

Strategic Human Resource Management Issues in Hospitals: A Study of a University and a Community Hospital

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Abstract. The human factor is central to healthcare, yet its proper management has remained beyond the reach of healthcare organizations. This qualitative study examines strategic human resource management (HRM) issues in a university and a community hospital. The findings indicate that the two hospitals lacked a clear understanding of their strategic intent and objectives; as a result, their human resource (HR) practices lacked coherence and direction. Whereas the community hospital understood the interrelationship between culture and HRM, the university hospital did not. Moreover, the university hospital showed only a modest understanding of competencies needed in managing HR function, which hampered its ability to identify competent HR managers and employees. The community hospital made significant gains in the past few years in managing its culture and people by recruiting a competent HR manager. The relationship between HR practices and clinical outcomes was much less clear in the university hospital than it was in the community hospital.

Key words: healthcare, human resource competencies, human resource strategy, organizational strategy, strategic human resource management

There has been a dramatic shift in the role of human resource management (HRM) in recent decades. Traditionally, the human resource function has been viewed as primarily administrative, focused on the level of the individual

employee, the individual job, and the individual practice (Becker, Huselid, and Ulrich 2001), with the basic premise that improvements in individual employee performance would automatically enhance organizational performance. In the 1990s, an emphasis on strategy and the importance of human resource (HR) systems emerged. Both researchers and practitioners began to recognize the impact of aligning HR practices with organizational strategy. HR has now emerged as a strategic paradigm in which individual HR functions, such as recruitment, selection, training, compensation, and performance appraisal, are aligned with each other and also with the overall strategy of the organization. This new approach of managing human resources has generated much interest in scholars.

Strategic management of HR in healthcare is important in delivering high-quality patient care (Khatri 2006; Khatri et al. 2006). Wages constitute 65%–80% of the total operating budget in a typical healthcare organization (Dussault and Dubois 2003), making HR an important factor that affects the financial performance and viability of healthcare organizations. Healthcare organizations are

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facing increasing pressure to deliver high quality of care at lower cost, which is likely to continue for the foreseeable future. In view of the significant portion of healthcare costs that wages constitute and critical role that people play in affecting quality and safety of patient care (Goldstein 2003; Khatri 2006), it is imperative to manage HR more effectively to provide affordable and high-quality patient care. However, current HR systems and practices in healthcare allow approximately 60%–70% capacity use of their workforce at best (Bach 2001; Buchan 2004; *Gallup Management Journal* 2001). This is largely due to the deployment of traditional HR practices premised on close monitoring and tight control of employee behavior, which greatly constrain employee initiative, effort, and motivation, and undermine the optimal use of human capacity in the organization (O'Reilly and Pfeffer 2000).

The new developments in customer involvement demonstrate that services with particularly intensive and personal contact lend themselves to situations in which customers take on very powerful roles (Maas and Graf 2005; Schneider and White 2003). This is especially true of healthcare, which is a very personal service that intimately affects the lives of its consumers. Two critical elements that define a service strategy for high-contact service organizations are HR and service delivery systems (Goldstein 2003). Although operations management has paid scant attention to the role of HR in service design, HR literature has lacked the customer focus necessary for service organizations (Schneider and White). Considerable efforts must be made by healthcare organizations in developing jobs and work systems, individual knowledge and skills, and interpersonal skills for employees to deliver safe, affordable, and high-quality patient care (Goldstein).

Khatri and Budhwar (2002) and Khatri (2003) identified several key issues for strategically managing HRM and categorized them into two general groups: (a) organizational-level issues and (b) HRM-specific issues. The set of organizational issues includes the influence of organizational structure, strategy, and culture on HRM practices. The set of HR-specific issues considers the influence of HR strategy and competencies on HR activities, practices, and effectiveness. For understanding the strategic role of HRM in healthcare organizations, an additional issue of the impact of HR practices on clinical outcomes was added. Thus, in this study, we

examined the role of these six issues in strategic HRM in healthcare organizations. However, we do not discuss the HR strategy issue further, as the findings on the issue were not significant. Most respondents were simply unable to respond when asked if their hospital had an HR strategy.

