

## ***The future of HR Management in the 21 century***

### *Roots of the problem*

Today professional community is rethinking the function of HR in the company, and the reason for it is that economic globalization and new information technologies have changed organizations. Today the professional community in Russia as well as abroad has joined the issue in order to answer the question: is there any future for an HR manager? And if yes, what is it like?

It's worth mentioning that the question is not idle. In the context of staff shortage many executives have considered HR to be a Messiah who could salvage the company from the upcoming understaffing and bring wonders to pass by solving current administrative and personnel problems. According to Russian employers' estimates, HR Director has been the sixths in the ranking of 100 most sought-after professions. Among HR Directors' responsibilities are the following:

- Working out internal corporate rules, HR-policies, procedures, tools, etc...
- Working out and implementing the systems of recruiting, assessment, training and career enhancement;
- Introducing motivation systems;
- Carrying-out social programs;
- Providing personnel administration.

But reasoning about this list, we will understand that there is no one distinct function which corporate leaders are trying to allot to HR department, isolating themselves from personnel problems.

The point is that it's not really HR Director who managers people, creates efficient teams, stimulates and assesses employees. All these functions are executed by top- and line-managers, who actually are real people managers.

Does it mean that HR profession is becoming extinct? Not to let this happen we have to give a boost to HR management, gain an insight into the role and the place of HR manager in the company's business success, and work out the new philosophy of the profession.

### *What comprises success of the company?*

Today success of every company is based on three key factors:

- Business-idea, i.e. the product or service which the company brings to market;
- Employees, i.e. the people who are able to produce and bring to market this product or service;
- and Motivation, in other words the desire of the employees to implement the business-ideas, produce and promote the product or service in the market.

In summary, **business is driven by people**, i.e. like people, like business. The key target of every company lies in **attracting** talents and then in **retaining** and **motivating** them for peak performance.

Accordingly, the essence and quality of personnel development have become today the key success factors.

Apparently, employees are no longer ordinary workforce; they are shaping themselves into the key competitive advantage of the company. And poor HR work may disrupt business success.

### *Special nature of human resources*

Although managing people is an essential element of management in every organization, it has its own special nature. The reason for it is that human resources dramatically differ from other resources used by organizations and therefore demand special management approach.

Special nature of human resources is the following:

- Every person is different and individual, people vary physically, psychologically, mentally, in character, personality profile, education, abilities, etc.;
- Human resources are less mobile, it's much more difficult to move them from one place to another when it's appropriate;
- Excess of human resources does the organization harm, lowers its profit;
- Human resources are in the process of continuous interaction with other types of resources, it's impossible to "switch them" on or off when necessary;
- Human resources are able to actively and consciously resist management decisions, and are characterized by low predictability;
- Human resources are able to reason, learn, and improve themselves. They have creative and self-management potential;
- Human resources have a strategic quality: they coordinate and integrate all other organizational resources, play decisive role in the efficiency of their functioning.

### *Business change*

According to a number of specialists, today we witness the formation of new scientific and technical revolution which will change the image of World Civilization to a great extent. The motto of the upcoming revolution is one word: QUALITY.

Changes entailed by scientific and technical revolution are noticeable in many areas, transforming all the spheres of human life. The fundamental changes are in the following areas:

- In production processes,
- In interpersonal relations,
- In organizational structures,
- In how organizations treat the surrounding environment.

### *Production*

Today it's evident that business will soon give up mass production, which was formed as far back as in the nineteenth – the beginning of the twentieth century under the influence of Frederick Taylor and Henri Fayol and with active participation of Henry Ford II. And today this place is being occupied by the new type of production which is called lean production.

This new type of production dramatically changes the goal of manufacturing process. Lean production replaces the traditional task of producing many articles of the same tenor, meeting the requirements of technical specifications, from which the consumer should chose the most applicable. Today the task is to produce given quantity of exact articles, which the given consumer needs and when it is necessary.

In other words we witness the comeback of a craftsman who is was making the required product for the given customer (for example, armor). However today the craftsman turns to be a professional operating a number of machines simultaneously, working in the team of suchlike professionals, who with the help of modern technologies produces tailor-made articles.

The principles of lean production are the following:

- Team work,
- Continuous information change,
- Efficient utilization of all resources available and elimination of waste,
- Continuous improvement.

Therefore today the logic and the technology of production are being changed; they now provide client orientation, which inevitably leads to changing production structure and culture.

### *Humanization of production*

In production relations there is a shift to cooperation of people – “We make a contribution to a common cause”. Today, when market conditions are best characterized by the words “instability because of intense competition”, when only those companies survive that exhibit unprecedented dynamics, we need engagement, commitment, love and passion from the workforce.

How can we achieve it? The answer lies in motivation.

But motivation is not only about money. There are more powerful motivation factors. One of them is confidence, which manifests via deep delegation and empowerment.

The second powerful motivator is training. Training for all employees is becoming an integral part of the organization’s practice in the new paradigm. It goes hand in hand with all the mechanisms of the organization, being the leverage for the principle of continuous improvement.

The third important motivation factor is providing creative opportunities. A human being is a creative creature, therefore it’s important for him/her not to do unreflecting, machinelike, exhausting work. An employee, who is provided with creative opportunities, will excel in his performance. The creative element should lie within the limits of the major organizational issues.

