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Económica de la Empresa PROF DR. DR. SANTIAGO GARCIA ECHEVARRIA

THE ROLE OF HUMAN RESOURCES MANAGEMENT IN THE NEW BUSINESS DESIGNS

Problematic of its Internationalization

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I. INTRODUCTION

Traditionally, during many decades, the HR manager, generally has played a minor role within the firms' management. Among the most prevailing reasons, we find:

- * The strong public regulation, in those issues concerning with the social and labour domains in the companies. As a consequence, a legal-oriented perspective has been developed within those firms.
- The constancy and long persistence of technological and organizative systems in corporations, has arisen an administrative oriented HR department. Thus, the domain of HR

administration, has undoubtedly been, the basic orientation of this area.

The low market competence has obviously helped the related administrative orientation.

- * The companies' success key has not been identified in the HR ground, but in the creation of efficient functional structures. Human resources has been observed as minor elements in business success processes.
- * The Spanish economy has traditionally suffered a severe public intervention. In the last 40 years we may appreciate this great difficulty in the markets' opening, as a consequence of a strongly developed shared value system, influenced by the state's interference, as the regulatory body of economic and social issues.

These points have resulted in:

A "legal" dominance

- * A great resistance in behaviours, as a consequence of the lack of knowledge and experience about competitive and open markets, and the new corporate designs.
- * Trade unions have not been capable to assume the new competitive realm and the difficulties to adapt to them.
- * The lack of confidence on the human being, coming as a result of the minor role performed by the HR.

In this moment, the Spanish economy is facing a significant change, not occurred until the last years. It is precisely in this moment when a relevant institutional revolution is taking place; which implies for the first time, the acceptance of an open and competitive economy. Thus, those institutions need to develop new flexibility -oriented methods and step up economic and social processes, as well as, institutional and individual behaviours.

So we can observe how increasing competence characterises, increasingly, companies' evolution. The answer to this constant change reality in the business concept needs a:

* Growing dynamics in technological innovation

- Increasing collaboration schemes with other companies, creating new outsourcing channels.
- * Increasing europeisation, when not globalization of business activities
- * A greater link between the HR managers and the business activity

The implementation of all these topics require a cooperative perception of the company, focused in the reduction of coordination costs through a corporate culture development. Corporate culture should coordinate more efficiently company's inwards, together with creating a corporate image to reduce coordination costs with the environment. Both cases deal with the creation of capital confianza.

As a consequence, a company should be understood as a value set, that will permit:

- * To define the institutional dimension through Corporate Philosophy.
- * HR strengths' knowledge through information disposal about the corporate culture.

Just, after the correct definition of both criteria, we can establish those guidelines defining delegation and decentralisation areas with lower coordination costs. These values' management, doubtlessly is becoming one of the main function of HR managers.

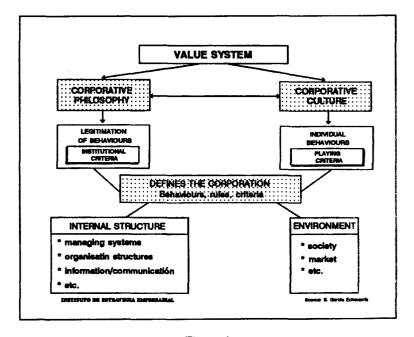


Figure 1

Only through the defined corporate design, we will be able to proceed efficiently when defining:

- * Company's management structures
- Company's corporate marketing

That is why, for the first time in the Spanish history, management is considered as a key strategic factor to assure a company's competitivity, starting to give primacy to HR management.

II. THE MANAGERIAL FRAMEWORK OF SPANISH FIRMS' HR EVOLUTION

Today's dominant framework in the HR evolution in Spanish firms is defined by the following parameters:

- * A low productivity
- A low corporate integration, and consequently, large motivational difficulties.
- * The necessity to a HR orientation, more than to functions.
- * An inadequate rewarding system
- * Very hostile industrial relations.

