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**Human Resources Management:
Meeting the New Challenges**

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ABSTRACT

The challenges which face the human resources function are reviewed. It is argued that human resources departments need to improve their information systems, provide expert resources help, set and implement strategy, and manage the organization's culture. To do these the function needs to decentralize, become more service oriented, and develop new career tracks.

It is typical to begin a discussion of human resources management by making statements like: The challenges for human resources managers have never been greater; A new era of human resources management is upon us; Revolutionary change in the human resources management function is called for. In many respects, these statements do accurately describe the situation of most human resources functions in large corporations. But they may be overly dramatic in their description of the kind of change that needs to take place.

The situation is more one of evolutionary change than revolutionary change. The human resources management function has been evolving in most major corporations for decades as it has been presented with new challenges and as knowledge about human resource management has expanded. Today the situation is no different, evolutionary change clearly needs to continue because new challenges and opportunities currently face human resources management functions. We need to review these challenges before we can look at how the human resources management function needs to change and the way it needs to be designed in large organizations.

Current Challenges

In many ways the most pressing and newest challenge for human resources departments is cost pressure. Particularly in those corporations which are facing international competition, all staff departments are being asked to justify their cost structures on a competitive basis. Increasingly, head count comparisons are being made among corporations to check the ratio of employees to members of the human resources department. In addition value added questions are being asked of the human resources department. Corporate human resources

departments in particular are being asked why they are necessary and what they add to the work being done in local operating units.

Cost pressures are not a new event in most corporations. They have come and gone over the years depending on the condition of the economy and particular organizations. What is new, however, is the strength of the pressures, the strong emphasis on competitive benchmarking and the role of international competition. Together these have created a stronger and more difficult to respond to set of cost pressures.

The legal issues that the human resources function must deal with also seem to continue to increase. Legal issues are not new since for a long time laws have protected employees in areas of pay, labor relations and safety. However, there has been a consistent increase in the kinds of issues that organizations must worry about from a legal perspective and in the cost of failing to behave in a legally defensible manner. Particularly important today are the legal issues concerned with employment at will and discrimination in pay, hiring, firing, and layoffs. In addition, plant closing issues, drug testing, and the treatment of employees with AIDS are increasingly becoming a matter of legal scrutiny. Taken together, they mean that the human resources function is faced with an increasing array of legal issues.

Very much related to the issue of cost pressures on the human resources department is the issue of organizing corporations in ways that will make them internationally competitive. Many organizations have decided that they can be competitive in the international arena only if they make an order of magnitude improvement in their performance. This requires more than just doing the old practices better, it means a fundamental change in the way the organization operates. Since many of these change efforts are moving in the

direction of new management styles and approaches that try to involve the employee more in the business, the human resources department is faced with a major change agenda itself. It needs, first and foremost, to change many of its systems to respond to the new management approaches. New training, pay, selection, and appraisal systems are needed.

In addition, the opportunity exists for the human resources department to be a major consultant to the rest of the organization on how it can change the way it does business. This is particularly true with respect to organization design, management style, work structures, and change programs. It is also true with respect to strategic planning. Human resources managers are not involved in the strategic planning process in many organizations, at least in part because they are not seen as partners in the business and as having relevant knowledge. Ironically, many strategic plans have failed because they haven't accounted for the human factor, either making unrealistic plans or failing to change the organization so that the strategic plan can be implemented. An effective human resources function should be able to contribute to both the planning and implementation processes.

There has been a knowledge explosion in the area of human resources management. This is partly reflected in the number of professional associations in the field and in the large number of journals and magazines that are currently published. In essence, to be a true professional in many areas of human resources management, individuals virtually have to spend full time in that field and have an advanced degree. Areas like compensation have become incredibly complicated because of their close connection to strategy, legal, financial, and tax matters.

The record keeping role of most human resources functions has also changed dramatically with the advent of the new generation of computer technology. The human resources function has always had the responsibility for keeping the personnel records of the organization, but minimal records were often satisfactory. Today managers are used to extensive online data bases and see no reason why the same type of information systems should not be in place for the human resources area. Thus, human resources departments are increasingly being pressured to have an online employee data base that includes not just name, rank, and serial number, but work history, skills, performance histories, organizational structure data, and so forth. It is a technical challenge to create this kind of data base and its creation raises all sorts of issues concerned with the rights of privacy, the currentness of the data base, and obtaining valid data to enter into the data base.

The dominant employers in the United States are increasingly organizations which employ professional and technical employees. In many respects this means that the key assets of an organization are its employees. The implication of this is that the recruiting and retention of employees is increasingly important to most organizations and that indeed an effective human resources department, not a personnel department, is needed. It is not enough to simply put a want ad in the paper and pay a fair wage in order to attract and retain outstanding people. Human resources departments are increasingly being asked to come up with innovative recruiting, training and development programs, and to devise approaches to management which will retain and motivate the best and brightest personnel. In order to pull this off, a human resources department must play an important role in the business as well as be very good at performing the basics of good personnel management.