Therefore the concept of employee empowerment has become very popular today. It gives employees full swing and flexibility in decision making related to their actions within the organization and provides them with an opportunity maximize their potential.

### *New theory of organization*

Nobody has doubted that organizational structures play key role in business. Many scientists have offered various solutions that should provide for building “eternal” organizations. As a result of customer-oriented approach in combination with personnel engagement has emerges project style of management. Sometimes it is even called “project lifestyle”.

A project is always focused on a certain customer and exists because the consumer exists. Inside the project its team is created. This team provides for all the processes related to satisfaction of the customer’s demands. The quality system of the project is also built with respect to the demands of this customer. The customer often considers the quality system availability to be a mandatory requirement for making the deal as it guarantees delivery of the product to be reliable and timely and the prices to be acceptable.

### *Organization and its environment*

The market forces us reconsider the traditionally complex relations between an organization and its environment. The world surrounding modern organizations is characterized by several factors, in it:

- Consumer dictates, *what, when, what kind and for what price* he/she wants to buy;
- Competition expands in the market because of its globalization;
- The consumer's demands and market situation change more and more rapidly.

The scientific and technical revolution has revealed the fact that efficient interaction between the organization and its environment is possible only if quality in the broadest sense of the word improves. I mean not only the quality of goods, but also the quality of organization as a whole, which includes:

- The quality of its interaction with the surrounding world;
- The quality of its functioning and management;
- The quality of its workforce.

Why does quality play such an important role in the organization and the world restricting? Because the quality of processes, organization and life is the motivation factor of a higher level than, for example, profit. According to the Maslow's theory of Hierarchy of needs, the need of profit for organizations is the need of the lowest level (without profit organization would die of financial starving), whereas the need of quality is of higher level, it relates to the need of growth, development and self-expression.

### *Basic trends of modern management*

The philosophy of modern management is based on deeper understanding of the leading role of people, formulated by W. Edwards Deming, one of the most consistent crusaders for the new style of management. According to Deming, the key business goal is the prosperity of society on a global basis, which can be achieved by the prosperity of consumers as well as producers via PDCA cycle. To improve the quality Deming suggested the improvement of all processes by means of Shewhart's cycle, which in current literature is often called Deming's cycle. The excellence herein is based on scientific approach and human element.

An important component of scientific approach is that management should be based not on the boss's intuition and awareness, but on reliable data and scientific analysis. This needs authentic and complete information which should be elaborately gathered and thoroughly studied. The second pillar of Deming's system is human element, which Deming believes to be

decisive in high-quality drive. Deming encourages synergetic team-work, in other words when the results of the whole exceeds the sum of its parts.

Another characteristic of the new management style is the shift of responsibility for underperformance and low quality from the performer (worker, engineer, etc.) to the manager. One of the leading gurus of quality assurance Joseph J. Juran showed it by means of 85/15 rule, which states that eighty-five percent of organizational problems are caused by system failures, therefore managers are responsible for them, and only fifteen percent are caused by human factor, i.e. being the fault of the performers themselves. Deming was analyzing this relation up to the last days of his life and shortly before his death found that it is the following: 98/2.

In summary, the key trends of modern management are the following:

- To make scientifically grounded decisions based on complete and sound information, gathered and processed according to modern insights (including statistical approach to data gathering and processing);
- To eliminate autocratic management and convert to leadership;
- Deep and complete delegation on all levels and the related empowerment;
- Long-life learning;
- The work of the whole company is based on the principle “We make a contribution to a common cause”;
- Managers are nearly hundred percent responsible for the functioning of the system.

### *The future of HR*

Summarizing abovementioned, the role of HR in the 21 century should dramatically change. HR should focus on helping the top-management of the company to choose the best personnel strategy. The goal of HR-management in the new reality is to strategically develop human resources which are the only competitive advantage of the company, and professionally adjust them to the demands of modern business.

HR should create value for the company, and HR director should become the leader of “revenue center”. In other words, HR specialist is becoming a business-partner of the leaders of the company. First of all HR function should actively work to solve common issues for the organization and its workforce: building project teams, developing group competences, managing information flows, strengthening corporate culture, etc. – the issues which are aimed at achievement of the final objective of any organization: quality.

The future of HR is in development of its strategic importance. To be a strategic function means:

- Participate in the development of the company's market strategy and the rapid adaptation of the organization to strategic games;
- Understand the business of the organization, including financial aspects;
- Contribute efficient issues on managing the company on the whole.

### ***References***

1. **Frederick Winslow Taylor** *The Principles of Scientific Management* – translation into Russian by A.I.Zak, with foreward by E.A.Kochergin;
2. **Henri Fayol** *General and Industrial Management* – translation into Russian;
3. **Richard J. Schonberger** *Japanese Manufacturing Techniques: Nine Hidden Lessons in Simplicity* – translation into Russian. Under the editorship and with foreward by L.A. Konoreva;
4. **Peter N. Senge** *The Fifth Discipline. The Art and Practice of the Learning Organization* - translation into Russian;
5. **William Edwards Deming** *Out of the Crisis* - translation into Russian.