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## The evolution of human resource management: past, present and future

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### **Abstract**

*Every generation has its challenges. It really problems and achievements are made larger than those of the past. Today, modern business seems to be complex and a greater degree of difficulty to manage the enterprises compared with long ago. Human resources have played an important role in any period in the organization to manage it better. At the end of the 19th century, the transition of the economy from the agricultural economy to industrial economy, began to take importance of human resources management in organizations. During this period began the first studies in this field. Also, human resources acquainted with another term as was the management of personnel. During subsequent periods the human resources took a crucial role in the organization. Today, we are facing a debate whether human resource management will have the same philosophical approach or we are in a new phase of development of human resources. In the 21st century, human resource management in organization is focused on managing its talent. How important is the organization's focus on these talents? What kind of employees organizations need in the future? So, the aim of this study is the observation of the evolution of human resource management and forecasting for the types of employees for coming years.*

Keywords: personnel management, human resource management, talent, talent management, evolution HRM

### **1. Introduction**

Today's economy is oriented towards technology and knowledge. Organizations compete with each other by the quality of the products and services they provide. The focus has shifted to human resources as organizations that have a competitive advantage. In today's economic world, people are the greatest organizational asset. Through the role of human resource management to achieve other organizational assets managed. Not only today, but also centuries ago the role of human resources has been evident for a further development of the factory, industry, territorial expansion through its wars, etc.

Every generation has its challenges. It really problems and achievements are made larger than those of the past. Who are the reasons that have occurred these changes? In fact, some of the reasons are environmental evolution of the business, political changes, technological developments, demographic changes, increasing the level of training and education of the workforce, legislative changes, changes in the labor market, globalization. These changes have

made possible the development and changing practices and conception in relation to the management of human resources in organizations.

Today, modern business seems to be complex and a greater degree of difficulty to manage the enterprises compared with long ago. In the ancient world, many people were organized to build the great pyramids, castles and irrigation systems. One of the most important catalysts for the emergence of HRM developments came from thinking strategically about how businesses will need to adapt to change and survive in different time periods. Here arises question mark on the role and function traditional personnel management, approaches to human resource management in organizations and human resource management in this new century. Although HRM is basically mean to replace traditional management personnel, but with substantial differences, both these approaches have much in common.

In any period of time necessarily arises the need to manage the workforce. Since the ancient times to our days the ways of managing human resources have changed. Do these changes have brought increased realization of organizational goals effectively and efficiently? Does it continue to be so important human resource management in organizations? What will be the new focus in relation to that? What will be the new interpretation and conception of human resource management? What kind of employees will be oriented organizations in the coming years? Referring to the challenges and question marks raised, organizations should be oriented and anticipate developments and dynamics of change. This study will be focused in Albania. So, the aim of this study is the observation of the evolution of human resource management and forecasting for the types of employees for coming years. The objectives of this study are:

- a. To review the evolution of the concept of human resources since its birth until the present time.
- b. To analyze the type of employees who predict the organizations for their future needs.

## **2. The methodology**

A review method will be used. The aim of this study is the observation of the evolution of human resource management and forecasting for the types of employees for coming years. The objectives of this study are (1) to review the evolution of the concept of human resources since its birth until the present time and (2) to analyze the type of employees who predict the organizations for their future needs.

The collection methods and data analysis is based on primary and secondary sources. As a primary source is used qualitative method. There were interviewed 8 human resources manager of various organizations in Albania. The subject of this research and its epistemological underpinnings align it with a qualitative approach because the focus is upon developing new understandings and possibly new theory (Creswell 2003). The secondary source, refer various publications that have been made in this area about empirical studies and various academic debates. These publications have been published in various journals, conferences, and through books.

### 3. Personnel management

In the 18<sup>th</sup> century, the society was largely an agricultural economy with limited production. The number of specialized crafts was limited and occurs in a small area. Channels of communication were limited. The industrial revolution marked the return of the economy from agriculture economy to industry economy. In the industrial system the works were simple and required fewer skilled workers. Each employee dealt with part of the process: an employee make chair legs, prepare another seat, and so on. By the late 19<sup>th</sup> century, the size and complexity of new industries require more sophisticated methods of control and organization. Modernization and growth means that gave way to develop communication industry. Departments were created to observe workers, wages, welfare and other related issues. This led to the emergence of personnel management major task as workers, salaries and benefits, keeping the workers for a long time, housing and health care workers. Also, employees working in industries or factories subjected to long working hours and pay much less. With unrest growing, worldwide workers began to protest and this led to the creation of labor unions. Personnel management studies begin in 1900 in United States. The father was Frederick Taylor's scientific management (1911). Taylor replaced random rules accurate measurement principles. He was among the first to emphasize the prediction of behavior and encourage the use of training and other techniques to influence work outcomes. Taylor identified the skills needed for a particular job and employ workers the right to carry it to the required standards. Employees were rewarded with a "differential piece rate", pay system that awarded work output. Many managers took on the ideas of Taylor, often without the pay incentives. He suggested "one best way" to perform tasks. Although Taylor published his ideas as a success, the reality was threats of industrial action, redundancies and disgruntled management.

