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EVOLUTION OF HUMAN RESOURCES MANAGEMENT THEORIES AND ORGANIZATIONAL SUCCESS

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Abstract

Studying the evolution of human resource management (HRM) approaches in the social context is of substantial value. It has been long that interest in the accomplishment of organizational performance via HRM has emerged. HRM models have evolved over the years, but unlike the past theories, the recent theories have emphasized strategic HRM as a basis of competitive advantage. Organizations would accomplish goals that individuals cannot do alone, but this could only be made possible via employee capability, commitment, and productivity. The ability of firm to identify its business needs and its workforce needs, especially for highly productive workforce, is a reflective of accomplished competitive advantage of such firm. HRM modern approaches highlight that strategic HRM are poised to enhance firms' survival and effectiveness through human capital development. It is against this backdrop that the present work hypothesizes that adoption of the modern HRM theories would help the management of organizations adopt the strategies that would guarantee organizational survival and success. It is hoped that the study will enable a deeper understanding of the nature of HRM approaches and its indispensability to the success of organizations.

Keywords: Human resource management, strategic HRM, organizational success, human capital management, talent deployment

INTRODUCTION

Previously, economies of scale, access to capital, and regulated competition were considered sources of competitive advantage, but recent theories have emphasized strategic human resource management as a basis of competitive advantage (Bamberger & Meshoulam, 2000; Delery & Roumpi, 2017). Given the rapid changes in the world today and rapid advances in technology which transform the modern workplace, it has become imperative for the firms to develop strategy that can improve human resource performance which will consequently aid the accomplishment of firm's objectives. This is of great significance, because the ability of firm to identify its business needs and its workforce needs, especially for highly productive workforce, is a reflective of accomplished competitive advantage of such firm. HRM is poised to enhance firms' survival and effectiveness through human capital (Armstrong, 2005).

"Economic success crucially relies on human capital – the knowledge, skills, competencies and attributes that allow people to contribute to their personal and social well-being, as well as that of their countries." (OECD, 2007).

UNDERSTANDING THE HRM THEORIES

Organizations in the era of Industrial Revolution were structured in line with Adam Smith's pin factory with a simple structure (Kaplan & Norton, 2006; Feldberger, 2008). Furthermore, the second Industrial Revolution in the middle of the nineteenth century affected capital demanding industries, which included production and sales as the largest business sector (Kaplan & Norton, 2006). Later, theories discussing accounting related to employees emerged. In the same era employees were considered as assets for organizations (Paton, 1962; Feldberger, 2008). Authors such as Likert (1961) come up with an approach which considered organizational employees as valuable organizational resources (Flamholtz, Bullen, & Hua, 2002).In this period, managing human resource got to a superior degree of significance. Then, the Nobel price winners' Schultz and Becker transcribed their first works on Human Capital and published a theory, which highlighted that investment in employee's education is related to investments in equipment (Becker, 1964; Schultz, 1961).

Furthermore, Hermanson in 1964 introduced a model to measure human resource value in external financial reports (FlamholtzBullen, & Hua, 2002), in which companies started investing in employees' talent, knowledge and skills. In 1967, researchers and academicians took some steps to improve measurement methods of human resources (FlamholtzBullen, & Hua, 2002), it was Flamholtz (1976) that later introduced the theory and measurement of an individual's value to an organization (Theeke, 2005). Given strong international competitiveness and changing patterns of human resource related activities, Human Capital Management was developed, and it became prominent research area. Knowledge of the value of Human Capital is a drive to launch new measures that can be employed to document and state the value attributable to Human Capital within a company (Seetharaman et al., 2004).

Moreover, modern strategic HRM model was advanced by Boxall and Purcell in their book Strategy and human resource management (Palgrave Macmillan, third edition, 2011) (Coyle-Shapiro et al., 2013). The two scholars conceptualize workforce performance as a function of capabilities (the knowledge, skills and aptitudes necessary for employees to carry out their work), motivation (the incentives which employees require to encourage them to perform to the best of their abilities) and work organization (the way that work and organizations are structured so as to allow employees to perform well). This model is expanded by adding employment relations (the policies, programmes and practices which govern the relationship between employees and employers), because employee relationship management is a key responsibility of the HRM function (Coyle-Shapiro et al., 2013). (Refer to Figure 1).