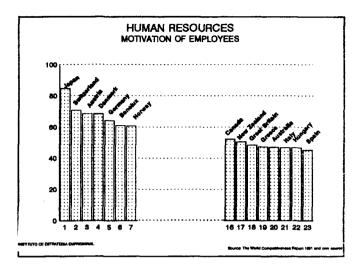


Figure 2

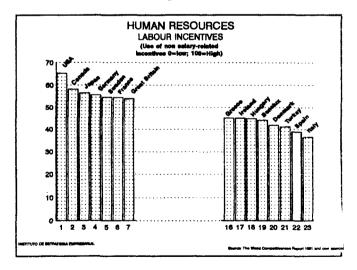


Figure 3

We may appreciate, as a reference, how the international comparison (1) shows not a good position of the Spanish corporation in terms of human behaviours. Therefore, motivation, rewarding structure, industrial relations, i.e., are among the last places within the industrial relations context.

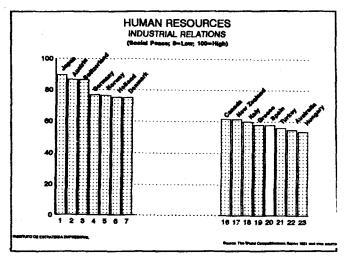


Figure 4

We may find a logic answer to this issue if we observe the set of values applying to the human being in the Spanish and German corporate

^{1.} The World Competitiveness Report 1992, ed. World Economic Forum, 1992

cultures⁽²⁾. We may appreciate that the German corporate culture is strongly aimed towards the human being in their integrative designs, is not the same in Spanish corporate culture, with an instrumental dominance.

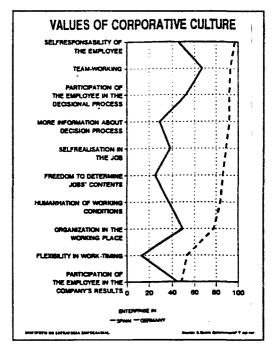


Figure 5

del Val Núñez, M.T., Cultura Empresarial y estrategia de la empresa en España. Su realidad actual y su diseño del cambio. Ediciones Rialp, Madrid 1994

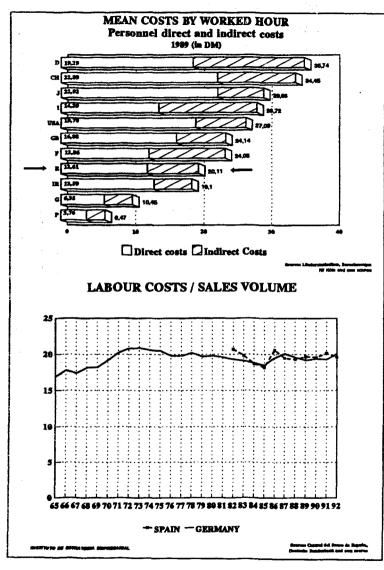


Figure 6

As a consequence, Spanish labour unit costs are as expensive as those in the Federal German Republic⁽³⁾. Although, the comparison between the total labour costs in the two countries, shows how Spain represents, just a 60% of the German total labour cost.

The same fact could be applied to business profitability in cashflow terms. This ratio shows how the Spanish firms are far from the minimum return to answer properly to change processes both in the technological field as in the opening of the economies and markets.

At the same time, social pressure is expected to grow sharply in the coming years, as a consequence of the lower incomes per head compared with our partners in Central Europe. Spain suffers, as well, a low disposal of social benefits within the European Union.

The adding up of low rewarding together with a scarce body of social benefits, carry up a situation marked with conflicts and antagonism in the HR area, that arise necessarily a new orientation. Thus, companies have to adopt a greater protagonism designing their own HR integration processes, as well as a greater participation in the design of their own social benefits in order to achieve:

* A greater efficiency in the Spanish social system

Véase Deutsche Bundesbank, Monatsberichte, de diferentes años y Banco de España, Central de Balances, de diferentes años.

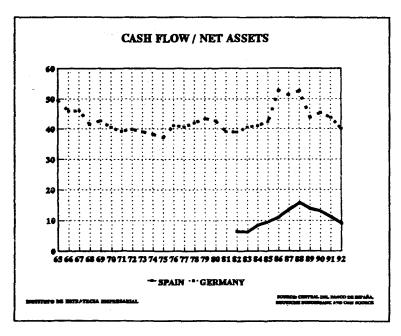


Figure 7

* Firms' capability to identify and integrate the human being in their institutions

Which implies, as well, a new institutional design for the Spanish trade unionism.

Thus, human resources and companies face the following trends:

- * The necessity to adapt to institutional change processes, and, as a consequence, improve significantly productivity levels.
- * Company's competitivity acceptance, in those fields related to its own designs and to its environments.
- * The necessity to deregulate the social and labour legislation, in order to achieve enough flexibility.

