functions in the organisation and perceived the potential advantages for the organisation from such an approach. This was not matched by the HRD who saw minimal disclosures and an administrative focus for the HR division. The reluctance of the HRD was
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based on feeling comfortable with performing traditional administrative functions and not raising expectations (and causing disruption) following more extensive disclosures.

The findings from the single case study are similar to those found in larger studies of Hong Kong organisations (Oxfam, 2008; Welford, 2005) that indicate low levels of social reporting (including HRM). Yet, the broader evidence suggests that HR reporting can potentially lead to brand building, improve stock prices and talent management. There is a long way to go in developing and building on extensive HR reporting in Hong Kong.

This study is limited by the use of case study and at one point in time. There is scope to extend the content analysis of public reports, to conduct interviews with the senior executives and HR managers of other Hong Kong based organisations and to examine in more detail the reasons behind the reluctance to engage in HR reporting and strategic HRM.

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