The first issue we examined in this study was organizational structure and its relationship with HRM. Organizational structure is an important variable that affects all organizational systems and processes, including HR. In the past, HR was not perceived to make a significant impact on organizational outcomes (Sims 2002). Consequently, HR was accorded a low status in many organizations, and often lacked its own identity. However, this situation has changed in the past decade (Lawler and Mohrman 2003). The role and influence of HR have increased substantially. Considering that healthcare organizations are service oriented and knowledge based, HR will likely play an even more significant role in healthcare organizations than it will in other organizations (Khatri 2006).

The second issue in the study was organizational strategy. The alignment of HR with organizational strategy has received an overwhelming amount of attention in the past two decades (Becker and Gerhart 1996; Carmeli and Schaubroeck 2005; Richard and Johnson 2001). It is important that employee behavior supports organizational objectives and strategy. Organizations must understand their strategic imperatives and implement HR practices that will result in employee behaviors that are supportive of those strategic objectives.

The third issue was culture. It is necessary to manage the corporate culture of a healthcare organization well, in turn implementing a healthcare process capable of delivering high-quality clinical outcomes (Waldman, Smith, and Hood 2003). Corporate culture in hospitals has undercurrents of strong subcultures across clinical specialties and professions. Senge (1990) termed healthcare an antilearning industry because of its dysfunctional culture. HR's role is critical in building an adaptive, learning culture with the capacity for rapid change by creating right values and behaviors in healthcare workers (Anson 2000; Vestal, Fralicx, and Spreier 1997).

The fourth strategic HRM issue was related to HR competencies. Scholars argue that HR can be a source of sustainable competitive advantage for an organization (Wright et al. 1998). Consequently, a firm's HRM function, which has significant respon-

sibility in managing this important resource, should receive more commitment from the organization. However, Barney and Wright (1998) pointed out that, in reality, the scenario is quite different, and noted that one of the reasons why HRM executives are not invited to the strategic planning table is that they are perceived to lack required competencies. Past research suggests that the competency level of HR managers has a major influence on the level of integration between the HR function and strategy (Khatri and Budhwar 2002).

The final issue we examined in this study was the relationship between HRM and clinical outcomes. The relationship between HRM and organizational outcomes has been a widely researched topic in the past 15 years. In one of the most cited studies in HRM, Huselid (1995) investigated over 900 large firms in the United States and found that a reasonable (one standard deviation) increase in high-performance work practices was associated with a 7% decrease in turnover and, on a per employee basis, \$27,044 more in sales, \$18,641 more in market value, and \$3,814 more in profits. Empirical studies examining the relationship between HRM and service quality are also proliferating (Gelade and Ivery 2003; Manring and Brailsford 2001). For example, Manring and Brailsford found that encounters of patients with hospital employees are an important driver of perceived service quality and patient satisfaction. Gelade and Ivery reported that HRM impacted the performance of a bank branch both directly and indirectly. In its direct effect, understaffing and working overtime elevated job demand, causing stress and depressed individual performance. HRM influenced branch performance indirectly by affecting work climate of the branch. The researchers noted that satisfied employees radiate positive affect, producing an emotionally satisfying experience for the customer.

METHOD

We studied two hospitals in the Midwest: a university health system and a community hospital. We interviewed the members of the senior management team at the two institutions to investigate the six strategic HRM issues identified earlier. We developed a semistructured interview questionnaire for eliciting their responses (see appendix). Interviews were conducted in person, recorded, and transcribed to preserve the tenor of the interviews. All of the interviewees agreed to be recorded.

The university health system was an academic healthcare institution. It consisted of the university hospital and several other facilities. The university hospital had 250 beds and included a level 1 trauma center. One of its major missions was to bring previously unavailable advanced medical care to rural areas. The HR department at the system level managed HRM needs for all the facilities within the healthcare system.

The community hospital was a not-for-profit hospital governed by a local, elected board of trustees. It provided services to residents in a radius of approximately 60 miles surrounding the county seat. The hospital had 198 beds, employed over 1,200 people, and accounted for 21% of the economic production of the county. It offered a wide range of services to the community.

We interviewed four senior managers of the university health system: specifically, the CEO of the system, the CEO of the university hospital, the director of HR of the university health system, and the nurse manager of a clinical department at the university hospital.

We interviewed five senior managers of the community hospital. These included the CEO, the chief clinical officer, the chief financial officer, the director of acute nursing services, and the director of HR.