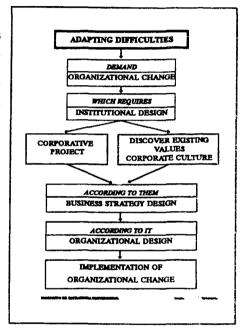


Figure 8

- * The necessity of a radical behavioural change both in the employees as in the company and its managers.
- * The necessity of an institutional change in society

And, as we will perceive from the empirical research's results, the Spanish HR manager is conscious about the need to integrate the employees in the corporate project, as the key point in the new corporate designs. So the Spanish manager face the problem of how to implement this changing process.

From the companies' point of view, the new institutional and organizative designs are based in the human being. Logistics, Total Quality Management, or Lean Management require, basically, a complete personnel integration, and a special attention to employees in the way they implement and develop their activity. Achieving, as a consequence, responsibility and flexibility in the adapting processes. The human beings are the key in business processes, and this requirements have to be fulfilled.

Thus, we consider, that the existing organizative designs, based in a taylorist work division, and a Maxweberist sociologic power sharing, which create rigid structures, should be modified. We should pass to a new organizative design resting in the employees' value system and in the great capacity of modern information technology to determine

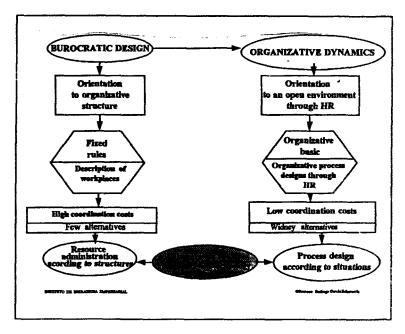


Figure 9

business processes and their permanent change. In this point, we should introduce the role of the HR manager in the company. Therefore, we will analyse first, "who" is the HR manager, as well as the role of the HR department in Spain, comparing them to those in the German, British and Slovack cultures.

III. THE HR MANAGERS IN THE COMPANIES

The HR manager in the Spanish company is a person dominantly in his forties or fifties. An 18% are older than fifty years, which expresses the given generational change in Spanish companies in the last 4 years, as just a 9% are less than thirty years. This means that the HR manager in the Spanish company faces, supposedly, a fifteen years long professional career, as a 73% of the studied HR managers are between their thirties and fifties.

At the same time, the actual HR managers have dealt with their positions during more than five years (47,5%), and, near a quarter of them have entered their posts in the last three to five years. Similarly, the German HR managers stand for a long time at their posts, while in the UK and the Slovak Republic the rotation level is much greater.

As we may observe in Figure 12, the HR manager is Spain has, overwhelmingly, a college degree (94,1%), a far larger figure than in Germany (83,5%), UK (73,5%) and the Slovak Republic (76%). This process have increased in the last years. At the same time, we perceive how the lawyers dominate among the Spanish HR managers (32% of them), with lower figures in the UK (2,4%), in the Slovak Republic

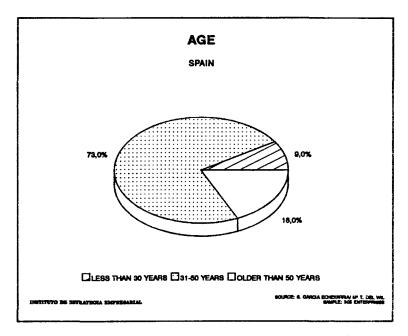


Figure 10

(10%), and in Germany (with a 14,4%). The lawyers' dominance in the HR area, has always been and still is the main feature in this activity, as this studies are still recommended by a (31,4%)

On the other hand, the economist plays a minor role in Spain with just a 9,2%, against their crucial position in Germany (60,3%), as well as in the UK (36,8%) and in the Slovak Republic (32,5%). This situation derives from the lack of economic and business mentality in the HR area

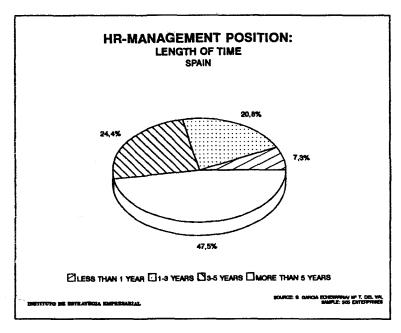


Figure 11

within the Spanish firms, against other countries' cultures. Human Resources are not treated from the economic perspective but from the legal-administrative one.

