

Personnel Management VS Human Resources Management: Old Wine in New Bottles

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Introduction

The term "human resources management (HRM)" is now being heard and widely used increasingly around major corporations but it is very loosely defined. Although this term is now very much in fashion and it has been used synonymously with personnel administration, industrial relations and the like, a real definition of the term remains however elusive. If the concept of human resource management is to have any value, it should be defined, because firstly it implies management practice and secondly it also classifies management actions. This article, therefore, attempts to clarify a definition of human resource management. The similarities and differences between HRM and personnel management will be explored. The second half of the article deals with roles and status of the field. What roles should HRM play in the modern organization?

Background

According to Peter Drucker, all businesses depend on three resources: physical resources, capital resources and human resources. Among these resources, the human resource is the most important resource in an organization. Organizations are managed and run by people. Thus, a firm's success depends on the capabilities of its members. Most problems, challenges, opportunities and frustrations in organizations are related to people.

The term "resource" is defined as "a source of supply or support; an available means; a source of information or expertise" (Webster, 1986). Classical economics defines resources as the basic inputs used in producing goods and services, or factors of production (Wannacott, 1986). Land, capital, and labor are three main categories of resources. Labor is defined as the physical and mental talents of human beings as applied to the production of goods and services. In contrast, capital refers to buildings, equipment, and materials used in the production process.

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In the 1970s, the labor economists changed the way human resources were viewed through their work researching the concept of "human capital" (Steffy and Maurer, 1988). According to the human capital theory, the workers were viewed as embodying a set of knowledge and skills that can be "rented out" to organizations (Ehrenberg and Smith, 1985). The knowledge and skills of a worker are a result of previous education and training. Thus, the value of human capital can be added to by increasing education and training or can also deteriorate through obsolescence of skills and knowledge caused by either an individual's failure to obtain new knowledge and technology or an organization's failure to provide appropriate training.

When an organization views its employees or workers as resources rather than purchased services, then it has begun a process of human resource development. The employees are thus considered investments which yield varying results depending upon how the investment is treated. Normally, organizations invest in employees through hiring, training, and development. Hiring investment includes all the costs caused by recruiting and selecting employees, such as advertising and selection tests. Training investments include such items as salary or fees for trainers, operation costs and training room overhead costs (Cascio, 1987). Therefore, the concept of human resource management represents a change in attitude on the part of management toward the workforce. Human resources must be viewed as human capital consisting of knowledge, skills, abilities, and other characteristics. In other words, seeing employees as a necessary expense of doing business is replaced by seeing them as a critical investment which reflects the current performance and future growth of the organization.

Human resource management is strongly rooted in the behavioral sciences; the field of HRM is concerned with organizational psychology, the motivation and development of the individual employee and the performance and productivity of the organization. There is extensive research in this area. A few examples are McGregor Theory (1960), Theory X and Theory Y, the work of Maslow (1943) and expectancy theory. Much of this research shows the connection between the human resource management functions (e.g. recruitment, selection, job design and realistic job previews) and organizational commitment or employee motivation. It implies that if the organization uses the proper kind of reinforcement to motivate their employees, the organization will have a return on their investment through improved job performance or greater employee flexibility, which leads to higher revenues, greater profitability, and an improved competitive position.

Besides a base in the behavioral sciences, the field of human resources management is concerned largely with the systems model (Cascio, 1989). Many human resource management activities make up the components of a human resource management system which is connected to other organizational systems, such as marketing and finance. The components of human resource management which are provided by Cascio comprise attraction, selection, retention, development, assessment, and adjustment (Cascio, 1989). In order to have a better understanding of the complexity of the decision-making process in managing a firm's human resources, Edgar Schein adds an additional perspective which is a longitudinal perspective on the human resource

management system (Schein, 1978). This perspective will help to explain the interaction between employer and employee over the duration of the employment relationship. The five phases of the employment relationship are: prelabor market, active market, joining, sustained membership, and withdrawal (Schein, 1978). The prelabor market starts when individuals are learning basic skills and begin to narrow their focus for occupational choice. In the meantime, organizations are assessing both products and labor markets as they develop human resource plans and forecasts. Individuals begin the process of job search in the second stage, the so-called "active market". Also, organizations focus on the attraction component of the human resource management system. In the joining phase, the individuals make their decision to join the organization as employees. Simultaneously, organizations develop both formal and informal orientation programs for employees during this period. The sustained membership phase occurs when the employee chooses to stay with the employer and the employer chooses to retain the employee. This period is considered a crucial stage because the employee becomes fully socialized into the organization, learning goals, tasks and norms, and tries to accomplish in order to receive the desired rewards. The organization also facilitates the socialization process through training and development, performance appraisal, career development, and compensation.