RESULTS

Organizational Structure and HRM

To examine the location of HRM in the overall structure of the organization, we posed the following questions to the interviewees: Is HRM a separate department or is it part of other departments, such as finance or administration? Does the HR or personnel manager participate in executive and strategic planning meetings? Are there major changes taking place in the human resource department of your hospital over the past five years?

The University Health System

All of the respondents stated that HRM was a separate department within the organization. The CEO of the system noted, "Human resources is actually a corporate service, not just a department." Another description given by the hospital CEO was, "It's a corporate function in our respective hospitals and clinics, and the entire system taps HRM staff for their services."

All the interviewees stated that the HR director was part of the corporate management team and

involved at the highest level of corporate decision making. The HR director meets with the senior corporate management team on a weekly basis.

The primary changes in the HRM department in the past five years have largely involved the integration issues of the entire system. With the acquisition of a community hospital, one of the primary goals has been to integrate HRM processes across the organization, and to standardize HRM practices. A significant consequence of this integration has been that the HR function at the university hospital manages HRM practices throughout the entire university healthcare system. Another change in the HRM system was the development of leadership training programs to develop leadership skills among managers throughout the system.

The Community Hospital

Each of the five interviewees stated that the HR department was a separate department. The department was also responsible for training and education at the hospital. The HR director reported directly to the CEO.

The HR director was involved in some of the strategic planning within the organization, but the interviewees generally indicated that full strategic involvement was not evident. Further, the HR director and the nursing director both indicated that more HR involvement in strategic planning was warranted. Of key significance was the CEO's view that HR is becoming more important. He commented, "But in the last five years, human resources, training, and development have become much more of a strategic issue—a strategic asset."

With regard to changes in HRM in the past five years, all but the chief clinical officer indicated that there have been significant changes. Open job postings were greatly reduced, retention was much better than in recent years, compensation and benefits were much more competitive, and policies were being improved and followed. In addition, employees and management viewed the HR department more favorably than they did in the past. This was all attributed to the arrival of the new HR director three years ago and the resulting organizational focus on the importance of HR.

Organizational Strategy and HRM

When examining this issue, we asked the interviewees to describe the strategy of their organization. We then asked them the extent to which HRM was involved in strategy formulation and

implementation. The specific questions posed to interviewees included: (a) Please describe to us the strategy of your company. (b) Does HRM play any significant role in implementing it? (c) What role is the HR department supposed to perform in your organization? (d) Is the HR department able to perform the expected role?

The University Health System

In response to the issue of overall strategy of the health system, most of the interviewees responded by reciting the value and mission statements of the organization. The system CEO elaborated as follows: "As to HRM, clearly we have identified six major goals in nine major areas of development over the next 18 months while we do more traditional strategic planning. One of those goals is to be the employer of choice." He stated that the goal was to have "the best of the best to seek us out and to come here." It is interesting that the university hospital CEO stated that there was "nothing I can print out and show you." However, she did observe that one of the goals of the hospital was to be an employer of choice.

With the exception of the nurse manager, the interviewees were in general agreement that HRM played a significant role in the implementation of organizational strategy. Most of the individuals stated that the role was to provide manpower support, to plan, and to anticipate the needs of the institution as it undergoes organizational change. Another role in implementing the strategy was to evaluate the local employment market to determine the best sources of employees and staffing from the available resources. The hospital CEO stated, "I think what we need to do is identify where we have additional human resource needs and how we are going to find those [people]."

The interviewees (with the exception of the nurse manager) agreed that the HR department is able to perform its role in the organization. All agreed that the role of HRM has changed in recent years. As the system CEO noted, "HRM is very different from the days of old, when it was a personnel department with just record keeping and forms to fill out." When elaborating, one of the respondents delineated the traditional HRM procedures related to processing employment, and added staff development and education. The CEO further stated, "I think we have to invest in HR just as we invest in plant, property, and equipment."

However, the clinical nurse manager had a different view of the HR department. Her response was, "They are limping on their best days." This manager felt that the HR department was not responsive to the needs of managers and was unacceptably slow in conducting the hiring process and in communicating with department managers.

The Community Hospital

Each of the five interviewees articulated the strategy of the organization in terms of the organization's mission: wanting to be the provider as well as the employer of choice. They further viewed the organizational strategy in terms of five strategic pillars, including people, service, quality, finance, and growth. Several stated that it was significant that the first pillar was people, as their people were vital to the organization.