The psychologists cover, as well, an important space in the HR manager profile, with a 12,4%, significantly a larger figure than in other countries.

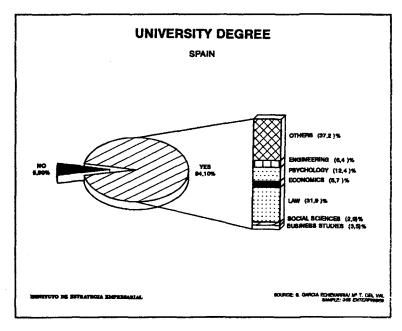


Figure 12

Thus, as a consequence, we may establish, that the HR managers' degree background sets the principles in that area in the Spanish company, and is narrowly related to the working framework.

Another significant question about the potentials of HR managers is the one related with their professional career. As we may acknowledge in the Spanish company a 73,5% of the HR managers have developed their potential within the same HR department, and just a 26,5% of them come from other business functions. It could be said, that the so-called *chimney effect* – HR

managers developed in their own departments- dominates, more than in other cultures.

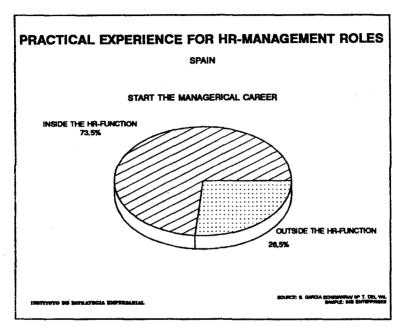


Figure 13

Doubtlessly, this is a significant difference, in particular, with the UK and the Slovak Republic, where just a 46% of the HR managers, are feed within the HR department. More than half come from other business activities. In Germany, two thirds of the HR managers are developed professionally within the same HR departments and a third come from other activities.

When the HR managers are asked about which career stage they have achieved, we observe how a third of them believe they have already

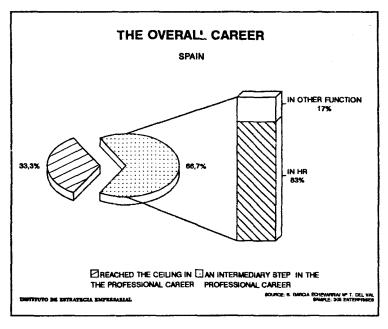


Figure 14

reached their career ceiling, while two thirds of them consider themselves still in a developing stage of their professional career. Besides, it is widely extended (83%) among those HR managers the desire to continue in the Human Resource area, as their career path. Just a 17% of them would like to develop their potential in other business areas or functions. According to these figures, we may observe how HR managers do not

consider the existence of managing skills they could use in other business units or functions. Which goes against the belief of other functional managers.

The low international business training and experience standards among HR managers in the different countries arise as a serious issue to be analysed. Human Resources, are probably the area with the lowest international development in their management, creating important problems in the companies' development. Localism in the HR area derives from the legal – orientation given to HR policies, together with an inward cultural vision more than orienting to a business and economic framework. The explained situation leads to a lack of international expansion of HR departments' economic and social practices. Thus, companies loose very significant potentials.

We may appreciate how just a 16,1% of HR managers have any practical experience abroad. The Spanish situation in this ground is similar to the one in Germany, while a third of British and Slovak HR managers have acquired some international experience.

The HR managers' internationalisation deficit, in our opinion, arise as a review issue when discussing the managing development.

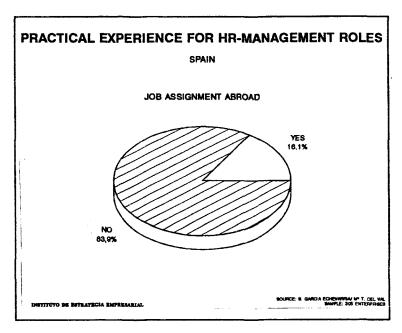


Figure 15

Before analysing the Spanish HR managers' values, we should outline how a 71% of them stand at their companies' Board of Directors. Doubtlessly, this is a surprising trend if we compare with the 15% of HR managers standing at the German Vorstands, while in the UK a 30%, and in the Slovak Republic a 19% stand at the board of directors. However, two constraints should be analysed to understand properly the HR Managers' real location within companies:

* First, Board of Directors is not the same as the German Vorstand, but more an inwards-oriented institution.

