

Extension Material 2.3

What is the future for HR?

When considering the answer to this question, it is important to understand that it relates primarily to the HR department and the role of HR professionals, rather than HRM, and it is in this context that the debate is continuing. As far as HRM is concerned, there is no equivalent question and debate. As Meisinger (2005: 189) asserts:

The good news is that today the mantra 'people are our most important asset' is not just rhetoric. For most leaders, it's the reality.

Not everyone would agree that each employee has the same value or potential as every other, but the view that employees are critical to organizational success is now generally accepted. In this sense, managing the human resource effectively has become even more important in the twenty-first century because, of all of the resources that organizations utilize, this is the one that is the most difficult to replicate and is that which represents an organization's unique competitive advantage.

Looking for and recruiting the most talented people available, giving them meaningful and rewarding jobs to do in a supportive environment, and developing and utilizing their competences in ways that deliver in whatever jobs they are in, will become more, rather than less, important. But the crucial question for HR professionals is what will their role be in these vitally important areas?

Rucci (1997) holds the view that HR is a profession at the crossroads. While accepting that there are those who believe HR to be on the ascendancy, based on continuing progress in helping to develop innovative people practices that support organizational objectives, he holds a different view: one that sees HR as a separate 'entity' and profession ceasing to exist.

He presents two scenarios for the demise of HR. The first results from HR's failure in:

- promoting change;
- understanding and becoming integrated within the business;
- relating to customers;
- addressing the issue of costs and efficiency;
- emphasizing and ensuring organizational values are 'lived'.

Recent research in the UK suggests that Rucci's 'demise by failure' scenario is a definite possibility. Whittaker and Marchington (2003), for example, found that line managers complained about HR:

- being out of touch with business realities;
- constraining line managers' freedom of action;
- being unresponsive and slow;
- developing policies that are good in theory but which don't work well in practice (i.e. that are lacking material rationality).

Rucci's second, and more positive, scenario for the demise of HR is based, paradoxically, on HR becoming more business-focused, managing change well, developing good leaders, and promoting values. According to Rucci:

the milestone of HR's effectiveness will not be its ability to survive and do these things for the organisation, but rather its ability to transfer these into the responsibilities and accountabilities of managers at all levels.
(1997: 198)

The implication of this position is that HR, *as a source of expertise*, has to move out of centralized departments and into the line, where it is needed and where it will have the greatest impact. This may be achieved through developments in the HR business partner role, which involves HR professionals working directly with designated line managers, or through line managers themselves acquiring this expertise as a result of their own development and the redefining of the responsibilities of line management roles to include explicit reference to managing people.

But where does that leave HR's strategic contribution? It seems increasingly likely that the requirement for a strategic HR plan for the organization, as opposed to a strategic plan for HR, will increasingly be owned by CEOs and other senior managers. This trend reflects the view that HRM is too important to be left exclusively to HR and that this will particularly be the case at the strategic level of activity. As far as the bulk of HR's administrative responsibilities are

concerned, the outsourcing of these to specialist organizations is continuing and is likely to grow in its frequency, with occupational health services, payroll, pensions, and training being the most common HR activities outsourced. This picture is supported by the Department of Trade and Industry's *Workplace Employment Relations Survey* (DTI, 2004), which found that training was cited by 27 per cent of respondents as being outsourced, with 25 per cent citing payroll and the sourcing of temporary employees, and 14 per cent citing other recruitment. Factors influencing the outsourcing of HR administration are likely to be:

- the high cost;
- concerns over efficiency levels; and
- the availability of new technology.

HR departments that retain responsibility for HR administration are likely to be under pressure to reduce the amount of time and resources allocated to this aspect of their work—there is a high opportunity cost associated with this—and to deliver a reliable and efficient service; those that don't, face outsourcing and a loss of credibility.

According to Reilly and Williams (2006), the future of HR is linked to its ability to combine administrative efficiency with operational and strategic effectiveness, and a heightened level of professionalism. They argue that HR professionals have to learn to work with, and through, line managers at all levels, but to do this, they need new skills and capabilities. Where it still exists, the 'old' HR mindset associated with centralization, remoteness, rules, procedures, and regulation needs to be replaced by one that emphasizes the importance of a business orientation, partnership, results, and generating competitive advantage through maximizing the contributions that employees make to the organization. Reilly and Williams suggest that:

HR should not spend too long trying to divine an abstract meaning to their work. Rather, in doing their job well—helping connect people and business—they will be adding value, demonstrating their worth and indicating their USP [unique selling point].

(2006: 49)



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