Typical functions of personnel management in the organization are very broad and include advice on activities such as recruitment and selection, performance appraisal, training and development, pay and pension systems, industrial relations, and so on. These are all critically important functions which operate on two levels. At an operational level, all these have to perform as part of the daily activities of the organization. While as a strategic element, they can be integrated into the overall objectives of the organization. At the operational level, staff will be responsible for the daily administration and management. At the strategic level, an important issue could be the question of how much should be invested in training, given the direction in which the organization is going and what it wants to achieve. Some researchers have suggested that the role of staff in the organization in the past has been functional and reactive, rather than pro-active and then it was a strategic (Torrington and Hall, 1995, Hendry, 1995). So the role of staff is seen as operational, rather than strategic.

### 4. Human resource management

The human relations movement began to grow in the 1920s with Elton Mayo and the famous Hawthorne experiments (1930). This shifted the view of managing people away from mechanical principles of scientific management and towards a new approach was the observation of behavior as satisfying the social needs of workers. The results of the Hawthorne approach taught managers that concern for people did not mean lower production, but the opposite.

The human relations and human factors approaches were absorbed into a broad behavioral science movement in the 1950s and 1960s. This period produced some influential theories on the motivation of human performance. For example, Maslow's hierarchy of needs provided an

individual focus on the reasons why people work. He argued that people satisfied an ascending series of needs from survival, through security to eventual ‘self-actualization’. In the same period, concepts of job design such as job enrichment and job enlargement were investigated. It was felt that people would give more to an organization if they gained satisfaction from their jobs. Jobs should be designed to be interesting and challenging to gain the commitment of workers – a central theme of HRM. Other theories also emerged as Theory X and Theory Y (McGregor, 1960); Herzberg's Motivation Theories (Price, 2007).

The term of human resource management was being used by Peter Drucker and others in North America as early in the 1950s without any special meaning, and usually simply as another label for personnel management or personnel administration. By the 1980s, however, HRM had come to mean a radically different philosophy and approach to the management of people at work (Storey, 1989) with an emphasis on performance, workers’ commitment, and rewards based on individual or team contribution, differing significantly in all of these from the corresponding aspects of traditional personnel management.

Human resource management is defined as a system of activities and strategies that focus on successfully managing employees at all level of an organization to achieve organizational goals (Byars & Rue, 2006). People management occurs as a process. The process of analyzing and managing an organization’s human resource needs to ensure satisfaction of its strategic objectives (Hellriegel et al, 2008). The policies and practices involved in carrying out the human resources aspects of a management position, including recruitment, screening, training and appraising (Dessler, 2007). So, another way, human resource management can be defined as that part of management that deals with:

- All decisions, strategies, factors, principles, operations, practices, functions, activities and methods associated with managing people employed in the organization.
- All dimensions related to people in their working relationships and all dynamics derived from it.
- By adding value to the delivery of goods and services and the quality of work life for employees, thereby helping the organization to ensure continued success in dynamic environments

## **5. Difference between personnel management and human resource management**

Debate about differences between personnel management and human resources management continued for a long time. The personnel management is often considered an old-fashioned name for human resource management and in some organizations may be little difference between personnel management and human resource management. But HRM can also mean a certain philosophy of the role of HRM in organizations, and how people are developed and nurtured to achieve organizational goals.

Torrington (1989) suggested that: “Personnel management has grown through assimilating a number of additional emphases to produce an even richer combination of experience. HRM is no revolution but a further dimension to a multifaceted role”. The conclusion based on interviews with HR and personnel directors reached by Gennard and Kelly (1994) on this issue was that “it is six of one and half a dozen of the other and it is a sterile debate”. According to Armstrong (2006), “HRM is regarded by some personnel managers as just a set of initials or old wine in new bottles”. It could indeed be no more and no less than another name for personnel management, but as usually perceived, at least it has the virtue of emphasizing the

virtue of treating people as a key resource, the management of which is the direct concern of top management as part of the strategic planning processes of the enterprise. Although there is nothing new in the idea, insufficient attention has been paid to it in many organizations (Armstrong, 2006).