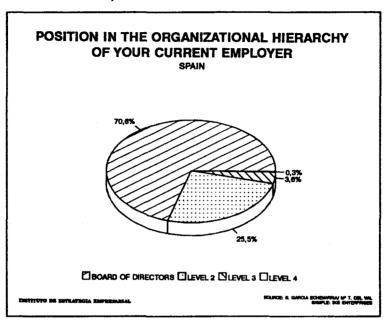


Figure 16

The breakthrough to top responsibility levels have occurred in the last fast-changing five years. The reason lays in the downsizing trend, and a perceptiveness of the necessity to widen the HR importance in the business process management.

In the present, from the value profile defining the Spanish HR managers we may outline three main values:

- * Bargaining skills
- Communicational skills
- * Attachment to company

These set values, maintain their overwhelming acceptance in the future, with a clear affinity to them by the HR managers in the following grounds:

- * Bargaining skills
- Motivational skills
- Communicational skills

Besides, in a future, another group of highly considered values, related to organisational and business issues, appear as relevant:

- Strategic vision
- Attachment to company
- Delegation capacity
- Flexibility
- Global Vision
- Risk assumption

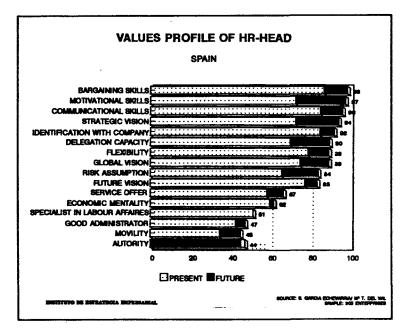


Figure 17

As we may appreciate, all these values correspond, basically, to the operative business way of thinking. The gap between the present and the future set of values, is highly significant in some cases, which become a key concern to those HR managers. We find, as well, a discouraging set of values in the obtained results, corresponding to very low figures in:

- Economic mentality
- Mobility

There is a clear declining value, which is the administrative role of HR managers. Administration is considered not to be their function, and at the same time, the labour specialist role start to loose weight among them.

Summarising, we appreciate a clear trend towards a greater importance of the business management issues among HR managers, and a changing pattern leaving aside the traditional *administrative-legal* perspective.

IV. WHICH ROLE PLAYS THE HR-DEPARTMENT IN THE BUSINESS ORGANISATION?

A 95% of the Spanish companies hold a HR department, showing similar figures as in the other researched countries. Thus, the need to research which role are playing those departments. We may observe the lack of great differences among the HR organizative structures in the four countries, as the four maintain highly centralised functions together with decentralised ones.

The most centralised ones would be the following:

- * HR planning
- Reward systems

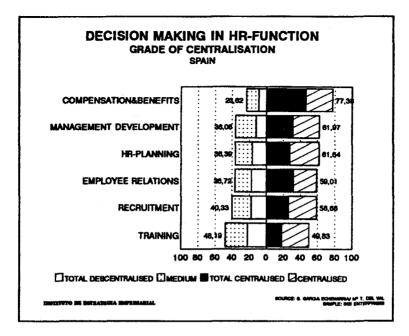


Figure 18

Management development

Decentralisation gets a greater weight in those areas concerning with:

- * Recruitment
- Relationship with employees

On the other hand, we find greater cultural differences in the situation of HR departments' decision levels. Generally, we could affirm that the United Kingdom reaches the greatest level of strategic oriented

DECISION MAKING IN HR-FUNCTION
LEVEL OF DECISION MAKING
SPAIN

HR- PLANNING

HR- PLANNING

TRAINING

COMPENSATIONABENEFITS

EMPLOYEE RELATIONS

MANAGEMENT DEVELOPMENT

TODBO 80 40 20 9 20 40 40 80 100

MANAGEMENT DEVELOPMENT

TODBO 80 40 20 9 20 40 40 80 100

MANAGEMENT DEVELOPMENT

TODBO 80 40 20 9 20 40 40 80 100

MANAGEMENT DEVELOPMENT

TODBO 80 40 20 9 20 40 40 80 100

Figure 19

decisions. The greatest differences rest in the HR planning and in those issues concerning with management development policy.

Noticeably, we should remark how a country like Germany carry out administrative functions rather than strategic ones in the personnel recruitment area.

