Human resource management and Deming’s continuous improvement concept

Mitchell Langbert*

C.U.N.Y.-Brooklyn College, 140 Riverside Drive, # 16-K, New York, NY 10024, USA

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Abstract

This article presents a loss minimization or continuous improvement model for human resource management (HRM). Minimization of losses arising from the interaction of two critical human resource (HR) quality targets, commitment and equity, requires ‘profound knowledge’ of social processes and the development of HR systems. The history of HR can be interpreted as a social continuous improvement process that makes use of four systems approaches: trust, bureaucracy, unionization, and regulation. Variance-minimizing tools that were appropriate for earlier phases of HR history (characterized by higher levels of HR loss) may be too blunt for the level of commitment industry now demands. Enterprise or company unionism may be a preferable quality management tool, although the National Labor Relations Act inhibits its adoption. © 2000 Elsevier Science Inc. All rights reserved.

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In this paper I show that the history of human resource management (HRM) can be interpreted as a continuous improvement or loss minimization process aimed at improving equity and commitment in the workplace. During the past 15 years, human resource (HR) scholars (Kochan et al., 1986; Schuler and Jackson, 1987; Ulrich, 1996) have emphasized that HR initiatives often play an important role in creating competitive advantage by targeting human and organizational capital at strategic goals. In contrast, I contend that throughout its history HRM has amounted to a quality improvement process aimed at minimizing social losses by integrating equity with other strategic objectives.¹

* Corresponding author. Tel.: +1-212-595-2366.
E-mail address: langbert@brooklyn.cuny.edu (M. Langbert).

¹ I thank an anonymous referee for pointing out that this theory depicts HR in a more risk-averse light than does the theory that HR creates strategic advantage.
There is no question that technological innovation and globalization have reemphasized the importance of matching HRM to strategic goals (Eaton and Voos, 1992; Huselid, 1995; Kleiner et al., 1987; Kochan et al., 1986). Firms need HRM to improve employees’ selection, training, and motivation. Employees need HRM to help develop managerial and other marketable skills. Indeed, some firms now say that they intend to go even further in eliciting employees’ participation in generating change and propelling continuous improvement. In effect, such firms would like to bridge two traditionally distinct roles. The first is that of the risk-taking entrepreneur, who absorbs uncertainty and so is entitled to profit, risk premiums, and rents. The second is that of the risk-averse employee, paid at a fixed rate, distinct from management and characterized by “scarcity-consciousness” (Knight, 1933; Perlman, 1928). Such firms have begun to bridge the two roles through a range of high-performance strategies that Heckscher (1988) has called managerialism.

But to energize managerial HR strategies, firms must first instill a sense that they are worthy of employees’ commitment. That is, in order to elicit commitment, firms need to convince employees that they are fair. Without providing the requisite sense of equity among employees, policies that aim at co-entrepreneurship may tend to give birth to the reverse instead: cynicism and alienation. My claim is that over the past two centuries firms have improved considerably in their ability to generate employees’ sense of equity and commitment but that continued improvement depends on ever-subtler insight into HR issues and processes.

In the nineteenth century, as today, globalization disrupted HRM policy. In those days strike violence often resulted from change, reflecting an early, high-variance stage in the development of HRM quality. There has been considerable improvement since then. During the past century, four alternative processes have been used to improve HRM and instill commitment and a sense of equity among employees. They are trust, bureaucratic policies, unionization, and legislation. How they have done so suggests how HRM quality has improved and may improve in the new century.

1. Leadership and HRM processes

The first two of the four HR quality improvement processes, trust and bureaucratic policies, depend on leadership. Throughout the past century, various consultants, executives, and scholars have called for a mental revolution, industrial statesmanship, strong corporate culture, theory y, theory z, organizational citizenship, empowerment, high-performance, and driving fear out of the workplace. All were really calling for leadership that integrates equity with commitment.

In contrast, the last two processes, unionization and legislation, are ways to balance or constrain weak leadership. Also in the last century, Commons et al. (1946) argued that expansion of markets (globalization) causes reductions in wages and changes in employment practices. In turn, they argued, mediating institutions like unions and protective regulation are necessary to reduce inequitable treatment of employees and so improve the quality of HRM. Like consultants’ calls for better leadership, reformers’ calls for constraints on weak leadership resounded throughout the last century.
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