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**Where Is Human Resources Management
Going? Six Models in Search of a Future**

**CEO Publication
G 87-5 (96)**

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WHERE IS HUMAN RESOURCES MANAGEMENT GOING?

SIX MODELS IN SEARCH OF A FUTURE

There seems to be a growing consensus that HRM is at a crucial crossroads in its role within corporations in the United States. External and internal forces point to an increased status and impact for the H.R. function. Externally, the threat of international competition, the fluctuating dollar, and changing technology represent only some of the major forces causing the directors of major companies to look for ways to better utilize human resources. Internally, the costs of indirect compensation, the importance of compliance to increasing numbers of laws and social pressures, and the need for adequately trained personnel are some of the factors making the management of human resources both more important and more complex.

Another factor influencing the increased awareness of the importance of human resource management has been the growing body of knowledge about management and organizational behavior. Graduates of business school and management development programs have been exposed to a variety of assumptions, philosophies, and practices related to managing human resources. Increasingly, it requires experts to keep up with developments and to discriminate fads from substantial and useful developments.

As the role and functions of HR change, a key question is what use will HR managers make of the new opportunities? What are the implications for the future? How should HR Departments be structured? What type of personnel will be required? What training may be required of HR staff to meet future needs? What technologies will be

appropriate? The wisdom with which HR managers answer these questions will determine whether the present trend of increased status and visibility for HR continues.

SIX MODELS OF HR:

ALTERNATE DEFINITIONS OF HR'S MISSION

We believe that before HR managers can come to grips with these specific questions, they must first answer the more fundamental question: What overall model should frame HR's activities? As a start toward considering this issue, we propose six models of HR based on how it has functioned in the past, and is functioning in places today. These six models suggest very different future directions for HR relative to how they view the mission of the HR function and the kinds of activities that get emphasized.

Clerical Model: In this view, the HR function's primary role is to acquire and maintain reports, data, and records, and to perform routine tasks. HR takes care of required paperwork, compliance with regulations, and routine employment. In this model, the HR role is rather passive and weak. HR needs are attended to by senior managers and their subordinates, or ignored. Historically, many HR departments appear to have begun in this mode. This model also represents the personnel and HR departments in many small companies today.

Legal Model: In this mode, the HR operation draws strength from expertise in the legal areas. The legal aspect has a long history coming out of labor relations, in which contract negotiation, monitoring, and compliance were major functions. Often relationships between managers and employees were adversarial. Today the importance

of compliance with numerous laws, particularly EEOC, ADEA, ERISA, COBRA and the need to be aware of various social pressures (e.g., drugs, alcohol abuse), emphasizes the legal mode for HR.

Financial Model: The financial aspects of HR are growing in importance today as managers become increasingly aware of the major impact of human resource costs, especially non-direct compensation. The cost of medical insurance, pensions, life insurance, vacations, and other benefits forces management to pay attention. The need for expertise in this increasingly complex area is a major reason for the enhancement of the role of many HR managers.

Managerial Model: This model can be considered from two different viewpoints. One is that HR Managers will understand and work from the bottom-line, productivity oriented framework of line managers. HR people will understand the goals, values, and points of view of line managers and will make their decisions in this framework. They will suggest solutions to problems that are managerially oriented. Another viewpoint from this model is that line managers, themselves, could perform many of the Human Resource functions. The unique HR function could then be to develop in line management the skills necessary to handle key HR functions such as hiring, performance evaluation, and development. Over the past three decades the formal education of many supervisors and managers has increased, and many of them are both capable and desirous of performing an increasing number of functions. Also, many people appear to prefer interacting directly with their managers rather than staff people, so HR might seek to reduce its role to that of trainer and facilitator of line managers. We will include in

the Management Model both the value of profit and efficiency and the special value of developing basic HR skills in line managers.

Humanistic Model: Here the central idea is that HR exists to develop and foster human values and potential in an organization. A great concern is shown to empathize with individual employees and to help them maximize their growth relative to self-development and career progression. This view can be traced back to McGregor's Theory Y and to the growth of a training and development emphasis in organizations. This model reflects many views and activities, ranging from sensitivity training to career counselling. Quality of Work Life programs, socio-technical design of work and plants, self-regulating work groups, and high involvement programs such as quality circles would all be compatible with this model. The Humanistic Model may have gained advocates during the past decade or two from the organizational behavior courses taught in business schools. Also, the emphasis on Japanese model of management and William Ouchi's Theory Z may influence some toward this model. The rising level of education and the expectation of a quality work experience in the work force may also support this model.