Summarizing what has been said so far, it is fair to conclude that the challenge has never been greater. Opportunities for the human resources department to do more and to play an important role in organizations are everywhere. It has an increasing array of pressures and challenges to respond to and its effectiveness is increasingly becoming a vital concern of the total organization. To say the least, it is less and less a function where an organization can settle for average performance and average performers. As we will see in the next section, this has not always been true.

A Brief Historical Overview

The historical role of the human resources department in most organizations has been one of gradual evolution and increased sophistication. Originally human resources management was done by the personnel department. It assured that employment records were accurate, and people were paid. These personnel departments often reported to the accounting department or to someone in charge of the administration. As technology in areas such as testing and interviewing began to emerge, the human resources function gained some status in its own right and began to play a role in employment decisions, training, and the movement of employees.

The rise of the union movement did a great deal to increase the status and power of the human resources management function. Someone in the organization was needed to counter the union's efforts to organize the company and, when these efforts failed, to deal effectively with the union. The personnel department typically took on these roles and, in many cases, the labor relations people who were responsible for them gained considerable power and prestige within corporations. They

positioned themselves as the only ones who could effectively deal with unions and developed special relationships and knowledge with respect to unions and their leaders. Many individuals made and indeed still make careers out of settling strikes and dealing with union organizing drives and grievances.

The next major change in the situation of personnel departments occurred because of the discrimination legislation of the 1960s and 1970s. Because of the large penalties and disruptions that law suits could cause for organizations; employment practices became increasingly important in corporations. In some ways, as with unions, they became important for the wrong reasons; that is, for their potential down side rather than their positive contribution to organizational effectiveness. But, nevertheless, they became an important and central issue. During this time period the salaries of personnel executives went up dramatically, taking them from one of the lowest paid staff functions to one of the better paid staff functions. Indeed, for the first time, it began to become a career for some of the more talented people in the organization. No longer were human resources managers seen as "good at dealing with people" but not much else.

Today human resources departments can play a major constructive role in making organizations more effective. This too has the opportunity of increasing the power and prominence of the human resources function. For the first time in many corporations, human resources managers are being asked to participate in major business decisions. They are being asked partly because of their own talent but also partly because human resources issues are increasingly central to how the business is and should be operated.

What Should the Human Resources Function Do?

Now that we have looked at the pressures and demands which currently face human resource functions and briefly looked at their evolution, we can consider what they currently should do and how they should do it. It would be nice to say that they can begin to abandon some of their traditional activities and concentrate on the newer demands that they face. The reality, however, is that there is still a need for them to do all the things that they have done and at the same time to do more. The challenge is to do the new and the old things, do them well, and, at the same time, to do them in a cost effective way. Before we talk about how they can do this, we need to elaborate a little further on what new things the human resources function needs to do.

There are four areas, in particular, where the role of the human resources function needs to expand dramatically: information systems, expert resource, strategy developers and implementers, and culture developers. Historically, the record keeper role was essentially one of keeping a data base of employees and their basic characteristics. This is no longer adequate. What is needed is an information system that not only covers the basics of who works for the organization and their characteristics, but also covers indicator data about the condition of the human organization. In the later area, information is needed about current satisfaction levels in the organization, turnover, absenteeism, training needs, and performance appraisal schedules.

This means that the human resources organization has to build sophisticated systems and be in a position to update them. Ultimately, such things as paper and pencil tests and attitude surveys should disappear. Surveys, for example, can be collected on a real time basis

with employees sitting down at the terminal or a networked personal computer and inputting their views on the organization. Networked computers can also create considerable two-way communication in the organization. They can be used to debate human resources management and other organization policies. New policies and practices can be put on the network and employees given the opportunity to comment on and discuss them. The networked PC system in an organization also can be used to train and advise people in such human resources management systems as fringe benefits and pay. Overall, the human resources function needs to actively buy in to the information system revolution which is occurring and use it to improve their database, the costs of delivering their services, and the information structures within the organization.

Given the increasing complexities of managing human resources in today's environment, the human resources department must provide expert consulting support to the organization. There is simply no substitute for having the best knowledge possible in areas like compensation, training, organization development and selection. The stakes in these areas are simply too high to operate without the best technical knowledge. The legal exposure involved and the organizational ineffectiveness costs of poor decision making are such that poor practices cannot be tolerated. The human resources department has to have available the best information and the best approaches in these major areas of technical expertise. They have to be updated on the latest research and practices and be able to be a reality tester when line management comes up with ideas for new practices and directions.