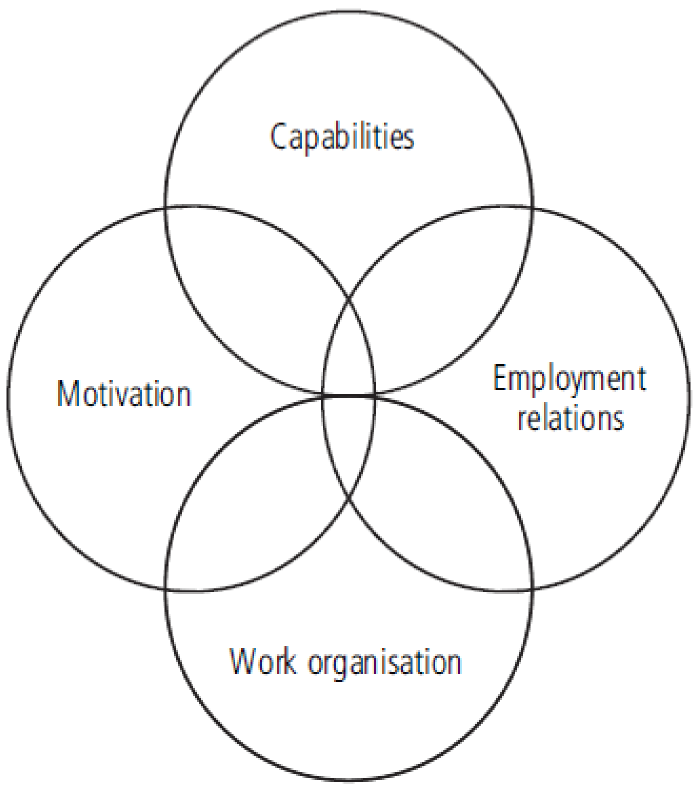

Figure 1: Organizing Framework

Source: Coyle-Shapiro et al., (2013)

Table 1: Previous Studies on Evolution of Human Resource Management

Authors	Summary of Contributions
Adam Smith (1776)	He pointed out the importance and advantages of the division of labor where the production process was broken down into series of small tasks and each performed by a different worker.
Robert Owen (1771-1858)	Industrial revolution
Charles Babbage (1791-1871)	
Frederick Winslow Taylor (1856–1915).	Scientific management (1911) -Mass production -Interchangeable parts -Division of labor This helped to achieve wide tasks in industry.
Elton Mayo (1920)	Human relations movement (1920-60) on production output. Productivity depends not only on the physical environment but also on social norms and personal feelings (i.e. Western Electric's Hawthorne plant). A psychologist focusing on human factor in work-tiredness and motivation.
Harris 1915-inventory model, 1960-70's	Decision models
Charles babbage (1832)	He promoted an economic analysis of work and pay on the basis of skill requirement. Specialization jobs and division of labor began to take place in 1832 onwards.
Charles Samuel Myers (1921)	He was inspired by unexpected problems among soldiers which had alarmed generals and politicians in the First World War of 1914-1918, co-founded the National Institute of Industrial Psychology (NIIP) in 1921. In doing so, he set seeds for the human relations movement.
Elton Mayo (1880-1949)	They referred to stimuli, unrelated to financial compensation and working conditions, could yield more productive workers.
Hawthorne studies (1924–1932)	
Abraham Maslow (1908–1970),	They form the basis for studies in industrial and organizational psychology, organizational behavior and organizational theory, was interpreted in such a manner as to further claims of legitimacy for an applied discipline for employees.
Kurt Lewin (1890–1947),	
Max Weber (1864–1920),	
Frederick Herzberg (1923–2000),	
David McClelland (1917–1998)	
Cornell University School of Industrial and Labor Relations (1945)	Likewise in the United States, the world's first institution of higher education dedicated to workplace studies. The School of Industrial and Labor Relations formed at Cornell University in 1945.
the Society for Human Resource Management (SHRM) (1948)	In 1948 what would later become the largest professional HR association—the Society for Human Resource Management (SHRM)—formed as the American Society for Personnel Administration (ASPA).
Pipko, Simona (2002) & Hale, Henry E. (2014), Joseph Vissarionovich Stalin (1953)	In the Soviet Union, Stalin's use of patronage exercised through the "HR Department" equivalent in the Bolshevik Party demonstrated the effectiveness and influence of human-resource policies and practices.

Table 1...