It is interesting that, when asked if the HR department played a significant role in implementing the organizational strategy, all of the interviewees except the HR director stated that HRM was very important in this regard. The HR director felt that the involvement of his department in helping the organization strategically was not as significant as it could be. His view was that hospitals have generally not realized the value of HR in accomplishing their strategy. He stated:

My own personal feeling, and I've been in the field for 25 years, is that I don't think hospitals understand that yet. They don't understand the connection between being successful strategically, and implementing those goals and objectives from a strategic standpoint, and the role that people play in making it happen. In my view, there is still a huge disconnect there.

However, he stated that the hospital was making a concerted effort to narrow the disconnect between strategy and HRM. He believed that HRM was becoming more of a key enabler of the organizational strategy. The HR director went on to state that the best hospitals and institutions understand the relationship between HRM and organizational strategy.

Each of the interviewees gave thorough responses when asked what role HR should perform within their organization. Managing pay increases based on market or merit standards, providing employee recruitment and termination services, supporting department heads and upper management, and being an advocate for employees were all roles that they considered important for HRM. The CEO probably

said it best by using an analogy. He said that the HRM function was formerly much like an assessor's office—lots of detail, paperwork, and administrative focus. He went on to state that HRM has much more than an administrative, paper-pushing function, and increasingly serves a guiding role in the organization. But the CEO was clear on this point: HRM must continue to provide the assessor function and ensure that details, paperwork, benefits tracking, and all related legalities are properly managed. If the details are not right, HRM will never have the credibility to contribute in more meaningful ways.

All interviewees felt that the HR director and his department performed well. The nurse manager did indicate that more could be done to develop people and grow them professionally through education. She also thought that the HR director could be more of a spokesman for management to clarify the organization's commitment and dependence on its people. The chief clinical officer indicated that HR could be more assertive in its role:

I would like them to be more creative for recognition and rewards. Checking with other HR departments to see what they are doing. Taking a more assertive role in guiding and leading. I think leadership would welcome HR taking a more assertive role.

Organizational Culture and HRM

The interrelationship of culture and HRM turned out to be one of the most interesting issues to investigate in this study. The history of the two organizations had contributed enormously to the shaping of their current cultures in positive and negative ways. We asked the following questions on the interrelationship between culture and HR: What is the culture of your organization (e.g., informal values, beliefs, norms held by organizational members)? Do you see any link between the culture of your organization and HR function? Or, are they disconnected and inconsistent with each other?

The University Health System

All of the respondents gave the impression, either directly or indirectly, that the culture of the organization was not good, but that it was getting better. In explaining why the culture was not good, the overall reason given was the environment generated during recent financial difficulties and measures taken to complete a financial recovery. The system CEO discussed the impact of recent history in the following quote:

Given our history of financial difficulty and having a great parade of consultants in here, with leadership turnover, it's been a confusing, chaotic time to have a culture. We have some very dedicated and talented people, but not very cohesive.

He also stated that the time had come to focus on quality, and if that was done well, the financial position would continue to improve as well.

The HR director stated: "I don't think the culture of the organization is really good now, but it is improving." This respondent attributed poor culture to employees being afraid of losing their jobs in the light of recent financial cutbacks. The HR director also noted that, in top-level management, the discussion had been largely focused on meeting financial targets, and felt that in all of the recent emphasis on financial recovery, management had stopped considering the individual employee. However, she felt that the leadership was focusing on people issues more, with most of the financial turnaround in the past.

All of the respondents felt that the employees were very dedicated, but the culture in which they operated had not been conducive to growth and development. The consensus was that the situation was changing, and that top management had made this change a priority. In a side note, the system CEO made the following remark:

The other part that I've found is that we've had a tendency to look at [outside institutional management programs] . . . we don't need somebody else's program; it needs to be our program. It needs to be us and our pride and our expectations and our values. And it needs to be generated internally, not just written down.

All of the respondents felt that there was a link between culture and HRM, although in elaborating their answers they offered different explanations as to what exactly that linkage was. One manager stated that there was a link in the values, but none in the overall departments. Another respondent stated that the culture and HRM function were related, and thought that was one of the reasons that the culture was becoming more positive. Another reason offered was that HRM would have a strategic plan of its own for the first time since the early 1980s. The HR director stated, "We have a great core group of employees who are dedicated to the institution." This statement was given as the main reason that a cultural turnaround was coming. The hospital CEO stated, "I think organizational culture is not the responsibil-

ity of HR, it's the responsibility of all senior leaders and managers; I don't think it's something you delegate to HR."