We could affirm that decision levels in:

- Training
- Reward systems
- Industrial relations

are strategically oriented at a 50%, in the four countries.

Equally, we have considered the functions covered until now by the HR departments in Spain. The HR heads take upon themselves the following basic functions:

- Recruitment and selection
- * Training and personnel development
- Personnel administration

Playing a minor role the following tasks:

- HR planning
- Consulting services
- Workplace evaluations
- Reward systems

Thus, we may appreciate how the traditional task of HR departments have been more administrative oriented than business oriented.

However, the HR management is conscious about the need of a mutative change in the role of HR departments. The traditional administrative and control-oriented centre should be neglected and there should

be a change towards a consulting centre, helping to design corporate strategy, together with other departments.

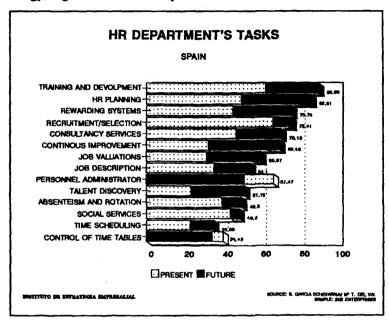


Figure 20

HR heads consider as their main functions in the future, the following:

*	Training and development	89,8%
*	HR planning	85,6%
*	Reward systems	75,7%
*	Recruitment and selection	75.0%

HR heads confer low future relevance, to the traditional functions in this area, as:

- * Administration
- * Workplace description

Also, HR heads endow a lesser role in a future to the following functions:

- Discover talents
- Deal with absenteeism and rotation
- Social benefits
- Controlling issues

The given clarifying trend towards corporate management areas dropping the traditional one remains, doubtlessly, as HR heads' main future mission.

The basic problem is to discover whether the HR heads and their departments have already achieved enough capabilities and attitudes to deal with the explained developments.

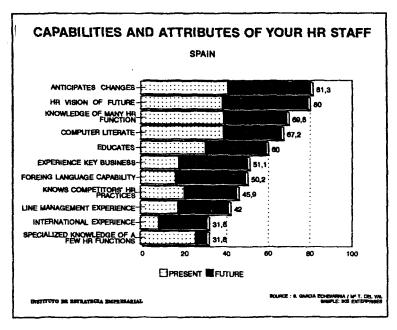


Figure 21

So HR heads believe that in a future, the required skills and attitudes in their departments' employees should be, dominantly, the following:

- * Anticipate changes
- Future vision in HR managers
- Knowledge in many HR functions
- * Line managers' training as a key function

And the following know how appear with a secondary relevance

- * International experience
- * Knowledge specialisation in few functions
- * Benchmarking practices

The Spanish situation is similar to the one in the other researched countries, United Kingdom, Germany and the Slovak Republic. When comparing the present and future profiles, we may deduce the huge changing requirements. This process supposes a mutative change. The great challenge rests in the way to implement this change process, one of the main targets in this research.

V. HR MANAGERS' CHANGE PROCESS IN THE SPANISH FIRMS

The coming chapter will analyse the way the HR Head may follow to adapt himself to new management requirements in open and competitive economies. Besides, we will consider how the HR Heads and their departments are affected by the change dynamics.

The HR manager in Spain thinks that the change process should be brought through:

*	Much stronger ties with the corporate		
	strategy		91,8%
*	Take part actively in company's		
	business		85,8%
*	Develop with a greater intensity		
	communications with other business		
	areas.	A Property of the Contract of	82,2%

These trends confirm the orientation to a corporate managerism in human resource disposal, more than a mere administrative.

In a second place, but with significant figures, the HR manager considers he may assume his challenge through:

*	Improving the co-ordination with other			
	business activities	77,9%		
*	A greater flexibility in HR function	75,5%		
*	A greater training capacity	75,2%		
*	A change in corporate culture	71,3%		

The HR manager does not include among those important variables, their change within the organisational level, or the assumption of new functions.