The final phase, the "withdrawal" phase, occurs when the individual withdraws from an organization due to any of a variety of causes. The organization must provide for the exit process such as by retirement planning or some corporate security. The loss of an employee stimulates a recycling of the active market phase activities as the organization searches for a newcomer to fill the job vacancy.

This perspective, combined with the systems approach, gives a clearer picture of how value can be added, maintained, or lost over a period of time as a result of either individual or organizational human resource management decisions.

Recent Influences

Technology has recently emerged as the dominant factor in national growth and competitiveness (Porter, 1990). The impact of technology brings about many changes for the human resource function. Among the numerous changes, information technology has emerged as one of the most strategic technologies for competitiveness. It can enhance human capabilities to manipulate and apply information for socioeconomic benefit. Information, thus, becomes a strategic factor which determines the competitive performance of firms.

The reason for this stems from the fact that technologies have changed the way people communicate, work, and play. For instance, in the old days, information was controlled by the management hierarchy, but nowadays it is readily and quickly available to all employees. Moreover, the advancement of technology generates more complex tasks which require mental problem-solving and analytical skills of the employees in order to perform the tasks effectively. As a result, human resource management is the key factor for the success or failure of the organization.

There is another change that is fast overtaking many organizations, namely globalization. The world has become one marketplace and any company can invade practically any market. The issue of globalization adds particularly to the challenge of organization management and to human resource management functions as well. Recent developments in Eastern Europe have shown a positive trend towards an open economic system. In North America, there is on-going negotiation towards a trade agreement between the U.S., Canada and Mexico. These developments will no doubt affect the trend of world economy and future international trade. This will promote more competition.

The development toward global markets and global products implies a great need for employees to be provided with the skills they need to work effectively. For example, in the past, traditional training centered on domestic business; today concern is for a deep understanding of the global market environment. Additionally, global organizations which enhance competitiveness need to be lean, flat and flexible. Peters and Waterman observed that most excellent companies such as McDonald's, Intel, and Wal-Mart operate with little staff (Peters and Waterman, 1982). In early forms of organization, all management decisions were made centrally by one or a few managers. Today's emphasis is on decentralization: the flat structure increases the speed and clarity of communication. This kind of structure also enhances the flexibility of the global organization. As customer needs are changing rapidly, the only type of organization that fits well is one that is easily adaptable to changes in its environment.

Changes in the workforce and the nature of work have also created internal and external pressures on the corporation. The workforce will become better educated with higher expectations and therefore more demanding. Managerial level staff will require more conceptual and strategic skills. Simultaneously, training for specific skills is required for lower level employees; strict procedures may not guarantee superb performance. The firm gets bigger and becomes a multinational corporation. As a result, labour movements between countries will be more mobile.

The attitudes and values toward work have also changed. The workforce will be more concerned for equal rights, upward mobility and privacy in life than in the past. In addition, the new employees appear to have less organizational commitment but they do want to influence decisions affecting them and their work.

Changing Roles for Personnel

Until the 1970s, most organizations referred to the departments that handled employee hiring, firing, and tracking as personnel (Ceriello and Freeman, 1991). These record-keeping and reporting procedures concentrated on personnel transactions.

Through them, the company learned who had been hired, fired, promoted or transferred. The history of personnel management does not seem glorious and has not received much attention in many organizations (Frost, 1992). In fact, it has been relegated to a minor function in most organizations and has received little support, financially and morally, from top management. As Peter Drucker pointed out "the personnel specialist's work was partly a file

clerk's job, partly a social worker's job and partly fire-fighting to head off union trouble or to settle it" (Drucker, 1954). Moreover, there was a widespread view that personnel managers had failed to promote the potential benefits of effective management of people (Skinner, 1981). The reason for this can be found in the role of personnel managers within the organization. To achieve success, an organization needs a chief executive with vision, who can communicate missions, strategies and core values and get everyone involved. Personnel management does not appear to have a role in this scheme of things (Beer et al., 1985). Further, personnel often advocated expenditures on things that were not clearly linked to improvement of efficiency and productivity. To make matters worse, the people advocating these costs often had little knowledge of the industries in which they worked. There is a widespread view that personnel managers are viewed by line managers and employees as unresponsive, rule-bound, and bureaucratic (Guest and Horwood, 1980).

Today, there is a dramatic environmental change which affects the functions of personnel management. For example, personnel policies in many organizations were based upon an assumption of a homogeneous workforce, i.e., a workforce where everyone possesses the same values, attitudes, backgrounds, sex, and color. This situation is obviously no longer in existence. The wave of women, minorities, and immigrants entering the work force in this decade is bringing cultural diversity into offices and factories. Therefore, past personnel policies do not fit the individualistic nature of today's workforce.