But, other authors emphasize the fundamental difference between the personnel management and human resource management. Whether or not there is a difference between the two, there is no doubt that major changes have occurred in the nature of labor markets, the global economy and organizational forms over the three decades (Ashton, Maguire and Spilsbury, 1988). These changes may well have influenced a new approach to people management driven by the needs of business to become more cost-effective. This change is thought to have brought about the development of Human Resource Management as a completely new approach to people management (Storey, 1991). The sources and reasons for these changes in labour markets, the global economy and organizational forms are identified by Ashton, Maguire and Spilsbury (1988) as (i) the incorporation of British firms within the growth of global product markets, (ii) the relocation of capital, (iii) the increasing industrial concentration in parts of the service sector, (iv) the introduction of new technology and political change. A further factor identified below which explains the pressure for change is the increased competition faced by business organizations following the early 1980's recession. Public and private sector business's struggled to cut costs and increase their competitiveness during and after the 1980s recession. In order to do this it was recognized that the bureaucratic organizational structures and coercive control culture that had restricted employee autonomy and responsibility for so long had to be removed (Peters and Waterman, 1982).

Guest (1987) shows a model of HRM that is commitment based, which is distinct from compliance-based personnel management. According to Guest, HRM is:

- linked to the strategic management of an organization,
- seeks commitment to organizational goals,
- focuses on the individual needs rather than the collective workforce,
- enables organizations to devolve power and become more flexible,
- emphasizes that people as an asset to be used positively by the organization.

Table 1. The differences between personnel management and human resource management

<b>Criteria</b>	<b>Personnel</b>	<b>Human Resource Management</b>
Time and planning	Short-term, reactive ad hoc marginal	Long-term, proactive, strategic, integrated
Psychological contract	Compliance	Commitment
Control systems	External	Self-control
Employee relations	Pluralist, collective, low trust	Unitarist, individual, high trust
Structures and systems	Bureaucratic/mechanistic, centralized, formal	Organic, devolved, flexible
Roles	Specialist/professional	Largely integrated into line management
Evaluation criteria	Cost minimization	Maximum utilization (human asset accounting)

**Source:** Guest, D. (1987)

## 6. Future Human Resource Management: Talent Management

Above, Human Resource Management is treated as a process that brings people and organizations together in order that the goals of each are met. This is a part of the management process which involves the management of human resources in an organization. It strives to provide the best out of its people earning their wholehearted cooperation. In short, HRM can be defined as the art of reincarnation, developing and maintaining competent workforce to achieve the goals of an organization in effective and efficient way.

Every employee in the organization can maximize its potential, so that organizations can maximize its efficiency. The challenges today of HR managers is in the recognition of talent and nurture it with care to achieve significant gains in productivity over a period of time. The organization is nothing without skilled workers. Different organizations have different resourcing challenges, draw on different labor markets and operate on different timeframes. In order to continuously create value for the organization and maintain competitive advantage, organizations must proactively manage its human capital. This includes identifying, selecting, developing and retaining capable employees whom demonstrate skills and realize more productivity and higher incomes. Thus, the achievements of these employees inspire others to high achievement. Furthermore, organizations should be careful in investing in employees. It should be based on the contribution of their current and projected company. It also mandates the identification of key organization positions and the positioning and development of quality backups for these positions.

How are identified in the literature workers with skills? How will identify the talent employee talent? The term "talent" is defined across different sectors in different ways and organizations may prefer to adopt their own interpretations instead to accept a universal definition. Williams (2000) talent is the description of those people who regularly show their skills and outstanding achievements over a range of activities and situations or in a specialized area of expertise and close; consistently show high level of competence in the areas of activity that strongly suggest transferable, comparable skill in situations where they are yet to be tested and proved to be very effective. Talent consists of those individuals who can make a difference to organizational performance either through their immediate contribution or in the longer term indicating a higher level of their potential. Shoemaker and Jonker (2004) define talent as above average gift-ness towards a task through which an employee creates added value in his or her work. Rothwell & Kazanas (2004), recommend that organizations manage talents strategically by adopting a holistic approach. This will involve a process of linking organizational strategy with a clear talent management strategy.

Talent management is becoming increasingly complex to identify its exact meaning, due to confusion about the definitions and conditions and numerous assumptions made by authors writing about talent management. The famous phrase "war for talent" presented by a group of consultants McKinsey in the late 1990s has sparked interest around talent management. Talent Management has officially born and gained popularity when McKinsey publish research "War for talent" in 1997-1998 (Chambers et al, 1998). During the last two decades of talent management has become increasingly controversial topics. The best talent is available to fight, at the time when the need for talent is growing, companies find it difficult to attract and keep the best people. In literature, it has experienced a significant increase, especially in recent years. Scholars, researchers and academics point out that there is no clear definition of talent management. Understanding the exact talent management is difficult to identify due to confusion

regarding definitions, terms and numerous assumptions within the literature (Lewis & Heckman 2006). Although, there is confusion, some authors have found definitions related to talent management.