One of the points made was that of finding the right employee for the right position. The system CEO made this clear by stating:

We have to be sure that we are hiring employees and evaluating employees and they [HR] have to be sure that our workforce is symbolizing the things we said were important. And that we're not setting people up to fail.

The Community Hospital

Each of the interviewees agreed that management and the organization did not have a clear understanding of the culture five years ago. The CEO stated, "Five years ago, we did not even think about culture. We had a very naïve view of culture." The culture was whatever the culture was—there was no attempt to understand or shape it in any way. When the hospital began using the Press Ganey survey, with over 7,000 healthcare facilities—the largest database of its kind—and unfavorable scores were reported, management began to seek out the reasons for the scores. Essentially, an organizational epiphany occurred three and a half years ago, shortly after the arrival of the new HR director. The organization began to understand the connection between culture, patient satisfaction, and organizational success. This understanding had broadened since then, and the CEO firmly believed that culture drove every aspect of the organization, from financials to patient satisfaction. Even more significant was the realization that, through the HR function, management could shape the culture.

Most of the interviewees conveyed a sense that the culture was evolving, and that HR was a positive change agent. They felt strongly that they were on the right track—an upward track—but that they still had much ground to cover. Behavioral expectations were set in policy, and those employees who became involved in backbiting or other negative behaviors were disciplined. The organization was working to become more proactive with their intentions on shaping culture. An employee was terminated for inciting discontent, and the evaluation of directors included metrics on the cultural development of their departments. In essence, the organization was tying its cultural intentions to compensation for making changes last.

These perceptions regarding culture were nearly

unanimous among the interviewees. As an exception, the chief financial officer, at his own admission, was more focused on business and financial issues, and did not have strong views of potential linkages between the culture and HR.

Competencies of HR Managers and HRM

We asked respondents about their views on the issue of special competencies needed by human resource managers and employees. Specific questions asked included: Do you think that HR managers need any specialized skills or competencies? If so, what are those skills and competencies? Do HR managers in your institution possess those skills and competencies?

The University Health System

All of the respondents agreed that HR managers do need a special set of skills. These skills were mostly seen as the ability to keep abreast of all pertinent laws and regulations, as well as the ability to solve problems and to manage conflict. The skill set generally required from the HR manager is one of expertise in the HRM field, and the ability to successfully interface with the employees and management. The hospital CEO, in agreeing that there were certain core competencies needed for HR managers, stated, "While you may not necessarily graduate with a degree in HRM, there are certain things you can do from an educational standpoint to prepare yourself to manage this important area."

The system CEO felt that the most important skill that an HR manager needed was the ability to access available experts and coordinate their activities. He observed:

We have multiple operating units, and each of those units has some HR in it. But in the chief HR officer . . . what I look for is the leadership quotient. Yes, I need this person to understand the Fair Labor Act and tax implications and those pieces, but what I really want is for him to have leadership of those people who are the experts in those technical arenas.

There was a general agreement that HR managers did possess needed skills and competencies; however, on elaboration of the discussion, there were some disparate remarks. The nurse manager commented that HR managers "do not support managers in grievance issues, they support the employees. Therefore, managers go into these things with no support."

Some of the more senior management interviewees seemed to feel that the skills were present, and

that they were working well. The hospital CEO stated, "I think overall, compared to other places, there's a higher standard here. I think there are some areas where we could continue to develop staff to better perform their role." She went on to explain needed skills in this statement:

We are part of a bigger system. We struggle sometimes getting information that's important; that's important to us as a healthcare provider/employer. Our needs may be different than the rest of the system.

This response may also indicate that the desired skill sets may not have been present in this institution.

The Community Hospital

Each of the interviewees stated that special skills were needed, and there was significant agreement as to what those skills should be. Interpersonal skills were recognized by all as being the most important. The chief financial officer stated the importance of these skills:

He has people coming in his office all the time, and he has to have great interpersonal skills. I am not just talking about visiting with people. He has to deal with some pretty tough situations sometimes.