New Definition of HRM

There is little consensus in the literature about the meaning to be attached to the term "human resource management." As stated above, HRM is a term which is now widely used but very loosely defined. It is important to be able to define it and to distinguish it from traditional personnel management. Many authors have attempted to describe it and sometimes it is found that they have used different terms for the same concepts. A very easy way and one very much in fashion is simply a re-titling of the personnel department. Examples are found in many textbooks with new editions containing a change of title without any obvious change in the subject matter.

The second approach argues that human resource management has redefined the personnel function (Beer et al., 1985). Initially it was thought of as a minor bureaucratic necessity in organizations, one requiring little attention and having few consequences for the success or failure of an organization. However, as the environment has changed, so has the role of human resource management. Demographic and economic changes combined to increase frequency of job changes in the population. Many human resources departments began performing more planning and analysis to support top management requirements. To incorporate such management level functions, many personnel departments took on the name "human resource department". In addition to all routine functions, a human resource department includes staff and compensation planning, management and career development, productivity measurement, and turnover analysis (Heisler et al., 1988).

The third approach argues that human resource management is distinctively different from personnel management and tries to offer a new approach for management (Alpaner, 1982).

Tichy in his article indicated that the strategic human resource concepts and tools needed are fundamentally different from the stock-in-trade of traditional personnel administration (Tichy et al., 1982). He, then, tries to link human resource management to general strategic management and describes some current applications of human resource management as a strategic tool in achieving corporate objectives. In other words, the claims to distinguish between human resource management and traditional personnel management lie in the integration of human resources into strategic management.

To compare traditional personnel management and human resource management is quite difficult and has some limitations. One big difficulty is that the field of personnel management has a short and not very glorious history (Frost, 1992). In the past, organizations were concerned almost exclusively with more and better machinery for increasing productivity. They gave little attention to personnel functions. Thus, the situation was that personnel management functions were viewed as a maintenance activity or as a record keeping division. However, some comparisons are highlighted in Table 1.

Table 1 :

Traditional Personnel Management	Human Resource Management
Control-oriented	Self-control-oriented
Reacting to problems	Proactive Plans
Short-term	Long-term
Limited functions	Multiple functions
Bureaucratic/Mechanistic	Organic
Non-protective	Protective of employee rights
Local operations	Multinational corporation
Record keeping	Information resource system
Stable environment	Unstable environment
Homogeneous workforce	Diverse workforce
Rigid roles	Flexible roles
Cost-minimization	Maximum utilization
Cost-centered	Asset-centered

Current Status and Roles

Today's human resource function is considered an integral part of the management process. It is no longer being viewed as an activity managed by only a staff (Walker, 1992). Instead, human resource management is a core management activity that deserves a place on the board of committee and moves into the strategic arena. Top management has become increasingly involved with human resource activities such as staffing, management development and performance appraisal.

Being a member of the management team and dealing with people-related business issues means that the human resource managers assume some new key roles (Roundtree Report, 1987). Some important key roles of the human resource manager include: 1) business person 2) shaper of change 3) consultant to organization/partner to line manager 4) strategy formulator and implementor 5) talent manager and 6) asset manager and cost controller (Frost, 1992).

To achieve the new roles, the human resource department must learn how to play these roles and acquire new competencies. It requires a repositioning of the human resource functions. The human resource people have to prepare themselves, knowing that it is just a matter of time before globalization will touch their careers in one way or another. If they fail to make changes, it is the line managers who will assume the total control of the HR functions and they will lose their professional expertise.

To conclude, one cannot deny that the process of change has come to assume a place in the day-to-day job of the manager. These sorts of change not only change the kinds of work and the organization structure, but also affect the knowledge and skills required to carry out work. Similar to this, a shift of the term from personnel management to human resource management reflects the need to change the traditional pattern of thought and generate a different philosophy and approach to the management of people at work.

As already stated, the human resource function becomes recognized as a central business concern which emphasizes customer-orientation, innovation, enterprise and competitiveness. To achieve organizational goals, people are the key to success. Organizations have to treat the employee resource as a valued asset rather than a variable cost. They have to invest in the labor resource through training and development.

Therefore, the role of the personnel function has to be changed. It should no longer be a fire-fighting function and should not confine itself to the discipline of just performing a routinized practice. The personnel work, instead, has to place more emphasis on positive functions such as imaginative pay schemes, profit-sharing arrangements, and management development. All told, real human resource management is not only a change in the title or terminology but the achievement of real changes in management philosophy and human resource management practice.

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