Referring Michaels et al. (2001), talent management is concerned with attracting, developing and retaining talented individuals in the organization. Lockwood (2006) defines talent management as: implementation of integrated strategies or systems designed to increase productivity in the workplace by developing improved processes for attracting, developing, retaining and utilizing people search for skills and aptitude to meet current and future objectives of the business. In accordance with Cheese et al. (2008) talented organizations are adept at defining talent needs, various discoveries of talent resources, the development of individual and collective talents of the organization, deployment of talent in ways that engage people to achieve objectives. When these talent management skills are highly integrated, in line with the business strategy of the organization and embedded in its operations, constitute a particular organizational capability and a sustainable source of competitive advantage (Cheese et al., 2008).

Talent management aims the implementation of integrated strategies or systems designed to increase productivity in the workplace by developing improved processes for attracting, developing, maintaining and utilizing people with the required skills and aptitude to meet current needs and future business. Collings and Mellahi (2009) define talent management as activities and processes involving the systematic identification of key positions that differentiate the contribution in favor of the sustainability of competitive organization, developing a team with high potential talent and perform functions high to fill these roles, and developing a differentiated architecture of human resources to facilitate the fulfillment of these positions with competent individuals and to ensure their continuing commitment to the organization.

There are debates whether talent management is “new wine in old bottle”, compared with HRM. These debates today are present to discussed and interpreted whether talent management is part of HRM or a new discipline. Lewis and Heckerman (2006), argue that the definition of talent management as a collection of HR practices may be similar in human resource management (HRM). It is clear that talent management is built in several activities related to HRM, such as recruitment and development (Storey, 2007). However, the difference between talent management and HRM consist in strategic perspective to be used in talent management to identify major works, identifying, attracting, developing, deploying and retaining talented individuals who can meet the main works, and thus to contribute to the company's sustainability competitive advantage (Collings & Mellahi, 2009; Michaels et al., 2001).

Thus, human resource management has an important and crucial role to play in organizations in the new economy. The role of the HR management has changed in response to the environment depending on the social, economic, political, conditions and advances in technology and it is still developing dynamically. The relative importance of many activities has changed from the external environment affecting the needs of organizations and it is still a dynamic area where roles and ways of organizing the HR function continue to change and evolve. This can help us to understand the diversity of roles that have in the organization. The most important roles are to review current issues that will consider the development of human resources in the future. To fulfill this role, organizations will need to assess their existing human resources, focused to skilled human resources with the best, otherwise known as Talent.

## 7. Findings and discussion

Today, the debates are focused on the needs of current and future workforce. The quality and competence of employees in the organization create continuity and success of the organization in the market. The dynamics of development is too large and continuous variability. The pressure for organizations is increased about forecasts and evolution of the market for their product or service. Also, the organizations have even a prudent forecast for the future workforce. The demographic movements, globalization, level of qualification are several factors that influence the prospects for employees.

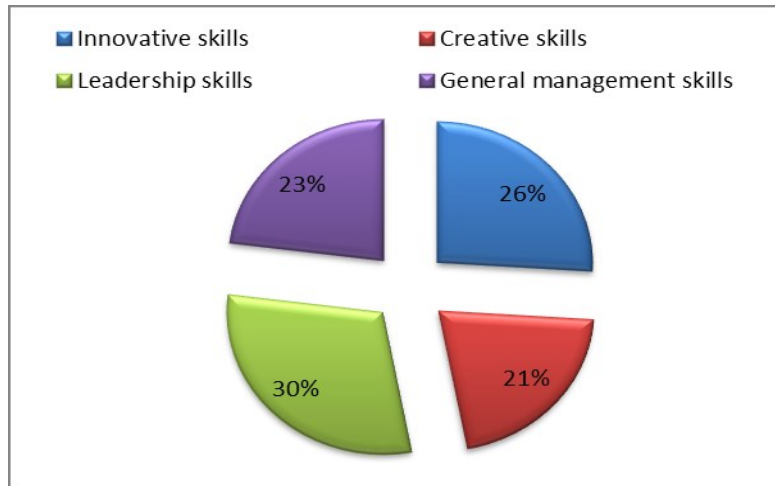
This study focused on interviewing 8 human resources manager of various organizations in Albania. The data were collected through qualitative method. All managers were asked for same set of questions. The purpose of these interviews was to predict the kind of workforce the organizations need in the coming years.

