

# The Evolution of HR

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David Ulrich wrote in his influential 1997 book *HR Champions* that “an HR professional from the 1940s would find it difficult to recognise the HR function of the year 2000.” When we look at the HR function today there are various perceptions and misperceptions as to what actually is the field and profession of Human Resources. Many outside the HR profession view HR in a negative light. A well known 1995 article in Fortune Magazine began with the uncomplimentary view of HR as “the last bureaucracy”, the author goes on to say “I am describing of course, your human resources department, and have a modest proposal; why not blow the sucker up?” Ten years later Fast Company ran a cover story titled: *Why We Hate HR*. In the same year *Business Week* wrote an article: *Why HR Gets No Respect*. From the evil Personnel Director in the popular comic *Dilbert* to widely disseminated business magazines it seems that around the world Human Resources is often portrayed negatively. The US based Society for Human Resource Management (SHRM) in 2005 found that worldwide over half (54.8%) of HR professionals said the most frequently encountered obstacle to career advancement was “HR’s not being held in high esteem by the organization.” However, since the Hawthorne Studies, conducted in the late 1920s at the Western Electric Plant in Hawthorne, Chicago, which showed a positive relationship between productivity and the working environment, HR has been evolving.

The current role of HR is often stated with popular buzz words such as ‘Business Partner’ or ‘Strategic Partner’ and the common story is that HR has moved from a functional role to a strategic one. As Barry Leskin of the Business Journal writes “The head of a company’s HR department has moved from a transactional based role reporting to an administrative manager, to being a member of senior management.” However the field of HR is not a monolithic thing. It is not comparable to say accounting or finance which have more easily identifiable consistencies and have evolved in a more linear route. The role of HR as a function within organizations might best be described as a scattergram. Professor Barbara Towley of the University of Alberta writes in a similar way “HRM is a series of seemingly disjointed activities.” However there is change and movement towards strategic human resources management around the world. A 2005 global study by Mercer found that half of all companies were in the middle of changing their HR departments to a more strategic role. And The Economist magazine last December wrote “In the past five years HR has been enjoying the greatest power it has ever had.”

How do professions change? To explore and explain how HR has evolved it may be helpful to go back to Charles Darwin's Theory of Evolution. Many evolutionary theories applied to business draw on the seminal work: *The Origin of Species* by Darwin. Darwin developed and promoted the idea that as various species come into existence certain traits are inherited through intergenerational evolutionary processes. In much the same way, using Darwin's ideas of variation, selection and retention the role of HR can be seen going through an evolution of its own.

In any industry, variation means that new kinds of skill sets, motivations and expectations will emerge among HR professionals. These variations are triggered by environmental changes both internal and external.

These external and internal forces selectively eliminate certain variations and promote one particular variation to be favoured by the selection process. While the variation occurs at the level of the individual, the selection process has impacts on the structure of the workforce of an organization.

Professor Howard Aldrich of the University of North Carolina has developed an evolutionary theory for organizations, and he claims "selected variations are preserved, duplicated, or otherwise reproduced." This can be seen in the spreading of strategic HR practices through geographic regions and industries. Professor Karen Lee of HKUST notes that in particular the banking and finance industries have adopted and retained strategic HR, being closely monitored and followed by other industries. So professions evolve when certain skill sets become more adaptable to external and internal changes. But what are these changes that have been pivotal in the evolution of HR?

### **Technology**

Technology and software have made many of the functional tasks of HR obsolete. This has given HR professionals more time to focus on strategic goals rather than day to day administrative tasks. For example, payroll software has automated many of the labour intensive tasks of previous generations of HR professionals. As Ulrich describes earlier generations of "HR personnel were so involved in the details of pay, pensions and disputes that they had no time for the higher strategic thinking required for the knowledge economy."

Technology is becoming more and more sophisticated. Programmes such as 360-degree performance appraisals value key western management ideals. Much of this software is based on western management techniques, which put a great emphasis on strategic HRM. This type of software requires HR professionals to interpret and be involved with more sophisticated data. From a wider perspective,

increasing expertise is required to work with and develop technology that has created the need for 'knowledge workers', and increasingly HR professionals are required to have more diverse skill sets.

The virtual office has removed the ability to monitor employees in the physical context, instead driving the need to use engagement strategies to maximize productivity.

### **Psychological Contract**

Professor Karen Lee, visiting scholar at HKUST, describes how the way employees are looking at the relationship between them and their employer has changed – the psychological contract. "Loyalty to the organization has been changing in the past 10 years. As companies have increasingly laid off and downsized staff, employees have felt more responsible for their own wellbeing." HR has had to be more strategic in how it attracts and retains the top talent. This can be evidenced in the evolving roles that local companies such as Bernard Hodes are seeing. Chris Ploughman of Bernard Hodes says they have witnessed the evolution of HR in Hong Kong through candidate attraction strategies, more specifically HR's approach to recruitment advertising. In this way, transforming from what could best be described as 'recruitment announcements' to a more holistic approach.