Additional skills and competencies that were mentioned included knowledge of employment law, analytical skills, honesty, and counseling skills. One of the respondents stated that analytical skills were a critical requirement. Another respondent said that an HR manager must be able to deal with individuals at multiple levels in the organization and must be able to adapt to different situations. Several indicated that an HR manager must be able to support both employees and management—a difficult task.

The HR director went on to stress the importance of being able to connect with employees at their level and making sure that people understood that the HR manager was there to assist. The CEO summed up his confidence in the current HR director by stating, "If you wanted a list of those skills, you could just catalog the skills of our HR director, as he is the total package plus."

All respondents felt that the HR director had the necessary skills and competencies, and that he was applying those skills and competencies in an effective manner.

HRM and Clinical Outcomes

With the current emphasis on quality of care and medical errors throughout the healthcare industry,

HRM may have an impact on prevention of medical errors and improvement of quality of care. Quality of care has two components: (a) technical quality (i.e., correct diagnosis and treatment) and (b) service quality (i.e., treating patients with dignity and consideration). The relationship between HRM practices and organizational outcomes has been a fertile area for research in the past 15 years. There is now much empirical evidence supporting the relationship between HRM and organizational outcomes in a variety of industry settings. The evidence linking HRM to quality of services has begun to emerge as well. For example, Rondeau and Wagar (2002) found that hospitals that had adopted more progressive HRM practices reported improved efficiency, better fiscal health, increased flexibility, and greater reputation than did those hospitals without such practices. Khatri et al. (2006) argue that traditional HRM practices adversely affect medical errors and quality of care by fomenting a culture of blame and demoralizing the workforce. Strategic HRM practices, on the other hand, improve organizational learning and employee morale that, in turn, boost quality of care and reduce medical errors. A study by West et al. (2002) of 61 acute-care hospitals in England revealed strong relationships between HR practices and patient mortality. The study reported that the extent and sophistication of performance appraisal in the hospital were strongly related, but also that there were links with the sophistication of training for staff and with the percentage of staff working in teams.

The University Health System

Interviewees saw a significant role of HRM in preventing medical errors and enhancing quality of patient care. However, views differed as to the degree of involvement that HRM actually had in affecting medical errors and quality of care. The system CEO stated that quality of patient care was a function of hiring the most qualified people and continuing to educate them. He added:

We get the best and the brightest, but also we have to continually invest in the education of our employees. I mean you invest in your buildings and technology; you have to invest in your people, too. That's a big part of how you improve your quality of care.

The HR director felt that HRM had a profound effect on quality of care and cited as evidence the higher quality of both employees and applicants in recent months. She noted:

[The] philosophy for a long time was just get a warm body in here and we'll be OK. Now, there is much more education and training, with all the ACLS, BLS, education center, and making sure staff are competent to provide care.

In this statement, the HR director was attempting to demonstrate that the HR function of the health center is evolving from a *hiring and firing* mentality to a *hiring, training, and development* point of view.

Expressing a different view, the nurse manager stated that HR does affect quality and errors, but only to the point of hiring and firing. She observed, "They are primarily concerned with getting people in the door. They have no mechanism for training or for retention."

The hospital CEO felt that HRM had a supportive role in regard to errors and quality of care and made the following statement:

They help us articulate and maneuver through what our policy will be and how we deal with the staff that may be involved in a medical error. How we deal with staff that may be involved in untoward events is important to us in terms of our goals on the patient safety front.

She felt that the actual responsibility for managing quality of care and medical errors did not fall to HRM, but to whatever system was in place to manage the error.

The Community Hospital

Regarding the impact of HRM on clinical outcomes, the staff identified training and education as important components of an effective HR system. This is particularly understandable because the HR department was also responsible for employee education. Job training, remedial training, and skills assessment were seen by one interviewee as the primary ways that quality of care could be improved and medical errors could be reduced. Lack of training can lead to poor health-care and medical errors. Two of the respondents made the connection between culture and clinical outcomes. The CEO stated it plainly by saying, "Having a bunch of disgruntled employees that don't care can be just as big a reason for mistakes and errors." The chief clinical officer commented, "If people are empowered and take ownership, they have a great self-governance in knowing what they should and should not do."