In this study noted the role of the most important employees in the organization. These employees should have some distinctive skills on the pool of other employees to guarantee the success of the organization. Often, these employees in the literature know as talents. The importance of talent management as a source of capability development is seen to be even more important in the current context because of the global skills shortage which is a widely accepted phenomenon (Leape, 2006).

All managers accept that more than ever must need employees distinguishing ability on other workers. Reasons about focusing on these employees are numerous starting from the impact of the financial crisis, globalization, increasing levels of competition, technological changes and the trend towards knowledge. Knowledge is presented as a necessary element for quick adjustment to changes in the market organization, to further advance the organization's benefits and sustainability of the organization in the market. About 75% of managers stated that the priority of them were employees who carry knowledge. The worldwide 21<sup>st</sup> century refers to knowledge economy. Each product and service is the result of knowledge. Increasing the level of education, qualification level rise and increasing access to information have made society more oriented around the knowledge.

The types of skills to need for the organization to achieve short and long term of objectives over the next five years are as in figure 1.





*Figure 1. The required skills*

*Source: made by authors*

By referring to the figure 1, the skills required during the next 5 years organizations have expressed the basic two criteria. The first criterion is related to the missing skills in the organization and the second criterion refers to the capabilities required to achieve future goals. Among the skills required in organizations are leadership skills. These skills have seen to face competition and to occupy an important weight in the market. Also, innovative ideas are priorities for future periods, bringing improvements in existing products and bringing new products. These capabilities are intended to increase the current level of profitability. While two other skills, such as general management skills and creative, further improvements are seen as ensuring organizational effectiveness and efficiency.

Human resource management has a determining role in the organization. All organizations recognize that their strategy of human resources comes from the overall organizational strategy. Human resource strategies are oriented more toward employees with leading the company. Talent management is recognized in the range 75% of the organizations that will focus on it and it will be extremely important for the progress of the organization. The reasons have to do that talented employees have the knowledge, they are flexible, they are innovative, creative, specialized in a particular field, etc.

## 8. Conclusions

Today's economy is driven by technology and knowledge. Organizations strive to continuously improve their products and services. This is achieved through human resources. These sources today are not only vital factor to success of the organization and even years ago played a key role. Since ancient times human resources has been important. By the ancient times until now, human resource management has changed. Around the 18<sup>th</sup> century the economy was agricultural. The 19<sup>th</sup> century took place in many industries. During this period also began the first studies in the field of human resources. Employees worked long hours without labor conditions, low wages, the unprotected. Frederick Taylor was the father of the science of management during the period of his study "a best way". Industries began to grow by hiring more workers. Also, employees were not satisfied with the conditions in the work. Some authors with their studies threw light on how to better run labor force by labor provided efficiently. Little by

little, the human resource management appeared, used for the first time by Peter Drucker. Employee management philosophy had changed much. Workers have better working conditions, wages and higher rewards by sending employees to motivate and express the maximum contribution for the realization of the required performance. Also, the important was to put the right employee in the right place. Some authors consider personnel management as the old mode of human resource management. In fact it does not, as human resource management varies widely with staff management. The changes consist in philosophically to treating employees.

Today, we are before a debate about how to develop human resources in the future. Researcher and author are focused on talented people. Talent person refer to individuals showing skills in achieving results of individual and organizational performance in achieving the meet of required objectives. Talent management began to emerge for the first time about the 90s where McKinsey publish research “War for Talent” in 1997-1998. In literature there is no clear definition of talent management. Different authors give different interpretations. In short, talent management is concerned with identifying, attracting, developing and retaining them in the organization. Also they should be included and integrated into other organizational processes. Managing talent in organization will provide these organizations competition with a fast changing external environment. The debate consists in terms of treatment if talent management is part of human resource management or soon it will not be part of human resources. Some authors argue that it is part of human resource management. However, the difference consists in strategic perspective that uses talent management to identify, attract, develop and retain talented people.

To predict future performance, organizations need the right types of employees for the following years, I have done a study in Albania. I analyzed 8 organizations through interviews. The study revealed the trend towards talented employees. About 75% of managers stated that the priority of them were employees who carry knowledge. According to the types of skills that are expected for the coming years are: leadership skills (30%), innovative skills (26%), general managerial skills (23%) and creative skills (21%). These skills are defined by criteria such as the lack of current skills and abilities provided to achieve future goals. The role of HRM plays a crucial role in the organization. Talent management estimated 75% that will be important for future periods in the organization.

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