HR professionals invest more time and expertise in selecting media channels and in some but not all cases, more thought consideration and creativity to support them. This has again pushed the profession into a more strategic role.

### **Generational Differences**

Avril Henry, Consultant on managing different generations describes how "the one size fits all, which is the approach taken for decades and managed to get away with will not work anymore." Henry notes, "People talk about Generation X and Generation Y about being disloyal. And it is because veterans and boomers were loyal to their chosen organization and their chosen profession. Veterans in effect have a cradle to grave career with forty years service in the same organization. Gen X and Y would rather poke their eye out with a plastic fork than work at the same place for forty years."

This contributes to the need for HR to focus on retaining and attracting staff and also the changes in 'Psychological Contracts'. When careers lasted for 30 years in the same organization there was not much movement in and out of organizations of personnel. Now with the individuals changing jobs every few years the importance of selecting the right candidate increases.

Henry points out Gen Y are the most tertiary educated generation in history.

As increasing numbers of Gen Y and Gen X study business they are educated in the strategic role of HR as this is taught in most western management schools.

For those who argue that these are not universal changes, Professor Lee argues, "Generational values are more or less the same around the world as globalization takes hold. Employees are increasingly tending to look after their own career development."

### **Knowledge**

As the economy moves closer to the information revolution there is a growing appreciation of the value of a company's human assets. Where the workforce was largely undifferentiated in early factory organization, there was little knowledge of, or interest in, the individual. In a manufacturing economy an employee is rated on how many widgets they can make in a set time period. As work increasingly requires intellectual effort, greater differentiation has arisen generally based on observable factors such as skill, age, performance, behavior, and so forth. Now it is the mind or psyche which is identified as the key to gaining knowledge of performance. This requires more innovative management techniques than in the past.

### **Economy**

Several large scale impacts in the economy have affected HR's role. In the early 90s huge structural change took place after the 1991 recession which required all departments to be accountable for the bottom line. Ulrich writes, "In the 1990's most firms had undertaken productivity initiatives, such as reengineering, downsizing and consolidation. This demanded HR professionals focus on infrastructure and their roles as administrative experts."

Henry notes, "first the big crash in 1991, followed in 1997 with the Asian economic crisis, and in the early part of this decade, at the time of the tech crash, Baby Boomers lost their jobs. Baby Boomers lost their jobs not once, or twice, but three times. For the Boomer generation it was devastating when it happened in the early nineties because they had been loyal, they had worked hard, they made personal sacrifices."

Through the 1980s and 1990s the effects of downsizing, large-scale manufacturing shutdown, legal restrictions on their activities, changing attitudes and symbolic defeats led to a steady decline in trade union membership and collective bargaining arrangements. This reduced HR's previous role as intermediary between management and unions.

### **Legal**

Another dimension in the evolution of HR was the growth in legal regulation of employment relationships. As governments began to enact more legislation to protect workers, HR professionals were responsible in ensuring company compliance with these initiatives. An example of this would be the recent Race Discrimination Ordinance coming into effect in Hong Kong in July of this year. HR directors not only need to be informed of the intricacies of this policy, but have to liaise with legal departments and facilitate education of both their line managers and the organization's associates.

### **Self Awareness**

Another factor driving the change in HR is the increasing self awareness and advocacy within the industry. Partly due to the negative perception outlined above and a need to increasingly define the profession many HR professional bodies have been created and are growing in size and popularity. It is hard to find a country without an HR professional body. In a local context Professor Lee points out; "HRM is gaining currency in Hong Kong by organizations such as IHRM and A-performers, who continue to release studies increasing awareness through various media channels."

### **What now, what next?**

David Ulrich's book *HR Champions* lays out a series of suggestions for HR to be less reactive and have more say in defining their profession. Using Ulrich, David Forman, SHRM advises three main functions of the future of HR:

- To create programmes for recruitment development as a reflection of world-class talent and leaders to support the growth of the organization

- To champion the nurturing of a culture, aligned with organizational strategy, to bring about organizational commitment to ethical practices, lifelong learning and a sense of responsibility to all stakeholders

- To create programmes that will continuously raise the competencies and capabilities of the members of an organization for the overall achievement of the organization.

As all professions evolve it is up to those individuals in it to take an increasing role in defining how this change will impact their jobs. Many companies who keep HR in an administrative function are ignoring the changing nature of work and the current requirements for success. Numerous studies show that companies with a strategic HR function are far more productive and profitable than those who don't.

Now it is time to look forward and further advance HR in the coming decades. As John F. Kennedy once said, "Change is the law of life and those who look only to

the past or present are certain to miss the future.”