The recruitment processes were also seen as an important factor in improving quality of care and

reducing medical errors. This included performing background checks and screening individuals with the requisite professional and clinical skills. An interviewee pointed out that leadership recruitment was also important so the clinical staff had adequate supervision and guidance.

Not all of the respondents made a connection between HRM and quality of patient care. The chief financial officer stated, "I would say that HR has no more influence on patient safety than the accounting department does."

DISCUSSION AND CONCLUSION

This study revealed a number of interesting findings. However, before discussing the major findings, we would like to note a number of limitations of this study. There are three main shortcomings of the study that imply that the findings of the study should be interpreted with caution. First, we investigated only two hospitals in the Midwest. Thus, it is hard to generalize the findings across all U.S. hospitals. Hospitals vary greatly in their structure, strategy, environment, culture, and HRM practices. The challenges they face and the way their management responds to these challenges are complex issues. Second, the data collected in the study are based on interviews, which may represent the biased views of interviewees. For example, the nurse manager of the university hospital had quite a different view than other managers did. It is possible that interviewing more managers might have revealed even more differences in opinions about various issues examined in this study. The third major limitation of the study is that the sample in the study included only managers, but not the employees. It is very likely that employees may view the issues differently than their managers. Nevertheless, the issues examined in this study are quite relevant, and more research studies with diverse samples of hospitals and employees using a variety of methodologies would shed light on them and enhance our understanding of how to manage the vital human factor in healthcare more effectively.

The findings of our study of a university hospital and a community hospital in the Midwest suggest that HR issues are receiving increasingly greater attention from the hospitals. The trend is likely to continue as hospitals grapple to develop a better understanding of strategic HR issues involved in healthcare.

We studied a number of issues that may be key to comprehending the strategic role of HR in hos-

pitals. Regarding the first issue on the relationship between HR and organizational structure, we found that both the university and community hospitals had a separate HR department headed by an HR director. The HR directors of both hospitals participated in strategic planning meetings. In the university hospital, HR was treated as a corporate service with a great degree of centralization. Given the complexity of the system and centralized HR, HR initiatives seemed slow and less responsive to the needs of various departments in the system. The university hospital emphasized a great deal of uniformity and standardization in HR practices across departments and organizational units, which, we felt, made HR function somewhat unwieldy. We also felt that the HR director's role was constrained. The university hospital, perhaps, needs to reexamine its philosophy of uniformity in HR practices and centralized HR. The community hospital, on the other hand, adapted to the employee needs faster, perhaps because of smaller size and greater thrust on HR in the past five years. HR seemed to revitalize the community hospital.

The relationship between organizational strategy and HR was the second issue we examined in the study. It is interesting that the respondents from both hospitals appeared to fumble in providing coherent comments on the overall strategy being pursued by their respective hospitals. The chief clinical officer of the university hospital actually felt that strategic management was a mere academic exercise that was not quite useful in practice. We felt that the senior management of the two hospitals had not articulated clearly the strategic objectives for their respective hospitals. In the absence of a clear strategic intent, all management actions, including HRM, were unclear and inconsistent. The two hospitals may not be the exception. We believe that the lack of strategic management is pervasive in the majority of healthcare organizations. However, as the competition between hospitals and other healthcare organizations increases, there is likely to be greater attention paid to strategic management issues. Thus, hospitals need to crystallize their strategic objectives and identify HR practices that would support those objectives.

The respondents evinced the most interest on the third issue of the interrelationship between culture and HR. Interviewees from both hospitals stressed the importance of managing culture. The community hospital seemed to show a better grasp of the

relationship between culture and HR than did the university hospital, which can be attributed partly to its simpler and smaller structure and partly to its better understanding of the link between culture and HR. The community hospital had seen a dramatic turnaround in its culture because of the new HR director, who had been instrumental in implementing HR practices that transformed its culture. The culture of the university hospital was reported to be bad but improving. We feel that both hospitals need to articulate values they want to infuse in their employees and formulate HR practices that would achieve those values in their employees.