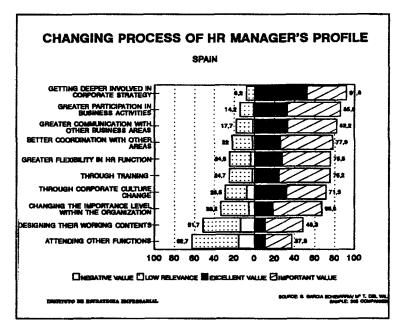
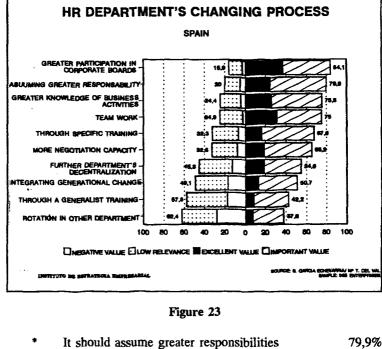


Figure 22

The HR manager does not include among those important variables, their change within the organisational level, or the assumption of new functions.

But, as we have seen, the challenge does not rest only on the HR heads, but also in the whole department, as they look forward becoming a service offering department, and not an administrative one. The whole process could be sustained in four key aspects:



- * It should improve the knowledge about the business areas 75,5%
- It should intensify team working 75,0%

On the contrary, we find a number of activities and variables that are not identified as the engine of HR departments' changing processes, as:

- * Rotating through other departments
- * A more generalist training career
- * Integrating generational change
- * Decentralising the departments

Once again, we may appreciate clearly, the HR managers' state of mind, about their need to be integrated in the corporate's business, more than in their traditional functions.

This changing process is considered to be developed, from two main processes:

- * A training policy, derived from the clear perception of a need to improve the capabilities in HR departments' Staff, in order to assume in a future the business oriented managing skills.
- * Changes in corporate's organisation.

Generational change and the need to redefine the departments' scope do not appear among the explained variables. The focus is oriented

towards the capability to achieve a great performance in open markets. This fact implies a new Corporate Culture, a vision need. That is way environment's knowledge is increasingly important, as well as, motivational and leadership theories. At the same time, instruments and tools loose some importance.

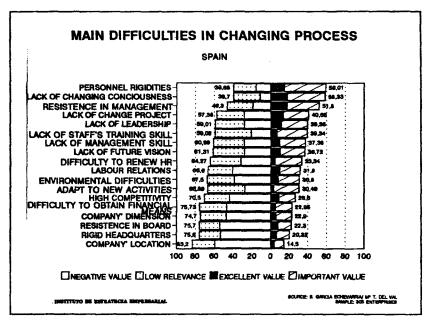


Figure 24

Once inquired, how the HR managers think this change process should be implemented, we should study where those managers perceive the greatest difficulties are located in this move. The greatest ones are in:

- Personnel's stiffness
- * The lack of a changing consciousness
- * Management resistance

However, we find another set of values not so much assessed, as lack of leadership, lack of a changing project, low capacity in the training department i.e. HR managers do not see, neither, as great obstacles competitivity, business dimension, resistance in the Board, environmental difficulties or industrial relations.

Therefore, it is surprising once studied the Spanish firms' actual situation, how the HR heads just define the given obstacles' profile, which should strengthen the success chances compared with their actual results. This hopefulness does not correspond with the actual patterns in the Spanish companies' changing processes.

VI. CONCLUSIONS

We may affirm that every company is defined by the three success factors:

- * First, the *institutional field*, which includes the value systems that have to be managed.
- * The economic field, including business strategy, that correspond to the evaluation of environments and companies' strengths and weaknesses.
- * Organizative field, looking for adaptability to changing processes.

These factors carry out three new basic orientations in HR managers' corporate culture

* First, we need human-oriented organisations, in order to enhance their integration and motivation, as a prior condition to a flexible and quick change process; thus reducing economic costs and time consumption.

- * A clear customer and supplier driven orientation, reducing transaction costs.
- * Finally, we need a clear orientation to the constant development of the institution.

So the proposal for a better HR management could be the following:

- Increasingly, the HR corporate manager has to come near the top corporate levels, even being included and taking actively part in them.
- * The functional and the corporate sphere should be clearly divided within the HR area.
- * HR management is becoming the key strategic factor, both at the design of cultural changes, as in the strategic and organizative resolutions.
- * HR managers should be more business-aligned, an more separated from functions.

- * The basic trend is towards an increasing outsourcing orientation in HR functions, aiming economies of scale through the collaboration with others.
- * Differentiation remains more in HR corporate management, than in the management of HR functions.

In the coming years, management processes will increase their importance as the major role of HR managers. All the energies in HR management, particularly those related to leadership, should be oriented to institutional consolidation. This is the only reference offering external and internal confidence to companies within an open and competitive context that is involved in huge uncertainties.

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