Corporate strategy is the area where the greatest change is needed. The human resources function needs to become a partner in developing the business strategy of the organization. The human resources of an organization are a key determinant of what kind of strategy is practical and implemental. In addition, knowledgeable human resources managers should understand the business well enough to react to and help develop business strategies because of their knowledge of the business.

Numerous reports have emphasized the problems that organizations have with implementing strategies. One common reason for this is that the human resources department does not change its practices to encourage strategy implementation. In many cases this is because the human resources department is not involved in developing the strategy; it is simply asked to implement it. Clearly this needs to change. Human resources managers need to be involved in the formation of strategy and to be a full partner in its implementation.

The human resources function must focus on integrating the different subsystems of the human resources system so that they reinforce a single strategic direction. All too often the different technical specialties within a human resources department go in their own direction without concern for integration issues. This is not acceptable since an effective human resources system requires the integration of a number of well designed pieces. In short, the pay system has to fit with the training system, the performance appraisal system, the selection system, and so forth. If the systems are designed well and in tune with the business strategy as well as each other, then an organization can be built which supports the business direction.

More than any other staff group the human resources function tends to play a major role in influencing the culture and probably should be

held particularly accountable for its evolution and maintenance. It is not, however, simply a matter of the human resources function maintaining the historical culture of the organization; it needs to take an active role in shaping the culture to fit the organization's current business direction. As a general rule, there is no right culture for an organization; it needs to fit the current business direction and strategy of the organization. The one exception to this is in the area of ethics and social responsibility. It is always right for an organization to value this and behave appropriately.

Throughout the history of the human resources function, it, more than any other function, has been the conscience of the organization. Undoubtedly this is because of its responsibility for the human side of the organization. In any case, the result is that human resources managers have often been expected to raise issues of what is right, fair and just with respect to employees and with respect to the community at large. This role is rarely formally assigned to the human resources function, but nevertheless it is expected. Indeed it has sometimes led other managers to refer to the human resources function as the "do gooders" and the "employee advocates." With the growing legal protections that employees have, this role has changed substantially. In many cases, the things that human resources managers argued for, are now required by law. Nevertheless, there continues to be the need for the human resources function to be a steward of the human resources of the organization and at times an advocate for what is ethical and just in dealing with employees and communities.

Strategies for Human Resources Management Effectiveness

The argument so far has been that the human resources function in an organization has to meet a number of new demands and to keep

performing effectively in its traditional areas of responsibility. It needs to be increasingly involved in the formulation and implementation of the corporate strategy. It needs to be a valued technical expert in the areas of training, selection, compensation, organizational change and labor law, a maintainer of personnel records, a monitor of organizational behavior and attitudinal data, cost effective in its performance, and last, but not least, concerned about the legal and ethical issues of the organizational practices. The final question that needs to be addressed is how all this can be accomplished.

One key to the development of a successful human resources function clearly is to become more service oriented. Traditionally, human resources departments have tended to be production oriented, they have worried about the number of people trained, the number of people recruited, interviewed, etc. In many cases they have even handled most of the activities associated with hiring, firing, and paying people. In short, they have not been just the human resources or personnel department; they have done the personnel management for the organization. The line manager has often left personnel management up to the human resources function and personally had only a minor role in the major personnel activities. This clearly is not a cost effective means of managing personnel, and, as a result, is no longer appropriate, if it ever was.

The human resources function needs to develop in line management the ability to handle such key activities as hiring, career counseling, and compensation plan administration. In a service model, the human resources function needs to listen to the individuals it services and respond to their demands. But it needs to do more than just respond to the desires of their customers in the line organization for two reasons.

First, the line organization may ask for things that are unethical, unwise, and too short-term in their orientation. Secondly, the line organization may want too much service, asking the personnel organization to do too much of the work for them.

The challenge for the human resources department is to create an environment where individuals enjoy serving themselves. An analogy here is the automated bank teller situation. Banks have effectively transferred much of the service function to the customer and, in many cases, the customers prefer it to dealing with the traditional teller structure. The challenge for the human resources function is to work with the rest of the organization in ways that lead managers to want to deliver and conduct their own selection interviews, performance appraisals, pay system reviews, and so forth. In short, to create a situation where they own the delivery systems and, as a result, are happy to deliver the services or activities associated with them.

Clearly, for it to own the systems, the line organization will have to play an active role in developing these. No longer can the human resources function play the all knowing expert and tell the line organization what it needs to do in major areas. It needs to work with them to develop systems which are owned by the line management and, in most cases, implemented by the line management. The human resources function in this case needs to play an expert consulting role and thus needs a particular set of skills--some of which are different from the traditional skills of the human resources function. In particular process skills are needed so that human resources people can run involvement activities that lead to the line organization developing new systems and technical skills.

