Human resources are most important asset

Business, Human Resources

The idea of people as a valuable organizational asset has a sound pedigree in the economists’ theory of human capital. It means something specific that is, in principle, measurable. So, for example, human capital can be enhanced by the further investment ofeducationand training, just as the physical capital of a factory can be by modernization. Equally, both can deteriorate through ageing, obsolescence, and neglect.

In its more general use in the management literature, where it has been more or less explicit, this idea tends to get watered down into motherhood statements about people being important to the functioning of an organization. A number ofacademicwriters have nevertheless been influenced by human capital theory and have developed principles for action around it.

Looked at historically, then, the early adoption of the title, human resources manager/director, in a handful of American companies during the 1970s, before any theory of HRM had been elaborated, was probably nothing more than a statement about the importance of people to an organization. By the mid-1980s in the USA, and in the UK by the late 1980s, the more widespread use of such titles harboured larger ambitions.

Matching employment practices to business strategy

The first major theoretical advance came in the classic statement of HRM by Fombrun, Tichy and Devanna (1984). Building on argument that structure should follow strategy or an organization will be otherwise less efficient, two theorists of business strategy extended this to argue that HRM systems should similarly be adapted to match the requirements of strategy.

The key human resource (HR) systems for them were selection, appraisal, development (including training), and rewards. These had the potential to channel behaviour towards specific performancegoals, if they were properly aligned with one another.

In a further elaboration, they introduced the idea of organizationalculture, or what they termed the dominant value. HR practices implicitly or explicitly create characteristic organizational cultures, and reinforce one another insofar as they support a particular culture. As a result, culture becomes the crucial intervening variable. Maple Leafcase study

There is one significant omission from their model, however, which will be all the more evident when we look at the contribution of theHarvardschool to the theory of HRM. They omit industrial relations, or employee relations, as a major focus of managerial activity. Fombrun, Tichy and Devanna are principally concerned with the new labour force (p. 8) of managers, professionals, and white-collar workers – the changing occupational balance in favour of whom is one of the important contextual factors that makes HRM desirable. The focus is on selection, appraisal, development, and rewards almost exclusively in relation to staff.

This omission is symptomatic and can be linked to other elements of their thinking. Compared with the Harvard school, there is little sense that choices might be contested or need to be negotiated. Although they imply culture involves a choice, it is implicitly determined by whatever direction business strategy is taking. Managers are not challenged to reassess their personal values and those the organization embodies – either by other employees or by the authors themselves. Indeed, sometimes there is a feeling that choices are made and decisions taken without human intervention.

Instead, managers can and should make choices about the organizations they want to create; these choices respond to a wide range of factors; and certain choices are preferable from a moral (and, in their eyes, a practical) point of view. Thus, their model is much more inclusive, business strategy, for example, being but one among a number of situational factors (or contingencies). Employee influence is a key area of decision (or choice), and is affected by a number of other stakeholder interests than just management. By the same token, HRM practices have consequences not just for company performance but for the individual and society.