Behavioral Model: This position assumes that a very important basis for HR activity is found in the behavioral sciences such as psychology, organizational behavior, etc. The guiding idea is that an objective, scientific approach to human behavior in organizations can be applied to most HR problem areas. This model had its first impact on organizations in the selection and testing areas in the 1920's and 30's, but has seen broader applications in recent years to performance appraisal, reward system design, and work design. Other HR areas that are based on fairly rigorous scientific models would include survey

feedback techniques, the evaluation and design of training/development objectives and programs, and career management. Again, the increasing sophistication of managers and workers would support the use of this approach.

WHICH MODEL WILL GUIDE HR IN THE FUTURE?

While it is possible for all models to flourish in the coming decades, present evidence indicates that some are waning, while others are on the rise. We use these present trends as a starting point in offering the following predictions about which of the models will be influential in guiding HR in the future.

The Clerical Model will likely continue to prevail in smaller companies, but is unlikely to flourish in larger companies as the pressures for more effective use of human potential call for HR functions that focus on the efficient and effective use of human resources. Clerical tasks which must be accomplished will probably be increasingly handled through automation.

The Legal Model may be a prime candidate for decline. The decreasing power of unions and a relative decline in labor problems, decreasing concern for government intervention in issues relating to minorities and women, and a general dislike of all adversarial roles all mitigate against the legal role. Issues relating to wrongful discharge, stress, and discrimination on promotion may counter the foregoing forces. Although there are mixed signals on litigation, the public appears to be tiring of government as a solution to problems. Although adversarial elements will always be present, the trend appears to be toward more efforts to cooperate and to proactively head off potential

legal issues. For example, the presence of union leadership on some corporate boards may signal a trend.

If indeed the Legal Model does decline, the implications for HR could be significant. One major reason for HR's increased status and power has been that HR managers are an important source of information and advice on the legalities of affirmative action and EEOC programs. A decline in a need for such information might also lead to a decline in the importance of HR as a function, if other factors were to remain the same. However, it appears that other factors may offset this change in the importance of legal expertise, as will become clear in our discussion of the remaining models.

The Financial model will likely to continue to be important. The need for improved productivity will remain significant because of international competition. Both the costs and effectiveness of human resources must be managed well. HR people will be expected to know the bottom-line costs of human resources and to have the ability to develop and justify cost effective programs. The pressures and problems of indirect compensation, especially medical and pension costs, will continue to demand management attention. At present, for example, medical costs are becoming a substantial percentage of total business costs. If the trends toward downsizing and merging continue, HR managers will be expected to predict the impact of such moves and to know how to implement such programs effectively. On balance, many forces suggest a growing importance of this model.

The Managerial model is the one which will most probably increase in strength. There is growing evidence that the HR function cannot be effectively pursued by an isolated HR department. For example, it has

been known for some time that organizational development efforts without substantial line management involvement are doomed to failure. A consensus seems to be emerging that managers must absorb many of the basic HR skills to manage today's work force. Present-day employees are too well educated and far too complex for ill-equipped managers to handle.

There is an interesting corollary of the movement toward the Managerial Model. As this movement succeeds, it could work the HR function out of a job. It well might lead to the Financial and Clerical Models being the only ones left for HR. Further, automation and computers may rapidly eliminate much of the basis for the Clerical Model as well.

Our recommendation is that if HR transfers some of the basic skills to line management, it should increase its own expert or "leading edge" role in the Humanistic and/or Scientific areas. These will be increasingly important roles in the future, and the the skills necessary to fulfill them will give HR people a special competency that will enhance their status, power, and ability to serve the organization. We can now discuss the Humanistic and Behavior Science models in more detail.

The Humanistic Model will increase in importance in response to numerous pressures. One is that many organizations have identified the attraction, retention, and development of highly qualified managers as a major, ongoing need. The Humanistic Model emphasizes the development of people and the provision of satisfying and challenging work. This model also appears to relate to the high expectations that many young people bring to work with respect to quality of work life, participation, and

growth. Another pressure will be caused by the Baby Boomer Bulge that will be moving through organizations at a time when the emphasis will be on short and lean structures. The consequent competition for promotion will be intense, and the need for thoughtful developmental and career pathing activities will be keen. Although the legal aspects of minorities and females at work may decrease, many issues and concerns around their mentoring and progressing will continue. This humanistic model seems most suited for attending to them.

The Behavioral Science Model would become a prime candidate for being the dominant HR model if such traditional day-to-day HR functions as hiring, performance appraisal, and development become line functions in the future. Aside from training line managers, HR in this future scenario would constitute a group of "state of the art" people developing new and advanced techniques in areas such as selection, appraisal, training, career management, reward systems, and productivity enhancements. These "experts" would be grounded in advanced techniques in the Humanistic and Behavioral Science areas. Their function would be to research and develop new procedures for ultimate adoption by line managers as well as to provide technical support to line users. Potentially, this could lead to a new type of training for HR professionals, strongly emphasizing these areas.