In order to implement the service model many organizations may have to decentralize their human resources management departments. It is hard to offer good service when the server is located far from the customer. This is one case where being close to the customer is a necessity. Decentralization can be particularly important in helping build local responsibility and ownership for human resources management systems. It is virtually impossible to develop local ownership for corporate sponsored programs.

The importance of having a higher level of technical skill in the human resources function is increasing all the time. It is particularly hard to meet this need and, at the same time, meet the cost pressures that organizations face. In many instances, particularly in small organizations, the only way to meet cost pressures and have the high level of technical skills which are needed, is to rely on consultants. This makes sense particularly where major system design activity is going on. It is simply not economical for most organizations to have state of the art expertise in areas like information systems and performance appraisal on their payroll full time. It is more efficient to hire individuals with these expertises on a project basis.

In some respects the need for technical knowledge conflicts with the need for human resources managers to better understand the business and be able to participate in business and strategy decisions. If there is a trade off to be made, the argument so far suggests it should be made in the direction of sacrificing technical skills for business skills in the case of most human resources executives. Technical skills can be hired from the outside and used accordingly. On the other hand, it is not clear that organizations can bring in people from the outside

who can be partners in the business and participate with line executives in formulating and implementing the human resources strategy. In short, senior human resources executives need to be members of the management team more than they need to be technical experts. This is not to say, of course, that there is not room for a few technical experts in any large corporation. They are needed to work on ongoing issues such as pay, selection, organizational design, and training. They also can help the organization be an effective consumer of consulting resources, something that often is lacking. All too often, organizations hire consultants representing the latest fad or they hire poorly qualified consultants.

Much of what has been said so far argues for a decentralized human resources function. Being part of the management team, understanding and relating to business strategy and being a service organization all suggest that human resources people in large corporations need to be close to and a part of local business units. Indeed, the best human resources management model for most organizations probably does call for a very small corporate staff. Their primary functions should be providing technical expertise, maintaining corporate-wide information systems, auditing the organization's practices for legal and ethical performance, and influencing and being part of the corporate business strategy. The key in decentralization is for the corporate unit to decide on the right amount of decentralization and to provide business units with clear descriptions of how much autonomy they have.

The discussion so far has some interesting implications for the kind of careers that human resources managers should have. With the exception of technical specialists, it strongly suggests that human

resources managers need to spend significant time in line management positions. It is not enough for the senior human resources managers to have worked in the different parts of the human resources function; they need to have had some line business experience so that they have a first hand familiarity with the business operations.

One way to develop individuals who are widely knowledgeable in the business is to have them make more horizontal career moves. This is a way to broaden individuals' skills and fits with the flatter organization structures that are becoming more common. Greater use can also be made of team management structures in which human resource team members become part of a management team that shares responsibility for managing a particular business. In the team situation they can be cross trained and share responsibility for other business functions.

Somewhat at conflict with the service role, the business partner role and cost effectiveness, at least in the short term, is the corporate conscience and employee advocate role. It would be nice to say that this role can be shared by all managers and that it need not be a special concern of the human resources department. However, the reality is that all too often no one is sufficiently concerned with these issues and that as a result human resources managers need to be. Rather than simply assume it as their responsibility, they need to formally establish it as part of their responsibility so that they can justify their extra concern with it and be chartered to raise the issues in discussions.

Precisely because of the many, sometimes conflicting demands placed on the human resources function, the time may be right in many organizations for a redefinition of the function. Just as an

organization can be guided by a vision, visions can function as guides for parts of organizations. Thus, it would seem advisable for human resource executives to develop strategic visions for their functions so that they have a sense of their duties and responsibilities. The vision should be more than a wish list. It should help define priorities and working relationships. A key activity in the development of this vision should be gathering input from and reaching agreement with line management on the nature of the vision; after all, they are the customer.

The discussion so far also has some important implications for where the human resources function should fit in an organization's structure. At the corporate level the senior human resources executive needs to report directly to the CEO. Unless this relationship exists it is hard to argue that the human resources function is a partner in the business. This reporting relationship is also critical if the human resources department is to influence the adoption of new management practices and influence major organization change strategies. In particular business units, the human resources manager needs to report to the head of that business with a dotted line relationship to the corporate personnel function.

Overall, the key to having a successful human resources management function lies in balancing traditional personnel activity, with being cost effective, and being a strategic business partner. The service orientation and the cost effectiveness orientation can complement each other if the human resources function emphasizes self service and involving the line management in delivering the services that the personnel function has traditionally delivered. The business partner

issue can also be supportive of organizational effectiveness if it leads to the human resources function spending time designing systems to support the business strategy. In short, the challenges which face human resources departments can be met. In many respects, it is a time of great opportunity for the human resources function. But meeting the challenges requires a significant change in the way human resources departments are structured and staffed.

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