Cappelli, Peter, (2015)	During the latter half of the 20th century, union membership declined significantly, while workforce management continued to expand its influence within organizations. In the USA, the phrase "industrial and labor relations" came into use to refer specifically to issues concerning collective representation, and many companies began referring to the proto-HR profession as "personnel administration". Many current HR practices originated with the needs of companies in the 1950s to develop and retain talent.
Armstrong, Michael (2006)	"Human capital management" (HCM) is sometimes used synonymously with "HR". "Human capital" typically refers to a narrower view of human resources; i.e., the knowledge the individuals embody which can be used to contribute to an organization. Likewise, other terms sometimes used to describe the field include "organizational management", "manpower management", "talent management", "personnel management", and simply "people management".

MODERN HUMAN RESOURCE APPROACHES

Scholz et al (2007) drew five different approaches to human resource measurement.

A. The cost approach

The cost approach can trace its origins to the cost of production method of Engel (1883), who estimated the value of human capital using child rearing costs borne by parents. However, as Dagum and Slottje (2000) stress, this approach should not be construed as an estimation of individual human capital, as it is merely a summation of historical costs which ignores the time value of money and the social costs that are invested in people. Under the cost-based approach, intangible investments are the costs associated with enhancing the quality or productivity of labour(McCracken, McIvor, Treacy, & Wall, 2017).

B. The market value approach

Approaches which focus on the market value of the firm try to assess human capital by drawing on the organization’s market value, book value and number of employees. The book value of the firm is compared with its market value in order to measure intangible assets. However, as Scholz et al (2007, p4) highlight, ‘Early approximations like the difference between current market value and book value or the relation between market value and book value (for example, Stewart 1997, pp224–5) turned out to be too rough estimations. Moreover, changes in the market value of the firm may be caused by other factors. Therefore, the market approach is best combined with other performance indicators(McCracken et al., 2017).

C. The accounting approach

The accounting method measures the organization’s investment in employees according to five key parameters: recruiting, acquisition, formal training and familiarization, informal training and informal familiarization, and experience and development. This model suggests that instead of charging the costs to the income statement, it should be capitalized in the balance sheet (Hermanson 1963, Chen and Lin 2004). However, implementing such a model has proved difficult, as it requires standardization of measurement practices among organizations and raises complex issues surrounding depreciation in the balance sheet (Scholz et al 2007; McCracken, McIvor, Treacy, & Wall, 2017).

D. The value-added approach

The value-added approach tries to link the value added by employees to human capital. For example, this may involve measuring sales per employee (employee productivity) or profit per employee. However, a limitation of this approach is that the indicators are often linked to sales performance or profitability performance and hence lack a detailed picture of the impact of human capital on different indicators. For example, how does human capital impact innovation outputs rather than sales outputs(McCracken et al., 2017).

E. The human resource indicator approach.

Approaches which focus on human resource indicators attempt to specify the human resource forces that are driving corporate success. This results in a number of key performance indicators and performance drivers, such as annual training hours or the degree of variable payment (for example, Becker et al 2001), which are able to leverage human resource management efforts. Human capital management in this approach is seen as the description, combination and regulation of key performance indicators. This approach connects human capital performance with the company value. If excellent HC management increases corporate performance, it should be possible to identify the directly induced influences on the corporate value (for example, Fitz-Enz, 2000)(McCracken et al., 2017).

KEY AREAS, A MODERN HUMAN RESOURCE MANAGEMENT SYSTEM

In the modern human resource management system, according to authors such as (Abdullah, 2009; Hamid & Osman-Gani, 2011; Ismail, Asillam, & Zin, 2014; Nabi et al., 2016), there are key areas which include:

1) Abor productivity.
2) Human capital.
3) Working conditions.
4) Designing work processes.
5) Labour assessment.
6) Staff planning.
7) Selection, training and certification of personnel.

8) Motivation and encouragement of staff.
9) Income and wages generation.
10) Relationships in a group of employees.
11) Personnel promotion.
12) Personnel controlling.
13) Organization and improvement of personnel.

CONCLUSION

Human resource management theories have evolved over years, but the modern strategic HRM model conceptualizes that workforce performance depends on employee capabilities, motivation, work organization and employment relations (Coyle-Shapiro et al., 2013). Likewise, the recent theories have emphasized strategic human resource management as a basis of competitive advantage. Organizations would accomplish goals or objectives that individuals cannot do alone, but this could only be made possible via employee capability, commitment, and productivity. The ability of firm to identify its business needs and its workforce needs, especially for highly productive workforce, is a reflective of accomplished competitive advantage of such firm. HRM modern approaches highlight that strategic HRM are poised to enhance firms' survival and effectiveness through human capital development (Armstrong, 2005). Overall, it is hoped that the study will enable a deeper understanding of the nature of human resource management approaches and its indispensability to the success of organizations.

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