One potential problem with the Behavioral Science model is that the "experts" might become disconnected from people and isolated from the "reality" encountered by managers and employees. Recognition of this possibility can lead to taking steps to diminish its dysfunctional consequences. For instance, experts might be required to evaluate impacts of their techniques on workers, or perhaps they would spend time

as a line manager. At a minimum, the HR staff needs to really "know the business" at both the overall corporate level and the level of the operating line manager.

IMPLICATIONS OF DIFFERENT MODELS IN USE

The choice of model is not merely an academic issue. HR's priorities and activities are impacted by the underlying model they employ. For example, consider two of the major issues that are increasingly cited as important arenas in which HR should be a player: (1) the strategic planning process, and (2) the creation and maintenance of the corporate culture. Clearly, the role played by HR in these two issues will vary considerably depending upon which model is in use. The following "predictions" provide at least a glimpse of the probable impact of the different models. However, our interest is not so much in fully fleshing out the implications of each model as it is in highlighting the wide range of approaches to the same issue, given different models. The following illustrates some of the differences for strategic planning:

- a) The Clerical model would suggest no role for HR in strategic planning.
- b) The Legal model would put HR in the role of a reactive evaluator of strategy, being concerned mainly with the legal implications of strategy; e.g., risk of wrongful discharge suits.
- c) The Financial model would put HR in a clear role as part of the budget cost analysis process, but would provide little positive input on strategic direction.
- d) The Managerial model would put HR in mainstream strategic decision making, but with no special expertise to add to the process, above and beyond what line managers have already contributed.
- e) The Scientific model would give the HR people the option of providing data to the strategic process on strengths and weaknesses of personnel groups (e.g., managers, technicians, or sales people)

as they relate to strategy. Using this model, HR could support strategies in line with measured qualities of employees (e.g., creativity level) and warn against policies which would conflict with current employee characteristics.

- f) The Humanistic model would put HR in the role of advocating strategies which would develop human potential among employees. Both this model and the Scientific model put HR in an unusually "proactive" role in planning.

In similar fashion, different models would lead to very distinct approaches to corporate culture. Below are some illustrations of this.

- a) The Clerical model again leaves HR out as a force shaping organizational culture.
- b) The Legal model mainly would show concern for the legal/ethical aspects of culture.
- c) The Financial approach could provide cost/benefit analyses of varied culture models.
- d) The Managerial approach would provide an enlightened intuitive interest in culture, but no particular force for shaping it one way or the other.
- e) The Scientific model would generate instruments to measure culture more precisely.
- f) The Humanistic approach would work to establish a growthful, positive culture.

One might argue that these sorts of predictions are irrelevant since most HR units can operate either with no clear model or a judicious sampling from each model. It should be clear that the lack of a guiding vision is a serious drawback in managing any first-class organization, and the same conclusion applies to managing the HR staff. The absence of a clear vision means that people in HR lack a major source of energy and motivation and that the rest of the organization can form no clear view as to what HR can do.

A "judicious sampling" from the models may have some worth, but unless some priorities are held, the results of sampling are likely to be as confusing and demotivating as ignoring the value of models

altogether. Clearly, many HR units could stress a combination of models in a coherent way--e.g., a Scientific/Humanistic model seems quite synergistic. But to advocate all models equally would tax even the most imaginative administrator to make a system coherent.

It is also clear that within certain functional areas of HR different models could prevail; for example, the Legal Model in labor relations or the Humanistic Model in employee relations. However, the problem still remains of how to provide an over-arching model which can integrate and unify HR treatment of employees. Without such a unified model, the probability of conflicting policies across different HR activities, such as selection and compensation stressing different values, still exists.

SUMMARY

We see the need for HR executives, together with their line management counterparts, to decide carefully on some subset of guiding models with which to operate the HR function of the future. It is our view that leaders in the HR field today must consciously seize upon the current rise in interest in HR to guide the field into the use of the most appropriate models. There is a need for a vision of what a well-run HR Department can do. HR can be seen as merely an expense or overhead, or it can be seen as a significant function, contributing to the important goals of the organization. The models suggested here are designed to help think through the implications of some of our current practices and trends and to develop guides for future planning. Failure to meet this intellectual challenge might mean that the function could play a major role in its own demise. On the other hand, anticipating

and meeting the challenge could lead to a continuing significant role for Human Resource Managers and the function as a whole.