The respondents seemed to show only a modest understanding of competencies needed in managing HR. HR has become a very complex function over the years. This is especially true of healthcare organizations. We felt that the senior managers of both hospitals need to have a better understanding of what HR entails and what type of HR managers are needed to perform that role. The CEO of the university hospital thought that the HR managers did not need specialized training, which we felt was a bit too simplistic if we consider the evolution of the HR function in the past 10 years. Such unenlightened CEOs do not understand the critical role that HR can play in service organizations and fail to realize that HR in its new role is more complex than finance or accounting (Khatri 2003). The lack of advanced job-specific skills in HR professionals in the healthcare industry is one of the major reasons for limited change or scope of HR in healthcare organizations (Khatri et al. 2006; Lawler and Mohrman 2003). Ulrich (1996) identifies four main competencies for HR managers: (a) knowing the business (i.e., understanding the contribution and impact of HR practice on organizational success), (b) having mastery of HR (i.e., knowing the scope of HR practice, its impact on the organization and staff performance, and showing specific competence in some or all aspects of HR), (c) acting as a change agent (i.e., managing culture and making organizational change happen), and (d) having personal credibility (i.e., building and sustaining trust with line managers, staff, and partners in the organization). Healthcare organizations need to find HR managers and employees who possess these competencies if they wish to use their HR department fully. Further, Khatri (2006) suggests a five-dimensional conception of HR capability for harnessing HR in healthcare organizations:

1. competent chief human resource officer and enlightened top management,
2. competent HR employees,
3. elevated status of HR,
4. HR department as a learning organization, and
5. integrated HR information system.

The final issue we examined in the study was the relationship between HR and clinical outcomes. The community hospital seemed to show a better appreciation of the linkage. HR can affect clinical outcomes not only by hiring the right people but also by retaining good employees, training them, creating a learning culture, and—most important—boosting the morale of their employees with proper HR systems. The respondents from the university hospital were less clear of the overall impact of HR on clinical outcomes. In the last two decades, an overwhelming amount of research evidence has emerged linking HRM practices with organizational performance (Arthur 1994; Carmeli and Schaubroeck 2005; Hitt et al. 2001). The relationship between HRM and organizational outcomes is even tighter in service organizations because employees in services, unlike those in manufacturing, come into direct contact with customers and have a direct impact on service quality (Bartel 2004; Korczynski 2002). Healthcare organizations must clearly identify what employee behaviors improve service encounters with their customers and then institute HR practices and systems that encourage and reinforce behaviors enhancing those encounters (Goldstein 2003; West et al. 2002).

It seems proper to discuss briefly two issues that were not the focus of the study but emerged in the course of the study and are relevant. First, several interviewees stressed the importance of training for improved clinical outcomes. The obvious implication is to focus on training programs for various employees to improve clinical outcomes. However, the training programs may have limited impact if employee retention is not improved. The second issue emerged as a result of our interview with the CEO of the university health system. He mocked consultants by saying, "Having a great parade of consultants in here . . . chaotic time to have a culture." He added, "It needs to be our program. It needs to be us and our pride and our expectations and our values." The CEO seems to concur with bludgeoning literature on HR suggesting that organizations need to develop unique HR practices for achieving competitive advantage rather than depend

on outsourcing (Khatri 2006). The human factor is central to healthcare, yet its proper management has remained beyond most healthcare organizations.

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**Appendix
Interview Questionnaire**

Organizational Structure and Human Resources (HR)

1. Is HR a separate department or is it part of some other department, such as finance or administration?
2. Does the head of the HR department participate in executive and strategic planning meetings?
3. Have there been major changes in the HR department of your company in the past five years?

Organizational Strategy and Human Resources (HR)

1. Please describe to us the strategy of your company.
2. Does HR play any significant role in implementing it?
3. What role is HR supposed to perform in your organization? Is the HR department able to perform the expected role?

Organizational Culture and Human Resources (HR)

1. What is the culture of your organization (e.g., informal values, beliefs, norms held by organizational members)?
2. Do you see any link between the culture of your organization and HR function? Or, are they disconnected and inconsistent with each other?

Competency Levels of Human Resources (HR) Managers

1. Do you think that HR managers need any specialized skills or competencies? If so, what are those skills and competencies?
2. Do HR managers in your company possess those skills and competencies?

Human Resources (HR) Strategy

1. Does your company have any HR strategy? If so, what are its major elements?
2. Does HR strategy or the lack of it affect the management of HR function in any way? Please elaborate.
3. Do you see any linkages among various HR activities in your company?

Human Resources (HR) and Its Relationship with Quality of Patient Care and Medical Errors

1. Does HR affect quality of patient care and medical errors in any significant manner?